



EUROPEAN CENTRAL BANK

EUROSYSTEM

19 July 2010

PRESS RELEASE

EURO AREA BALANCE OF PAYMENTS IN MAY 2010 AND INTERNATIONAL INVESTMENT POSITION AT THE END OF THE FIRST QUARTER OF 2010

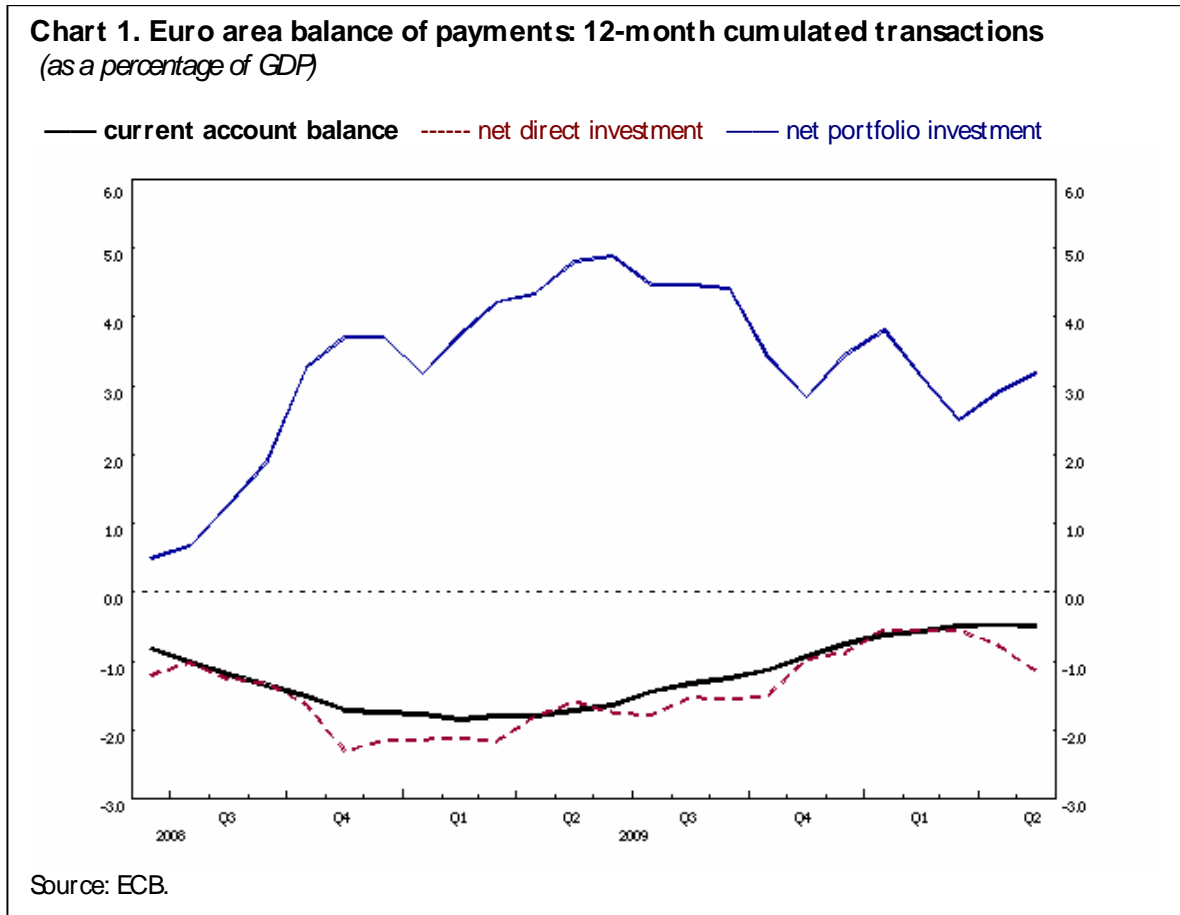
In May 2010 the seasonally adjusted current account of the euro area recorded a deficit of EUR 5.8 billion. In the financial account, combined direct and portfolio investment recorded net inflows of EUR 47 billion (non-seasonally adjusted).

At the end of the first quarter of 2010, the international investment position of the euro area recorded net liabilities of EUR 1.3 trillion vis-à-vis the rest of the world (15% of euro area GDP). This represented a reduction of EUR 53 billion in comparison with the position at the end of the previous quarter.

Balance of payments in May 2010

The seasonally adjusted *current account* of the euro area recorded a deficit of EUR 5.8 billion in May 2010 (see Table 1). This reflected deficits in both *current transfers* (EUR 7.6 billion) and *income* (EUR 4.4 billion), which were partly offset by surpluses in *goods* (EUR 3.1 billion) and in *services* (also EUR 3.1 billion).

The 12-month cumulated seasonally adjusted *current account* recorded a deficit of EUR 43.9 billion in May 2010 (around 0.5% of euro area GDP – see Chart 1), compared with a deficit of EUR 156.3 billion a year earlier. The reduction of the current account deficit was due mainly to a shift in *goods* from deficit (EUR 17.6 billion) to surplus (EUR 47.6 billion) and to decreases in the deficits in *income* (from EUR 70.4 billion to EUR 36.4 billion) and in *current transfers* (from EUR 101.9 billion to EUR 88.6 billion). The surplus in *services* remained virtually unchanged.



In the financial account (see Table 2), combined direct and portfolio investment recorded net inflows in May 2010 (EUR 47 billion), as net inflows in portfolio investment (EUR 64 billion) exceeded net outflows in direct investment (EUR 17 billion).

