

Press release

8 January 2019

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

- The [current account](#) of the euro area showed a surplus of €376 billion (3.3% of euro area GDP) in the four quarters to the third quarter of 2018, compared with a surplus of €347 billion (3.1% of euro area GDP) a year earlier.
- As regards [geographic counterparts](#), in the four quarters to the third quarter of 2018 the euro area current account recorded the largest bilateral surpluses vis-à-vis the *United Kingdom* (€147 billion, declining from €165 billion a year earlier) and the *United States* (€124 billion, increasing from €89 billion), while the largest deficit was registered vis-à-vis *China* (€67 billion, declining from €74 billion).
- At the end of the third quarter of 2018 the [international investment position](#) of the euro area recorded net liabilities of €593 billion (around 5% of euro area GDP), compared with net liabilities of €670 billion at the end of the previous quarter.

Current account

The *current account* of the euro area showed a surplus of €376 billion (3.3% of euro area GDP) in the four quarters to the third quarter of 2018, compared with a surplus of €347 billion (3.1% of euro area GDP) a year earlier (see Table 1). The increase in the *current account* surplus reflected a higher surplus for *services* (increase from €78 billion to €120 billion) and a lower deficit for *secondary income* (decrease from €145 billion to €138 billion). These developments were partly offset by declines in the surpluses for *goods* (from €336 billion to €323 billion) and *primary income* (from €78 billion to €71 billion).

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The larger surplus in *services* resulted mainly from a decrease in the deficit for *other business services* (from €31 billion to €7 billion) and an increase in the surplus for *telecommunication, computer and information services* (from €69 billion to €81 billion).

The decline in the *primary income* surplus was due to small decreases in the surpluses of all its components, namely *compensation of employees* (from €18 billion to €16 billion), *investment income* (from €42 billion to €41 billion) and *other primary income* (from €18 billion to €14 billion), the latter mostly related to transactions with the EU institutions. The developments in *investment income* reflected mainly a decrease in the surplus for *direct investment income* (from €112 billion to €104 billion) and a larger deficit in *portfolio equity income* (from €89 billion to €95 billion), which were partly offset by a larger surplus for *portfolio debt income* (from €13 billion to €23 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 Q3			2018 Q3			2017 Q3	2018 Q3
	Balance	Credit	Debit	Balance	Credit	Debit	Balance	Balance
Current account	347	3,873	3,526	376	4,041	3,665	120	90
<i>Percentage of GDP</i>	3.1%	34.9%	31.8%	3.3%	35.2%	31.9%		
Goods	336	2,234	1,898	323	2,332	2,009	89	67
Services	78	848	770	120	888	769	36	38
Transport	15	143	127	18	152	134	6	6
Travel	41	147	106	43	155	112	18	18
Insurance, pension and financial	17	94	77	13	93	80	4	3
Telecommunication, computer and information	69	124	55	81	139	58	17	20
Other business	-31	223	254	-7	223	230	-1	-2
Other	-32	117	149	-28	127	155	-7	-7
Primary income	78	681	603	71	707	636	27	20
Compensation of employees	18	38	21	16	38	22	3	3
Investment income	42	600	557	41	633	592	20	17
Direct investment	112	361	249	104	377	273	26	21
Portfolio equity	-89	69	158	-95	76	171	-12	-12
Portfolio debt	13	116	104	23	120	97	5	7
Other investment	3	49	46	4	55	51	0	0
Reserve assets	4	4		5	5		1	1
Other primary income	18	43	25	14	36	22	4	-1
Secondary income	-145	110	254	-138	115	252	-33	-35

