



South African Reserve Bank

# Foreign Direct Investment flows and stocks

TIPS  
8 February 2017



# Outline of the presentation

- Balance-of-payments accounting
- Definitions
- Data
- Summary





# Balance-of-payments accounting

- Current account (CA) = Financial account (FA) + Capital account
- Double entry accounting whereby in theory all credits (+) should equal all debits (-).
- Credits < debits = Positive unrecorded transactions.
- Credits > debits = Negative unrecorded transactions.
- CA deficit must be financed through five FA functional categories:
  - Direct investment (DI)
  - Portfolio investment (PI)
  - Financial derivatives (FD)
  - Other investment (OI)
  - Reserve assets (RA)

# Balance of Payments accounting (cont.)

- Each FA category is subdivided into liabilities and assets, except for reserve assets.
  - Net incurrence of liabilities:
    - Non-residents acquire/dispose of South African assets – can be an inflow (+) or outflow (-).
  - Net acquisition of financial assets:
    - South African residents acquire/dispose of foreign assets – can be an outflow (-) or inflow (+) .
- Current account deficit can be financed by incurring foreign liabilities or disposing of foreign assets.



# Definitions

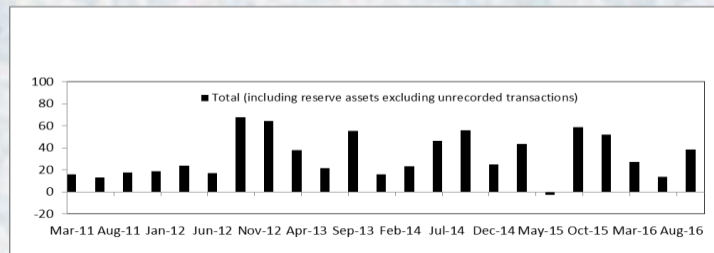
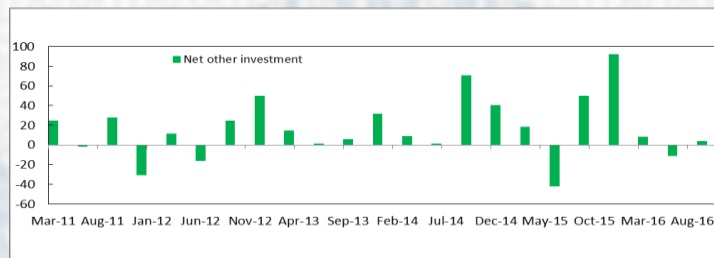
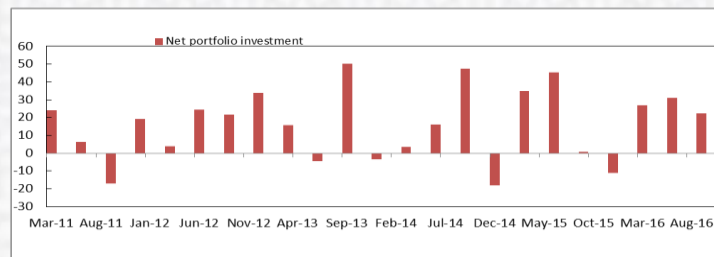
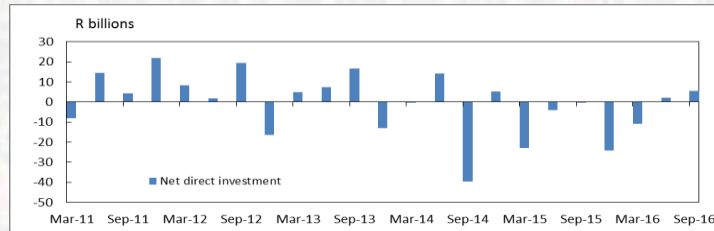
- South Africa's balance of payments compiled broadly in accordance with the 6th Balance of Payments Manual of the International Monetary Fund (BPM6).
- *Definitions:*
  - **Direct investment** is defined in BPM6 as cross-border investment associated with a resident in one country having control or a significant degree of influence on the management of an enterprise that is resident in another economy.
  - **Portfolio investment-** cross-border transactions involving debt or equity securities, other than those included in direct investment or reserve assets. Debt and equity instruments must have the characteristic feature of negotiability – legal ownership is readily capable of being transferred from one unit to another unit by delivery or endorsement.
  - **Other investment** is a residual category that includes positions and transactions other than those included in direct investment, portfolio investment, financial derivatives and reserve assets (Trade credits, loans, currency & deposits and other accounts receivable/payable).

