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# International Investment Position of Serbia

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*Introduction-* The International Investment Position (IIP) of the Republic of Serbia is prepared quarterly and represents the state at the end of the period, which is the result of realized balance of payments transactions, currency changes, price changes, and other changes, and represents the balance sheet of its external financial assets and liabilities. The standard components of IIP are structured primarily on assets and liabilities and on a functional basis on direct investments (equity and debt instruments), portfolio investments (equity and debt securities), financial derivatives and other investments (other equity capital, ready money and deposits, loans, insurance and pension programs and standardized guarantee schemes, trade credits and advances, other claims/debts, and SDRs allocation) and foreign exchange reserves (monetary gold, special drawing rights, reserve position with the IMF, other reserve assets, cash and deposits, securities, financial derivatives, and other receivables). The definitions of the standard components of IIP are fully methodologically harmonized with the components of the financial account of the balance of payments. In IIP, the following sectors are shown separately: central banks, states, depository institutions other than the central bank, and other sectors. IIP components (where it makes sense) are also shown according to original maturity, with a division into short-term (up to one year) and long-term (over one year) financial assets and liabilities.

*GJMBR-B Classification:* *FOR Code: F21, F32*

INTERNATIONALINVESTMENTPOSITIONOFSERBIA

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## Introduction

The International Investment Position (IIP) of the Republic of Serbia is prepared quarterly and represents the state at the end of the period, which is the result of realized balance of payments transactions, currency changes, price changes, and other changes, and represents the balance sheet of its external financial assets and liabilities. The standard components of IIP are structured primarily on assets and liabilities and on a functional basis on direct investments (equity and debt instruments), portfolio investments (equity and debt securities), financial derivatives and other investments (other equity capital, ready money and deposits, loans, insurance and pension programs and standardized guarantee schemes, trade credits and advances, other claims/ debts, and SDRs allocation) and foreign exchange reserves (monetary gold, special drawing rights, reserve position with the IMF, other reserve assets, cash and deposits, securities, financial derivatives, and other receivables). The definitions of the standard components of IIP are fully methodologically harmonized with the components of the financial account of the balance of payments. In IIP, the following sectors are shown separately: central banks, states, depository institutions other than the central bank, and other sectors. IIP components (where it makes sense) are also shown according to original maturity, with a division into short-term (up to one year) and long-term (over one year) financial assets and liabilities. The main sources of data for the IIP are reports on credit and financial transactions submitted to the NBS, statistical data on foreign payment transactions carried out through banks and the NBS, direct reports of companies, reports of monetary and financial statistics of the NBS, and management of foreign exchange reserves.

In addition to the balance of payments and external debt, the balance of the international investment position is an integral part of the statistics of economic relations with foreign countries. By definition, it is a balance sheet. The International Investment Position (IIP) includes financial assets and liabilities that have an international character. IIP is the balance sheet of a country's foreign financial assets and liabilities. Foreign financial assets (FIA) include financial claims of residents on non-residents and monetary gold, which is part of the country's reserve assets. Foreign financial liabilities (FIL) include financial obligations of residents to non-residents. IIP, as a rule, shows the situation at the beginning and at the end of the accounting period (most often a quarter or a year). Changes in financial assets and liabilities at the beginning and end of the period are caused by changes resulting from transactions (covered by the balance of payments) or other changes during the observation period. Other changes include changes based on write-off, revaluation, reclassification, or the or the creation or disappearance of liabilities and are not the result of transactions between non-residents and residents. As the difference between foreign financial assets and liabilities, IIP clearly shows the difference between the financial assets that an economy has and the assets it owes. Depending on the sign of the IIP, the country can be a net creditor or a net debtor in relation to the rest of the world. The IIP represents the basis for assessing the country's risk exposure in economic relations with other countries since it contains a presentation of the level, sectoral distribution, and maturity of foreign liabilities, especially foreign indebtedness, as well as the volume and structure of claims from non-residents. The IIP is a statistical report that the IMF member countries, in accordance with Article VIII, Section 5 of the Statute of this institution, are obliged to submit to the IMF according to the established dynamics. The IIP is prepared in accordance with the IMF Manual for preparing the balance of payments and international investment position, sixth edition (Balance of Payments and International Investment Position Manual, Sixth Edition, BPM6, 2008), and with the IMF Manual for preparing external debt. In addition to foreign debt, a country with a passive investment position is also a debtor based on the inflow of foreign investments, because these funds are the investor's inalienable right to dispose of them in the home country in accordance with the defined rules and laws of the recipient country. The impact of investment inflows on international liquidity and the country's position is two-sided. In casethe inflow of foreign investments into the country's assets increases with the amount of invested funds; foreign exchange liquidity increases and has a positive impact on the balance of payments. The effect of apparent liquidity and positive impact on the balance of payments is created. In the event of an outflow based on the reinvestment of profits, the transfer of part of the capital or, in the last instance, the withdrawal of invested capital, in the case of fragile international liquidity, the country falls into insurmountable difficulties that threaten

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the entire economic and monetary system (excess unemployment, outflow of capital, reduction of economic activity, etc.).

