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Austria's International Investment Position in 2006

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Preface

International financial markets have grown enormously in the past two decades; not only have trading volumes skyrocketed, but financial market complexity has also increased tremendously. In the face of a financial industry that keeps launching innovative products irrespective of real economic processes, it is becoming increasingly harder for amateur and expert investors alike to properly assess such products and their implications. As we move toward a more and more interdependent global financial marketplace, individual market participants may reap numerous benefits, such as better ways to diversify risk and declining transaction costs. At the same time, investors face growing risks resulting from the increasingly complex and integrated financial markets. As a case in point, the recent developments in the U.S. real estate markets have once again demonstrated that local disturbances on key financial markets more or less inevitably produce global spillover effects. Hence, maintaining financial stability cannot be limited to national mechanisms, but has instead in many respects evolved into an international challenge. Cross-border cooperation has come to play an important role especially in producing and providing sound financial data, as such data are crucial for identifying and understanding economic developments. Given their expertise, central banks, in particular, are called upon to address this need for information.

The Oesterreichische Nationalbank (OeNB) compiles and makes available a wide range of financial statistics both in the Internet and in the form of numerous print products. This publication on the international investment position (IIP) analyzes recent developments in Austria's investment and financing activities in the international capital markets. Compared with the balance of payments statistics, which are also published regularly by the OeNB, this IIP analysis not only sheds light on transaction-based changes, but also on valuation effects, such as exchange rate and equity price developments. Such changes in stocks on account of wealth effects are becoming increasingly significant, given the rapidly rising importance of securities for the Austrian financial sector.

The annex of tables provides detailed information about regional and sectoral aspects of the IIP. A glossary defines key concepts.

1 Results for 2006 [1]

Matthias Fuchs

1.1 Overview

1.1.1 Global Framework

World economic growth temporarily peaked in 2006 at 5.4%[2] annual GDP growth. Next to China, which has been posting double-digit growth for some time now, other important economic regions – the U.S.A., Japan and Europe – experienced robust economic activity. Not even the massive rise in oil prices could crimp economic growth. The development of international capital flows was marked by this highly favorable economic environment as well as by increasing interest rates, bullish equity markets and the sustained rise in the value of the euro against the U.S. dollar (+11%) and the Japanese yen (+12%).

1.1.2 Wiener Börse's Performance Remains Powerful

While the ATX could not recap the record gains of 2004 and 2005, it surged by nearly +22% in 2006, an excellent result that outpaced that of many important stock indices (chart 1). Foreign investors were again chiefly responsible for this development. International banks and investment firms have come to account for more than half of all the total trading volume at Wiener Börse (Wiener Börse, 2007). In 2006, the substantial investment in the ATX was reflected by price gains of some EUR 7 billion in foreign investors' accounts. On December 31, 2006, foreign investors held EUR 46.5 billion worth of Austrian equities, nearly EUR 7 billion of which represent new investments in 2006.

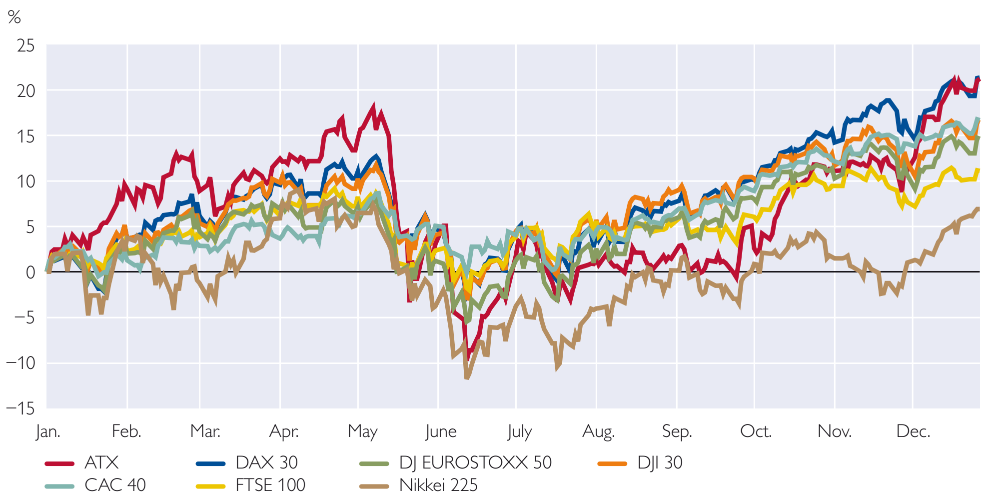
Moreover, international investors owned EUR 19.4 billion of Austrian mutual fund shares, which included price gains of roughly EUR 1 billion.

1.1.3 Austria's Financial Integration Continues at a Rapid Pace

The oft-cited phenomenon of globalization is nowhere as impressive as in

Chart 1

Development of Key Stock Indices



Source: Thomson Financial.

[1] *Editorial close: November 15, 2007.*

[2] *WIFO, economic forecast of September 2007.*

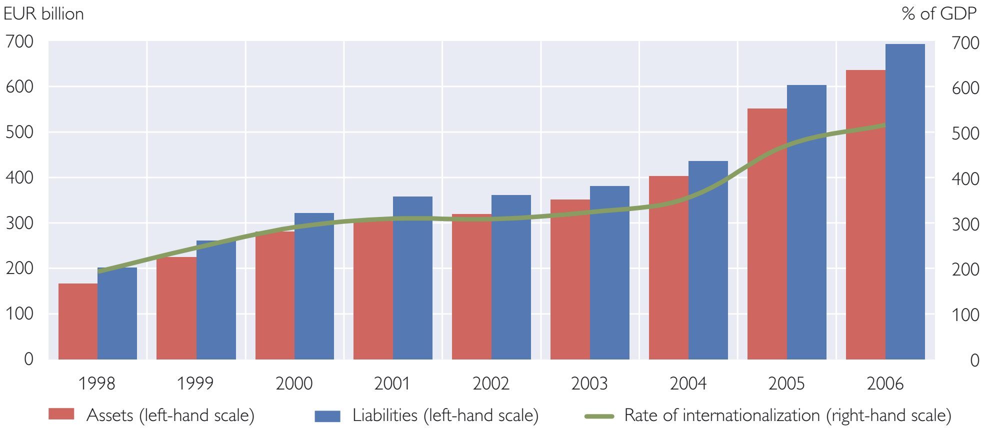
the financial markets. It is conventional wisdom that national borders have long stopped playing a role for raising and investing capital in advanced industrialized economies. However, the change in volumes of international financial transactions is striking. Capital flows are increasingly unrelated to real economic developments, and foreign trade represents a shrinking share of industrialized economies' cross-border financial transactions (IMF, 2006). This trend is true of Austria as well, where, at the end of 2006, total financial assets and liabilities came to five times the volume of annual economic output in Austria. Since 1999, the rate of internationalization (ratio of total external assets and liabilities to GDP) has more than doubled (chart 2). By the end of 2006, Austria's external assets had expanded to EUR 636 billion, external liabilities to EUR 693 billion. The dip in the growth of internationalization from 2001 to 2003 is linked to the bursting of the New Economy bubble. Widespread insecurity among international investors led to substantial asset price losses and a considerable decline in transactions in the international financial markets.