# Data sources

- Surveys
- Internal systems
- Media articles

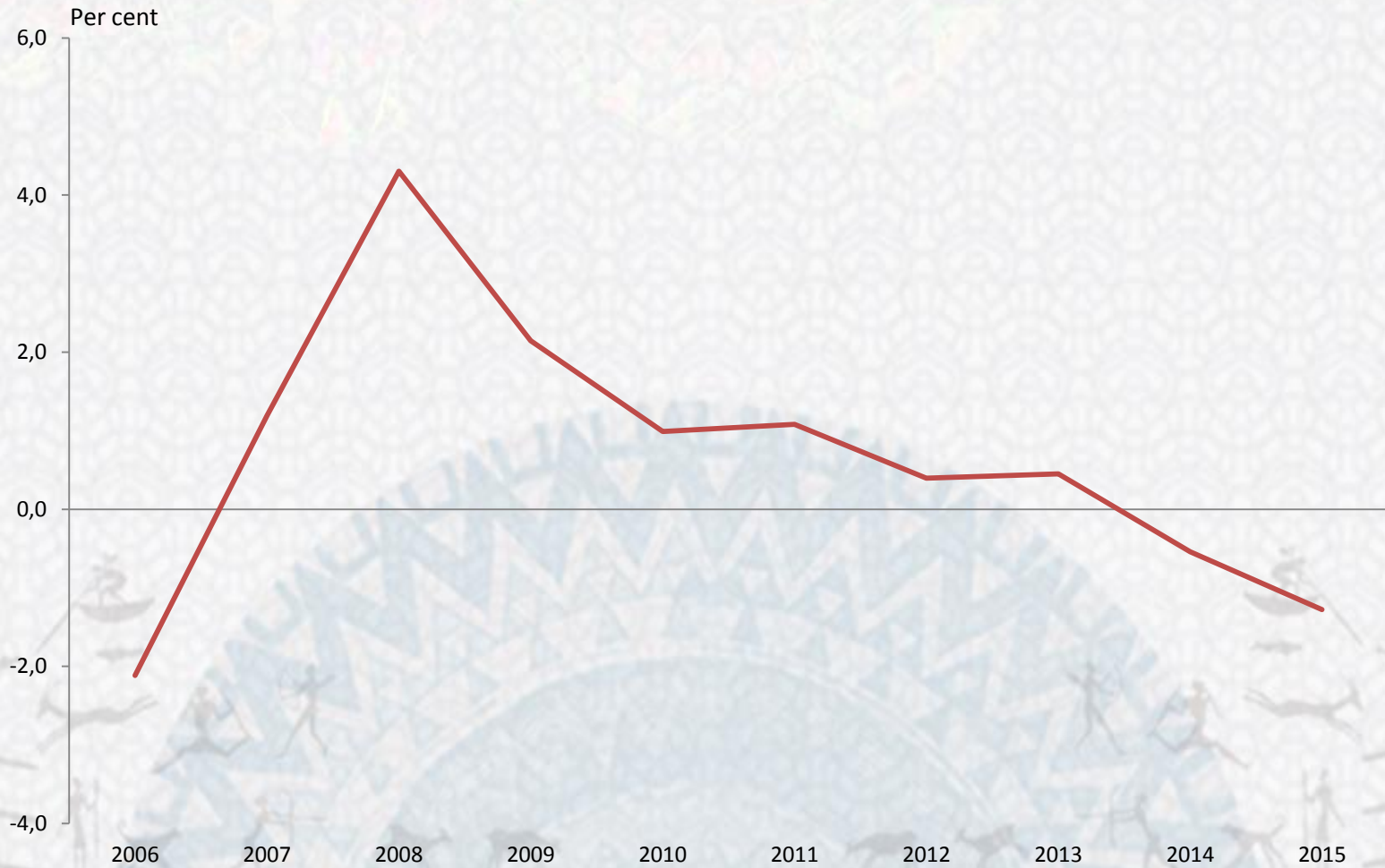


