



EUROPEAN CENTRAL BANK

Frankfurt am Main, 28 October 1999

PRESS RELEASE

EURO AREA BALANCE OF PAYMENTS (monthly developments in August 1999)

In addition to the balance of payments (b.o.p.) monthly key items for August, this release includes a more detailed and revised set of b.o.p. statistics for the second quarter of 1999, as well as revisions for 1998. The quarterly statistics for the second quarter of the year include a breakdown of the income item of the current account and additional information on sectors and instruments for the b.o.p. financial account. The full set of revised data will be shown in the November issue of the ECB Monthly Bulletin.

The current account surplus of the euro area in August 1999 was EUR 1.5 billion, which is EUR 2.8 billion lower than the surplus of ECU 4.3 billion recorded for the same month last year. As in previous months, this reduction was due to a smaller surplus for trade in goods and the shift in services from surplus to deficit. By contrast, the balances for both investment income and current transfers recorded slight improvements relative to August last year. The current account surplus for the first eight months of 1999 was EUR 36.4 billion, EUR 9.1 billion lower than in the same period last year.

The surplus in the goods balance of the euro area declined to EUR 7.0 billion in August, compared with ECU 9.0 billion for the same month a year ago. This was largely due to the EUR 3.6 billion rise in imports of goods, as compared with August last year. Exports of goods increased by EUR 1.6 billion in August, relative to August last year, having fallen for most of this year, compared to 1998. Thus, while in the first 8 months of 1999 the value of imports of goods was only EUR 0.5 billion lower than a year earlier, that of exports of goods declined by EUR 13.6 billion.

The balance on services showed a deficit of EUR 1.1 billion in August, compared with a surplus of ECU 0.1 billion for the same month in 1998, thus following the same pattern as in the preceding months of this year. From January to August 1999, services recorded a deficit of EUR 3.4 billion, compared with a surplus of ECU 1.1 billion in the same period in 1998. In August the deficit of EUR 4.8 billion recorded for current transfers, and the surplus of EUR 0.4 billion for investment income, represent minor changes when compared with August of last year, in contrast to the decline of EUR 3.3 billion and EUR 5.1 billion respectively in the deficits in these categories when comparing the first 8 months of 1999 with the corresponding period of 1998.

Supplementary information now available for the second quarter of 1999 shows that as in the first quarter, the small deficit recorded in the income item originated from a negative balance in investment income, only partially offset by a surplus in “compensation of employees”. Most of the investment income deficit in the second quarter of 1999 was accounted for by income on portfolio investment (–EUR 7.8 billion).

The capital account showed a surplus of EUR 0.6 billion in August 1999, compared with ECU 1.5 billion a year ago, and the surplus of EUR 7.5 billion for the first eight months of this year was also slightly lower than that of ECU 8.5 billion recorded in the same period last year.

Turning to the financial account, net direct investment outflows amounted to EUR 5.9 billion in August, which is close to the July level (EUR 5.7 billion) and well below the level of around EUR 19 billion reached in both June and May. Between January and August 1999 direct investment outflows amounted to EUR 79.7 billion, compared with ECU 39.6 billion in the same period of last year. The figures for the first eight months of 1999 reflect both higher direct investment abroad by euro area residents (EUR 122.5 billion, compared with ECU 93.8 billion) and lower foreign direct investment in the euro area (EUR 42.8 billion, compared with ECU 54.2 billion).

For the third consecutive month, portfolio investment recorded a net inflow in August (EUR 1.8 billion, following net inflows of EUR 3.0 billion and EUR 7.9 billion in July and June, respectively), while in the first five months of the year substantial cumulated net outflows (EUR 69.6 billion) had been reported. Net purchases of euro area securities by foreign investors, mainly money market instruments (as in July), reached EUR 22.5 billion in August; investments in equities and bonds

remained muted. In August euro area residents also bought far fewer bonds and notes abroad than in earlier months. In the first eight months of the year portfolio investment net outflows nevertheless amounted to EUR 56.9 billion, compared with ECU 32.9 billion in the same period of the previous year.

The sectoral breakdown of portfolio investment asset flows, now available for the second quarter of 1999, shows most of the net purchases abroad recorded on this item were carried out by investors outside the MFI and general government sectors.

Elsewhere in the financial account, net inflows in financial derivatives reached EUR 1.5 billion, and "other investment" showed net inflows of EUR 34.9 billion in August, mainly through increases in MFIs' short-term external liabilities. Reserve assets decreased by EUR 0.5 billion in August.

