



# SOUTH AFRICA

## TECHNICAL ASSISTANCE REPORT—MONETARY AND FINANCIAL STATISTICS (DUTY STATION-BASED) MISSION (AUGUST 10–23, 2022)

July 2023

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# TECHNICAL ASSISTANCE REPORT

## **SOUTH AFRICA**

Monetary and Financial Statistics Mission

**AUGUST 10–23, 2022**

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South Africa

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## Acronyms

AFR	.....	IMF's African Department
CBS	.....	Central Bank Survey
CMFFU	...	Capital Market and Flow of Funds Unit, ESD
CPD	.....	Corporation for Public Deposits
ESD	.....	Economic Statistics Department, SARB
FIN	.....	IMF's Finance Department
FSD	.....	Financial Services Department, SARB
GEPF	.....	Government Employees Pension Fund
ICs	.....	Insurance Corporations
IDFC	.....	Ithala Development Finance Corporation
<i>IFS</i>	.....	<i>International Financial Statistics</i>
IMD	.....	Integrated Monetary Database
IMF	.....	International Monetary Fund
MBU	.....	Money and Banking Unit, ESD
MFS	.....	Monetary and Financial Statistics
<i>MFSM</i>	.....	<i>Monetary and Financials Statistics Manual, 2000</i>
<i>MFSMCG</i>	.....	<i>Monetary and Financial Statistics Manual and Compilation Guide, 2016</i>
MMFs	....	Money Market Funds
NT	.....	National Treasury
ODCs	.....	Other Depository Corporations
ODCS	.....	Other Depository Corporations Survey
OFCs	.....	Other Financial Corporations
OFCS	.....	Other Financial Corporations survey
PFs	.....	Pension Funds
PFCs	.....	Public Financial Corporations
PIC	.....	Public Investment Corporation
ZAR	.....	South African Rand
SARB	.....	South African Reserve Bank
SDR	.....	Special Drawing Rights
SRF	.....	Standardized Report Form
STA	.....	IMF's Statistics Department
TA	.....	Technical Assistance

## Executive Summary

- At the request of the South African Reserve Bank (SARB), and with the support of the IMF’s African Department (AFR), a remote monetary and financial statistics (MFS) technical assistance (TA) mission took place during August 10–23, 2022.** The mission assisted the SARB in ensuring that South Africa’s monetary data are compiled in compliance with international standards and methodology set out in the 2016 *Monetary and Financial Statistics Manual and Compilation Guide (MFSMCG)*—including full coverage of the other depository corporations (ODCs) sector—using the standardized report forms (SRFs) developed by the IMF’s Statistics Department (STA).
- Once the current mission’s recommendations are implemented, both the central bank survey (CBS) and the ODCs survey (ODCS) will fully comply with the methodology of the MFSMCG.** Together with the staff of the Money and Banking Unit (MBU) of the SARB’s Economic Statistics Department (ESD), the mission thoroughly reviewed the bridge tables generating the SRFs for the central bank (1SR) and ODCs (2SR). This exercise detected several shortcomings in the mapping from the source data to the SRFs 1SR and 2SR regarding the classification and sectorization of financial instruments. In the case of the central bank, particular attention was given to the recording and reporting of the IMF accounts.
- The mission developed bridge tables from the source data of money market funds (MMFs), the Land Bank, and Ithala SOC to 2SR.** Once the MMFs are reclassified from the other financial corporations (OFC) sector (they are currently included together with non-MMF investment funds) to the ODCs sector, the bridge table will map their accounts to 2SR. This will impact the calculation of broad money. The bridge table for the Land Bank, based on its more detailed balance sheet, will replace the one currently used by the MBU. Ithala SOC is a deposit-taking subsidiary of the Ithala Development Finance Corporation (IDFC), and its accounts are merged within the balance sheet of the group; once they can be separated, they will be added to the 2SR using the bridge table developed by the mission.
- The mission estimated that reclassifying the MMFs from the OFCs to the ODCs sector will increase broad money by two to three percent.** Once the reclassification takes place, the mission recommended that the ESD prepare a methodological note explaining the impact on monetary aggregates.
- To support progress in the above work areas, the mission recommended a detailed action plan with the priority recommendations summarized in Table 1.** A time frame for completing these recommendations was discussed and agreed in principle with the authorities. Further details can be found in the section *Detailed Technical Assessment and Recommendations*.

**Table 1. South Africa: Priority Recommendations**

Target Date	Priority Recommendations	Responsible Department
April 2023	<i>Compile 1SR (central bank’s data) incorporating the recommended reclassifications in the updated bridge table prepared by the mission and report it to STA with revisions in historical data starting from December 2018 onwards.</i>	ESD
April 2023	<i>Compile 2SR (ODCs’ data) incorporating the recommended reclassifications in the updated bridge table prepared by the mission and report it to STA with revisions in historical data starting from December 2018 onwards.</i>	ESD
May 2023	<i>Expand the coverage of the ODCS, reclassifying the accounts of MMFs from the OFCs (4SR) to the ODCs (2SR) subsector using the bridge table developed by the mission for data reporting to STA.</i>	ESD

# SECTION I. BACKGROUND

## A. IMPLEMENTATION OF PREVIOUS MISSIONS' RECOMMENDATIONS

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**6. The SARB received support from STA to compile MFS through two TA missions in November 2003 and June 2004.** Those missions assisted the staff of the SARB in implementing the methodology of the then operational *Monetary and Financial Statistics Manual (MFSM)* and compiling the SRFs for reporting monetary data to STA. The missions improved the sectorization of financial instruments in monetary accounts and reconciled the positions of subsectors within the financial sector. The June 2004 mission also recommended the SARB to include the MMFs as part of the ODCs sector, as well as further aligning the data disseminated by the SARB in its *Quarterly Bulletin* with the methodology of the *MFSM*.

**7. The SARB implemented most of the recommendations of the 2003 and 2004 mission.** It migrated to the SRFs for the central bank, ODCs, and OFCs and started using them for regularly reporting monetary data to STA with monthly frequency for the central bank and ODCs, and with quarterly frequency for OFCs. However, MMFs continued to be included in the OFC sector and their accounts merged with the accounts of non-MMF investment funds.

## B. THE FINANCIAL SYSTEM IN SOUTH AFRICA

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**8. The financial system in South Africa is highly developed, with different types of institutions and an important participation of OFCs.** Total assets of the financial corporations' sector, excluding the SARB, at end-March 2022, were above 21,000 billion rands (ZAR), approximately US \$1,400 billion or 3.3 times the size of the country's GDP. Table 2 summarizes the structure of South Africa's financial system.

**9. The SARB performs the typical functions of a country's central bank.** It issues the national currency, conducts monetary policy, manages the country's international reserves, acts as banker to the government, regulates and supervises the banking and insurance markets, and ensures the effective functioning of the payment system. The SARB is the fiscal agent of the National Treasury (NT) and therefore, act as the depository institution in the country's relations with the IMF, being the NT the fiscal agent. The SARB's functions, powers, and responsibilities are specified in the *SARB Act, 1989 (Act No. 90 of 1989)*. *Regulation 61*, amended in 2016, prescribes the returns to be submitted by banks to the Prudential Authority and the MBU of the SARB. The SARB has one financial and two nonfinancial subsidiaries.<sup>1</sup> The financial subsidiary, the Corporation for Public Deposits (CPD), accepts call deposits

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<sup>1</sup> The nonfinancial subsidiaries are the South African Bank Note Company and the South African Mint Company.

