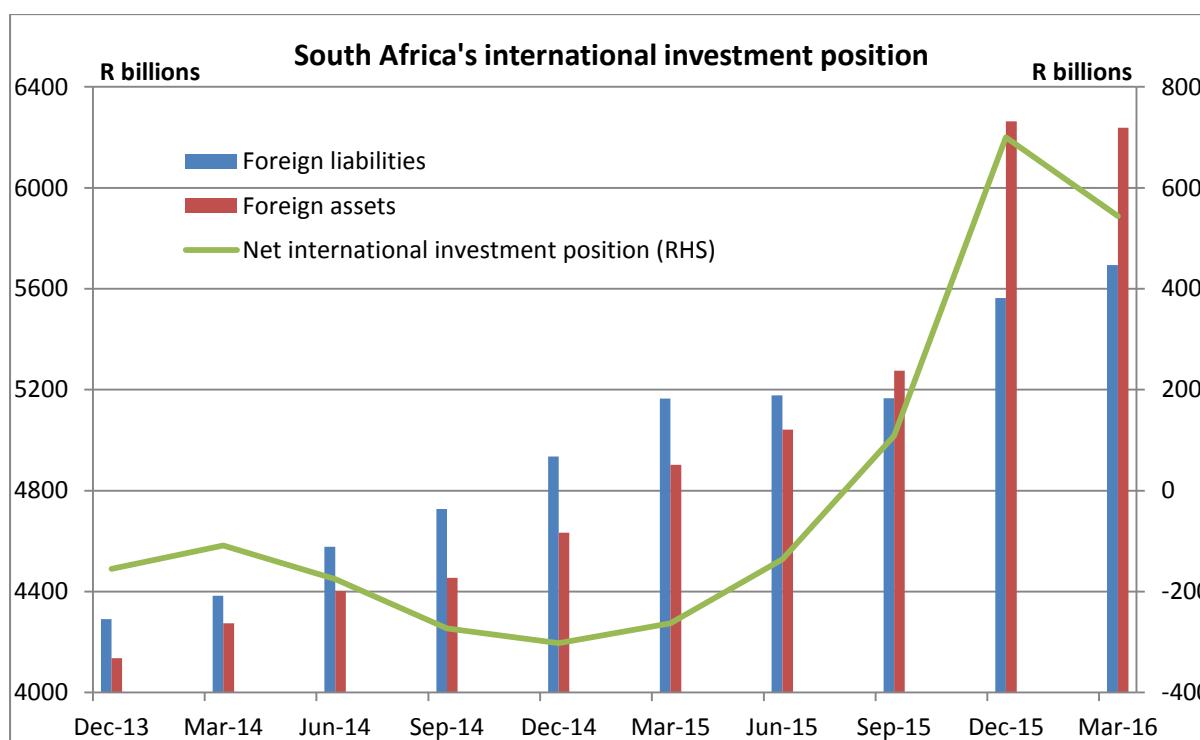


South Africa's international investment position

Net international investment position (foreign assets minus foreign liabilities)

South Africa's positive net international investment position (IIP) narrowed from R700 billion at the end of December 2015 to R544 billion at the end of March 2016 due to an increase in the value of South Africa's foreign liabilities and a slight decline in the value of foreign assets. The weakening in South Africa's net international investment position in the first quarter of 2016 partly offset the sharp improvement in the second half of 2015 following the sharp depreciation in the exchange rate of the rand during the period.



Foreign liabilities

Having increased by 7,7 per cent in the fourth quarter of 2015, the market value of South Africa's foreign liabilities (inward investment) advanced at a markedly slower pace of 2,3 per cent in the first quarter of 2016 i.e. from R5 563 billion at the end of December 2015 to R5 694 billion at the end of March 2016. The increase in the country's foreign liabilities reflected an increase in the market value of direct and portfolio investment, while the market value for the categories financial derivatives and "other" investment decreased. Direct investment liabilities recorded an increase following the movement of the primary listing of a private hospital group from the Johannesburg Stock Exchange (JSE) to the London Stock Exchange, resulting in the re-classification of the South African entity as a direct investment enterprise. Portfolio investment liabilities increased mainly due to valuation effects as the JSE All-share index rose, on balance, by 3,4 per cent in the first quarter of 2016.

Composition of inward investment

R billions

	31 Mar 2015	30 Jun 2015	30 Sep 2015	31 Dec 2015	31 Mar 2016
Direct investment.....	1 619	1 608	1 624	1 972	2 089
Portfolio investment.....	2 748	2 825	2 700	2 599	2 687
Financial derivatives.....	127	96	137	196	150
Other investment.....	671	647	704	796	768
Total.....	5 165	5 176	5 164	5 563	5 694
<i>Memo: US\$/Rand exchange rate</i>	<i>12,2020</i>	<i>12,2406</i>	<i>13,8143</i>	<i>15,5742</i>	<i>14,8820</i>

Foreign assets

The market value of South Africa's foreign assets (outward investment) declined marginally during the first quarter of 2016 to an amount of R6 238 billion at the end of March 2016 compared with R6 263 billion at the end of December 2015. The quarterly rate of decrease in the value of foreign assets came to 0,4 per cent in the first quarter of 2016 compared with an increase of 18,7 per cent in the preceding quarter. While the market value of direct and portfolio investment increased marginally from quarter-end to quarter-end, the market value of financial derivatives, "other" investment and reserve assets declined mainly as a result of the exchange rate of rand which has strengthened, on balance, over the period. Direct investment capital outflows boosted the stock of direct investment assets, while a positive performance of global equity markets lifted the country's foreign portfolio asset position.

Composition of outward investment

R billions

	31 Mar 2015	30 Jun 2015	30 Sep 2015	31 Dec 2015	31 Mar 2016
Direct investment.....	1 903	1 982	2 062	2 531	2 577
Portfolio investment.....	1 798	1 854	1 876	2 231	2 254
Financial derivatives.....	133	103	151	220	158
Other investment.....	503	533	547	567	560
Reserve assets.....	565	571	640	714	689
Total.....	4 902	5 043	5 276	6 263	6 238
<i>Memo: US\$/Rand exchange rate</i>	<i>12,2020</i>	<i>12,2406</i>	<i>13,8143</i>	<i>15,5742</i>	<i>14,8820</i>

Concluding comments

After having depreciated in the second half of 2015, the exchange value of the rand appreciated, on balance, in the first quarter of 2016 resulting in more subdued movements in South Africa's foreign liabilities and foreign assets over the period. The net effect of the changes in the market value of the country's foreign liabilities and assets was a moderate decline in South Africa's positive net IIP.

As a ratio of South Africa's gross domestic product (GDP), the country's foreign liabilities increased marginally from 138,6 per cent at the end of December 2015 to 139,3 per cent at the end of March 2016 while the country's foreign assets declined from 156,1 per cent to 152,7 per cent over the same period. This resulted in the country's positive net IIP receding to 13,3 per cent of GDP at the end of March 2016 compared with 17,4 per cent at the end of December 2015.

South Africa's IIP as at the end of June 2016 will be released on the Bank's website at the end of September 2016.