Errors and omissions amounted to minus EUR 35.0 billion in August and minus EUR 11.9 billion for the first eight months of 1999.

Annex I to this press release contains statistics produced by the Eurosystem in respect of the b.o.p. of the euro area; the methodology has been set up 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. A detailed methodological note on euro area b.o.p. statistics is available on the ECB's Web site.

In the light of new information, the ECB has revised the b.o.p. monthly key items for both the second quarter of 1999 (Annex 2) and the year 1998 (Annex 3). Mainly as a result of data revisions relating to goods and services for the second half of last year, the surplus on current account for 1998 has been revised downwards by ECU 6.7 billion to ECU 60.3 billion. For the second quarter of 1999, the current account surplus has been marginally revised to EUR 14.8 billion.

The financial account for the second quarter of 1999 was revised from minus EUR 0.8 billion to minus EUR 28.3, mainly as a result of a downward revision of inflows in the "other investment" account. The other main revision for the second quarter of 1999 was a substantial decrease in net

portfolio investment outflows (EUR 7.0 billion, down from EUR 36.8 billion), reflecting mainly higher inflows in liabilities.

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BALANCE OF PAYMENTS OF THE EURO AREA ⁽¹⁾

(EUR billions; ECU billions to end-1998)

	1998						1999					
	Aug.			Jan.-Aug.			Aug.			Jan.-Aug.		
	<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>	<i>Credit</i>	<i>Debit</i>	<i>Net</i>
CURRENT ACCOUNT	93.8	89.4	4.3	843.8	798.3	45.5	96.0	94.5	1.5	831.5	795.1	36.4
<i>Goods</i>	55.7	46.7	9.0	513.0	433.2	79.8	57.3	50.3	7.0	499.4	432.7	66.7
<i>Services</i>	20.3	20.2	0.1	154.2	153.1	1.1	19.9	21.0	-1.1	152.5	155.9	-3.4
<i>Income</i>	14.0	13.9	0.2	131.6	139.6	-8.0	14.8	14.4	0.4	132.5	135.4	-2.9
<i>Current transfers</i>	3.7	8.7	-4.9	45.0	72.4	-27.4	4.0	8.8	-4.8	47.1	71.1	-24.1
CAPITAL ACCOUNT	1.8	0.3	1.5	11.6	3.1	8.5	1.0	0.4	0.6	11.3	3.8	7.5
	<i>Assets⁽²⁾</i>	<i>Liab.⁽²⁾</i>	<i>Balance</i>	<i>Assets⁽²⁾</i>	<i>Liab.⁽²⁾</i>	<i>Balance</i>	<i>Assets⁽²⁾</i>	<i>Liab.⁽²⁾</i>	<i>Balance</i>	<i>Assets⁽²⁾</i>	<i>Liab.⁽²⁾</i>	<i>Balance</i>
FINANCIAL ACCOUNT ⁽²⁾			4.3			4.3			32.9			-32.0
DIRECT INVESTMENT			-7.6			-39.6			-5.9			-79.7
<i>Abroad</i>			-4.1			-93.8			-9.4			-122.5
<i>In the euro area</i>			-3.5			54.2			3.5			42.8
PORTFOLIO INVESTMENT ⁽³⁾	-16.4	24.4	8.0	-221.2	188.2	-32.9	-20.7	22.5	1.8	-190.7	133.8	-56.9
<i>Equity</i>	-0.6	-3.4	-4.0	-70.5	58.7	-11.8	-10.3	3.1	-7.3	-78.1	38.4	-39.7
<i>Debt instruments</i>	-15.8	27.8	12.0	-150.7	129.5	-21.2	-10.3	19.4	9.0	-112.6	95.4	-17.2
<i>Bonds and notes</i>	-14.2	22.1	7.8	-150.1	111.3	-38.8	-5.7	7.7	2.0	-115.4	45.0	-70.4
<i>Money market instruments</i>	-1.6	5.8	4.2	-0.6	18.2	17.6	-4.6	11.7	7.1	2.8	50.4	53.2
FINANCIAL DERIVATIVES ⁽³⁾			2.2			-3.2			1.5			1.3
OTHER INVESTMENT ⁽³⁾⁽⁴⁾	-12.5	16.2	3.7	-61.5	144.2	82.7	-3.3	38.3	34.9	-53.6	145.1	91.5
<i>Eurosystem</i>	0.1	-0.2	-0.1	-0.3	0.9	0.7	-1.2	0.0	-1.2	6.8	0.0	6.8
<i>General government</i>	0.5	0.5	1.1	-4.1	-6.1	-10.3	0.3	-0.1	0.2	-0.6	-8.9	-9.5
<i>MFIs (excluding the Eurosystem)</i>	-22.0	17.1	-5.0	-19.9	143.0	123.1	0.2	38.1	38.4	-13.2	132.9	119.7
<i>Long-term</i>	-5.6	-1.5	-7.1	-25.7	18.4	-7.4	-6.1	3.4	-2.6	-38.0	26.1	-11.9
<i>Short-term</i>	-16.4	18.6	2.2	5.8	124.6	130.5	6.3	34.7	41.0	24.7	106.8	131.6
<i>Other sectors</i>	8.9	-1.2	7.7	-37.2	6.4	-30.7	-2.7	0.3	-2.4	-46.6	21.1	-25.5
RESERVE ASSETS ⁽³⁾⁽⁵⁾			-2.0			-2.7			0.5			11.9
ERRORS AND OMISSIONS ⁽³⁾			-10.1			-58.2			-35.0			-11.9

