

Press release

2 October 2018

Euro area quarterly balance of payments and international investment position: second quarter of 2018

- The [current account](#) of the euro area showed a surplus of €401 billion (3.5% of euro area GDP) in the four quarters to the second quarter of 2018, compared with a surplus of €320 billion (2.9% of euro area GDP) a year earlier.
- As regards [geographic counterparts](#), in the four quarters to the second quarter of 2018 the euro area current account recorded the largest bilateral surpluses vis-à-vis the United Kingdom (€158 billion, unchanged from the previous four quarters) and the United States (rising from €87 billion to €116 billion), while the largest deficit was registered vis-à-vis China (declining from €78 billion to €67 billion).
- At the end of the second quarter of 2018 the [international investment position](#) of the euro area recorded net liabilities of €536 billion (5% of euro area GDP), compared with net liabilities of €752 billion in the previous quarter.

Current account

The *current account* of the euro area showed a surplus of €401 billion (3.5% of euro area GDP) in the four quarters to the second quarter of 2018, compared with a surplus of €320 billion (2.9% of euro area GDP) a year earlier (see Table 1). The increase in the *current account* surplus reflected positive developments in all components, with a larger increase for *services* (rising from €60 billion to €116 billion) and smaller increases in the surpluses for *goods* (from €333 billion to €341 billion) and *primary income* (from €74 billion to €80 billion). The current account surplus was further supported by a decline in the deficit for *secondary income* (from €147 billion to €136 billion).

The larger surplus in *services* resulted mainly from increases in the surpluses for *telecommunication, computer and information services* (from €66 billion to €78 billion) and *travel services* (from €37 billion to €43 billion) and a smaller deficit for *other business services* (from €39 billion to €5 billion).

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The increase in the *primary income* surplus was mainly due to larger surpluses for *portfolio debt income* (from €9 billion to €22 billion) and *other primary income* (from €13 billion to €18 billion), the latter mostly related to transactions with the EU institutions. These were partly offset by a decrease in the surplus for *direct investment income* (from €114 billion to €109 billion) and a larger deficit in *portfolio equity income* (from €88 billion to €94 billion).

Table 1

Current account of the euro area

(EUR billions, unless otherwise indicated; transactions during the period; non-working day and non-seasonally adjusted)

	Cumulated figures for the four-quarter period ending							
	2017 Q2			2018 Q2			2017 Q2	2018 Q2
	Balance	Credit	Debit	Balance	Credit	Debit	Balance	Balance
Current account	320	3,814	3,494	401	3,994	3,593	58	79
<i>Percentage of GDP</i>	2.9%	34.7%	31.8%	3.5%	35.1%	31.6%		
Goods	333	2,204	1,870	341	2,304	1,963	86	84
Services	60	830	770	116	868	752	23	31
Transport	12	135	123	16	143	127	5	5
Travel	37	142	105	43	153	110	13	14
Insurance, pension and financial	17	94	77	14	93	79	5	3
Telecommunication, computer and information	66	121	54	78	135	57	18	21
Other business	-39	222	261	-5	221	227	-8	-3
Other	-34	116	151	-29	123	152	-9	-8
Primary income	74	672	598	80	710	630	-16	-6
Compensation of employees	19	38	20	18	38	20	4	4
Investment income	42	595	554	44	631	587	-15	-12
Direct investment	114	361	247	109	382	273	33	34
Portfolio equity	-88	68	156	-94	73	168	-54	-55
Portfolio debt	9	115	106	22	119	97	4	6
Other investment	3	48	44	3	53	49	0	1
Reserve assets	4	4		4	4		1	1
Other primary income	13	38	25	18	41	23	-5	2
Secondary income	-147	109	255	-136	113	249	-35	-29

Source: ECB

Note: "Equity" comprises equity and investment fund shares. Discrepancies between totals and their components may arise from rounding.

