

## REVENUE

# Greater revenue, prudent handling means SA needs to borrow less

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GOVERNMENT'S borrowing requirement would be lower over the next few years, because of increased revenue collection and "prudent management of the national debt portfolio", the treasury said yesterday.

A lower borrowing requirement reduces government debt issuance in the market, providing the opportunity for state-owned entities and other corporations to finance their operations at a lower cost.

In 2006-07, and over the next three years, government will, in net terms, buy back R6,6bn of debt, compared with net borrowing of R78,6bn over the preceding four years.

According to the budget review, the public sector borrowing requirement will be reduced to 0,3% of gross domestic product (GDP) in the 2007-08 fiscal year, down from the estimated 0,5% of GDP in the October medium-term budget policy statement.

Borrowing requirements will pick up, to 1,2% of GDP in 2008-09, and 1,4% in 2009-10.

Government borrowing will be reduced to about R500m a week, down from about R800m, said treasury head of asset and liability management

Phakamani Hadebe. As a consequence of this, the debt burden on future generations would continue to decline.

Demand from foreign investors for local debt continued to rise, and the private sector would also be able to borrow more, and more cheaply with reduced government presence.

Companies issued a net amount of about R64bn at favourable spreads last year, including borrowing of about R12bn by state-owned enterprises.

"Looking ahead, there will be a small issuance of domestic long-term debt in 2008-09 and increasing to R10bn in 2009-10, and the government intends to re-enter the foreign debt market in 2009-10," said Citigroup bond analyst Leon Myburgh.

"This is in line with a budget that moves back into deficit from 2008-09."

The budget would keep bonds trading expensively because, in effect, there would be no net issuance of domestic long-term debt for the next two-and-a-half to three years, Myburgh said.

The treasury also announced the introduction of a new inflation-linked retail bond, for individual investors, as well as a new inflation-linked bond to replace a similar bond maturing next year.

