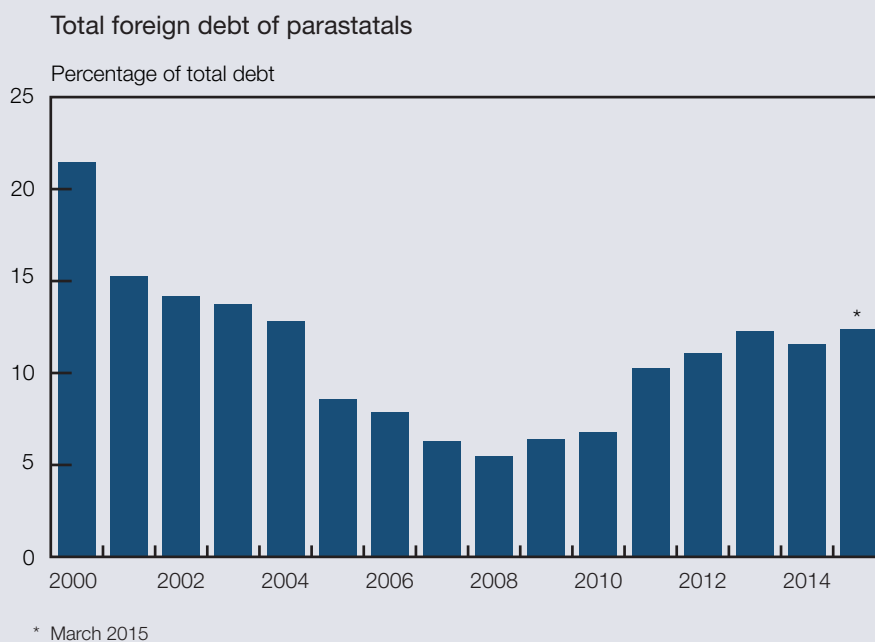


Box 5 Developments in the external debt of South African parastatals

Government's undertaking to upgrade South Africa's road, railway and energy infrastructure exerted upward pressure on the level of foreign debt of the public sector in recent years.

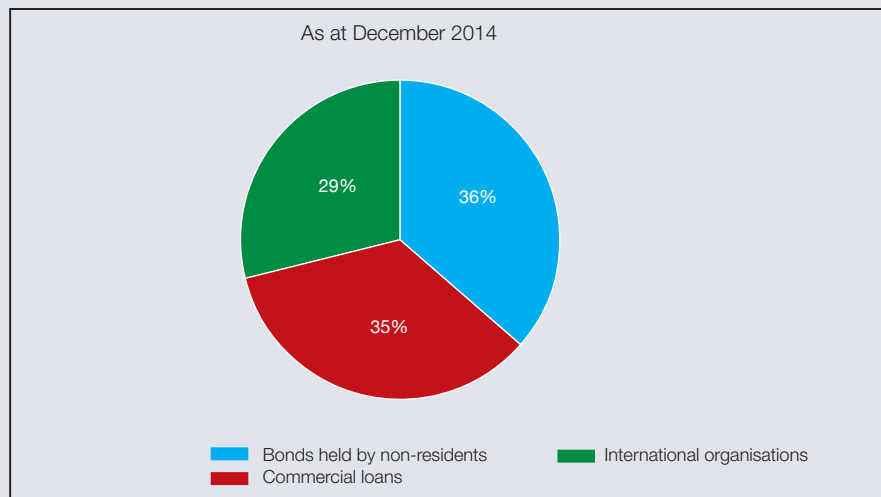
Consequently, the external debt of parastatals increased from US\$4,5 billion in March 2009 to no less than US\$17,8 billion in March 2015. As a ratio of gross domestic product (GDP), the external debt of parastatals advanced from 1,6 per cent to 5,1 per cent over the period. Against the background of the country's fairly low savings rate, the parastatals sought funding from local and international capital markets.



Parastatal loan financing increased significantly from US\$2,1 billion at the end of September 2008 to US\$10,1 billion at the end of September 2014, moving sideways in the subsequent period to the end of March 2015. Parastatal bonds held by non-resident investors displayed a similar trend, increasing from US\$1,8 billion at the end of September 2008 to US\$7,3 billion at the end of March 2015. These increases coincided with the start of the energy and road infrastructure upgrades following the first major occurrence of domestic power outages and preparations for the hosting of the 2010 FIFA World Cup.