Data for the current account of the euro area

Newly available data on the geographic counterparts of the euro area current account (see Chart 1) show that in the four quarters to the second quarter of 2018 the euro area recorded the largest surpluses vis-à-vis the *United Kingdom* (€158 billion, unchanged from the previous four quarters), a residual group of *other countries* (declining from €145 billion to €132 billion), the *United States* (rising from €86 billion to €116 billion) and *Switzerland* (increasing from €33 billion to €48 billion). The largest bilateral deficit in the

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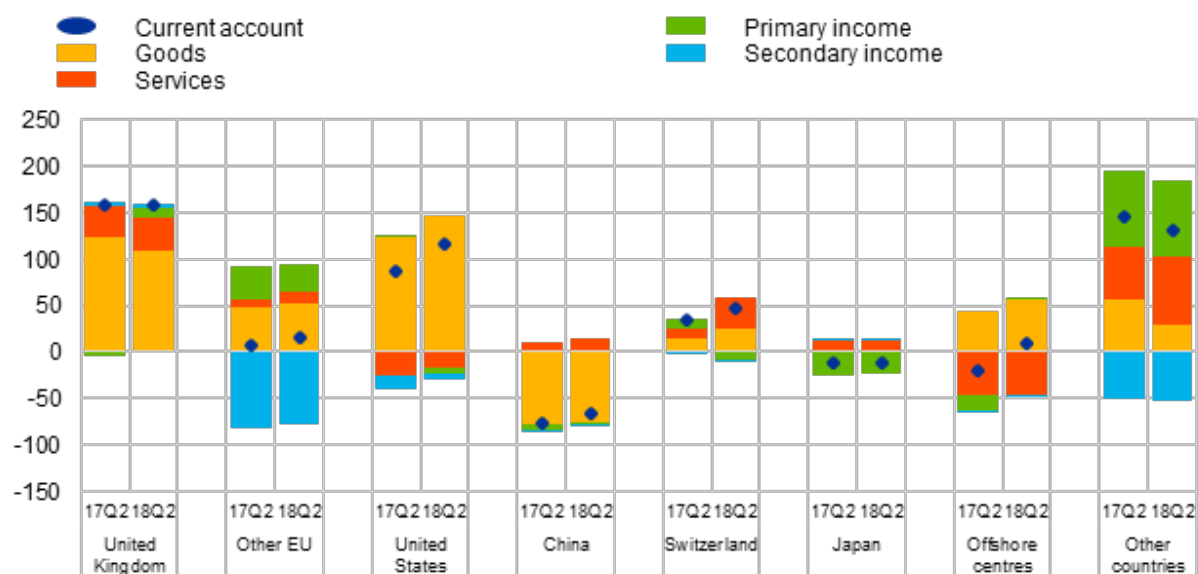
euro area current account was recorded vis-à-vis *China* (declining from €78 billion to €67 billion). The current account balance vis-à-vis *offshore centres* moved from a deficit of €21 billion to a surplus of €9 billion.

The most significant geographic changes in the components of the euro area current account balance in the four quarters to the second quarter of 2018 compared to the previous year were a decline in the *goods* surplus vis-à-vis *other countries* (from €56 billion to €28 billion) and an increase in the *services* surplus vis-à-vis *Switzerland* (from €11 billion to €35 billion). Moreover, the euro area current account registered an increase in the *goods* surplus vis-à-vis the *United States* (from €124 billion to €146 billion), while the *primary income* balance vis-à-vis *Switzerland* moved from a surplus of €10 billion to a deficit of €10 billion.

Chart 1

Geographical breakdown of the euro area current account balance

(Four-quarter moving sums in EUR billions; non-seasonally adjusted)



Source: ECB.

Notes: "Other EU" comprises EU Member States and EU institutions outside the euro area excluding the United Kingdom.

[Data for the geographical breakdown of the euro area current account](#)

International investment position

At the end of the second quarter of 2018 the international investment position of the euro area recorded net liabilities of €536 billion vis-à-vis the rest of the world (5% of euro area GDP), compared with net liabilities of €752 in the previous quarter (see Chart 2 and Table 2).

