

Notes to tables

South Africa's foreign liabilities and assets — Tables S-74 to S-77

Information on South Africa's foreign liabilities and assets as at 31 December 1979, together with comparable figures from the end of 1973, is published in this issue of the *Quarterly Bulletin*. These figures are based on data obtained from a Census of Foreign Transactions, Liabilities and Assets for the year 1973, which were updated by means of sample surveys for subsequent years.

Foreign liabilities

The foreign liabilities of South Africa amounted to R22 880 million at the end of 1979 and, therefore, remained at about the level of the preceding year-end when they were equal to R22 886 million. This virtual unchanged foreign liability position followed on an average increase of 7,4 per cent in the two preceding years and the very high average annual rate of increase of 23,9 per cent in the period from 1973 to 1976. During 1979 long-term foreign liabilities increased at a rate of 2,1 per cent, compared with the average rate of 8,4 per cent in the preceding two years. The increase in long-term liabilities was, however, offset by a decline of 7,3 per cent in short-term foreign liabilities, largely owing to the switching from foreign to domestic financing of foreign trade. This switching was induced by the high degree of domestic liquidity and accompanying low interest rates, and the relatively high interest rates in foreign countries. An increasing surplus on the current account of the balance of payments also permitted the repayment of short-term loans negotiated previously for the purpose of supplementing the country's foreign exchange holdings.

The latter factor contributed markedly to a decline in the total foreign liabilities of the central government and banking sector from R4 096 million at the end of 1978 to R3 671 million at the end of 1979, and was reflected in a further decline in the short-term liabilities of this sector. After increasing substantially from the end of 1973 to R2 079 million at the end of 1976, the short-term foreign liabilities of the central government and banking sector declined rapidly in the subsequent three years to R1 194 million at the end of 1979. The long-term foreign liabilities of the central government and banking sector also declined further during 1979, mainly because repayments on loans were facilitated by the favourable Exchequer position arising in particular from the large income tax and mining lease receipts from gold mining companies.

The foreign liabilities of public corporations and local authorities, which had increased at an average annual rate of 5,7 per cent from the end of 1976 to the end of 1978, rose at a rate of 6,0 per cent in 1979 to R3 827 million at the end of the year. This increase consisted mainly of short-term liabilities related to the financing of imports of capital equipment. This type of financing caused the short-term

foreign liabilities of this sector to rise sharply at an average rate of 64,5 per cent per year from the end of 1976. The long-term foreign liabilities of public corporations and local authorities remained approximately unchanged during 1979.

The high level of foreign interest rates, together with the ready availability of loanable funds and comparatively low interest rates in South Africa, encouraged the raising of loan capital in the domestic financial market. This resulted in a low rate of increase of 1,3 per cent in the foreign liabilities of the private sector in 1979, compared with an average annual rate of 13,3 per cent in the preceding five-year period. The private sector's long-term and short-term foreign loan capital declined sharply in 1979, namely by R555 million and R315 million, respectively. In contrast with these developments, the nominal value of ordinary and other share capital held by foreigners in South African enterprises increased by 8,6 per cent in 1979, compared with an average annual rate of increase of 5,5 per cent in the preceding five years. Similarly, foreign investment represented by share premium, reserves and undistributed profit, also rose at a higher rate during 1979.

The rate of increase in direct foreign investment in South Africa declined from 11,3 per cent in 1978 to 5,4 per cent in 1979. This decrease was largely attributable to the repayment of foreign loans, whereas investment in equity capital by foreigners increased sharply. A repayment of loans was also responsible for a decline of 4,0 per cent in non-direct investment by foreigners during 1979. Non-direct investment in equity capital, however, continued to increase at a moderate rate.

A classification of South Africa's foreign liabilities according to the main geographical areas indicates that the investment of European countries increased during 1979, but that the liabilities outstanding to other areas actually declined. This decrease was also caused by the repayment of loan capital, whereas investment in shares of South African enterprises continued to increase and rose particularly sharply in the case of North and South American investments. As a result of these changes, the percentage share of Europe in the total foreign liabilities of South Africa increased from 65,9 per cent at the end of 1978 to 67,9 per cent at the end of 1979, and corresponding moderate declines occurred in the shares of other areas.

Foreign assets

South Africa's foreign assets increased by R2 490 million, or 32,0 per cent, during 1979 to R10 267 million at the end of the year. This substantial rise was mainly due to the practice of valuing the gold reserves at market-related prices. At the end of 1979 South Africa's gold reserves amounted to R3 680 million, representing 10,03 million fine ounces valued at R366,91 per ounce, compared with 9,79 million fine ounces valued at R171,58 per ounce and amount-

ting to R1 679 million at the end of 1978. The increase in the gold reserves, therefore, contributed about 80 per cent to the rise in the total foreign assets.

If the gold reserves are excluded, the other foreign assets of South Africa increased by 8,0 per cent during 1979 to R6 587 million at the end of the year, compared with an increase of 20,2 per cent in the preceding year and an average annual rate of 15,4 per cent from the end of 1973 to the end of 1977. The long-term foreign assets of the country increased by 9,0 per cent during 1979, and the short-term foreign assets by 6,0 per cent.

The increase in the foreign assets occurred mainly in private sector's long-term and short-term investment in other countries. In particular, a sharp rise was recorded in the private sector's foreign assets in the form of share premium, reserves and undistributed profits. The foreign assets of the central government and banking sector, excluding the gold reserves, increased further during 1979, but at a lower rate than during the preceding year. The foreign assets of public corporations and local authorities remained more or less unchanged during 1979.

Total direct investment by South African residents in other countries increased by only 2,7 per cent in 1979, compared with an average annual rate of increase of 18,7 per cent in the preceding five-year period. This lower rate of increase in direct investment was attributable mainly to a decline in short-term assets and a relatively small increase in share premium, reserves and undistributed profit. On the other hand, non-direct investment in foreign countries (excluding gold reserves) increased at a slightly higher rate of 14,7 per cent in 1979, after it had risen at an average annual rate of 13,7 per cent from the end of 1973 to the end of 1978.

A geographical classification of South Africa's foreign assets indicates that the percentage share of investments in Africa increased from 34,3 per cent at the end of 1978 to 36,3 per cent at the end of 1979, and that in North and South America from 14,5 per cent to 15,2 per cent over the same period. The increase in South Africa's assets in African countries occurred mainly in direct investment in share premium, reserves and undistributed profit, while short-term assets in North and South America in particular recorded a sharp rise. The increase in the percentage shares of these two areas was attained at the expense of declines in the shares of Europe and Asia.