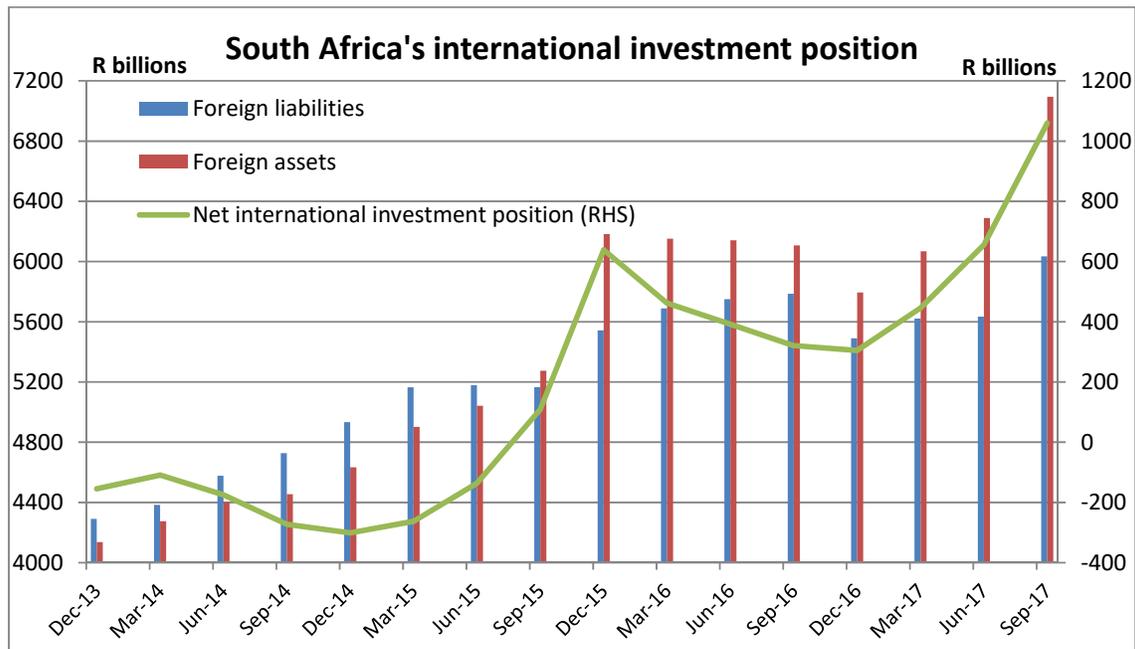


## South Africa's international investment position

### Net international investment position (foreign assets minus foreign liabilities)

South Africa's positive net international investment position (IIP) increased significantly from R656 billion at the end of June to R1 060 billion at the end of September 2017 as foreign assets increased at a faster pace than foreign liabilities. While both foreign liabilities and assets were lifted by the depreciation of 4.6% in the weighted average exchange rate of the rand from the end of June 2017 to the end of September, as a result of its larger foreign-currency exposure, foreign assets increased more than foreign liabilities.



### Foreign assets

The market value of South Africa's foreign assets (outward investment) increased from R6 290 billion at the end of June 2017 to R7 094 billion at the end of September. South Africa's foreign asset increased significantly by a further 12.8% in the third quarter of 2017 after increasing by 3.6% in the second quarter. All functional categories increased in the third quarter of 2017, with direct investment contributing the largest amount to the increase. The market value of the direct investment increased mainly on account of a further increase in the share price of a large foreign investment of a South African company. The purchase by domestic telecommunications company of a controlling stake in a company abroad also contributed to the increase in direct investment. The increase in foreign portfolio assets mainly took the form of a rise in value of equity securities as the S&P 500 rose, on balance, by 4% in the third quarter of 2017 and South African investors continued to invest abroad. The increases recorded for "other" foreign assets as well as reserve

assets was also driven by the depreciation of the exchange rate of the rand in the third quarter of 2017.

### Composition of outward investment

R billions

|                                      | 30 Sep<br>2016 | 31 Dec<br>2016 | 31 Mar<br>2017 | 30 Jun<br>2017 | 30 Sep<br>2017 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Direct investment.....               | 2 612          | 2 403          | 2 591          | 2 803          | 3 267          |
| Portfolio investment.....            | 2 189          | 2 120          | 2 245          | 2 276          | 2 506          |
| Financial derivatives.....           | 120            | 103            | 95             | 86             | 95             |
| Other investment.....                | 532            | 521            | 519            | 507            | 559            |
| Reserve assets.....                  | 655            | 648            | 618            | 618            | 667            |
| Total.....                           | 6 108          | 5 795          | 6 068          | 6 290          | 7 094          |
| <i>Memo: US\$/Rand exchange rate</i> | 13.9679        | 13.6282        | 13.4599        | 13.0817        | 13.4943        |

### Foreign liabilities

The market value of South Africa's foreign liabilities (inward investment) increased from a R5 634 billion at the end of June 2017 to R6 034 billion at the end of September. This was also a substantial increase of 7.1% following a subdued increase of 0.2% in the second quarter. The increase in the country's foreign liabilities reflected an increase in all functional categories. The increase in both direct and portfolio investment can mainly be attributed to a substantial increase of 7.7% in the JSE All-share index from the end of June 2017 to the end of September. The increase in portfolio investment liabilities can also be attributed to the acquisition of domestic debt securities by foreign investors as their search for higher investment returns continued. Inward portfolio investment was augmented by the issue of international bonds by both the National Government and a non-banking private sector company. The increase in "other" investment liabilities mainly resulted from short-term borrowing by the domestic private and banking sectors and drawings on foreign long-term loans by public corporations.

### Composition of inward investment

R billions

|                                      | 30 Sep<br>2016 | 31 Dec<br>2016 | 31 Mar<br>2017 | 30 Jun<br>2017 | 30 Sep<br>2017 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Direct investment.....               | 1 936          | 1 854          | 1 842          | 1 830          | 1 916          |
| Portfolio investment.....            | 2 940          | 2 800          | 2 879          | 2 942          | 3 192          |
| Financial derivatives.....           | 125            | 105            | 102            | 92             | 95             |
| Other investment.....                | 786            | 731            | 799            | 770            | 831            |
| Total.....                           | 5 787          | 5 490          | 5 622          | 5 634          | 6 034          |
| <i>Memo: US\$/Rand exchange rate</i> | 13.9679        | 13.6282        | 13.4599        | 13.0817        | 13.4943        |

## **Concluding comments**

South Africa's positive net IIP increased to R1 060 billion at the end of September 2017 as the country's foreign assets increased at a faster pace compared to its foreign liabilities. As a ratio of South Africa's annual gross domestic product (GDP), the country's foreign liabilities increased from 125.9% at the end of June 2017 to 132.8% at the end of September, while the country's foreign assets increased from 140.6% to 156.1% over the same period. This resulted in the South Africa's positive net IIP rising to 23.3% of GDP at the end of September 2017 compared to 14.7% of GDP at the end of June.

South Africa's IIP as at 31 December 2017 will be released on the Bank's website on 30 March 2018.