Source: ECB.

(1) Discrepancies may arise from rounding.

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

(3) Series for which data from January 1999 are not closely comparable with earlier observations.

(4) Flows before January 1999 include estimations.

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

BALANCE OF PAYMENTS OF THE EURO AREA ⁽¹⁾
(EUR billions)

	1999Q2		
	<i>Credit</i>	<i>Debit</i>	<i>Net</i>
CURRENT ACCOUNT	324.0	309.2	14.8
<i>Goods</i>	193.1	168.2	24.8
<i>Services</i>	59.3	59.1	0.2
<i>Income</i>	56.8	57.8	-0.9
<i>Compensation of employees</i>	2.3	1.3	1.0
<i>Investment income</i>	54.5	56.5	-2.0
<i>Direct investment</i>	12.7	8.1	4.6
<i>Income on equity</i>	11.5	7.0	4.5
<i>Income on debt</i>	1.2	1.1	0.1
<i>Portfolio investment</i>	16.2	24.1	-7.8
<i>Income on equity</i>	3.4	10.9	-7.5
<i>Income on debt</i>	12.9	13.1	-0.3
<i>Bonds and notes</i>	12.3	12.5	-0.2
<i>Money market instruments</i>	0.6	0.7	-0.1
<i>Other investment</i>	25.5	24.3	1.3
<i>Current transfers</i>	14.8	24.2	-9.3
CAPITAL ACCOUNT	4.6	1.2	3.4
	<i>Assets</i>	<i>Liabilities</i>	<i>Balance</i>
FINANCIAL ACCOUNT ⁽²⁾			-28.3
DIRECT INVESTMENT			-52.6
<i>Abroad</i>			-76.9
<i>In the euro area</i>			24.3
PORTFOLIO INVESTMENT	-85.6	78.6	-7.0
<i>Equity</i>	-40.9	31.3	-9.6
<i>Eurosystem</i>	0.0		
<i>General government</i>	-0.3		
<i>MFIs (excluding the Eurosystem)</i>	-3.0		
<i>Other sectors</i>	-37.7		
<i>Debt instruments</i>	-44.7	47.3	2.6
<i>Bonds and notes</i>	-52.5	33.7	-18.9
<i>Eurosystem</i>	0.8		
<i>General government</i>	-0.3		
<i>MFIs (excluding the Eurosystem)</i>	-10.5		
<i>Other sectors</i>	-42.5		
<i>Money market instruments</i>	7.8	13.7	21.5
<i>Eurosystem</i>	0.5		
<i>General government</i>	-0.5		
<i>MFIs (excluding the Eurosystem)</i>	1.1		
<i>Other sectors</i>	6.6		
FINANCIAL DERIVATIVES (net)			-0.6
OTHER INVESTMENT	1.0	24.4	25.3
<i>Eurosystem</i>	4.4	0.0	4.4
<i>Loans/currency and deposits</i>	4.3	0.0	4.3
<i>Other assets/liabilities</i>	0.1	0.0	0.1
<i>General government</i>	3.9	-2.9	1.0
<i>Trade credits</i>	-0.1	0.0	-0.1
<i>Loans/currency and deposits</i>	5.7	-2.7	3.0
<i>Other assets/liabilities</i>	-1.8	-0.2	-2.0
<i>MFIs (excluding the Eurosystem)</i>	8.2	19.4	27.7
<i>Loans/currency and deposits</i>	9.1	18.4	27.4
<i>Other assets/liabilities</i>	-0.8	1.1	0.2
<i>Other sectors</i>	-15.6	7.8	-7.8
<i>Trade credits</i>	-6.2	-2.9	-9.1
<i>Loans/currency and deposits</i>	1.4	9.6	11.1
<i>Other assets/liabilities</i>	-10.8	1.0	-9.7
RESERVE ASSETS	6.6		6.6
<i>Monetary gold</i>	0.0		0.0
<i>Special drawing rights</i>	-1.1		-1.1
<i>Reserve position in the IMF</i>	0.8		0.8
<i>Foreign exchange</i>	6.8		6.8
<i>Currency and deposits</i>	-7.0		-7.0
<i>With monetary authorities and the BIS</i>	-4.6		-4.6
<i>With banks</i>	-2.4		-2.4
<i>Securities</i>	13.8		13.8
<i>Equity</i>	0.0		0.0
<i>Bonds and notes</i>	11.0		11.0
<i>Money market instruments</i>	2.8		2.8
<i>Financial derivatives</i>	0.0		0.0
<i>Other claims</i>	0.1		0.1
ERRORS AND OMISSIONS			10.1

