

## IIP Compilation and Methodology

### **Definition:**

International Investment Position (IIP) is a statistical annually end of period stock-based report reflecting the country's external financial assets and liabilities of all resident sectors (expressed in millions of US dollars). In Egypt, the compilation of Egypt's international investment position IIP is based on the BPM5, and the sources of data are mainly the same as those used to compile the BOP financial account.

### **Purpose:**

It shows the difference between what an economy owns in relation to what it owes. The net IIP, combined with the stock of an economy's Non-financial assets, composes the net worth of that economy.

### **Reporting period:**

In Egypt, IIP is reported annually at end of December

### **Components**

The IIP is broken down into the following data categories: *1-Direct investment*, *2-Portfolio investment*, *3-Financial Derivatives (not available in Egypt)*, *4-Other investment* and *5-Reserve assets*. Standard components, according to the BPM5, consist of the beginning and the end of period positions of external assets and liabilities. Changes in positions during the period are associated with transactions but still are not associated with exchange rate changes, price changes and other adjustments.

### **Methodology:**

#### **1- Direct Investment:**

The first functional category, direct investment, is classified by direction of investment-*direct investment abroad (Assets)* and *direct investment in Egypt (Liabilities)*, it presents the flow data in the financial account of the balance of payments.

- **Direct investment abroad (Assets):** Data are based on flows from exchange records, and estimated by summing up flows as of base year 1977.
- **Direct investment in Egypt (Liabilities):** Data is mainly derived from exchange records. Data is estimated by summing up flows as of base year 1970; data is based on FDI flows collected from the exchange records

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through resident banks and from the Capital Market Authority for investment inflows that meet the 10 percent criteria in the context of implementing the privatization program .In general, only cash transactions are measured either through exchange records or Capital Market Authority. Non-cash transactions, such as reinvested earnings and equity provided in the form of machinery, are derived from General Authority For Investment (GAFI)

## **2- Portfolio investment:**

- **Portfolio investment abroad (Assets):** Data is mainly derived from an annual survey conducted under the guidance of the IMF Coordinated Portfolio Investment Survey (CPIS) and based on the data collected from end investors covering banks and insurance sectors.
- **Portfolio investment in Egypt (Liabilities):** data is obtained from the stock of the bonds and notes issued abroad [Resident financial institution holdings (CBE, banks, and insurance & reinsurance companies) are excluded from the CBE figures]. Other liabilities (equities) are obtained from Exchange Records .

As the stock of outward or inward direct investment and the inward portfolio investment in Egypt, unlike in many countries, still are not based on surveys, these stock are derived – for the time being - from summing up flows shown in BOP estimates using perpetual inventory method.

## **3- Financial Derivatives:**

As there are no Derivatives in Egypt, this item is not applicable.

## **4- Other Investment:**

Other Investment is classified by instrument and by sectors. The instruments include trade credits, loans, currency and deposits, and other assets and liabilities. The sector classification is by monetary authorities, general government, banks, and other sectors, as well as classification by original maturity (short and long term) except for currency and deposits .

Data on external debt is derived from Loan and External Debt Department (LEDD) at the CBE. External financial assets and liabilities of banks and the CBE (including reserve assets) are obtained from their balance sheets. Foreign currencies held by households as a store of value are not included in other investment assets. Data on deposits held abroad by resident non-bank sector is obtained from the BIS Quarterly Review.

Other investment includes loans, deposits, other assets and other liabilities .

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- **On the assets side**, we include the foreign assets of banks with the non-resident banks, and non-reserve assets of the central bank, which comprise the stock of subscription in international organizations and the stock of payment agreements .
- **On the liabilities side**, the loans include short-term and long-term borrowing from foreign banks and non-banks depending on data furnished by banks and submitted to LEDD. The data on deposit liabilities includes all Egyptian pound and foreign currency deposits by non-resident with Egyptian banks and CBE.

Bank's stock data of their foreign assets and foreign liabilities is derived from their balance sheets. Data on deposits held abroad by resident non-bank sector is obtained from the BIS Quarterly Review.

### **5- Reserve assets :**

The stock of CBE's reserve assets is derived from the CBE's balance sheet. Official reserve assets consist of assets held by the Central Bank of Egypt (CBE). Data on Monetary gold, SDR's, IMF reserve position, and foreign exchange holdings is obtained from the Central Bank's balance sheet. The data is reported in terms of outstanding amounts and gold is valued at end of June market rate, whereas SDR's and convertible currencies are valued at the end of each month exchange rate. Assets that are not readily available for BOP purposes are excluded and classified as the CBE's non-reserve assets.