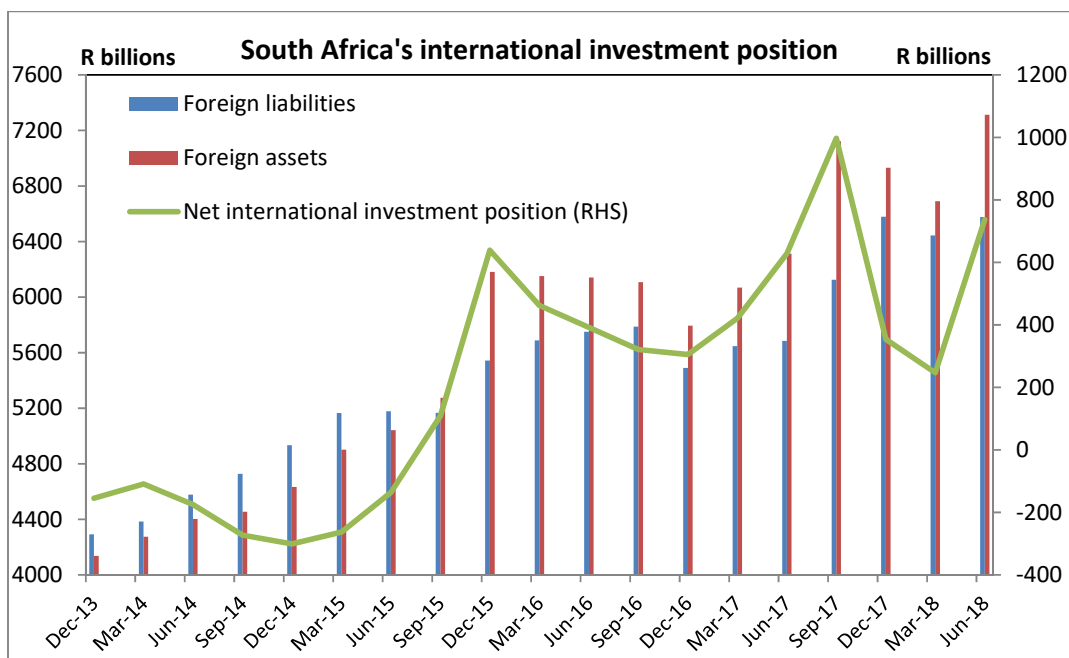


South Africa's international investment position

Net international investment position (foreign assets minus foreign liabilities)

South Africa's positive net international investment position (IIP) increased noticeably from a revised R247 billion at the end of March 2018 to R737 billion at the end of June 2018, as the increase in the value of foreign assets exceeded the increase in the value of foreign liabilities. The depreciation in the weighted average exchange rate of the rand by 10% in the second quarter of 2018 had a significant effect on both foreign assets and liabilities.



Source: SARB

Foreign assets

The market value of South Africa's foreign assets (outward investment) increased from a revised R6 691 billion at the end of March to R7 313 billion at the end of June 2018. This represents a quarterly rate of increase in the value of foreign assets of 9.3% compared to a decrease of 3.5% in the first quarter. The market value of all functional categories increased in the second quarter of 2018. Direct investment increased mainly as a result of a holding gains on a large foreign investment of a South African company. Foreign portfolio assets increased mainly as the depreciation in the exchange value of the rand in the second quarter of 2018 more than countered a decline of 6.2% in the US Standard & Poor's (S&P) 500 Index. The depreciation of the domestic currency also contributed to the increase in the market value of 'other' investment and reserve assets.

Composition of outward investment

R billions

	30 Jun 2017	30 Sept 2017	31 Dec 2017	31 Mar 2018	30 June 2018
Direct investment.....	2 863	3 335	3 410	3 326	3 693
Portfolio investment.....	2 239	2 466	2 242	2 139	2 255
Financial derivatives.....	86	95	125	105	116
Other investment.....	507	559	530	528	553
Reserve assets.....	618	667	625	593	696
Total.....	6 313	7 122	6 932	6 691	7 313
<i>Memo: US\$/Rand exchange rate</i>	<i>13.0817</i>	<i>13.4943</i>	<i>12.2940</i>	<i>11.8128</i>	<i>13.7432</i>

Source: SARB

Foreign liabilities

The market value of South Africa's foreign liabilities (inward investment) increased from a revised R6 444 billion at the end of March to R6 576 billion at the end of June 2018. The increase of 2.1% in the second quarter of 2018 followed a decline of 2% in the first quarter. The increase in the country's foreign liabilities in the quarter to the end of June 2018 reflected an increase in all functional categories, except for direct investment. The decline in direct investment can mainly be attributed to a financial services company moving its headquarters to South Africa. The increase in portfolio investment liabilities can be attributed to an increase in the FTSE/JSE All-share Index by, on balance, 3.9% in the second quarter. Net sales of domestic debt securities by foreign investors were countered by international bond issues of the government and the domestic banking sector. The increase in 'other' investment liabilities mainly resulted from an increase in non-resident foreign currency-denominated deposits at domestic banks as well as valuation effects from the depreciation of the exchange value of the rand.

Composition of inward investment

R billions

	30 Jun 2017	30 Sept 2017	31 Dec 2017	31 Mar 2018	30 June 2018
Direct investment.....	1 830	1 916	1 926	1 952	1 863
Portfolio investment.....	2 993	3 283	3 727	3 611	3 717
Financial derivatives.....	92	95	137	112	119
Other investment.....	770	831	788	769	877
Total.....	5 685	6 125	6 578	6 444	6 576
<i>Memo: US\$/Rand exchange rate</i>	<i>13.0817</i>	<i>13.4943</i>	<i>12.2940</i>	<i>11.8128</i>	<i>13.7432</i>

Source: SARB

Concluding comments

South Africa's positive net IIP increased as foreign assets increased more than foreign liabilities. As a ratio of South Africa's annual gross domestic product (GDP), foreign liabilities increased marginally from 136.5% at the end of March 2018 to 136.8% in June, while foreign assets increased significantly from 141.7% to 152.1% over the same period. This resulted in the positive net IIP to GDP increasing from 5.3% at the end of March 2018 to 15.3% at the end of June.

South Africa's IIP as at the end of September 2018 will be released on the Bank's website at the end of December 2018.