



EUROPEAN CENTRAL BANK

Frankfurt am Main, 24 March 2000

## PRESS RELEASE

### EURO AREA BALANCE OF PAYMENTS

#### (monthly developments in January 2000 and implementation of a methodological change to the current account for 1997-99)

The current account of the euro area recorded a deficit of EUR 6.6 billion in January 2000, compared with a deficit of EUR 2.4 billion for the same month last year. A fall in the goods surplus (to EUR 0.9 billion from EUR 4.8 billion in January 1999) and a larger deficit for the income account, only partially offset by reductions in the deficits for services and current transfers, explain the rise in the deficit.

Although exports of goods again grew strongly in January 2000, rising by EUR 10.2 billion compared with the same month a year earlier, the goods surplus continued to diminish as imports grew by EUR 14.1 billion compared with January 1999. The higher value for imports of goods largely reflects the sharp rise in import prices during 1999, caused by higher oil prices and the decline of the euro.

In the financial account, direct investment recorded net inflows of EUR 2.0 billion in January, as opposed to net outflows of EUR 26.6 billion in December 1999 and EUR 4.7 billion in January 1999. This was related to a decrease in euro area residents' investment abroad to EUR 5.4 billion, from EUR 33.8 billion in December 1999 and EUR 11.8 billion in January 1999.

Net portfolio investment outflows amounted to EUR 17.5 billion in January 2000, as compared to net inflows of EUR 7.0 billion one month earlier and of EUR 8.8 billion in January 1999. The main determinant of this swing from net inflows to net outflows was lower investment by foreign

investors in euro area securities (EUR 7.6 billion in January 2000, compared with EUR 25.9 billion in December 1999 and EUR 27.9 billion in January 1999). Equity investment in the euro area declined to EUR 4.0 billion from EUR 16.9 billion in December 1999 (EUR 9.5 billion in January 1999). Foreign investors also reduced their investment in euro area debt securities to EUR 3.6 billion, from EUR 9.0 billion in December 1999 and EUR 18.4 billion in January 1999.

Elsewhere in the financial account, net outflows in financial derivatives reached EUR 1.3 billion, and other investment showed net inflows of EUR 35.5 billion in January 2000. Net acquisitions of reserve assets amounted to EUR 1.6 billion in January.

Errors and omissions amounted to a negative EUR 11.9 billion in January 2000.

Annex I to this press release contains statistics produced by the Eurosystem in respect of the euro area balance of payments (b.o.p.); the methodology has been determined in close co-operation with the European Commission (Eurostat), which publishes the b.o.p. for the European Union. The ECB compiles these statistics on the basis of data on extra-euro area transactions reported by euro area countries. The results for January 2000 will also be published in the April 2000 issue of the ECB Monthly Bulletin. A detailed methodological note on euro area b.o.p. statistics is available on the ECB's website.

### **Portfolio investment income – a methodological change**

International standards require income flows vis-à-vis non-residents of the euro area to be allocated to the end-investor (payments from the euro area) or to the non-resident debtor (receipts). Interest and dividends relating to portfolio investment are often paid or received through central securities depositories or other intermediaries located in the euro area. Where, for practical reasons, national compilers allocate payments according to the immediate counterpart, some payments related in particular to euro area securities held by non-residents of the euro area will have been incorrectly classified. A new methodology, which is consistent with the compilation of portfolio investment flows in the financial account, avoids this misallocation.

Using the new methodology for deriving portfolio investment income, the ECB has revised the income account and the associated b.o.p monthly key items back to 1997. The change in methodology has resulted in an upward revision of the income account deficit (to EUR 26.2 billion for 1999, compared with EUR 7.3 billion previously). As a result, the current account surplus for 1999 has been revised downwards to EUR 24.4 billion, from the previous figure for 1999 of EUR 43.2 billion. Revisions in the same direction have also occurred for 1997 and 1998, resulting in a revised current account surplus for 1997 and 1998 of ECU 76.2 billion and ECU 43.3 billion respectively (compared with ECU 94.7 billion and ECU 60.3 billion previously).

