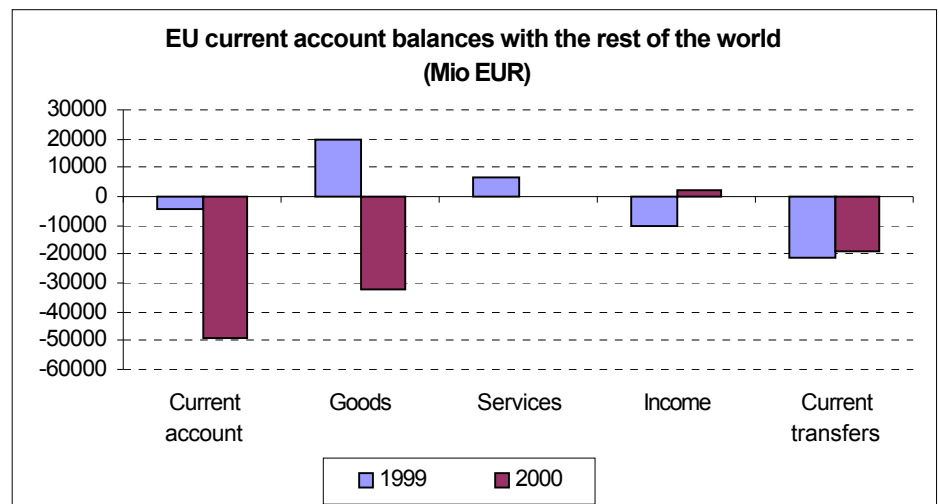


EU current account preliminary annual results: deficit with rest of the world fell to EUR -49.3 bn in 2000

Nikolaos Chryssanthou

Between 1999 and 2000, the EU current account with the rest of the world (extra-EU-15) showed a strong worsening of its deficit, down from EUR -4.7 bn to -49.3 bn. This fall can be explained by the spectacular reversal of the goods¹ surplus to a deficit of EUR -32.5 bn, and the elimination of the services surplus. The decline observed for goods and services more than offset the improvement of the income balance from a deficit in 1999 to a EUR 2.3 bn surplus in 2000 and the slight contraction of the current transfers deficit. The deterioration of the balances in transportation and other services (i.e. excluding transportation and travel) were more pronounced than the 21% shrinkage of the travel deficit. The euro-zone's² services balance followed similar trends in its sub-components, and was down to EUR -16.5 bn. The EU current surpluses with USA and Canada grew markedly to EUR 50.5 bn and EUR 6.1 bn, respectively, whereas the EU current deficit with Japan expanded to EUR -36.9 bn.



Trade balance reversal made the EU current account deficit widen from EUR -4.7 bn to -49.3 bn in 2000

Preliminary 2000 results revealed a sharp deterioration of the EU current account deficit with the rest of the world (excluding intra-EU transactions) to EUR -49.3 bn from EUR -4.7 bn in 1999. This slump was due mostly to the reversal of the goods balance – from a EUR 19.4 bn surplus in 1999 to a EUR -32.5 bn deficit in 2000 – and the significant deterioration of the services account, down from a EUR 6.9 bn surplus to the balance. In contrast, the income³ balance turned from a deficit of EUR -9.9 bn into a surplus of EUR 2.3 bn in 2000.

¹ According to the Balance of Payments concept: (exports FOB - imports FOB).

² The euro-zone (EUR-11) aggregate still includes Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. Greece will be included for data from 2001 onwards, reflecting this Member State's entry in the euro-zone.

³ For the item investment income, see the methodological note at the end of this document.

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ECONOMY AND FINANCE

THEME 2 – 25/2001

BALANCE OF PAYMENTS

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The current transfers deficit experienced a slight contraction, from EUR -21.1 to -19.1 bn.

Nevertheless, the EU credit and debit current transactions

with the rest of the world increased markedly by 22% and 26%, respectively.

EU current account with the rest of the world

(Mio EUR)

