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Austria's International Investment Position in 2007

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Preface

The rapid growth of cross-border assets and liabilities has increased the relevance of valuation effects resulting from price and exchange rate developments, a phenomenon that becomes even more important during phases of economic uncertainty triggering portfolio shifts. Austria, being a small and very open economy, created stable external conditions for itself by pegging its currency to the Deutsche mark, thus de facto entering into a currency union with Germany, its main trade and finance partner, as early as in the 1970s. The key benefit for Austria – above all its businesses and financial investors – apart from importing the international stability of the Deutsche mark consisted in the elimination of bilateral exchange rate risk. Since its introduction, the euro has replaced the Deutsche mark as Austria's central stability anchor, given that Austria's external economic relations with euro area countries have rapidly expanded.

Although Germany is still Austria's main trade and finance partner, Austria has been doing more business with EU countries in Central and Eastern Europe; and most recently, business relations with growth markets in Eastern and Southeastern Europe have been expanding quickly. The recent financial market turbulence has patently shown that the small countries' currencies are especially vulnerable to macroeconomic shocks. For Austria, the advantage of bringing the economies and monetary policies of Eastern and Southeastern European markets in line with those of the EU and the euro area are clear, as Austria's investment in the region will continue to rise.

This special issue of "Statistiken" deals with the collection and analysis of statistical data related to recent developments in Austrian cross-border assets and liabilities. See section 1.4 for a preliminary assessment of developments during the turbulent first half of 2008 on the basis of provisional data.

1 Key Developments in 2007[1]

Matthias Fuchs

1.1 Overview

1.1.1 Global Framework

As in previous years, global economic growth was very robust in 2007, totaling 4.9% worldwide (WIFO, 2008). In a regional breakdown, however, results were mixed: Whereas China again chalked up double-digit growth and the Central and Eastern European EU Member States (+6) and Russia (+8) posted rapid growth, growth had clearly peaked in the euro area (+2.6%) and the United States (2.0%).

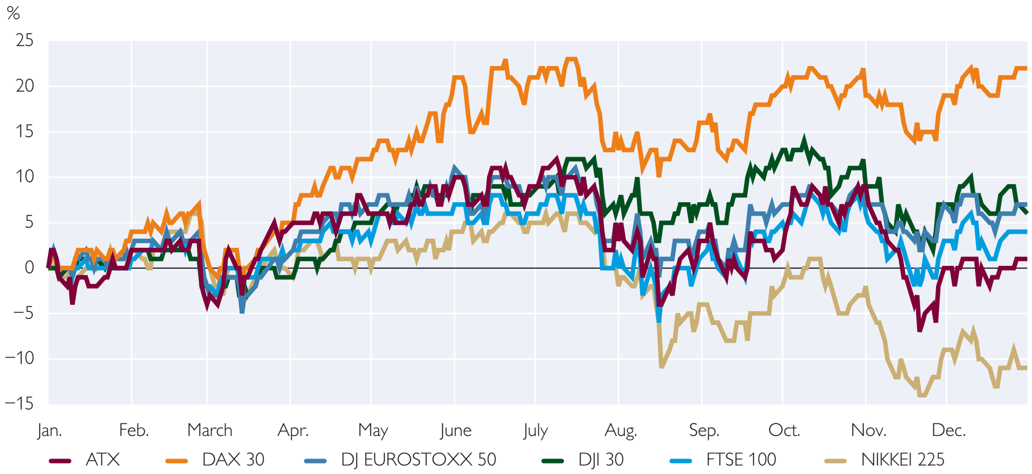
The euro appreciated against the U.S. dollar (+11%) and the pound sterling (+9%), but also against all other major currencies, resulting in price losses for euro area investors in currencies other than the euro. Until mid-2007, stock markets were still bullish, only to suffer a massive setback in July that was to foretoken the sharp volatility of the following months. Only the German stock index DAX recovered considerably until the end of the year, gaining 22% against the beginning of 2007. China (21% of global capital exports), Germany (15%) and Japan (12%) provided the bulk of international financial capital by a wide margin in 2007; the main net capital importers were the U.S.A. (49% of worldwide imports), Spain (10%) and Great Britain (8%) (IMF, 2008).

1.1.2 Less Rapid Growth in the Internationalization of Austria's Financial Market in 2007

Austria's integration into the international financial system continued at a somewhat reduced momentum in 2007 (chart 2). Austria's external financial assets had grown to EUR 717 billion at the end of 2007 (2006: EUR 648 billion), and its external financial liabilities to EUR 758 billion (2006: EUR 701 billion). Together, these external financial assets and liabilities exceeded EUR 1.5 trillion, resulting in an internationalization rate – the ratio of total external assets and liabilities to GDP – of 545% (2006: 524%). The relatively small rise in this ratio reflects the impact of the financial crisis and the economic cooling on the growth of finan-

Chart 1

Development of Major Stock Markets in 2007

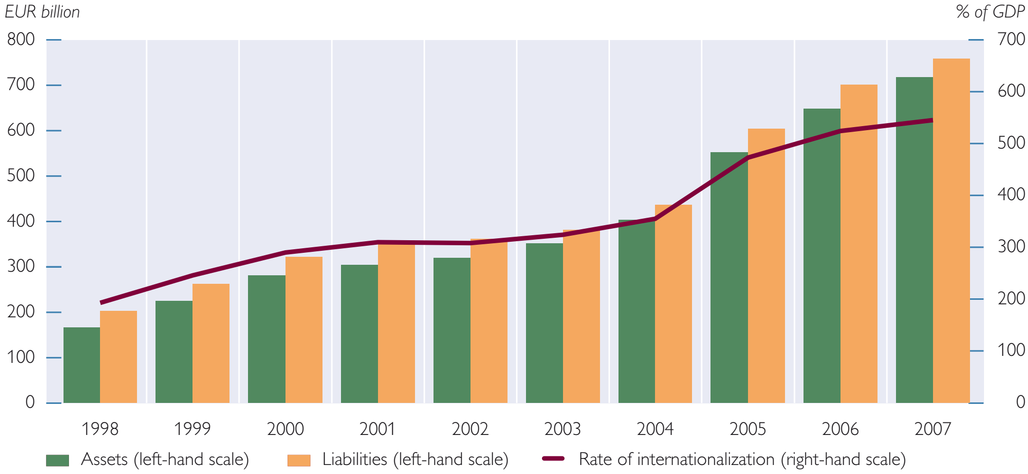


Source: Thomson Financial.

[1] *Editorial close: November 16, 2008.*

Chart 2

The Austrian Financial Market: Rate of Internationalization



Source: OeNB.