# Financial account





# FDI as percentage of GDP



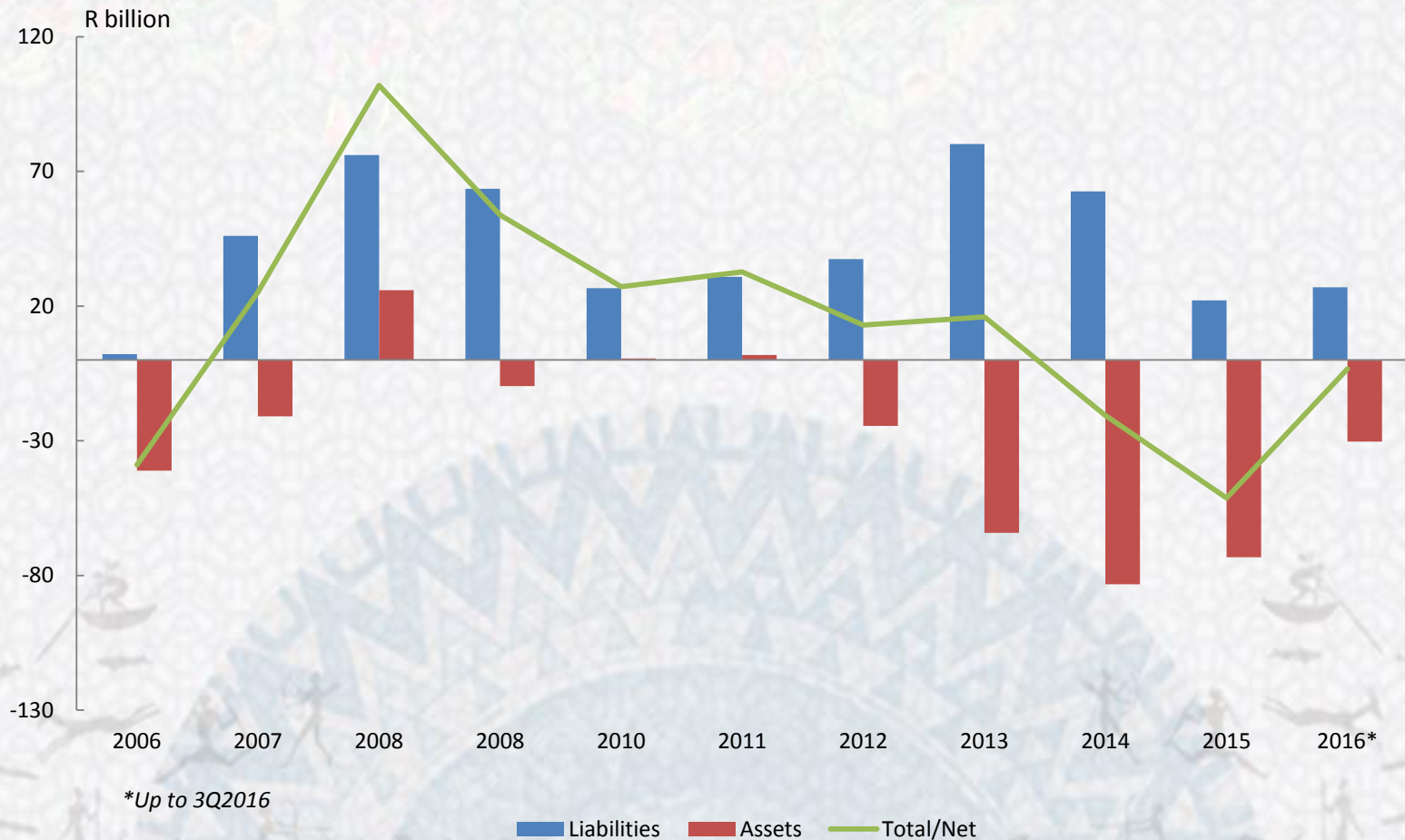


# FDI Vs non-FDI as % of GDP