Austria has traditionally been a net debtor vis-à-vis nonresidents. In 2006, the gap between external assets and external liabilities widened to EUR 57 billion (2005: EUR 51 billion), reflecting international investors' robust demand for Austrian securities. At the end of 2006, external liabilities from total portfolio liabilities came to EUR 338 billion, more than EUR 40 billion above the comparable 2005 value. Some 40% of this rise is attributable to sales of equities and mutual fund shares. The appetite foreign investors have shown for Austrian securities is a sign of their confidence in the Austrian capital market and illustrates their willingness to provide the Austrian economy with funds that would otherwise be hard to raise given the relatively small size of the Austrian capital market. From this perspective, Austria's net debtor status should not be seen as principally negative, as long as the capital inflows are put to productive use. As a rule, though, a long-term external net debtor position comes at the price of net income payments abroad, because when external liabilities outpace external assets, outflows of income on securities exceed inflows in the same category.[3] Austria's net debtor position is partly attributable to the history of the country's current account, which was generally in deficit until the end of the 1990s. Net capital imports were needed to finance these deficits; over time, these imports accrued to produce Austria's net debtor position. The shift into surplus of Austria's current account that has been observable for some years counteracts this trend, however. Since 2004, Austria has been a net exporter of capital, while at the same time posting current account surpluses. Therefore, analyzed in isolation, the real capital component of the financial account indicates a debt reduction. In 2006, this development was more than offset by price gains on foreign investors' assets in Austria, not least on ATX investments, resulting in an overall deterioration of the net debtor position. The improvement of the current

[3] *Under exceptional conditions, however, net debtor countries may generate a positive return on net assets (Fuchs, 2005).*

Chart 2

The Internationalization of Austria's Financial Sector



Source: OeNB.

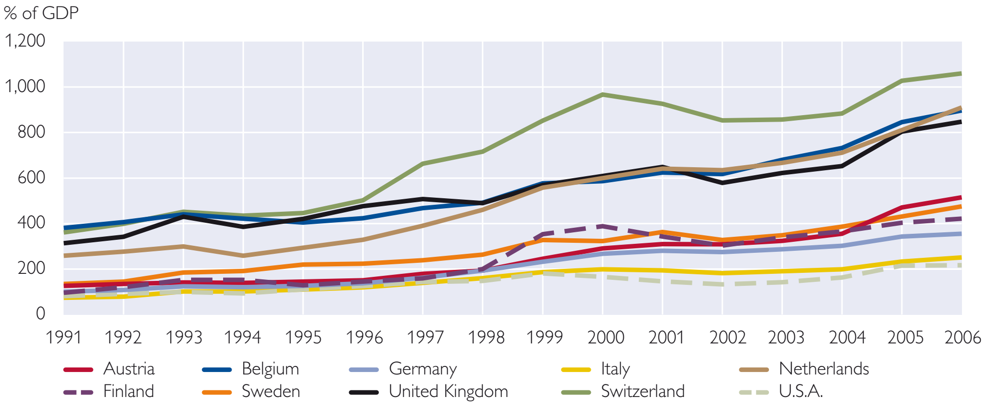
Note: 2006: Revised data.

account in recent years is ascribable largely to Austria's increased international price competitiveness (Dell'mour, 2007). From 1999 to 2006, Austrian inflation remained some 3 percentage points below the euro area average. As Austria had pursued a monetary policy course oriented on the stable Deutsche mark before the introduction of the euro, the country – like Germany or the Netherlands – was already used to a certain degree of rationalization pressure to remain competitive. Since 1999, the start of Stage Three of Economic and Monetary Union (EMU), Austria's unit labor costs have risen by about 7 percentage points less than the euro area average, thanks to domestic productivity gains and wage moderation.

As a small, open and highly advanced economy, Austria is dependent on international financial markets for financing and for investment. Relative to its GDP, Austria therefore handles enormous volumes of external assets and liabilities in international financial markets. Conversely, large countries such as Germany, Spain or Italy, have substantial domestic markets and are thus less dependent on international financial markets relative to their GDP (chart 3). As U.S. investors can access some of the world's major financial markets within their own country, the largest economy in the world posts a comparatively much lower rate of internationalization. Austria has roughly the same rate of internationalization as Sweden and Finland, countries whose financial markets and foreign trade are certainly comparable to those of Austria. Apart from an economy's size, its role as an international financial center also has a strong impact on the rate of internationalization. Switzerland, whose end-2006 rate stood at 1,060%, the Netherlands (911%) and the United Kingdom (847%) have very open economies and thus handle huge amounts of external financial transactions relative to their GDP. However, not just the pronounced uptrend of cross-border financial activity growth is remarkable, volatility – in particular from 1998 to 2003 – differed significantly among countries, reflecting the very

Chart 3

A Comparison of Internationalization Rates



Source: OeNB.

different structure of their respective financial markets. The capital market-oriented countries United Kingdom and Switzerland were especially hard hit by the New Economy boom and bust, whereas predominantly loan-financed economies, such as Italy or Austria, showed much less volatility.

1.2 Austrian Investors' External Financial Assets

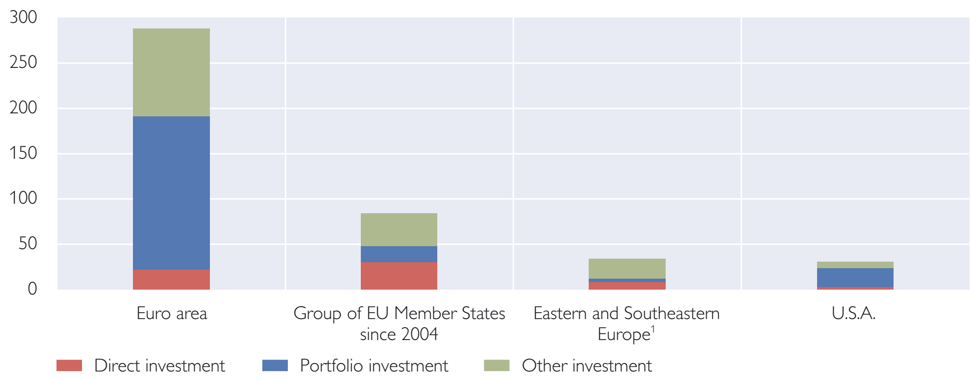
1.2.1 The Euro Area Predominates Austria's International Financial Relations despite the Strong Concentration of Investment in Eastern Europe

Austria has been a key investor in Eastern and Southeastern Europe since the 1990s. The intense focus of Austria's financial activities in these emerging markets has had a powerful impact on Austria's external assets. At the end of 2006, Austrian financial assets in Eastern and Southeastern Europe totaled over EUR 34 billion, having surpassed even Austria's financial claims on the U.S.A. (EUR 30 billion). As is evident from chart 4, the breakdown of financial instruments shows distinct differences in this comparison, however: Whereas portfolio investment continues to account for the lion's share (two-thirds) of Austrian financial investment in the developed U.S. financial markets, securities represent just one-eighth of Austrian financial assets invested in the Eastern and Southeastern European markets. At roughly EUR 22 billion, loans and currency and deposits constitute by far the largest investment category for Austrian financial capital in the region, followed by direct investment (EUR 8 billion). This breakdown is indicative of the early stage of market penetration in Eastern and Southeastern Europe, which has Austrian investors select comparatively low-risk debt instruments at first. By contrast, to opt for equity capital investment, investors need to have a better knowledge of the market and must be able to rely on a certain degree of legal certainty, an area in which these countries still need to catch up.