Note: Preliminary data for 2007.

cial assets and liabilities abroad. By comparison, the internationalization rate had still risen by about +120 percentage points in 2005 and by +50 percentage points in 2006. Austria's net external liabilities declined by EUR 41 billion in 2007 (2006: –EUR 53 billion), above all because the rise in Austrian net external liabilities slowed markedly, whereas the rise in net external assets speeded up, buoyed by banks' deposit and lending business. With securities markets beset by high volatility, investors generally began to shift assets from portfolio holdings to deposits and loans.

Austria has traditionally been a net debtor vis-à-vis nonresidents. This situation is no reason for concern, as net debt has remained stable for many years at between EUR 30 billion and EUR 55 billion. Only if net debt were steadily rising would investors lose confidence in the long term, which could in turn create a financing gap for the Austrian economy. Nevertheless, the net external debt position comes with the disadvantage that interest must be paid on the debt, in turn increasing the debt itself. In 2007, Austria's interest expenditure on net external debt came close to EUR 4 billion.

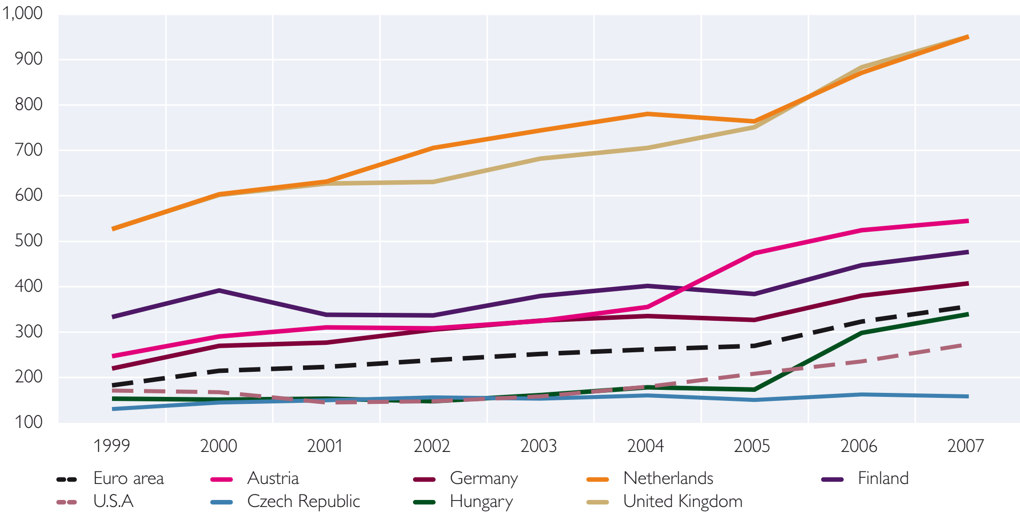
In recent years, though, Austria exported capital abroad on balance – mirroring the rising surpluses on current account – and thus made strides in reducing its net liabilities. Austria's financial sector exhibits a noticeably higher degree of internationalization than that of the euro area (chart 3).

Two aspects are crucial for the degree of economic openness: First, the relative size of the country and, related to this, the country's ability to raise financial assets domestically. Countries with large domestic capital markets – like the U.S.A. or Germany – consequently have a comparatively lower degree of internationalization. Second, financial integration is determined to a great extent by the international status of a financial market: Countries with financial centers of global importance, such as Switzerland (1,300%), the United Kingdom or the Netherlands (950% each) often have financial stocks that are out of proportion by comparison to the size of the local economy,

Chart 3

International Comparison of the Degree of Financial Openness

Total external assets and liabilities in % of GDP



Source: OeNB.

because they are magnets for international financial assets. In recent years, Austria was also – though to a far smaller extent – a hub of international finance in connection with the activities of special purpose entities (see glossary). The disproportionate growth of international financial assets measured against the size of local economies is a global phenomenon: In 2007, worldwide stocks of cross-border financial assets outstanding outpaced USD 200 trillion according to the IMF (2002: USD 106 trillion), more than four times global GDP. The boom in securitization in the past few years contributed importantly to this trend (Deutsche Bundesbank, 2008a).

1.2 Austria's External Financial Assets

1.2.1 Tarnished by the Financial Crisis, Securities Lose Much of Their Luster

In 2007, the development of Austrian net external assets was affected above all by the beginning turmoil in international financial markets. The share of portfolio investment sank to 38% of total net external assets (2006: 41%) and amounted to EUR 275 billion at the end of 2007, whereas deposits and lending by Austrian creditors represented EUR 261 billion or 36% of the total.

The structural developments of the past two decades were thus temporarily checked: Until recently, the popularity of portfolio investment had been steadily on the rise against the background of securitization and the general trend toward disintermediation, at the expense of the lending business. 2007 was an especially unfavorable year for investors in interest-bearing assets: In particular, rising interest rates in Europe caused Austrian investors to suffer price losses of some EUR 5 billion, a phenomenon that was somewhat buffered by U.S. interest rate cuts beginning in September 2007, in the wake of which interest rates declined worldwide. At the same time, the appreciation of the euro resulted in exchange rate losses of EUR 2.4 billion on interest-bearing foreign currency investments.

The situation of Austrian holders of stocks abroad was comparatively positive, as they enjoyed gains of EUR 1.2 billion in 2007 even though prices on stock markets had started to slide. These gains were attributable mainly to the favorable development of the DAX, which closed the year at +22% despite rising interest rates. The Dow Jones Index (+7%) and the Dow Jones EURO STOXX 50 index also closed the year with gains. Domestic holders of foreign mutual fund shares chalked up gains of EUR 2.2 billion. Overall, however, exchange rate losses totaling EUR 2.8 billion made international equity securities portfolios a liability rather than an asset.

Austrian investors reacted to the dwindling attractiveness of portfolio investment by shifting to "other investment," mainly deposits and loans (chart 4).

