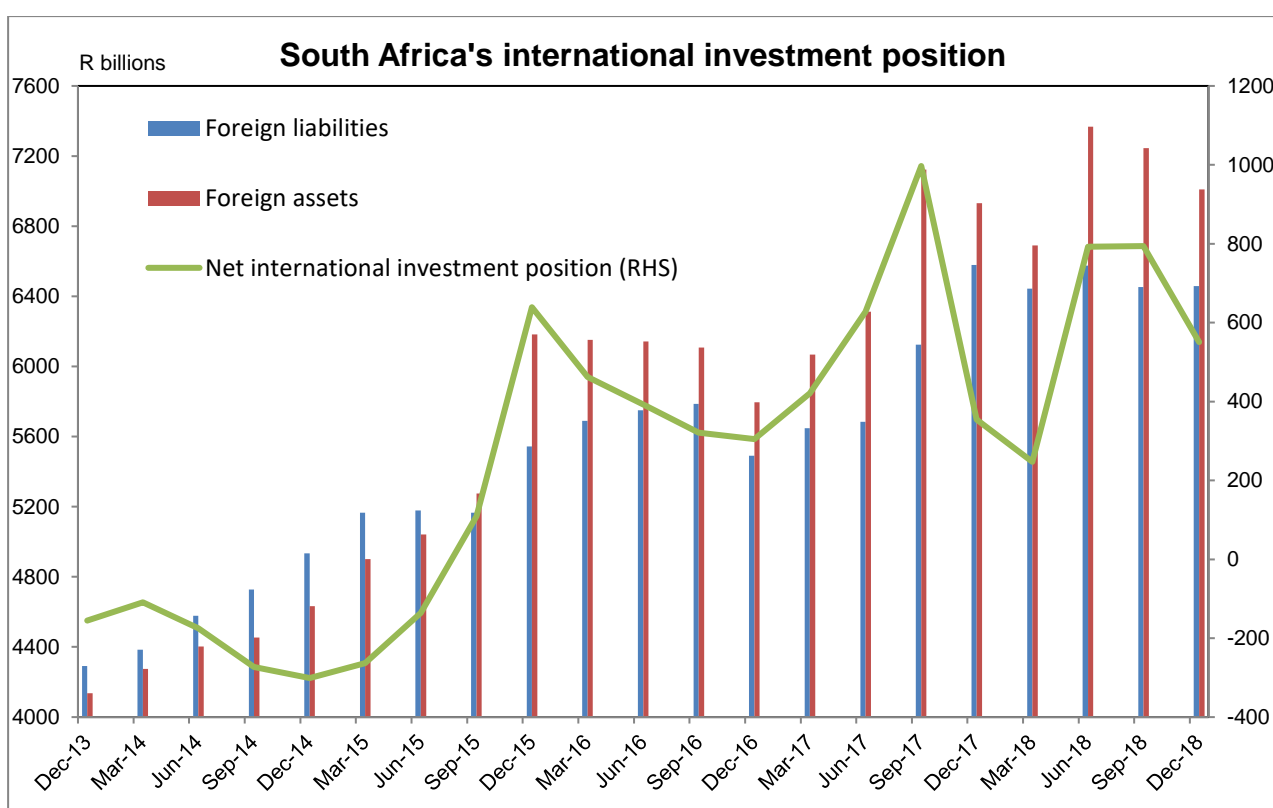


South Africa's international investment position

Net¹ international investment position

South Africa's positive net international investment position (IIP) decreased from R795 billion at the end of September 2018 to R552 billion at the end of December, as the value of foreign assets decreased while the value of foreign liabilities increased marginally. The decline in the value of foreign assets can mainly be attributed a decline in portfolio investment assets as a result of a sharp decline in global equity markets in the fourth quarter of 2018. The weighted average exchange rate of the rand had a limited effect on both foreign assets and liabilities as it declined by only 1.8% in the fourth quarter of 2018.



Source: SARB

Foreign assets

The market value of South Africa's foreign assets (outward investment) decreased by 3.3% from R7 247 billion at the end of September 2018 to R7 010 billion at the end of December following a decrease of 1.7% in the third quarter. The market value of portfolio investment and financial derivatives declined while all other functional categories increased marginally in the fourth quarter of 2018. The significant decline in the value of foreign portfolio assets was mainly as the

¹ Net calculated as foreign assets minus foreign liabilities

result of a 14% decline in the US Standard & Poor's (S&P) 500 Index. The increase in direct investment was mainly due to a domestic company in the insurance sector acquiring a company abroad, while other investment increased as the domestic banking sector increased its deposits abroad.

Composition of outward investment

R billions

	31 Dec 2017	31 Mar 2018	30 Jun 2018	30 Sept 2018	31 Dec 2018
Direct investment.....	3 410	3 326	3 693	3 415	3 425
Portfolio investment.....	2 242	2 139	2 310	2 441	2 177
Financial derivatives.....	125	105	116	112	90
Other investment.....	530	528	553	563	576
Reserve assets.....	625	593	696	715	742
Total.....	6 932	6 692	7 369	7 247	7 010
<i>Memo: US\$/Rand exchange rate</i>	12.2940	11.8128	13.7432	14.1581	14.4509

Source: SARB

Components may not add up to totals due to rounding off.

Foreign liabilities

The market value of South Africa's foreign liabilities (inward investment) increased marginally from R6 452 billion at the end of September 2018 to R6 458 at the end of December. The 0.1% increase in the fourth quarter of 2018 followed a decrease of 1.9% in the third quarter. The increase in the country's foreign liabilities in the quarter to the end of December 2018 resulted from an increase in the other investment category, while all other functional categories decreased. Other investment liabilities increased as non-residents extended loans to and increased their deposits with the domestic banking sector. The decline in direct investment can mainly be attributed to the lower valuation of direct investment equity. The value of portfolio investment decreased as non-residents sold domestic shares and bonds on a net basis and as the FTSE/JSE All-share Index declined by 5.3% over the period.

Composition of inward investment

R billions

	31 Dec 2017	31 Mar 2018	30 Jun 2018	30 Sept 2018	31 Dec 2018
Direct investment.....	1 926	1 952	1 863	1 889	1 854
Portfolio investment.....	3 727	3 611	3 717	3 587	3 542
Financial derivatives.....	137	112	119	105	91
Other investment.....	788	769	877	871	972
Total.....	6 578	6 444	6 576	6 452	6 458
<i>Memo: US\$/Rand exchange rate</i>	12.2940	11.8128	13.7432	14.1581	14.4509

Source: SARB

Components may not add up to totals due to rounding off.

Concluding comments

South Africa's positive net IIP decreased as the country's foreign assets declined while foreign liabilities increased marginally. As a ratio of South Africa's annual gross domestic product (GDP), the country's foreign liabilities decreased from 133.9% at the end of September 2018 to 132.5% in at the end of December, while the country's foreign assets decreased from 150.4% to 143.8% over the same period. This resulted in the country's positive net IIP declining to 11.3% of GDP at the end of December 2018 from 16.5% at the end of September.

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