

DEBT REPAYMENT

Ahead of the game

Only a year after the unilateral freeze on certain foreign debt repayments, SA has already repaid about \$2 billion of an estimated total foreign debt commitment of \$2,3 billion due over the period April 1986-June 1987.

Revealing the figures, Finance Director General Chris Stals says the repayment has "worked out roughly as expected." SA made its first post-moratorium \$400m repayment in April. Other repayments include instalments of two IMF loans, certain repayments of short-term credits of the Reserve Bank and repayments on foreign bonded debt on foreign stock exchanges.

This covers debts both inside and outside the standstill net, and follows the interim debt deal reached in February this year for the period April 1986-June 1987. The total debt at the end of August was \$24 billion, of which \$8,8 billion was owed by private banks at the end of August 1985. Of the total debt, \$14 billion was inside the net, and it was agreed that SA would pay 5% of the portion that matures by June 1987.

Although total debt figures at the end of June will be available only within the next few weeks, at least we know that only some \$300m remains to be repaid by June next year, in terms of the debt rescheduling agreement.

Overall, the current account surplus in the next few quarters should exceed capital outflows. But it cannot be assumed that the debt is now around \$22 billion because part of it is in non-dollar currencies, most of which have appreciated against the dollar since August 1985.

While this is an admirable performance, it nevertheless signals the extent to which banks refuse to roll over debt and indicates the way any potential future growth will be severely stymied by repayments.

Stals will head SA's team which is due to meet a technical committee representing SA's major creditor banks in London later this month. Says Stals: "It is a technical review meeting and no matters of principle will be discussed."

Negotiator Fritz Leutwiler, he adds, will not attend "as he is not really needed. Leaders from both delegations will conduct procedures." But he does not rule out the possibility of Leutwiler being called in nearer to the April talks.

Changes to the present interim agreement are unlikely, as SA's current account shows a similar surplus to the estimate around which agreement was reached. Creditor banks will thus not be in a position to claim that SA underestimated its current account surplus and could therefore repay more debt.



**Finance Director General Stals
... an unenviable task ahead**

But the position is far from rosy. Stals has an unenviable task ahead of him in negotiating SA's debt repayment beyond June 1987 — and the politicians are not making his life any easier.

It has been stated often enough that the "agreement" in February merely put SA on probation. Financially, SA has passed the test with honours; but it is seen by some as having failed politically.

Stals says he has not yet begun to consider what he will propose next year, but acknowledges that the pressure banks are exerting against SA has not eased.

It also emerges that the official current account surplus for 1985 is R1,2 billion less than initially estimated — R5,9 billion and not R7,1 billion. But the surplus for the first quarter of 1986 has been upwardly revised from an annualised R1,8 billion to an annualised R4,3 billion.

The Reserve Bank explains: "The counterpart of the downward revisions of 1985 and earlier years naturally has been commensurate with downward revisions of the extent of capital outflows, in particular of non-bank private sector outflows of short-term capital not related to reserves which incorporate unrecorded transactions."

Accordingly, the total outflow of short-term capital not related to reserves during 1985 has been revised downwards by R1,5 billion from R10,3 billion to R8,8 billion. Such outflows in the first quarter 1986 have been revised from an annualised R234m to

R1 billion.

While it is usual to adjust the BoP figures about this time of year, the adjustments are extraordinarily large. Why?

Firstly, on the current account, it now seems that oil imports initially recorded as having entered the country in January actually arrived in SA in December, thus increasing imports in December and reducing imports in January.

In addition, the Bank says a recent survey of interest payments made to foreigners "has caused upward revisions to be made to the current account item "payments for services" for the past several years."

Some economists, notably Barclays' Cees Bruggemans, have criticised the monetary authorities for probably overstating the current account surplus by not identifying some private sector interest payments correctly — thereby overstating short-term capital outflows.

Now, interest payments previously recorded in the capital account have been transferred to the current account. This is a further reason for the downward adjustment in both the capital account outflows and the current account surplus.

Implied interest paid on items such as banker acceptances and bank onlending (the arranging of credit for clients) is now being shown under "interest payments" on the current account. These changes, says one economist, "are neither here nor there" but do explain why interest on foreign debt has appeared low, having previously been reflected in lower current account inflows.

Anglo economist Jim Buys says that while the balance of payments is not affected, these adjustments "more accurately reflect the surplus funds available to meet capital repayments. Previously the available funds were overestimated."

The portion of the adjustments that can be attributed to oil imports and interest payments is unclear. The Bank declines to disclose the amounts involved but says figures will be available in its September quarterly bulletin to be published at the end of the month.

The Bank has also revised certain other balance of payments statistics, some of which go back to 1981.

Officials will provide no other details yet, saying that "other revisions of a more routine nature have been made to other items, making use of the availability of more recent and complete data."

The Bank says that the net effect of these revisions has been to reduce "somewhat" the current account surpluses, recorded in the four quarters of 1985. ■