Accounting for a market volume of EUR 121 billion or one-fifth of Austrian external assets and a significant portion of Austrian external liabilities, Germany remained by far

Chart 4

Austria's External Assets by Regions



Source: OeNB.

[1] Eastern Europe: Moldova, Russia, Ukraine, Belarus. Southeastern Europe: Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, Montenegro, Serbia.

Table 1

Austria's Financial Partner Countries in 2006

Top 15 Investment Regions			Top 15 Investment Regions		
Assets		EUR billion	Liabilities[1]		EUR billion
Ranking	Target country		Ranking	Country of origin	
1.	Germany	121	1.	Germany	151
2.	Switzerland	69	2.	U.S.A.	89
3.	United Kingdom	48	3.	Switzerland	43
4.	Netherlands	33	4.	France	38
5.	U.S.A.	30	5.	Luxembourg	37
	Italy	30	6.	United Kingdom	33
7.	France	25	7.	Netherlands	30
8.	Luxembourg	19	8.	Italy	19
	Hungary	19	9.	Belgium	18
10.	Ireland	16	10.	Japan	13
	Romania	16	11.	Jersey Islands	8
12.	Croatia	15	12.	Russia	6
13.	Poland	14		Spain	6
14.	Czech Republic	13	14.	Finland	4
15.	Spain	11		United Arab Emirates	4

Source: OeNB.

[1] Securities component estimated on the basis of the IMF's Coordinated Portfolio Investment Survey (CPIS) 2005.

the single most important investment partner country for Austria in 2006. Table 1 shows that securities[4] still represent a large share of Austrian external financial activities. Austria's external financial investment focuses mainly on the developed European and U.S. securities markets. Austrian corporate investment in Eastern Europe, which is predominantly in the form of foreign direct investment and loans, is only just starting to have an impact on investment. At any rate, some Eastern European investment

[4] National data collection systems do not support breaking down portfolio investment liabilities by region. However, good estimates are possible on the basis of international data initiatives, such as the IMF's Coordinated Portfolio Investment Survey (CPIS).

target countries – such as Hungary, Poland, Romania or Croatia – have already surpassed several more traditional investment targets, such as Japan, Spain and Belgium, in terms of investment volumes.

1.2.2 Securities Still Represent a Growing Share of Austrian External Financial Activities

Austria's external financial assets came to EUR 636.1 billion at the end of 2006. 42% of this amount was invested in securities, mostly bonds and notes, slightly over one-third (EUR 214 billion) in loans as well as currency and deposits, and one-fifth (EUR 134 billion) in strategic foreign direct investments. Reserve assets accounted for EUR 9.8 billion.

The continuous rise in Austrian cross-border portfolio investment means that valuation effects from securities and currency price developments are becoming increasingly important for Austria. Austrian assets consisting of stocks and mutual fund shares grew by EUR 13 billion to just under EUR 67 billion in 2006. Gains on foreign stocks came to about EUR 4.6 billion, half of which were realized on euro area equities, and gains on mutual fund shares ran to some EUR 1.5 billion. On the downside, the U.S. dollar's weakness reduced Austrian investors' gains by nearly EUR 1 billion in each of these two asset categories. The worldwide rise in interest rates exerted marked pressure on fixed income instruments (bonds and notes) in 2006. Austrian investors' cross-border holdings of bonds and notes declined by around EUR 6.5 billion on account of falling prices and about EUR 2.7 billion on account of exchange rate losses.

Direct investment assets (including land) reached EUR 134 billion at the end of 2006. This total includes special purpose entities (SPEs), i.e. nonresident-owned holding companies that have substantial amounts of external financial assets themselves. Such enterprises have virtually no domestic real economic activities; they simply act as conduits that transfer capital inflows from abroad to affiliated enterprises abroad. According to statistical conventions, SPE transactions are recorded under direct investment assets and liabilities at the same time. In the view of the OeNB, in 2005, transactions by SPEs for the first time reached a volume in Austria that warranted a separate entry in the direct investment statistics (OeNB, 2007).

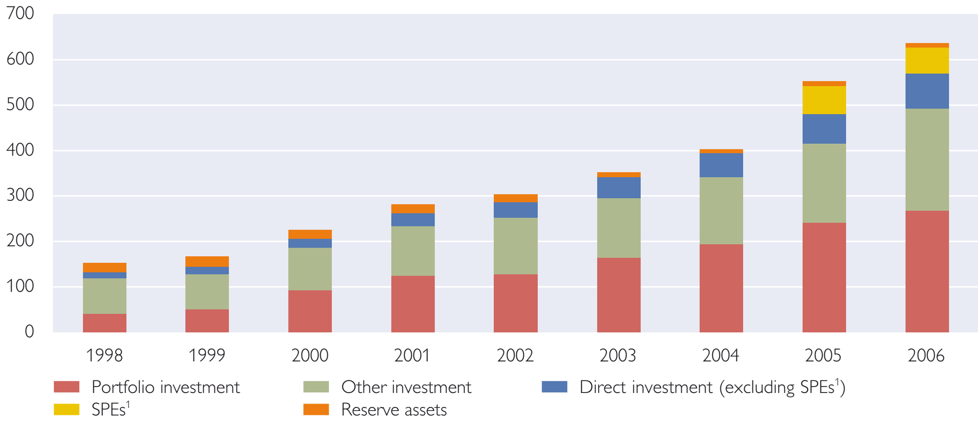
The long-term structural shift in Austrian investors' external assets is clearly recognizable: They are increasingly opting for capital market products over traditional bank financing instruments. Austrian investors' behavior is in line with the European trend. However, the share of securities contracted marginally in 2006, partly because of the pressure on debt securities given the steady rise in interest rates, and partly because of the pronounced increase in deposits.

By sectors, banks predominate both external financial assets and liabilities – they held EUR 287 billion or about 45% of all external financial assets at the end of 2006. Loans as well as currency and deposits represented nearly EUR 180 billion of this amount, securities about EUR 90 billion.

