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PRESS RELEASE

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International investment position and balance of payments financial account in 2022

- **The net international investment position deteriorated to €296 billion or 54% GDP.**
- **In 2022, Belgium was a net borrower with the rest of the world, for an amount of €19 billion or 3.5% of GDP.**

Outstanding amounts

The net international investment position (NIIP) deteriorated from €321 billion at the end of 2021 to €296 billion at the end of 2022. Strong negative price effects (-€25 billion) and net borrowing (-€19 billion) with foreign countries were only partially offset by favourable exchange rate effects (€19 billion). Counterintuitively, the weakened euro exchange rate had in fact a positive impact on the NIIP as there are more foreign currency-denominated investments on the assets side than on the liabilities side.

Net portfolio investment remained the main component of the positive NIIP, but shrank to €200 billion due to negative price effects. Valuation was strongly affected by poorly performing stock markets and sharply lower bond prices due to the rise in long-term interest rates.

Net direct investment fell to €146 billion, under the influence of increased investment abroad and positive exchange rate effects.

Net other investment touched a new low of -€89 billion. Sharply increased imports of goods and services and economic sanctions on Russia pushed gross liabilities to record highs. Indeed, due to the prohibition on transactions with the Russian central bank, matured bonds, term deposits, coupon payments and dividend payments remained outstanding as interbank debt.

Transactions

The balance of payments financial account was strongly negative in 2022. Specifically, foreign liabilities exceeded foreign assets by €19 billion. As a result, for the first time since 2019, Belgium was a net borrower with the rest of the world.

The balance of portfolio investment was almost zero as incoming and outgoing investments were of the same magnitude (€36 billion).

The balance of direct investment was positive for the third year running (€25 billion), due to more investment by Belgian companies abroad than vice versa.

This was offset by a strong negative balance of other investment (-€45 billion). As mentioned above, this was the result of increased imports of goods and services and a sharp rise in foreign debts of commercial banks to Russia.

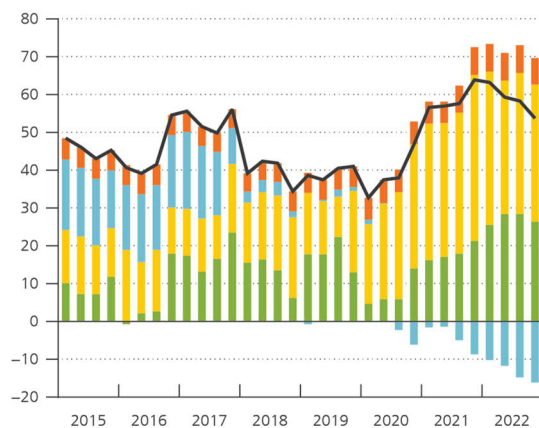
INTERNATIONAL INVESTMENT POSITION: OUTSTANDING AMOUNTS, TRANSACTIONS AND OTHER FLOWS

	2021		2022			
	Outstanding amounts		Trans- actions	Other flows	Outstanding amounts	
	€ billion	% GDP	€ billion	€ billion	€ billion	% GDP
Net international investment position	320.9	63.9	-19.2	-5.5	296.2	53.6
Direct investment	107.3	21.4	25.2	13.6	146.1	26.5
Portfolio investment	220.0	43.8	0.4	-20.6	199.8	36.2
Other investment	-43.3	-8.6	-45.0	-0.2	-88.5	-16.0
Reserve assets	37.0	7.4	0.1	1.7	38.8	7.0
External financial assets	2 337.5	465.3	94.1	-118.5	2 313.0	418.7
Direct investment	948.8	188.9	33.9	15.3	998.0	180.6
Portfolio investment	882.5	175.7	36.4	-126.8	792.1	143.4
Other investment	469.2	93.4	23.7	-8.7	484.2	87.6
Reserve assets	37.0	7.4	0.1	1.7	38.8	7.0
External financial liabilities	2 016.5	401.5	113.3	-113.1	2 016.8	365.1
Direct investment	841.5	167.5	8.7	1.6	851.8	154.2
Portfolio investment	662.5	131.9	36.0	-106.2	592.3	107.2
Other investment	512.5	102.0	68.6	-8.5	572.6	103.7

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 reclassification to another functional category).

