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PRESS RELEASE

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International investment position and balance of payments financial account (second quarter of 2022)

- **Net international investment position drops to €279.8 billion or 52.2% GDP**
- **For the third consecutive quarter, the Belgian economy posts a financing deficit with the rest of the world**

Outstanding amounts

The net international investment position (NIIP) fell back to €279.8 billion in the second quarter of 2022 from €285.6 billion in the previous quarter. This decline is entirely attributable to the Belgian economy's foreign financing deficit. There was virtually no net impact from other flows as exchange rate and price effects cancelled each other out. The weakened euro exchange rate had a positive effect on the NIIP because there are more investments in foreign currency on the assets side than on the liabilities side. The positive exchange rate effect was fully offset by the sharp drop in asset prices.

Net portfolio investment remains the most important component of the positive NIIP. This category of investment also incurred negative valuation effects and dropped to €185.3 billion. Net direct investment benefited from the aforementioned favourable exchange rate effects and picked up to €119 billion. Net other investment slumped to €63.3 billion, the lowest level since the end of 2008. Underlying gross liabilities stemming from other investment nevertheless continued to rise further to record highs, partly fuelled by the economic sanctions against Russia. With the halting of payments to the Russian central bank, term accounts that had reached maturity, coupon and dividend payments remain outstanding as interbank debt.

Transactions

The accumulation of foreign assets and liabilities (respectively €14.2 billion and €20.1 billion) was less dynamic than in the previous quarter. The net financial account of the balance of payments (BoP) stood at €-5.9 billion in the second quarter of 2022. This balance has been in the red for the third quarter in a row, which means that Belgium once again needed net financing from abroad. This result follows an eighteen-month period during which, on balance, Belgium provided lending to the rest of the world. For its part, the balance of direct investment was positive (€7.6 billion) owing to a fall in investment from abroad in Belgian companies. However, the balance of portfolio investment was deeply in the red (€-13.6 billion), mainly as a result of a large issue of government debt instruments held by foreign residents. The balance of other investment was more or less in equilibrium (€0.2 billion).

INTERNATIONAL INVESTMENT POSITION: OUTSTANDING AMOUNTS, TRANSACTIONS AND OTHER FLOWS

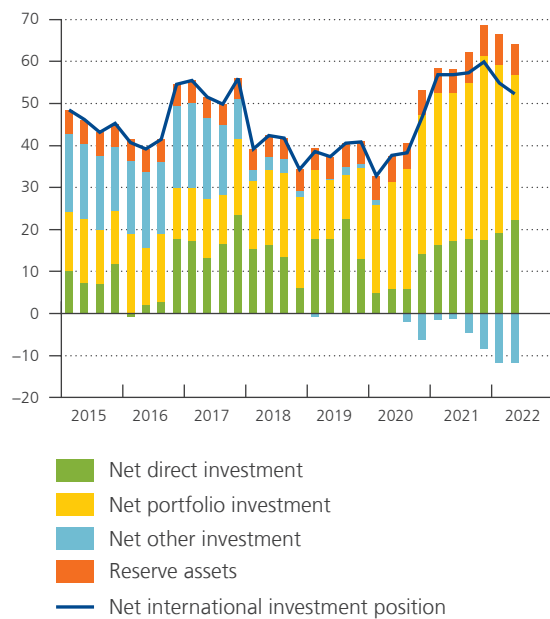
	2022 Q1		2022 Q2			
	Outstanding amounts		Transactions	Other flows	Outstanding amounts	
	€ Billion	% GDP	€ Billion	€ Billion	€ Billion	% GDP
Net international investment position	285.6	54.8	-5.9	0.2	279.8	52.2
Direct investment	100.9	19.3	7.6	10.5	119.0	22.2
Portfolio investment	208.2	39.9	-13.6	-9.3	185.3	34.6
Other investment	-61.5	-11.8	0.2	-2.1	-63.3	-11.8
Reserve assets	38.0	7.3	-0.1	1.0	38.9	7.3
External financial assets	2 333.6	447.5	14.2	-52.1	2 295.6	428.5
Direct investment	955.8	183.3	-0.4	8.3	963.7	179.9
Portfolio investment	851.3	163.3	-0.3	-65.2	785.8	146.7
Other investment	488.5	93.7	15.0	3.9	507.3	94.7
Reserve assets	38.0	7.3	-0.1	1.0	38.9	7.3
External financial liabilities	2 048.0	392.8	20.1	-52.3	2 015.8	376.3
Direct investment	855.0	164.0	-8.0	-2.3	844.7	157.7
Portfolio investment	643.1	123.3	13.3	-55.9	600.5	112.1
Other investment	549.9	105.5	14.8	5.9	570.6	106.5

Source: NBB (BoP, IIP).

Note: Other investment includes financial derivatives.

Other flows consist of price changes, exchange rate changes and other volume changes (such as reclassifications between functional categories).

NET INTERNATIONAL INVESTMENT POSITION
(% GDP, outstanding amounts)



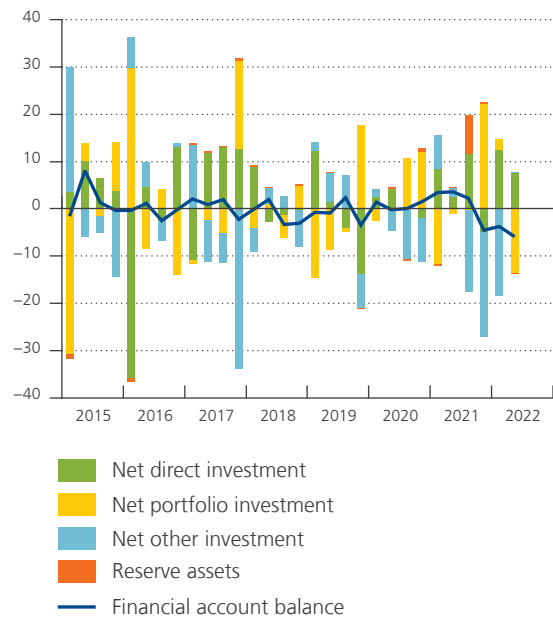
Source: NBB (IIP).

Note: Other investment includes financial derivatives.

The amounts in % of GDP are calculated as the ratio of the NIIP to the sum of nominal GDP over the last four quarters.

Latest observation: 2022 Q2.

BALANCE OF PAYMENTS FINANCIAL ACCOUNT
(€ Billion, transactions)



Source: NBB (BoP).

Note: Other investment includes financial derivatives.

Latest observation: 2022 Q2.

Methodological note

The international investment position shows **the stock of financial assets and liabilities** with the rest of the world at a specific point in time. The balance of payments financial account shows how they were accumulated and thus provides an overview of financial **transactions** with the rest of the world over a given period.

Both are divided into five functional categories of assets and liabilities:

1. Direct investment: this includes investment of more than or equal to 10% of the equity capital of companies and lending/borrowing between affiliated companies as well as real estate investment;
2. Portfolio investment: on the assets side, it refers to securities held by residents (equities, bonds, investment funds, commercial paper, etc.) issued by non-residents and, conversely, on the liabilities side, it refers to securities held by non-residents that are issued by residents;
3. Financial derivatives: these are financial products that are linked to the value of an underlying product. In this press release, financial derivatives are included in other investment;
4. Other investment: this category includes everything not included in the other four categories, such as loans, deposits and trade receivables and payables;
5. Reserve assets: these include monetary gold, claims on the IMF, bonds and foreign currencies. This category is an asset and does not exist as a liability.