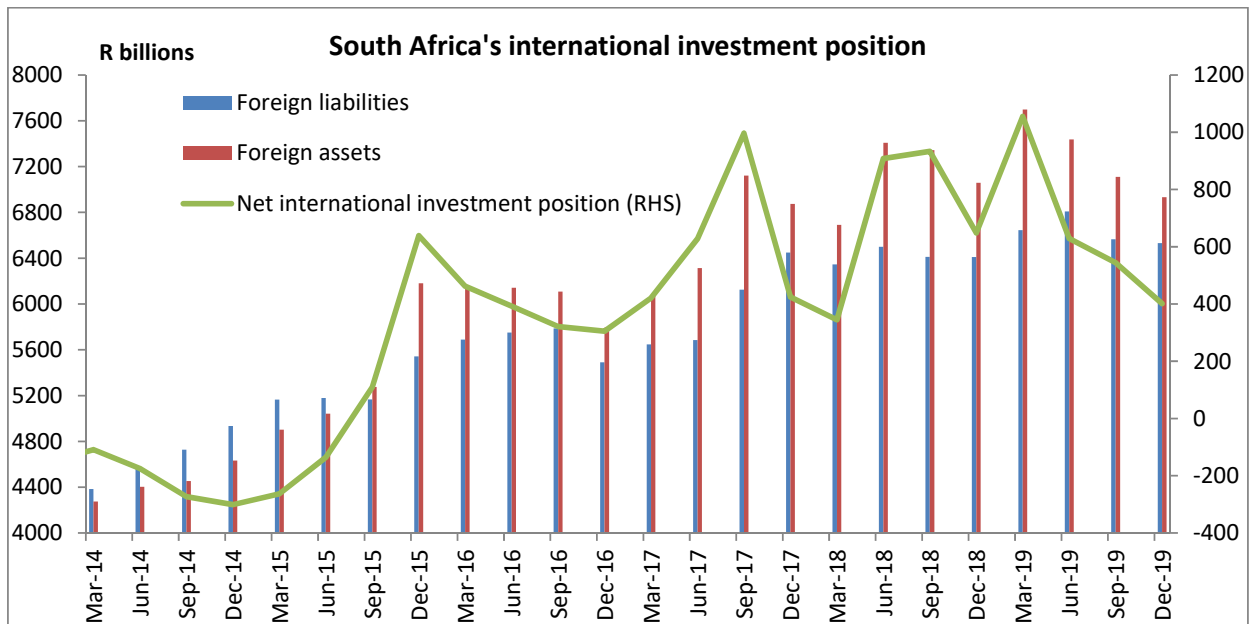


South Africa's international investment position

Net¹ international investment position

South Africa's positive net international investment position (IIP) decreased from a revised R544 billion at the end of September 2019 to R401 billion at the end of December. The decrease in the positive net international investment position reflected a larger decline in foreign assets than in foreign liabilities. The increase in the nominal effective exchange of the rand of 6.1% 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) declined by 2.5% from a revised R7 109 billion at the end of September 2019 to R6 932 billion at the end of December following a decrease of 4.4% in the third quarter of 2019. The decrease in foreign assets reflected a decrease in all functional categories, except portfolio investment. Direct investment decreased mainly as a result of the lower market valuation of a large dual-listed company with a primary listing abroad. Foreign portfolio assets mainly increased as a result of an increase of 8.5% in the US Standard & Poor's (S&P) 500 Index in the fourth quarter of 2019. Other investment assets declined mainly due to non-residents repaying short-term loans to the domestic private banking and non-banking sectors, while

¹ Net calculated as foreign assets minus foreign liabilities

reserve assets declined due to a lower market valuation as a result the strengthening of the exchange value of the rand.

Composition of outward investment

R billions

	31 Dec 2018	31 Mar 2019	30 Jun 2019	30 Sep 2019	31 Dec 2019
Direct investment.....	3 543	3 847	3 700	3 063	2 917
Portfolio investment.....	2 113	2 422	2 275	2 487	2 571
Financial derivatives.....	90	91	103	127	124
Other investment.....	570	619	653	598	548
Reserve assets.....	742	720	706	834	772
Total.....	7 058	7 699	7 437	7 109	6 932
<i>Memo: US\$/Rand exchange rate</i>	14.4506	14.5968	14.1487	15.1971	14.0418

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 0.5% from a revised R6 565 billion at the end of September 2019 to R6 531 billion at the end of December following a decrease of 3.6% in the third quarter of 2019. The decrease in foreign liabilities reflected a decrease in all functional categories, except portfolio investment. While direct investment and financial derivatives declined marginally, the increase of 4.1% in the FTSE/JSE All-share index in the fourth quarter contributed to the higher value of portfolio investment liabilities. The decrease in other investment liabilities resulted mainly from the domestic private non-banking sector repayment of loans obtained from non-residents.

Composition of inward investment

R billions

	31 Dec 2018	31 Mar 2019	30 Jun 2019	30 Sep 2019	31 Dec 2019
Direct investment.....	1 992	2 061	2 108	2 151	2 117
Portfolio investment.....	3 353	3 508	3 628	3 313	3 390
Financial derivatives.....	91	88	102	118	115
Other investment.....	974	987	970	983	909
Total.....	6 410	6 644	6 808	6 565	6 531
<i>Memo: US\$/Rand exchange rate</i>	14.4506	14.5968	14.1487	15.1971	14.0418

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 141.5% at the end of September 2019 to 136.5% in December, while foreign liabilities decreased from 130.6% to 128.6% over the same period. This resulted in a decline in the positive net IIP to 7.9% of GDP at the end of December 2019.

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