



EUROPEAN CENTRAL BANK

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PRESS RELEASE

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

In September, the current account of the euro area recorded a small deficit of EUR 1.9 billion. This represents a deterioration of EUR 2.6 billion compared with September 1998, resulting from a smaller surplus for trade in goods, along with larger deficits for both income and trade in services. The current account surplus for the first three quarters of 1999 was EUR 34.5 billion, EUR 11.6 billion lower than in the same period last year.

In line with previous months, and corresponding with rising foreign demand and improvements in price competitiveness, exports of goods continued to recover in September, increasing by EUR 3 billion relative to the same month a year ago. Despite this increase, the surplus on trade in goods declined compared with September 1998, largely because of the impact of higher oil prices on imports. Although the cumulative surplus for trade in goods over the first nine months of this year declined by EUR 14.6 billion, compared with the same period in 1998, the pace of this decline slowed down in the third quarter.

The downturn in the goods surplus explains the major part of the cumulative decline in the current account surplus, but the balance for services also fell by EUR 5 billion in the first nine months of 1999, compared with the same period last year. In contrast, smaller deficits for the current transfers and income accounts for the year to September helped to limit the decline in the current account surplus.

Turning to the financial account, net direct investment outflows amounted to EUR 7.0 billion in September, which is close to figures for August and July. Between January and September 1999 direct investment net outflows totalled EUR 86.7 billion, substantially more than the ECU 46.1 billion in the same period of last year. The figures for the first nine months of 1999 reflect both higher direct investment abroad by euro area residents and lower foreign direct investment in the euro area.

Net inflows in portfolio investment increased substantially in September (to EUR 20.2 billion, from EUR 1.8 billion in August and EUR 3 billion in July). In particular, foreign purchases for euro area securities, mainly debt securities, rose to EUR 37.5 billion in September, up from EUR 22.5 billion in August. By contrast, investment by euro area residents in foreign securities was lower in September (EUR 17.2 billion) than in August (EUR 20.7 billion).

Portfolio investment has now recorded a net inflow for the fourth consecutive month (EUR 32.9 billion since June), while in first five months of the year substantial net outflows (EUR 69.6 billion) were reported. As a result of the significant net inflows in recent months, in particular in September, net outflows in portfolio investment in the first nine months of this year were lower than in the same period of the previous year (EUR 36.7 billion, as compared with ECU 45.6 billion).

In other accounts of the financial account, net outflows in financial derivatives reached EUR 0.7 billion, and other investment showed net outflows of EUR 47.0 billion in September, mainly due to an increase in the net external assets of MFIs. Reserve assets decreased by EUR 1.7 billion in September.

Errors and omissions amounted to EUR 34.3 billion in September and EUR 22.4 billion for the first nine months of 1999.

The table attached to this press release contains statistics produced by the Eurosystem in respect of the balance of payments (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 the data on extra-euro area transactions reported by euro area countries. The results for September 1999 will also be published in the

December issue of the ECB Monthly Bulletin. A detailed methodological note on euro area b.o.p. statistics is available on the ECB's Web site.

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BALANCE OF PAYMENTS OF THE EURO AREA ⁽¹⁾

(EUR billions; ECU billions to end-1998)

