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PRESS RELEASE

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

- **Net international investment position rises to €318 billion or 59% of GDP**
- **For the fourth quarter in a row, the Belgian economy posts an external financing deficit**

Outstanding amounts

The net international investment position (NIIP) rose to €318.1 billion in the third quarter of 2022 compared with €308.5 billion in the previous quarter. This increase is entirely due to exchange rate effects. The weaker euro exchange rate generated a positive effect on the NIIP since there was more investment in foreign exchange on the assets side than on the liabilities side. Negative price effects and an external financing deficit are slowing down the impact of the positive exchange rate effects.

Despite the large negative price effects, net portfolio investment remains the most important component of the positive NIIP. Exchange rate effects and purchases on the assets side have notably led to a rise in net portfolio investment.

Likewise, net direct investment benefited from the aforementioned favourable exchange rate effects and rose to €151.6 billion. Total direct investment holdings by Belgians abroad overshoot the €1 trillion mark this quarter.

Net other investment fell further to €-74.0 billion; its lowest level since the end of 2008. Underlying gross liabilities arising from other investment nevertheless rose even further to new record highs, partly because of 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 (€25.9 billion) and liabilities (€31.0 billion) was more dynamic than in the previous quarter. The balance of payments (BoP) financial account balance came to €-5.1 billion in the third quarter of 2022. This is the fourth consecutive negative balance after an eighteen-month period during which Belgium provided lending to the rest of the world. The balance of direct investment transactions was negative (€-1.1 billion) owing to higher foreign investment in Belgian corporations. The balance of portfolio investment was positive (€6.3 billion), largely as a result of purchases of foreign debt securities. This is in stark contrast to a sharply negative balance from other investment (€-10.2 billion), as a consequence of the steeply rising debt held by the central bank and commercial banks.

INTERNATIONAL INVESTMENT POSITION: OUTSTANDING AMOUNTS, TRANSACTIONS AND OTHER FLOWS

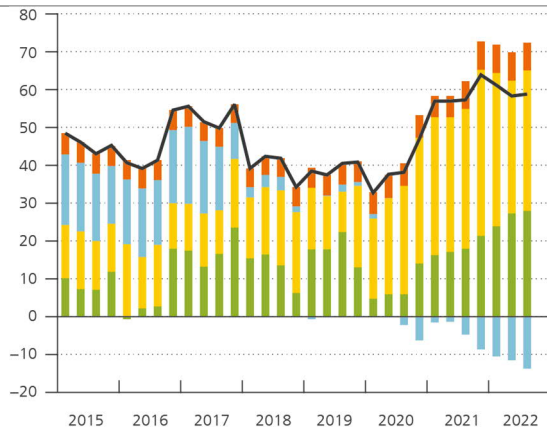
	Second quarter of 2022		Third quarter of 2022			
	Outstanding amounts		Transactions	Other flows	Outstanding amounts	
	€billion	% GDP	€billion	€billion	€billion	% GDP
Net international investment position	308.5	58.3	-5.1	14.7	318.1	58.8
Direct investment	144.3	27.2	-1.1	8.4	151.6	28.0
Portfolio investment	186.4	35.2	6.3	8.1	200.8	37.1
Other investment	-61.0	-11.5	-10.2	-2.7	-74.0	-13.7
Reserve assets	38.9	7.3	-0.1	0.9	39.7	7.3
External financial assets	2 324.5	439.0	25.9	-5.6	2 344.8	433.7
Direct investment	993.1	187.6	0.4	10.4	1 003.9	185.7
Portfolio investment	786.2	148.5	5.6	-21.5	770.3	142.5
Other investment	506.3	95.6	20.0	4.7	530.9	98.2
Reserve assets	38.9	7.3	-0.1	0.9	39.7	7.3
External financial liabilities	2 016.0	380.7	31.0	-20.3	2 026.7	374.9
Direct investment	848.9	160.3	1.5	2.0	852.3	157.7
Portfolio investment	599.8	113.3	-0.7	-29.6	569.5	105.3
Other investment	567.3	107.1	30.2	7.4	604.9	111.9

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)



■ Net direct investment
■ Net portfolio investment
■ Net other investment
■ Reserve assets
— Net international investment position

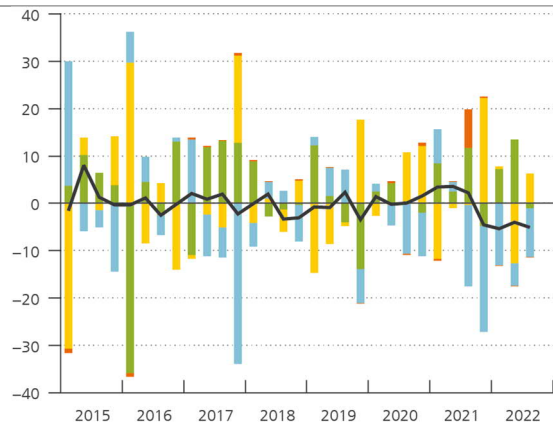
Source: NBB (IIP).

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 Q3.

FINANCIAL ACCOUNT OF THE BALANCE OF PAYMENTS
(€ billion, transactions)



■ Net direct investment
■ Net portfolio investment
■ Net other investment
■ Reserve assets
— Financial account balance

Source: NBB (BoP).

Note: Other investment includes financial derivatives.

Latest observation: 2022 Q3.

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.