NET INTERNATIONAL INVESTMENT POSITION
(in % GDP, outstanding amounts)

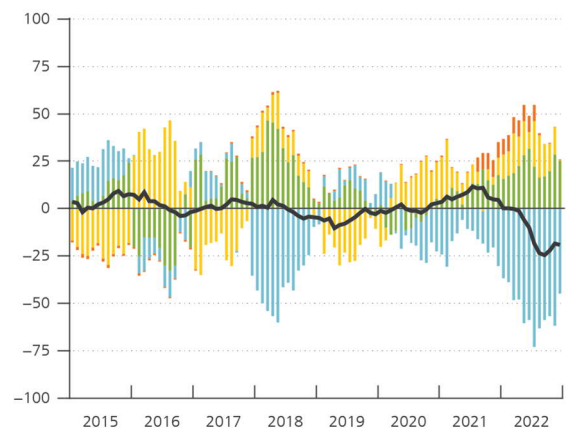
■ Net direct investment
■ Net portfolio investment
■ Net other investment
■ Reserve assets
— Net international investment position

Source: NBB (IIP).

Note: Other investment includes financial derivatives.

Amounts expressed as a percentage of GDP were calculated as the ratio of NIIP to total nominal GDP over the last four quarters.

Last observation: Q4 2022.

BALANCE OF PAYMENTS FINANCIAL ACCOUNT
(in € billion, transactions over 12 months)

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

Source: NBB (BoP).

Note: Net other investment includes financial derivatives.

Last observation: Q4 2022.

Net international investment position: international comparison

Most euro area countries had a negative NIIP. At 58.3% of GDP in the third quarter of 2022, Belgium has the third highest NIIP of the 19 euro area member states.

NET INTERNATIONAL INVESTMENT POSITION IN Q3 2022
(in % of GDP, outstanding amounts)



Sources: NBB (IIP), ECB, Eurostat.
Note: The international comparison was limited to the third quarter as data for the fourth quarter for the euro area and certain member states were not yet available.

External assets and liabilities

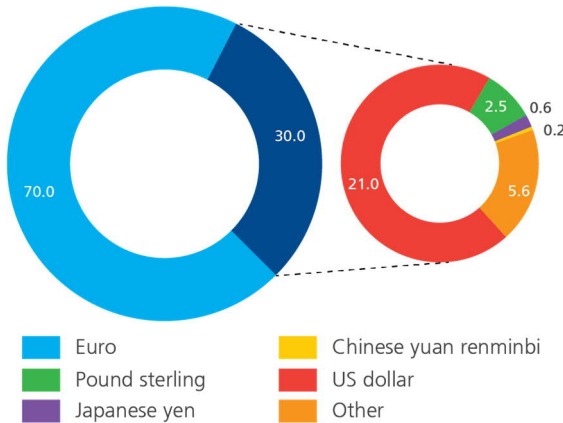
- Breakdown by currency**

External assets and liabilities are denominated in different currencies. Significantly different currency exposures mean that exchange rate fluctuations can have a strong influence on the net international investment position.

Holdings of assets were mainly denominated in euro (70.0%), US dollars (21.0%) and pound sterling (2.5%).

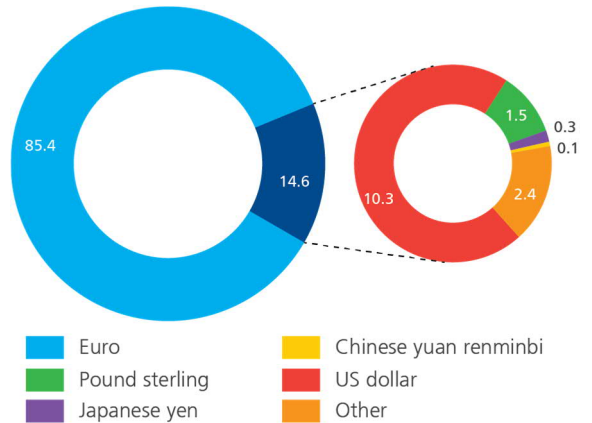
Liabilities were almost entirely in euro (85.4%). Exposure to the US dollar (10.3%) and pound sterling (1.5%) was more limited.

EXTERNAL ASSETS: OUTSTANDING AMOUNTS
(in %, share of total in Q4 2022)



Source: NBB (IIP).

EXTERNAL LIABILITIES: OUTSTANDING AMOUNTS
(in %, share of total in Q4 2022)



Source: NBB (IIP).

