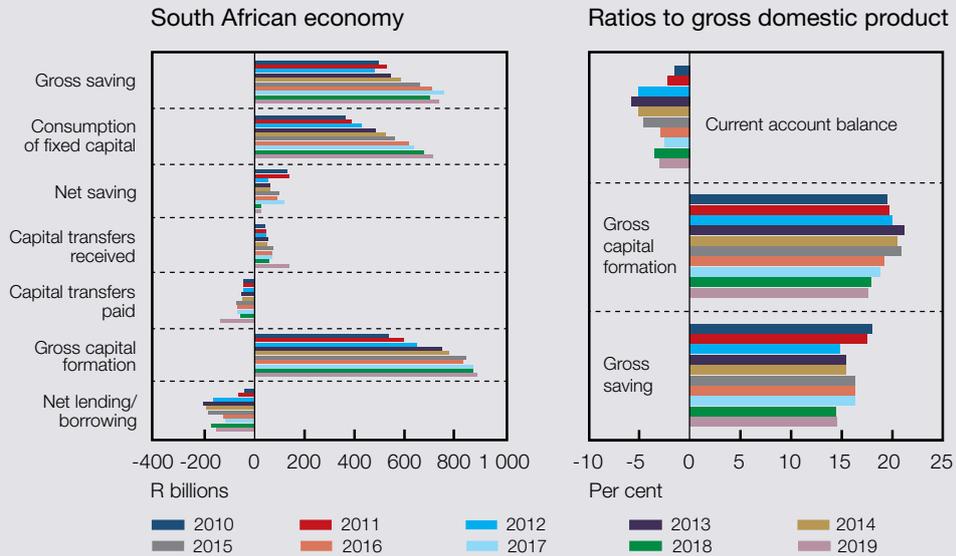


Box 2 The link between the deficit and surplus funding positions of domestic institutional sectors and the rest of the world

South Africa's economic activity for the period 2010 to 2019, as captured in the analytical construct of the *System of National Accounts 2008 (2008 SNA)*,¹ resulted in a consistent annual positive gross² and net³ savings position. However, after accounting for gross capital formation,^{4,5} an overall net borrowing position⁶ resulted, which had to be funded from the rest of the world. The deficit on the current account of the balance of payments represents the gap between gross capital formation and gross saving for the domestic economy as a whole.⁷



Source: SARB

For the domestic economy as a whole, at an institutional level,⁸ local government recorded negative gross savings over the 2010–19 period, and central and provincial government only in 2010. However, the net savings of central, provincial and local government were negative (dissaving) throughout the period under review. Households and non-financial public enterprises also mostly experienced a negative net savings position.

1 The compilation of South Africa's national accounts adheres to the guidelines of the *System of National Accounts 2008 (SNA 2008)* as the international standard for the measurement of economic activity. See <https://unstats.un.org/unsd/nationalaccount/docs/SNA2008.pdf>.

2 Gross saving is the balancing item of the current account and is carried forward to the capital account. See 'Box 1: Methodology underlying the compilation of household saving and net lending/borrowing' in the December 2019 edition of the *Quarterly Bulletin* for the national accounts framework to derive saving and net lending/borrowing.

3 The difference between gross and net saving is imputed consumption of fixed capital (depreciation).

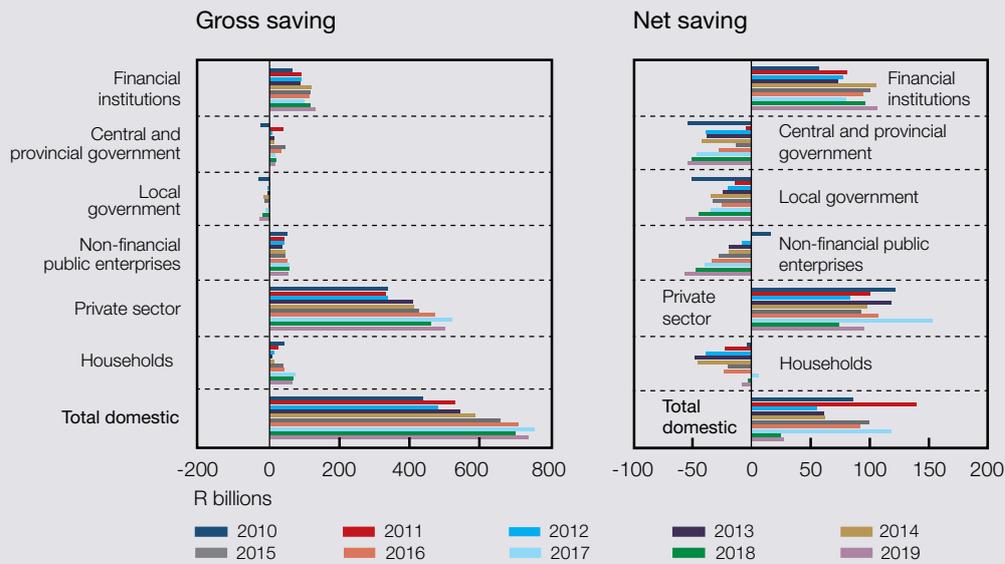
4 Gross capital formation includes both gross fixed capital formation and the change in inventories. Gross fixed capital formation is the value of acquisitions less disposals of fixed assets (non-financial assets).