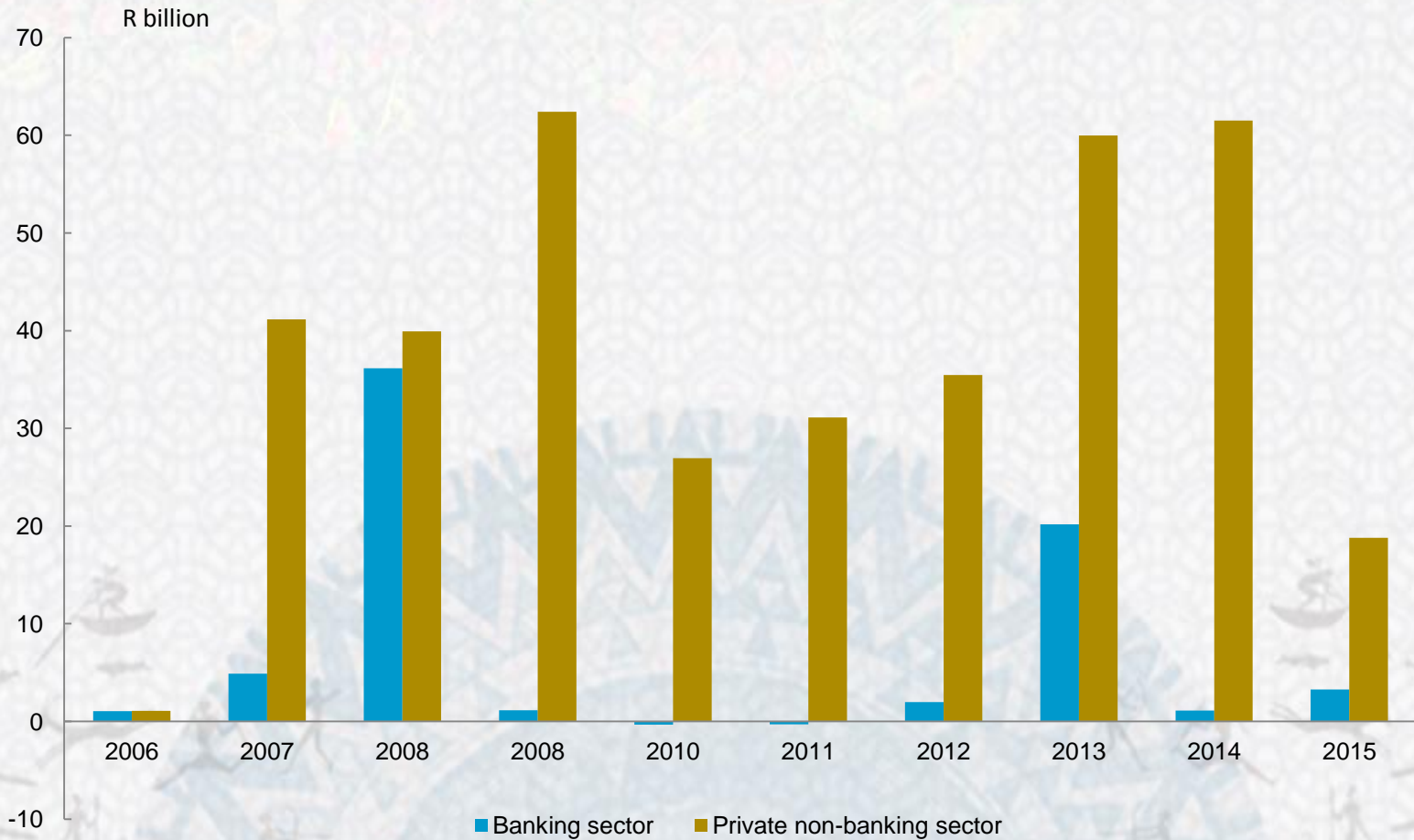
South Africa relies mainly on non-FDI flows to finance the current account deficit

