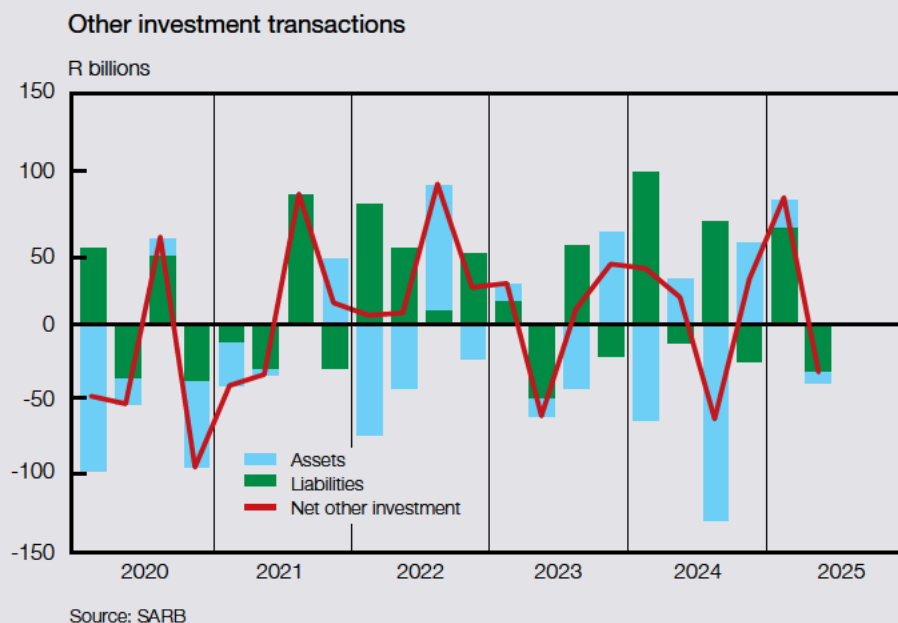


Box 1 Unpacking the other investment category of the financial account of the balance of payments^{1, 2}

The balance of payments (BOP) provides a comprehensive summary of transactions between residents and non-residents during a specific period, and consists of the current, capital and financial accounts, with the financial account specifically recording transactions involving financial assets and liabilities. In addition, financial account transactions can be classified according to instruments and functional categories. The functional categories classify financial instruments based on the economic motivations for investment and behavioural patterns of cross-border transactions. There are five functional categories, namely direct investment, portfolio investment, financial derivatives, other investment and reserve assets.

This box discusses the *other investment* category of the financial account, which includes all transactions not classified as direct investment, portfolio investment, financial derivatives or reserve assets.



Other investment assets comprise transactions involving South African residents' foreign assets, including loans; currency³ and deposits⁴; trade credits and advances; and other assets. The institutional sector analysis shows that the banking sector and private non-banking sector are the largest contributors to other investment assets, while public corporations' contribution was insignificant.

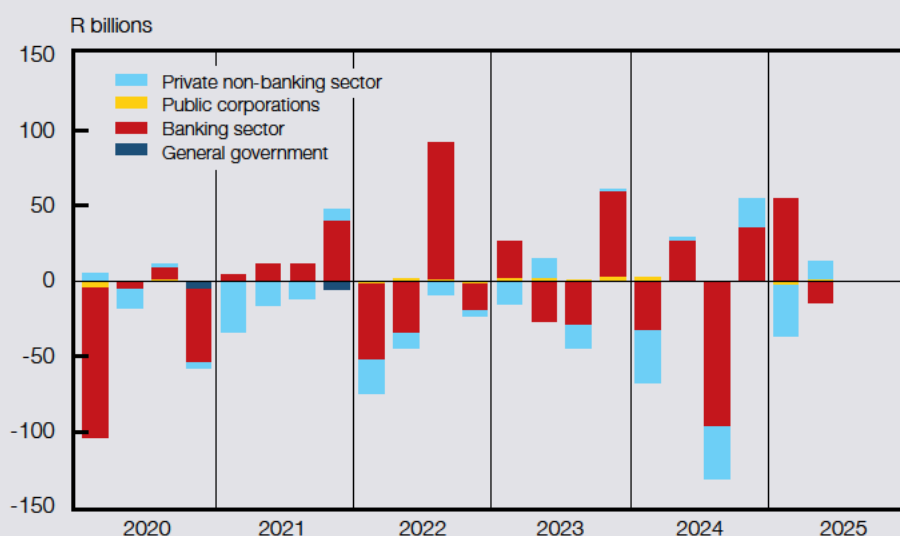
1 The compilation of South Africa's external accounts broadly aligns with the guidelines of the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)* published by the International Monetary Fund (IMF), available at <https://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>.