| | 1998 | | | | | | 1999 | | | | | |
|---|-----------------------------|----------------------------|----------------|-----------------------------|----------------------------|----------------|-----------------------------|----------------------------|----------------|-----------------------------|----------------------------|----------------|
| | Sep. | | | Jan.-Sep. | | | Sep. | | | Jan.-Sep. | | |
| | <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 | 103.6 | 102.9 | 0.7 | 947.4 | 901.2 | 46.1 | 106.8 | 108.7 | -1.9 | 938.3 | 903.8 | 34.5 |
| <i>Goods</i> | 63.6 | 55.7 | 7.9 | 576.7 | 488.9 | 87.8 | 66.6 | 60.2 | 6.5 | 566.0 | 492.9 | 73.2 |
| <i>Services</i> | 19.6 | 20.4 | -0.8 | 173.8 | 173.5 | 0.3 | 19.8 | 21.1 | -1.3 | 172.4 | 177.0 | -4.7 |
| <i>Income</i> | 16.6 | 18.2 | -1.6 | 148.2 | 157.8 | -9.6 | 16.2 | 18.7 | -2.5 | 148.7 | 154.0 | -5.4 |
| <i>Current transfers</i> | 3.7 | 8.6 | -4.9 | 48.7 | 81.0 | -32.4 | 4.2 | 8.8 | -4.6 | 51.3 | 79.9 | -28.6 |
| CAPITAL ACCOUNT | 0.9 | 0.4 | 0.5 | 12.5 | 3.6 | 9.0 | 0.9 | 0.5 | 0.4 | 12.2 | 4.3 | 7.9 |
| | <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⁾ | | | -37.2 | | | -32.9 | | | -32.8 | | | -64.8 |
| DIRECT INVESTMENT | | | -6.5 | | | -46.1 | | | -7.0 | | | -86.7 |
| <i>Abroad</i> | | | -19.2 | | | -113.0 | | | -10.5 | | | -133.0 |
| <i>In the euro area</i> | | | 12.7 | | | 66.9 | | | 3.5 | | | 46.3 |
| PORTFOLIO INVESTMENT ⁽³⁾ | -19.5 | 6.9 | -12.6 | -240.7 | 195.1 | -45.6 | -17.2 | 37.5 | 20.2 | -207.9 | 171.2 | -36.7 |
| <i>Equity</i> | -8.1 | -2.0 | -10.1 | -78.6 | 56.7 | -21.8 | -8.7 | 8.0 | -0.7 | -86.8 | 46.3 | -40.4 |
| <i>Debt instruments</i> | -11.4 | 8.9 | -2.6 | -162.1 | 138.4 | -23.7 | -8.5 | 29.5 | 21.0 | -121.1 | 124.9 | 3.8 |
| <i>Bonds and notes</i> | -7.8 | 9.4 | 1.6 | -157.9 | 120.7 | -37.1 | -3.2 | 16.4 | 13.1 | -118.6 | 61.3 | -57.3 |
| <i>Money market instruments</i> | -3.6 | -0.6 | -4.2 | -4.3 | 17.6 | 13.4 | -5.3 | 13.1 | 7.8 | -2.5 | 63.6 | 61.1 |
| FINANCIAL DERIVATIVES ⁽³⁾ | | | 0.3 | | | -2.9 | | | -0.7 | | | 0.5 |
| OTHER INVESTMENT ⁽³⁾⁽⁴⁾ | -65.1 | 42.2 | -22.9 | -126.6 | 186.4 | 59.8 | -15.1 | -31.9 | -47.0 | -68.7 | 113.2 | 44.5 |
| <i>Eurosystem</i> | 0.1 | -0.4 | -0.3 | -0.2 | 0.5 | 0.4 | 0.6 | 0.0 | 0.6 | 7.4 | 0.0 | 7.4 |
| <i>General government</i> | -0.2 | 0.9 | 0.7 | -4.4 | -5.2 | -9.6 | 1.0 | -1.2 | -0.2 | 0.4 | -10.1 | -9.7 |
| <i>MFIs (excluding the Eurosystem)</i> | -56.4 | 39.2 | -17.2 | -76.3 | 182.2 | 105.9 | -10.9 | -30.0 | -40.9 | -24.1 | 102.9 | 78.8 |
| <i>Long-term</i> | -4.8 | 2.3 | -2.5 | -30.5 | 20.6 | -9.9 | -5.2 | 1.6 | -3.5 | -43.2 | 27.7 | -15.4 |
| <i>Short-term</i> | -51.6 | 36.9 | -14.7 | -45.8 | 161.6 | 115.8 | -5.7 | -31.6 | -37.4 | 19.0 | 75.2 | 94.2 |
| <i>Other sectors</i> | -8.5 | 2.4 | -6.1 | -45.7 | 8.9 | -36.8 | -5.8 | -0.7 | -6.5 | -52.4 | 20.5 | -32.0 |
| RESERVE ASSETS ⁽³⁾⁽⁵⁾ | | | 4.5 | | | 1.8 | | | 1.7 | | | 13.6 |
| ERRORS AND OMISSIONS ⁽³⁾ | | | 36.0 | | | -22.2 | | | 34.3 | | | 22.4 |

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 (+).