



EUROPEAN CENTRAL BANK

EUROSYSTEM

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## PRESS RELEASE

### EURO AREA BALANCE OF PAYMENTS IN AUGUST 2010 AND INTERNATIONAL INVESTMENT POSITION AT THE END OF THE SECOND QUARTER OF 2010

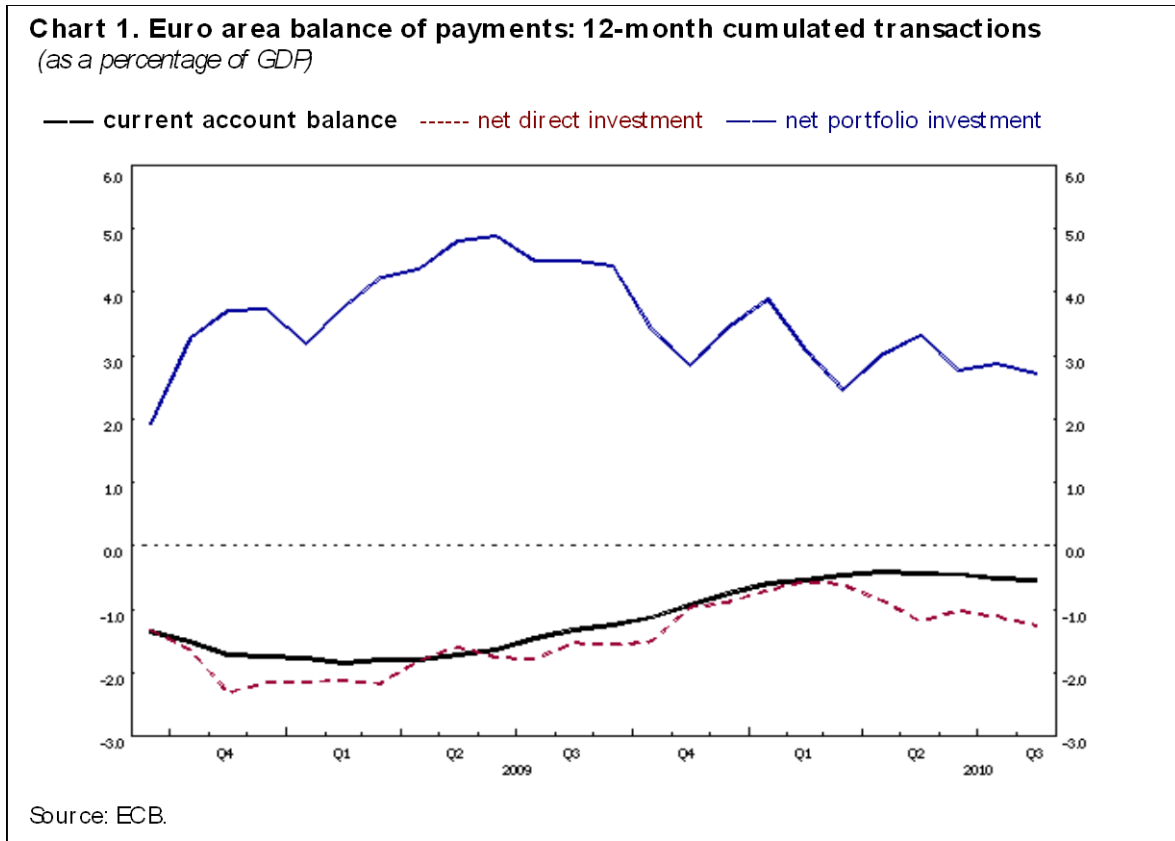
*In August 2010 the seasonally adjusted current account of the euro area recorded a deficit of EUR 7.5 billion. In the financial account, combined direct and portfolio investment recorded net outflows of EUR 1 billion (non-seasonally adjusted).*

*At the end of the second quarter of 2010, the international investment position of the euro area recorded net liabilities of EUR 1.1 trillion vis-à-vis the rest of the world (12% of euro area GDP). This represented a reduction of EUR 202 billion in comparison with the position at the end of the previous quarter.*

#### **Balance of payments in August 2010**

The seasonally adjusted *current account* of the euro area recorded a deficit of EUR 7.5 billion in August 2010 (see Table 1). This reflected deficits in both *current transfers* (EUR 8.5 billion) and *income* (EUR 1.3 billion), which were partly offset by surpluses in *services* (EUR 1.5 billion) and in *goods* (EUR 0.9 billion).

