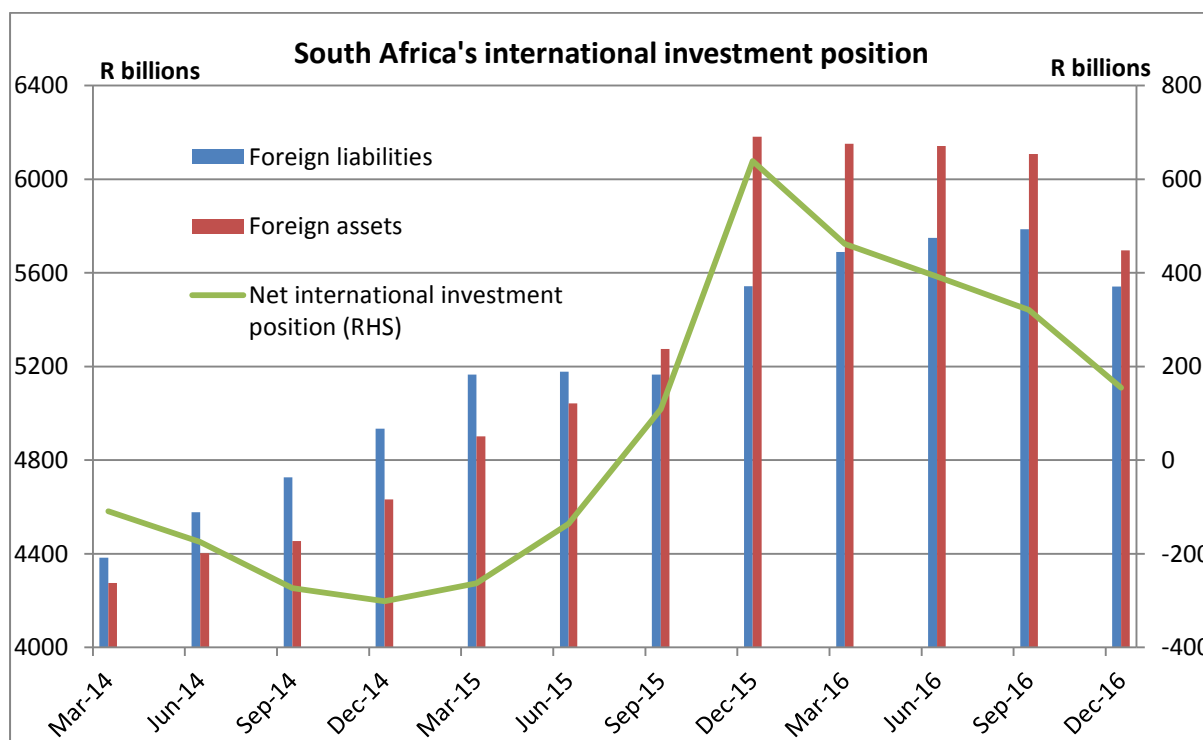


## South Africa's international investment position

### Net international investment position (foreign assets minus foreign liabilities)

South Africa's positive net international investment position (IIP) declined from R321 billion at the end of September 2016 to R155 billion at the end of December as the country's foreign assets declined at a faster pace than foreign liabilities. The foreign liabilities and assets were both partly weighed downward by the appreciation of 7.4% in the weighted average exchange rate of the rand from the end of September 2016 to the end of December.



### Foreign liabilities

The market value of South Africa's foreign liabilities (inward investment) declined to R5 541 billion at the end of December 2016 from R5 787 billion at the end of September; a level last recorded at the end of December 2015. The quarterly rate of decrease in the value of foreign liabilities came to 4.3% in the fourth quarter of 2016 compared with an increase of 0.6% in the preceding quarter. The decrease in the country's foreign liabilities was broad-based as all four functional categories recorded declines. Direct and portfolio investment declined reflecting lacklustre growth in corporate profits as well as a decline in the JSE All-share index from the end of September 2016 to the end of December. "Other investment" liabilities declined mainly on account of decreases in loan liabilities of the banking and private non-banking sector.

## Composition of inward investment

R billions

	31 Dec 2015	31 Mar 2016	30 Jun 2016	30 Sep 2016	31 Dec 2016
Direct investment.....	1 970	2 101	1 973	1 936	1 873
Portfolio investment.....	2 581	2 670	2 902	2 940	2 837
Financial derivatives.....	196	150	124	125	105
Other investment.....	796	768	751	786	726
Total.....	5 543	5 689	5 750	5 787	5 541
<i>Memo: US\$/Rand exchange rate</i>	<i>15.5742</i>	<i>14.8820</i>	<i>14.7626</i>	<i>13.9679</i>	<i>13.6282</i>

## Foreign assets

The market value of South Africa's foreign assets (outward investment) decreased visibly by 6.7% during the fourth quarter of 2016 to R5 696 billion at the end of December 2016 from R6 108 billion at the end of September. The decrease in the market value of foreign assets was the result of declines in all four functional categories. Although the exchange rate appreciation and market price valuation adjustments negatively affected the stock of foreign assets, portfolio investment assets were also affected by the buy-out and delisting of a foreign company in which domestic investors held a substantial investment.

## Composition of outward investment

R billions

	31 Dec 2015	31 Mar 2016	30 Jun 2016	30 Sep 2016	30 Dec 2016
Direct investment.....	2 405	2 455	2 522	2 612	2 365
Portfolio investment.....	2 282	2 304	2 263	2 189	2 055
Financial derivatives.....	220	158	132	120	103
Other investment.....	561	545	541	532	525
Reserve assets.....	714	689	684	655	648
Total.....	6 182	6 151	6 142	6 108	5 696
<i>Memo: US\$/Rand exchange rate</i>	<i>15.5742</i>	<i>14.8820</i>	<i>14.7626</i>	<i>13.9679</i>	<i>13.6282</i>

## Concluding comments

South Africa's positive net IIP declined steadily during 2016 to a level of R155 billion at the end of the year as the nominal effective exchange rate of the rand increased. South Africa's foreign liabilities remained broadly unchanged from end December 2015 to end December 2016, while the country's foreign assets decline by nearly 8% over the same period.

As a ratio of GDP, the country's foreign liabilities decreased from 135.7% at the end of September 2016 to 127.7% at the end of December while the country's foreign assets declined from 143.2% to 131.3% over the same period. This resulted in the

country's positive net IIP retreating further to 3.6% of GDP at the end of December 2016 compared to 7.5% at the end of September.

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