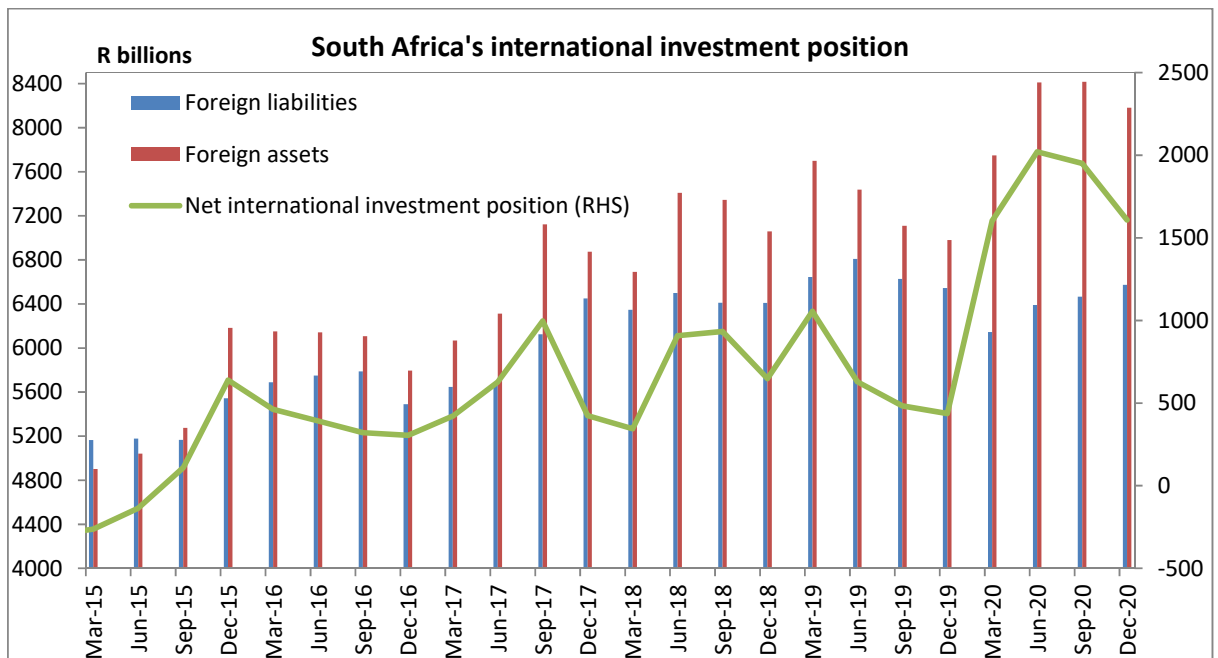


South Africa's international investment position

Net¹ international investment position

South Africa's positive net international investment position (IIP) decreased from a revised R1 951 billion at the end of September 2020 to R1 607 billion at the end of December. The decrease in the positive net IIP reflected a decline in foreign assets and an increase in foreign liabilities. The exchange value of the rand had a significant effect on foreign assets and, to a lesser degree, on foreign liabilities as the nominal effective exchange rate of the rand increased, on balance, by 11.6% in the fourth quarter of 2020.



Source: SARB

Foreign assets

The market value of South Africa's foreign assets (outward investment) declined by 2.8% from a revised R8 416 billion at the end of September 2020 to R8 180 billion at the end of December. Foreign assets in the fourth quarter of 2020 reflected a decrease in all functional categories, except portfolio investment and financial derivatives. Direct investment assets decreased mainly as a result of the valuation effects of the appreciation in the exchange value of the rand as well as domestic parent companies disposing of equity in and repatriating loan finance from non-resident subsidiaries. Foreign portfolio investment assets increased mainly as a result of the valuation effects due to the increase in share prices of

¹ Net calculated as foreign assets minus foreign liabilities

dual-listed companies with a primary listing abroad and the domestic banking sector's net purchases of foreign debt securities. Other investment assets decreased mainly as a result of non-residents' repaying short-term loans to the domestic private non-banking sector while reserve assets decreased as a result of exchange rate valuations.

Composition of outward investment

R billions

	31 Dec 2019	31 Mar 2020	30 Jun 2020	30 Sep 2020	31 Dec 2020
Direct investment.....	3 015	3 518	3 894	3 839	3 669
Portfolio investment.....	2 529	2 241	2 591	2 707	2 794
Financial derivatives.....	121	270	226	198	215
Other investment.....	544	781	793	756	695
Reserve assets.....	772	938	907	916	808
Total.....	6 982	7 748	8 410	8 416	8 180
<i>Memo: US\$/Rand exchange rate</i>	14.0418	17.9822	17.3312	16.9231	14.6246

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 1.7% from a revised R6 465 billion at the end of September 2020 to R6 573 billion at the end of December. The increase in foreign liabilities reflected an increase in all functional categories except other investment. The increase in the FTSE/JSE All-share Index of 9.5% in the fourth quarter of 2020 contributed to higher values of both direct and portfolio investment liabilities. Other investment declined mainly as a result of non-residents' withdrawal of deposits from the domestic banking sector and the repayment of loans by the domestic private non-banking sector.

Composition of inward investment

R billions

	31 Dec 2019	31 Mar 2020	30 Jun 2020	30 Sep 2020	31 Dec 2020
Direct investment.....	2 037	1 874	1 860	1 930	2 008
Portfolio investment.....	3 488	2 895	3 265	3 269	3 403
Financial derivatives.....	109	272	226	200	218
Other investment.....	911	1 104	1 039	1 066	943
Total.....	6 545	6 145	6 390	6 465	6 573
<i>Memo: US\$/Rand exchange rate</i>	14.0418	17.9822	17.3312	16.9231	14.6246

Source: SARB

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

Concluding comments

South Africa's positive net IIP decreased as the market value of foreign liabilities increased while that of foreign assets declined. As a ratio of South Africa's annual gross domestic product (GDP), foreign assets decreased from 170.5% at the end of September 2020 to 164.5% at the end of December, while foreign liabilities increased from 131.0% to 132.1% over the same period. This resulted in the decline of the positive net IIP to 32.3% of GDP at the end of December 2020.

South Africa's IIP as at end March 2021 will be released on the Bank's website at the end of June 2021.