The 12-month cumulated seasonally adjusted *current account* recorded a deficit of EUR 48.6 billion in August 2010 (around 0.5% of euro area GDP – see Chart 1), compared with a deficit of EUR 118.8 billion a year earlier. The reduction of the current account deficit was due to a decrease in the deficit in *income* (from EUR 63.0 billion to EUR 17.2 billion) and increases in the surpluses in *goods* (from EUR 10.6 billion to EUR 31.7 billion) and *services* (from EUR 29.0 billion to EUR 35.0 billion). Conversely, the deficit in *current transfers* increased (from EUR 95.5 billion to EUR 98.1 billion)



In the financial account (see Table 2), *combined direct and portfolio investment* recorded net outflows in August 2010 (EUR 1 billion), as net outflows in *direct investment* (EUR 11 billion) were partly offset by net inflows in *portfolio investment* (EUR 10 billion).

The outflows in *direct investment* resulted mainly from net outflows in *equity capital and reinvested earnings* (EUR 16 billion).

The net inflows in *portfolio investment* were predominantly accounted for by net inflows in *equity* (EUR 22 billion), which resulted mainly from net purchases of euro area equity by non-residents.

*Financial derivatives* recorded net inflows of EUR 4 billion.

The *other investment account* recorded net inflows (EUR 9 billion), reflecting predominantly net inflows in *other sectors* (EUR 9 billion).

The [Eurosystem's stock of reserve assets](#) was EUR 573 billion at the end of August 2010. The transactions in August 2010 did not significantly contribute to the increase in the overall position.

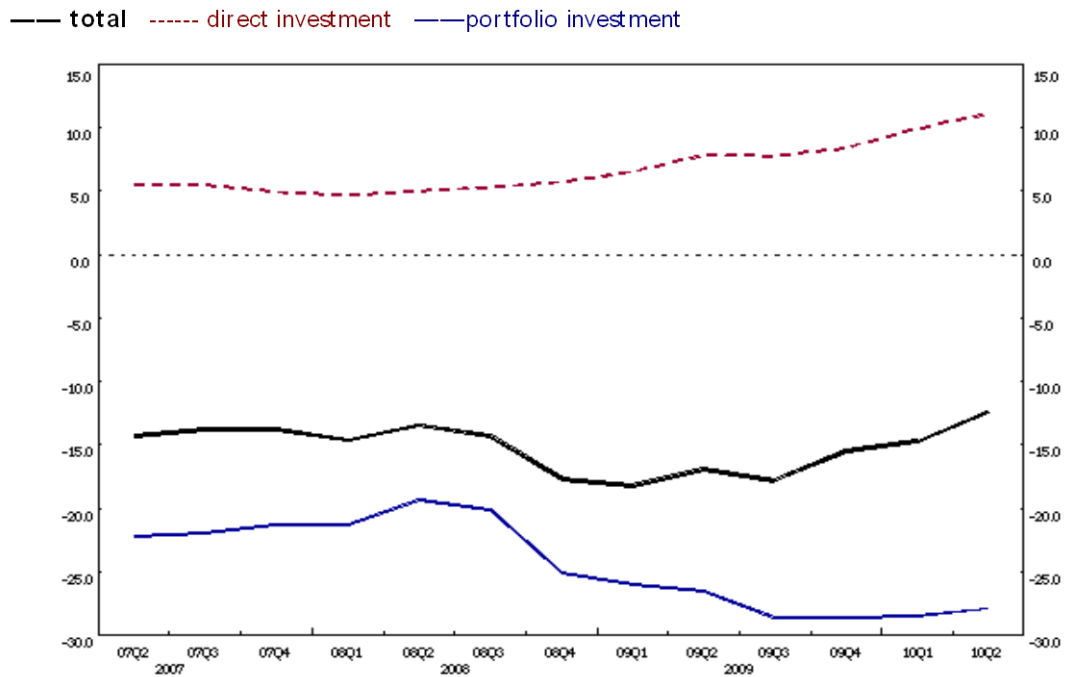
In the 12-month period to August 2010, *combined direct and portfolio investment* recorded cumulated net inflows of EUR 131 billion, compared with net inflows of EUR 266 billion a year earlier. This decrease was mainly the result of lower net inflows in *portfolio investment* (down from EUR 404 billion to EUR 244 billion), which were partly offset by lower net outflows in *direct investment* (down from EUR 138 billion to EUR 113 billion).