2 This box relates to the statistics published on pages S-86 and S-87 as well as S-96 and S-97 in this edition of the *Quarterly Bulletin*.

3 Currency consists of banknotes and coin that are in circulation and are commonly used to make payments.

4 These are transferable and other deposits as well as deposits in domestic and foreign currency.

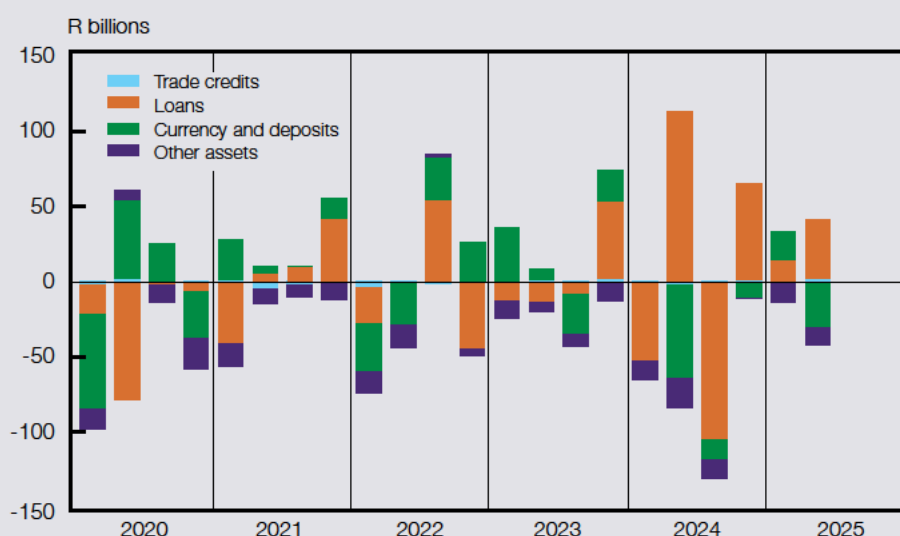
Other investment assets by domestic institutional sector



Source: SARB

Both other investment asset and liability transactions in the financial account of the BOP have displayed substantial volatility since 2020, particularly for short-term instruments (i.e. currency and deposits as well as loans). Loans constitute mostly short-term loans (outflows) extended by the domestic banking and non-banking sectors as well as repayments to these sectors (inflows). Currency and deposits mainly reflect deposits made by the domestic banking sector at non-resident banks (outflows) and the repatriation of deposits from these banks (inflows).