Source: ECB.

(1) Discrepancies may arise from rounding.

(2) Inflows (+); outflows (-); assets increase (-), decrease (+).

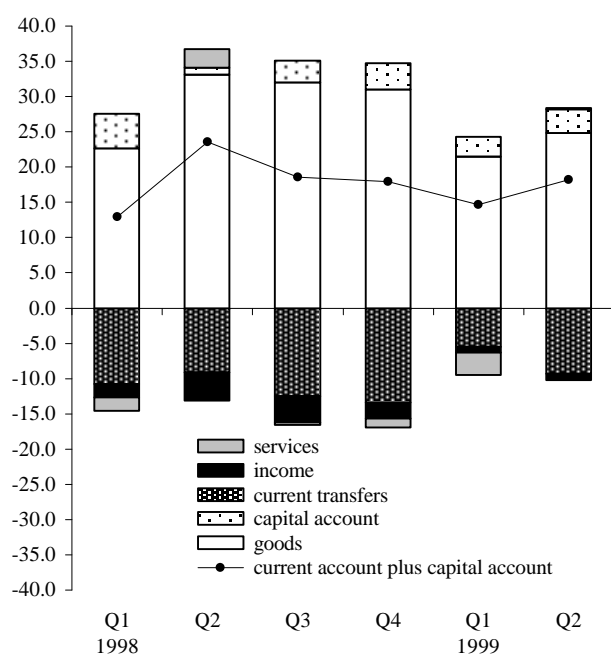
Summary balance of payments

(EUR billions (ECU billions to end-1998); net flows)