# Foreign Direct Investment (FDI)

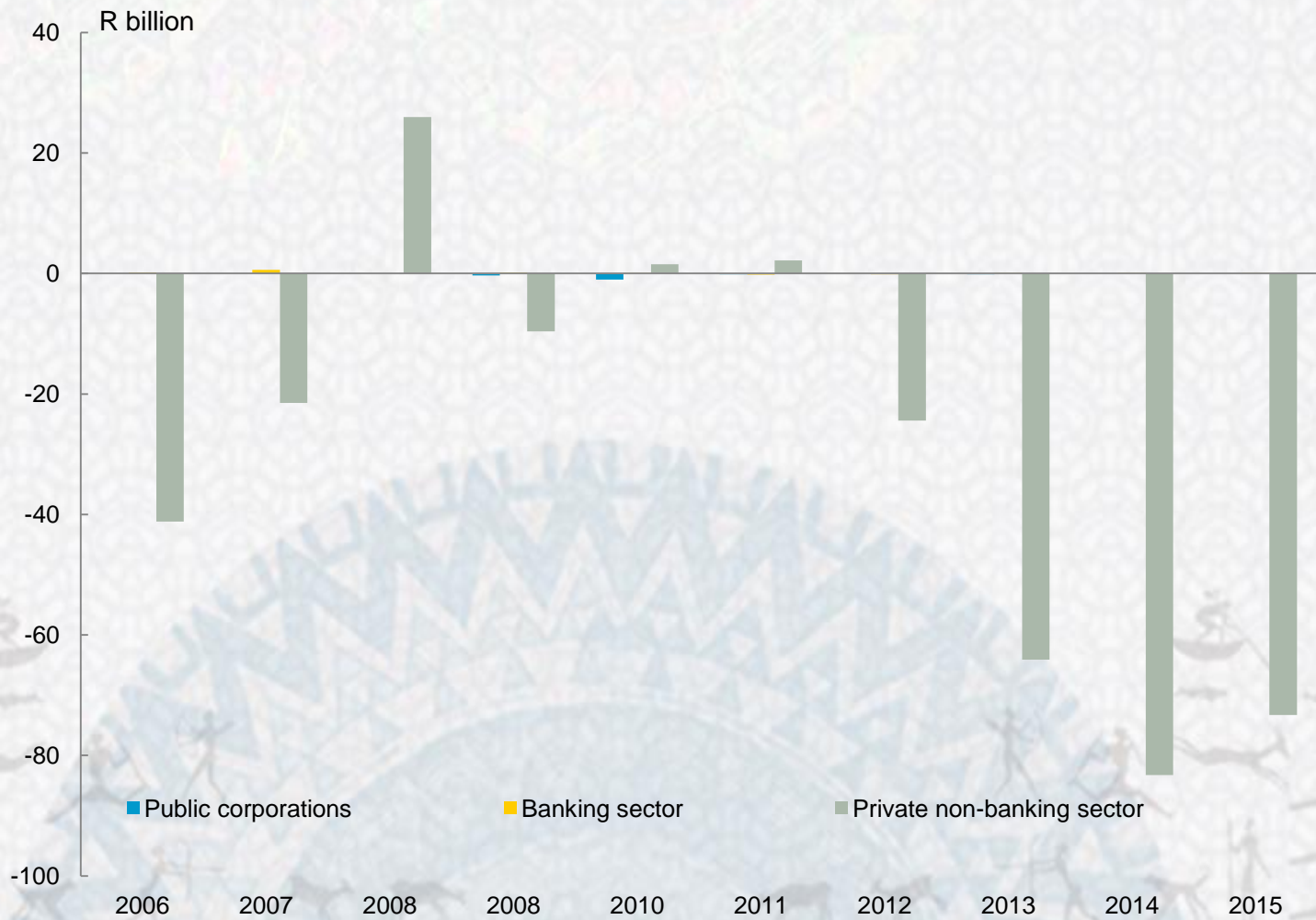




# FDI liabilities: sector

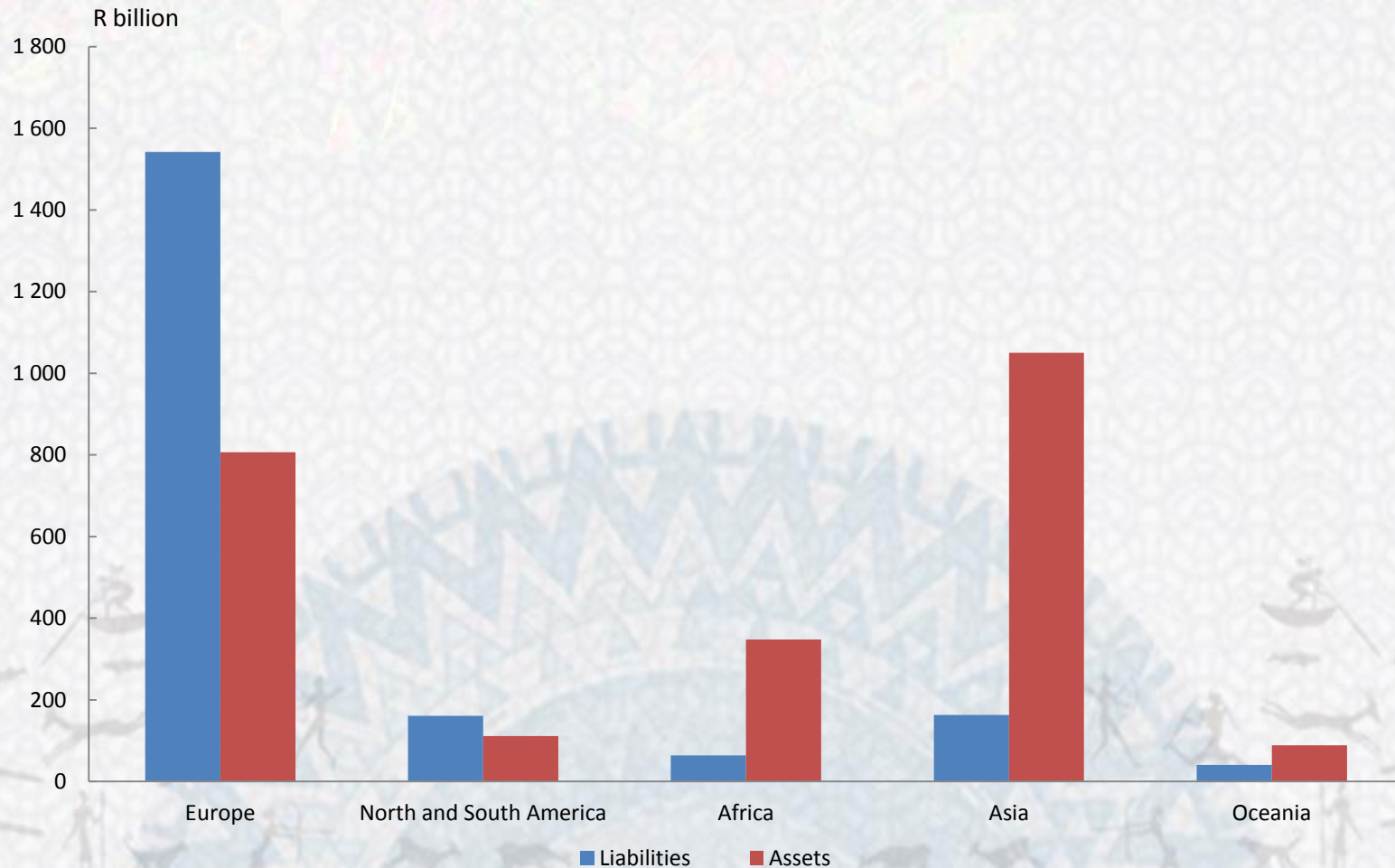


# FDI assets: sector

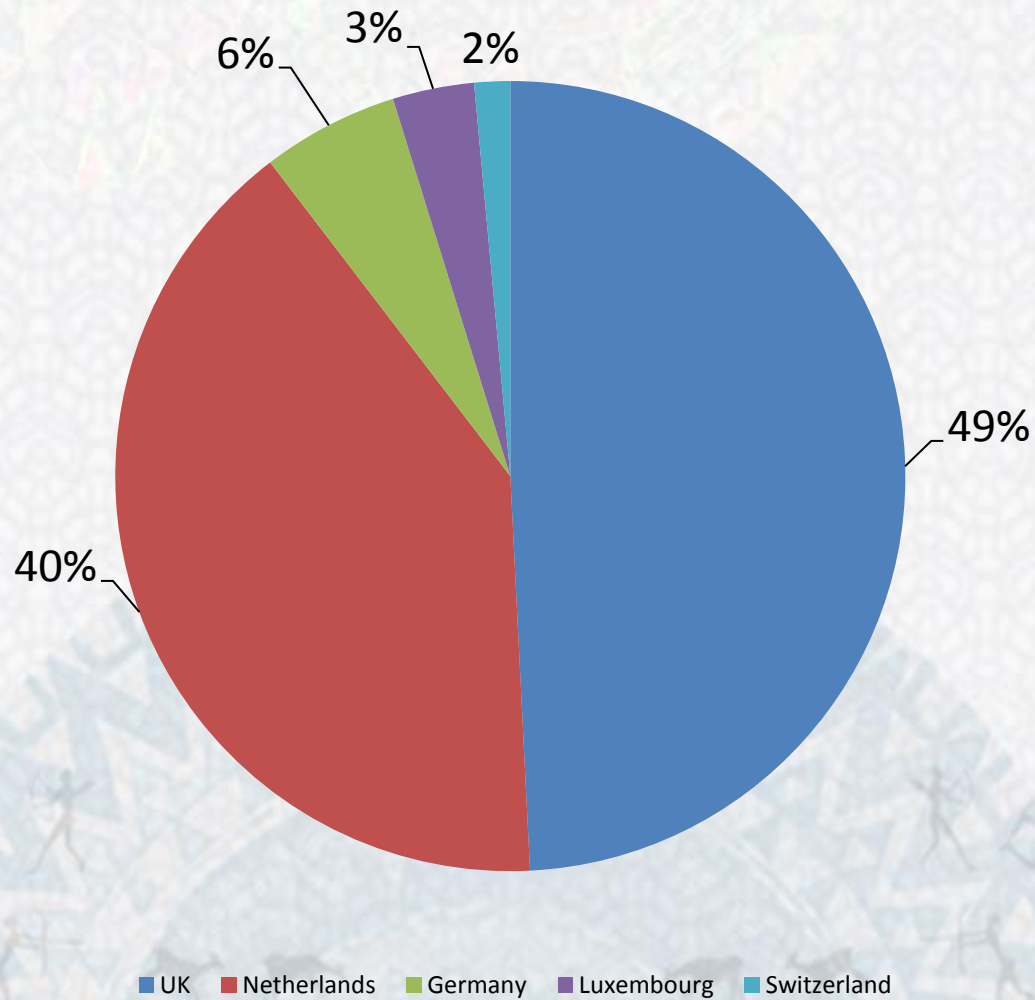




