

South Africa's international investment position

Net international investment position (foreign assets minus foreign liabilities)

South Africa's net international investment position changed from a negative value of R131 billion at the end of June 2015 to a positive value of R113 billion at the end of September due to a substantial increase in the value of South Africa's foreign assets alongside a decrease in the value of foreign liabilities. This is the first positive net international investment position ever to be recorded since measurement of South Africa's international investment position started at the end of 1956.

Foreign liabilities

After increasing by 0,2 per cent in the preceding quarter, the market value of South Africa's foreign liabilities (inward investment) declined marginally by 0,2 per cent from R5 174 billion at the end of June 2015 to R5 164 billion at the end of September. The decrease in the country's foreign liabilities in the third quarter of 2015 reflected a decrease in inward portfolio investment, more in particular, in equity securities. Price indices on the South African equity market declined following increased global market volatility as a result of uncertain global economic growth prospects and the future path of US monetary policy. However, the market value of direct and other investment liabilities as well as financial derivatives increased at the end of September 2015 compared to the end of June 2015.

Composition of inward investment

R billions

| | 30 Sep 2014 | 31 Dec 2014 | 31 Mar 2015 | 30 Jun 2015 | 30 Sep 2015 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Direct investment..... | 1 624 | 1 609 | 1 619 | 1 608 | 1 624 |
| Portfolio investment..... | 2 403 | 2 575 | 2 748 | 2 825 | 2 700 |
| Financial derivatives..... | 117 | 115 | 127 | 96 | 137 |
| Other investment..... | 583 | 636 | 671 | 647 | 704 |
| Total..... | 4 727 | 4 935 | 5 165 | 5 176 | 5 164 |
| <i>Memo: US\$/Rand exchange rate</i> | <i>11,2416</i> | <i>11,5719</i> | <i>12,2020</i> | <i>12,2406</i> | <i>13,8143</i> |

Foreign assets

The market value of South Africa's foreign assets (outward investment) amounted to R5 276 billion at the end of September 2015 compared to R5 043 billion at the end of June. The quarterly rate of increase in the value of foreign assets accelerated to 4,6 per cent in the third quarter of 2015 compared with an increase of 2,9 per cent in the preceding quarter. The value of the country's foreign assets was lifted by higher valuations for all five functional foreign asset categories as a result of the depreciation of the exchange rate of the rand. The nominal effective exchange rate of the rand declined, on balance, by 9 per cent during the third quarter, while the rand depreciated even more sharply by 11,4 per cent against the US dollar. The

majority of South Africa's foreign assets are denominated in foreign currency which results in a more pronounced increase in foreign assets relative to foreign liabilities.

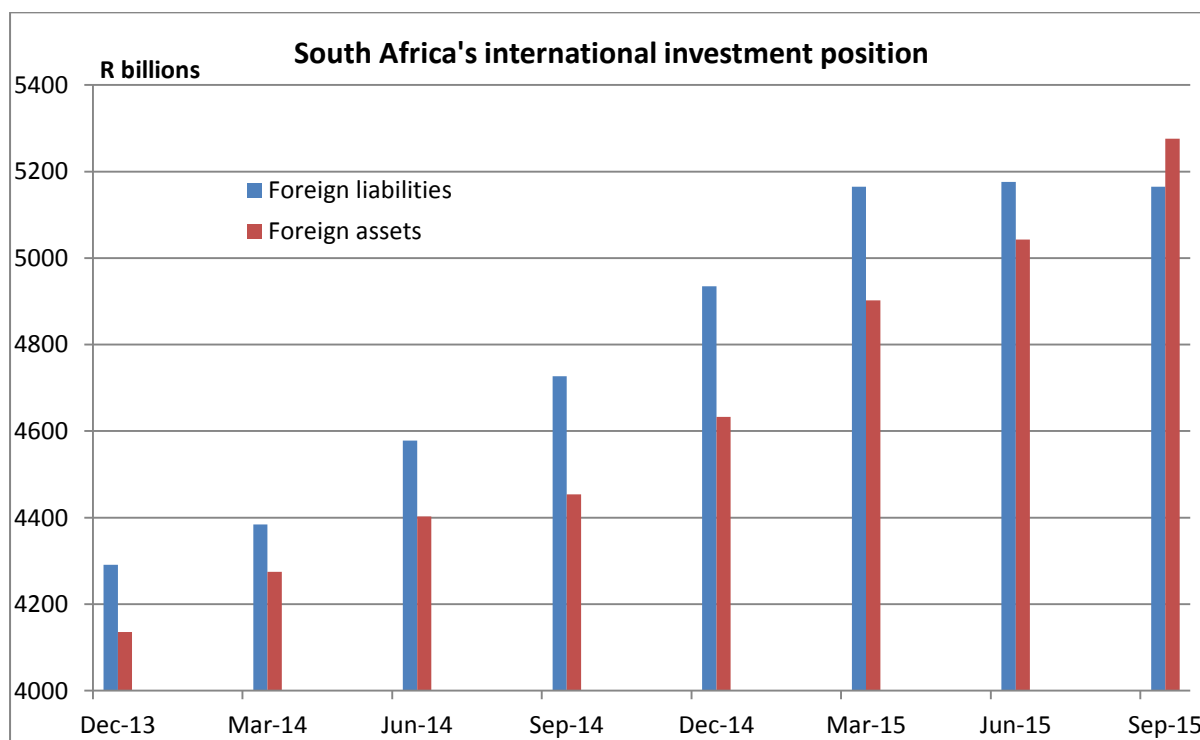
Composition of outward investment

R billions

| | 30 Sep 2014 | 31 Dec 2014 | 31 Mar 2015 | 30 Jun 2015 | 30 Sep 2015 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Direct investment..... | 1 542 | 1 691 | 1 903 | 1 982 | 2 062 |
| Portfolio investment..... | 1 803 | 1 794 | 1 798 | 1 854 | 1 876 |
| Financial derivatives..... | 120 | 116 | 133 | 103 | 151 |
| Other investment..... | 432 | 463 | 503 | 533 | 547 |
| Reserve assets..... | 557 | 569 | 565 | 571 | 640 |
| Total..... | 4 454 | 4 633 | 4 902 | 5 043 | 5 276 |
| <i>Memo: US\$/Rand exchange rate</i> | <i>11,2416</i> | <i>11,5719</i> | <i>12,2020</i> | <i>12,2406</i> | <i>13,8143</i> |

Concluding comments

The volatility and decline in domestic and global equity markets as well as the significant decline in the end-of-period exchange rate of the rand resulted in a respective modest decline in foreign liabilities and a substantial increase in South Africa's foreign assets in the third quarter of 2015. The net effect of these developments was the first positive net international investment position being recorded for South Africa since the measurement of the country's international investment position at the end of 1956.



As a ratio of South Africa's gross domestic product, the country's foreign liabilities decreased from 132,7 per cent at the end of June 2015 to 131,0 per cent at the end

of September; the country's foreign assets rose from 129,4 per cent to 133,8 per cent over the same period. This therefore brings the country's net international investment position to a positive 2,9 per cent of gross domestic product at the end of September 2015 compared to a negative 3,4 per cent at the end of June.

South Africa's international investment position as at the end of December 2015 will be released on the Bank's website at the end of March 2016.