	Current account					Capital account	Financial account ¹⁾						Errors and omissions ²⁾
	Total	Goods	Services	Income	Current transfers		Total ²⁾	Direct investment	Portfolio investment ²⁾	Financial derivatives ²⁾	Other investment ^{2) 3)}	Reserve assets ²⁾	
	1	2	3	4	5	6	7	8	9	10	11	12	13
1998	60.3	118.8	-0.9	-11.9	-45.8	12.7	-69.1	-102.6	-85.3	-8.2	118.5	8.5	-3.8
1998 Q1	8.0	22.7	-1.9	-1.9	-10.8	4.9	-14.1	-12.1	-53.4	0.1	52.5	-1.2	1.2
Q2	22.6	33.1	2.6	-4.0	-9.1	1.0	-3.3	-14.0	-1.0	-4.1	15.5	0.4	-20.3
Q3	15.5	32.0	-0.4	-3.7	-12.5	3.1	-15.6	-20.0	8.8	1.1	-8.2	2.6	-3.0
Q4	14.2	31.0	-1.2	-2.3	-13.4	3.7	-36.2	-56.5	-39.7	-5.3	58.7	6.7	18.3
1999 Q1	11.9	21.5	-3.2	-0.8	-5.5	2.8	-33.1	-15.6	-54.7	-1.4	33.0	5.5	18.4
Q2	14.8	24.8	0.2	-0.9	-9.3	3.4	-28.3	-52.6	-7.0	-0.6	25.3	6.6	10.1
1998 Jan.	-3.0	4.0	-1.9	-1.8	-3.3	2.8	9.7	-5.1	-1.0	-1.8	15.2	2.4	-9.5
Feb.	3.0	8.1	-0.5	-0.6	-3.9	0.6	-21.6	-5.3	-22.1	0.7	9.0	-3.9	18.0
Mar.	8.0	10.6	0.4	0.5	-3.5	1.5	-2.1	-1.8	-30.2	1.3	28.3	0.2	-7.3
Apr.	5.9	10.6	0.1	-1.0	-3.8	0.5	-30.7	-7.4	-21.3	-0.9	-0.8	-0.3	24.3
May	7.0	11.3	0.4	-2.0	-2.8	0.4	17.2	-1.1	10.2	-1.5	8.3	1.2	-24.6
June	9.8	11.2	2.1	-1.1	-2.5	0.1	10.2	-5.5	10.0	-1.8	8.0	-0.6	-20.0
July	10.5	15.1	0.3	-2.3	-2.6	1.1	17.3	-5.9	13.4	-1.4	11.0	0.1	-28.9
Aug.	4.3	9.0	0.1	0.2	-4.9	1.5	4.3	-7.6	8.0	2.2	3.7	-2.0	-10.1
Sep.	0.7	7.9	-0.8	-1.6	-4.9	0.5	-37.2	-6.5	-12.6	0.3	-22.9	4.5	36.0
Oct.	3.7	10.6	-1.0	-1.0	-4.9	0.8	-9.7	-18.0	-30.7	-2.9	44.8	-2.9	5.3
Nov.	4.4	10.2	-0.3	-1.0	-4.6	0.9	7.4	-35.3	3.1	-2.3	47.8	-5.8	-12.6
Dec.	6.1	10.3	0.1	-0.3	-3.9	2.0	-33.8	-3.2	-12.0	-0.1	-33.9	15.4	25.7
1999 Jan.	-0.5	4.8	-2.9	-0.4	-2.0	2.7	0.4	-4.7	8.8	-1.9	0.3	-2.1	-2.6
Feb.	4.1	6.9	0.0	-0.6	-2.2	-0.1	6.8	-6.2	-26.4	-0.4	34.8	5.0	-10.8
Mar.	8.3	9.8	-0.4	0.2	-1.4	0.2	-40.3	-4.6	-37.1	0.9	-2.1	2.7	31.8
Apr.	6.8	8.0	-0.4	2.1	-2.9	0.5	-5.1	-14.6	13.6	3.5	-9.3	1.8	-2.3
May	0.5	5.9	0.7	-2.9	-3.2	1.4	-11.0	-19.1	-28.5	-3.9	37.0	3.5	9.1
June	7.4	11.0	-0.1	-0.2	-3.2	1.4	-12.2	-18.9	7.9	-0.1	-2.3	1.3	3.3
July	8.2	13.3	0.8	-1.5	-4.4	0.7	-3.4	-5.7	3.0	1.8	-1.8	-0.7	-5.5
Aug.	1.5	7.0	-1.1	0.4	-4.8	0.6	32.9	-5.9	1.8	1.5	34.9	0.5	-35.0

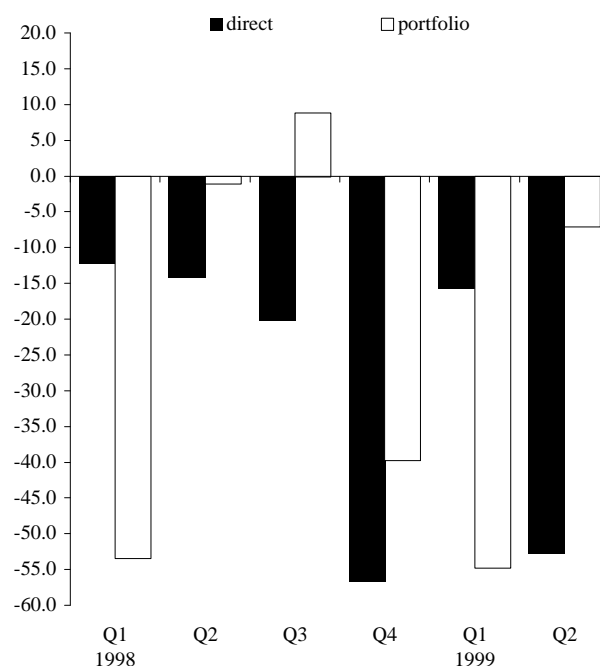
Current and capital accounts

(EUR billions (ECU billions to end-1998); net flows)



Direct and portfolio investment

(EUR billions (ECU billions to end-1998); net flows)



Source: ECB.

1) Inflows (+); outflows (-). Reserve assets: increase (-); decrease (+).

2) Data from January 1999 are not closely comparable with earlier observations.

3) Flows before January 1999 include estimates.