

'Brics bank' issues first South African rand bonds

By [Rachel Savage](#)

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The development bank founded by the so-called Brics countries closed the auction for its first South African rand bonds on Tuesday, 16 August, as it comes under pressure to boost its local currency fundraising and lending.



Source: Reuters.

The New Development Bank's (NDB) two bonds, a R1bn (\$52.3m) five-year note and a R500m three-year note, attracted R2.67bn of bids in total, according to auction results shared by two investors.

South Africa's finance minister said that the NDB, which was founded to give the Brics members - Brazil, Russia, India, China and South Africa - more control of development financing, was not doing enough local currency lending, in an interview ahead of the Brics summit in Johannesburg next week.

The NDB did not respond to a request for comment on the bond auction.

Chief financial officer Leslie Maasdorp said in a recent interview that the bank aims to increase local currency lending, most of which has so far been in the Chinese yuan, from about 22% to 30% by 2026, but that there were limits to de-dollarisation.

The South African bond market has struggled in recent years to attract new issuers to match growing demand from

domestic investors looking for quality credit assets.

NDB's three-year rand bond was priced at a floating rate of 95 basis points (bps) above the three-month Johannesburg Interbank Average Rate (Jibar), while the five year was priced at Jibar +105 bps.

The most recent comparable South African government bonds were a 4.5-year bond priced at Jibar +90 bps and a seven year priced at Jibar +120 bps, said Raphi Rootshtain, a portfolio manager at Sasfin Wealth.

"It is interesting to note that most of the underlying lending activities in South Africa are to State Owned Companies (SOEs)," Rootshtain said. "So effectively the NDB will become the new proxy funding vehicle for SOEs which should come with additional risk."

The bond sale was arranged by Standard Bank, which declined to comment, and Absa Bank.

The sale "had... 94% of bids being within or lower than price guidance and the issuance rates representing the tightest spreads achieved by a non-government issuer in 2023," said Kumeshen Naidoo, head of debt capital markets at Absa.

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