

Box 1 Unpacking the growth in South Africa's reserves

Over the past 10 years, there has been an increase of more than US\$20 billion in South Africa's official gross gold and foreign exchange (FX) reserve assets (hereafter referred to as 'total reserves'). In May 2015, these stood at US\$46.4 billion; as of May 2025, they were worth US\$68.1 billion. This box unpacks the drivers of this change.

Total reserves can be disaggregated into four components: (i) safe assets held by the South African Reserve Bank (SARB), such as highly rated government bonds;¹ (ii) gold; (iii) special drawing rights (SDRs) issued by the International Monetary Fund (IMF); and (iv) government's foreign currency deposits.

Of these, the first component, safe assets held by the SARB, has had the largest influence, expanding by US\$13 billion since May 2015. Approximately US\$6 billion of this increase reflects re-invested earnings from the existing reserves. The balance consists of new FX purchases by the SARB. There have been three such purchases since 2015 – one linked to a large foreign investment transaction in 2016 for US\$1.5 billion,² and two others related to loans in 2020 from multilateral institutions (US\$4.4 billion from the IMF and US\$1 billion from the New Development Bank). In all three cases, the FX inflows were acquired by the SARB.³

The second largest contributor to the growth in total reserves has been gold, specifically changes in the price of gold, which increased from US\$1 191.40 per troy ounce in May 2015 to US\$3 277.55 in May 2025. In South Africa, as in many other jurisdictions, the US dollar is used as the numeraire for reporting gold and FX reserves. Increases in the US dollar price of gold therefore raise reserves. This factor has boosted total reserves by over US\$8.5 billion, with the US dollar value of gold holdings rising from US\$4.8 billion in May 2015 to US\$13.3 billion in May 2025. Most of this change (nearly US\$7 billion) has occurred since the outbreak of the coronavirus disease 2019 (COVID-19). Meanwhile, the volume of gold held by the SARB has not changed materially.⁴

The third largest contributor to total reserve growth has been SDRs, with increased holdings solely due to the IMF's 2021 expansion of SDRs, which included an allocation of XDR2.9 billion to South Africa.⁵ This has increased FX reserves by about US\$4 billion, relative to 10 years ago.⁶

The SARB, as banker to the South African government, also holds the proceeds of FX borrowing, which government uses for purposes such as servicing foreign currency-denominated debt and funding overseas commitments (like embassies). Over the past 10 years, these balances have put downward pressure on gross FX reserves, causing them to decline by US\$3.8 billion. Indeed, the drag from this component would have been larger prior to November 2024, when government issued new US dollar debt and deposited the proceeds with the SARB.⁷

1 Other highly rated assets held in the FX reserves portfolio include supranational and multilateral agency debt, government bills and certificates of deposit.

2 This refers to the AB Inbev/SABMiller transaction. The FX purchases were initially sterilised by the SARB through FX swaps, which were then matured during 2017 and 2018. Only when the swaps were matured did gross FX reserves increase.

3 For the 2020 loans, the SARB effectively purchased the FX from National Treasury by providing it with rands while retaining the incoming foreign currency.

4 Since concluding its large-scale gold purchases in the early 2000s, the SARB has acquired a small proportion of gold from the public through buying legal tender coins, such as Krugerrands. This represents less than 1% of total gold holdings, which are in excess of 4 million troy ounces. For more detail about the SARB gold purchases from the public, see <https://www.resbank.co.za/en/home/what-we-do/financial-markets/gold-coins-purchased-from-the-public>.

5 For a detailed discussion of this allocation, see 'Box 1: Understanding the special drawing rights component of international reserve assets' on page 51 in the September 2024 edition of the *Quarterly Bulletin*, available at <https://www.resbank.co.za/content/dam/sarb/publications/quarterly-bulletins/boxes/2024/september/Box%201%20Understanding%20the%20special%20drawing%20rights%20component%20of%20international%20reserve%20assets.pdf>.

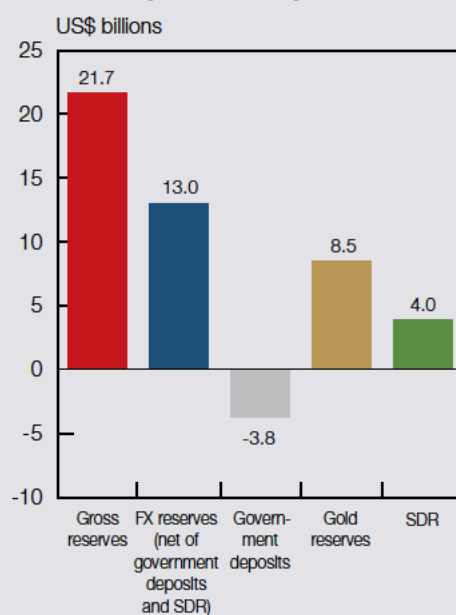
6 The initial SDR allocation was worth US\$4.1 billion but the dollar share of the SDR basket is only 43.38%, and the subsequent broad-based US dollar appreciation has eroded the US dollar value of these SDRs.

7 This action raised gross FX reserves above \$65 billion in November 2024. For more a more detailed discussion, see page 78 in the March 2025 *Budget Review*, available at <https://www.treasury.gov.za/documents/national%20budget/2025/review/FullBR.pdf>

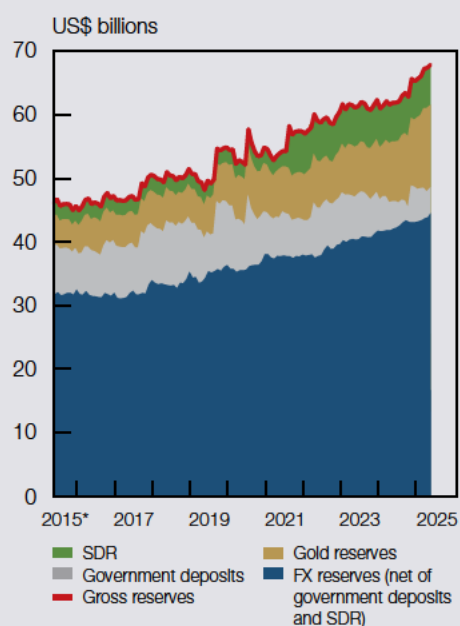




Change in official reserve categories from May 2015 to May 2025



Composition of gross foreign reserves



This analysis shows that the single biggest contributor to the increase in total reserves has been the SARB's holdings of safe assets, which have grown through the reinvestment of returns and new purchases. At the same time, exogenous drivers also played a significant role, with both the higher gold price and the SDR expansion contributing materially. By contrast, National Treasury's foreign currency balances have fallen since 2015, and they are likely to decline further over the medium term, according to the *2025 Budget Review*.⁸

⁸ See Table 7.4 in the March 2025 *Budget Review*