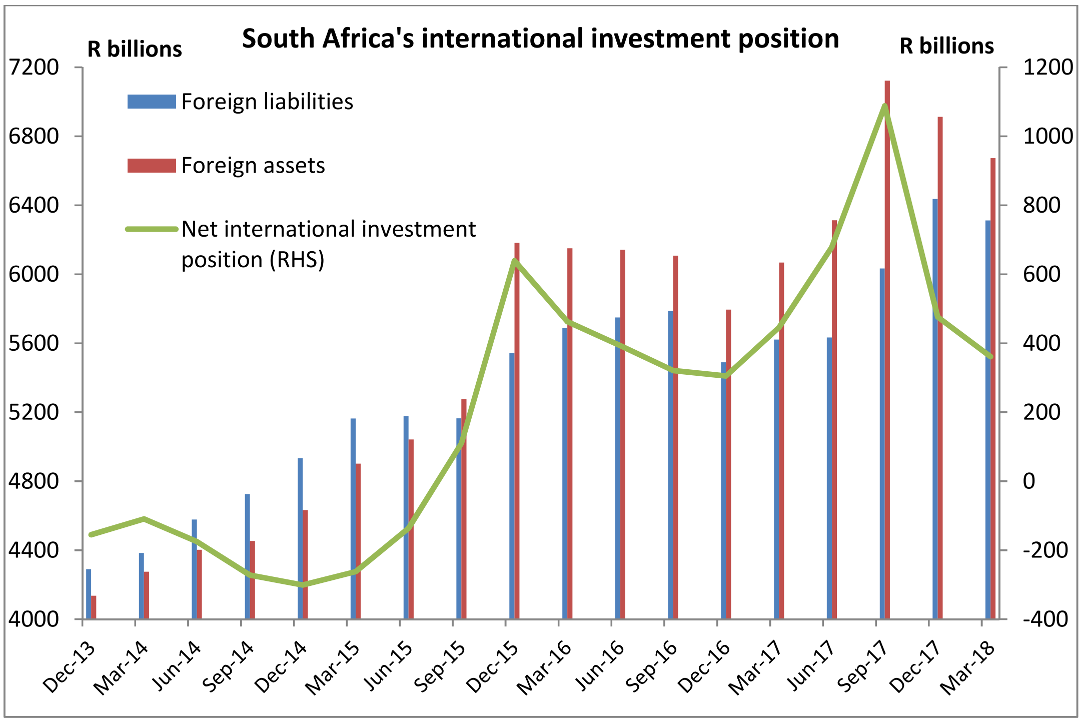
South Africa's international investment position

Net international investment position (foreign assets minus foreign liabilities)

South Africa's positive net international investment position (IIP) decreased further from R476 billion at the end of December 2017 to R361 billion at the end of March 2018, as the decline in the value of foreign assets exceeded the decline in the value of foreign liabilities. The weighted average exchange rate of the rand had a limited impact on both foreign assets and liabilities as it increased, on balance, by only 1.8% in the first quarter of 2018.



Source: SARB

Foreign assets

The market value of South Africa's foreign assets (outward investment) decreased from R6 913 billion at the end of December to R6 673 billion at the of March 2018. The quarterly rate of decrease in the value of foreign assets of 3.5% was more than the 2.9% decrease recorded in the fourth quarter of 2017. The market value of all functional categories decreased in the first quarter of 2018. Direct investment decreased mainly as a result of a lower market valuation of a large foreign investment of a South African company. The decline in direct investment was cushioned to a certain extent by a domestic financial services company acquiring a significant stake in a company abroad and private sector companies increasing their equity holdings in foreign subsidiaries. Foreign portfolio assets decreased as the US Standard & Poor's (S&P) 500 Index, on balance, declined by 1.2% in the first quarter of 2018. On balance, the subdued appreciation in the exchange value of the rand in the first quarter of 2018 led to a marginal decrease in the market value of ‘other’ foreign assets.

Composition of outward investment

R billions

	31 Mar 2017	30 Jun 2017	30 Sept 2017	31 Dec 2017	31 Mar 2018
Direct investment……..............	2 591	2 863	3 335	3 334	3 252
Portfolio investment…............	2 245	2 238	2 466	2 324	2 219
Financial derivatives………….	95	86	95	125	105
Other investment……………..	519	507	559	504	504
Reserve assets………..........	618	618	667	625	593
Total……………………………	6 068	6 312	7 122	6 913	6 673
Memo: US$/Rand exchange rate	13.4599	13.0817	13.4943	12.2940	11.8128

Source: SARB

Foreign liabilities

The market value of South Africa’s foreign liabilities (inward investment) decreased from R6 436 billion at the end of December 2017 to R6 312 billion at the end of March 2018. The 1.9% decline in the first quarter of 2018 followed an increase of 6.7% in the third quarter. The decrease in the country’s foreign liabilities in the quarter to the end of March 2018 reflected a decrease in all categories except direct investment which recorded a marginal increase. The JSE All-share index declined by 6,8 per cent over the period, leading to a decline in portfolio investment liabilities. However, the decrease in portfolio investment liabilities was cushioned by the acquisition of domestic debt securities by foreign investors. The decrease in “other” investment liabilities resulted mainly from repayments of foreign currency-denominated loans by the domestic banking sector.

Composition of inward investment

R billions

	31 Mar 2017	30 Jun 2017	30 Sept 2017	31 Dec 2017	31 Mar 2018
Direct investment……..............	1 842	1 830	1 916	1 934	1 961
Portfolio investment…............	2 879	2 942	3 192	3 577	3 470
Financial derivatives………….	102	92	95	137	112
Other investment……………..	799	770	831	788	769
Total……………………………	5 622	5 634	6 034	6 436	6 312
Memo: US$/Rand exchange rate	13.4599	13.0817	13.4943	12.2940	11.8128

Source: SARB

Concluding comments

South Africa's positive net IIP contracted as the country's foreign assets decreased more than foreign liabilities. As a ratio of South Africa's annual gross domestic product (GDP), the country's foreign liabilities decreased from 138.4% at the end of December 2017 to 133.7% in March 2018, while the country's foreign assets decreased from 148.6% to 141.4% over the same period. This resulted in the country's positive net IIP declining to 7.7% of GDP at the end of March 2018.

South Africa's IIP as 30 June 2018 will be released on the Bank's website on 28 September 2018.