Other financial institutions, above all mutual funds (roughly EUR 110 billion), but also insurance companies and pension funds likewise played

Chart 5

Breakdown of External Assets

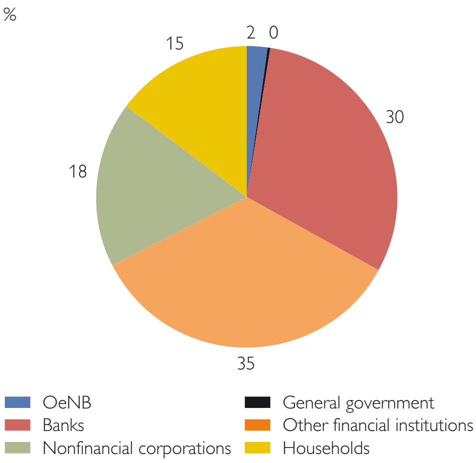


Source: OeNB.

[1] *Special Purpose Entities.*

Chart 6

Austria's External Assets by Sectors



Source: OeNB.

an important role, with these institutions' external financial assets totaling about EUR 166 billion. Nonfinancial corporations held some EUR 140 billion of Austrian external financial assets on December 31, 2006.

1.2.3 Positive Environment for Stocks Encourages Austrian Investors

The positive climate in international stock markets whetted Austrian investors' risk appetite in 2006. One-quarter of all securities purchased outside of Austria in 2006, about EUR 6 billion, were stocks and mutual fund shares, up from just one-eighth in the two preceding years. External assets held in the form of equity securities had risen to no less than EUR 67 billion at the end of 2006, with stocks accounting for some EUR 40 billion of this total. With external assets of approximately EUR 26 billion, mutual funds were instrumental in this investment segment. But households' external assets also surged; apart from indirect investment via holdings of mutual fund shares, they directly owned foreign stocks to the tune of EUR 8.5 billion (2005: EUR 6.8 billion).

Debt securities remained the predominant category among securities, though, and accounted for EUR 200 billion or three-quarters of total portfolio investment. Nearly 99% of debt securities had an original maturity of over one year.

1.3 Austrian External Financial Liabilities

1.3.1 Bank Deposits: An Alternative to Securities Financing

Austrian external liabilities came to EUR 693 billion on December 31, 2006, some 15% over the comparable result for 2005. Total portfolio investment at about EUR 338 billion represented nearly half of all liabilities. Liabilities on other investment (above all loans as well as currency and deposits) likewise increased considerably and amounted to almost EUR 210 billion at the end of 2006. Deposits experienced (what might be termed) a small renaissance in 2006, with the worldwide rise in interest rates having revived the attractiveness of this type of investment (chart 7). In the euro area especially, nominal interest rates had been low for several years in a row, partly resulting in negative real interest income for investors. In the U.S.A., the interest rate tightening cycle had started significantly earlier than in the euro area.

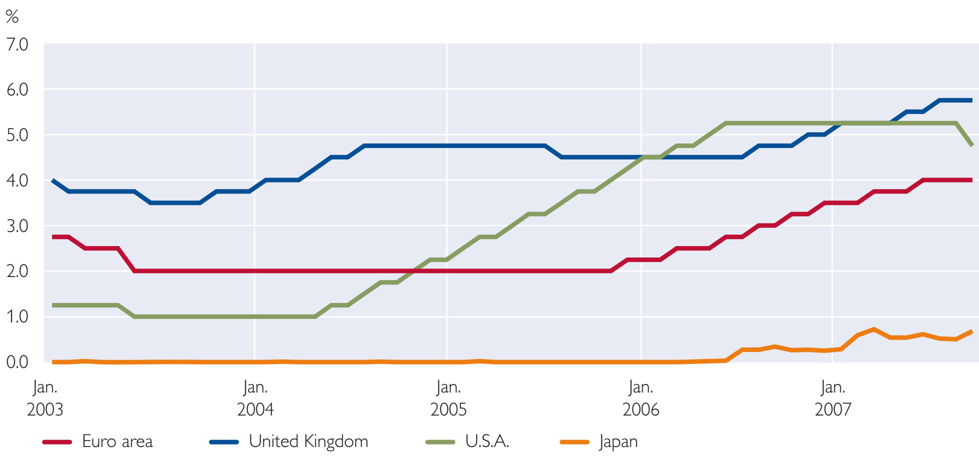
1.3.2 Bullish Performance of Austrian Stocks Continues

In 2006, Austria's strongly performing stocks remained as popular with nonresident investors as in the two preceding years. International investors boosted their holdings of Austrian stocks by roughly one-third from 2005 to about EUR 47 billion. Nearly EUR 7 billion of this addition is attributable to transactions, and EUR 7 billion to price gains. At the end of 2006, holdings of Austrian bank equities came to almost EUR 10 billion, which yielded price gains of around EUR 1.6 billion in the course of the year. Hence, Wiener Börse provided international investors with excellent profits from the beginning of 2003 to the end of 2006, with price gains totaling nearly EUR 26 billion (chart 8). In the years before, the financial market turmoil surrounding New Economy companies had resulted in significant losses.

The conspicuous decline in stock purchases in 2005 resulted from a statistical effect on account of the purchase of foreign-owned free-float stocks of BA-CA by UniCredit. In

Chart 7

Key Interest Rates



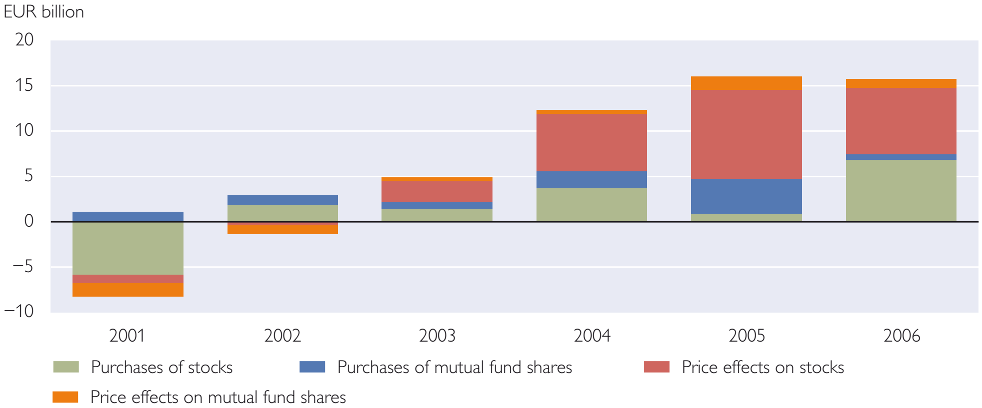
Source: OeNB.

this case, a direct investor with a strategic interest replaced a multitude of securities investors, which was reflected by a reclassification from portfolio investment to direct investment in the international investment position.

More than EUR 19 billion of Austrian mutual fund shares were held by nonresidents at the end of 2006; price gains on these securities amounted to about EUR 1 billion.

Chart 8

Equity Securities: Price Effects and Transactions



Source: OeNB.

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2 Notes

2.1 Compilation Method for and Analytical Value of the International Investment Position

Austria's IIP is drawn up on the basis of the specifications laid down in the fifth edition of the IMF's Balance of Payments Manual. The IIP is the balance sheet of the stock of Austrian external financial assets and liabilities on a specific date; the difference between the stock of financial assets and the stock of financial liabilities is the net IIP (net position).

