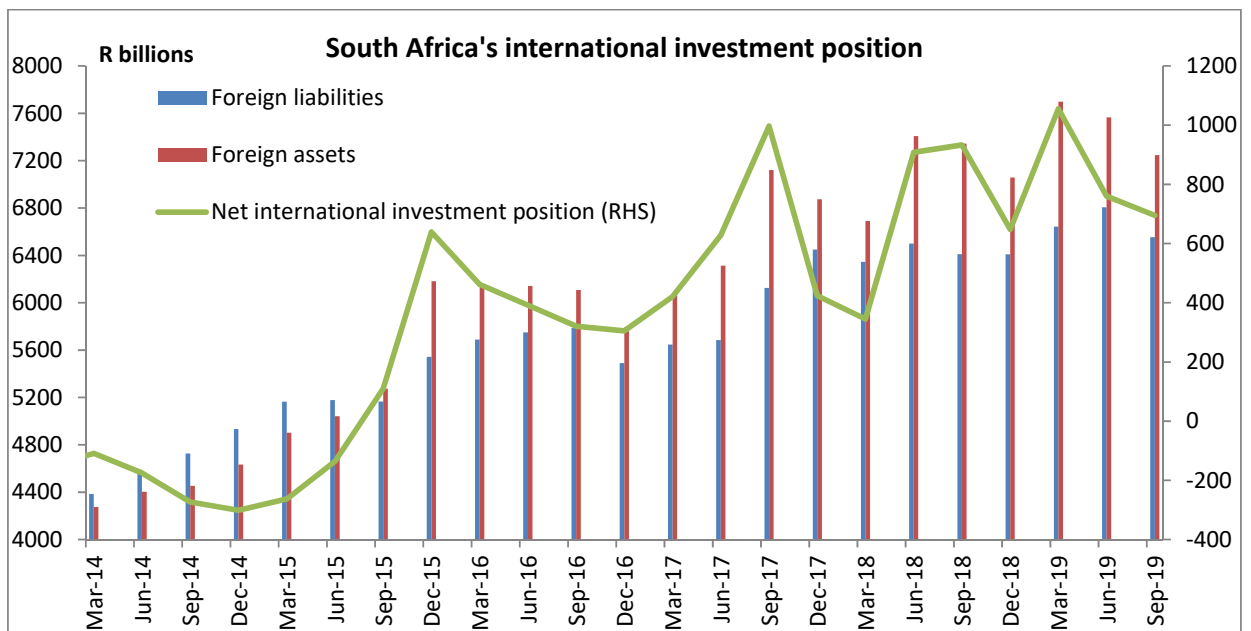


South Africa's international investment position

Net¹ international investment position

South Africa's positive net international investment position (IIP) decreased from a revised R760 billion at the end of June 2019 to R695 billion at the end of September. The decrease in the positive net international investment position reflected a larger decline in foreign assets than in foreign liabilities. Both foreign assets and foreign liabilities declined as a result of the restructuring of a large South African company. The decline in the nominal effective exchange of the rand of 4.2% 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) declined by 4.2% from a revised R7 566 billion at the end of June 2019 to R7 247 billion at the end of September compared to a decrease of 1.7% in the second quarter of 2019. The market value of portfolio investment, financial derivatives as well as reserve assets increased in the third quarter of 2019, while direct and other investment decreased. Direct investment decreased considerably as a result of the disposal of shares in a foreign direct investment enterprise by a South African company. The South African company listed its foreign subsidiary on a foreign stock exchange and distributed some of its shares in the foreign company to its shareholders. However, foreign portfolio assets increased as a result of South

¹ Net calculated as foreign assets minus foreign liabilities

African investors' participation in the distribution of shares in the foreign company mentioned above. This increase was augmented by the decline in the nominal effective exchange of the rand and an increase of 1.2% in the US Standard & Poor's (S&P) 500 Index in the third quarter of 2019. Other investment assets declined mainly due to the decrease in the domestic private banking sector's foreign-currency deposits and the repayment of short-term loans under resale agreements by non-residents. The increase in reserve assets reflected the proceeds from the issuance of two international government bonds as well as the decline in the nominal effective exchange of the rand.

Composition of outward investment

R billions

	30 Sep 2018	31 Dec 2018	31 Mar 2019	30 June 2019	30 Sep 2019
Direct investment.....	3 524	3 543	3 847	3 700	3 063
Portfolio investment.....	2 430	2 113	2 422	2 404	2 626
Financial derivatives.....	112	90	91	103	127
Other investment.....	563	570	619	653	598
Reserve assets.....	715	742	720	706	834
Total.....	7 344	7 058	7 699	7 566	7 247
<i>Memo: US\$/Rand exchange rate</i>	14.1581	14.4509	14.5968	14.1487	15.1971

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) declined by 3.7% from a revised R6 806 billion at the end of June 2019 to R6 552 billion at the end of September following an increase of 2.4% in the second quarter of 2019. The lower level of foreign liabilities reflected a decrease in portfolio investment while all other functional categories increased marginally. A decline of 5.8% in the FTSE/JSE All-share index in the third quarter, net sales of domestic equity securities as well as the reduction in the value of a large South African company as a result of the distribution of some of its shares in a foreign company, as mentioned under foreign assets, contributed to the lower value of portfolio investment in equity securities. The value of portfolio investment debt securities increased with the effect of the issuance of two international government bonds, only slightly countered by non-resident net sales of domestic debt securities. The increase in other investment liabilities resulted mainly from non-residents increasing their foreign-currency deposits with the domestic banking sector, while direct investment increased as a result of an increase in debt financing.

Composition of inward investment

R billions

	30 Sep 2018	31 Dec 2018	31 Mar 2019	30 Jun 2019	30 Sep 2019
Direct investment.....	1 960	1 992	2 061	2 106	2 139
Portfolio investment.....	3 474	3 352	3 508	3 628	3 313
Financial derivatives.....	105	91	88	102	118
Other investment.....	872	974	987	970	983
Total.....	6 411	6 409	6 644	6 806	6 552
<i>Memo: US\$/Rand exchange rate</i>	14.1581	14.4509	14.5938	14.1487	15.1971

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 by more than foreign liabilities. As a ratio of South Africa's annual gross domestic product (GDP), foreign assets decreased from 152.1% at the end of June 2019 to 144.4% in September, while foreign liabilities decreased from 136.8% to 130.5% over the same period. This resulted in a decline in the positive net IIP to 13.8% of GDP at the end of September 2019.

South Africa's IIP as at end December 2019 will be released on the Bank's website at the end of March 2020.