Compared with 2006, external credit claims grew by roughly one-third to EUR 111 billion. Assets in the form of external deposits were 7% higher than in the previous year and came to EUR 138 billion. Banks account for a dominant share of almost 90% of the "other investment" segment. Austria's direct investors have remained relatively unaffected by the financial crisis so far (see OeNB, 2008). On the basis of preliminary estimates, end-of period direct investment stocks for the year

Table 1

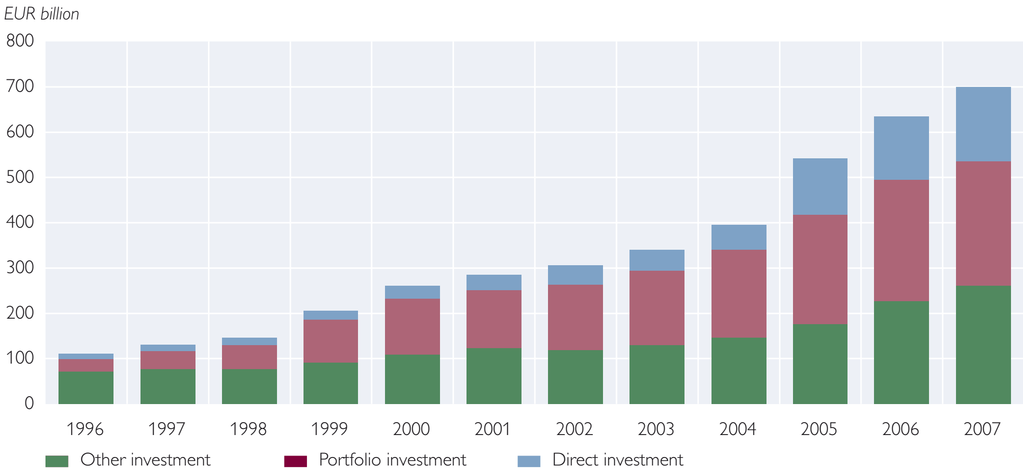
Impact of Price and Exchange Rate Changes on Austrian Cross-Border Portfolio Investment

	2006	Exchange rates	Prices	Total	2007
	Liabilities, EUR billion				
Portfolio investment	267.6	−5.2	−1.5	−6.7	275.1
Equity securities	66.7	−2.8	3.4	0.6	68.0
Stocks	38.9	−1.3	1.2	−0.1	37.0
Mutual fund shares	27.9	−1.5	2.2	0.7	31.0
Debt securities	200.8	−2.4	−4.9	−7.3	207.2

Source: OeNB.

Chart 4

Development of Key Financial Assets



Source: OeNB.

2007 come to EUR 164 billion, up by 17% on 2006. This figure contains special purpose entities as well.

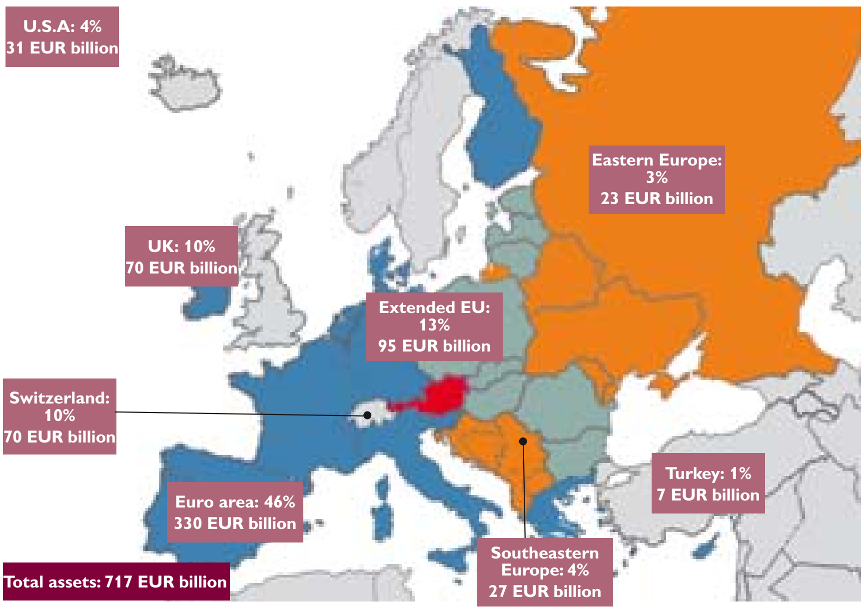
1.2.2 Growth Markets Attract Growing Volume of Austrian Investment

By regions, the bulk of Austria's financial assets is invested in western industrial countries (chart 5)[2]: The euro area[3] accounted for nearly EUR 330 billion or 45% of total assets at the end of 2007, the United Kingdom and Switzerland accounted for EUR 70 billion each (10% each), and the U.S.A. absorbed EUR 31 billion or 4% of Austrian international financial investment.

European growth markets, which are undergoing an impressive catching-up process, offered the greatest potential for growth, though: the countries which have joined the EU since 2004 already hold EUR 123 billion of Austrian external assets, or nearly one-fifth. The macroeconomic development of the region – in particular the considerable drop in inflation and constantly high growth – paid off well for Austrian investors who invested progressively in the region during the past decade. Now, however, some of these markets are likely to be hit hard by the imminent global downturn. Austrian investment in Eastern Europe (EUR 23 billion) and Southeastern Europe (EUR 27 billion) is still quite low compared to that in the Central and Eastern European EU countries. Only 1% of Aus-

Chart 5

Austria's External Financial Assets at End-2007



Source: OeNB.

[2] *Central and Eastern European EU: Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovakia. Eastern Europe: Moldova, Russia, Ukraine, Belarus. Southeastern Europe: Albania, Bosnia and Herzegovina, Croatia, Former Yugoslav Republic of Macedonia, Montenegro, Serbia.*

[3] *In particular the introduction of the euro triggered a "euro area bias" in Austria, meaning disproportionately high investment in terms of the region's economic power. This phenomenon has also been found to apply to Germany (Bundesbank, 2008b).*

tria's total external assets were invested in Turkey at the end of 2007 (EUR 7 billion). Although these growth regions are comparatively risky in stability terms, they have gained importance as destinations for deposits and loans: Taken together, Austrian claims on Eastern and Southeastern Europe stood at roughly EUR 30 billion at end-2007, and are set to increase sharply. According to preliminary estimates, they ran to almost EUR 40 billion at the end of September 2008, which means that they nearly doubled compared to 2006. This asset class had even expanded eightfold compared to the value at end-1999.