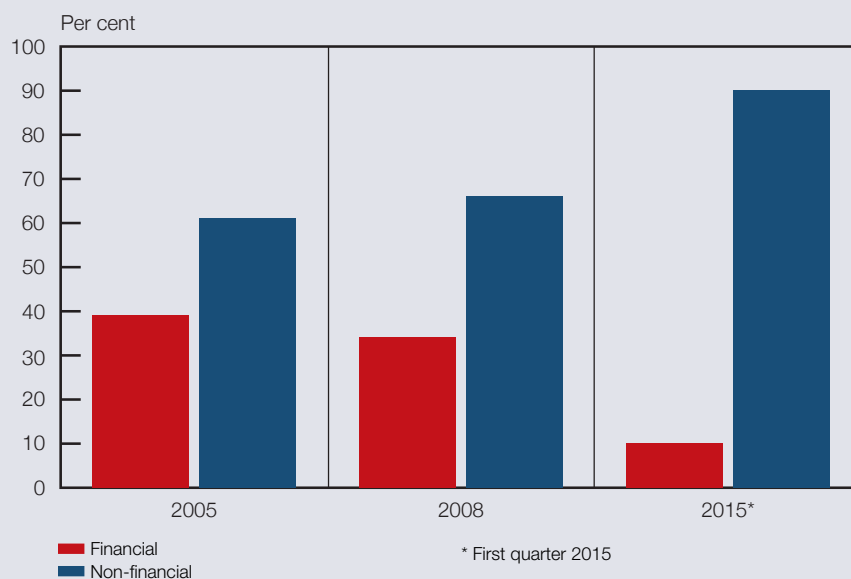
As shown in the accompanying graph, funding is obtained from a diverse set of sources. South African public corporations have, among others, accessed international financial markets by issuing foreign currency- and rand-denominated bonds, approached international organisations such as the World Bank and the African Development Bank for concessional loans, and negotiated credit facilities with commercial banks and other international entities to diversify their funding.

Composition of parastatals' foreign debt



The graph below outlines the share of parastatals' external debt by subsector as at the end of December 2005, 2008 and March 2015. In terms of the sectoral classification, parastatals classified as 'non-financial' increased their share of total parastatal debt from 61 per cent at the end of 2005 to 66 per cent at the end of 2008 before increasing to 90 per cent in March 2015.

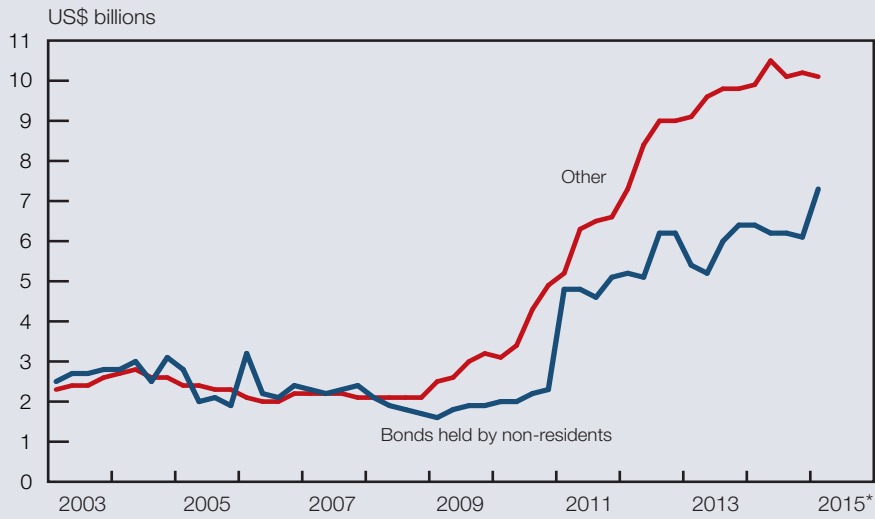
Foreign debt of parastatals by sector of borrower



Parastatals' funding from the international capital markets may become less attractive in future following the recent downgrading of one of the parastatals' long-term credit rating to below investment grade by one of the credit-rating agencies. Nonetheless, rand-denominated loan funding by parastatals has gradually become larger in relation to total loan financing since March 2002. The rand-denominated foreign loans of parastatals rose from US\$0,3 billion at the end of 2002 to US\$4,2 billion at the end

of March 2015. The increasing portion of rand-denominated loan funding could partly be beneficial in avoiding the negative impact of the fluctuating exchange rate and reducing external vulnerability.

Composition of parastatals' foreign debt



* First quarter 2015