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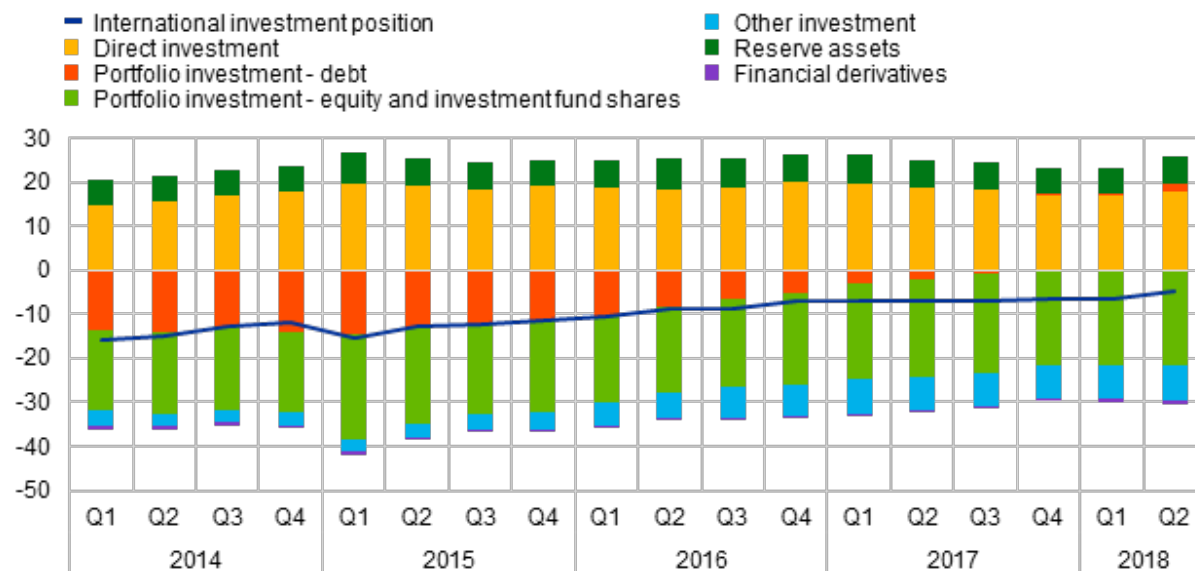
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Chart 2

Net international investment position of the euro area

(Net outstanding amounts at end of period as a percentage of four-quarter moving sums of GDP)



Source: ECB.

[Data for the net international investment position of the euro area](#)

This improvement of €216 billion mainly reflected higher net assets for *direct investment* (€2,045 billion, up from €1,911 billion) and *portfolio debt* (€185 billion, up from €51 billion). These developments were partly offset by higher net liabilities for *other investment* (€933 billion, up from €870 billion).

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Table 2

International investment position of the euro area

(EUR billions, unless otherwise indicated; amounts outstanding at the end of the period, flows during the period; non-working day and non-seasonally adjusted)

	2018 Q1	2018 Q2					%GDP
	Amounts outstanding	Transactions	Exchange rate changes	Price changes	Other volume changes	Amounts outstanding	
Net	-752	84	86	-14	61	-536	-5
of which: Direct investment	1,911	63	36	-21	55	2,045	18
of which: Portfolio equity	-2,441	-31	25	-12	22	-2,437	-21
of which: Portfolio debt	51	71	8	34	20	185	2
of which: Other investment	-870	-67	5	0	-2	-933	-8
Assets	24,851	99	410	68	-19	25,408	223
Direct investment	10,594	-60	164	33	1	10,733	94
Portfolio equity	3,565	6	88	63	3	3,724	33
Portfolio debt	4,965	-8	72	-13	2	5,018	44
Financial derivatives	-77	41	-	-14	-34	-85	-1
Other investment	5,131	113	75	0	9	5,328	47
Reserve assets	673	7	11	-1	0	690	6
Liabilities	25,603	15	324	82	-80	25,944	228
Direct investment	8,682	-123	128	54	-54	8,688	76
Portfolio equity	6,006	37	63	75	-19	6,162	54
Portfolio debt	4,914	-80	64	-47	-18	4,833	42
Other investment	6,001	180	70	0	11	6,262	55
Gross External Debt	14,119	32	192	-30	-18	14,295	126

Source: ECB.

Note: "Equity" comprises equity and investment fund shares. Net financial derivatives are reported under assets. Discrepancies between totals and their components may arise from rounding.

