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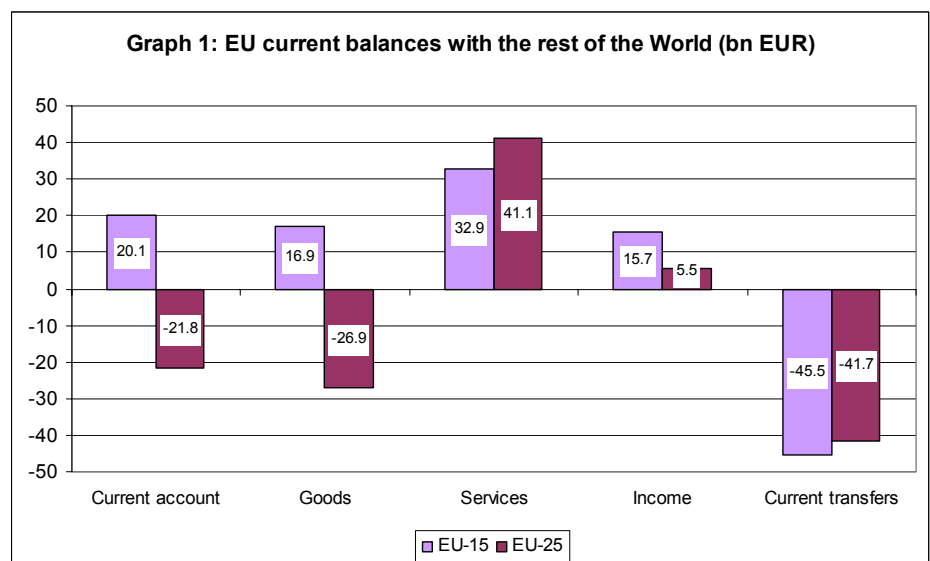
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# EU-25 current account preliminary results for 2004

## EU-25 external deficit of EUR 21.8 bn

The EU-25 current account balance preliminary result for 2004 showed a deficit of EUR 21.8 bn. This result was largely due to the deficit in the goods and current transfers balances (EUR -26.9 bn, EUR -41.7 bn respectively), while the services balance recorded a surplus of EUR 41.1 bn. In contrast, the EU-15 current account balance showed a surplus of EUR 20.1 bn, as a result of the surpluses recorded in the goods, services and income balances, while the current transfers balance was in deficit. EU-15 current account balances with Canada, USA, and EFTA improved between 2003 and 2004, while the deficit in the current account balance with Japan increased to EUR 23.6 bn during the same period.



Source: Eurostat

## EUR 17.7 bn increase in the EU-25 goods deficit

Preliminary 2004 results reveal an increase of EUR 8.1 bn in the EU-25 *current account* balance deficit. This was mainly due to a EUR 17.7 bn increase in the *goods*<sup>1</sup> deficit. This deterioration was not compensated by the improvement of EUR 3.9 bn in the *services* balance and EUR 9.1 bn in the *income* balance. The deterioration in the EU-25 *goods* balance is due to a larger increase in imports (+10.1%) than for exports (+8.6%).

Table 1: Main items of the EU-25 current account (bn EUR)

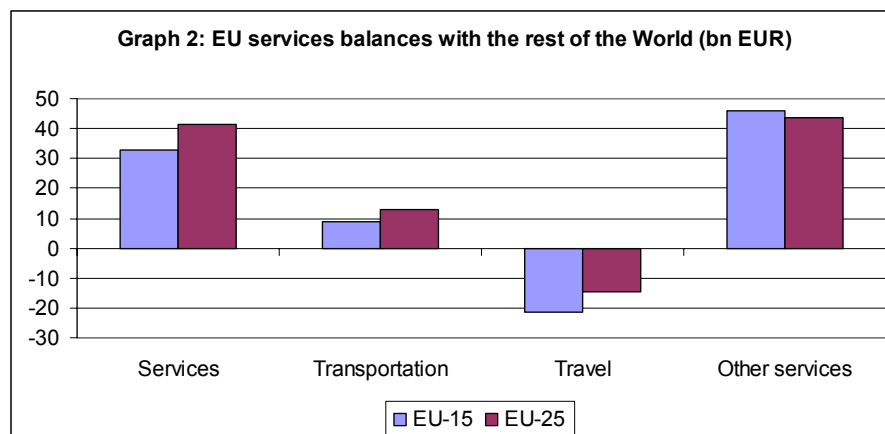
ITEMS	Credit			Debit			Net		
	2003	2004	Var.%	2003	2004	Var.%	2003	2004	Var.(abs)
Current account	1500.4	1646.8	8.9%	1514.2	1668.6	9.3%	-13.7	-21.8	-8.1
Goods	874.7	956.5	8.6%	883.8	983.4	10.1%	-9.2	-26.9	-17.7
Services	330.8	356.2	7.1%	293.6	315.1	6.8%	37.2	41.1	3.9
Transportation	:	89.2	:	:	76.0	:	:	13.2	:
Travel	:	66.8	:	:	81.6	:	:	-14.8	:
Other services	:	197.6	:	:	154.1	:	:	43.5	:
Services not allocated	:	2.6	:	:	3.4	:	:	-0.8	:
Income	263.0	300.7	12.5%	266.6	295.2	9.7%	-3.6	5.5	9.1
Current transfers	31.9	33.3	4.2%	70.1	75.0	6.5%	-38.2	-41.7	-3.5