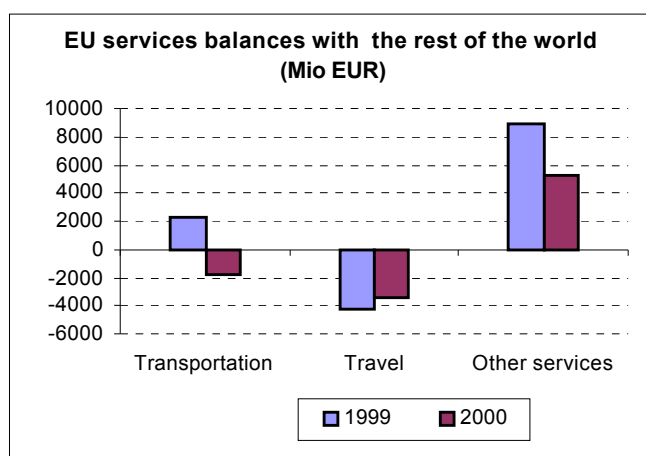
	Credits		Debits		Net	
	1999	2000*	1999	2000*	1999	2000*
Current account	1 256 771	1 539 482	1 261 421	1 588 817	- 4 650	- 49 335
Goods	737 916	904 684	718 479	937 199	19 437	- 32 515
Services	246 001	278 076	239 085	278 095	6 916	- 19
Transportation	60 011	68 464	57 752	70 327	2 258	- 1 863
Travel	62 964	72 201	67 227	75 564	- 4 263	- 3 363
Other services	123 010	137 382	114 099	132 174	8 911	5 208
Services not allocated	16	29	6	29	10	0
Income	240 180	315 954	250 108	313 621	- 9 928	2 333
Current transfers	32 677	40 768	53 749	59 902	- 21 072	- 19 134

* Preliminary results

The combined deterioration of the transportation and other services balances exceeded the travel deficit's contraction in 2000

The decisive deterioration of the transportation and other services balances between 1999 and 2000 completely cancelled out the 1999 total services surplus. The largest deterioration was registered by transportation that recorded a deficit of EUR -1.9 bn in 2000 in comparison with a surplus of EUR 2.3 bn in 1999.

The surplus in other services⁴ also decreased significantly (-42%), reaching EUR 5.2 bn in 2000. On the other side, the travel deficit narrowed by 21%, from EUR -4.3 bn to -3.4 bn.



Deterioration of the euro-zone services' deficit to EUR -16.5 bn in 2000

Like the European Union the euro-zone showed a deterioration of its services balance with the rest of the world which deteriorated from EUR -10.0 bn in 1999 to EUR -16.5 bn in 2000.

Comparison with the EU's zero service balance was due principally to the United Kingdom's EUR 24.5 bn surplus with extra-EU countries. In fact, this country alone accounted for 20% of the EU total external transactions in services.

Similarly to the EU, the deterioration of the euro-zone's services deficit was mainly caused by that of the transportation surplus (EUR 2.7 bn in 1999) which turned into a deficit of EUR -3.7 bn. The other services deficit also worsened (by 23%) totalling EUR -26.6 bn in 2000. This offset the 53% rise of the travel surplus that amounted to EUR 13.8 bn in 2000.

Euro-zone trade in services with the rest of the world

(Mio EUR)

	Exports		Imports		Balance	
	1999	2000*	1999	2000*	1999	2000*
Services	235 147	264 684	245 139	281 188	- 9 991	- 16 504
Transportation	58 149	61 602	55 481	65 292	2 668	- 3 690
Travel	66 485	78 295	57 478	64 485	9 006	13 810
Other services	110 493	124 729	132 152	151 369	- 21 659	- 26 640
Services not allocated	21	58	28	42	-7	16

* Preliminary results

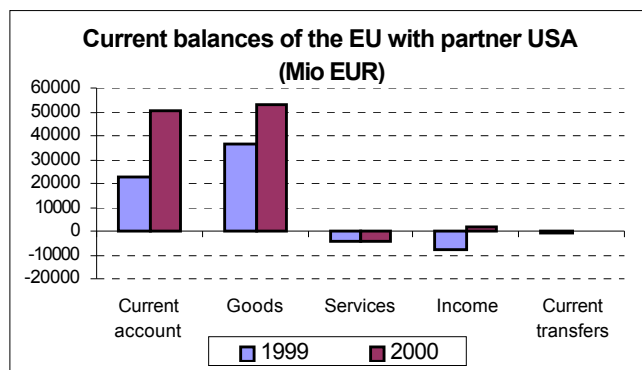
⁴ The item "other services" covers services other than transportation and travel. It includes communications services, construction services, insurance services, financial services, computer & information services, royalties & license fees, other business services, personal, cultural & recreational services and government services n.i.e.

The USA remained the main partner for extra-EU transactions in 2000

In 2000, the USA continued to be the main extra-EU partner, representing 30% of total EU external current transactions. The shares of Japan and Canada were respectively 6% and 2%.