**Table 2. South Africa: Structure of the Financial Sector**

At end-March 2022 (in billions ZAR)

	Number of entities	Total assets	Participation in total financial system <sup>#</sup> %	Participation in sub-sector <sup>#</sup> %
<b>Financial sector total</b>	<b>2665</b>	<b>22,259.0</b>		
<b>South African Reserve Bank*</b>	<b>1</b>	<b>1,043.9</b>		
<b>Other Depository Corporations</b>	<b>119</b>	<b>7,222.7</b>	<b>34.0</b>	
Commercial banks	30	6,821.6	32.2	94.4
Domestically controlled	13	6,393.0	30.1	88.5
Foreign controlled	4	21.4	0.1	0.3
Branches of foreign banks	13	407.2	1.9	5.6
Mutual banks	4	3.3	0.0	0.0
Money market unit trusts	53	354.1	1.7	4.9
Landbank	1	31.8	0.1	0.4
Postbank	1	8.4	0.0	0.1
Ithala SOC	1	3.0	0.0	0.0
Cooperative banks	5	0.4	0.0	0.0
Cooperative financial institutions	24	0.1	0.0	0.0
<b>Other Financial Corporations</b>	<b>2,545</b>	<b>13,992.4</b>	<b>66.0</b>	
Insurance corporations	157	4,216.0	19.9	30.1
Life insurance	78	3,878.2	18.3	27.7
Non-life insurance	79	337.8	1.6	2.4
Pension and provident funds	639	6,001.5	28.3	42.9
Private pension funds <sup>✓</sup>	634	3,583.1	16.9	25.6
Official pension funds	5	2,418.4	11.4	17.3
Non-MMF investment funds (unit trusts)	1,653	3,237.9	15.3	23.1
Public Investment Corporation <sup>*</sup>	1		0.0	0.0
Finance companies	28	298.9	1.4	2.1
Public financial corporations	6	232.7	1.1	1.7
Participation bond schemes	2	5.4	0.0	0.0
Foreign bank representatives	28			
Exchange houses (authorised dealers)	26			
Securities exchanges	5			
<sup>#</sup> Excluding SARB's assets. <sup>*</sup> Including the Corporation for Public Deposits. <sup>✓</sup> Data as of end-December 2021. It is estimated that more than 1,400 private pension funds are active, but only 634 report data to the SARB. <sup>*</sup> The PIC has funds under management.				

therefore, act as the depository institution in the country's relations with the IMF, being the NT the fiscal agent. The SARB's functions, powers, and responsibilities are specified in the *SARB Act, 1989 (Act No. 90 of 1989)*. *Regulation 61*, amended in 2016, prescribes the returns to be submitted by banks to the Prudential Authority and the MBU of the SARB. The SARB has one financial and two nonfinancial subsidiaries.<sup>2</sup> The financial subsidiary, the Corporation for Public Deposits (CPD), accepts call deposits

<sup>2</sup> The nonfinancial subsidiaries are the South African Bank Note Company and the South African Mint Company.



from the public sector and invest funds in short-term money market instruments, bank deposits, and Treasury bills; its accounts are consolidated with the ones of the SARB's when compiling the CBS.

**10. The ODCs sector is dominated by commercial banks constituting 95 percent of its total assets.** Most of their assets are concentrated in 13 domestically controlled banks, while four subsidiaries and 13 branches of foreign banks operate in the country. Banks can accept deposits and extend loans in foreign currency, although they represent only 5 and 8 percent of the total of each category, respectively.

**11. The remainder of the ODCs sector consists of:**

- Four **mutual banks** that are like credit unions, with their depositors being shareholders; their total assets are very small as a percentage of the total sector.
- Five **cooperative banks** and 24 **cooperative financial institutions** with a small participation in the sector.
- Fifty-three **MMFs** (known in South Africa as unit trusts), which raise funds from the public by issuing investment fund shares and invest the proceeds in short-term, low-risk, financial instruments; their assets constitute 5 percent of the ODC sector's total assets.
- Two **state-owned institutions** are currently included in the ODCs. The **Land and Agricultural Development Bank** (Land Bank), which provides financial services to farmers, finances its activities mainly through the issuing of securities held by OFCs. The **Postbank** is incorporated into the Post Office, with the bulk of its liabilities being savings deposits and certificates. Not included in the ODCs is **Ithala SOC** (a subsidiary of IDFC), which accepts transferable and nontransferable deposits from businesses and private clients, but with a very small participation in the sector.

**12. Total assets of OFCs are almost twice of the ODCs.** The main players in the OFCs sector are insurance corporations (ICs) and pension funds (PFs). More than 90 percent of the assets of ICs are held by 78 life ICs, and the remaining (just less than 10 percent) by 79 non-life ICs; they are regulated under the *Insurance Act, 2017 (Act No. 18 of 2017)*. Regarding PFs, the five official institutions represent 40 percent of the assets of the subsector, with the bulk concentrated in the Government Employees Pension Fund (GEPF). It is estimated that more than 1,400 private PFs are active in the country, but only 634 (80 percent of total assets of private PFs) report their data to the ESD. Other big players in the OFC sector are 1,653 non-MMF investment funds, with assets of ZAR 3,200 billion invested mostly in longer-term, riskier financial instruments.

**13. The Public Investment Corporation (PIC) is an asset management firm wholly owned by the government, having as its clients mostly public sector entities, among them the GEPF; the funds under its management represent around 18 percent of total assets of the OFC sector.** Six public financial corporations (PFCs) are included in the OFCs sector, with total assets of less than 2 percent of the OFCs sector: (i) The Industrial Development Corporation aligns its financing with the national development policies; (ii) the Development Bank of Southern Africa is wholly owned by the South African government and has the mandate of promoting economic growth as well as regional integration for sustainable projects in South Africa, the South African Development Community, and Sub-Saharan Africa; (iii) the National Empowerment Fund provides financial and non-financial support to black-owned businesses; (iv) the National Housing Finance Corporation was established in 1996 as a wholesale financial institution for housing; (v) the Small Enterprise Finance Agency concentrates its financing in small and microenterprises and cooperatives; and (vi) IDFC, fully owned by the province of KwaZulu-Natal, aims at promoting the development in the province. The remaining OFC sector comprises 28 finance companies, 2 participation bond schemes (all of them financial intermediaries); plus 28 foreign bank representatives, 26 foreign exchange houses, and the 5 securities exchanges (all to be classified as financial auxiliaries).

## Section II. Detailed Technical Assessment and Recommendations

### A. ACTION PLAN

14. The Action Plan below includes steps to accomplish milestones as well as the target completion dates. Actions are identified as high (H), medium (M), and priority recommendations (PR).

