



EUROPEAN CENTRAL BANK

BALANCE OF PAYMENTS STATISTICS AND  
EXTERNAL RESERVES DIVISION

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## **DEVELOPMENT OF AN INTERNATIONAL INVESTMENT POSITION (I.I.P.) AND INTERNATIONAL RESERVES FOR THE EURO AREA**

**For information of the IMF BOP Committee**

### **Euro area net international investment position**

1. The statistical reporting requirements for euro area Member States in the field of *the international investment position (i.i.p.)* statistics are set out in the Guideline of the European Central Bank No. ECB/1998/17 (the “ECB Guideline”), as endorsed by the Governing Council of the ECB on 1 December 1998. According to Article 1 of the ECB Guideline *cross-border positions of the euro area* comprise the stock of financial claims on and financial liabilities of participating Member States to residents of non-participating Member States of the euro area and/or residents of third countries.
2. The difference between the two sides of these euro area i.i.p. “balance sheet” provides a measure of the euro area net financial position, and the measure would be equivalent to that portion of the euro area’s net worth attributable to, or derived from, its relationship with the rest of the world. A change in stocks during any defined period can be attributable to transactions (basically balance of payments flows); to valuation change reflecting changes in exchange rates, prices, etc.; or to other adjustments (e. g., uncompensated seizures).
3. The breakdown as well as the concepts and definitions of the euro area i.i.p. will be based on the BPM5 and be consistent with the breakdown of the quarterly and annual euro area b.o.p. The i.i.p. statistics will initially be compiled on a net basis, relying on aggregated national data. Thus, external assets and liabilities of the euro area will not be shown separately at this stage.
4. The ECB requires annual data on the i.i.p. statistics nine months after the date to which the data relate. Though the ECB Guideline did not include any provision for transmitting national i.i.p. data prior to end-1998, i.e. before the beginning of Stage Three on Monetary Union, the ESCB Statistics Committee agreed at its February 1999 meeting to provide end-1997 positions.

5. As a result, national i.i.p. data for the compilation of the euro area net i.i.p. related to end-1998 and end-1997 were for the first time transmitted by Member States participating in the euro area on 30 September 1999. At present they are in the process of compilation. Disclosure is foreseen in the December 1999 release of the ECB Monthly Bulletin (Table 8.7) – see annex 1 -. These figures will also be shown on the ECB's Web site and in the IMF's International Financial Statistics publication.

### **Eurosystem's international reserves position**

6. The Eurosystem's *international reserves* consist of highly liquid, marketable and creditworthy claims held by the ECB and the participating national central banks on non-residents of the euro area and denominated in foreign currency (i.e. in currencies other than the euro and its national denominations) plus gold, special drawing rights and the reserve positions in the IMF of the participating NCBs.

7. This definition of Eurosystem's reserve assets was approved by the ECB Governing Council in March 1999 and complies with the guidelines established by the 5th edition of the IMF Balance of Payments Manual. The Eurosystem's reserves as currently presented in Table 8.6 of the ECB Monthly Bulletin – see annex 2 - are compiled on a gross basis without any netting-off of reserve-related liabilities (with the exception of financial derivatives constituting external reserves, which are disclosed on a net basis). Positions are valued on a market basis.

8. Eurosystem's claims on euro area residents which meet the criteria of liquidity, marketability and creditworthiness and are denominated in foreign currency - principally foreign currency deposits with banks located in the euro area - are shown as a memorandum item in Table 8.6 of the ECB Monthly Bulletin. This approach permits a reconciliation of the Eurosystem's international reserves as recorded in the b.o.p. and its foreign currency liquidity position.

9. Following the new requirements derived from the strengthening of the SDDS in the field of international reserves, monthly Eurosystem's international reserves will in principle be disclosed according to the new common IMF/G10 template format as from March 2000 with data referring to end-December 1999, end-January and end-February 2000. In order to ensure a harmonised and consistent Eurosystem's reserve aggregate to be compiled, a set of harmonised guidelines for the compilation of international reserve assets by euro area participating NCBs and the ECB will be agreed by European balance of payments experts and approved by the Statistics Committee in the course of November 1999.

### **Future work on euro area i.i.p. statistics**

10. In the context of the refinement of the IMF SDDS, it was proposed that *the i.i.p. should be considered as a prescribed category of the SDDS*. An interim period of three years is given for the compilation of an annual i.i.p. with a six-month lag, which diverges from the aforementioned nine-month lag agreed at the euro area level. Data submission by the SDDS subscribers to the IMF will start by end-June 2002 for data referring to end-2001.

11. Once annual i.i.p. data had become available, some quarterly information on *external debt* would also have to be provided after a similar transition period. In this line, the IMF's Executive Board also agreed to introduce a *separate SDDS data category for the external debt elements of the i.i.p.* (i) with data for the main components general governments, monetary authorities, banks and other sectors, and (ii) with further breakdowns, such as residual maturity, currency breakdown and off-balance sheet positions. This information is to be disseminated quarterly with a one-quarter lag. Data submission by the SDDS subscribers to the IMF will also start in 2002.

