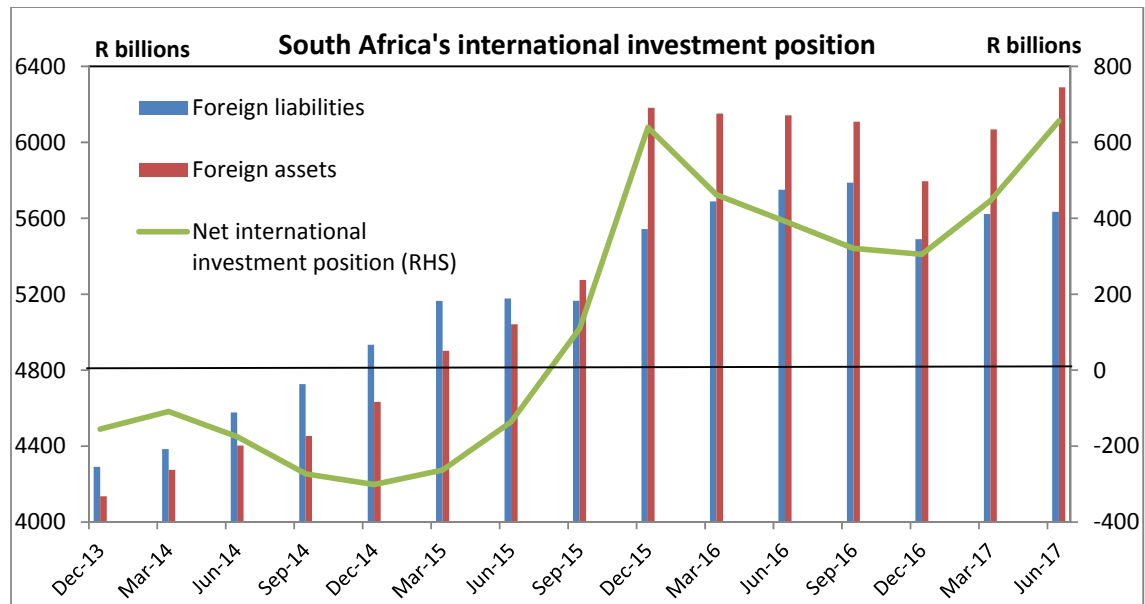


South Africa's international investment position

Net international investment position (foreign assets minus foreign liabilities)

South Africa's positive net international investment position (IIP) increased noticeably from a revised R446 billion at the end of March 2017 to R656 billion at the end of June due to a substantial increase in the value of South Africa's foreign assets while the value of foreign liabilities remained broadly unchanged over the period.



Foreign liabilities

The market value of South Africa's foreign liabilities (inward investment) increased from a revised R5 622 billion at the end of March 2017 to R5 634 billion at the end of June. After increasing by 2.4% in the first quarter of 2017, South Africa's foreign liabilities increased by only 0.2% in the second quarter. This subdued increase in the country's foreign liabilities reflected a subdued increase in the market value of portfolio investment while all other functional categories recorded marginal declines. The decline in direct investment can partly be attributed to the sale of a significant stake in a company in the banking sector by a foreign direct investor. The JSE All-share index recorded a marginal decline of 0.9% from the end of March 2017 to the end of June and therefore price changes had a subdued effect on the market value of portfolio investment liabilities. The increase in portfolio investment liabilities was mainly due to the acquisition of domestic debt securities by foreign investors, as their search for yield continued.

Composition of inward investment

R billions

	30 Jun 2016	30 Sep 2016	31 Dec 2016	31 Mar 2017	30 Jun 2017
Direct investment.....	1 973	1 936	1 854	1 842	1 830
Portfolio investment.....	2 902	2 940	2 800	2 879	2 942
Financial derivatives.....	124	125	105	102	92
Other investment.....	751	786	731	799	770
Total.....	5 750	5 787	5 490	5 622	5 634
<i>Memo: US\$/Rand exchange rate</i>	<i>14.7626</i>	<i>13.9679</i>	<i>13.6282</i>	<i>13.4599</i>	<i>13.0817</i>

Foreign assets

The market value of South Africa's foreign assets (outward investment) increased from a revised R6 068 billion at the end of March 2017 to R6 290 billion at the end of June. After a significant increase of 4.7% in the first quarter of 2017, South Africa's foreign asset increased by a further 3.6% in the second quarter. The increase in the second quarter in the market value of foreign assets was mainly as a result of an increase in direct investment and to a lesser extent portfolio investment, while both financial derivatives and "other" investment declined marginally. The market value of the direct investment category increased mainly on account of a further increase in the share price of a large foreign subsidiary of a South African company. The increase in foreign portfolio assets mainly took the form of a rise in value of equity securities as the S&P 500 rose by 2.6%, on balance, in the second quarter of 2017. The increase in foreign assets occurred despite the strengthening of the rand, on balance, by 2.9% against the US dollar in the second quarter of 2017.

Composition of outward investment

R billions

	30 Jun 2016	30 Sep 2016	31 Dec 2016	31 Mar 2017	30 Jun 2017
Direct investment.....	2 522	2 612	2 403	2 591	2 803
Portfolio investment.....	2 263	2 189	2 120	2 245	2 276
Financial derivatives.....	132	120	103	95	86
Other investment.....	541	532	521	519	507
Reserve assets.....	684	655	648	618	618
Total.....	6 142	6 108	5 795	6 068	6 290
<i>Memo: US\$/Rand exchange rate</i>	<i>14.7626</i>	<i>13.9679</i>	<i>13.6282</i>	<i>13.4599</i>	<i>13.0817</i>

Concluding comments

For the second successive quarter South Africa's positive net IIP increased significantly 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 decreased from 127.6% at the end of March 2017 to 125.9% at the end of June, while the country's foreign assets increased from 137.8% to 140.6% over the same period. This resulted in the country's positive net IIP rising to 14.7% of GDP at the end of June 2017, the highest since the 15.7 % recorded as at 31 December 2015.

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