Priority	Action/Milestone	Target Completion Date
<b>Outcome: Methodological basis for the central bank data follows internationally accepted standards, guidelines, or good practices.</b>		
PR	Compile 1SR (central bank's data) incorporating the recommended reclassifications in the updated bridge table prepared by the mission and report it to STA with revisions in historical data starting from December 2018 onwards.	April 2023
H	Improve the recording of the IMF accounts in 1SR including revising historical data from December 2018 as recommended by the mission.	April 2023
H	Coordinate with the NT on the dissemination of data related to the country's transactions with the IMF.	April 2023
M	Eliminate all manual adjustments currently being performed when compiling the bridge tables for 1SR. If accounts with negative balances need to be reclassified, this should be done through a built-in "if" condition.	April 2023
<b>Outcome: Methodological basis for the ODCs data follows internationally accepted standards, guidelines, or good practices.</b>		
PR	Compile 2SR (ODCs' data) incorporating the recommended reclassifications in the updated bridge table prepared by the mission and report it to STA with revisions in historical data starting from December 2018 onwards.	April 2023
PR	Expand the coverage of the ODCs, reclassifying the accounts of MMFs from the OFCs (4SR) to the ODCs (2SR) subsector using the bridge table developed by the mission for data reporting to STA.	May 2023
<b>Outcome: Source data are adequate for the compilation of ODCs data.</b>		
H	Introduce the more granular call report form for the submission of banks' data to the SARB.	June 2024
M	Include in the ODCs the accounts of Ithala SOC, splitting them from the accounts of IDFC (classified as OFCs) from January 2023.	June 2023
M	The ESD to prepare a methodological note explaining the reclassification of MMFs to the ODC sector and its impact on monetary aggregates.	April 2023
<b>Outcome: Improved periodicity, timeliness, and consistency of MFS data</b>		
M	The SARB to evaluate the option of increasing the consistency between the monetary statistics disseminated nationally and those disseminated through the IMF by using STA's IMD as the source for its national statistics.	June 2024

### Source data

**15. In South Africa the central bank comprises two institutional units (the SARB and the CPD).**

So, there are two different data sources that need to be mapped to the 1SR. Starting from their trial balances, the MBU produces one bridge table for each institution. The partial SRFs are then consolidated into one 1SR for the central bank.

**16. Similar accounts from the trial balance are clustered into groups before mapping them to the bridge table.**

From the internal system (ERP-RMT), accounts in the trial balance that record same instrument and counterpart sector are grouped under the same time series code, with the total mapped to the corresponding items in the bridge table that generates 1SR. New accounts are classified using a “nearest neighbor” algorithm to group them to the most plausible time series code. When the MBU is unsure about the grouping or a nearest neighbor is not available, it consults with the accounting team in the Financial Services Department (FSD) to confirm. This manual allocation process happens every time new accounts are added to the system.<sup>3</sup>

**17. More granular information is added from additional sources.**

Because the trial balance does not contain information at the sub-account level (e.g., individual correspondent banks), the MBU obtains more granular information from account class reports (ACRs) that contain disaggregated sub-account balances for some accounts. The information contained in the ACRs for the SARB is used basically as a control tool and not as a source for more granular data. Conversely, from the ACRs for the CPD, the MBU uses the information at the sub-account level to populate the source file for the bridge table. The mission detected systematic discrepancies between the balances of the accounts in the SARB’s trial balance and the aggregation of the balances of their sub-accounts contained in the ACRs, which in principle should not exist, and which are fixed manually during the same month or the next.<sup>4</sup> If the discrepancies between the SARB’s ACRs and the corresponding accounts in the trial balance are fixed, the MBU should use the ACRs’ more granular data when producing the bridge table for the SARB.

**18. Some problems were detected with the grouping of accounts as an intermediate step to produce the bridge table.**

Grouping accounts that record same financial instrument and counterpart sector simplifies the mapping process, eliminating multiple entries for the same category in 1SR. However, the mission found that some groups contain accounts that do not belong there. Additionally, the risk exists that deposit accounts in overdraft might net from the deposits of other institutional units, instead of being classified as loans.<sup>5</sup> Some accounts in overdraft are correctly classified as loans (e.g., deposits of provincial governments), but it is done manually by the MBU instead of through built-in automatic validations due to IT system constraints. These problems are discussed below when dealing with specific issues found in the compilation of 1SR.

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<sup>3</sup> The ESD launched an IT project to eliminate manual adjustments and to obtain more granular data, but the project was put on hold behind other projects with higher priority.

<sup>4</sup> The MBU is investigating with the FSD the reasons for these discrepancies, which has occurred since September 2021. A possible explanation is a system upgrade that produced timing differences that cannot be backdated.

<sup>5</sup> The general principle of the *MFSMCG* is that data should be recorded and compiled on a gross basis (paragraph 1.44), and that claims on a particular institutional unit or group should not be netted against the liabilities to that unit or group (paragraph 5.62). All outstanding claims arising from overdrawn accounts should be classified as loans rather than as negative balances (paragraph 4.34).

## IMF accounts

**19. The recording and reporting of IMF accounts deserve particular attention because they are recorded simultaneously by the SARB and the NT.** The SARB is the fiscal agent of the NT and acts as the depository institution in the country's relation with the IMF. Therefore, some transactions with the IMF are recorded by the NT, some by the SARB, while others are duplicated. This issue is relevant for two reasons:

(i) The risk that data disseminated by the NT in its financial statements duplicate foreign assets or liabilities disseminated by the SARB on its website and reported to the *International Reserves Data Template*.

(ii) When compiling the CBS, STA substitute the data reported by the central bank with the country's position with the IMF as per the IMF's Finance Department (FIN) records. In the case of South Africa, only the positions kept in the SARB's books should be replaced by FIN records, but not those recorded in the NT accounts.

**20. For purpose of data dissemination, the SARB should coordinate with the NT to avoid duplications in their positions with the IMF.** Statistics presented by both institutions should clearly indicate which are foreign assets and liabilities and which are positions between them originating in the country's transactions with the IMF.

### SDR Holdings

**21. The NT has deposited its holdings of special drawing rights (SDRs) with the SARB.** The SARB reports them in 1SR as *Holdings of SDRs* and includes them as part of its international reserves in the data disseminated on its website. The NT confirmed that in its financial statements the SDR holdings are presented as foreign assets, although with a note explaining that they are being held by the SARB. The position is not double counted in the *International Reserves Data Template*.

**22. A matching liability to the NT was created at the SARB for the holdings of SDRs.** The liability is recorded in account 5003 *Treasury SDR Deposit Account*, which in 1SR is classified as *Transferable Deposits Excluded from Broad Money, Excluded from Monetary Base, Central Government, NC*. The balance of this account is revalued at the end of each month to reflect the R/SDR exchange rate and to match the balance of asset account 14101 *SDR*. Even if for accounting purposes account 5003 is denominated in national currency, when mapping it to the 1SR it should be classified as denominated in foreign currency, because its balance is indexed to a foreign currency.<sup>6</sup>

### SDR Allocations

**23. The liability for the SDR allocations was assumed by the NT.** It is presented in its financial statements as a foreign liability.<sup>7</sup> The SARB was reporting the *SDR Allocations* in 1SR but eliminated it starting in April 2022 and transferred the balance to *Transferable Deposits Excluded from Broad Money, Excluded from Monetary Base, Central Government, NC*. The revision should be made for the whole historical series.

