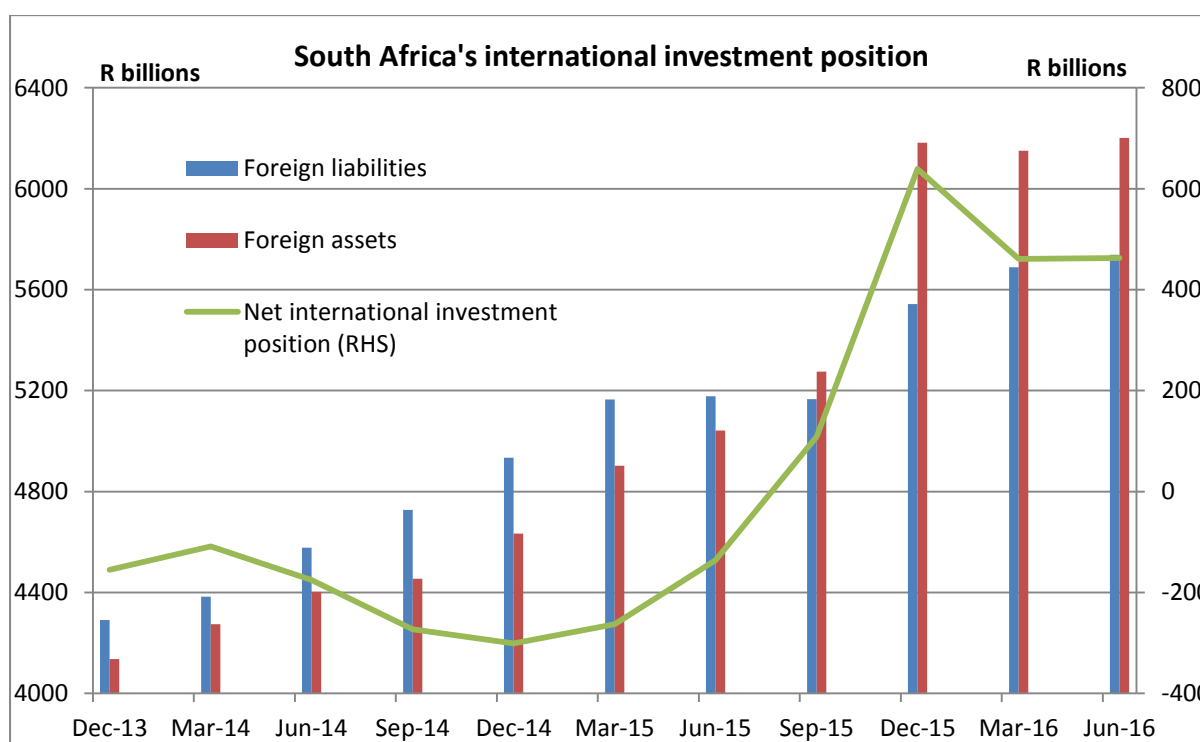


South Africa's international investment position

Net international investment position (foreign assets minus foreign liabilities)

South Africa's positive net international investment position (IIP) edged marginally higher from a revised amount of R461 billion at the end of March 2016 to R463 billion at the end of June 2016 as nearly identical increases were recorded in the values of South Africa's foreign liabilities and foreign assets.



Foreign liabilities

Having increased by 2,6 per cent in the first quarter of 2016, the market value of South Africa's foreign liabilities (inward investment) advanced at a slower pace of 0,9 per cent in the second quarter i.e. from R5 689 billion at the end of March 2016 to R5 738 billion at the end of June. The increase in the country's foreign liabilities reflected an increase in the market value of portfolio investment, while the market value for the categories direct investment, financial derivatives and "other" investment decreased. While the JSE All-share index remained unchanged from the end of March 2016 to the end of June, portfolio investment liabilities increased mainly on account of valuation effects emanating from strong price gains for shares of gold mining companies and other shares popular with non-resident investors.

Composition of inward investment

R billions

	30 Jun 2015	30 Sep 2015	31 Dec 2015	31 Mar 2016	30 Jun 2016
Direct investment.....	1 610	1 625	1 970	2 101	1 961
Portfolio investment.....	2 825	2 700	2 581	2 670	2 902
Financial derivatives.....	96	137	196	150	124
Other investment.....	647	704	796	768	751
Total.....	5 178	5 166	5 543	5 689	5 738
<i>Memo: US\$/Rand exchange rate</i>	<i>12,2406</i>	<i>13,8143</i>	<i>15,5742</i>	<i>14,8820</i>	<i>14,7626</i>

Foreign assets

The market value of South Africa's foreign assets (outward investment) increased slightly during the second quarter of 2016 to an amount of R6 201 billion at the end of June compared with R6 150 billion at the end of March. The quarterly rate of increase in the value of foreign assets came to 0,8 per cent in the second quarter of 2016 compared with a decrease of 0,5 per cent in the preceding quarter. The increase in the market value of foreign assets was mainly the result of an increase in direct investment and to a lesser degree portfolio investment. Market valuation adjustments boosted the stock of direct investment assets, while a further positive performance of global equity markets increased the country's foreign portfolio asset position. The increase in these foreign asset categories was partly countered by declines in the market value of financial derivatives, "other" investment and reserve assets.

Composition of outward investment

R billions

	30 Jun 2015	30 Sep 2015	31 Dec 2015	31 Mar 2016	30 Jun 2016
Direct investment.....	1 982	2 062	2 405	2 454	2 521
Portfolio investment.....	1 850	1 871	2 282	2 304	2 323
Financial derivatives.....	103	151	220	158	132
Other investment.....	536	551	561	545	541
Reserve assets.....	571	640	714	689	684
Total.....	5 042	5 275	6 182	6 150	6 201
<i>Memo: US\$/Rand exchange rate</i>	<i>12,2406</i>	<i>13,8143</i>	<i>15,5742</i>	<i>14,8820</i>	<i>14,7626</i>

Concluding comments

Following the first positive net IIP ever recorded during the second half of 2015 amid sharp depreciation in the exchange rate of the rand, South Africa's foreign liabilities and foreign assets stabilised during the first half of 2016. While the exchange rate of the rand recovered from the beginning of 2016, South Africa continued to record a positive net IIP.

As a ratio of South Africa's gross domestic product (GDP), the country's foreign liabilities decreased from an all-time high of 139,2 per cent at the end of March 2016 to 137,9 per cent at the end of June while the country's foreign assets declined from 150,5 per cent to 149,1 per cent over the same period. This resulted in the country's positive net IIP retreating slightly to 11,1 per cent of GDP at the end of June 2016 compared with 11,3 per cent at the end of March.

South Africa's IIP as at the end of September 2016 will be released on the Bank's website at the end of December 2016.