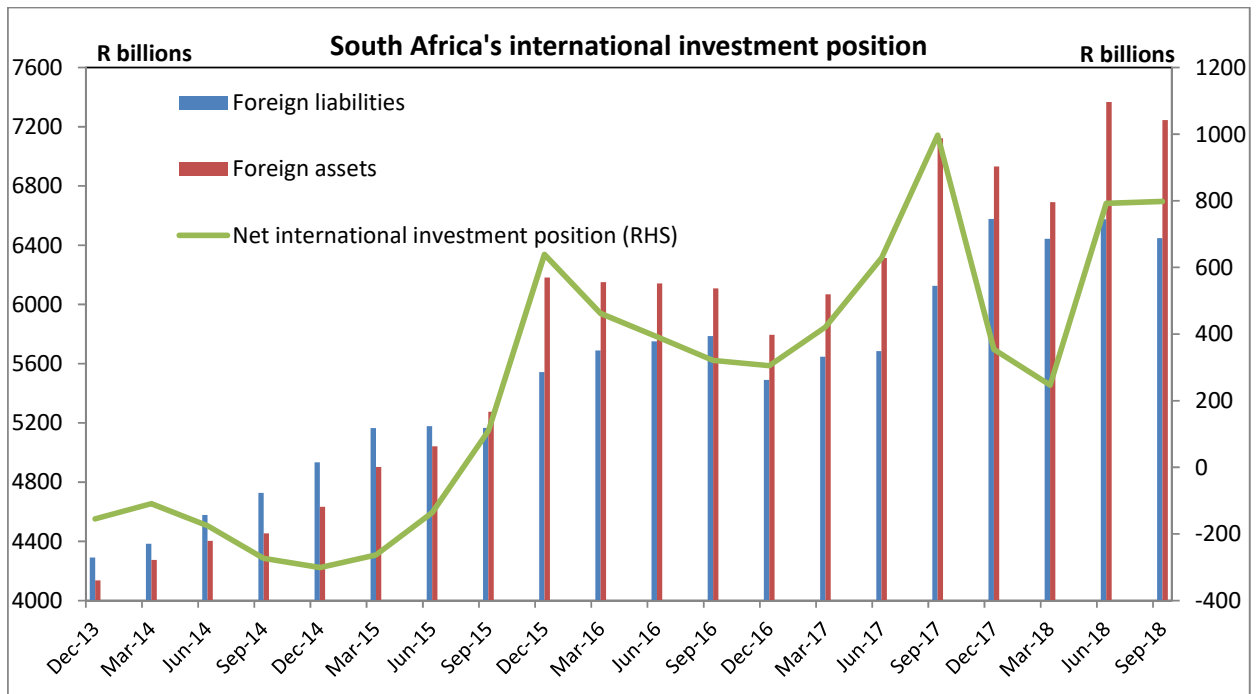


South Africa's international investment position

Net¹ international investment position

South Africa's positive net international investment position (IIP) increased only from R793 billion at the end of June 2018 to R799 billion at the end of September, as the decrease in the value of foreign liabilities marginally exceeded the decrease in the value of foreign assets. The decline in the weighted average exchange rate of the rand of, on balance, 1.4% in the third quarter of 2018, had a limited effect on both foreign assets and liabilities.



Source: SARB

Foreign assets

The market value of South Africa's foreign assets (outward investment) decreased from R7 369 billion at the end of June 2018 to R7 247 billion at the end of September. This represents a quarterly rate of decrease in the value of foreign assets of 1.7% compared to an increase of 10.1% in the second quarter. The market value of direct investment and financial derivatives declined while all other functional categories increased in the third quarter of 2018. Direct investment decreased mainly as a result of the lower rand value of a large foreign investment of a South African company. Foreign portfolio assets increased mainly as the result of a 7.2% increase in the US Standard & Poor's (S&P) 500 Index. Other

¹ Net calculated as foreign assets minus foreign liabilities

investment increased as the domestic banking sector increased its deposits abroad.

Composition of outward investment

R billions

	30 Sep 2017	31 Dec 2017	31 Mar 2018	30 June 2018	30 Sep 2018
Direct investment.....	3 335	3 410	3 326	3 693	3 415
Portfolio investment.....	2 466	2 242	2 139	2 310	2 441
Financial derivatives.....	95	125	105	116	112
Other investment.....	559	530	528	553	563
Reserve assets.....	667	625	593	696	715
Total.....	7 122	6 932	6 691	7 369	7 247
<i>Memo: US\$/Rand exchange rate</i>	13.4943	12.2940	11.8128	13.7432	14.1581

Source: SARB

Foreign liabilities

The market value of South Africa's foreign liabilities (inward investment) decrease from R6 576 billion at the end of June 2018 to R6 448 at the of September. The 1.9% decrease in the third quarter of 2018 followed an increase of 2.1% in the second quarter. The decrease in the country's foreign liabilities in the quarter to the end of September 2018 reflected a decrease in all functional categories except direct investment. Direct investment increased as direct investors increased loan financing extended to the domestic private non-banking sector. The FTSE/JSE All-share index decreased by 3.3% over the period and non-residents sold domestic equity securities, which more than countered a public corporation's international bond issues to the value of US\$1.5 billion. The decrease in other investment liabilities mainly resulted from the decline in non-residents deposits with the domestic banking sector.

Composition of inward investment

R billions

	30 Sep 2017	31 Dec 2017	31 Mar 2018	30 June 2018	30 Sep 2018
Direct investment.....	1 916	1 926	1 952	1 863	1 885
Portfolio investment.....	3 283	3 727	3 611	3 717	3 587
Financial derivatives.....	95	137	112	119	105
Other investment.....	831	788	769	877	871
Total.....	6 125	6 578	6 444	6 576	6 448
<i>Memo: US\$/Rand exchange rate</i>	13.4943	12.2940	11.8128	13.7432	14.1581

Source: SARB

Concluding comments

South Africa's positive net IIP increased marginally as foreign liabilities decreased slightly more than foreign assets. As a ratio of South Africa's annual gross domestic product (GDP), foreign liabilities decreased from 136.9% at the end of June 2018 to 131.8% in September, while foreign assets decreased from 153.5% to 148.1% over the same period. This resulted in the positive net IIP declining slightly to 16.3% of GDP at the end of September 2018 compared to 16.5% at the end of June.

South Africa's IIP as at end of December 2018 will be released on the Bank's website at the end of March 2019.