

DEFINITION AND MAIN ELEMENTS OF INTERNATIONAL INVESTMENT POSITION

International investment position (IIP) is the value and composition of the stock of an economy's external financial assets and liabilities.

External financial assets (EFA) include residents' financial claims on non-residents and monetary gold held as the country's reserve assets.

External financial liabilities (EFL) include residents' financial liabilities to non-residents.

The IIP shows stock at the beginning and end of an accounting period (most often a quarter or a year). Changes in the stock of financial assets and liabilities at the beginning and end of the period stem from changes in transactions (covered by the balance of payments) or other changes during the observation period. Other changes include those arising from write-off, revaluation, reclassification, commitments made or withdrawn, but not resulting from transactions between non-residents and residents.

The IIP shows the difference between the stock of a country's external financial assets and liabilities. A country has a net creditor or net debtor status depending on whether the IIP stock data have a positive or a negative sign.

The IIP is the basis for assessing the exposure to country risk as it presents the stock, breakdown by sector and maturity of external liabilities, notably external debt, as well as the volume and composition of claims on non-residents. The IIP is a statistical statement that IMF member countries, pursuant to Article VIII, Section 5 of the IMF's Articles of Agreement, are required to submit to the IMF at the determined dynamics.

The IIP is prepared in line with the Sixth Edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6, 2008), and the IMF's External Debt Statistics – Guide for Compilers and Users (2003).

IIP presentation

Classification of IIP elements

- Primary classification:
 - **EFA – External financial assets**
 - **EFL – External financial liabilities**

- Functional category – according to type of investment
 - **Direct investment** – investment in an enterprise that is resident in another economy, providing for long-term relationship, interest and ownership control over that enterprise, while the direct investor owns equity that entitles it to 10 percent or more of the voting power in the direct investment enterprise;
 - **Portfolio investment** – investment in debt or equity securities, other than those included in foreign direct investment or reserve assets;
 - **Financial derivatives** – securities underlying basic financial instruments, shown separately from these instruments; they are not used for capital transfer, but for transfer of capital investment risk.
 - Other investment;
 - Reserve assets.

- Classification by financial instrument:
 - Equity instruments – equity capital, reinvested earnings and equity securities;
 - Debt instruments – debt securities, cash and deposit holdings, trade credits, financial credits, IMF loans and special drawing rights;
 - Reserve asset instruments – monetary gold and special drawing rights.

- Classification by maturity:
 - Long-term instruments (over 12 months);
 - Short-term instruments (up to 12 months).

- Classification by institutional sector (sector of the domestic lender for assets and the sector of the domestic borrower for liabilities)¹:
 - National Bank of Serbia,
 - Public sector,
 - Commercial banks,
 - Other sectors.

¹ Classification by sector is applied only when presenting equity instruments, i.e. cash and deposit holdings and financial credits.