

Changes in the Foreign Liabilities and Assets of South Africa during the year 1964

by

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1. INTRODUCTION

The major changes in South Africa's foreign liabilities and assets during the year 1964 are set out in this article. These changes during any year are related to the capital movements as shown in the balance of payments of the country for that year, but as explained in previous articles¹⁾ are not exactly the same.

2. CHANGES IN FOREIGN LIABILITIES DURING 1964

Substantial Increase in Total Foreign Liabilities

South Africa's total foreign liabilities increased by a further R82 million during 1964 to R3,135 million at the end of that year. The foreign liabilities of the South African official sector increased by R17 million and that of the South African private sector by R65 million.

The increase in the foreign liabilities of South African resident organisations controlled from abroad virtually accounted for the whole of the increase in South Africa's total foreign liabilities during 1964. The so-called "direct investment" in South Africa by foreigners increased by R81 million from R1,970 million at the end of 1963 to R2,051 million at the end of 1964. This increase occurred mainly through an increase in share capital held by foreigners in South African resident under-

takings and through the reinvestment of profits by foreign-controlled South African resident organisations. These two items together increased by no less than R78 million during 1964, while smaller increases and decreases in the other liability items more or less cancelled out. The general practice followed by the South African subsidiaries and branches of foreign organisations of financing their local expansion out of reinvested profits has provided a built-in force of growth in South Africa's direct investment foreign liabilities.

Compared with the substantial increase in South Africa's direct investment foreign liabilities during 1964, the total foreign liabilities of the non-direct investment sector showed no change and South Africa's portfolio foreign liabilities amounted to R1,084 million at the end of 1964 which was about the same as at the end of 1963. The effect on the total foreign liabilities of various contractual repayments on foreign loans and of the sales by foreigners of South African securities on the Johannesburg Stock Exchange was cancelled out by drawings on new loans and other portfolio capital inflows.

Due to the above movements, the relative importance of direct investment once again increased in the total foreign investment in South Africa. At the end of 1964, direct investment accounted for 65.4 per cent of South Africa's total foreign liabilities, compared with 64.5 per cent at the end of 1963 and 58.0 per cent at the end of 1956.

1) See, e.g., the Supplement to the Bank's *Quarterly Bulletin of Statistics* for December, 1963, and the article on "Changes in South Africa's Foreign Liabilities and Assets During the Year 1963" in the December, 1964 issue of this *Bulletin*.

Table 1. *Total Foreign Liabilities of the Official and Private Sectors (R millions)*

| End of Year | Official Sector | Private Sector | Total | Change in Total |
|-------------|-----------------|----------------|-------|-----------------|
| 1956 | 322 | 2,468 | 2,790 | — |
| 1957 | 343 | 2,479 | 2,822 | + 32 |
| 1958 | 411 | 2,584 | 2,995 | + 173 |
| 1959 | 419 | 2,630 | 3,049 | + 54 |
| 1960 | 445 | 2,629 | 3,073 | + 24 |
| 1961 | 455 | 2,583 | 3,038 | — 35 |
| 1962 | 417 | 2,606 | 3,023 | — 15 |
| 1963 | 427 | 2,626 | 3,053 | + 30 |
| 1964 | 444 | 2,691 | 3,135 | + 82 |

Foreign Liabilities by Country

A breakdown of South Africa's foreign liabilities as at the end of 1963 and 1964 is given in Table 2.

The greatest increase was again registered in respect of the United Kingdom and South Africa's total liabilities to the United Kingdom amounted to R1,902 million at the end of 1964 which represented 60.7 per cent of South Africa's total foreign liabilities. An increase of R25 million also occurred in the United States' investment in South Africa during 1964,

which brought South Africa's total liabilities to that country to R349 million at the end of the year. This increase — the first since 1958 — was mainly in the form of reinvested profits of local companies controlled by American organisations.

South Africa's liabilities to the other major foreign countries and areas showed smaller increases, while its liabilities to International Organisations declined by R10 million. This latter decline was a reflection of substantial repayments on IBRD loans by Escom and the South African Government during 1964.