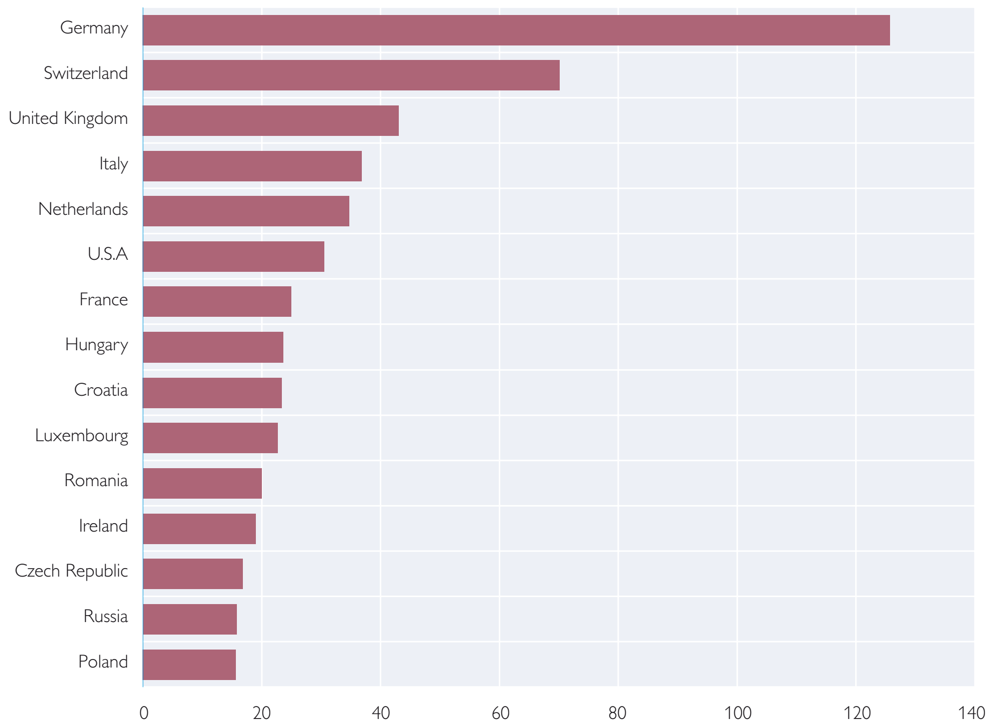
Overall, the risk contribution of investment in all European growth markets to Austrian external assets is to be considered low, as financial assets are sufficiently diversified, given Austrian external investors' high portfolio holdings in industrial countries (Fuchs, 2008). However, individual growth markets, such as Hungary, Croatia, Romania and Poland, have in the meantime become key targets of Austrian financial investment abroad (chart 6).

Debt instruments like deposits and loans account for about half of the financial assets held in those countries, but strategic foreign direct investment also accounts for a large share. Portfolio investment still plays a minor role, given the low development level of market structures.

Chart 6

Austria's External Financial Assets by Destination

EUR billion



Source: OeNB.

Note: Includes portfolio investment, deposits and loans, and FDI (including special purpose entities).

1.3 Austria's External Financial Liabilities

1.3.1 Subdued Development of Securities Slows Expansion of Liabilities

Austria's external financial liabilities amounted to EUR 758 billion at end-2007 (2006: EUR 701 billion). Securities accounted for half of this amount (EUR 363 billion), deposits and loans for just under one-third (EUR 221 billion) and foreign direct investment for around one-fifth (EUR 168 billion). Like in the case of Austrian external financial assets, the rise in liabilities was checked by the impact of price and exchange rate effects on securities. Price and exchange rate losses added up to approximately EUR 14 billion, offsetting part of EUR 36 billion increase in liabilities through transactions. The federal government benefited most from this development, as its long-term foreign currency-denominated liabilities declined by EUR 1.1 billion in the wake of euro appreciation. Banks and nonfinancial corporations also saw their liabilities shrink by about EUR 2.8 billion on account of exchange rate effects but at the same time suffered price losses of EUR 1.8 as their creditors raised interest rates.

1.3.2 Financial Crisis and Economic Cooling Are a Drag on Wiener Börse

The ATX boom of recent years has lost its momentum, with the global financial crisis and even more so the beginning economic slowdown in Eastern Europe acting as a damper. The strong specialization on Eastern Europe of many corporations listed in Vienna made Wiener Börse something of a mood indicator that also signaled the attractiveness of the region to international investors. Between 2003 and 2006, these international investors had still turned a profit of EUR 26 billion on Austrian stocks, but in 2007, they already suffered losses to the tune of EUR 3.7 billion (chart 7). According to preliminary estimates, additional losses of EUR 6.5 billion are expected to occur in the first half of 2008.

Consequently, foreign investors' assets from ATX listed stocks diminished noticeably in 2007 despite purchases of EUR 2 billion (2006: EUR 7 billion). Until mid-2008, assets are in fact likely to have contracted by 16% including net sales on the order of EUR 1.1 billion. The sharp drop in demand for Austrian stocks signals profound uncertainty about the future development of Eastern and Southeastern European growth markets, but truth be told, since mid-2007, no financial center has been able to escape the prevalent downtrend, irrespective of the real economic conditions. Wiener Börse's signaling role for investment in Eastern Europe should therefore not be overrated during this phase in which financial markets in general are characterized by a lack of orientation.

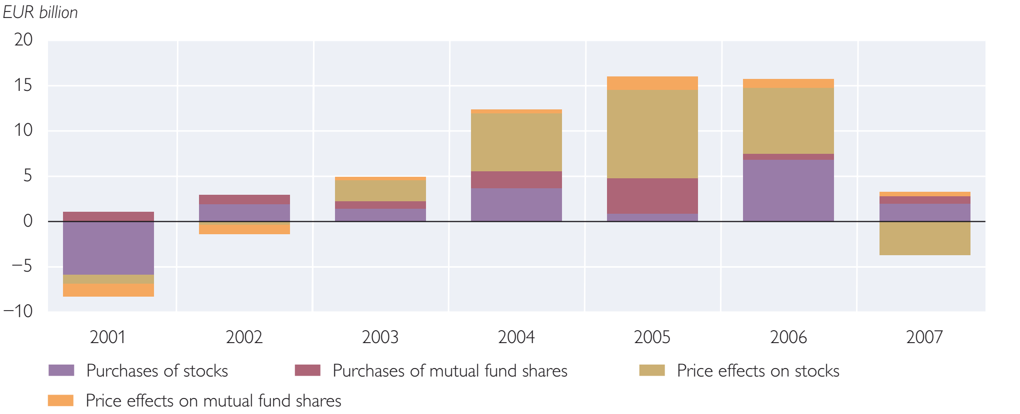
Investors with holdings of Austrian mutual fund shares were better equipped to absorb negative stock market developments and even closed 2007 with slight price gains of EUR 0.5 billion in 2007.

Nearly all main creditor countries[4] for Austria are highly developed industrial countries (chart 8). Germany held over one-fifth of Austrian external financial liabilities, EUR 166 billion, at end-2007.