Other investment assets by instrument



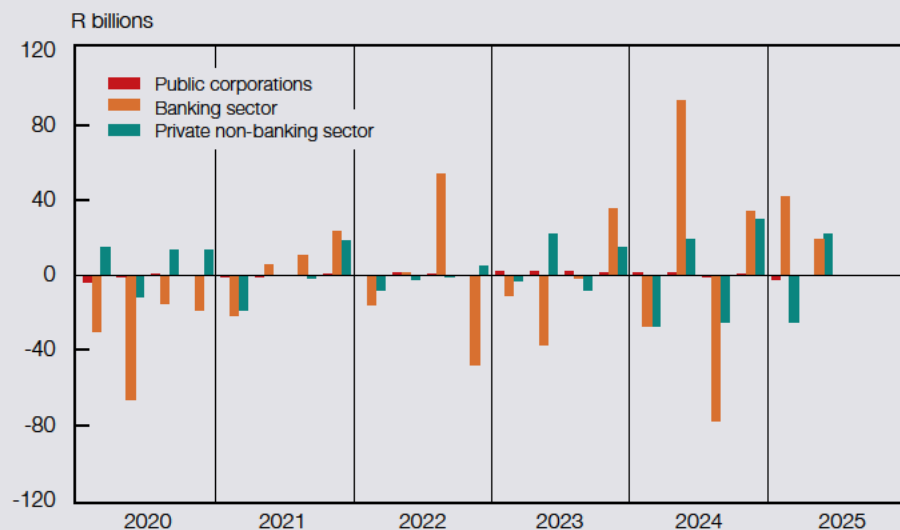
Source: SARB

The other assets⁵ category, which constitutes other claims on non-residents, is the third-largest contributor to other investment assets. The private non-banking sector contributes the most to other assets, which consist mainly of individuals' assets abroad in accordance with exchange control regulations. National government (in the form of public authorities) typically does not hold assets abroad. However, South Africa has made capital contributions to the New Development Bank (established by the BRICS countries in 2015), which constitutes national government's foreign assets in other equity.

⁵ Other assets are any assets that do not fit into the standard asset classification, including other equity and accounts receivables.

The domestic banking sector contributes the most to other investment loan assets followed by the private non-banking sector, while the contribution of public corporations is negligible. The banking sector grants large domestic and foreign currency-denominated loans to non-residents, mainly in the form of short-term loans under resale agreements.

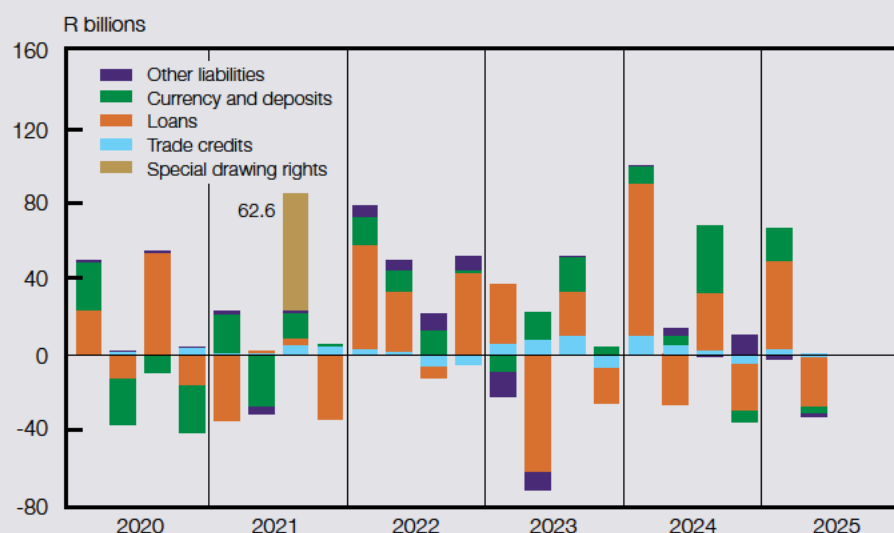
Other investment loan assets by domestic institutional sector



Source: SARB

Other investment liabilities, which comprise transactions involving South African residents' liabilities abroad, include the same instruments as for other investment assets as well as special drawing rights (SDRs).⁶ Transactions in SDRs are infrequent, and there have been four general allocations so far, most recently in 2021, when the Board of Governors of the International Monetary Fund (IMF) approved a general allocation of XDR456 billion, equivalent to US\$650 billion, to boost global liquidity following the COVID-19 pandemic. South Africa was allotted an amount of R62.6 billion in SDRs from the IMF in 2021.