Source: Eurostat  
Figures may not add up due to rounding

<sup>1</sup> In the trade balance in Goods, according to the Balance of Payments concept, both exports and imports are valued free on board (f.o.b.) while in Foreign Trade Statistics imports are valued at cost insurance freight (c.i.f.). This explains, together with other methodological differences, why different values are observed in both statistical domains although both show similar trends.

## EU-25 services surplus with the rest of the World higher than for EU-15

The EU-25 *services* balance surplus with the rest of the world in 2004 was EUR 8.2 bn higher than for the EU-15. In fact, for *transportation services* EU-15 registered a surplus of EUR 8.7 bn, while EU-25 recorded a surplus of EUR 13.2 bn. EU-15 also showed a higher deficit for *travel* than EU-25 (EUR -21.3 bn and EUR -14.8 bn respectively). In contrast, the EU-15 *other services*<sup>2</sup> balance recorded a 5.1% higher surplus than EU-25.



Source: Eurostat

## EU-25 income in surplus with the rest of the World

The EU-25 *income* balance shifted from a deficit in 2003 (EUR -3.6 bn) to a surplus in 2004 (EUR +5.5 bn). Both credits and debits increased in 2004, but *income* credits

recorded a higher increase, EUR 37.6 bn compared to the increase of EUR 28.6 bn for *income* debits.

## Higher EU-25 current transfers deficit with the rest of the World

EU-25 *current transfers* deficit increased to EUR 41.7 bn in 2004 from EUR 38.2 bn in 2003. The main reason behind this higher deficit was the 6.5% increase of debit

*current transfers* (EUR 4.9 bn), only in part counterbalanced by a 4.2% rise in credit transactions (EUR 1.4 bn).

## Euro-zone<sup>3</sup> surplus in services continued growing in 2004

The euro-zone surplus in *services* rose to EUR 26.9 bn in 2004. It increased by EUR 7.2 bn compared to the surplus of EUR 19.7 bn recorded in 2003. The

improvement is explained by increases of EUR 3.7 bn in *transportation*, EUR 1.4 bn in *travel* and EUR 2.5 bn in *other services* surpluses.

Table 2: Euro-zone trade in services with Extra Euro-zone (bn EUR)

ITEMS	Credit			Debit			Net		
	2003	2004	Var.%	2003	2004	Var.%	2003	2004	Var.(abs)
Services	328.4	354.4	7.3%	308.7	327.5	5.7%	19.7	26.9	7.2
Transportation	69.8	81.5	14.4%	64.4	72.4	11.1%	5.4	9.1	3.7
Travel	81.5	86.7	6.1%	70.9	74.8	5.2%	10.6	12.0	1.4
Other services	173.2	181.9	4.8%	169.1	175.4	3.6%	4.1	6.6	2.5
Services not allocated	4.1	4.2	4.0%	4.5	4.9	9.6%	-0.4	-0.7	-0.3

Source: Eurostat

Figures may not add up due to rounding

## EU-15 current account balances recovered with the USA, EFTA<sup>4</sup> and Canada but suffered a deterioration with Japan

Table 3 shows a significant increase in the EU-15 *current account* surplus with the USA in 2004 compared to 2003 (EUR 24.8 bn, corresponding to a 31.1% rise). Also, the deficit with EFTA countries recorded a EUR 2.6 bn contraction and the surplus with Canada a EUR 2.2 bn increase. On the contrary, the *current account* deficit with Japan recorded a deterioration of EUR 6.7 bn. Between 2003 and 2004, in the EU-15 *current account* with these countries as a whole, the faster growth of

credits compared to debits (+6.7% and +3.9% respectively) resulted in an increase of EUR 22.8 bn in the surplus (from EUR 65.7 bn in 2003 to EUR 88.5 bn in 2004). Only for Japan did EU-15 debits increase more than EU-15 credits between 2003 and 2004. In particular, *income* debits increased by 36.3% recording EUR 14.0 bn in 2003 and EUR 19.1 bn in 2004, whereas *income* credits decreased by 5.2% recording EUR 12.9 bn and EUR 12.2 bn in the same periods.

