

# Notes to tables

## South Africa's foreign liabilities and assets – Tables S-66 to S-69

Details of South Africa's foreign liabilities and assets as at the end of 1978, together with comparable data for the five preceding years, are published in this issue of the **Quarterly Bulletin**. This information reflects the results of the second Census of Foreign Transactions, Liabilities and Assets, covering the year 1973, and the annual updating of the figures by means of sample surveys.

### Foreign liabilities

During 1978 the foreign liabilities of South Africa increased by R1 554 million, or by 7,3 per cent, to R22 886 million at the end of the year. This rate of increase corresponded closely to that of 7,6 per cent in 1977, but was substantially less than the average annual rate of increase of 23,9 per cent from 1973 to 1976. Lower rates of increase in South Africa's foreign liabilities during 1977 and 1978 were reflected in long-term as well as short-term liabilities. After having increased at an average annual rate of 20,4 per cent from 1973 to 1976, long-term foreign liabilities rose by 8,7 per cent in 1977 and by 8,2 per cent in 1978. The decline in the rate of increase in short-term foreign liabilities was even more pronounced, namely from an average annual rate of 38,4 per cent from 1973 to 1976 to only 4,2 per cent during both 1977 and 1978.

A classification of foreign liabilities according to type of organisation shows that the low rate of increase during 1978 was due in particular to a decline of 11,1 per cent in the foreign liabilities of the central government and banking sector, namely from R4 610 million at the end of 1977 to R4 096 million at the end of 1978. Declines were registered in the long-term as well as the short-term foreign liabilities of the central government and banking sector, but short-term liabilities in particular decreased sharply by no less than R432 million to R1 480 million at the end of 1978. The decline in the foreign liabilities of the central government and banking sector was mainly in the form of a reduction of loan capital which was related to the improved balance of payments, the favourable conditions for raising funds in the domestic capital market, a sharp increase in the current income of the government coupled with a policy of financial restraint in respect of government expenditure, and interest rates that were higher in most foreign countries than in South Africa.

In contrast with these changes, the foreign liabilities of public corporations and local authorities and of the private sector increased sharply during 1978. After the foreign liabilities of public corporations and local authorities had declined by 5,5 per cent in 1977, they increased by 18,2 per cent in 1978, mainly owing to the financing of a few large capital projects of public corporations. The rate of increase in foreign liabilities of the private sector accelerated

from 9,3 per cent to 11,1 per cent over the same period, but was lower than the average annual rate of increase of 15,4 per cent during the period 1973 to 1976. The largest increase in the foreign liabilities of the private sector during 1978 occurred in the case of share premium, reserves and undistributed profits, whereas more moderate increases were recorded in share and loan capital.

The rate of increase in direct investment by foreigners in South Africa rose from 6,4 per cent in 1977 to 11,3 per cent in 1978. On the other hand, non-direct investment by foreigners continued to grow at a lower rate. The rate of increase in non-direct investment declined from as much as 48,6 per cent in 1975 to 8,4 per cent in 1977 and to only 4,5 per cent in 1978. Consequently, the percentage share of direct investment in total foreign liabilities increased from 40,8 per cent at the end of 1977 to 42,3 per cent at the end of 1978, the first year since 1973 in which an increase was recorded.

The investment in South Africa of all the main geographical areas of the world increased during 1978. Particularly large increases were recorded in the investment of European countries other than the European Economic Community and of countries in Africa and Asia. The increase of 24,5 per cent in Africa's investment in South Africa during 1978 was mainly in the form of direct investment in private-sector enterprises. As in the preceding two years, the percentage share of the various geographical areas in the total foreign investment in South Africa remained practically the same at the end of 1978. By far the largest proportion of foreign investment, amounting to 65,9 per cent at the end of 1978, came from Europe, whereas the share of North and South America was equal to 23,7 per cent.

### Foreign assets

South Africa's foreign assets increased by R2 415 million, or by 45,0 per cent, during 1978 to R7 777 million at the end of the year. This substantial increase was mainly brought about by a change in the valuation of the gold reserves of the country. Since the end of April 1978 the gold reserves have been valued at 90 per cent of the average of the last ten London fixing prices during the month. Consequently, at the end of 1978 the gold reserves were valued at R171,58 per fine ounce, compared with the valuation at the statutory price of R29,55 per fine ounce at the end of the preceding year. This new valuation procedure was largely responsible for an increase of R1 390 million in the gold reserves of the country during 1978.

The value of South Africa's foreign assets other than gold increased by 20,2 per cent during 1978 to R6 098 million at the end of the year. This rate of increase was much higher than the rate of 9,2 per cent in 1977 and the average annual rate of 17,5 per

cent from the end of 1973 to the end of 1976. The rise in the foreign investment by South Africans resulted mainly from an increase of 25,5 per cent in long-term foreign assets, namely from R3 295 million at the end of 1977 to R4 136 million at the end of 1978. South Africa's short-term foreign assets increased by 10,5 per cent during the same period.

The rapid rise in South Africa's foreign assets during 1978 was reflected mainly in the foreign assets of the private sector which increased by 23,3 per cent in 1978, compared with 11,6 per cent in 1977 and an average annual rate of 15,1 per cent during the period 1973 to 1976. Both the long-term and the short-term foreign assets of the private sector increased rapidly during 1978. In particular, foreign investment in the form of share premium, reserves and undistributed profits rose by 26,6 per cent to R2 294 million at the end of the year. The long-term foreign assets of the central government and banking sector also increased considerably in 1978, whereas this sector's short-term foreign assets declined slightly.

The increase in the private sector's foreign investment in the form of share premium, reserves and undistributed profits occurred in the case of those enterprises in which the South African investors had an effective say in policy. Consequently, a sharp rise of 25,1 per cent was recorded in foreign direct investment in 1978. The increase in the long-term foreign assets of the central government and banking sector and in the short-term foreign assets of the private sector resulted in an increase of 14,6 per cent in foreign non-direct investment. As foreign direct investment increased at a higher rate than non-direct investment, the share of the former in South Africa's total foreign assets increased from 53,5 per cent at the end of 1977 to 55,7 per cent at the end of 1978.

A geographical classification of South Africa's foreign assets showed an increased investment in all the regions distinguished. In particular, large increases of 18,2, 28,7 and 49,7 per cent were recorded in the South African investment in the European Economic Community countries, Africa and international organisations, respectively. The sharp increase in the foreign assets in international organisations, related to increased subscriptions, was mainly responsible for the decline in the percentage share of the foreign assets in the other regions. As a percentage of the total foreign assets other than gold reserves, the foreign assets of South Africa in African countries declined from 32,1 per cent at the end of 1977 to 26,9 per cent at the end of 1978 and those in North and South America from 17,0 per cent to 14,0 per cent during the same period. Smaller decreases were recorded in the percentage shares of the foreign assets in Europe and Asia.