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<sup>6</sup> See *Balance of Payments and International Investment Position Manual*, sixth edition, paragraph 3.101 and *MFSMCG*, paragraph 5.59.

<sup>7</sup> The mission found, however, that the amount reported at end-March 2021 by the NT was equivalent to SDR 2,623.2 million, while FIN's records indicate cumulative allocations for SDR 1,785.4 million.

## **Reserve Tranche Position in the IMF**

**24. The Reserve Tranche Position in the IMF (RTP) is recorded in the SARB's balance sheet.** It is recorded using accounts 15107 *IMF SDR FTP* and 15108 *IMF SDR Quota*. The reasons for the split into two accounts have to do with the timing of the subscription, but it would add clarity if both accounts were combined into one with a name closer to its nature. In any case, the aggregated balances of accounts 15107 and 15108 match FIN's records for the country's RTP. Both accounts are currently misclassified in 1SR. Account 15107 is part of the time series code DCR0193 and classified in 1SR as *Securities Included in Official Reserve Assets, FC*. Account 15108 has the time series code DCR0172 and is classified in 1SR, together with account 14101, as *Holdings of SDRs*. Both accounts should be separated from their current time series code and classified in 1SR as *Other Deposits Included in Official Reserve Assets, FC – Reserve Position in the IMF*.<sup>8</sup>

**25. Two deposits accounts record the SARB's liability to the NT for the RTP.** These are accounts: 5006 *IMF RTP Deposits* and 5007 *NT IMF SDR Quota*. Currently, account 5007 is classified in 1SR as *Transferable Deposits Excluded from Broad Money, Excluded from Monetary Base, Central Government, NC* as part of the group *Treasury SDR Deposit Accounts*. But it should be reclassified as denominated in foreign currency, for the same reasons explained for account 5003. Account 5006, which should also be classified in 1SR as *Transferable Deposits Excluded from Broad Money, Excluded from Monetary Base, Central Government, NC* is missing from the bridge table and should be mapped to it. For future reference, the ESD wants to identify separately the accounts related to the RPF in the 1SR bridge table.

## **Lending to the IMF**

**26. The country has a claim on the IMF for a loan extended under the New Agreement to Borrow.** The transaction is recorded only by the SARB in account 15106 *IMF – NAB FTP Account*, which is misclassified in 1SR as *Securities Included in Official Reserve Assets, FC* and needs to be reclassified to *Loans Nonresidents, FC – Loans to IMF*.

## **IMF Quota and IMF Securities Account**

**27. The NT reports as foreign assets the country's quota in the IMF and as foreign liabilities the IMF Securities Account.** Part of the liability recorded in the *IMF Securities Account* (for an amount equivalent to the country's quota in the IMF) is due to the funds received under the Rapid Financing Instrument, because it was a direct disbursement to the NT, which assumed the liability. This disbursement is not recorded by the SARB, which is correct.

**28. The portion of the country's IMF Quota subscribed in national currency is part of the foreign liabilities reported by the NT.** The difference between the *IMF Quota* and the IMF's holdings of national currency (*IMF No. 1* and *Securities Accounts*) not related to the use of IMF's resources constitute the country's RTP in the IMF. Since the RTP is being recorded and reported by the SARB, the reporting by the NT of the IMF Quota as a foreign asset, partly compensated with the liability recorded in the *IMF Securities Account*, implies a double counting of the country's external assets.

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<sup>8</sup> The double counting of account 15107 in the CBS (in the RTP using FIN's records and as part of the SARB's holdings of debt securities) increases the SARB's net foreign assets in ZAR 7.7 billion, or 0.8 percent.

## **IMF No. 1 and No. 2 Accounts**

**29. The IMF No. 1 Account is used by the SARB to record yearly revaluations, as per FIN's instructions.** Its balance is around two percent of the country's quota in the IMF. Currently, the account is included by the MBU in account 2301 *SARB Other Customers GL Roll-up Account (DCR0020)* and classified in 1SR as *Transferable Deposits Excluded from Monetary Base Nonresidents, NC*. It should be separated from this group and reclassified as *IMF Accounts No. 1 and Securities, NC*.

**30. The IMF No. 2 Account is also rolled up on account 2301.** This is an account that the IMF uses for its administrative transactions, with normally a small outstanding balance. As with the *IMF No. 1 Account*, it should be separated from account 2301 and reclassified in 1SR as *IMF Account No. 2*.

## **Income and expense accounts**

**31. Three income and expense accounts related to the IMF are misclassified in 1SR as asset or liability accounts.** These are accounts 5002 *Treasury SDR Revenue Account*, 23301 *Treasury SRD Expense Account*, and 31204 *Interest Received – IMF NAB FTP*. The first two are classified as *Settlement Accounts Central Government, NC* (liability/assets) and the last one as *Securities Included in Official Reserve Assets, FC*. All need to be reclassified to *Current Year Result* within *Shares and Other Equity*.

**32. In sum, the mission reclassified many accounts related to the IMF transactions in the bridge table for -1SR.** Time series should be revised backwards correspondingly.

## **Recommendations**

- *Improve the recording of the IMF accounts in the 1SR including revising historical data from December 2018*
- *Coordinate with the NT on the dissemination of data related to the country's transactions with the IMF.*

## **Accounts in overdraft**

**33. Clustering individual accounts has the risk of misclassifying deposit accounts in overdraft.** As already stated, deposit accounts in overdraft should be classified as loans, not netted against the balances of other account holders. However, if several deposit accounts are simply aggregated and brought into a single group, the identification of accounts in overdraft is not possible. To avoid this problem, the MBU should use the information contained in the ACRs for individual deposit accounts, instead of grouping them in one time series code. Before this can be implemented, however, the balance of the master account in the SARB's trial balance should consistently match the aggregation of sub-accounts in the ACRs.

**34. Reclassification of accounts in overdraft should be automated.** The MBU explained to the mission that some accounts in overdraft are reclassified as loans. But this is after a manual review of the balances, which is time consuming and prone to errors. The solution is to create in the bridge table an "if" condition by which deposits with negative balances (either assets or liabilities) are reclassified as loans to the other side of the balance sheet.

## **Provincial government deposits**

**35. Provincial government deposits with the CPD are classified in 1SR as central government deposits excluded from broad money and monetary base.** The recommendation in the *MFSMCG*

(paragraph 6.73) is to consider provincial governments as a money-holding sector, assuming that for monetary policy purposes the behavior of state and local governments is different than the behavior of the central government and closer to other money-holding sectors of the economy. The mission consulted with staff of STA's Government Finance Division, who indicated that although in South Africa provincial and local governments rely on transfers from the central government, they have own revenues and wide discretion over their spending, so they are closer to a money-holding sector in monetary statistics. The ESD considers that provincial governments are largely funded through grants or transfers from the national government, and that therefore their deposits should be excluded from broad money.

**36. Independently whether provincial government deposits are included or excluded from broad money, they should not be presented as part of central government's deposits.** All provincial government deposits should be reclassified in 1SR from *Deposits Central Government* to *Deposits State and Local Governments*. Even acknowledging the arguments presented by the ESD, the mission is of the opinion that those deposits should be included in the national definition of broad money.