12. Although the SDDS requirements do not impose direct obligations regarding compilation of euro area statistics, it is the aim of the ECB Directorate Statistics (D-S) to fulfil this international standards for euro area statistics to the greatest possible extent. However, it has to be borne in mind that the production of statistics for the whole euro area is in most of the cases not the result of a simple aggregation procedure but requires a consolidation process which involves additional information to that used for national purposes.

13. Taking into account this relevant factor, the prioritisation of the statistical information to be regularly compiled for the euro area becomes of utmost importance in order to drive the resources of the participating NCBs to obtain this information which is considered more relevant for the ESCB monetary and economic functions. As a result, in the field of i.i.p. and external debt statistics, the Statistics Committee (STC) has recently agreed on the following:

- (1) *the compilation of an annual euro area i.i.p. showing separate positions for euro area assets and liabilities is regarded as a high priority project in this field.* The implementation of an annual euro area wide portfolio investment survey (EPIS), supplemented with a centralised securities database and which concrete coverage and details would be further investigated in the short future, is considered as a key element towards this objective;
- (2) *quarterly i.i.p. for the euro area is regarded as a non-priority issue.* As a first step, i.e. in 2002, consideration is given to a simple solution where a net quarterly euro area i.i.p. would be compiled either by simple aggregation of national quarterly i.i.p. statistics, if available in all euro area Member States, or by adding the quarterly euro area b.o.p. flows to the annual net i.i.p. The quality of such quarterly i.i.p. would however be debatable;
- (3) finally, as the new core definition of external debt which is currently under preparation by the Inter-Agency Task Force on Finance Statistics will be consistent with i.i.p. concepts as enunciated in BPM5, SNA93, and ESA95, the STC considers *that the liabilities side of a euro area i.i.p. would provide sufficient information on euro area external commitments.* Once the annual gross euro area i.i.p. would be completed, consideration may be given to a more frequent, namely quarterly, production. *A specific dissemination of external debt data is not considered relevant for the euro area (and the countries participating in it)* since many of the debt positions, especially the very short-term ones, are offset by corresponding assets.

**Table****Net International Investment Position of the <sup>1)</sup>***(ECU billions; assets minus liabilities; end-of-period positions)*

	Total	Direct investment			Portfolio investment					Financial derivatives	Other investment				Reserve assets <sup>2),3)</sup>
		Total	Equity (including reinvested earnings)	Other capital	Total	Equity securities	Debt instruments				Total	Trade credits	Loans currency and deposits	Other assets / liabilities	
							Total	Bonds and notes	Money market instruments						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
1997															
1998															

1997  
1998

Source: ECB.

1) Since data reported for end-1997 and end-1998 make no distinction between cross-border positions within and outside the euro area, assets and liabilities of the euro area as a whole cannot be shown separately except in column 15 (assets only).

2) Data from end-1998 are not closely comparable with earlier observations.

3) For more detailed breakdown, see Table 8.6 - Section 1.

**Table 8.6**  
**Reserves and related assets of the Eurosystem**

**1. Outstanding amounts <sup>1)</sup>**

(EUR billions; end-of-period positions, unless otherwise indicated)

	Reserve assets							Memo: Related assets
	Total	Monetary gold	In fine troy ounces (millions)	Special drawing rights	Reserve position in the IMF	Foreign exchange	Other claims	Claims on euro area residents denominated in foreign currency
1999 1 Jan.	330.3	99.6	405	6.0	22.5	201.5	0.7	7.6
Jan.	339.1	101.9	405	6.0	22.7	206.9	1.6	7.5
Feb.	341.1	105.6	405	3.0	22.7	209.1	0.7	9.4
Mar.	350.2	105.9	405	3.9	23.5	215.2	1.8	10.1
Apr.	352.8	109.6	405	5.5	23.9	212.0	1.7	11.7
May	345.1	103.9	405	5.0	24.1	210.5	1.7	12.3
June	346.5	102.2	404	4.3	24.7	213.7	1.6	12.7
July	341.4	96.6	404	4.1	24.1	214.9	1.7	12.3

**2. Balance of payments flows <sup>2)</sup>**

(EUR billions; net flows)

	Reserve assets												Other claims
	Total	Monetary gold	Special drawing rights	Reserve position in the IMF	Foreign exchange							Financial derivatives	
					Total	Currency and deposits		Securities			Money market instruments		
						With monetary authorities and the BIS	With banks	Equity	Bonds and notes				
1	2	3	4	5	6	7	8	9	10	11	12		
1999 Q1	5.5	0.0	2.5	0.0	3.3	1.5	3.0	0.0	1.3	-2.5	0.0	-0.3	

Source: ECB.

1) The figures are not fully comparable with those of Table 1.1 owing to differences in coverage and valuation.

2) Increase (-); decrease (+).