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WORLD ECONOMIC FORUM Minister happy with Bank's progress so far

# Manuel rules out raising debt to close forward book

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FINANCE Minister Trevor Manuel has ruled out, for the time being, raising debt to close down the Reserve Bank's forward book.

In an interview at the World Economic Forum summit in Durban yesterday, he said he was in favour of continuing with the current policy of gradually managing debt downwards, and was happy with the progress being made so far.

Manuel said government was confident that it would be able to close the book, which "has been raised as an issue to peg uncertainty into".

He said the Bank's exposure in the forward currency market would be cut further with the arrival of capital flows from the take-over and delisting of De Beers.

There has been speculation in the market that the early arrival of proceeds from the deal were behind the surprise announcement that the Bank had cut its net open foreign currency position (NOFP) by \$1,8bn last month.

Economists expect the deal to result in capital flows into SA of up to \$3,5bn. They originally expected the proceeds to start flowing in only towards the end of the first week of June, hence the surprise at the sharply improved NOFP position.

The NOFP measures the Bank's uncovered exposure in the forward currency market. It ballooned when the Reserve Bank attempted to protect the rand during the emerging market crises of 1997 and 1998.

The NOFP has been recognised as a major structural

cause of rand volatility since then, and a major stumbling block to SA enjoying much lower interest rates.

Manuel said government might have to evaluate suggestions that it raise debt in order to wind down the forward book. However, he preferred to continue with the current policy of winding it down gradually.

A number of economists, notably Standard Bank group economist Iraj Abedian, recently suggested that government should issue a bond in order to get rid of the book.

Although conditions in the bond market were favourable globally, the markets had been through rough times recently and sentiment could switch quickly. "Management of liabilities requires strategic thinking.... There are tactical choices you need to make

from time to time."

Manuel also said that government was confident it was on track to meet its target of realising about R18bn in privatisation proceeds during the current fiscal year.

It had already received R3,5bn from Sasria and the two remaining issues were M-Cell and Telkom. He declined to attach a value to the last two issues, saying this would be to sell them short.

Manuel also said government's position on SA companies seeking primary listings offshore had not changed, but was looking at "unresolved" issues that might dynamise the situation.

One of these was the proposed link up between the JSE Securities Exchange SA and the London Stock Exchange.

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