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**European Central Bank**

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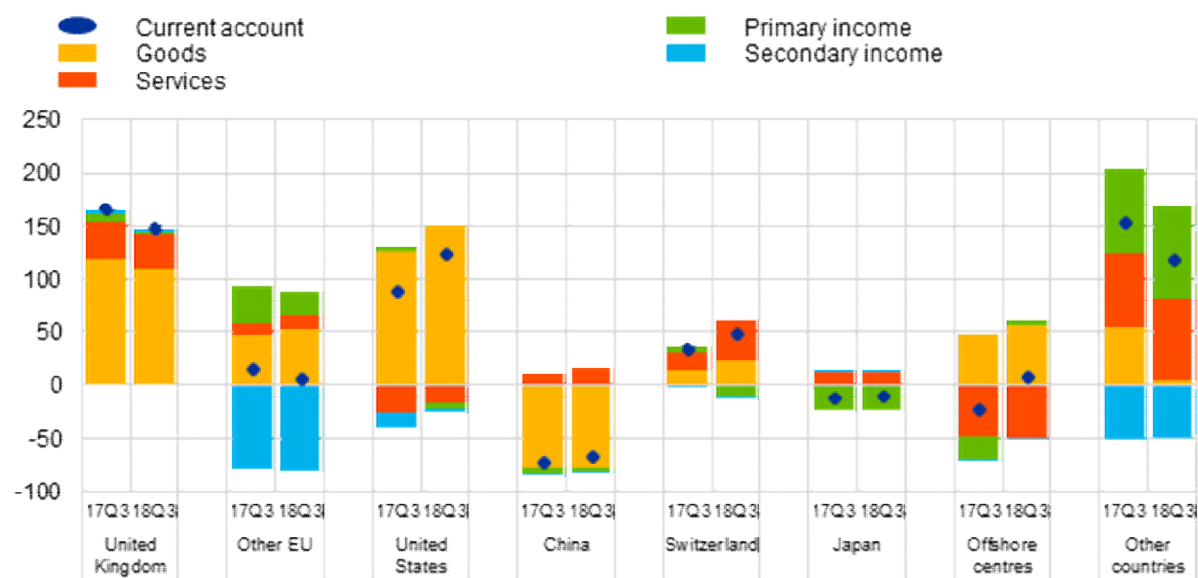
Data on the geographic counterparts of the euro area current account (see Chart 1) show that in the four quarters to the third quarter of 2018 the euro area recorded the largest surpluses vis-à-vis the *United Kingdom* (€147 billion, declining from €165 billion a year earlier), the *United States* (€124 billion, increasing from €89 billion), a residual group of *other countries* (€118 billion, declining from €152 billion), and *Switzerland* (€49 billion, increasing from €34 billion). The largest bilateral deficit in the euro area current account was recorded vis-à-vis *China* (€67 billion, declining from €74 billion). The current account balance vis-à-vis *offshore centres* moved from a deficit of €23 billion to a surplus of €9 billion in the period under review.

The most significant geographic changes in the *goods* balance in the four quarters to the third quarter of 2018 compared to the previous year were a decline in the *goods* surplus vis-à-vis *other countries* (from €55 billion to €5 billion) and an increase in the *goods* surplus vis-à-vis the *United States* (from €126 billion to €150 billion). In *services*, the surplus vis-à-vis *Switzerland* increased from €17 billion to €37 billion. Moreover, the *primary income* balance vis-à-vis *offshore centres* moved from a deficit of €22 billion to a surplus of €2 billion, while this balance switched from a surplus of €5 billion to a deficit of €11 billion vis-à-vis *Switzerland*.

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](#)

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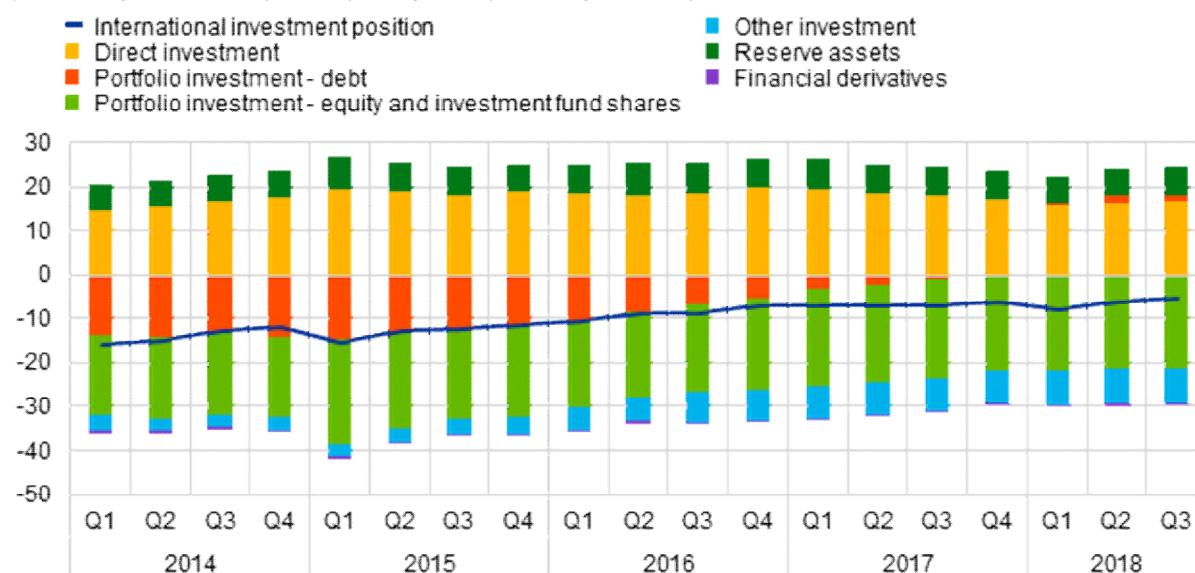
International investment position

At the end of the third quarter of 2018 the international investment position of the euro area recorded net liabilities of €593 billion vis-à-vis the rest of the world (around 5% of euro area GDP), compared with net liabilities of €670 billion in the previous quarter (see Chart 2 and Table 2).