[4] *The regional structure of securities liabilities was estimated on the basis of the Coordinated Portfolio Investment Survey (CPIS).*

Chart 7

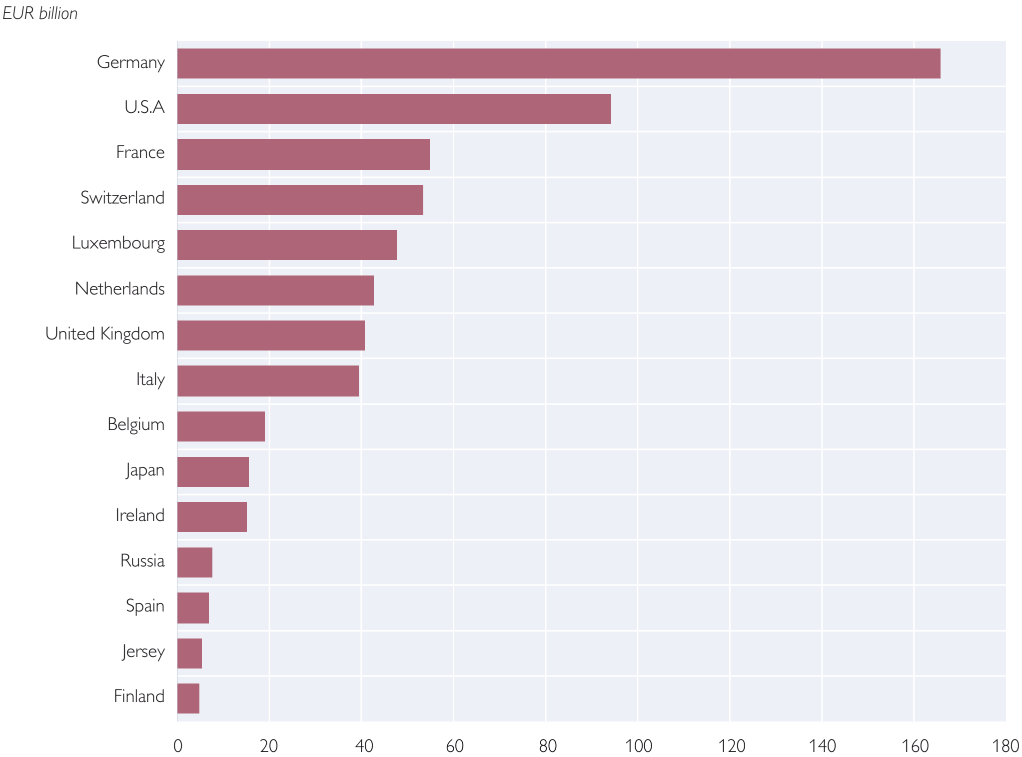
Development of Austrian Equity Securities Held by Foreign Investors



Source: OeNB.

Chart 8

Austria's Main External Investors



Source: OeNB.

Note: Includes portfolio investment, deposits and loans, and FDI (including special purpose entities).

The high 80% euro share of Austrian external financial liabilities at the end of 2007 is also noteworthy. Around 70% of financial liabilities excluding equity securities (that is, interest-bearing securities, deposits and loans) were euro denominated. Compared with many small countries – such as the Central and Eastern European EU growth markets or Eastern and Southeastern European growth markets[5] – many of which have issued more than 90% of their external debt in foreign currency, Austria and the other euro area countries have a very slight foreign exchange risk. The most recent currency turbulences in some of these countries patently show the advantages a large currency area has.

1.4 Developments in the First Half of 2008 on the Basis of Preliminary Estimates

International capital movements in the first half of 2008 were characterized above all by a massive increase in global financial market turbulence. Recent estimates signal that Austrian portfolio investment assets as well as liabilities in fact declined for the first time on record (since the early 1970s), interrupting a frequently quite pronounced long-term uptrend. Assets appear to have declined by 4% from end-2007 to some EUR 263 billion whereas liabilities came to about EUR 361 billion (–1%). Not even the bursting of the technology bubble in March 2001 had triggered such a development. Securities had always been the key medium of Austria's financial internationalization. The impact of the financial turbulence had the requisite effect on equity securities: Austria's external assets in this segment lost roughly one-quarter of their value, falling to about EUR 27 billion. Apart from net sales of approximately EUR 2.6 billion, price losses of some EUR 6.5 billion were the main factors in this result. The first half of 2008 also ended with substantial losses for foreign holders of Austrian stocks, who suffered estimated losses of 13% from the end of 2007. Including net sales on the order of some EUR 1 billion, foreign investors' stock holdings on the Vienna bourse lost 16% and came to roughly EUR 41 billion on June 30, 2008. The European bond markets, which are especially important for Austrian investors, lost considerable ground after widespread expectations of rising interest rates in the first half due to unfavorable price developments and increasing risk premiums. Austria's international portfolio investment assets and liabilities shrank by a total of around EUR 14 billion each in the wake of price declines.

At the same time, the continued strength of the euro until mid-2008 caused Austria's portfolio assets and foreign currency-denominated liabilities to contract by over EUR 2 billion each.

The general flight from securities financing was offset by an increase in deposits made and loans taken out by Austrians and nonresidents alike, i.e. by an increase of assets which are reputed to be relatively safe: First estimates show external deposit and loan assets to have been a quarter higher in the first half of 2008 than in 2007 as a whole. Austrian debtors' international liabilities in this segment even came to two-and-a-half times the 2007 value in the first half of 2008. Hence, the decline in activity on the international capital markets was limited to securities in the Austrian case. The substitution of deposits and loans for portfolio investment was a key factor in shoring up Austria's rate of internationalization even in the face of the financial crisis. In fact, the internationalization rate went up to an estimated record value of roughly 560% of GDP.

[5] *See footnote 2 for country classifications.*

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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 reflects the stock of Austrian external financial assets and liabilities on a specific date; and the net IIP is the difference between the stock of financial assets and the stock of financial liabilities.

Thus, the IIP framework provides for 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 both 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. A breakdown of liabilities from securities investment is dependent on the availability of additional information, as the underlying data do not provide any information on the country of residence of the holders of Austrian-issued securities. Using an international data exchange system such as the CPIS[6] 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 tracking the long-term changes in the external financing structure of an economy. Furthermore, 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. Finally, an economy's net international investment position needs to be judged from the perspective of IIP developments over time. A persistent net debtor position resulting from the financing of consumption will, naturally, have to be seen in a more critical light than a net debtor position resulting from the financing of productive fixed capital formation.