The outflows in direct investment resulted mainly from net outflows in other capital (mostly inter-company loans) (EUR 15 billion).

The net inflows in portfolio investment were predominantly accounted for by net inflows in debt instruments (EUR 42 billion), which in turn resulted mainly from net purchases of euro area securities by non-residents.

Financial derivatives recorded net outflows of EUR 2 billion.

The other investment account recorded net outflows (EUR 27 billion), reflecting net outflows in MFIs excluding the Eurosystem (EUR 40 billion) and other sectors (EUR 7 billion), which were partly counterbalanced by net inflows in the Eurosystem (EUR 13 billion) and general government (EUR 7 billion).

The [Eurosystem's stock of reserve assets](#) was EUR 570 billion at the end of May 2010. The transactions in May 2010 did not significantly contribute to the increase in the overall position.

In the 12-month period to May 2010, *combined direct and portfolio investment* recorded cumulated net inflows of EUR 190 billion, compared with net inflows of EUR 292 billion in the preceding 12-month period. This decrease was mainly the result of lower net inflows in *portfolio investment* (down from EUR 437 billion to EUR 293 billion), which were partly offset by lower net outflows in *direct investment* (down from EUR 145 billion to EUR 103 billion).

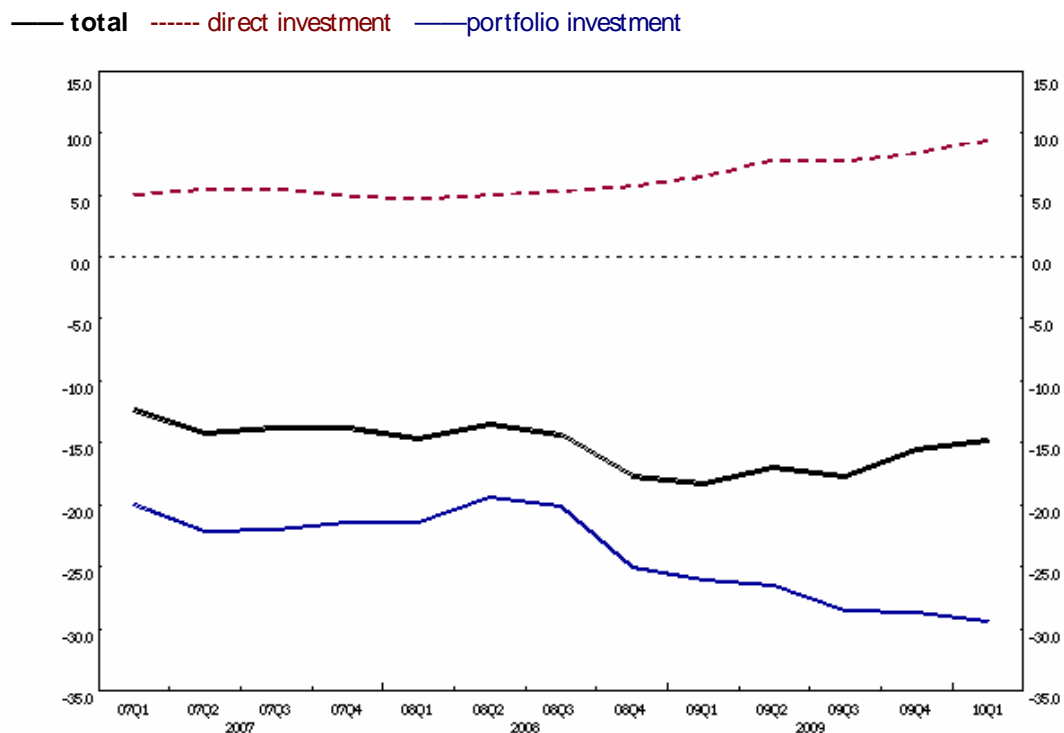
International investment position at the end of the first quarter of 2010

At the end of the first quarter of 2010, the international investment position of the euro area recorded net liabilities of EUR 1.3 trillion vis-à-vis the rest of the world (about 15% of euro area GDP – see Chart 2). This represented a reduction of EUR 53 billion in comparison with the revised data at the end of the last quarter of 2009 (see Table 3).

The change in the net international investment position was mainly the result of higher net asset positions in *direct investment* (which rose from EUR 751 billion to EUR 849 billion) and *reserve assets* (which increased from EUR 462 billion to EUR 499 billion), which were partly compensated for by a higher net liability position in *portfolio investment* (EUR 2 649 billion, after EUR 2 565 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 first quarter of 2010, the gross external debt of the euro area amounted to EUR 10.8 trillion (about 120% 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 of the balance of payments for the period from October 2009 to April 2010, and of the international investment position at the end of the last quarter of 2009.

The revisions in the balance of payments in April 2010 did not significantly change the previously published data. The current account deficit in the first quarter of 2010 was revised from EUR 19.6 billion to EUR 25.4 billion, mainly on account of revisions in *current transfers*. In the financial account, revisions affected both the last quarter of 2009 and the first quarter of 2010, and resulted in lower net outflows in *direct investment*, higher net inflows in *portfolio investment* and higher net outflows in *other investment*. The revisions in the international investment position at the end of the last quarter of 2009 led to a higher net liability position 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 b.o.p. 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 May 2010 will also be published in the August 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 17 August 2010. The next press release including the quarterly international investment position will be published on 19 October 2010.

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