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PRESS RELEASE

EURO AREA BALANCE OF PAYMENTS (geographical breakdown for the third quarter of 2009) AND INTERNATIONAL INVESTMENT POSITION (at the end of the third quarter of 2009)

The current account of the euro area balance of payments recorded a deficit of EUR 2.7 billion in the third quarter of 2009. The largest bilateral deficits were with the group of "other countries" (i.e. countries outside the EU other than Canada, Japan, Switzerland and the United States), with the EU institutions and with Japan. By contrast, the largest surpluses were with the United Kingdom, the countries that joined the European Union in 2004 and 2007, and Switzerland.

In the financial account, combined direct and portfolio investment recorded net inflows of EUR 59 billion, as net inflows in portfolio investment exceeded net outflows in direct investment. Portfolio investment by euro area residents was predominantly composed of net purchases of foreign securities issued primarily in the group of "other countries" and the United Kingdom. The developments in direct investment were driven by net outflows to the United States.

At the end of the third quarter of 2009, the international investment position of the euro area recorded net liabilities of EUR 1.6 trillion with the rest of the world (17% of euro area GDP). This represented an increase of EUR 42 billion in comparison with the second quarter of 2009.

Geographical breakdown of the euro area balance of payments for the third quarter of 2009

Current and capital accounts

The *current account* of the euro area balance of payments (b.o.p.) recorded a deficit of EUR 2.7 billion in the third quarter of 2009 (see Table 1a). This was the result of deficits in *current transfers* (EUR 22.9 billion) and *income* (EUR 5.8 billion), which were partly offset by surpluses in *goods* (EUR 13.3 billion) and in *services* (EUR 12.8 billion). The *capital*

account recorded a surplus of EUR 1.5 billion, predominantly reflecting a surplus vis-à-vis the EU institutions.

The largest surpluses in *goods* were with the United Kingdom (EUR 12.8 billion), the United States (EUR 8.1 billion) and the countries that joined the EU in 2004 and 2007 (EUR 5.0 billion). By contrast, the largest deficits were with mainland China (EUR 22.0 billion), Russia (EUR 8.7 billion) and Japan (EUR 2.7 billion).

The surplus in the *services* account mainly reflected positive balances with the United Kingdom (EUR 9.2 billion), Switzerland (EUR 3.4 billion) and the group of "other countries" (EUR 3.3 billion). Conversely, deficits in *services* were recorded vis-à-vis the United States (EUR 5.0 billion) and the countries that joined the EU in 2004 and 2007 (EUR 1.9 billion).

The euro area *income* deficit was mostly accounted for by deficits with Japan (EUR 6.9 billion) and the United States (EUR 4.8 billion), which were partly counterbalanced by surpluses with the group of "other countries" (EUR 3.7 billion) and the countries that joined the EU in 2004 and 2007 (EUR 3.6 billion).

The deficit in *current transfers* was predominantly with the EU institutions (EUR 11.1 billion) and the group of "other countries" (EUR 10.9 billion).

The four-quarter cumulated *current account* of the euro area up to the third quarter of 2009 showed a deficit of EUR 94.6 billion (around 1.0% of euro area GDP), compared with a deficit of EUR 105.5 billion a year earlier (see Table 1b). This development was mainly due to a shift in the *goods* account from a deficit of EUR 1.3 billion to a surplus of EUR 16.7 billion, and a decrease in the *income* deficit from EUR 54.7 billion to EUR 44.9 billion. By contrast, the *services* surplus decreased from EUR 44.3 billion to EUR 27.6 billion. While the shift in the *goods* account was predominantly due to a decrease in the deficit with the group of "other countries" (from EUR 163.4 billion to EUR 90.1 billion), the decrease in the *income* deficit reflected mostly declines in the deficits with the United Kingdom (from EUR 22.2 billion to EUR 6.8 billion) and Switzerland (from EUR 16.2 billion to EUR 11.3 billion). Finally, the decrease in the *services* surplus reflected mainly an increase in the deficit with the United States (from EUR 14.2 billion to EUR 24.2 billion) and a decrease in the surplus with the United Kingdom (from EUR 27.3 billion to EUR 16.3 billion).

Financial account

In the b.o.p. *financial account*, combined *direct and portfolio investment* recorded net inflows of EUR 59 billion in the third quarter of 2009, as net inflows in *portfolio investment* exceeded net outflows in *direct investment*.

The developments in *direct investment* (net outflows of EUR 24 billion) were mostly accounted for by net outflows to the United States (EUR 28 billion) and offshore financial centres (EUR 8 billion); net inflows were mainly recorded from the United Kingdom (EUR 7 billion), Switzerland (EUR 6 billion) and Japan (EUR 4 billion).

