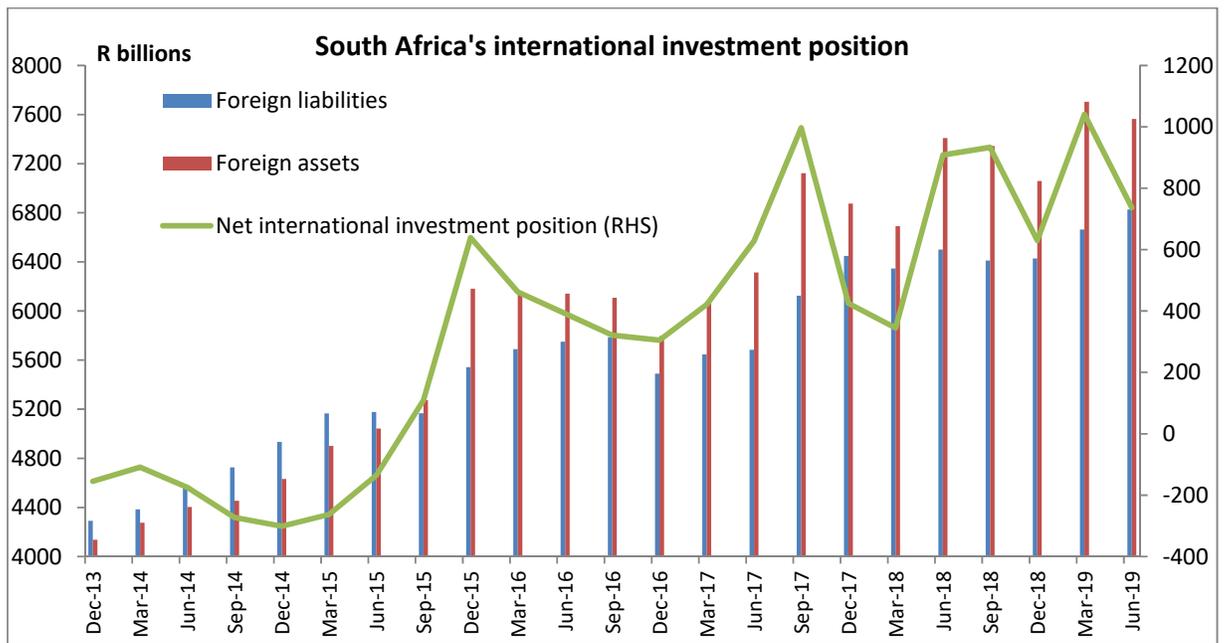


## South Africa's international investment position

### Net<sup>1</sup> international investment position

South Africa's positive net international investment position (IIP) decreased from a revised R1 041 billion at the end of March 2019 to R736 billion at the end of June. The decrease in the positive net international investment position reflected an increase in foreign liabilities and a decrease in foreign assets. The increase in the nominal effective exchange of the rand of 3.1% over the period affected foreign assets more than foreign liabilities.



Source: SARB

### Foreign assets

The market value of South Africa's foreign assets (outward investment) decreased by 1.8% from a revised R7 705 billion at the end of March 2019 to R7 564 billion at the end of June compared to an increase of 9.2% in the first quarter of 2019. The market value of the direct and portfolio investment as well as reserve assets decreased in the second quarter of 2019, while other investment and financial derivatives increased. Direct investment decreased mainly as a result of the lower market valuation of a large foreign investment of a South African company. Foreign portfolio assets declined as a result of the repatriation of portfolio assets and the appreciation in the exchange value of the rand. However, these developments were partly countered by the increase of 3.8% in the US

<sup>1</sup> Net calculated as foreign assets minus foreign liabilities

Standard & Poor's (S&P) 500 Index in the second quarter of 2019. The increase in other investment assets reflected domestic banking sector loans to non-residents under resale agreements and short-term loans by the private non-banking sector to non-residents.

### Composition of outward investment

R billions

	30 Jun 2018	30 Sept 2018	31 Dec 2018	31 Mar 2019	30 June 2019
Direct investment.....	3 744	3 524	3 543	3 847	3 701
Portfolio investment.....	2 299	2 430	2 113	2 428	2 401
Financial derivatives.....	116	112	90	91	103
Other investment.....	553	563	570	619	653
Reserve assets.....	696	715	742	720	706
Total.....	7 408	7 344	7 058	7 705	7 564
<i>Memo: US\$/Rand exchange rate</i>	13.7432	14.1581	14.4509	14.5968	14.1487

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 by 2.4% from a revised R6 664 billion at the end of March 2019 to R6 827 billion at the end of June following an increase of 3.7% in the first quarter of 2019. The higher level of foreign liabilities reflected an increase in all functional categories except other investment. The increase of 3.1% in the FTSE/JSE All-share index in the second quarter mostly contributed to the higher value of both direct and portfolio investment liabilities. The redemption of two international government bonds was countered by non-resident net purchases of domestic government bonds. The decrease in other investment liabilities resulted mainly from the repayment of short-term foreign loans by the domestic banking sector.

### Composition of inward investment

R billions

	30 Jun 2018	30 Sept 2018	31 Dec 2018	31 Mar 2019	30 Jun 2019
Direct investment.....	1 911	1 960	1 992	2 061	2 106
Portfolio investment.....	3 592	3 474	3 371	3 528	3 649
Financial derivatives.....	119	105	91	88	102
Other investment.....	878	872	974	987	970
Total.....	6 500	6 411	6 428	6 664	6 827
<i>Memo: US\$/Rand exchange rate</i>	13.7432	14.1581	14.4509	14.5938	14.1487

Source: SARB

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

## **Concluding comments**

South Africa's positive net IIP decreased as the market value of foreign assets decreased while that of foreign liabilities increased. As a ratio of South Africa's annual gross domestic product (GDP), foreign assets decreased from 156.6% at the end of March 2019 to 152% in June, while the foreign liabilities increased from 135.4% to 137.2% over the same period. This resulted in a decline in the positive net IIP to 14.8% of GDP at the end of June 2019.

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