

Box 5 Revision of reserve asset statistics in South Africa's balance of payments

The South African Reserve Bank's (SARB) holdings of gross gold and other foreign reserves comprise numerous financial assets, each with their own unique characteristics. In the compilation of balance of payments statistics, this complicates the delineation of changes between transaction and valuation effects from one period to the next in the market value of assets included in the holdings of gross gold and other foreign reserves. This necessitated a review of the SARB's approach to distinguish between valuations and transactions.

During this review process, the SARB interrogated primary source data and their characteristics. The outcome informed the revision of the valuation and transaction components of the overall change in gross gold and other foreign reserves as published on page S-104 in the *Quarterly Bulletin*. The transaction component is presented as reserve assets in the financial account of the balance of payments on page S-80 and S-81. The reserve asset statistics in the balance of payments are derived as the change in the market value in rand of gross gold and other foreign reserves over a specific period minus valuation adjustments, monetisation/demonetisation of gold and liabilities related to reserves. This equals the sum of transactions in gross gold and other foreign reserve assets.

The revision of the reserve asset statistics changed the balance on the financial account of the balance of payments, and with the balance on the current account unchanged it is offset by a similar and opposite change in unrecorded transactions. The reserve asset statistics were revised from January 2014 on account of reclassifications of changes in the market value of assets included in the holdings of gross gold and other foreign reserves between valuation adjustments and transactions. The revision to valuation adjustments was affected by currency valuations as from January 2014 and also price valuations as from November 2016. The magnitude of these revisions is shown in the table below.

Analysis of change in gross gold and other foreign reserves*

R billions

	Before revision				After revision			
	2014	2015	2016	2017	2014	2015	2016	2017
Gross gold and other foreign reserves.....	568.5	713.9	647.8	624.8	568.5	713.9	647.8	624.8
Change in gross gold and other foreign reserves.....	48.3	145.4	-66.1	-23.0	48.3	145.4	-66.1	-23.0
Net monetisation/demonetisation of gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation adjustments.....	31.7	154.4	-106.0	-60.6	33.2	159.4	-105.6	-48.6
Liabilities related to reserves.....	-	-	-0.7	-	-	-	-0.7	-
Reserve assets.....	16.6	-9.1	40.6	37.5	15.1	-14.0	40.2	25.5

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

Source: SARB