Additionally, the IIP provides a full explanation of the net changes in the stock of external financial assets between two reporting dates. This net change is the result of transactions (increase and decrease in stocks of assets and liabilities) and non-transaction-related changes. The latter include differences (exchange rate or price changes) in the value of stocks at two dates and accounting changes, such as writedowns.

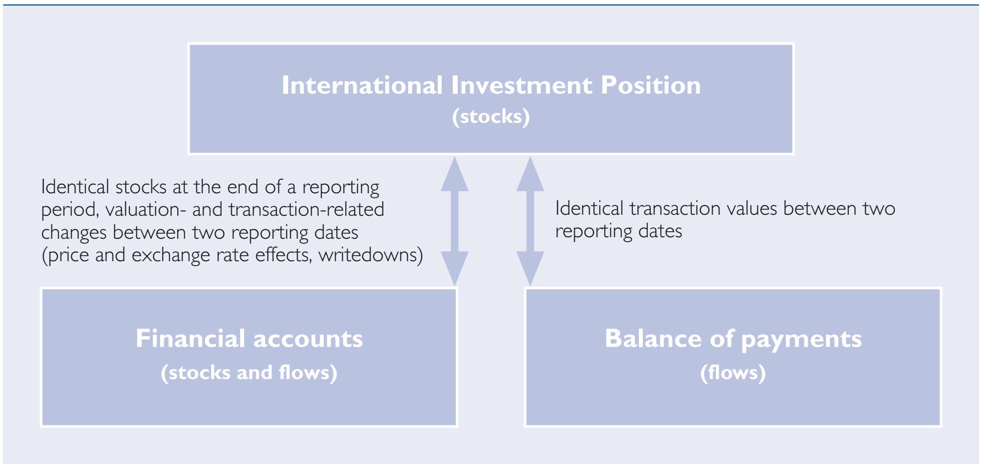
The IIP is subclassified by function – direct investment, portfolio investment, other investment and reserve assets – by analogy to the balance of payments financial account. The regional breakdown of external assets and liabilities provides insight into the financial links to specific economic areas. Within a national reporting system, a regional breakdown may be made for all asset categories, and for liabilities under direct investment and other investment. Additional information is required for the breakdown of liabilities from securities investment, as the country of residence of the holders of Austrian-issued securities cannot be immediately determined. Using an international data exchange system such as the CPIS[5] framework allows for a good approximation, though.

Stock data are more stable and therefore provide much more reliable structural information than transaction data alone, which are frequently subject to large fluctuations over time. Hence, IIP data are especially suitable for answering questions about the long-term changes in the external financing structure of an economy. Classifying financial instruments into equity and debt securities provides valuable analytical information, in particular in assessing default risk and future investment income opportunities on external assets. Judging the significance of an economy's net international investment position certainly requires an in-depth analysis of IIP developments. A persistent net debtor position resulting from the financing of consumption must be seen in a more critical light than a net debtor position resulting from the financing of productive fixed capital formation.

2.2 Links between the International Investment Position, the Balance of Payments and the Financial Accounts

The international investment position, the balance of payments and the financial accounts are indicators of an economy's national wealth and financing situation, and, based on common definitions, represent its external economic relations.

[5] *Coordinated Portfolio Investment Survey of the IMF. Within the framework of this survey, currently some 70 countries, including all major industrial countries, provide a breakdown of their stock of portfolio investment assets by the country of residency of the nonresident issuer. A country-by-country breakdown of regional portfolio liabilities is possible using the consolidated survey data.*



2.2.1 Balance of Payments and International Investment Position

As delineated above, the IIP separately presents net changes in stocks associated with transaction-related changes and non-transaction-related changes (volume and price changes). Transaction-related changes fully correspond to the financial account of the balance of payments, which presents flows in a (given) period – more precisely, in the period between two reporting dates. Identical concepts of economic territory, residence, and center of economic interest and of financial instruments are used in both external statistics.

2.2.2 Financial Accounts and International Investment Position

The financial account is part of the system of national accounts; it is the financial complement to the non-financial part of the national accounts. The European System of Accounts (ESA 95) provides the basis for the national accounts definitions of the EU Member States; the System of National Accounts (SNA 93) is applicable internationally.

The financial account captures the financial relationships between the individual institutional sectors of the domestic economy, namely non-financial corporations (companies), households, general government and financial corporations (e.g. banks, insurance companies, pension funds), and with the rest of the world. Thus, it provides an accurate picture of capital interlinkages in a given economy. The financial account statistics depict stocks at a specific date and transactions within a recording period.

The IIP is an excerpt, as it were, of the complete and comprehensive financial account data that is focused on cross-border financial relationships (external assets and liabilities). The emphasis of the financial account is on the presentation of financial relationships by sector, whereas the IIP classifies financial assets and liabilities by functional category, i.e. financing instruments: direct investment (strategic foreign direct investment), portfolio investment (securities investment), other investment (loans as well as currency and deposits), and reserve assets. This breakdown – which the financial account data do not indicate directly – provides additional insights into the structure of financial relationships and investors' economic objectives.

3 Glossary

Banks: All financial corporations (except the OeNB) and quasi-corporations which are principally engaged in financial intermediation and whose business is to receive deposits and/or close substitutes for deposits from institutional units other than monetary financial institutions, and, for their own account, to grant loans and/or to make investments in securities.

Bonds and notes: Debt securities with an original maturity of more than one year.

Currency and deposits: Banknotes, base metal coins, bimetallic coins, silver coins, transferable deposits with banks (personal checking accounts, sight deposits), time deposits, saving deposits and cash pooling accounts.

Direct investment: International investment that reflects the objective of a resident entity in one economy to obtain a lasting interest in an entity resident in an economy other than that of the investor, and supplies of other capital to further enterprise operations. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence on the management of the enterprise. This distinguishes direct investment, which is motivated primarily by the objective of exercising a significant influence through an effective voice in management, from portfolio investment, which is motivated primarily by financial gain. Direct investment must represent ownership of at least 10% of the ordinary shares or voting power. Holdings totaling EUR 72,000 and over must be reported. Direct investment comprises equity capital and reinvested earnings as well as other capital (intercompany debt transactions).

Equity securities: Stocks and mutual fund shares.

General government: Central government, regional governments, local governments, social security funds as well as public trade associations and organizations.

Households: Individuals (including own-account workers) and nonprofit institutions with a separate legal personality that are principally engaged in the production of nonmarket goods and services and serve households (in Austria, e.g. trade unions, churches and private foundations).

International investment position (IIP): A financial statement that presents an economy's stock of external financial assets and liabilities on a specific date. The net international investment position is the stock of external financial assets minus the stock of external liabilities and comprises the categories direct investment, portfolio investment, other investment and reserve assets. Additionally, the IIP is the complete statistical statement of stocks of external assets and liabilities on the basis of current market values including detailed breakdowns by regions, sectors and instruments.

Money market instruments: Debt securities with an original term to maturity of one year or less.