**European Central Bank**

Press Division

Kaiserstrasse 29, D-60311 Frankfurt am Main

Tel.: 0049 69 1344 7455, Fax: 0049 69 1344 7404

Internet: <http://www.ecb.int>

**Reproduction is permitted provided that the source is acknowledged.**

**BALANCE OF PAYMENTS OF THE EURO AREA <sup>(1)</sup>**

(EUR billions)

	Jan.-Dec.1999			January 1999			January 2000		
	<i>Credit</i>	<i>Debit</i>	<i>Net</i>	<i>Credit</i>	<i>Debit</i>	<i>Net</i>	<i>Credit</i>	<i>Debit</i>	<i>Net</i>
<b>CURRENT ACCOUNT</b>	1291.5	1267.2	24.4	95.4	97.7	-2.4	110.8	117.4	-6.6
<i>Goods</i>	791.3	691.4	99.9	53.5	48.7	4.8	63.7	62.8	0.9
<i>Services</i>	232.4	239.0	-6.6	14.9	17.8	-2.9	17.8	19.7	-1.9
<i>Income <sup>(2)</sup></i>	202.4	228.6	-26.2	14.8	17.0	-2.3	16.4	20.6	-4.3
<i>Current transfers</i>	65.4	108.2	-42.8	12.3	14.3	-2.0	13.0	14.3	-1.3
<b>CAPITAL ACCOUNT</b>	19.1	6.3	12.8	3.1	0.4	2.7	1.8	0.4	1.4
	<i>Assets<sup>(3)</sup></i>	<i>Liab.<sup>(3)</sup></i>	<i>Balance</i>	<i>Assets<sup>(3)</sup></i>	<i>Liab.<sup>(3)</sup></i>	<i>Balance</i>	<i>Assets<sup>(3)</sup></i>	<i>Liab.<sup>(3)</sup></i>	<i>Balance</i>
<b>FINANCIAL ACCOUNT <sup>(3)</sup></b>			-62.7			0.4			17.1
<b>DIRECT INVESTMENT</b>			-147.2			-4.7			2.0
<i>Abroad</i>			-212.5			-11.8			-5.4
<i>In the euro area</i>			65.2			7.1			7.4
<b>PORTFOLIO INVESTMENT</b>	-280.5	259.2	-21.3	-19.1	27.9	8.8	-25.1	7.6	-17.5
<i>Equity</i>	-150.0	93.9	-56.1	-6.4	9.5	3.2	-22.0	4.0	-18.0
<i>Debt instruments</i>	-130.5	165.3	34.8	-12.7	18.4	5.7	-3.1	3.6	0.5
<i>Bonds and notes</i>	-120.5	82.9	-37.6	-9.3	15.7	6.4	-6.1	0.1	-5.9
<i>Money market instruments</i>	-10.0	82.4	72.4	-3.4	2.7	-0.7	2.9	3.5	6.4
<b>FINANCIAL DERIVATIVES</b>			-0.8			-1.9			-1.3
<b>OTHER INVESTMENT</b>	-63.3	156.5	93.2	-64.7	65.1	0.3	-4.1	39.6	35.5
<i>Eurosystem</i>	12.0	0.0	12.0	8.4	0.0	8.4	-0.3	0.0	-0.3
<i>General government</i>	-1.2	-12.2	-13.3	0.0	-4.8	-4.7	-2.2	-1.2	-3.4
<i>MFIs (excluding the Eurosystem)</i>	-27.9	138.8	110.9	-65.0	65.2	0.2	8.3	41.3	49.6
<i>Long-term</i>	-51.2	40.9	-10.3	-6.2	3.4	-2.7	-3.4	7.8	4.4
<i>Short-term</i>	23.3	97.9	121.2	-58.8	61.7	3.0	11.7	33.5	45.3
<i>Other sectors</i>	-46.3	29.9	-16.4	-8.2	4.6	-3.5	-9.9	-0.5	-10.4
<b>RESERVE ASSETS <sup>(4)</sup></b>			13.4			-2.1			-1.6
<b>ERRORS AND OMISSIONS</b>			25.5			-0.7			-11.9

Source: ECB.

(1) Discrepancies may arise from rounding.

(2) Monthly figures for 1999 are not closely comparable with later observations.

(3) Inflows (+); Outflows (-).

(4) Increase in reserve assets (-), decrease in reserve assets (+).

Updated: 22 Mar 2000