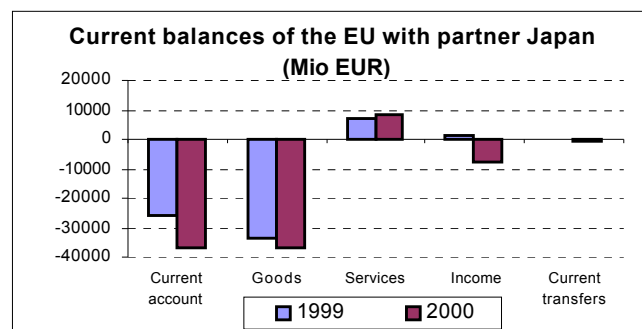
Between 1999 and 2000, the EU current surplus with the USA went up by a remarkable EUR 27.9 bn, to reach EUR 50.5 bn. This was mainly owing to the 52% growth of the trade in goods surplus, from EUR 36.1 to 52.9 bn. Income also played a significant part, as its EUR -8.0 bn deficit reversed to a EUR 1.9 bn surplus.

The deficits in services and current transfers narrowed slightly, to reach EUR -4.0 bn and EUR -0.3 bn, respectively.



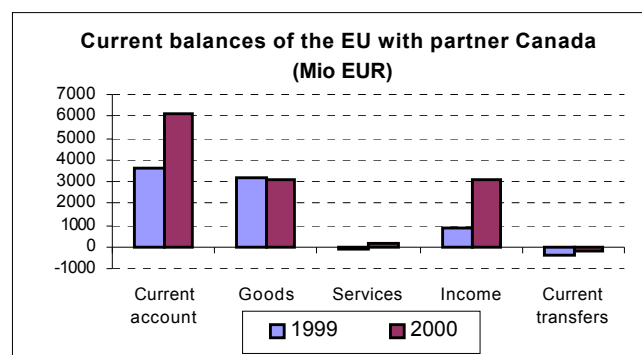
The EU current account deficit with Japan grew by 44%, amounting to EUR -36.9 bn in 2000. This deterioration mostly stemmed from the income balance that turned from a surplus of EUR 1.0 bn in 1999 into a deficit of EUR -7.9 bn in 2000. The deficit in goods also deteriorated to EUR -36.8 bn, whereas, the services surplus increased by 19% to EUR 8.3 bn in 2000.

The transfers account with Japan remained almost in balance, at EUR -0.4 bn.



Results for the EU current account with Canada showed a surplus of EUR 6.1 bn in 2000, which is 69% higher than the previous year. This arose from a continuing increase of the income surplus, from EUR 0.9 bn to EUR 3.1 bn.

The balances in goods, services and current transfers remained close to their 1999 levels, at EUR 3.0 bn, 0.2 bn and -0.2 bn, respectively.



➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The EU balance of payments is compiled by Eurostat in accordance with a methodology agreed with the European Central Bank (ECB) based on extra-EU transactions, i.e. by aggregating cross border transactions of EU residents vis-à-vis non-EU residents as reported by the 15 participating Member States. The balance of payments of the EU institutions is added to the EU aggregate. The ECB compiles the euro-zone aggregate following the same agreed methodology excluding cross-border transactions within the euro-zone. The EU institutions are treated as non-resident of the euro-zone.

The methodological framework used is that of the fifth edition of the International Monetary Fund (IMF) Balance of Payments manual.

The results presented are preliminary and subject to revision according to the data timetable agreed with Member States. Final 2000 results will be issued by the end of November 2001.

Published data for the euro-zone, which include detail on services only, have been validated by the ECB. In fact, annual detailed breakdowns of the item services for the euro-zone transactions are made available by the Member States only to Eurostat. They do not match up exactly with those released by the ECB because of different "cut-off" dates for receiving Member States' data for processing (revisions could take place between these "cut-off" dates) and some (minor) methodological differences.

Methodological difference between Eurostat and the ECB for the compilation of investment income flows

The EU-15 current account data are not fully comparable to the euro-zone figures released by the ECB. Indeed, a new methodology has been implemented by the ECB for the geographical allocation of portfolio investment income, which has consequences on investment income, income and the current account. In fact, it has been decided that receipts on portfolio investment income would be allocated geographically according to the residency of the security issuer rather than that of the immediate counterpart. On the basis of intra-EU receipts, payments on portfolio investment income should be allocated consistently between intra and extra-EU according to the residency of the end-investor. Due to a shortage of data, this methodological change could not be implemented for the compilation of the EU-15 aggregate.

Both institutions and the European Union Member States are currently working in order to minimise these discrepancies in the future.

Further information:

➤ Reference publications

Title EU international transactions – Data 1989-99
 Catalogue No KS-AP-01-001-EN-C Price EUR 25

➤ Databases

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