Nonfinancial corporations: According to the European System of Accounts (ESA 95), institutional units whose distributive and financial transactions are distinct from those of their owners and which are market producers whose principal activity is the production of goods and nonfinancial services.

Other financial institutions: In particular, mutual funds, pension funds and insurance corporations.

Other investment: All investment not classified under direct investment, portfolio investment, financial derivatives or reserve assets. This includes, in particular, currency and deposits, and long- and short-term loans.

Other sectors: Comprises other financial intermediaries, nonfinancial corporations, and households.

Portfolio investment: Cross-border investment in equity securities and debt securities in the form of bonds and notes, and money market instruments.

Rate of internationalization: Ratio of total external assets and liabilities to GDP. This ratio serves as an indicator of an economy's degree of internationalization.

Reserve assets: External assets that are readily available to an economy. They must be under the effective control of the relevant monetary authority, and comprise highly liquid, marketable and creditworthy foreign currency-denominated claims on non-monetary area residents, plus gold, SDRs and the reserve position in the IMF.

Special Drawing Rights (SDRs): An international reserve asset of IMF member countries that may be used e.g. to acquire foreign exchange in case of balance of payments difficulties. The IMF's website (www.imf.org) provides detailed information about SDRs.

Special Purpose Entities (SPEs): In OeNB external statistics, SPEs denote holdings owned by nonresidents that in turn hold shares of nonresident enterprises and that engage in only minimal economic activity in Austria. SPE transactions are to be statistically represented both as inward and as outward direct investment.

4 Tables

Table 1a

International Investment Position

EUR million

End-of-period stocks	Assets		Liabilities		Net position	
	2005[1]	2006[2]	2005[1]	2006[2]	2005[1]	2006[2]
Direct investment						
of which: special purpose entities (SPEs)	*61,125*	*56,848*	*59,613*	*58,546*	*1,512*	*−1,698*
land	*2,354*	*2,553*	*2,883*	*2,987*	*−529*	*−434*
Equity capital and reinvested earnings	118,344	126,026	125,686	136,491	−7,342	−10,465
Other capital	8,083	8,078	7,655	9,409	428	−1,331
Total	126,427	134,104	133,341	145,900	−6,914	−11,796
Portfolio investment						
Equity securities, total	53,883	66,968	50,214	65,955	3,669	1,013
Monetary authorities	1,756	1,763	0	0	1,756	1,763
General government	106	130	0	0	106	130
Banks	2,941	3,318	6,372	10,143	−3,431	−6,825
Other sectors	49,080	61,757	43,842	55,812	5,238	5,945
Debt securities, total	187,003	200,429	246,994	271,807	−59,991	−71,378
Bonds and notes, total	183,244	197,868	238,030	257,283	−54,786	−59,415
Monetary authorities	6,372	6,363	0	0	6,372	6,363
General government	380	564	116,364	118,889	−115,984	−118,325
Banks	77,202	87,788	100,030	116,795	−22,828	−29,007
Other sectors	99,290	103,153	21,636	21,599	77,654	81,554
Money market instruments, total	3,759	2,561	8,964	14,524	−5,205	−11,963
Monetary authorities	1,361	49	0	0	1,361	49
General government	0	0	995	825	−995	−825
Banks	1,429	1,151	7,905	13,610	−6,476	−12,459
Other sectors	969	1,361	64	89	905	1,272
Total	240,886	267,397	297,208	337,762	−56,322	−70,365
Other investment						
Trade credits	6,506	7,912	3,823	5,928	2,683	1,984
Loans, total	73,004	85,308	25,001	38,948	48,003	46,360
Monetary authorities	3	0	0	0	3	0
General government	16	16	8,476	9,194	−8,460	−9,178
Banks	57,959	67,344	0	0	57,959	67,344
of which: long-term	*45,828*	*52,722*	*0*	*0*	*45,828*	*52,722*
Other sectors	15,026	17,948	16,525	29,754	−1,499	−11,806
Currency and deposits, total	91,358	128,509	141,988	161,806	−50,630	−33,297
Monetary authorities[3]	1,817	2,347	15,710	21,674	−13,893	−19,327
General government	579	200	0	0	579	200
Banks	86,714	110,465	126,278	140,132	−39,564	−29,667
of which: short-term	*59,770*	*73,021*	*104,298*	*113,822*	*−44,528*	*−40,801*
Other sectors	2,248	15,497	0	0	2,248	15,497
Other investment, total	3,485	3,125	2,166	3,057	1,319	68
Monetary authorities	116	116	0	0	116	116
General government	1,739	1,536	1,459	1,227	280	309
Banks	1,554	1,375	0	0	1,554	1,375
Other sectors	76	98	707	1,830	−631	−1,732
Total	174,353	224,854	172,978	209,739	1,375	15,115
Financial derivatives	0	0	0	0	0	0
Reserve assets						
Gold[4]	4,229	4,481	×	×	4,229	4,481
SDRs	124	144	×	×	124	144
Reserve position in the Fund	388	134	×	×	388	134
Foreign exchange, total	5,342	4,991	×	×	5,342	4,991
Currency and deposits, total	1,298	1,810	×	×	1,298	1,810
With monetary authorities	234	116	×	×	234	116
With banks	1,064	1,694	×	×	1,064	1,694
Securities, total	4,041	3,177	×	×	4,041	3,177
Equity securities	0	0	×	×	0	0
Bonds and notes	3,513	3,177	×	×	3,513	3,177
Money market instruments	528	0	×	×	528	0
Financial derivatives	3	4	×	×	3	4
Other assets	0	0	×	×	0	0
Total	10,083	9,750	×	×	10,083	9,750
External assets and liabilities	551,749	636,105	603,527	693,401	−51,778	−57,296

Source: OeNB.

[1] *Final data.*
[2] *Revised data.*
[3] *Liabilities with a negative sign may result on account of ESCB TARGET-related accounting rules.*
[4] *Valued at market prices.*