### Manual adjustments

**37. Manual adjustments are performed in the bridge tables to eliminate differences that appear during the mapping process.** To this end, the MBU introduces two *Control Accounts* on the asset (DCR0208) and liability (DCR1212) sides for the SARB, and balancing items for the CPD. These manual adjustments represent between half and one percent of total assets for the SARB, which is not an immaterial amount, but are negligible for the CPD. The differences are not due to vertical checks in the source trial balances, but may originate in unmapped accounts, duplications, etc.. Manual adjustments must be avoided, and if vertical checks show in the compilation of the bridge tables, they should be investigated and solved, rather than erased.

**38. Manual adjustments are also used to reclassify accounts that have negative balances.** Some accounts in the categories of *Other Accounts Payable* (assets and liabilities) show sometime negative balances. In this case, the MBU moves them to the other side of the balance sheet to avoid negative entries that may even produce a negative balance in the category in the 1SR. As for the previous case, manual interventions should be avoided. To deal with the problem of accounts with negative balances, an "if" condition should be introduced for those accounts when mapping them to the Excel bridge table, reclassifying them accordingly (from assets to liabilities and vice versa) with a positive balance.

### Recommendation

- *Eliminate all manual adjustments currently being performed when compiling the bridge tables for 1SR. If accounts with negative balances need to be reclassified, this should be done through a built-in "if" condition.*

### Data issues in 1SR

**39. Beyond the main issues described above, the mission found several shortcomings in the mapping from the source data to the bridge table 1SR that need to be addressed.** While some will have a significant impact on the CBS, others will not affect it materially because they are very small, or the reclassifications are within *Other Items Net*. The mission discussed them with the staff of the MBU and are summarized below.

## SARB

### 40. A thorough review of the accounts grouped in different classes in the ACRs is needed.

This will ensure full consistency with the *MFSMCG* methodology. For instance, the account class SSOCA contains mostly nonresident banks, but also the *IMF Accounts No. 1* and *No. 2*, the *SARB Retirement Fund* and an account of the CPD. The MBU needs also to check that all banks in classes SCBLA and SSBRA are effectively nonresident institutions (e.g., *SIRESS Loan Account* and *Reserve Account in SAMOS*)

**41. All income and expense accounts mapped to *Current Year Result* in the bridge table to 1SR should be consolidated into one or two entries.** To simplify the mechanics of constructing the bridge table, the MBU should use the accumulated income from the beginning of the fiscal year, instead of mapping a long list of accounts with the risk of missing or misclassifying some (as is the case of the three IMF accounts described above). The source data should be the SARB's Income Statement, although it was not possible to reconcile its income and expenditure with the income and expense accounts of the trial balance. The ESD needs to enquire with the FSD the reasons for the discrepancy and find a way to simplify the calculation of *Current Year Result*.

**42. Confirmation is needed for deposits of nonresidents with the SARB that are classified as denominated in national currency.** Currently, all deposits of nonresidents with the SARB are classified as deposits in national currency in 1SR. While this may be possible, it needs confirmation. If some deposits are kept in rands but indexed to a foreign currency, they should be classified in 1SR as denominated in foreign currency.

### 43. Several accounts need to be reclassified in the bridge table 1SR:

- *Utilization of Cash Reserves* (DCR0904) to be reclassified from *Miscellaneous Assets Items Residents, NC* to *Loans ODCs, NC*.
- *Excess Cash Reserves* (DCR0903) to be reclassified from *Miscellaneous Liability Items Residents NC* to *Transferable Deposits Excluded from Broad Money, Included in Monetary Base, ODCs, NC*.
- *Foreign Investments – Other* (DCR0193), which is classified in 1SR as *Securities Included in Official Reserve Assets, FC* contains numerous margin accounts for futures (zero or very small balances). These accounts should be reclassified as *Other Deposits Nonresidents, Other, FC* (excluded from official reserve assets).
- *Amounts Receivable – Finance Division* (DCR0207) is classified in 1SR as *Loans to OFCs, NC* although it contains accounts that are either trade credit and advances to different resident sectors (e.g., sundry debtors) or miscellaneous assets (e.g., staff loan advances). These accounts should be reclassified by ESD in consultation with FSD, either as trade credit and advances (assets and liabilities) or miscellaneous asset/liability items. ESD may also produce a list to be reviewed with STA for their proper classification in 1SR.
- The provision for loan losses included in DCR0209 (*Amounts Receivable – Housing*) should be extracted from the group and classified in 1SR as *Provisions for Loan Losses* (the balance is zero).
- The four accounts (DCR0008, DCR0009, DCR0010, DCR0011) classified as *Transferable Deposits, Included in Broad Money, Excluded from Monetary Base, NC* (zero or very small balances), should be reclassified to *Transferable Deposits, Included in Broad Money, Included in Monetary Base, NC*.
- *Gold and Forex Contingency Reserve* (DCR0902A) apparently records revaluation gains in gold and foreign currency that eventually need to be transferred to the NT. It is now classified as



*Loans Central Government, NC*, which is incorrect. The MBU needs to investigate with the FSD the nature of this account, to properly classify it as *Trade Credit and Advances Central Government* or eventually as *Miscellaneous Liability Items*.

- *Accrued Pay Leave Provision* (DCR0114) to be reclassified from *Provisions for Other Losses* to *Miscellaneous Liability Items Residents, NC*.

## **CPD**

**44. The group *Public Entities*, classified as being part of central government, contains many that do not belong to this sector.** This group has the code DCK0001 and is classified in 1SR as *Other Deposits Excluded from Broad Money, Excluded from Monetary Base, Central Government, NC*. A quick check during the mission showed that many of these accounts were of public nonfinancial enterprises, others of provincial governments, and some of PFCs. The MBU should look thoroughly at the list of institutions included in the group DCK0001, reclassify them to their proper economic sector into four different groups (central government, state and local governments, public nonfinancial corporations, PFCs). These groups should then be properly classified in 1SR.

**45. For the CPD's current year result, the MBU can use the figures from the income statement in lieu of the listing of individual income and expense accounts.** The balances shown in the CPD's income statement match the sum of the accounts included in 1SR under *Current Year Result*, with one caveat: *Unrealized Profit and Loss – MM Instruments* (DCK0179) needs to be reclassified from *General and Special Reserves* to *Current Year Result*. To facilitate its work, the MBU should request from FSD income statements that accumulate the flows from the beginning of the fiscal year (April 1) to the end of the reporting period.