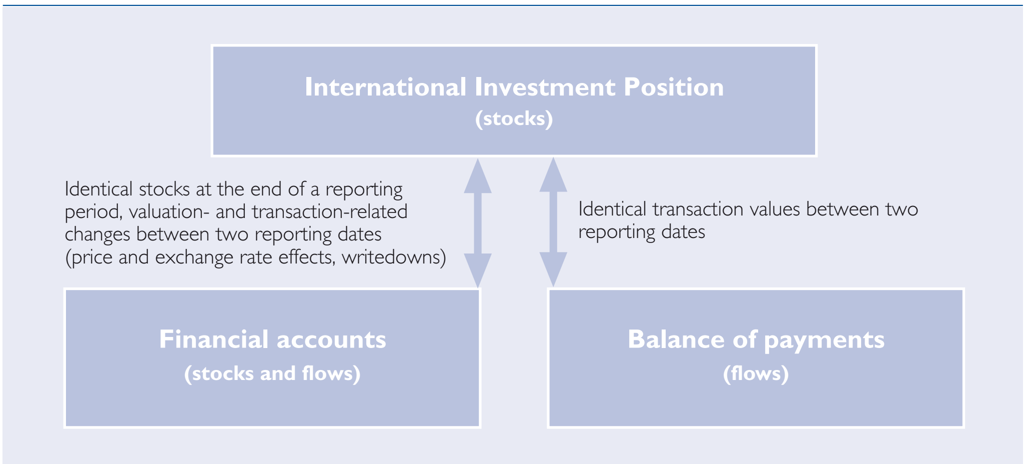
2.2 Links between the International Investment Position, the Balance of Payments and the Financial Accounts

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.

[6] *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 nonfinancial 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 nonfinancial 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.

Within the financial account framework, the IIP puts the spotlight on cross-border financial relationships (external assets and liabilities). While the emphasis of the financial account is on highlighting the role of individual sectors, 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 is not directly evident from the financial account data – 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 (excluding 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

End-of-period stocks	Assets		Liabilities		Net position	
	2006[1]	2007[2]	2006[1]	2007[2]	2006[1]	2007[2]
	in Mio EUR					
Direct Investment						
of which: Special Purpose Entities (SPEs)	*56,621*	*54,985*	*56,664*	*56,675*	*−43*	*−1,690*
Land	*2,597*	*2,714*	*3,007*	*3,008*	*−410*	*−295*
Equity capital and reinvested earnings	133,331	159,362	137,259	146,358	−3,928	13,004
Other capital	6,468	4,272	8,678	22,019	−2,210	−17,747
Total	139,799	163,634	145,937	168,377	−6,138	−4,743
Portfolio investment						
Equity securities, total	66,735	67,983	70,582	71,407	−3,847	−3,424
Monetary authorities	1,763	1,828	0	0	1,763	1,828
General government	130	142	0	0	130	142
Banks	3,402	3,044	10,607	8,846	−7,205	−5,801
Other sectors	61,439	62,970	59,975	62,561	1,464	409
Debt securities, total	200,844	207,153	269,059	291,542	−68,215	−84,389
Bonds and notes, total	198,322	203,050	255,357	277,198	−57,035	−74,148
Monetary authorities	6,363	8,250	0	0	6,363	8,250
General government	564	493	118,991	122,605	−118,427	−122,112
Banks	87,694	92,844	115,422	130,682	−27,728	−37,838
Other sectors	103,701	101,463	20,945	23,911	82,757	77,553
Money market instruments, total	2,521	4,103	13,702	14,344	−11,180	−10,241
Monetary authorities	49	474	0	0	49	474
General government	0	0	825	745	−825	−745
Banks	1,142	2,038	12,786	13,481	−11,643	−11,443
Other sectors	1,331	1,591	91	118	1,239	1,473
Total	267,578	275,136	339,641	362,948	−72,063	−87,813
Other investment						
Trade credits	8,125	8,239	6,054	6,855	2,071	1,384
Loans, total	86,494	110,843	40,923	33,458	45,571	77,385
Monetary authorities	0	0	0	0	0	0
General government	16	16	9,194	9,566	−9,178	−9,550
Banks	67,339	86,172	0	0	67,339	86,172
of which: long-term	*52,717*	*67,205*	*0*	*0*	*52,717*	*67,205*
Other sectors	19,139	24,655	31,729	23,892	−12,590	763
Currency and deposits, total	128,506	137,506	161,804	175,557	−33,298	−38,051
Monetary authorities[3]	2,347	1,638	21,674	26,101	−19,327	−24,464
General government	200	1,070	0	0	200	1,070
Banks	110,465	132,142	140,131	149,455	−29,665	−17,313
of which: short-term	*73,021*	*79,918*	*113,821*	*116,874*	*−40,801*	*−36,956*
Other sectors	15,494	2,656	0	0	15,494	2,656
Other investment, total	4,270	4,592	3,252	5,091	1,018	−499
Monetary authorities	116	117	0	0	116	117
General government	1,536	1,291	1,227	1,948	309	−657
Banks	1,375	1,682	0	0	1,375	1,682
Other sectors	1,242	1,502	2,025	3,143	−783	−1,641
Total	227,395	261,181	212,033	220,961	15,361	40,220
Financial derivatives	3,517	4,957	3,532	5,721	−14	−764
Reserve assets						
Gold[4]	4,481	5,115	×	×	4,481	5,115
SDRs	144	158	×	×	144	158
Reserve position in the Fund	134	133	×	×	134	133
Foreign exchange, total	4,991	6,970	×	×	4,991	6,970
Currency and deposits, total	1,810	2,412	×	×	1,810	2,412
With monetary authorities	116	1,735	×	×	116	1,735
With banks	1,694	677	×	×	1,694	677
Securities	3,177	4,556	×	×	3,177	4,556
Financial derivatives	4	2	×	×	4	2
Other assets	0	0	×	×	0	0
Total	9,750	12,377	×	×	9,750	12,377
External assets and liabilities	648,039	717,284	701,143	758,007	−53,104	−40,723