Table 1b

International Investment Position – Structural Data by Categories

% of the investment position

End-of-period stocks	Assets 2005[1]	Assets 2006[2]	Liabilities 2005[1]	Liabilities 2006[2]
Direct investment				
Equity capital and reinvested earnings	21.4	19.8	20.8	19.7
Other capital	1.5	1.3	1.3	1.4
Total	22.9	21.1	22.1	21.0
Portfolio investment				
Equity securities, total	9.8	10.5	8.3	9.5
Monetary authorities	0.3	0.3	0.0	0.0
General government	0.0	0.0	0.0	0.0
Banks	0.5	0.5	1.1	1.5
Other sectors	8.9	9.7	7.3	8.0
Debt securities, total	33.9	31.5	40.9	39.2
Bonds and notes, total	33.2	31.1	39.4	37.1
Monetary authorities	1.2	1.0	0.0	0.0
General government	0.1	0.1	19.3	17.1
Banks	14.0	13.8	16.6	16.8
Other sectors	18.0	16.2	3.6	3.1
Money market instruments, total	0.7	0.4	1.5	2.1
Monetary authorities	0.2	0.0	0.0	0.0
General government	0.0	0.0	0.2	0.1
Banks	0.3	0.2	1.3	2.0
Other sectors	0.2	0.2	0.0	0.0
Total	43.7	42.0	49.2	48.7
Other investment				
Trade credits	1.2	1.2	0.6	0.9
Loans, total	13.2	13.4	4.1	5.6
Monetary authorities	0.0	0.0	0.0	0.0
General government	0.0	0.0	1.4	1.3
Banks	10.5	10.6	0.0	0.0
of which: long-term	*8.3*	*8.3*	*0.0*	*0.0*
Other sectors	2.7	2.8	2.7	4.3
Currency and deposits, total	16.6	20.2	23.5	23.3
Monetary authorities	0.3	0.4	2.6	3.1
General government	0.1	0.0	0.0	0.0
Banks	15.7	17.4	20.9	20.2
of which: short-term	*10.8*	*11.5*	*17.3*	*16.4*
Other sectors	0.4	2.4	0.0	0.0
Other investment, total	0.6	0.5	0.4	0.4
Monetary authorities	0.0	0.0	0.0	0.0
General government	0.3	0.2	0.2	0.2
Banks	0.3	0.2	0.0	0.0
Other sectors	0.0	0.0	0.1	0.3
Total	31.6	35.3	28.7	30.2
Financial derivatives	0,0	0,0	0,0	0,0
Reserve assets				
Gold	0.8	0.7	×	×
SDRs	0.0	0.0	×	×
Reserve position in the Fund	0.1	0.0	×	×
Foreign exchange, total	1.0	0.8	×	×
Currency and deposits, total	0.2	0.3	×	×
With monetary authorities	0.0	0.0	×	×
With banks	0.2	0.3	×	×
Securities, total	0.7	0.5	×	×
Equity securities	0.0	0.0	×	×
Bonds and notes	0.6	0.5	×	×
Money market instruments	0.1	0.0	×	×
Financial derivatives	0.0	0.0	×	×
Other assets	0.0	0.0	×	×
Total	1.8	1.5	×	×
External assets and liabilities	100,0	100,0	100,0	100,0

Source:. OeNB.

[1] *Final data.*
[2] *Revised data.*

Table 2

International Investment Position – Indicators

End-of-period stocks	EUR million	% of GDP	% of exports of goods and services	% of external liabilities
External assets				
1998[1]	166,414	87	201	82
1999[1]	224,992	112	250	86
2000[1]	281,020	134	270	87
2001[1]	303,990	141	272	85
2002[1]	319,672	145	277	88
2003[1]	351,205	155	299	92
2004[1]	402,843	171	337	92
2005[1]	551,749	225	420	91
2006[2]	636,105	247	445	92
External liabilities				
1998[1]	201,936	106	243	×
1999[1]	261,789	133	291	×
2000[1]	321,368	157	308	×
2001[1]	357,659	169	320	×
2002[1]	361,436	164	313	×
2003[1]	380,746	168	325	×
2004[1]	435,992	185	364	×
2005[1]	603,527	246	459	×
2006[2]	693,401	269	485	×
Net position				
1998[1]	−35,522	19	−43	18
1999[1]	−36,797	19	−41	14
2000[1]	−40,348	20	−39	13
2001[1]	−53,669	25	−48	15
2002[1]	−41,764	19	−36	12
2003[1]	−29,541	13	−25	8
2004[1]	−33,149	14	−28	8
2005[1]	−51,778	21	−39	9
2006[2]	−57,296	22	−40	8

Source: OeNB.

[1] Final data.
[2] Revised data.

Table 3

International Investment Position – Breakdown of Change

EUR million

	End-of-period stocks 2005[1]	Change in positions in 2006			End-of-period stocks 2006[2]
		total	transactions	non-transaction-related change	
Direct investment	126,427	+7,677	+3,258	+4,419	134,104
Portfolio investment	240,886	+26,511	+25,273	+1,238	267,397
Equity securities	53,883	+13,085	+6,253	+6,832	66,968
Debt securities	187,003	+13,426	+19,020	−5,594	200,429
Other investment	174,353	+50,501	+52,983	−2,482	224,854
Financial derivatives	0	+0	+0	+0	0
Reserve assets	10,083	−333	−507	+174	9,750
External assets	551,749	+84,356	+81,007	+3,349	636,105
Direct investment	133,341	+12,559	+198	+12,361	145,900
Portfolio investment	297,208	+40,554	+34,975	+5,579	337,762
Equity securities	50,214	+15,741	+7,457	+8,284	65,955
Debt securities	246,994	+24,813	+27,518	−2,705	271,807
Other investment	172,978	+36,761	+39,940	−3,179	209,739
Financial derivatives	0	+0	+0	+0	0
External liabilities	603,527	+89,874	+75,113	+14,761	693,401
Direct investment	−6,914	−4,882	+3,060	−7,942	−11,796
Portfolio investment	−56,322	−14,043	−9,702	−4,341	−70,365
Equity securities	3,669	−2,656	−1,204	−1,452	1,013
Debt securities	−59,991	−11,387	−8,498	−2,889	−71,378
Other investment	1,375	+13,740	+13,043	+697	15,115
Financial derivatives	0	+0	+0	+0	0
Reserve assets	10,083	−333	−507	+174	9,750
Net position	−51,778	−5,518	+5,894	−11,412	−57,296

Source: OeNB.

[1] *Final data.*
[2] *Revised data.*

Table 4

International Investment Position – Regional Breakdown

EUR million

	Total	EU-27	Euro area	*of which: Germany*	Non-euro area residents	*of which:* *Eastern and South-eastern Europe*[1]	*of which:* U.S.A.
	End-of-period stocks 2006[2]						
Direct investment	134,104	56,848	22,120	*8,123*	111,984	*8,130*	*3,153*
Portfolio investment	267,397	206,201	168,991	*61,199*	98,406	*4,314*	*20,547*
Equity securities	66,968	43,438	37,244	*10,364*	29,724	*2,548*	*7,041*
Debt securities	200,429	162,763	131,747	*50,835*	68,682	*1,766*	*13,506*
Other investment	224,854	154,238	96,878	*51,741*	127,976	*21,927*	*6,517*
Financial derivatives	×	×	×	*×*	×	*×*	*×*
Reserve assets	9,750	×	×	*×*	9,750	*×*	*×*
External assets	636,105	417,287	287,989	*121,063*	348,116	*34,371*	*30,217*
Direct investment	145,900	69,961	64,512	*39,917*	81,388	*3,144*	*58,827*
Portfolio investment	337,762	×	×	*×*	×	*×*	*×*
Other investment	209,739	139,081	106,492	*49,119*	103,247	*5,054*	*12,682*
Financial derivatives	×	×	×	*×*	×	*×*	*×*
External liabilities	693,401	×	×	*×*	×	*×*	*×*
	End-of-period stocks 2005[3]						
Direct investment	126,427	44,555	14,568	*8,526*	111,859	*×*	*3,174*
Portfolio investment	240,886	187,100	153,522	*54,255*	87,364	*×*	*14,760*
Equity securities	53,883	35,270	30,188	*8,468*	23,695	*×*	*5,458*
Debt securities	187,003	151,800	123,334	*45,787*	63,669	*×*	*9,302*
Other investment	174,353	121,200	66,561	*33,645*	107,792	*×*	*6,464*
Financial derivatives	0	0	0	*0*	0	*×*	*0*
Reserve assets	10,083	×	×	*×*	10,083	*×*	*×*
External assets	551,749	337,942	234,651	*96,426*	317,098	*×*	*24,398*
Direct investment	133,341	42,937	38,316	*30,110*	95,025	*×*	*59,051*
Portfolio investment	297,208	×	×	*×*	×	*×*	*×*
Other investment	172,978	115,300	86,056	*42,687*	86,922	*×*	*5,715*
Financial derivatives	0	0	0	*0*	0	*×*	*0*
External liabilities	603,527	×	×	*×*	×	*×*	*×*

Source: OeNB.

