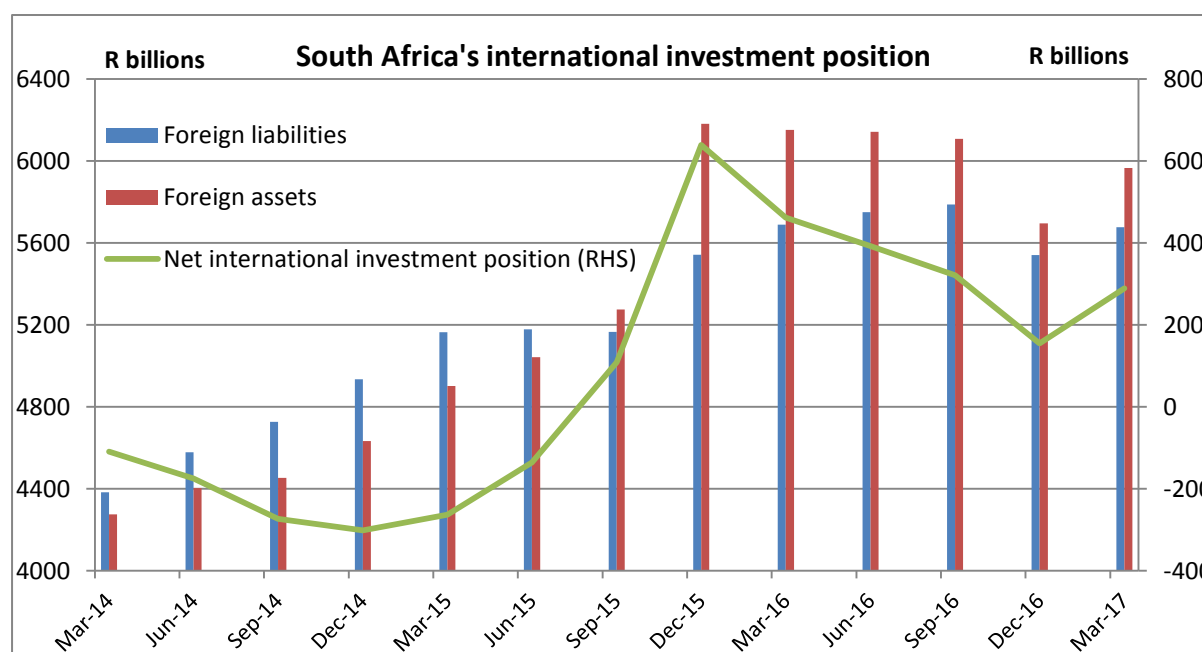


South Africa's international investment position

Net international investment position (foreign assets minus foreign liabilities)

South Africa's positive net international investment position (IIP) increased from R157 billion at the end of December 2016 to R289 billion at the end of March 2017 as the country's foreign assets increased more than the foreign liabilities. The increase in the country's net IIP in the first quarter of 2017 followed four consecutive quarterly declines in the net IIP.



Foreign liabilities

The market value of South Africa's foreign liabilities (inward investment) rose from R5 540 billion at the end of December 2016 to R5 678 billion at the end of March 2017. The 2.5% increase in the country's foreign liabilities reflected increases in the market value of portfolio and other investment categories, while the direct investment and financial derivatives categories recorded marginal declines. The JSE All-share index rose by 2.8% from the end of December 2016 to the end of March 2017 and therefore contributed to the increase in the market value of portfolio investment liabilities. The increase in portfolio investment liabilities was further augmented by the acquisition of domestic debt securities by foreign investors, as their search for yield continued. "Other investment" liabilities increased mainly on account of a rise in loan financing of parastatals, banks and the non-banking private sector.

Composition of inward investment

R billions

	31 Mar 2016	30 Jun 2016	30 Sep 2016	31 Dec 2016	31 Mar 2017
Direct investment.....	2 101	1 973	1 936	1 873	1 868
Portfolio investment.....	2 670	2 902	2 940	2 832	2 909
Financial derivatives.....	150	124	125	105	102
Other investment.....	768	751	786	731	799
Total.....	5 689	5 750	5 787	5 541	5 678
Memo: US\$/Rand exchange rate	14.8820	14.7626	13.9679	13.6282	13.4599

Foreign assets

The market value of South Africa's foreign assets (outward investment) increased to an amount of R5 966 billion at the end of March 2017 compared with R5 696 billion at the end of December 2016. The 4.7% increase in the market value of foreign assets was mainly the result of increases in the direct and portfolio investment categories. The market value of the direct investment category increased mainly on account of an increase in the share price of a large foreign subsidiary of a South African company. The resurgence in the acquisition of foreign portfolio assets mainly took the form of an increase in equity securities acquired by the domestic private sector. The increase in international stock markets over the period also contributed to the increase, with the S&P 500 rising by 5.5% over the period. The exchange value of the rand had a subdued effect on South Africa's foreign assets as the rand appreciated by 1.3% against the US dollar from the end of 2016 to 31 March 2017, compared with a 2.5% appreciation in the fourth quarter of 2016.

Composition of outward investment

R billions

	31 Mar 2016	30 Jun 2016	30 Sep 2016	31 Dec 2016	31 Mar 2017
Direct investment.....	2 455	2 522	2 612	2 365	2 552
Portfolio investment.....	2 304	2 263	2 189	2 055	2 175
Financial derivatives.....	158	132	120	103	95
Other investment.....	545	541	532	525	526
Reserve assets.....	689	684	655	648	618
Total.....	6 151	6 142	6 108	5 696	5 966
Memo: US\$/Rand exchange rate	14.8820	14.7626	13.9679	13.6282	13.4599

Concluding comments

Following declines in the past four quarters, South Africa's positive net IIP increased in the first quarter of 2017 as the country's foreign assets increased more than the foreign liabilities. As a ratio of South Africa's annual gross domestic product (GDP), the country's foreign liabilities increased from 127.7% at the end of December 2016 to 129.3% at the end of March 2017 while the country's foreign assets increased

from 131.3% cent to 135.9% over the same period. This resulted in the country's positive net IIP rising to 6.6% of GDP at the end of March 2017 compared with 3.6% at the end of December 2016.

South Africa's IIP as at the end of June 2017 will be released on the Bank's website at the end of September 2017.