**46. The following accounts need to be reclassified in the bridge table 1SR:**

- Interest Accrued - STB (DCK0208) to be reclassified from *Securities Central Government, NC* to *Other Deposits, ODCs, NC*.
- The six accounts (DCK0118, DCK0125, DCK0075, DCK0078, DCK1140, DCK0027) classified as *Transferable Deposits, Included in Broad Money, Excluded from Monetary Base, NC* (zero or very small balances), should be reclassified to *Transferable Deposits, Included in Broad Money, Included in Monetary Base, NC*.
- Change the name of DCK0002 from *Deposits of Provincial Governments* to *Deposits Central Government*, since they are accounts of central government entities (e.g., museums).
- Confirm that nontransferable deposits of foreign banks with the CPD (DCK015) are effectively in national currency, and not some of them in foreign currency or indexed to a foreign currency.
- *Sundry Creditors* (DCK0167) to be reclassified from *Settlement Accounts State and Local Government, NC* to *Trade Credit and Advances Other Nonfinancial Corporations, NC*.
- *Special Account* (DCK0168) to be reclassified from *Miscellaneous Liability Items Residents, NC* to *Other Accounts Payable, Provisions for Loan Losses*.

**47. In addition, the following improvements are to be made in the compilation process for the 1SR.**

- Reclassify deposit accounts in overdraft as loans, to avoid netting their balances with the positive balances of other depositors; an “if” condition should be introduced in the bridge table to automatically perform this task.
- Separate provincial government deposits from the central government deposits and classify them as deposits of state and local governments. The mission recommends including them in the national definition of broad money.
- The MBU to thoroughly review the accounts grouped in series code DCK0001 as central government accounts. After the review, group them into four groups: central government, state and local government, public nonfinancial corporations, and PFCs.
- The MBU to use the more granular data for deposit accounts contained in the ACRs for the SARB, once the discrepancies with the trial balance data are eliminated.
- The MBU to review, and revise as needed, the grouping of accounts from the trial balance into time series clusters, to ensure their correct classification in 1SR.

### **Recommendation**

- *Compile 1 SR (central bank’s data) incorporating the above recommended reclassifications and improvement in the updated bridge table prepared by the mission and report 1SR to STA with revisions in historical data starting from December 2018 onwards.*

## **C. OTHER DEPOSITORY CORPORATIONS**

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### **Coverage of the 2SR**

**48. Currently, the scope of the ODCS includes commercial and mutual banks, the Land Bank, and the Postbank, but not the MMFs.** This represents 95 percent of the total assets of the sector. Missing from the coverage are 53 MMFs (unit trusts), whose accounts are aggregated to the accounts of non-MMF investment funds and reported in the 4SR and hence part of the OFCS. Ithala SOC, a deposit-taking subsidiary of IDFC (included in the OFCS) is also not included in the ODCS. Because separating the accounts of Ithala SOC from its parent group presents some difficulties and considering its small participation in the total deposits of the ODC sector, it may not be a priority to include it in the survey.

**49. MMFs should be included in the ODCS.** MMF shares are highly liquid, low-risk, financial assets, and close substitutes for deposits; therefore, they should be included in broad money and all MMFs classified as ODCs.<sup>9</sup> The 2004 MFS TA mission already recommended to expand the scope of the ODCS with the inclusion of the MMFs’ data. Information reported by MMFs to the SARB can be easily separated from the data of non-MMF investment funds (unit trust). It contains enough level of disaggregation to allow a proper classification and sectorization of instruments in 2SR. Additionally, data reported by commercial banks identify their liabilities to MMFs, although not their claims on them.

**50. The mission developed a bridge table that maps the source data of MM0046s to the 2SR and shared it with the ESD.** The data reported by MMFs to the SARB are for investments (assets) and sectors holding the MMF investment fund shares. Using these data, the mission developed an 2SR bridge table for the MMFs, which can be aggregated to the ones for commercial and mutual banks, the

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<sup>9</sup> See *MFSMCG*, paragraphs 3.144–3.146.

Land Bank, and the Postbank to generate the 2SR for the whole sector. When aggregating the data, the information by MMFs on their liabilities to banks can be used to populate their claims on MMFs. Because for country reporting STA has not yet introduced the new set of s as recommended by the *MFSMCG* (which contain groups for positions with MMFs), there are not categories for shares of MMFs in the current forms. Therefore, holdings of MMF shares should be classified as *Other Deposits, ODCs* since they are close substitute for deposits. Regarding periodicity, MMFs reports to the SARB on a quarterly basis, and their balances will need to be repeated for the intervening periods.

**51. Reclassifying MMFs from the OFC to the ODCs sector will impact the calculation of broad money and the claims on other sectors of the economy.** Positions between banks and MMFs will be consolidated in the ODCs: (i) deposits of MMFs with commercial banks will be excluded from broad money, reducing broad money; (ii) claims of commercial banks on MMFs (holding of MMF shares) will be consolidated in *Other Items Net*, instead of being reported as claims on OFCs; (iii) holdings of MMF shares by money-holding sectors (e.g., households) will be classified as *Other Deposits Included in Broad Money*, increasing broad money, while they are now classified as *Funds Contributed by Owners* in the OFCS. Corresponding effects will take place in the OFCS.

**52. Including MMFs in the ODCs sector will increase broad money between 2 and 3 percent.** At end-2021, broad money in South Africa was ZAR 4,353 billion. Claims of MMFs on ODCs included in broad money (deposits and debt securities) were ZAR 312 billion. Liabilities of MMFs that should be included in broad money were ZAR 415 billion. Subtracting the intersectoral positions and adding the MMFs' liabilities to money-holding sectors result in a revised broad money of ZAR 4,456 billion. All these revisions as well as the impact on the monetary aggregates will need to be explained to users in methodological notes when the SARB reclassifies the MMFs from the OFCs to the ODCs sector.

### Recommendations

- *Expand the coverage of the ODCs, reclassifying the accounts of MMFs from the OFCs ( 4SR) to the ODCs ( 2SR) sector using the bridge table developed by the mission for data reporting to STA.*
- *The ESD to prepare a methodological note explaining the reclassification of MMFs to the ODCs sector and its impact on monetary aggregates.*

### Data reporting

**53. Commercial and mutual banks report their monthly data to the SARB within 15 working days after the end of the reporting month.** For monetary statistics purposes, the relevant forms are BA 900 and DI 900. Detailed instructions to complete the BA 900 form are contained in *Regulation 62*, amended in 2016. Instructions for the completion of the DI 900 returns are contained within regulations relating to the *Mutual Banks Act 124* of 1993. Form BA 900 has a matrix structure, with information by financial instrument and counterpart sector in the rows, and characteristics of the instruments (e.g., maturity of deposits) in the columns. The information contained in the cells of the matrix of form BA 900 is organized by the MBU on a spreadsheet that still presents the data as a matrix but is easier to map to the bridge table 2SR.

**54. The information reported by the Land Bank is not complete and assets and liabilities do not match.** The data, received monthly, are at an intermediate level of disaggregation. The difference between assets and liabilities is systematically over three percent of total assets. Recently, the ESD started receiving more granular data based on the bank's balance sheet, with information by financial instruments and counterpart sectors, including on maturity for deposits and loans. Using this new source,

the mission developed a bridge table for the Land Bank to the 2SR, which should replace the one currently used by the MBU. Transmission of the more granular data was imperiled by liquidity difficulties of the Land Bank and disruptions due to covid, but the MBU will resume discussions with the Land Bank to implement the new granular data template.

