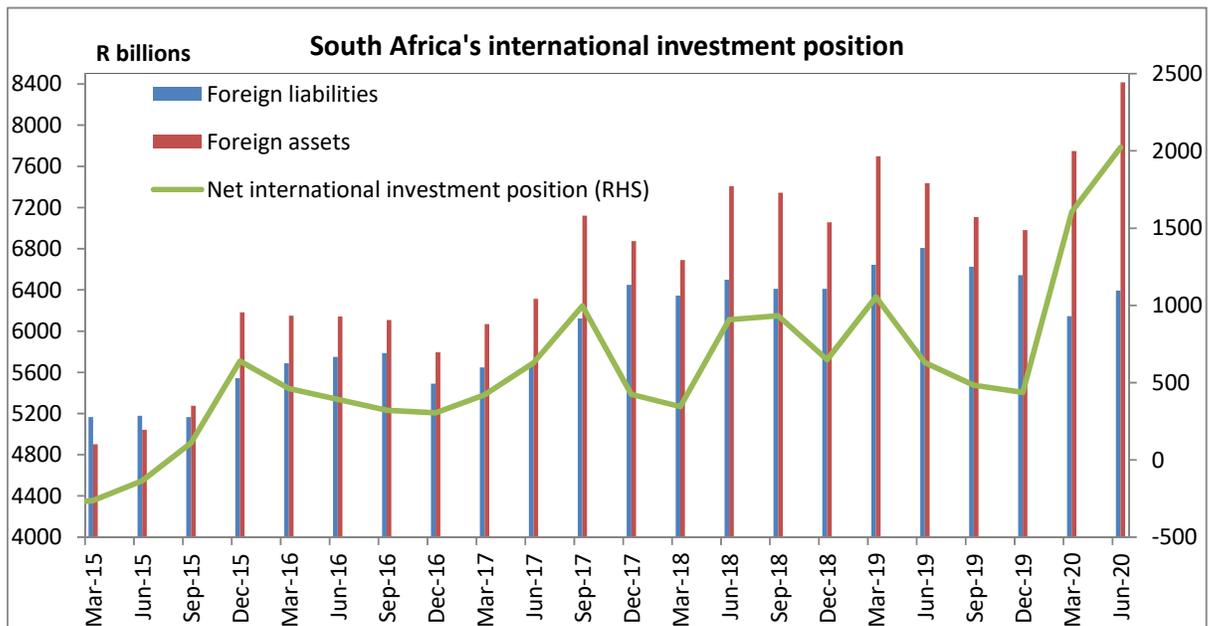


South Africa's international investment position

Net¹ international investment position

South Africa's positive net international investment position (IIP) increased significantly from a revised R1 604 billion at the end of March 2020 to R2 022 billion in June. The increase in the positive net IIP reflected a substantial increase in foreign assets, while foreign liabilities recorded a much smaller increase. As was the case in the 1st quarter of 2020, divergent movements in the prices of some financial instruments again contributed to the significant increase in the positive net IIP in the 2nd quarter.



Source: SARB

Foreign assets

The market value of South Africa's foreign assets (outward investment) increased substantially by 8.6% from a revised R7 748 billion at the end of March 2020 to R8 415 billion at the end of June, following an increase of 11% in the first quarter. Foreign assets in the second quarter of 2020 reflected an increase in all functional categories, except for the financial derivatives and reserve assets. Direct investment increased mainly as a result of the valuation effects of an increase in the share price of a large dual-listed company with a primary listing abroad. Foreign portfolio investment assets increased mainly as a result of an increase of 20% in the US Standard & Poor's (S&P) 500 Index as well as an increase in the value of resident ownership of dual-listed companies domiciled abroad along with

¹ Net calculated as foreign assets minus foreign liabilities

an increase in the share prices of these companies. Other investment assets increased mainly due to an increase in resident banks' short-term loans under repurchase agreements to non-residents, while reserve assets decreased due to the valuation effect of the strengthening in the exchange value of the rand.

Composition of outward investment

R billions

	30 Jun 2019	30 Sep 2019	31 Dec 2019	31 Mar 2020	30 Jun 2020
Direct investment.....	3 700	3 063	3 015	3 519	3 894
Portfolio investment.....	2 275	2 487	2 529	2 241	2 595
Financial derivatives.....	103	127	121	270	226
Other investment.....	653	598	544	781	793
Reserve assets.....	706	834	772	938	907
Total.....	7 436	7 109	6 982	7 748	8 415
<i>Memo: US\$/Rand exchange rate</i>	14.1487	15.1971	14.0418	17.9822	17.3312

Source: SARB

Components may not add up to totals due to rounding off.

Foreign liabilities

The market value of South Africa's foreign liabilities (inward investment) increased by 4.1% from a revised R6 144 billion at the end of March 2020 to R6 393 billion at the end of June 2020, following a decline of 6.1% in the first quarter. The increase in foreign liabilities reflected a significant increase in the portfolio investment functional category, while all other categories recorded declines. The value of direct investment liabilities declined marginally despite an increase of 22.1% in the FTSE/JSE All-share index in the second quarter of 2020, as net asset values of non-listed companies declined due to the impact of the COVID-19 lockdown. Portfolio investment liabilities increased as the increase in the FTSE/JSE All-share index resulted in the higher valuation of foreign shareholding of domestic shares, notwithstanding the national government redemption of two international bonds of US\$500 million and ¥30 billion during the second quarter of 2020. The decrease in other investment liabilities was mainly due to the repayment of short-term loans by the domestic banking sector as well as the decline in non-resident deposits at domestic banks.

Composition of inward investment

R billions

	30 Jun 2019	30 Sep 2019	31 Dec 2019	31 Mar 2020	30 Jun 2020
Direct investment.....	2 108	2 151	2 037	1 873	1 863
Portfolio investment.....	3 628	3 373	3 488	2 895	3 265
Financial derivatives.....	102	118	109	272	226
Other investment.....	970	983	911	1 104	1 039
Total.....	6 808	6 625	6 545	6 144	6 393
<i>Memo: US\$/Rand exchange rate</i>	14.1487	15.1971	14.0418	17.9822	17.3312

Source: SARB

Components may not add up to totals due to rounding off.

Concluding comments

South Africa's positive net IIP increased as the market value of foreign assets increased more than that of foreign liabilities. As a ratio of South Africa's annual gross domestic product (GDP), foreign assets increased from 150.5% at the end of March 2020 to 169.6% at the end of June, while foreign liabilities increased from 119.3% to 128.9% over the same period. This resulted in an increase in the positive net IIP to 40.7% of GDP at the end of June 2020.

South Africa's IIP as at end September 2020 will be released on the Bank's website at the end of December 2020.