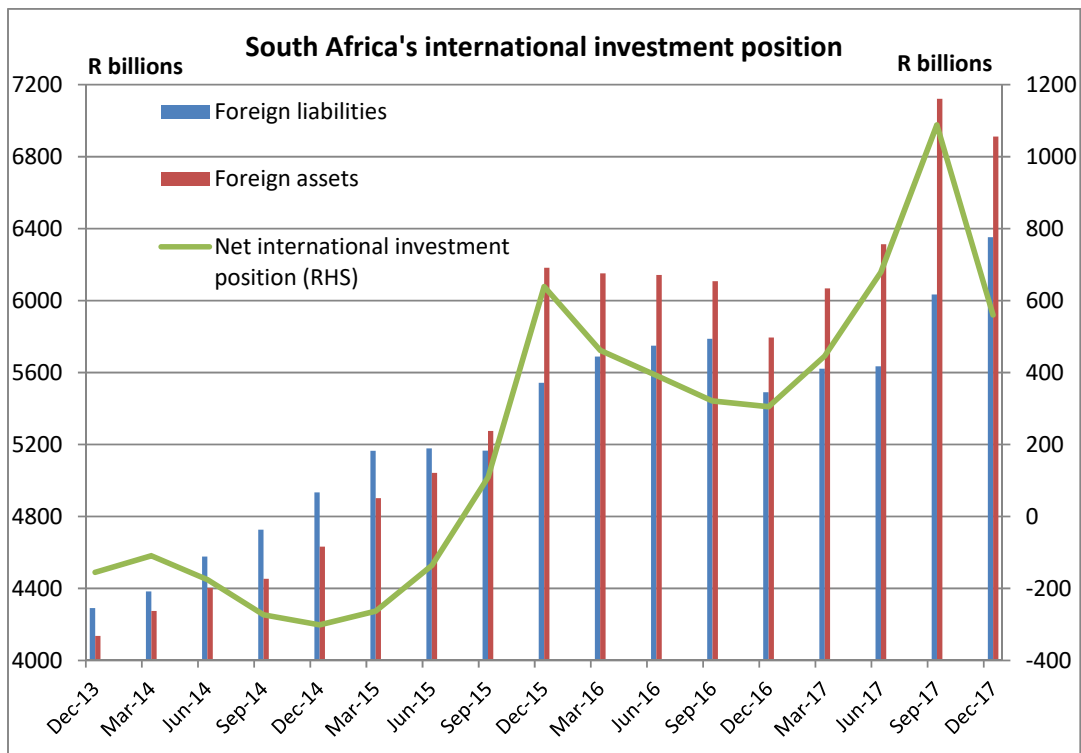


South Africa's international investment position

Net international investment position (foreign assets minus foreign liabilities)

South Africa's positive net international investment position (IIP) decreased from R1 088 billion at the end of September 2017 to R562 billion at the end of December, as the value of foreign liabilities increased while foreign assets decreased. The nominal effective exchange rate of the rand (NEER) increased by 8.3% over the period, which contributed to the decline in the country's net IIP.



Source: SARB

Foreign assets

The market value of South Africa's foreign assets (outward investment) decreased from R7 122 billion at the end of September to R6 912 billion at the end of December 2017. The quarterly rate of decrease in the value of foreign assets was 2.9% following a substantial increase of 12.8% in the third quarter of 2017. The market value of all functional categories, except financial derivatives, decreased in the fourth quarter of 2017. While direct investment remained roughly unchanged, portfolio investment declined as the increase in the share prices of companies abroad was more than neutralised by the increase in the NEER. The S&P 500 increased by 6.1% from 30 September 2017 to 31 December, partly offsetting the impact of the appreciation of the rand. On balance, the appreciation

in the exchange value of the rand in the fourth quarter of 2017 also decreased the market value of “other” investment assets and reserve assets over the period.

Composition of outward investment

R billions

	31 Dec 2016	31 Mar 2017	30 Jun 2017	30 Sept 2017	31 Dec 2017
Direct investment.....	2 403	2 591	2 863	3 335	3 334
Portfolio investment.....	2 120	2 245	2 238	2 466	2 324
Financial derivatives.....	103	95	86	95	125
Other investment.....	521	519	507	559	504
Reserve assets.....	648	618	618	667	625
Total.....	5 795	6 068	6 312	7 122	6 912
<i>Memo: US\$/Rand exchange rate</i>	13.6282	13.4599	13.0817	13.4943	12.2940

Source: SARB

Foreign liabilities

The market value of South Africa’s foreign liabilities (inward investment) increased from a R6 034 billion at the end of September 2017 to R6 350 billion at the end of December. The 5.2% increase in the fourth quarter of 2017 followed an increase of 7.1% in the third quarter. The increase in the country’s foreign liabilities reflected an increase in the portfolio investment and financial derivatives functional categories, while the direct investment and “other” investment functional categories decreased over the period. The JSE All-share index recorded a substantial increase of 7.1% from 30 September 2017 to 31 December which had a significant effect on the market value of portfolio investment liabilities. The increase in portfolio investment liabilities can also be attributed to the acquisition of domestic debt securities by foreign investors, as foreign investors’ search for yield continued. The decrease in other investment liabilities resulted mainly from repayments of short-term loans by the domestic banking sector. The increase in the value of foreign liabilities was also countered by the increase in the NEER over the period.

Composition of inward investment

R billions

	31 Dec 2016	31 Mar 2017	30 Jun 2017	30 Sept 2017	31 Dec 2017
Direct investment.....	1 854	1 842	1 830	1 916	1 848
Portfolio investment.....	2 800	2 879	2 942	3 192	3 577
Financial derivatives.....	105	102	92	95	137
Other investment.....	731	799	770	831	788
Total.....	5 490	5 622	5 634	6 034	6 350
<i>Memo: US\$/Rand exchange rate</i>	13.6282	13.4599	13.0817	13.4943	12.2940

Source: SARB

Concluding comments

South Africa's positive net IIP contracted as the country's foreign liabilities increased while foreign assets declined. As a ratio of South Africa's annual gross domestic product (GDP), the country's foreign liabilities increased from 132.2% at 30 September 2017 to 136.5% as at 31 December, while the country's foreign assets decreased from 156% to 148.6 over the same period. This resulted in the country's positive net IIP declining to 12.1% of GDP as at 31 December 2017 from 23.8% at as 30 September.

On an annual basis South Africa's foreign liabilities increased by 15.7% from 31 December 2016 to 31 December 2017, the country's foreign assets increased at a faster rate of 19.3% over the period. The nominal effective exchange rate of the rand increased by only 2.5% in 2017 compared to an increase of 18.7% in 2016.

South Africa's IIP as at 31 March 2018 will be released on the Bank's website on 29 June 2018.