

## 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 1982, together with comparable figures from the end of 1976, is published in this issue of the *Quarterly Bulletin*. These figures are based on data obtained from censuses of foreign transactions, liabilities and assets for 1973 and 1980, which were updated by means of sample surveys for subsequent years.

### Foreign liabilities

South Africa's foreign liabilities increased by nearly 23 per cent in 1982 to R39,9 billion at the end of the year. This was the second year of very rapid growth in the country's foreign liabilities. In 1981 it increased by 27½ per cent, compared with an average annual rate of about 6 per cent from 1976 to 1980.

The main contributing factor to the rapid rise in total liabilities, was an increase of 39 per cent in short-term foreign liabilities, in particular foreign trade financing obtained by the private sector. The latter was encouraged by relatively lower foreign interest rates and expectations in the last part of 1982 that the rand would appreciate against other currencies. These expectations prompted South African borrowers not to take out forward exchange cover, which meant that they could derive the full benefit from the differential between South African and foreign interest rates. The deficit on the current account of the balance of payments in 1982 also led to reserve-related foreign borrowing to supplement the country's foreign exchange holdings.

South Africa's long-term foreign liabilities increased by 16½ per cent during 1982, largely because of sharp increases in foreign borrowing by the central government and public corporations. These loans were contracted abroad mainly by the Treasury, the South African Transport Services, the Department of Posts and Telecommunications and some of the public corporations. They were used largely for the financing of large capital development projects, such as the Koeberg power station, the oil-from-coal plants and extensions to the Richards Bay coal export facilities.

The long-term foreign liabilities of the private sector increased by 10 per cent in 1982, which was considerably below the growth rates of the two preceding years owing to generally depressed economic conditions. In particular, the reinvested earnings accruing to foreigners increased by just more than 8 per cent, compared with 13½ and 30 per cent in 1981 and 1980, respectively.

As a result of the large loan requirements of the public sector and the decline in the rate of increase in reinvested earnings, direct investment as a percentage of total foreign liabilities continued to decline in 1982. This ratio, which had increased from 41 per cent at the end of 1977 to just more than 48 per cent at the end of 1980, decreased to 46 per cent at the end of 1981 and 43½ per cent at the end of 1982. Despite

the decline in the relative importance of direct investment, it increased in absolute terms from R14,9 billion at the end of 1981 to R17,4 billion at the end of 1982.

A classification of South Africa's foreign liabilities according to main geographical area, shows that the percentage share of the EEC countries declined further from 55 per cent at the end of 1981 to 54 per cent at the end of 1982. These countries as a group are still the largest investors in South Africa. Over the same period the percentage shares of the Americas, Africa and Oceania did not change much, whereas the share of the rest of Europe and especially international organisations increased substantially. The latter increase was mainly due to drawings on the International Monetary Fund during 1982.

### Foreign assets

South Africa's foreign assets increased by just more than 14 per cent during 1982 to R15,4 billion at the end of the year. Excluding the gold reserve, which fluctuates substantially owing to the practice of valuing it at market-related prices, South Africa's other foreign assets increased by 17½ per cent during 1982, compared with 21 per cent in 1981 and an average annual rate of about 15 per cent from the end of 1976 to the end of 1980.

The increase in South Africa's foreign assets during 1982 was mainly confined to increases in the foreign assets of the private sector, both long-term and short-term. In particular, a substantial increase was recorded in the private sector's foreign assets in the form of share premiums, reserves and undistributed profits. The foreign assets, other than gold reserves, of the central government and banking sector and of the public corporations and local authorities increased by 10½ and 7½ per cent, respectively.

Since a substantial part of the increase in foreign assets consisted of a larger share by South African residents in the undistributed earnings of foreign organisations in which they have an effective say, South Africa's direct investment in other countries continued to increase rapidly. During the past three years these investments increased at an average annual rate of 25 per cent. Consequently, direct investment as a percentage of total foreign assets rose from 32 per cent in 1979 to 53 per cent in 1982.

In particular, the undistributed earnings on South Africa's direct investment in the EEC countries increased substantially during 1982. South Africa's foreign assets in the EEC countries as a ratio of total foreign assets, therefore, increased from 28 per cent at the end of 1981 to 32 per cent at the end of 1982. This increase occurred at the expense of the relative importance of investments in other European countries, countries in North and South America and Asia. A small increase was recorded in the percentage share of the African countries in total foreign assets in 1982.