Serbia's international investment position in millions of euros

| (mill EUR) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| ITEM | | Position as of | Position as of | Position as of | Position as of | Position as of | Position as of | Position as of | Position as of |
| | | 31.12.2017 | 31.12.2018 | 31.12.2019 | 31.12.2020 | 31.12.2021 | 31.12.2022 | 31.12.2023 | 31.3.2024 |
| **1.** | **Assets** | **21.112** | **24.037** | **26.681** | **28.539** | **33.403** | **37.484** | **44.785** | **46.426** |
| **1.1** | **Direct investment** | **3.014** | **3.339** | **3.641** | **3.723** | **4.014** | **4.279** | **4.593** | **4.784** |
| 1.1.1 | Equity and investment fund shares | 2.608 | 2.925 | 3.218 | 3.277 | 3.569 | 3.667 | 3.908 | 4.090 |
| 1.1.1.1 | Equity other than reinvestment of earnings | 1.758 | 2.028 | 2.251 | 2.310 | 2.519 | 2.594 | 2.723 | 2.899 |
| 1.1.1.2 | Reinvestment of earnings | 850 | 897 | 967 | 967 | 1.049 | 1.074 | 1.185 | 1.191 |
| 1.1.2 | Debt instruments | 406 | 415 | 422 | 446 | 446 | 611 | 685 | 694 |
| **1.2** | **Portfolio investment** | **237** | **249** | **290** | **438** | **618** | **580** | **727** | **1.003** |
| 1.2.1 | Equity and investment fund shares | 82 | 101 | 154 | 223 | 270 | 152 | 206 | 251 |
| 1.2.1.4 | Other sectors | 31 | 41 | 58 | 86 | 116 | 137 | 206 | 251 |
| 1.2.2 | Debt securities | 155 | 147 | 136 | 215 | 348 | 428 | 521 | 752 |
| 1.2.2.2 | Deposit-taking corporations, except central bank | 149 | 143 | 127 | 208 | 338 | 422 | 490 | 723 |
| 1.2.2.2.1 | Short-term | 0 | 0 | 0 | 0 | 0 | 0 | 34 | 171 |
| 1.2.2.2.2 | Long-term | 149 | 143 | 127 | 208 | 338 | 422 | 456 | 552 |
| **1.3** | **Financial derivatives (other than reserves) and employee stock options** | **29** | **50** | **51** | **54** | **54** | **54** | **54** | **54** |
| **1.4** | **Other investment** | **7.870** | **9.137** | **9.321** | **10.832** | **12.262** | **13.156** | **14.502** | **15.644** |
| **1.4.2** | **Currency and deposits** | **4.423** | **4.999** | **4.774** | **5.374** | **6.304** | **6.887** | **7.238** | **8.128** |
| 1.4.2.2 | Deposit-taking corporations, except central bank | 1.234 | 1.781 | 1.561 | 2.176 | 3.083 | 2.947 | 3.248 | 4.164 |
| 1.4.2.4 | Other sectors | 3.189 | 3.217 | 3.213 | 3.197 | 3.220 | 3.940 | 3.990 | 3.964 |
| **1.4.3** | **Loans** | **265** | **399** | **447** | **470** | **521** | **547** | **566** | **516** |
| 1.4.3.2 | Deposit-taking corporations, except central bank | 252 | 386 | 436 | 462 | 513 | 542 | 561 | 511 |
| 1.4.3.2.1 | Short-term | 23 | 21 | 33 | 26 | 45 | 35 | 23 | 7 |
| 1.4.3.2.2 | Long-term | 230 | 365 | 403 | 436 | 467 | 507 | 537 | 504 |
| 1.4.3.3 | General government | 10 | 10 | 10 | 7 | 6 | 5 | 5 | 5 |
| **1.4.4** | **Insurance, pension, and standardized guarantee schemes (F60)** | **30** | **114** | **88** | **56** | **59** | **50** | **85** | **85** |
| **1.4.5** | **Trade credit and advances** | **3.143** | **3.617** | **4.006** | **4.930** | **5.375** | **5.667** | **6.602** | **6.905** |
| 1.4.5.4 | Other sectors | 3.143 | 3.617 | 4.006 | 4.930 | 5.375 | 5.667 | 6.602 | 6.905 |
| 1.4.5.4.1 | Short-term | 3.105 | 3.578 | 3.977 | 4.901 | 5.346 | 5.638 | 6.474 | 6.777 |
| 1.4.5.4.2 | Long-term | 39 | 39 | 28 | 28 | 28 | 28 | 128 | 128 |
| **1.4.6** | **Other accounts receivable/payable** | **8** | **8** | **6** | **3** | **3** | **5** | **10** | **10** |
| **1.5** | **Reserve assets** | **9.962** | **11.262** | **13.378** | **13.492** | **16.455** | **19.416** | **24.909** | **24.942** |
| 1.5.1 | Monetary gold | 675 | 736 | 1.337 | 1.760 | 1.931 | 2.105 | 2.393 | 2.687 |
| 1.5.4 | Other reserve assets | 9.219 | 10.457 | 11.973 | 11.666 | 13.678 | 17.241 | 22.448 | 22.185 |
| 1.5.4.1 | Currency and deposits | 3.078 | 3.949 | 4.543 | 4.956 | 6.384 | 8.782 | 9.958 | 8.070 |
| 1.5.4.2 | Securities | 6.140 | 6.509 | 7.430 | 6.710 | 7.294 | 8.459 | 12.490 | 14.115 |
| 1.5.4.2.1 | Debt securities | 6.140 | 6.509 | 7.430 | 6.710 | 7.294 | 8.459 | 12.490 | 14.115 |
| 1.5.4.2.1.1 | Short-term | 2.278 | 2.915 | 3.161 | 2.812 | 2.531 | 4.049 | 3.436 | 4.297 |
| 1.5.4.2.1.2 | Long-term | 3.862 | 3.593 | 4.269 | 3.898 | 4.762 | 4.410 | 9.054 | 9.818 |