[Data for the international investment position of the euro area](#)

The improvement in the euro area's net international investment position in the second quarter of 2018 was driven by net positive exchange rate changes, transactions and other volume changes, which were only slightly offset by net negative price revaluations (see Chart 3). Net assets in *direct investment* increased primarily due to positive net transactions and other volume changes (see Table 2), while higher net assets for *portfolio debt* resulted from positive net developments in all components, but particularly transactions. The increase in net liabilities for *other investment* was also largely driven by transactions.

At the end of the second quarter of 2018 the *gross external debt* of the euro area amounted to €14.3 trillion (126% of euro area GDP), which represents an increase of €176 billion compared with the previous quarter.

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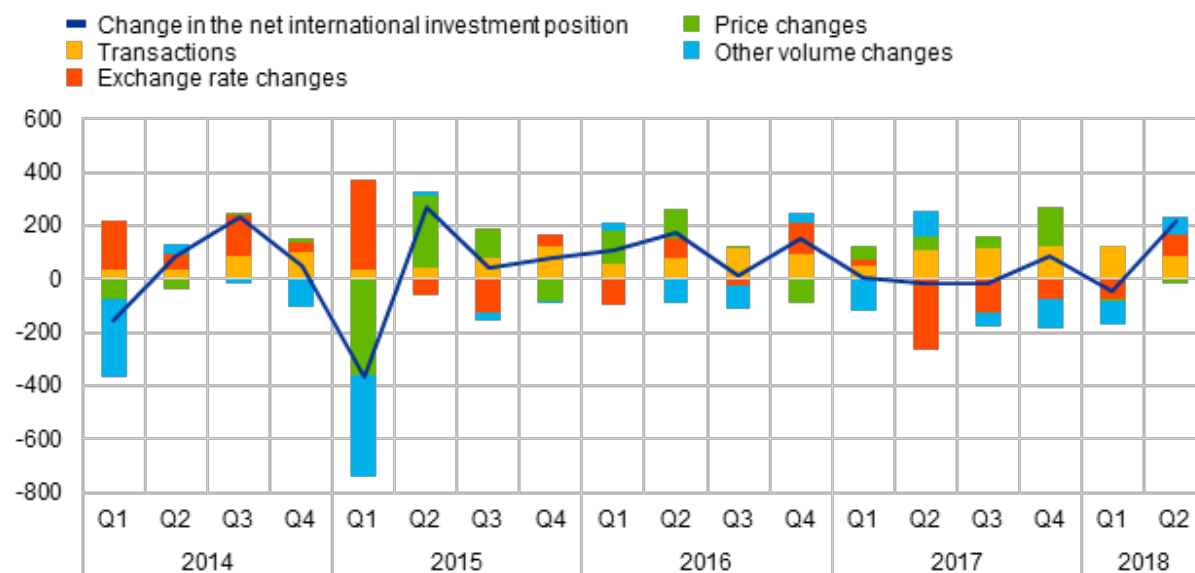
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Chart 3

Changes in the net international investment position of the euro area

(EUR billions; flows during the period)



Source: ECB.

Notes: Other volume changes mainly reflect reclassifications and data enhancements.

[Data for the changes in the net international investment position of the euro area](#)

Data revisions

This press release incorporates revisions to the data for all the reference periods between the fourth quarter of 2012 and the first quarter of 2018. The revisions to direct investment, portfolio investment and other investment were particularly sizeable and reflect revised national contributions to the euro area aggregates, in particular for the Netherlands, Luxembourg, Ireland and Germany, mainly in the context of national benchmark revisions and revised compilation methods.

Next press releases

- Monthly balance of payments: 19 October 2018 (reference data up to August 2018)
- Quarterly balance of payments and international investment position: 8 January 2019 (reference data up to the third quarter of 2018).

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Notes

- All data are neither seasonally nor working day-adjusted. Ratios to GDP (including in the charts) refer to four-quarter sums of non-seasonally and non-working day-adjusted GDP figures.
- The hyperlinks in the main body of the press release are dynamic. The data they lead to may therefore change with subsequent data releases as a result of revisions.

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