Portfolio investment recorded net inflows of EUR 83 billion. Net purchases of foreign securities by euro area investors (EUR 42 billion) were predominantly composed of securities issued in the group of "other countries" (EUR 30 billion) and in the United Kingdom (EUR 17 billion). By contrast, net sales were primarily recorded for securities issued in Japan (EUR 11 billion) and in the United States (EUR 6 billion). Net purchases of euro area securities by non-residents amounted to EUR 125 billion.

Financial derivatives recorded net outflows of EUR 4 billion.

Other investment recorded net outflows of EUR 41 billion. These were mainly the result of net outflows to the United States (EUR 41 billion), Switzerland (EUR 27 billion) and the group of "other countries" (EUR 16 billion), which were partly offset by net inflows from offshore financial centres (EUR 50 billion).

International investment position at the end of the third quarter of 2009

At the end of the third quarter of 2009, the international investment position (i.i.p.) of the euro area recorded net liabilities of EUR 1.6 trillion with the rest of the world (about 17% of euro area GDP). This represented an increase of EUR 42 billion in comparison with the revised data for the end of the second quarter of 2009 (see Table 2).

The change in the net i.i.p. was mainly the result of a higher net liability position in *portfolio investment* (up from EUR 2,404 billion to EUR 2,559 billion), which was partially compensated for by a lower net liability position in *other investment* (down from EUR 151 billion to EUR 77 billion) and a higher net asset position in *reserve assets* (up from EUR 382 billion to EUR 431 billion). While the changes in the net positions in *portfolio*

investment and *other investment* were primarily driven by transactions, the changes in the *reserve assets* and *direct investment* positions were mainly driven by “other changes” (primarily revaluations on account of exchange rate and asset price changes). The “other changes” in *reserve assets* mainly reflected the allocations by the IMF of special drawing rights to euro area countries.

Data revisions

This press release incorporates revisions to the b.o.p. (including a geographical breakdown) and to the i.i.p. for the second quarter of 2009. In addition, the preliminary results from the sum of the monthly b.o.p. for July, August and September 2009 are also revised in the b.o.p. (without a geographical breakdown) for the third quarter of 2009.

The revisions in the *current account* have resulted in a higher deficit (up from EUR 19.8 billion to EUR 21.7 billion) in the second quarter of 2009 and a shift from a surplus (EUR 1.9 billion) to a deficit (EUR 2.7 billion) in the third quarter of 2009. Revisions were concentrated in *current transfers* in the second quarter of 2009 and in *income* in the third quarter of 2009. The revisions in the b.o.p. *financial account* primarily affected *portfolio investment* and *other investment*.

In the i.i.p. at the end of the second quarter of 2009, revisions mostly affected the net asset position in *direct investment* (revised from EUR 640 billion to EUR 715 billion) and the net liability position in *other investment* (revised from EUR 94 billion to EUR 151 billion).

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

A geographical breakdown of the quarterly b.o.p. of the euro area is not available for the items “portfolio investment liabilities”, “financial derivatives” or “reserve assets”. In addition, separate data are not provided for investment income payable to Brazil, mainland China, India and Russia; furthermore, for offshore financial centres and international organisations, data are only available for the financial account. A geographical breakdown of the i.i.p. is only available on an annual basis.

The ECB and the Statistical Office of the European Communities (Eurostat) each issue a press release on the quarterly b.o.p. for the euro area and the European Union (see Eurostat’s “Euro-Indicators” news releases). In line with the agreed allocation of

responsibilities, the ECB compiles and disseminates monthly and quarterly b.o.p. statistics for the euro area, whereas Eurostat 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 Member States' transactions and positions with residents of countries outside the euro area and the European Union respectively.

A complete set of updated euro area b.o.p. and i.i.p. data is available on the ECB's website in the "Statistics" section under the headings ["Data services"/"Latest monetary, financial markets and balance of payments statistics"](#). These data, as well as the historical euro area b.o.p. and i.i.p. time series, can be downloaded from the [ECB's Statistical Data Warehouse \(SDW\)](#). The data will be published in the February 2010 issues of the ECB's Monthly Bulletin and Statistics Pocket Book. [A detailed methodological note](#) is available on the ECB's website. The next quarterly press release on the euro area b.o.p. (including a geographical breakdown) and i.i.p. will be published on 20 April 2010.

Annexes

Table 1a: Quarterly balance of payments of the euro area with a geographical breakdown (Q3 2009)

Table 1b: Quarterly balance of payments of the euro area with a geographical breakdown (four-quarter cumulated transactions ending in Q3 2008 and in Q3 2009)

Table 2: Quarterly balance of payments and international investment position of the euro area