

### Box 3: Revision of inward portfolio investment flows

In South Africa's well-developed and sophisticated financial markets, the abolition of all remaining exchange control measures applicable to non-resident investors in combination with sound macroeconomic policy formulation have played a key role in attracting portfolio investment flows into the country. Considering the country's relatively low saving rate, the inward movement of foreign portfolio capital has contributed substantially to the financing of the shortfall on the current account of the balance of payments.

Inward portfolio investment, portrayed as changes in portfolio liabilities in the analytical presentation of the balance of payments, reflects *inter alia*:

- the net acquisition and/or sale of South African issued equity and debt securities by international investors;
- international bond issues and/or redemptions thereof by South African enterprises; and
- share placements by domestic entities abroad.

In compiling these investment flows, a number of data sources are used including transaction flows obtained from the JSE Limited and stock positions acquired from South Africa's Central Securities Depository (STRATE). Following thorough investigation and in order to better align transaction flows with stock balances as depicted in the country's foreign debt, the South African Reserve Bank has revised its estimates of the inward movement of capital invested in locally issued bonds since the beginning of 2013. The magnitude of these revisions is shown in the accompanying table. It should be noted that balance-of-payments statistics for the past four years are preliminary and subject to revision pending the availability of more comprehensive and reliable information.

#### Portfolio investment

R billions

	Before revision				After revision			
	Change in liabilities	Change in assets	Net portfolio investment	Unrecorded transactions	Change in liabilities	Change in assets	Net portfolio investment	Unrecorded transactions
<b>2013</b>								
1st quarter....	1,4	-5,9	-4,5	36,1	21,8	-5,9	15,9	15,8
2nd quarter ..	-5,2	-6,4	-11,6	35,8	1,8	-6,4	-4,6	28,8
3rd quarter ...	48,8	-5,5	43,3	17,2	55,6	-5,5	50,1	10,4
4th quarter ...	-30,8	6,3	-24,5	30,6	-8,2	6,3	-1,9	8,0
<b>2014</b>								
1st quarter....	-	-	-	-	12,3	-8,9	3,4	21,3

As a result of this revision, the unrecorded transactions on the balance of payments for 2013 declined significantly. Further revisions for the years prior to 2013 are envisaged to be made towards the end of 2014, pending further investigation.