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

Periodenendstand	Assets		Liabilities	
	2006[1]	2007[2]	2006[1]	2007[2]
	% of assets		*% of liabilities*	
Direct investment				
of which: Special Purpose Entities (SPEs)	8.7	7.7	8.1	7.5
Land	0.4	0.4	0.4	0.4
Equity capital and reinvested earnings	20.6	22.2	19.6	19.3
Other capital	1.0	0.6	1.2	2.9
Total	21.6	22.8	20.8	22.2
Portfolio investment				
Equity securities, total	10.3	9.5	10.1	9.4
Monetary authorities	0.3	0.3	0.0	0.0
General government	0.0	0.0	0.0	0.0
Banks	0.5	0.4	1.5	1.2
Other sectors	9.5	8.8	8.6	8.3
Debt securities, total	31.0	28.9	38.4	38.5
Bonds and notes, total	30.6	28.3	36.4	36.6
Monetary authorities	1.0	1.2	0.0	0.0
General government	0.1	0.1	17.0	16.2
Banks	13.5	12.9	16.5	17.2
Other sectors	16.0	14.1	3.0	3.2
Money market instruments, total	0.4	0.6	2.0	1.9
Monetary authorities	0.0	0.1	0.0	0.0
General government	0.0	0.0	0.1	0.1
Banks	0.2	0.3	1.8	1.8
Other sectors	0.2	0.2	0.0	0.0
Total	41.3	38.4	48.4	47.9
Other investment				
Trade credits	1.3	1.1	0.9	0.9
Loans, total	13.3	15.5	5.8	4.4
Monetary authorities	0.0	0.0	0.0	0.0
General government	0.0	0.0	1.3	1.3
Banks	10.4	12.0	0.0	0.0
of which: long-term	*8.1*	*9.4*	*0.0*	*0.0*
Other sectors	3.0	3.4	4.5	3.2
Currency and deposits, total	19.8	19.2	23.1	23.2
Monetary authorities	0.4	0.2	3.1	3.4
General government	0.0	0.1	0.0	0.0
Banks	17.0	18.4	20.0	19.7
of which: short-term	*11.3*	*11.1*	*16.2*	*15.4*
Other sectors	2.4	0.4	0.0	0.0
Other investment, total	0.7	0.6	0.5	0.7
Monetary authorities	0.0	0.0	0.0	0.0
General government	0.2	0.2	0.2	0.3
Banks	0.2	0.2	0.0	0.0
Other sectors	0.2	0.2	0.3	0.4
Total	35.1	36.4	30.2	29.2
Financial derivatives	0.5	0.7	0.0	0.0
Reserve assets				
Gold[4]	0.7	0.7	×	×
SDRs	0.0	0.0	×	×
Reserve position in the Fund	0.0	0.0	×	×
Foreign exchange, total	0.8	1.0	×	×
Currency and deposits, total	0.3	0.3	×	×
With monetary authorities	0.0	0.2	×	×
With banks	0.3	0.1	×	×
Securities	0.5	0.6	×	×
Financial derivatives	0.0	0.0	×	×
Other assets	0.0	0.0	×	×
Total	1.5	1.7	×	×
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[1]

End-of-period stocks	EUR million	% of GDP	% of exports of goods and services	% of external liabilities
External assets				
1998	166,414	87	201	82
1999	224,992	112	250	86
2000	281,020	134	270	87
2001	303,990	141	272	85
2002	319,672	145	277	88
2003	351,205	155	299	92
2004	402,843	171	337	92
2005	551,750	226	420	91
2006	648,039	252	452	92
2007	717,284	265	452	95
External liabilities				
1998	201,936	106	243	×
1999	261,789	133	291	×
2000	321,368	157	308	×
2001	357,659	169	320	×
2002	361,436	164	313	×
2003	380,746	168	325	×
2004	435,992	185	364	×
2005	603,527	247	459	×
2006	701,143	273	489	×
2007	758,007	280	477	×
Net position				
1998	–35,522	19	–43	18
1999	–36,797	19	–41	14
2000	–40,348	20	–39	13
2001	–53,669	25	–48	15
2002	–41,764	19	–36	12
2003	–29,541	13	–25	8
2004	–33,149	14	–28	8
2005	–51,777	21	–39	9
2006	–53,104	21	–37	8
2007	–40,723	15	–26	5

Source: OeNB.

[1] *2006: Revised data, 2007: preliminary data.*

Table 3

International Investment Position – Breakdown of Change

	End-of-period stocks 2006[1]	Change in positions in 2007			End-of-period stocks 2007[2]
		Total	Transactions	Non-transaction-related change	
	EUR million				
Direct investment	139,799	+23,835	+25,147	−1,313	163,634
Portfolio investment	267,578	+7,557	+14,001	−6,444	275,136
Equity securities	66,735	+1,248	+397	+851	67,983
Debt securities	200,844	+6,309	+13,604	−7,294	207,153
Other investment	227,395	+33,786	+38,834	−5,048	261,181
Financial derivatives	3,517	+1,440	+11,792	−10,352	4,957
Reserve assets	9,750	+2,627	+1,857	+770	12,377
External assets	648,039	+69,244	+91,631	−22,386	717,284
Direct investment	145,937	+22,440	+22,605	−165	168,377
Portfolio investment	339,641	+23,307	+36,247	−12,940	362,948
Equity securities	70,582	+824	+2,674	−1,850	71,407
Debt securities	269,059	+22,483	+33,573	−11,090	291,542
Other investment	212,033	+8,927	+12,738	−3,811	220,961
Financial derivatives	3,532	+2,189	+10,769	−8,580	5,721
External liabilities	701,143	+56,864	+82,359	−25,496	758,007
Direct investment	−6,138	+1,395	+2,542	−1,147	−4,743
Portfolio investment	−72,063	−15,750	−22,246	+6,496	−87,813
Equity securities	−3,847	+424	−2,277	+2,700	−3,424
Debt securities	−68,215	−16,173	−19,969	+3,796	−84,389
Other investment	15,361	+24,858	+26,096	−1,237	40,220
Financial derivatives	−14	−749	1,023	−1,772	−764
Reserve assets	9,750	+2,627	+1,857	+770	12,377
Net position	−53,104	+12,381	+9,271	+3,110	−40,723

Source: OeNB.