[1] *Eastern Europe: Moldova, Russia, Ukraine, Belarus. Southeastern Europe: Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, Montenegro, Serbia.*
[2] *Revised data.*
[3] *Final data.*

Table 5

International Investment Position – Breakdown by Original Maturities[1]

	2005[2]			2006[3]		
	total	short-term	long-term	total	short-term	long-term
	End-of-period stocks, EUR million					
Direct investment	8,083	0	8,083	8,078	0	8,078
Portfolio investment	187,003	3,759	183,244	200,429	2,561	197,868
Other investment	174,353	95,652	78,701	224,854	128,125	96,729
Financial derivatives	0	0	0	0	0	0
Reserve assets	9,695	1,829	7,866	9,616	1,814	7,802
Total assets	379,134	101,240	277,894	442,977	132,500	310,477
Direct investment	7,655	0	7,655	9,409	0	9,409
Portfolio investment	246,994	8,964	238,030	271,807	14,524	257,283
Other investment	172,978	132,103	40,875	209,739	156,645	53,094
Financial derivatives	0	0	0	0	0	0
Total liabilities	427,627	141,067	286,560	490,955	171,169	319,786
	Maturity bands, % of total position					
Direct investment	100.0	0.0	100.0	100.0	0.0	100.0
Portfolio investment	100.0	2.0	98.0	100.0	1.3	98.7
Other investment	100.0	54.9	45.1	100.0	57.0	43.0
Financial derivatives	×	×	×	×	×	×
Reserve assets	100.0	18.9	81.1	100.0	18.9	81.1
Total assets	100.0	26.7	73.3	100.0	29.9	70.1
Direct investment	100.0	0.0	100.0	100.0	0.0	100.0
Portfolio investment	100.0	3.6	96.4	100.0	5.3	94.7
Other investment	100.0	76.4	23.6	100.0	74.7	25.3
Financial derivatives	×	×	×	×	×	×
Total liabilities	100.0	33.0	67.0	100.0	34.9	65.1

Source: OeNB.

[1] Contains only components with a defined maturity, i.e. direct investment is shown exclusive of equity capital and portfolio investment is shown exclusive of equity securities.
[2] Final data.
[3] Revised data.

Table 6

International Investment Position – Breakdown by Sectors

EUR million

	2005[1]	2006[2]
External assets and liabilities		
OeNB	21,508	20,388
General government	3,405	2,910
Banks	241,450	287,408
Other sectors, total	285,388	325,403
Other financial institutions	135,593	166,409
Nonfinancial corporations	135,179	140,046
Households	14,616	18,948
External assets	551,751	636,109
OeNB[3]	15,710	21,674
General government	127,294	130,135
Banks	252,868	298,921
Other sectors, total	207,654	242,669
Other financial institutions	28,945	47,161
Nonfinancial corporations	178,546	195,175
Households	164	332
External liabilities	603,526	693,399

Source: OeNB.

[1] *Final data.*
[2] *Revised data.*
[3] *Liabilities with a negative sign may result on account of ESCB TARGET-related accounting rules.*

Table 7

Portfolio Investment – Breakdown by Sectors

EUR million

	Total	Equity securities			Debt securities		
		total	stocks	mutual fund shares	total	bonds and notes	money market instruments
End-of-period stocks 2006[1]							
OeNB	8,175	1,763	129	1,634	6,412	6,363	49
General government	694	130	48	82	564	564	0
Banks	92,257	3,318	1,700	1,618	88,939	87,788	1,151
Other sectors, total	166,271	61,757	37,671	24,087	104,514	103,153	1,361
Other financial institutions	140,793	46,763	27,301	19,462	94,030	93,685	345
Nonfinancial corporations	7,797	2,429	1,878	551	5,368	4,493	875
Households	17,683	12,566	8,492	4,074	5,117	4,976	141
Portfolio investment – assets	267,397	66,968	39,547	27,421	200,429	197,868	2,561
OeNB	×	×	×	×	×	×	×
General government	119,714	×	×	×	119,714	118,889	825
Banks	140,548	10,143	9,803	340	130,405	116,795	13,610
Other sectors, total	77,500	55,812	36,736	19,076	21,688	21,599	89
Other financial institutions	29,065	24,746	5,670	19,076	4,319	4,287	32
Nonfinancial corporations	48,434	31,066	31,066	×	17,368	17,311	57
Households	×	×	×	×	×	×	×
Portfolio investment – liabilities	337,762	65,955	46,539	19,416	271,807	257,283	14,524
End-of-period stocks 2005[2]							
OeNB	9,489	1,756	3	1,753	7,733	6,372	1,361
General government	486	106	18	88	380	380	0
Banks	81,572	2,941	1,587	1,354	78,631	77,202	1,429
Other sectors, total	149,339	49,080	31,006	18,074	100,259	99,290	969
Other financial institutions	125,988	35,851	22,563	13,288	90,137	89,825	312
Nonfinancial corporations	9,758	3,863	1,660	624	5,894	5,267	627
Households	13,594	9,367	6,783	4,163	4,227	4,197	30
Portfolio investment – assets	240,886	53,883	32,614	21,269	187,003	183,244	3,759
OeNB	×	×	×	×	×	×	×
General government	117,359	×	×	×	117,359	116,364	995
Banks	114,307	6,372	5,957	415	107,935	100,030	7,905
Other sectors, total	65,542	43,842	26,443	17,400	21,700	21,636	64
Other financial institutions	24,538	20,194	2,794	17,400	4,344	4,344	0
Nonfinancial corporations	41,004	23,649	23,649	×	17,356	17,292	64
Households	×	×	×	×	×	×	×
Portfolio investment – liabilities	297,208	50,214	32,400	17,815	246,994	238,030	8,964

Source: OeNB.

[1] *Revised data.*
[2] *Final data.*

5 Overview of Special Issues

October 2004
Finanzvermögen 2003/Financial Accounts 2003

June 2005
Finanzvermögen 2004/Financial Accounts 2004

June 2006
Finanzvermögen 2005/Financial Accounts 2005

June 2007
Austrian Financial Accounts 2006

September 2007
Direct Investment 2005

November 2007
Austria's International Investment Position in 2006