# FDI stock positions (International Investment Position), 31 December 2015

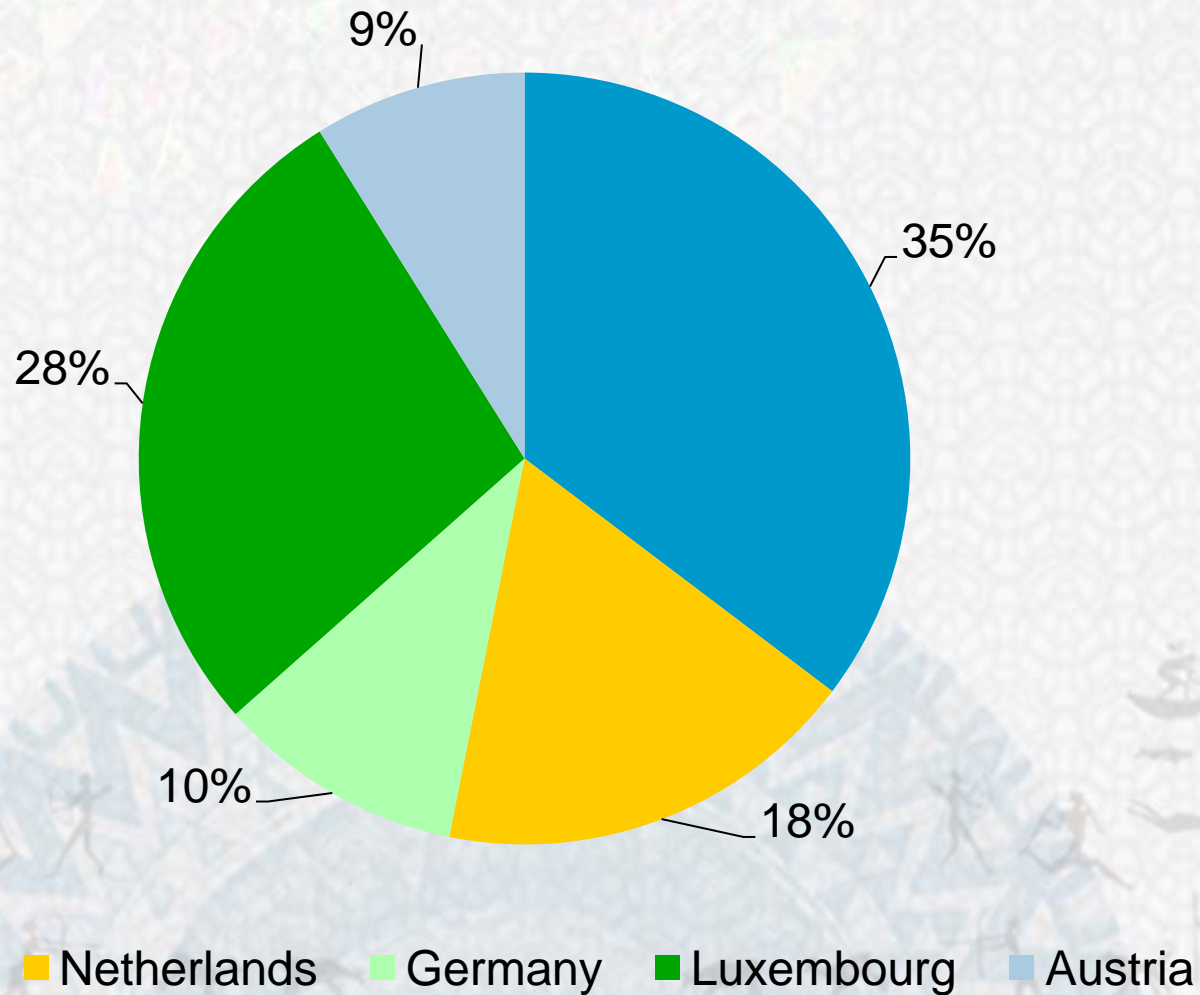


# FDI IIP: Liabilities, 31 December 2015

