International Investment Position of Montenegro
- *methodological explanation*-

International investment position of Montenegro is compiled quarterly on the basis of the IMF's Balance of Payments and International Investment Position Manual, Sixth Edition - BPM6[1], as well as the EU regulations on Community statistics concerning balance of payments, international trade in services and foreign direct investment (Regulation (EC) no. 184/2005 and Commission Regulation (EU) 555/2012). International investment position (IIP) represents the balance of a country`s external financial assets and liabilities at the end of the period. Financial assets that residents claim from non-residents are shown on the assets side, while liabilities to non-residents are shown on the liabilities side. The difference between a country's external financial assets and liabilities represents the net international investment position.

According to the IMF`s methodology, besides transactions (recorded in the balance of payments), the international investment position also covers changes between two accounting periods occurred due to a change in prices by categories of assets/liabilities, exchange rate changes, as well as other adjustments resulting from the allocation or cancellation of SDRs, unilateral debt write-off by creditors, reclassifications and otherwise, as defined by international standards (BPM6).

In accordance with the BMP6, functional categories in the IIP are disclosed as assets and liabilities. Assets/liabilities increase and decrease are shown with a plus (+) and a minus (-) sign, respectively. A net value of these categories is the difference between assets and liabilities. When the net position is negative, this means that the country has foreign capital inflows (mostly in the form of capital investments or debt) that are larger than its foreign investments.

Montenegro`s international investment position is published on a quarterly basis from September 2022 (data series from Q1-2019). The structure of the IIP is fully in line with the structure of the financial account. The main components are: foreign direct investments, portfolio investments, financial derivatives, and other investments[2], as well as reserve assets[3]. Definitions of standard IIP components are methodologically aligned with the financial account positions.

In order to compile the IIP, the CBCG uses:

- direct reporting by residents (direct reporting of residents on FDIs and loans);
- statistics compiled within the CBCG (balance of payments and monetary statistics);
- administrative sources of data (Ministry of Finance, IMF), and estimates.

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[1] Balance of Payments and International Investment Position Manual, 6th Edition, IMF, 2009 (http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm)

[2] An assessment of cash in circulation on the asset side is included, as well as an assessment of the state of portfolio investments on the liability side.

[3] Data on the balance of trade credits and advances, on the liabilities side, which are not available for now, are not included.

External debt of Montenegro

- methodological explanation-

Gross external debt[4] statistics are compiled quarterly in line with the IMF`s methodology prescribed under the Balance of Payments and International Investment Position Manual (BPM6) and External Debt Statistics – Guide for Compilers and Users, 2014. The structure of external debt is broken down by institutional sectors, debt instruments, and maturity. Debt classification by the sector and instruments is consistent with the financial account classifications as per the BMP6.

Gross external debt represents the total debt of a country`s public and private sectors to foreign creditors (non-residents). The structure of external public debt is disclosed per institutional sectors:

- General government[5] - central government, local governments, as well as legal persons and corporates mainly providing services of public interest and which are controlled and primarily funded by the government, in accordance with the Ministry of Finance`s definition;
- Central Bank (SDR allocation);
- Deposit taking corporations, except the central bank (commercial banks);
- Other sectors – all financial institutions other than banks, nonfinancial corporates, non-profitable institutions providing services to households, and nonprofit institution serving households, including entrepreneurs and natural persons;
- Direct investments: intercompany borrowings – debt investments between creditors and debtors of other sectors which are affiliated enterprises.

Data for each sector (other than direct investments) are disclosed as per maturity (short- and long-term) and instruments resulting in debt liabilities (currency and deposits, debt securities, loans, trade credits and advances, other debt liabilities and direct investments: intercompany borrowings). The country`s total external debt represents outstanding debt liabilities at a given date, including all outstanding liabilities arising from principal and interest. Annual data published for the first time have the preliminary status as the release of data for the next year is expected to revise the previous year data in view of the subsequent information received and/or changes on the side of the data source.

In order to compile the external debt statistics[6] the CBCG uses:
- direct reporting by residents (direct reporting of residents on loans);
    - statistics compiled within the CBCG (balance of payments and monetary statistics),
    - administrative sources of data (Ministry of Finance, IMF) and estimations.

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[4] There are open methodological issues arising from a detailed analysis of external debt by enterprises, which show a significant share of loans that are not repaid and represent potential FDIs.

[5] The coverage of the general government follows the IMF methodology prescribed by the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) and the External Debt Statistics - Guide for Compilers and Users and deviates from the coverage in the national definition (includes debt local self-governments and the debt of legal entities and companies to non-residents (recommendation of the World Bank).

[6] The foreign debt of other sectors includes data on liabilities based on investments of non-residents in domestic debt securities (which are not Eurobonds), while liabilities based on trade credits and advances, which are mostly of a short-term nature, are not included. It is estimated that the position of trade credits and advances cannot significantly affect the net value of IIP.