**55. The Postbank reports only its liabilities for deposits.** This is monthly data, which is sufficient to allocate its liabilities (all to the household sector). The asset counterpart to the deposits is classified in 2SR as *Securities ODCs, NC*, which is not correct. During the mission, the ESD obtained information on the Postbank's assets for August 2022, broken down by financial instrument. The ESD will explore the possibility of receiving this information monthly. If not possible, it will use the latest available data to proportionally allocate the total assets among different financial instruments and sectors in 2SR.

**56. Data for Ithala SOC are embedded within the data reported by its parent, which is included in the OFCs sector.** The ESD provided the mission with data relating exclusively to Ithala SOC and the mission developed a bridge table from that source to the 2SR. However, the process of separating the deposit-taking subsidiary from the financial group IDFC is cumbersome. Considering the small participation of Ithala SOC in the total of deposits, its inclusion in the ODCS is not a priority and should be undertaken only when the split from the consolidated accounts of the group does not involve high costs.

**57. The ESD plans to introduce new report form for banks.** The information included in the new report form is very granular at the level of instrument and counterpart sector. Such high level of disaggregation will allow to use the data collected for monetary statistics also for other macroeconomic statistics, such as sectoral accounts or balance of payments. With these level of detail by instrument and counterpart sector, the data received from the banks should be easily mapped to the SRFs for monetary statistics. This is a big project that requires significant technological and staff resources from the SARB and the banks, and therefore the expected implementation was set by mid-2024. There will be challenges to splice the current time series with the ones produced from the new report form, which will need to be addressed.

### **Recommendations**

- *Include in the ODCS the accounts of Ithala SOC, splitting them from the accounts of IDFC (classified as OFCs) from January 2023.*
- *Introduce the more granular call report form for the submission of banks' data to the SARB.*

### **Improvements in mapping source data to 2SR**

**58. Together with the MBU, the mission looked through the bridge table that generates 2SR from the data reported by commercial and mutual banks.** Although, in general, the classification and sectorization of financial instruments follows the international methodology, some features need to be improved to bring them in full compliance with the *MFSMCG*.

**59. Once the accounts of the MMFs are included in the ODCS, the positions of banks vis-à-vis MMFs will be affected.** These positions will become intra-sectoral positions within the ODC sector, with important implications for the calculation of broad money and claims on other sectors. In particular:

- Banks liabilities to MMFs (Money Market Unit Trusts), which in 2SR are now part of *Transferable (or Other) Deposits Included in Broad Money OFCs, NC* should be reclassified as *Transferable (or Other) Deposits Excluded from Broad Money ODCs, NC*.
- No separate information is currently reported by the banks for their claims on MMFs due to holdings of investment shares. These are being classified in 2SR within *Shares OFCs, NC*. If additional information on these holdings is not available from the banks, the position should be estimated from the data reported by MMFs as liabilities to banks. To this end, in the bridge table 2SR for the banks, a line Holdings of MMF Shares should be added within *Other Deposits Excluded from Broad Money ODCs, NC*, which will be populated with the figure reported by MMFs as liabilities to banks. The same amount should be subtracted (and properly identified) from *Shares OFCs, NC*.

**60. It is necessary to properly identify, and classify, the financial instruments based on their currency of denomination.** The report form BA900 contains information on domestic and foreign financial instruments by counterpart sector, and which of them are in foreign currency. However, the MBU is not making use of this additional information and classifying all balances (with a few exceptions) as denominated in national currency. For instance, all holdings of securities issued by nonresidents are classified as denominated in national currency, which is not plausible. Similarly, holdings of shares issued by nonresidents are also classified in national currency.

**61. Redeemable preference shares might be misclassified in 2SR.** The current reporting form does not distinguish between participating preference shares (those that provide for participation in the residual value on the dissolution of a corporation) and non-participatory preference shares (i.e., securities that pay a fixed income and does not provide for participation in the distribution of the residual value). Currently, all redeemable preference shares are classified in 2SR as *Securities Other than Shares, NC* distributed by issuing sector. Most probably, some of these holdings should be reclassified as *Shares and Other Equities, NC*. The ESD will consult with the banks to determine which portion should be allocated to debt securities (non-participating preference shares) and which one to equity (participating).

**62. All loans for which there is no counterpart information have been classified as claims on state and local governments.** Loans that are not allocated to the corporate, household, or nonresident sector in the report form BA900 fall in a category “other.” By default, the MBU allocates them as claims on provincial governments and classifies them as *Loans to State and Local Governments, NC* in 2SR. However, the description of the loans (e.g., farm mortgages, residential advances) hints at a misclassification as a claim on government. Their classification within government and its different levels needs to be confirmed.

**63. The following accounts need to be reclassified in the bridge table 2SR:**

- All positions (assets and liabilities) with provincial governments should be reclassified from positions with central government to positions with state and local governments. For deposits of provincial governments, the mission recommends including them in broad money.
- Confirm that *Mortgages Advances* to nonresidents are effectively loans to nonresidents, and reclassify them to the correct sector, if needed.
- *Other Assets* to be reclassified from *Settlement Accounts ODCs, NC* to *Miscellaneous Asset Items, NC*.

- *Remittances in Transit* to be reclassified from *Settlement Accounts (Other Resident Sectors and Nonresidents), NC* to *Items in the Process of Collection (Residents and Nonresidents), NC*.
- Confirm that *Retirement Benefit Assets* are not claims on PEs (*Trade Credit/ Advances, OFCs*) and are correctly classified as *Miscellaneous Asset Items Residents, NC*.
- Investigate the nature of *Current Income Tax Receivables* and *Deferred Income Tax Assets*, classified as *Miscellaneous Asset Items Nonresidents, NC*, since it is strange that resident banks have tax claims on a nonresident government, and in national currency.
- Debt securities other than negotiable certificates of deposit (already included in broad money) to be reclassified from *Securities Other than Shares Excluded from Broad Money* to *Securities Other than Shares Included in Broad Money*.<sup>10</sup>
- Confirm the nature of *Liabilities to SA Banks*, currently classified as *Trade Credit/Advances ODCs, NC*, to ensure proper classification.
- *Other Liabilities to Domestic Sectors* to be reclassified from *Settlement Accounts ODCs, NC* to *Miscellaneous liability items, NC*.
- On the liability side, delete the two contra-entries labeled *Other Assets* in *Settlement Accounts ODCs, NC* and *Settlement Accounts Other Nonfinancial Corporations, NC*.
- *Credit in Transit* to be reclassified from *Settlement Accounts Other Resident Sector, NC* to *Miscellaneous Liability Items, NC*.
- *Other Reserves* to be reclassified from *Retained Earnings* to *General and Special Reserves* within *Shares and Other Equity*. Apparently, *Current Year Result* is being reported as part of *Other Reserves* and should be identified separately.

**64. In addition, the following improvements must be made in the compilation process of the 2SR.**

- The MBU to thoroughly review the currency denomination of the financial instruments reported by banks to ensure their proper classification in 2SR.
- The MBU to allocate preference shares held by banks between *Securities Other than Shares* and *Shares and Other Equity* based on additional information received from the banks.
- The MBU to obtain additional information on loans with no counterpart information, which are being allocated as claims on provincial governments, to ensure correct classification in 2SR.
- Implement all the account reclassifications recommended by the mission for the accounts of commercial and mutual banks.

