

South Africa's international investment position

Net international investment position (foreign assets minus foreign liabilities)

South Africa's negative net international investment position narrowed from R263 billion at the end of March 2015 to R134 billion at the end of June due to an increase in the value of the country's foreign assets compared to a roughly unchanged level of foreign liabilities.

Foreign liabilities

The market value of South Africa's foreign liabilities (inward investment) increased by only 0,1 per cent from R5 165 billion at the end of March 2015 to R5 175 billion at the end of June; it rose, on balance, by 4,6 per cent in the preceding quarter. The marginal increase in the country's foreign liabilities in the second quarter of 2015 mainly reflected an increase in inward portfolio investment, more in particular, in equity securities. The market value of direct and other investment liabilities as well as financial derivatives, decreased somewhat at the end of June 2015 compared to the end of March 2015. The foreign loan and deposit liabilities of the domestic banking sector declined over the period.

Composition of inward investment

R billions

| | 30 Jun 2014 | 30 Sep 2014 | 31 Dec 2014 | 31 Mar 2015 | 30 Jun 2015 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Direct investment..... | 1 623 | 1 624 | 1 609 | 1 619 | 1 607 |
| Portfolio investment..... | 2 324 | 2 403 | 2 575 | 2 748 | 2 825 |
| Financial derivatives..... | 94 | 117 | 115 | 127 | 96 |
| Other investment..... | 537 | 583 | 636 | 671 | 647 |
| Total..... | 4 578 | 4 727 | 4 935 | 5 165 | 5 175 |
| <i>Memo: US\$/Rand exchange rate</i> | <i>10,6135</i> | <i>11,2416</i> | <i>11,5719</i> | <i>12,2020</i> | <i>12,2406</i> |

Foreign assets

The market value of South Africa's foreign assets (outward investment) amounted to R5 041 billion at the end of June 2015 compared to R4 902 billion at the end of March. The quarterly rate of increase in the value of foreign assets also moderated to 2,8 per cent in the second quarter of 2015 compared with an increase of 5,8 per cent in the preceding quarter. The value of the country's foreign assets was mainly lifted by higher valuations of direct investment and portfolio equity assets as well as an increase in other investment resulting from increased short-term loans of the South African banking sector to non-resident entities. A decline in the value of outstanding financial derivative assets to some extent countered the increase in the aforementioned functional categories.

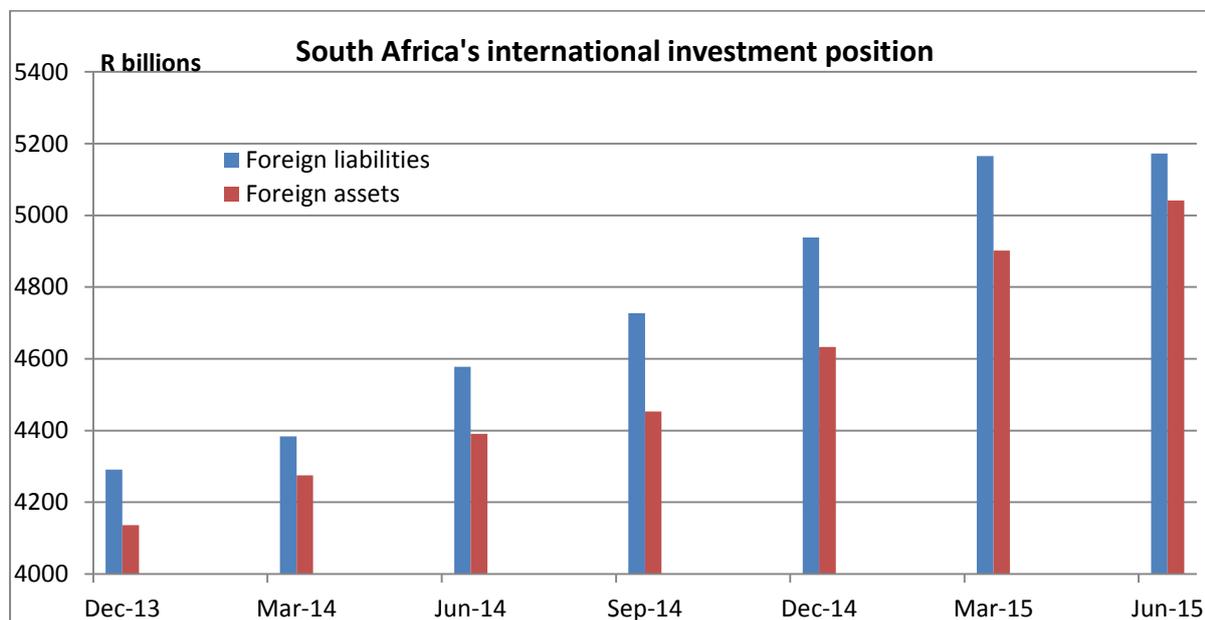
Composition of outward investment

R billions

| | 30 Jun 2014 | 30 Sep 2014 | 31 Dec 2014 | 31 Mar 2015 | 30 Jun 2015 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Direct investment..... | 1 475 | 1 542 | 1 691 | 1 903 | 1 982 |
| Portfolio investment..... | 1 863 | 1 803 | 1 793 | 1 798 | 1 854 |
| Financial derivatives..... | 101 | 120 | 116 | 133 | 103 |
| Other investment..... | 436 | 431 | 463 | 503 | 531 |
| Reserve assets..... | 516 | 557 | 569 | 565 | 571 |
| Total..... | 4 391 | 4 453 | 4 632 | 4 902 | 5 041 |
| <i>Memo: US\$/Rand exchange rate</i> | <i>10,6135</i> | <i>11,2416</i> | <i>11,5719</i> | <i>12,2020</i> | <i>12,2406</i> |

Concluding comments

The lacklustre performance of the domestic and global equity markets as well as the broadly unchanged end-of-period exchange rate of the rand resulted in modest increases in both foreign assets and liabilities in the second quarter of 2015. Following the depreciation in the external value of the rand and the correction in equity prices in the third quarter, the valuation of the country's liabilities and assets may be expected to change more meaningfully over the period.



As a ratio of South Africa's gross domestic product, the country's foreign liabilities decreased from 134,4 per cent at the end of March 2015 to 132,7 per cent at the end of June; the country's foreign assets rose from 127,5 per cent to 129,3 per cent of gross domestic product over the same period. This therefore brings the country's net international investment position to a negative 3,4 per cent of gross domestic product at the end of June 2015 – smaller than previously.

South Africa's international investment position as at the end of September 2015 will be released on the Bank's website at the end of December 2015.