Table 2. Foreign Liabilities by Country, 1963 and 1964 (R millions)

| Countries | End 1963 | End 1964 | Change |
|--------------------------------------|----------|----------|--------|
| United Kingdom | 1,855 | 1,902 | + 47 |
| Other Sterling Area Countries | 185 | 194 | + 9 |
| United States of America | 324 | 349 | + 25 |
| Continental Western Europe | 464 | 468 | + 4 |
| Other Countries | 73 | 80 | + 7 |
| International Organisations | 152 | 142 | — 10 |
| Total | 3,053 | 3,135 | + 82 |

3. CHANGES IN FOREIGN ASSETS DURING 1964

Substantial Decrease in Total Foreign Assets

South Africa's total foreign assets decreased by R62 million during 1964 to a total of R1,388 million at the end of the year. The foreign assets held by the Government, the S.A. Reserve Bank and the commercial banks decreased by R84 million while the foreign assets held by the South African private sector increased by R22 million.

The substantial decrease in the foreign assets held by the South African official sector reflects South Africa's unfavourable balance of payments during 1964, as a result of which the

country's total gold and foreign exchange reserves decreased by R89 million. As can be seen from Table 3, the country's gold reserves decreased by R40 million and the other official foreign assets (including exchange assets) by R44 million.

The increase of R22 million in the foreign assets of the South African private sector during 1964 was the smallest increase registered under this item for the last eight years. The increase would have been larger were it not for a decrease of about R23 million in the investment of South African resident organisations in foreign branches. This disinvestment originated from various reorganisation schemes whereby South African resident branches or subsidiaries of foreign organisa-

Table 3. Main Classes of Foreign Assets (R millions)

| End of Year | Official Sector | | Private Sector | | | Change in Sub-Total | Total Foreign Assets |
|-------------|-----------------|-------|-------------------|-----------------------|-----------|---------------------|----------------------|
| | Gold Reserves | Other | Direct Investment | Non-Direct Investment | Sub-Total | | |
| 1956 | 160 | 243 | 243 | 178 | 421 | | 823 |
| 1957 | 155 | 187 | 279 | 177 | 456 | +35 | 798 |
| 1958 | 151 | 189 | 310 | 178 | 488 | +32 | 828 |
| 1959 | 171 | 288 | 324 | 189 | 513 | +25 | 971 |
| 1960 | 127 | 210 | 355 | 206 | 561 | +48 | 898 |
| 1961 | 213 | 254 | 399 | 210 | 609 | +48 | 1,076 |
| 1962 | 356 | 319 | 443 | 204 | 647 | +38 | 1,322 |
| 1963 | 450 | 308 | 483 | 209 | 692 | +45 | 1,450 |
| 1964 | 410 | 264 | 497 | 217 | 714 | +22 | 1,388 |

tions transferred their investment in foreign branches to their foreign parent organisations thus reducing both South Africa's foreign assets and liabilities. It can be seen from Statement 2 that, as in the past, South Africa's investment in the share capital and undistributed profits of foreign organisations controlled from South Africa made the major contribution to the increase in the foreign assets of the private sector. These two items together increased by R36 million during the year and amounted to R325 million or 45.5 per cent of the total foreign assets of the private sector at the end of 1964.

Foreign Assets by Country

South Africa's total assets in Rhodesia, Zambia and Malawi¹⁾ decreased by R16

1) As the estimates of South Africa's foreign liabilities and assets are based on a Census Survey conducted for the year 1956, separate figures for these territories are, unfortunately, not available.

million during 1964. This decrease occurred mainly in the direct investment sector and was partly due to the reorganisations already referred to above.

The substantial decrease of R59 million shown in Table 4 for South Africa's assets in the United Kingdom was mainly caused by the decrease in South Africa's foreign exchange reserves. The assets held by the South African official sector in the United Kingdom actually declined by R67 million, while the assets of the South African private sector increased by R8 million.

The increases of R20 million and R30 million in South Africa's assets held in "Other Sterling Area Countries" and in "Other Countries" respectively, were mainly of a temporary nature and the assets were mostly held by the South African private sector in the form of short-term claims which partly arose from trade transactions.

Table 4. Foreign Assets by Country, 1963 and 1964 (R millions)

| Countries | End 1963 | End 1964 | Change |
|-------------------------------------|--------------|--------------|------------|
| Rhodesia, Zambia and Malawi | 349 | 333 | -16 |
| United Kingdom | 321 | 262 | -59 |
| Other Sterling Area Countries | 50 | 70 | +20 |
| United States of America | 62 | 64 | +2 |
| Other Countries | 88 | 118 | +30 |
| International Organisations | 130 | 131 | +1 |
| Gold Reserves | 450 | 410 | -40 |
| Total | 1,450 | 1,388 | -62 |

STATISTICAL TABLES

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