- **Development of the NIIP**

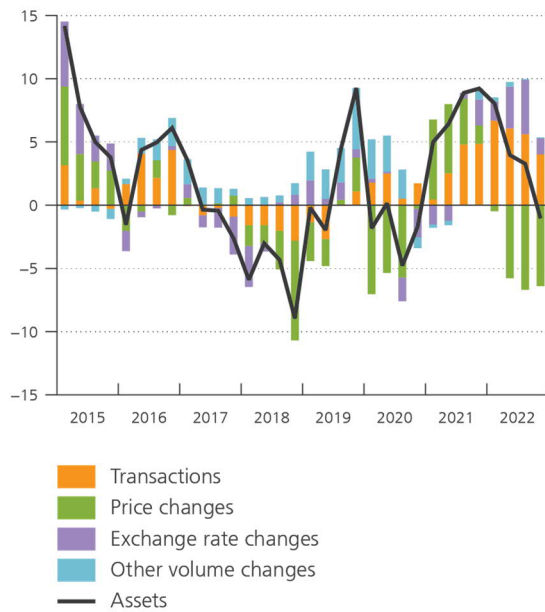
The deterioration of the NIIP compared to 2021 was due to decreased assets and almost unchanged liabilities.

In the case of assets, the decline of 1% can be attributed to price changes. The fall in the prices of foreign assets (-6.4 percentage points) could not be offset by increased Belgian foreign investment (4.0 percentage points) and the depreciation of the euro (1.3 percentage points).

Liabilities remained virtually unchanged. Increased foreign investment in Belgium (5.6 percentage points) was offset by a fall in prices (-6.2 percentage points). Given the minor importance of Belgian liabilities denominated in foreign currency, the impact of the depreciation of the euro remained limited (0.5 percentage point).

EXTERNAL ASSETS: OUTSTANDING AMOUNTS

(year-on-year growth in %; contribution to growth in percentage points)

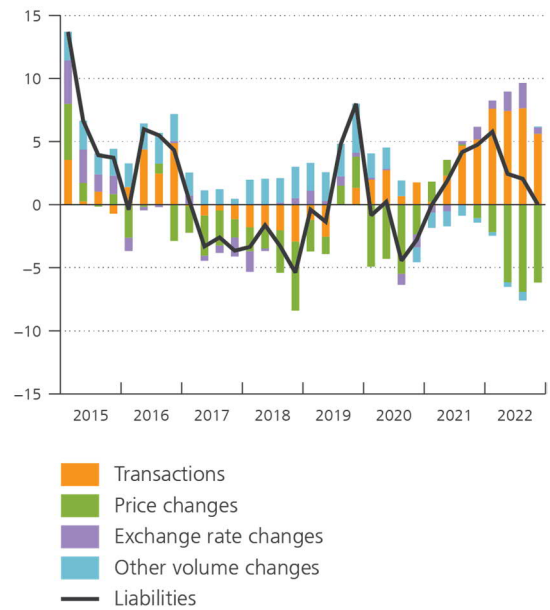


Source: NBB (BoP, IIP).

Note: Other volume changes include reclassifications and data improvements.
Valuation effects are the result of price and exchange rate changes.
Last observation: Q4 2022.

EXTERNAL LIABILITIES: OUTSTANDING AMOUNTS

(year-on-year growth in %; contribution to growth in percentage points)



Source: NBB (BoP, IIP).

Note: Other volume changes include reclassifications and data improvements.
Valuation effects are the result of price and exchange rate changes.
Last observation: Q4 2022.

Methodological note

The international investment position indicates a country's **outstanding foreign financial assets and liabilities (stocks)** at a given point in time. The balance of payments financial account reveals how these assets and liabilities were formed and thus provides an overview of financial **transactions** with foreign countries over a specified period.

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

1. Direct investment: these include investments of 10% or more in the equity capital of companies and lending/borrowing between related companies as well as real estate investments;
2. Portfolio investment: this category includes, on the assets side, securities held by residents (shares, bonds, units of investment funds, commercial paper, etc.) that are issued by non-residents and, conversely, on the liabilities side, securities held by non-residents issued by residents;
3. Financial derivatives: these are financial products linked to the value of an underlying asset; for purposes of this press release, financial derivatives are included in the "other investment" category;
4. Other investment: this category includes everything not included in the other four categories, such as loans, deposits and accounts receivable and payable;
5. Reserve assets: these include monetary gold, claims on the IMF, bonds and foreign currencies; this category exists on the assets side only.