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

Table 4

International Investment Position – Regional Breakdown

	Total	EU-27	Euro area	*of which: Germany*	Non-euro area residents	*of which: Eastern and Southeastern Europe*[1]	*of which: U.S.A.*
	EUR million						
	End-of-period stocks 2007[2]						
Direct investment	163,634	71,022	31,244	*14,654*	132,390	*17,857*	*3,177*
Direct investment	275,136	213,575	179,270	*63,274*	95,866	*4,604*	*21,604*
Portfolio investment	67,983	45,464	39,956	*12,177*	28,027	*2,643*	*6,092*
Equity securities	207,153	168,111	139,314	*51,097*	67,839	*1,961*	*15,512*
Debt securities	261,181	191,395	116,716	*47,783*	144,465	*27,166*	*5,760*
Other investment	4,957	×	×	*×*	×	*×*	*×*
Reserve assets	12,377	×	×	*×*	12,377	*×*	*×*
External assets	717,284	475,992	327,230	*125,711*	385,097	*49,627*	*30,541*
Direct investment	168,377	88,998	79,955	*27,729*	88,422	*3,941*	*59,723*
Portfolio investment	362,948	×	×	*×*	×	*×*	*×*
Other investment	220,961	154,518	125,145	*55,274*	95,816	*6,375*	*6,932*
Financial derivatives	5,721	×	×	*×*	×	*×*	*×*
External liabilities	758,007	×	×	*×*	×	*×*	*×*
	End-of-period stocks 2006[3]						
Direct investment	139,799	58,501	25,906	*11,959*	113,893	*9,073*	*3,117*
Portfolio investment	267,578	207,814	172,485	*61,205*	95,094	*4,198*	*20,577*
Equity securities	66,735	43,865	37,789	*10,366*	28,945	*2,438*	*7,065*
Debt securities	200,844	163,948	134,695	*50,838*	66,148	*1,759*	*13,512*
Other investment	227,395	166,682	103,568	*52,287*	123,826	*18,519*	*6,721*
Financial derivatives	3,517	×	×	*×*	×	*×*	*×*
Reserve assets	9,750	×	×	*×*	9,750	*×*	*×*
External assets	648,039	432,997	301,959	*125,450*	332,814	*31,790*	*30,415*
Direct investment	145,937	71,732	66,109	*40,771*	79,828	*29*	*56,360*
Portfolio investment	339,641	×	×	*×*	×	*×*	*×*
Other investment	212,033	141,074	111,565	*50,918*	100,469	*4,518*	*12,813*
Financial derivatives	3,532	×	×	*×*	×	*×*	*×*
External liabilities	701,143	×	×	*×*	×	*×*	*×*

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]

	2006[2]			2007[3]		
	Total	Short-term	Long-term	Total	Short-term	Long-term
	End-of-period stocks, EUR million					
Direct investment	6,468	0	6,468	4,272	0	4,272
Portfolio investment	200,844	2,521	198,322	207,153	4,103	203,050
Other investment	227,395	128,626	98,768	261,181	131,705	129,476
Financial derivatives	0	0	0	0	0	0
Reserve assets	9,616	1,813	7,803	12,244	2,414	9,830
Total assets	444,322	132,961	311,361	484,849	138,223	346,627
Direct investment	8,678	0	8,678	22,019	0	22,019
Portfolio investment	269,059	13,702	255,357	291,542	14,344	277,198
Other investment	212,033	157,053	54,980	220,961	163,477	57,484
Financial derivatives	0	0	0	0	0	0
Total liabilities	489,771	170,755	319,016	534,522	177,821	356,700
	Maturity bands, % of total position					
Direct investment	100.0	0.0	100.0	100.0	0.0	100.0
Portfolio investment	100.0	1.3	98.7	100.0	2.0	98.0
Other investment	100.0	56.6	43.4	100.0	50.4	49.6
Financial derivatives	×	×	×	×	×	×
Reserve assets	100.0	18.9	81.1	100.0	19.7	80.3
Total assets	100.0	29.9	70.1	100.0	28.5	71.5
Direct investment	100.0	0.0	100.0	100.0	0.0	100.0
Portfolio investment	100.0	5.1	94.9	100.0	4.9	95.1
Other investment	100.0	74.1	25.9	100.0	74.0	26.0
Financial derivatives	×	×	×	×	×	×
Total liabilities	100.0	34.9	65.1	100.0	33.3	66.7

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

	2006[1]	2007[2]
	EUR million	
Investment position		
Monetary authorities[3]	20,391	24,685
General government	2,914	4,237
Banks	287,271	349,572
Other sectors, total	337,463	338,790
Other financial institutions	165,618	154,789
Nonfinancial corporations	150,194	160,741
Households	21,652	23,261
External assets	648,039	717,284
Monetary authorities[3]	21,674	26,101
General government	131,164	135,921
Banks	310,860	317,413
Other sectors, total	237,445	278,571
Other financial institutions	43,066	58,838
Nonfinancial corporations	192,490	217,038
Households	1,889	2,695
External liabilities	701,143	758,007

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

	Total	Equity securities			Debt securities		
		Total	Stocks	Mutual fund shares	Total	Bonds and notes	Money market instruments
	EUR million						
End-of-period stocks 2007[1]							
Monetary authorities	10,551	1,828	0	1,828	8,723	8,250	474
General government	635	142	46	95	493	493	0
Banks	97,926	3,044	1,527	1,518	94,882	92,844	2,038
Other sectors, total	166,024	62,970	35,395	27,574	103,055	101,463	1,591
Other financial institutions	140,291	47,147	25,945	21,203	93,143	92,477	666
Nonfinancial corporations	6,909	2,424	1,930	494	4,485	3,635	850
Households	18,824	13,398	7,520	5,878	5,426	5,352	75
Portfolio investment – assets	275,136	67,983	36,968	31,015	207,153	203,050	4,103
Monetary authorities	×	×	×	×	×	×	×
General government	123,350	×	×	×	123,350	122,605	745
Banks	153,008	8,846	8,305	540	144,163	130,682	13,481
Other sectors, total	86,590	62,561	40,639	21,923	24,029	23,911	118
Other financial institutions	32,363	28,060	6,137	21,923	4,303	4,268	35
Nonfinancial corporations	54,226	34,502	34,502	×	19,725	19,642	83
Households	×	×	×	×	×	×	×
Portfolio investment – liabilities	362,948	71,407	48,944	22,464	291,542	277,198	14,344
End-of-period stocks 2006[2]							
Monetary authorities	8,175	1,763	129	1,634	6,412	6,363	49
General government	695	130	48	82	565	564	0
Banks	92,238	3,402	1,700	1,702	88,836	87,694	1,142
Other sectors, total	166,471	61,439	36,977	24,462	105,032	103,701	1,331
Other financial institutions	141,056	46,505	27,170	19,335	94,551	94,228	323
Nonfinancial corporations	7,243	1,875	1,325	551	5,367	4,494	873
Households	18,172	13,058	8,482	4,576	5,113	4,979	134
Portfolio investment – assets	267,578	66,735	38,854	27,881	200,844	198,322	2,521
Monetary authorities	×	×	×	×	×	×	×
General government	119,816	×	×	×	119,816	118,991	825
Banks	138,815	10,607	10,024	583	128,207	115,422	12,786
Other sectors, total	81,010	59,976	39,360	20,616	21,034	20,943	91
Other financial institutions	30,621	26,276	5,660	20,616	4,345	4,313	32
Nonfinancial corporations	50,389	33,700	33,700	×	16,690	16,630	59
Households	×	×	×	×	×	×	×
Portfolio investment – liabilities	339,641	70,583	49,384	21,199	269,058	255,356	13,702

Source: OeNB.

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

5 Overview of the OeNB's "Statistiken – Daten & Analysen" Series

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