*Source: nbs.rs/statistics of economic relations with foreign countries/international financial position*

Serbia is a net debtor based on foreign investments for more than 50 billion euros, namely, liabilities based on the inflow of foreign investments are 96.5 billion, while the funds invested by Serbia cumulatively as of 3103.2024 amount to 46.4 billion.

On the asset side, other investments dominate 15.6, and of course foreign exchange reserves of over 24.9 billion euros. Other investments consist mainly of trade and commercial loans and cash on accounts abroad. In terms of liabilities based on foreign investments, the positions of reinvestment of profits of over 10 billion and debt instruments of over 11.8 billion are particularly sensitive. Practically, in the scenario that for various reasons investors decide to withdraw funds from Serbia, the foreign exchange reserves would be completely canceled and the country would end up in a chaotic scenario of maintaining external liquidity. Economic and social life is practically maintained through a very fragile and unstable environment of accumulation of public debt of the state, external debt of the state and the economy, and ownership of the economy and financial system by non-resident owners.



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| ITEM | | Position as of 31.12.2017 | Position as of 31.12.2018 | Position as of 31.12.2019 | Position as of 31.12.2020 | Position as of 31.12.2021 | Position as of 31.12.2022 | Position as of 31.12.2023 | Position as of 31.3.2024 |
|---|---|---|---|---|---|---|---|---|---|
| **2.** | **Liabilities** | **56.691** | **61.591** | **67.158** | **70.813** | **77.713** | **86.874** | **94.790** | **96.589** |
| **2.1** | **Direct investment** | **31.524** | **35.208** | **39.029** | **42.572** | **46.126** | **50.207** | **54.784** | **56.258** |
| 2.1.1 | Equity and investment fund shares | 26.248 | 29.507 | 32.944 | 35.009 | 37.226 | 39.848 | 43.415 | 44.456 |
| 2.1.1.1 | Equity other than reinvestment of earnings | 21.725 | 23.841 | 26.092 | 27.776 | 29.287 | 31.098 | 33.484 | 34.267 |
| 2.1.1.2 | Reinvestment of earnings | 4.523 | 5.665 | 6.852 | 7.233 | 7.939 | 8.750 | 9.931 | 10.189 |
| 2.1.2 | Debt instruments | 5.275 | 5.701 | 6.085 | 7.563 | 8.900 | 10.359 | 11.369 | 11.802 |
| **2.2** | **Portfolio investment** | **5.421** | **4.749** | **5.126** | **6.955** | **8.796** | **8.789** | **9.860** | **9.778** |
| 2.2.1 | Equity and investment fund shares | 29 | 19 | 20 | 23 | 33 | 26 | 38 | 35 |
| 2.2.1.4 | Other sectors | 29 | 19 | 14 | 14 | 12 | 21 | 33 | 30 |
| 2.2.2 | Debt securities | 5.393 | 4.729 | 5.106 | 6.932 | 8.763 | 8.764 | 9.821 | 9.743 |
| 2.2.2.3 | General government | 5.393 | 4.729 | 5.101 | 6.927 | 8.763 | 8.757 | 9.810 | 9.731 |
| 2.2.2.3.2 | Long-term | 5.393 | 4.729 | 5.101 | 6.927 | 8.763 | 8.757 | 9.810 | 9.731 |
| **2.3** | **Financial derivatives (other than reserves) and employee stock options** | **1** | **1** | **1** | **1** | **25** | **144** | **217** | **213** |
| **2.4** | **Other investment** | **19.745** | **21.634** | **23.002** | **21.284** | **22.766** | **27.733** | **29.929** | **30.340** |
| **2.4.1** | **Other equity** | **2** | **3** | **3** | **3** | **4** | **6** | **21** | **25** |
| **2.4.2** | **Currency and deposits** | **996** | **1.029** | **1.086** | **984** | **1.256** | **1.839** | **2.101** | **2.248** |