### **International investment position at the end of the second quarter of 2010**

At the end of the second quarter of 2010, the international investment position of the euro area recorded net liabilities of EUR 1.1 trillion vis-à-vis the rest of the world (about 12% of euro area GDP – see Chart 2). This represented a reduction of EUR 202 billion in comparison with the revised data at the end of the first quarter of 2010 (see Table 3).

The change in the net international investment position was mainly due to higher net asset positions in *direct investment* (which rose from EUR 890 billion to EUR 1 005 billion) and *reserve assets* (which increased from EUR 499 billion to EUR 583 billion), and a lower net liability position in *portfolio investment* (from EUR 2 555 billion to EUR 2 525 billion). The changes in the net positions in *direct investment*, *portfolio investment* and *reserve assets* were primarily driven by “other changes” (predominantly revaluations on account of exchange rate and asset price changes).

At the end of the second quarter of 2010, the gross external debt of the euro area amounted to EUR 11.2 trillion (about 124% of euro area GDP), which represented an increase of EUR 0.4 trillion in relation to the revised data at the end of the previous quarter (see Table 3).

**Chart 2. Net euro area international investment position***(as a percentage of GDP, outstanding amounts at end of period)*

Source: ECB.

## Data revisions

This press release incorporates revisions to the balance of payments for the period from January 2010 to July 2010, and to the international investment position at the end of the first quarter of 2010.

The revisions to the balance of payments in July 2010 did not significantly change the previously published data for the current and capital accounts. The *financial account* was revised mainly on account of revisions to net outflows in *portfolio investment* (down from EUR 24 billion to EUR 17 billion) and to net inflows in *other investment* (up from EUR 19 billion to EUR 24 billion).

The current account deficit in the first quarter of 2010 was revised downward from EUR 25.4 billion to EUR 21.8 billion, mainly on account of revisions to *income*. In the financial account, revisions mainly affected the second quarter of 2010, and resulted in lower net outflows in *other investment*. The revisions to the international investment position at the end of the first quarter of 2010 led to higher net liability positions in *other investment* and in *portfolio investment*.

## **Additional information on the euro area balance of payments and international investment position**

*In this press release, the seasonally adjusted current account refers to working day and seasonally adjusted data. Data for the financial account are non-working day and non-seasonally adjusted.*

*In line with the agreed allocation of responsibilities, the European Central Bank compiles and disseminates monthly and quarterly balance of payments statistics for the euro area, whereas the European Commission (Eurostat; see "Euro-indicators" new releases) focuses on quarterly and annual aggregates for the European Union. These data comply with international standards, particularly those set out in the IMF's Balance of Payments Manual (fifth edition). The aggregates for the euro area and the European Union are compiled consistently on the basis of transactions and positions with residents of countries outside the euro area and the European Union respectively.*

*A complete set of updated euro area balance of payments (including a quarterly geographical breakdown by main counterparts) and international investment position statistics is available in the "Statistics" section of the ECB's website under the headings ["Data services"/"Latest monetary, financial markets and balance of payments statistics"](#). These data, as well as historical euro area balance of payments time series, can be downloaded from the [ECB's Statistical Data Warehouse \(SDW\)](#). Data up to August 2010 will also be published in the November 2010 issues of the ECB's Monthly Bulletin and Statistics Pocket Book. Detailed [methodological notes](#) are available on the ECB's website. The next press release on the euro area monthly balance of payments will be published on 18 November 2010. The next press release including the quarterly international investment position will be published on 19 January 2011.*

### **Annexes**

Table 1: Current account of the euro area

Table 2: Monthly balance of payments of the euro area

Table 3: Quarterly international investment position of the euro area