5 See pages S–82, S–135 and S–136 in the December 2019 edition of the *Quarterly Bulletin* for the statistics underlying this analysis.

6 Net lending/borrowing means that what is borrowed by one institutional unit is lent by another, and vice versa. In the context of this box, the net borrowing position of the South African economy as a whole, relative to the rest of the world, is reflected by the deficit on the current account of the balance of payments and the net capital transfer account which is financed through the financial account.

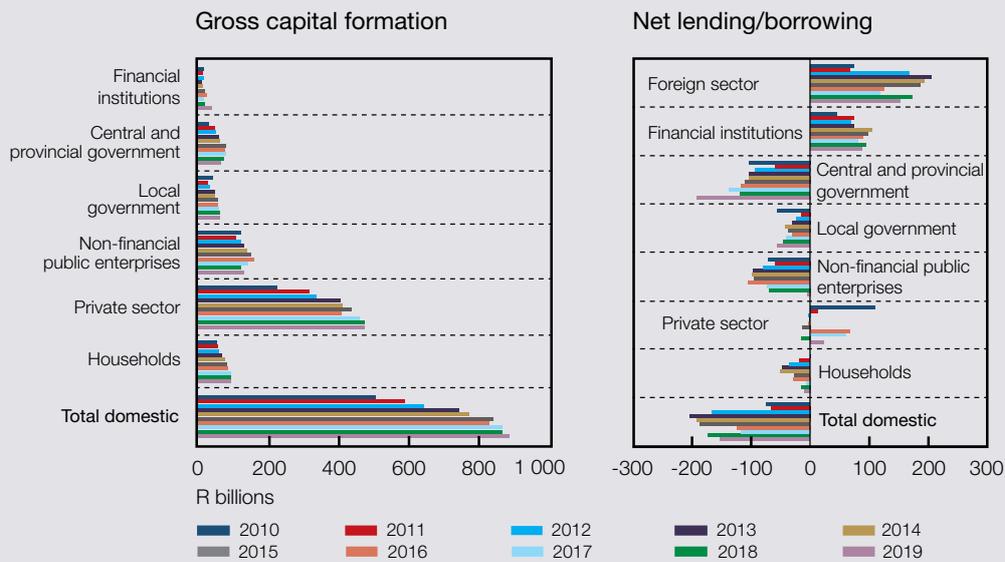
7 See Table KB627 on page S–130 of this edition of the *Quarterly Bulletin* for these statistics.

8 See pages S–131 to S–134 in this edition of the *Quarterly Bulletin* for the statistics underlying the institutional sector analysis.



Source: SARB

Gross capital formation in an environment of low gross saving and even dissaving by local government over the 2010–19 period, and central and provincial government in 2010, led to a consistent net borrowing position for central, provincial and local government as well as for non-financial public enterprises. Outside the public sector, households mostly recorded an uninterrupted net borrowing position, while the private sector (non-financial) recorded a net borrowing position only on occasion.

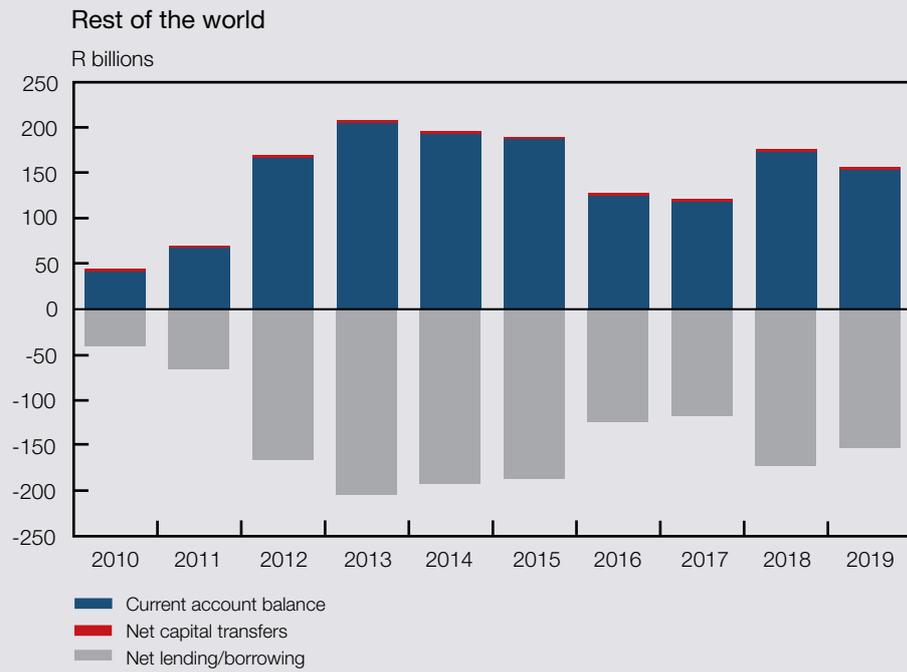


Source: SARB





The net lending/borrowing position shows the interrelationship between deficit institutional sectors in the domestic economy and the rest of the world. The foreign sector's net lending to South Africa reflects both net capital transfers and the current account balance of the balance of payments.



Source: SARB