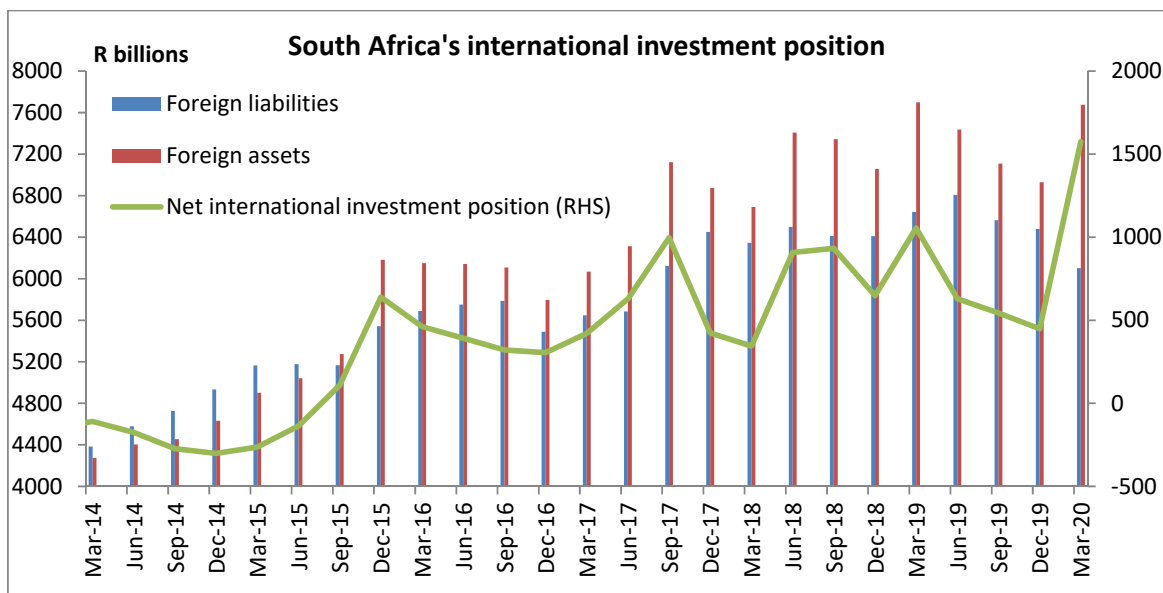


South Africa's international investment position

Net¹ international investment position

South Africa's positive net international investment position (IIP) increased significantly from R447 billion at the end of December 2019 to R1 574 billion at the end of March 2020. This increase in the positive net international investment position reflected an increase in the market value of foreign assets and a decline in foreign liabilities. The decrease in the nominal effective exchange of the rand of 19.2% over the period affected foreign assets more than foreign liabilities. Divergent movements in some asset prices also contributed to the significant increase in the positive net IIP.



Source: SARB

Foreign assets

The market value of South Africa's foreign assets (outward investment) increased by 10.8% from R6 927 billion at the end of December 2019 to R7 677 billion at the end of March 2020 following a decrease of 2.6% in the fourth quarter of 2019. The increase in foreign assets in the first quarter of 2020 reflected an increase in all functional categories, except portfolio investment. Direct investment increased mainly as a result of the valuation effects of an increase in the share price of a large dual-listed company with a primary listing abroad as well as the decline of the exchange value of the rand. Foreign portfolio investment assets declined in the first quarter of 2020 as a result of a decrease of 20% in the US Standard & Poor's (S&P) 500 Index as well as the decline in resident ownership of dual-listed companies domiciled abroad. Other investment assets increased mainly due to

¹ Net calculated as foreign assets minus foreign liabilities

an increase in the value of resident banks' loans and deposits with non-residents, while reserve assets increased due to the valuation effect of the decline of the exchange value of the rand.

Composition of outward investment

R billions

	31 Mar 2019	30 Jun 2019	30 Sep 2019	31 Dec 2019	31 Mar 2020
Direct investment.....	3 847	3 700	3 063	2 917	3 401
Portfolio investment.....	2 422	2 275	2 487	2 570	2 283
Financial derivatives.....	91	103	127	121	270
Other investment.....	619	653	598	548	785
Reserve assets.....	720	706	834	772	938
Total.....	7 699	7 436	7 109	6 927	7 677
<i>Memo: US\$/Rand exchange rate</i>	14.5968	14.1487	15.1971	14.0418	17.9822

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) decreased by 5.8% from R6 480 billion at the end of December 2019 to R6 103 billion at the end of March 2020 following a decrease of 1.3% in the fourth quarter of 2019. The decrease in foreign liabilities reflected declines in the direct and portfolio investment functional categories, while financial derivatives and other investment increased. Direct and portfolio investment liabilities declined as a result of the decrease of 22.1% in the FTSE/JSE All-share index in the first quarter of 2020. Non-residents also disposed of domestically issued debt securities, while the market value of these securities declined as bond yields increased markedly during the first quarter of 2020. In addition, the South African government redeemed an international bond to the value of US\$1.6 billion. The increase in other investment liabilities resulted mainly from the decline of the exchange value of the rand, as well as non-residents granting short-term loans to the domestic banking sector.

Composition of inward investment

R billions

	31 Mar 2019	30 Jun 2019	30 Sep 2019	31 Dec 2019	31 Mar 2020
Direct investment.....	2 061	2 108	2 151	2 070	1 903
Portfolio investment.....	3 508	3 628	3 313	3 390	2 823
Financial derivatives.....	88	102	118	109	272
Other investment.....	987	970	983	911	1 104
Total.....	6 644	6 808	6 565	6 480	6 102
<i>Memo: US\$/Rand exchange rate</i>	14.5938	14.1487	15.1971	14.0418	17.9822

Source: SARB

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

Concluding comments

South Africa's positive net IIP increased as the market value of foreign assets increased and that of foreign liabilities decreased. As a ratio of South Africa's annual gross domestic product (GDP), foreign assets increased from 136.4% at the end of December 2019 to 149.1% at the end of March 2020, while foreign liabilities decreased from 127.6% to 118.6% over the same period. This resulted in an increase in the positive net IIP to 30.6% of GDP at the end of March 2020.

South Africa's IIP as at end June 2020 will be released on the Bank's website at the end of September 2020.