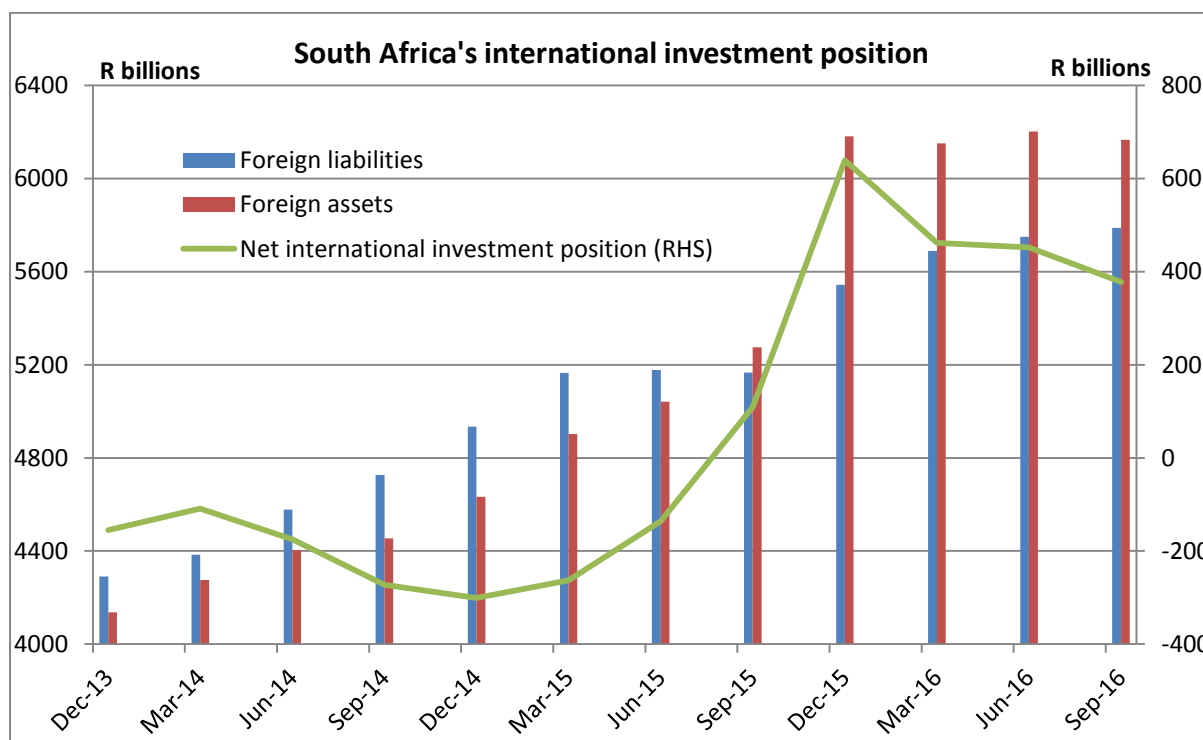


South Africa's international investment position

Net international investment position (foreign assets minus foreign liabilities)

South Africa's positive net international investment position (IIP) declined from R452 billion at the end of June 2016 to R378 billion at the end of September as the country's foreign liabilities increased and foreign assets declined somewhat.



Foreign liabilities

The market value of South Africa's foreign liabilities (inward investment) advanced for a fourth consecutive quarter up to the end of September 2016. However, the pace of increase slowed to 0,7 per cent in the third quarter i.e. from R5 750 billion at the end of June 2016 to R5 788 billion at the end of September. The increase in the country's foreign liabilities reflected marginal increases in the market value of all functional categories, except direct investment. While the JSE All-share index declined by 0,5 per cent from the end of June 2016 to the end of September, portfolio investment liabilities increased mainly on account of non-resident acquisitions of domestic debt securities. "Other investment" liabilities increased mainly on account of an increase in short-term loan liabilities of the banking sector. However, the increase in the country's foreign liabilities was countered by the 5,7 per cent appreciation of the exchange rate of the rand against the US dollar.

Composition of inward investment

R billions

	30 Sep 2015	31 Dec 2015	31 Mar 2016	30 Jun 2016	30 Sep 2016
Direct investment.....	1 625	1 970	2 101	1 973	1 958
Portfolio investment.....	2 700	2 581	2 670	2 902	2 940
Financial derivatives.....	137	196	150	124	125
Other investment.....	704	796	768	751	765
Total.....	5 166	5 543	5 689	5 750	5 788
<i>Memo: US\$/Rand exchange rate</i>	<i>13,8143</i>	<i>15,5742</i>	<i>14,8820</i>	<i>14,7626</i>	<i>13,9679</i>

Foreign assets

The market value of South Africa's foreign assets (outward investment) decreased slightly during the third quarter of 2016 to an amount of R6 166 billion at the end of September compared with R6 202 billion at the end of June. The quarterly rate of decrease in the value of foreign assets came to 0,5 per cent in the third quarter of 2016 compared with an increase of 0,8 per cent in the preceding quarter. The decrease in the market value of foreign assets was the result of declines in all functional categories, except direct investment. Market valuation adjustments reduced the stock of portfolio investment, financial derivatives, "other investment" and reserve assets, while a further positive valuation of a large direct investment holding increased the country's foreign direct investment asset position.

Composition of outward investment

R billions

	30 Sep 2015	31 Dec 2015	31 Mar 2016	30 Jun 2016	30 Sep 2016
Direct investment.....	2 062	2 405	2 455	2 522	2 612
Portfolio investment.....	1 871	2 282	2 304	2 323	2 247
Financial derivatives.....	151	220	158	132	120
Other investment.....	551	561	545	541	532
Reserve assets.....	640	714	689	684	655
Total.....	5 275	6 182	6 151	6 202	6 166
<i>Memo: US\$/Rand exchange rate</i>	<i>13,8143</i>	<i>15,5742</i>	<i>14,8820</i>	<i>14,7626</i>	<i>13,9679</i>

Concluding comments

Following the highest positive net IIP ever recorded at the end of 2015 of R639 billion, South Africa's positive net IIP declined steadily during the first nine months of 2016 to a level of R378 billion as the exchange rate of the rand against the US dollar appreciated by 11,5 per cent. South Africa's foreign liabilities trended moderately higher from the end of 2015 up to end September 2016, while the country's foreign assets remained roughly unchanged over the same period.

As a ratio of South Africa's annual gross domestic product (GDP), the country's foreign liabilities decreased from 138,2 per cent at the end of June 2016 to 136,7 per cent at the end of September while the country's foreign assets declined from 149,1 per cent to 145,6 per cent over the same period. This resulted in the country's positive net IIP retreating further to 9,0 per cent of GDP at the end of September 2016 compared with 10,9 per cent at the end of June.

South Africa's IIP as at the end of December 2016 will be released on the Bank's website at the end of March 2017.