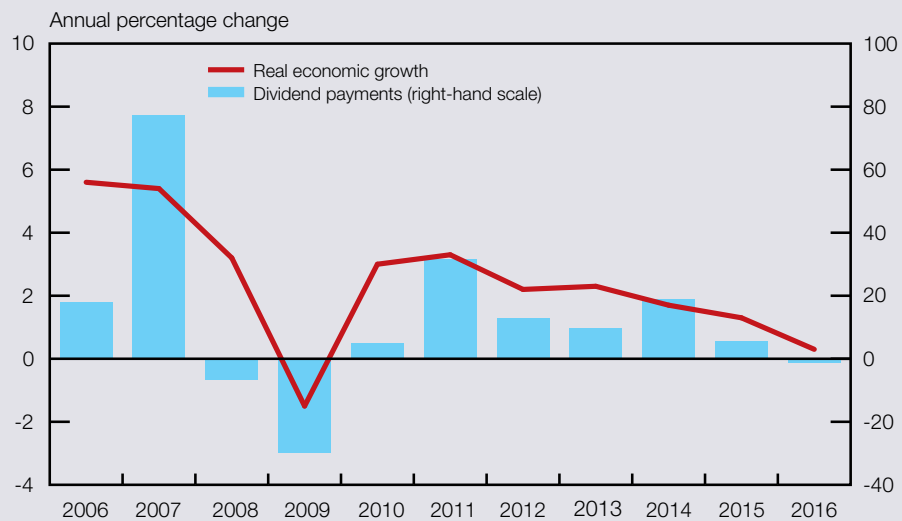


### Box 3 Dividend payments to non-residents and real economic growth

Dividend payments to non-residents contracted marginally by almost 1.5% in 2016 following a gradual loss of momentum after 2011. This marked the first annual contraction in dividend payments to non-residents since 2008–09, in the wake of the global financial crisis. Generally, slow (or negative) growth in dividend payments is associated with sluggish growth in real gross domestic product (GDP). As such, the contraction in dividend payments to non-residents alongside weak real GDP growth in 2016 is no exception. Dividend payments can be affected by either 'push' factors where dividends are largely driven by company profits which are determined by economic growth, or 'pull' factors which often reflect the liquidity needs of parent companies or major shareholders abroad.

#### Growth in dividend payments and real economic activity

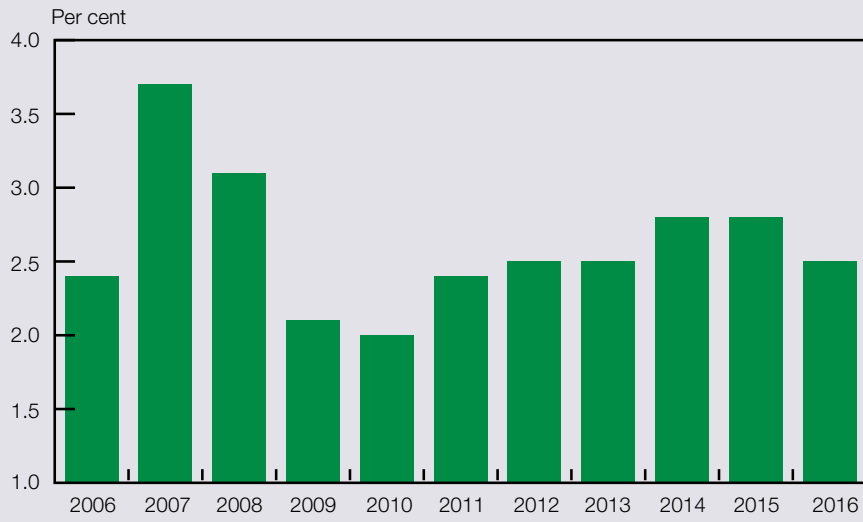


Sources: Stats SA and SARB

Expressed as a share of GDP, dividend payments to non-residents reached an all-time high of 3.7% in 2007 in step with strong real economic growth, but then decreased notably to 2% in 2010 in the aftermath of the global financial crisis. Subsequently, this ratio picked up gradually to 2.8% in 2014 and 2015, before moderating slightly to 2.5% in 2016.

Changes in dividend payments to non-residents have a significant impact on the payments side of the services, income and current transfer account of the balance of payments, representing on average 24% from 2010 to date. Therefore, changes in dividend payments to non-residents are an important determinant of the size of the deficit on the overall current account of the balance of payments. As such, the slower growth in dividend payments to non-residents over the past two years has contributed materially to lowering the deficit on the current account of the balance of payments.

### Dividend payments as a ratio of GDP



Source: SARB