| 2.4.2.2 | Deposit-taking corporations, except central bank | 996 | 1.029 | 1.086 | 984 | 1.256 | 1.839 | 2.101 | 2.248 |
| **2.4.3** | **Loans** | **15.885** | **17.439** | **18.579** | **17.908** | **19.138** | **23.027** | **24.147** | **24.296** |
| 2.4.3.2 | Deposit-taking corporations, except central bank | 2.336 | 3.063 | 3.404 | 3.821 | 3.985 | 4.328 | 3.681 | 3.457 |
| 2.4.3.2.1 | Short-term | 817 | 1.346 | 1.445 | 1.473 | 1.356 | 1.672 | 343 | 213 |
| 2.4.3.2.2 | Long-term | 1.519 | 1.717 | 1.959 | 2.348 | 2.629 | 2.657 | 3.338 | 3.245 |
| 2.4.3.3 | General government | 9.686 | 10.053 | 10.426 | 9.751 | 10.825 | 12.719 | 14.927 | 15.027 |
| 2.4.3.3.3 | Other Long-term | 9.686 | 10.053 | 10.426 | 9.751 | 10.825 | 12.719 | 14.927 | 15.027 |
| 2.4.3.4 | Other sectors | 3.836 | 4.302 | 4.736 | 4.332 | 4.328 | 4.998 | 5.540 | 5.811 |
| 2.4.3.4.1 | Short-term | 13 | 23 | 52 | 28 | 101 | 398 | 108 | 49 |
| 2.4.3.4.2 | Long-term | 3.823 | 4.278 | 4.684 | 4.304 | 4.227 | 4.600 | 5.431 | 5.763 |
| **2.4.4** | **Insurance, pension, and standardized guarantee schemes (F60)** | **19** | **26** | **17** | **23** | **48** | **59** | **76** | **76** |
| **2.4.5** | **Trade credit and advances** | **2.297** | **2.572** | **2.741** | **1.810** | **951** | **1.428** | **2.250** | **2.344** |
| 2.4.5.4 | Other sectors | 2.297 | 2.572 | 2.741 | 1.810 | 951 | 1.428 | 2.250 | 2.344 |
| 2.4.5.4.1 | Short-term | 2.127 | 2.400 | 2.579 | 1.718 | 820 | 1.343 | 2.169 | 2.259 |
| 2.4.5.4.2 | Long-term | 169 | 171 | 162 | 92 | 131 | 86 | 81 | 85 |
| **2.4.6** | **Other accounts receivable/payable** | **18** | **25** | **26** | **36** | **42** | **34** | **34** | **34** |
| **2.4.7** | **Special drawing rights** | **529** | **541** | **549** | **521** | **1.327** | **1.340** | **1.300** | **1.317** |
| **NET IIP** | | **-35.579** | **-37.555** | **-40.478** | **-42.274** | **-44.310** | **-49.390** | **-50.005** | **-50.163** |
| Source: NBS | | | | | | | | | |
| NOTE: The presentation of IIP is, as far as possible, in line with the guidelines contained in the sixth edition of the IMF Balance of Payments and International Investment Position Manual, 2009 (BPM6). Data are subject to corrections in line with the official data sources.Table is in accordance with data available until June 28, | | | | | | | | | |

When the total debt on all bases is added up, the state (24 billion), the economy and the population (24) are indebted over 110 billion euros through internal public debt (10 billion), external debt of the economy and population of 21 billion and debt based on incoming foreign investments that is, property that non-residents dispose of. If we add to that the liabilities of banks that are almost 100% foreign-owned, i.e. cash reserves at the NBS in the amount of over 1,000 billion dinars or 9 billion euros, foreign liabilities of 643 billion and capital and reserves of 804 billion, the total open position of banks is 21 billion euros. Certainly, a part of foreign investments in the international investment position refers to the banking sector. Be that as it may, this position makes the state very vulnerable to external shocks and the possibility of "capital flight", which in the extreme case significantly affects the overall sovereignty of the state and its international, first of all, political and, consequently, economic position.



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