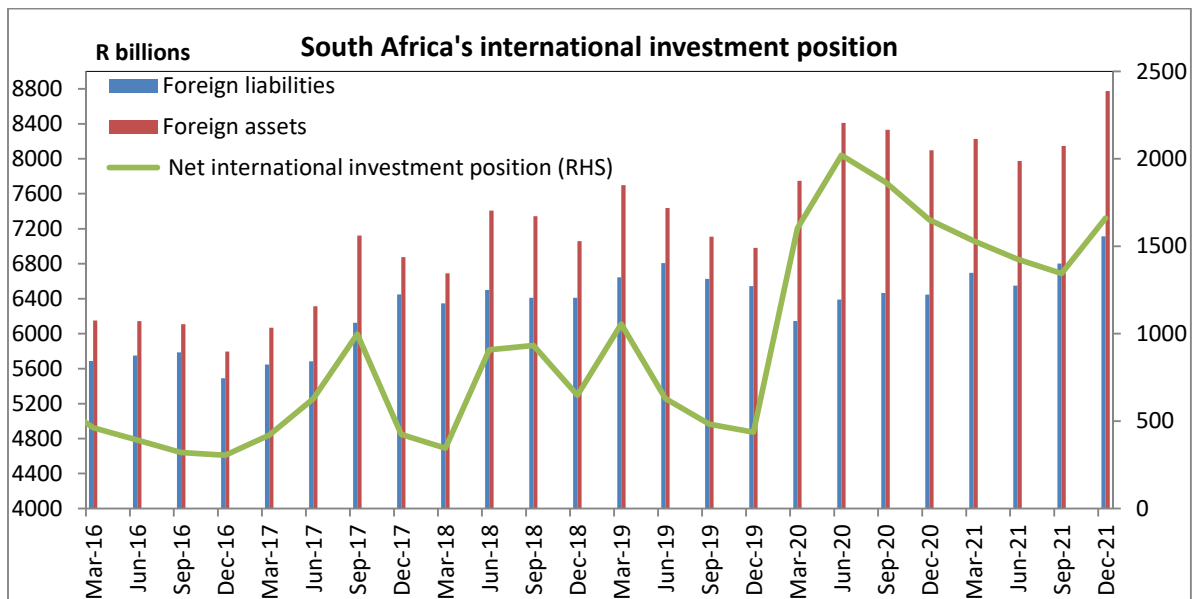


## South Africa's international investment position

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

South Africa's positive net international investment position (IIP) increased from a revised R1 342 billion at the end of September 2021 to R1 662 billion at the end of December. The increase in the positive net IIP reflected a larger increase in foreign assets than the increase in foreign liabilities. The exchange value of the rand had a positive effect on foreign assets and, to a lesser degree, on foreign liabilities as the nominal effective exchange rate of the rand decreased, on balance, by 4.1% in the fourth quarter of 2021.



Source: SARB

### Foreign assets

The market value of South Africa's foreign assets (outward investment) increased by 7.7% from a revised R8 145 billion at the end of September 2021 to R8 774 billion at the end of December. Foreign assets in the fourth quarter of 2021 reflected an increase in all functional categories, except for other investment assets. Direct and portfolio investment increased mainly as a result of the valuation effects due to the increase in share prices of dual listed companies with primary listings abroad. Most international equities market indices recorded increases, with the US Standard & Poor's (S&P) 500 Index increasing by 10.6 per cent in the fourth quarter of 2021. Other investment assets decreased as non-residents repaid short-term loans to the domestic banking and private non-banking sectors and the domestic banking sector repatriated deposits from non-

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

resident banks. The increase in reserve assets reflected proceeds received from foreign borrowings on behalf of government from the New Development Bank as well as valuation effects resulting from the depreciation of the rand.

### Composition of outward investment

R billions

|                                      | 31 Dec<br>2020 | 31 Mar<br>2021 | 30 Jun<br>2021 | 30 Sep<br>2021 | 31 Dec<br>2021 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Direct investment.....               | 3 686          | 3 709          | 3 406          | 3 241          | 3 501          |
| Portfolio investment.....            | 2 695          | 2 868          | 2 952          | 3 184          | 3 544          |
| Financial derivatives.....           | 213            | 152            | 135            | 126            | 130            |
| Other investment.....                | 696            | 713            | 704            | 730            | 685            |
| Reserve assets.....                  | 808            | 784            | 778            | 865            | 915            |
| Total.....                           | 8 097          | 8 226          | 7 976          | 8 145          | 8 774          |
| <i>Memo: US\$/Rand exchange rate</i> | 14.6246        | 14.8369        | 14.3073        | 15.1360        | 15.8899        |

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 4.5% from a revised R6 803 billion at the end of September 2021 to R7 113 billion at the end of December. The increase in foreign liabilities reflected an increase in all functional categories, except for financial derivatives. Valuation effects as a result of the increase in the FTSE/JSE All-share Index of 14.7% in the fourth quarter of 2021 contributed to the increases of both direct and portfolio investment liabilities. Other investment increased mainly as a result of national government borrowing US\$400 million from the New Development Bank.

### Composition of inward investment

R billions

|                                      | 31 Dec<br>2020 | 31 Mar<br>2021 | 30 Jun<br>2021 | 30 Sep<br>2021 | 31 Dec<br>2021 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Direct investment.....               | 1 955          | 2 035          | 2 091          | 2 627          | 2 753          |
| Portfolio investment.....            | 3 332          | 3 584          | 3 437          | 3 054          | 3 230          |
| Financial derivatives.....           | 217            | 150            | 142            | 132            | 131            |
| Other investment.....                | 944            | 927            | 879            | 990            | 1 000          |
| Total.....                           | 6 447          | 6 696          | 6 548          | 6 803          | 7 113          |
| <i>Memo: US\$/Rand exchange rate</i> | 14.6246        | 14.8369        | 14.3073        | 15.1360        | 15.8899        |

Source: SARB

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

## **Concluding comments**

South Africa's positive net IIP increased as foreign assets increased more than the increase of foreign liabilities. As a ratio of South Africa's annual gross domestic product (GDP), foreign assets increased from 133.5% at the end of September 2021 to 141.4% at the end of December, while foreign liabilities increased from 111.5% to 114.6% over the same period. This resulted in an increase of the positive net IIP from 22.0% at the end of September 2021 to 26.8% of GDP at the end of December.

South Africa's IIP as at end March 2022 will be released on the Bank's website at the end of June 2022.