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 €77 billion mainly reflected higher net assets for *direct investment* (€1,928 billion, up from €1,907 billion) and *portfolio debt* (€191 billion, up from €161 billion) as well as lower net liabilities for *portfolio equity* (€2,407 billion, down from €2,428 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 Q2	2018 Q3					%GDP
	Amounts outstanding	Transactions	Exchange rate changes	Price changes	Other volume changes	Amounts outstanding	
Net	-670	93	-9	89	-96	-593	-5
of which: Direct investment	1,907	20	4	25	-27	1,928	17
of which: Portfolio equity	-2,428	1	-7	76	-49	-2,407	-21
of which: Portfolio debt	161	34	-8	11	-8	191	2
of which: Other investment	-917	3	0	0	-5	-918	-8
Assets	25,527	174	43	83	6	25,832	225
Direct investment	10,829	49	21	28	13	10,940	95
Portfolio equity	3,729	12	14	98	0	3,852	34
Portfolio debt	5,015	29	1	-20	5	5,031	44
Financial derivatives	-83	33	-	-5	-7	-61	-1
Other investment	5,347	49	6	0	-6	5,396	47
Reserve assets	690	1	1	-18	0	674	6
Liabilities	26,196	81	52	-6	102	26,426	230
Direct investment	8,922	29	17	3	40	9,012	78
Portfolio equity	6,156	11	21	22	49	6,259	54
Portfolio debt	4,854	-5	9	-31	13	4,840	42
Other investment	6,264	46	6	0	-1	6,315	55
Gross External Debt	14,369	78	22	-26	7	14,450	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 third quarter of 2018 was driven by transactions and net positive price changes, which were partly offset by net negative other volume changes and to a lesser extent net negative exchange rate revaluations (see Chart 3).

Net assets in *direct investment* and in *portfolio debt* increased primarily due to transactions and positive price changes (see Table 2), while lower net liabilities for *portfolio equity* resulted mainly from positive net developments in prices, particularly on the asset side. These developments were partly offset by negative net other volume changes, in particular for *portfolio equity* and *direct investment*.

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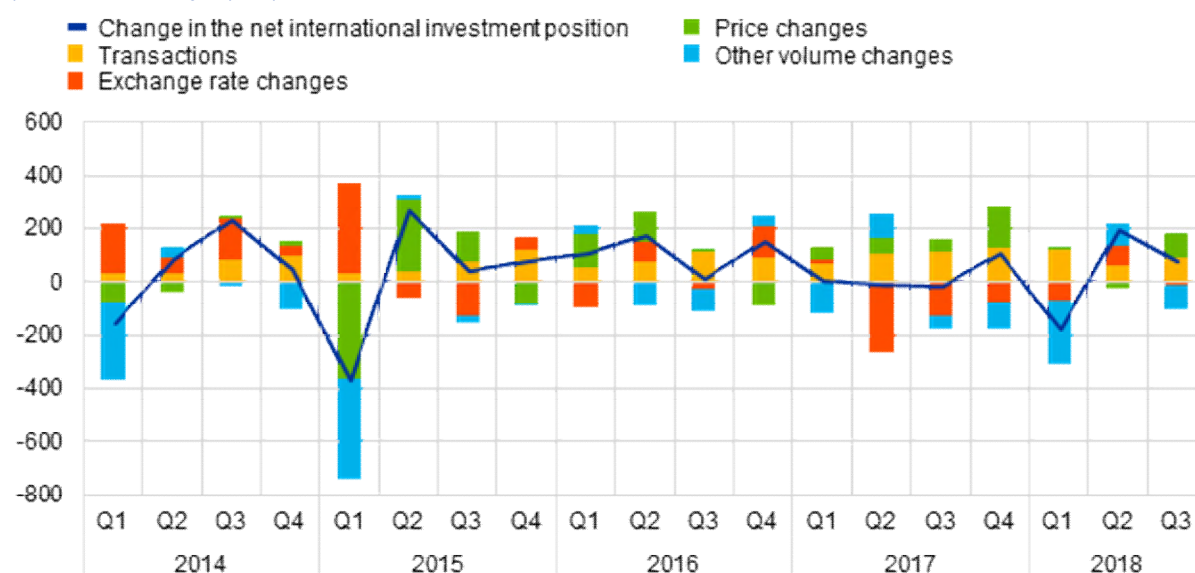
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At the end of the third quarter of 2018 the *gross external debt* of the euro area amounted to €14.5 trillion (around 126% of euro area GDP), which represents an increase of €81 billion compared with the previous quarter.

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 first quarter of 2017 and the second quarter of 2018. The revisions to *direct investment* and *portfolio investment* were particularly sizeable and reflect revised national contributions to the euro area aggregates, in particular for the Netherlands and Luxembourg as a result of incorporating newly available information.

Next press releases

- Monthly balance of payments: 18 January 2019 (reference data up to November 2018)
- Quarterly balance of payments and international investment position: 4 April 2019 (reference data up to the fourth 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.
- Hyperlinks in the press release refer to data that may change with subsequent releases as a result of revisions.

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