**Recommendation**

- *Compile the 2SR (ODCs' data), incorporating the above recommended reclassifications in the updated bridge table prepared by the mission and report 2SR to STA with revisions in historical data starting from December 2018 onwards.*

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<sup>10</sup> See *MFSMCG*, paragraph 6.48.

## D. OTHER FINANCIAL CORPORATIONS

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**65. Within the ESD, the Capital Market and Flow of Funds Unit (CMFFU) is responsible for the compilation of the OFCS.** To that end, in the third quarter of 2020 the CMFFU introduced a new reporting system that replaced the manual reporting in Excel and PDF files previously used, which was inefficient and prone to errors. The new report forms are tailored to each sub-sector of the OFC sector. Data are transmitted via a web-based platform with built-in validation and rejection rules. The data obtained through these forms contain enough detail at the level of financial instrument and counterpart sector as to allow a straightforward mapping into the bridge tables that generate the 4SR.

**66. Coverage is almost complete, except for data missing from some private PFs.** From the around 1,400 active private PFs, only 634 report their accounts to the SARB, representing 80 percent of total assets of this sub-group. Also, the OFCS contains the accounts of the MMFs, included as part of the data reported by the unit trusts which should be reclassified to the ODCs sector.

**67. All institutions of the OFCs sector report quarterly data, and generally within four weeks after the end of the reporting period.** ICs report their balance sheets and income statements (C68 form) with a timeliness of four weeks. PFs report their data (C48 form) with a quarterly frequency within eight weeks after the end of the reporting period; the five official PFs for public sector employees (including the GEPF) regularly report to the SARB. To avoid double counting the GEPF's assets managed by the PIC, the CMFU excludes the GEPF's assets from the source data of official PFs in the 4SR. All non-MMF investment funds report their data (C23 form) within four weeks after the end of the reporting period. The finance companies regularly report quarterly data (C32 form) with a timeliness of four weeks. The two participation bond schemes also report quarterly data (C11 form) within four weeks after the end of the reporting period. The data reported by the PIC contain the detail of its investments in different financial instruments on behalf of its clients; more than 90 percent of PIC's liabilities are to official PFs. The six PFCs report with a lag longer than one month.

**68. The mission did not review the mapping from the different data sources to the 4SR; this will be undertaken as part of a follow up mission.** The mission concentrated its work on the accounts of the central bank and the ODCs, and the analysis of the OFC sector was beyond its scope. If the SARB requests it, STA might provide additional TA to address this issue.

## E. DATA REPORTING AND DISSEMINATION

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**69. The ESD is still using bridge tables developed by the 2004 MFS TA mission.** Moreover, the analytical surveys they have on record were later superseded by the ones currently in use. This does not affect the compilation of surveys published in the *International Financial Statistics (IFS)* as they are produced at STA once the 1SR, 2SR, 4SR are submitted by ESD.

**70. The mission developed and shared with the ESD the SRFs as well as the latest analytical surveys for the central bank, ODCs, and OFCs.** The mission updated the bridge tables mapping the source data of the different institutional units of the financial sector to their corresponding sectoral balance sheet (e.g., SARB's and CPD's trial balances to 1SR). These 1SR, 2SR, and 4SR must be reported to STA on a regular basis for the compilation of the analytical surveys (CBS, ODCS, Depository Corporations Survey, OFCS and the Financial Corporations Survey) and their publication in *IFS*. The mission left with the ESD a complete file with the SRFs as well as the latest analytical surveys which are automatically populated once the SRFs are filled up.

**71. Once the ESD implemented this mission’s recommendations, it must revise historical series.** Historical data revision is needed to maintain time series consistency and to allow comparisons between the series produced with the old and new methodology. The mission recommended revising the historical series from December 2018 onwards. The ESD agreed on the need to revise historical series but expressed concern because of technical and human resources constraints.

**72. Methodological consistency ensures harmonization and comparability and has benefits for both compilers and users.** The SRFs help reduce reporting burden on countries and they can be used as the source for national monetary statistics, facilitating data consistency across jurisdictions.<sup>11</sup> One of the objectives of the 2004 MFS mission was precisely to reconcile the main monetary aggregates produced using the SRFs with those published in the SARB’s *Quarterly Bulletin*.

**73. Using the SRFs, STA has developed an integrated monetary database (IMD) that automatically generates the monetary statistics required for publication, surveillance by the IMF and, if desired, national monetary policy and dissemination.** Starting with the SRFs for each financial sector, the IMD automatically generates the analytical presentations of the central bank, ODC, depository corporation, OFC, and financial corporation surveys. This significantly alleviates the burden of monetary statistics compilers, who can focus on the proper mapping from the source data to the sectoral balance sheets (SRFs). Additionally, STA uses the surveys of the IMD to automatically create the tables required by the IMF’s Area Departments (AFR, in the case of South Africa) for their surveillance work. The IMD can be further adapted to produce the statistics needed by the central banks for conducting monetary policy and for data dissemination. Another application of the IMD is that the information contained in its SRFs can populate around 70 percent of the information needed for the balance sheet approach matrix.<sup>12</sup>

**74. Monetary statistics disseminated by the SARB through its monthly releases and its *Quarterly Bulletin* contain an abundance of information on monetary aggregates, financial instruments, and counterpart sector.** For producing these statistics, the ESD relies on internal time series that are compiled from the same sources used to prepare the SRF inputs. Beyond differences in presentations that can be explained to users, there might be other discrepancies originated in methodological differences, which ideally should be reconciled. In principle, monetary statistics disseminated by the SARB should be fully consistent with those published by the IMF. Data consistency implies that statistics published in different datasets either are the same, data discrepancies can be explained, or the data in one set can be constructed from the other dataset.

### **Recommendation**

- *The SARB to evaluate the option of increasing the consistency between the monetary statistics disseminated nationally and those disseminated through the IMF by using STA’s IMD as the source for its national statistics.*

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<sup>11</sup> See *MFSMCG*, paragraph 2.22 and 7.91.

<sup>12</sup> The balance sheet approach uses financial statistics to analyze the interconnections and vulnerabilities among sectors of the economy through debtor/creditor relationships. See *MFSMCG*, paragraphs 8.44–8.46.



# Appendices

## A. OFFICIALS MET DURING THE MISSION

Name	Title	Department
<b>Reserve Bank of South Africa</b>		
Michael Manamela	Head of Department	Economic Statistics Department
Michael Kock	Advisor to Head of Department	Economic Statistics Department
Danie Meyer	Unit Head	Economic Statistics Department
Helene Badenhorst	Unit Head	Economic Statistics Department
Barend de Beer	Unit Head	Economic Statistics Department
Christelle Groenewald	Unit Head	Economic Statistics Department
Nthabiseng Molemoeng	Unit Head	Economic Statistics Department
Lisa de Beer	Lead Economist	Economic Statistics Department
Susana Paulse	Lead Economist	Economic Statistics Department
Dineo Mosine	Lead Economist	Economic Statistics Department
Piet Swart	Lead Economist	Economic Statistics Department
Marian van Deventer	Contractor – Subject Matter Expert	Economic Statistics Department
Selwyn Jacobs	Economist	Economic Statistics Department
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