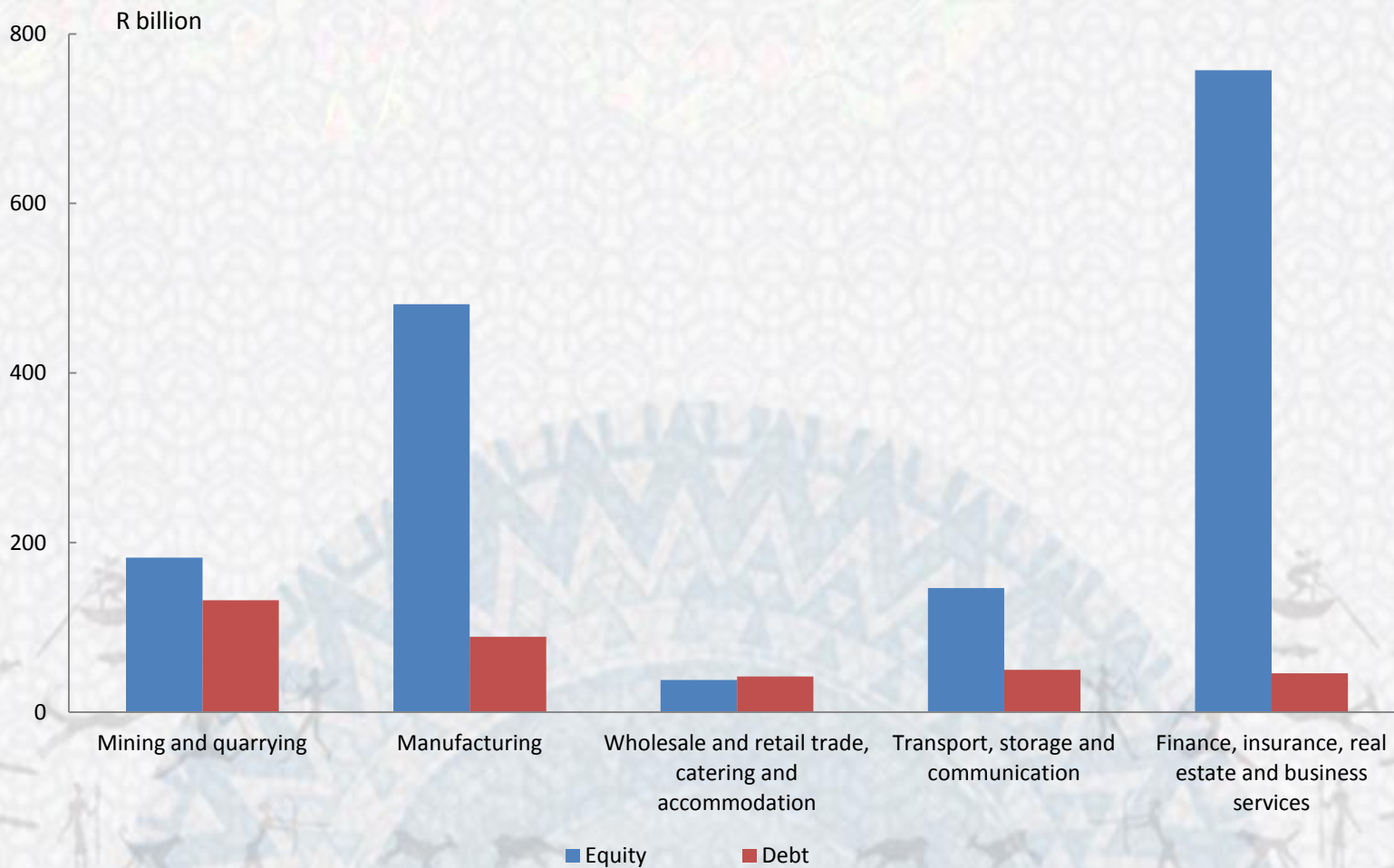




# FDI IIP: Assets, 31 December 2015



# FDI liabilities by kind of economic activity: 31 December 2015





# Summary

- FDI is one of FA functional categories used to finance current account deficit
- Most transactions in the private, non-banking sector
- UK is our largest FDI source
- Finance sector the largest contributor to FDI as at 31 December 2015