Other investment liabilities by instrument

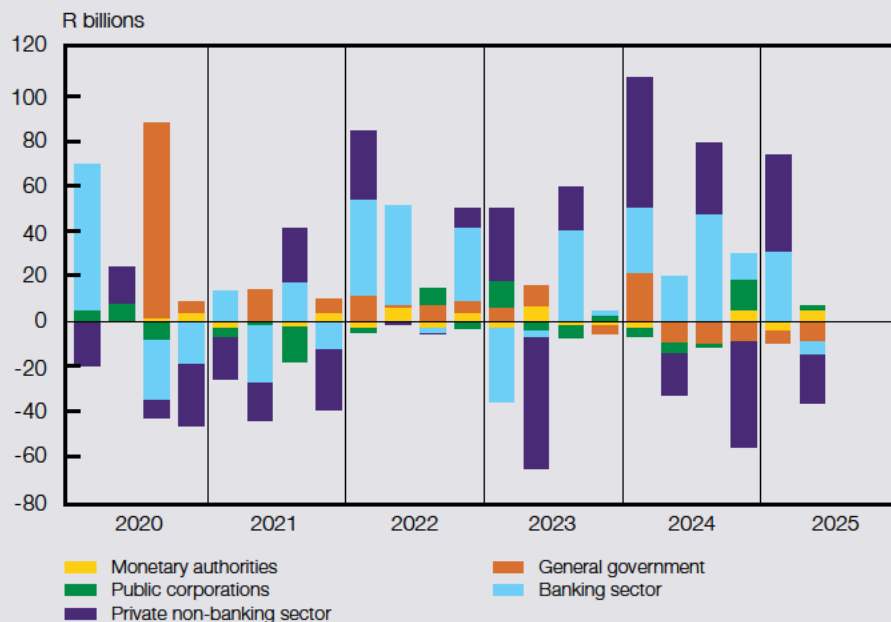


Source: SARB

⁶ The IMF's allocation of special drawing rights (SDRs) to member countries is shown as the incurrence of a liability by the recipient country under SDRs in other investment, with a corresponding entry under SDRs in reserve assets.

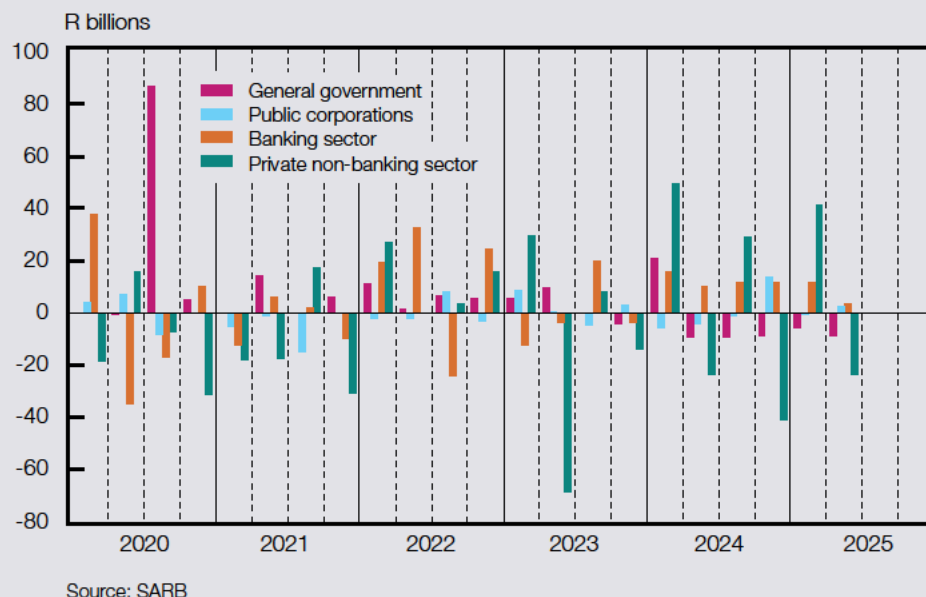
In terms of the institutional sectors, the domestic banking and private non-banking sectors are the largest contributors to other investment liabilities.

Other investment liabilities by domestic institutional sector



With respect to instruments, loans constitute the largest portion of other investment liabilities followed by currency and deposits, with the banking sector contributing the most as per the licensing requirements. The monetary authorities also contribute to currency and deposit liabilities, albeit to a lesser extent, as central banks in the Southern African Customs Union (SACU)⁷ maintain deposit accounts with the Corporation for Public Deposits.

Other investment loan liabilities by domestic institutional sector



⁷ SACU member states comprise Botswana, Eswatini (formerly Swaziland), Lesotho, Namibia and South Africa.