<sup>2</sup> The item "Other services" covers communications services, construction services, insurance services, financial services, computer and information services, royalties and license fees, other business services, personal, cultural and recreational services, government services, n.i.e. and services not allocated.

<sup>3</sup> The euro-zone includes Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal, Finland and Greece.

<sup>4</sup> The European Free Trade Association: Iceland, Liechtenstein, Norway and Switzerland.

The EU-15 *current account* surplus with the USA increased between 2004 and 2003, going up from EUR 79.8 bn to EUR 104.6 bn. The main factor behind this result is the significant improvement in the *income* balance, which registered a growth of EUR 14.6 bn due to a EUR 16.5 bn increase in the credit component.

The contraction from EUR 4.2 bn in 2003 to EUR 1.6 bn in 2004 of the EU-15 *current account* deficit with EFTA countries can be explained by a lower *income* deficit, which registered a contraction of EUR 2.6 bn. EU-15 *income* credits to these countries grew by 4.2% while debits declined by 2.8%.

After a 20.7% contraction between 2003 and 2002, the EU-15 *current account* deficit with Japan increased between 2004 and 2003, going up by 39.4% from EUR 16.9 bn to EUR 23.6 bn. The reason behind this change is the higher deficit observed in the *goods* and, mostly, in the *income* balances (EUR 1.4 bn and EUR 5.8 bn respectively).

The EU-15 *current account* with Canada recorded a higher surplus moving from EUR 7.0 bn in 2003 to EUR 9.1 bn in 2004, due to a 52.8% increase in *income* credits, while the *income* debit component remained relatively stable.

**Table 3: EU current account balances with USA, EFTA, Japan and Canada (bn EUR)**

ITEMS	USA				EFTA				Japan				Canada			
	EU-15	EU-15	Var.	EU-25	EU-15	EU-15	Var.	EU-25	EU-15	EU-15	Var.	EU-25	EU-15	EU-15	Var.	EU-25
	2003	2004	(abs)	2004	2003	2004	(abs)	2004	2003	2004	(abs)	2004	2003	2004	(abs)	2004
<b>Current account</b>	79.8	104.6	24.8	104.9	-4.2	-1.6	2.6	-1.2	-16.9	-23.6	-6.7	-28.4	7.0	9.1	2.2	9.3
<b>Goods</b>	75.4	80.2	4.7	80.9	-7.5	-6.6	0.9	-6.6	-22.8	-24.2	-1.4	-29.3	6.5	5.9	-0.7	5.9
<b>Services</b>	8.1	15.7	7.7	15.0	13.6	12.8	-0.8	13.0	7.1	7.7	0.6	8.1	0.7	0.8	0.1	0.8
Transportation	5.9	8.1	2.2	8.4	-0.4	0.3	0.7	0.6	1.3	1.1	-0.2	1.0	0.7	0.7	0.0	0.7
Travel	2.0	3.7	1.7	3.9	5.7	6.1	0.5	6.1	2.2	2.0	-0.2	2.1	-0.3	-0.2	0.1	-0.1
Other services	0.9	4.8	3.9	3.6	8.5	6.6	-1.9	6.4	3.8	5.0	1.1	5.3	0.4	0.4	0.0	0.4
Services not allocated	-0.8	-0.9	-0.1	-0.9	-0.1	-0.1	-0.1	-0.1	-0.3	-0.3	-0.1	-0.3	-0.1	-0.1	0.0	-0.1
<b>Income</b>	-1.3	13.3	14.6	11.9	-11.1	-8.5	2.6	-8.5	-1.1	-6.9	-5.8	-7.1	0.8	3.8	3.0	3.8
<b>Current transfers</b>	-2.4	-4.5	-2.1	-3.0	0.7	0.6	-0.1	0.8	0.0	-0.1	-0.1	-0.1	-1.1	-1.3	-0.3	-1.2

Source: Eurostat  
Figures may not add up due to rounding

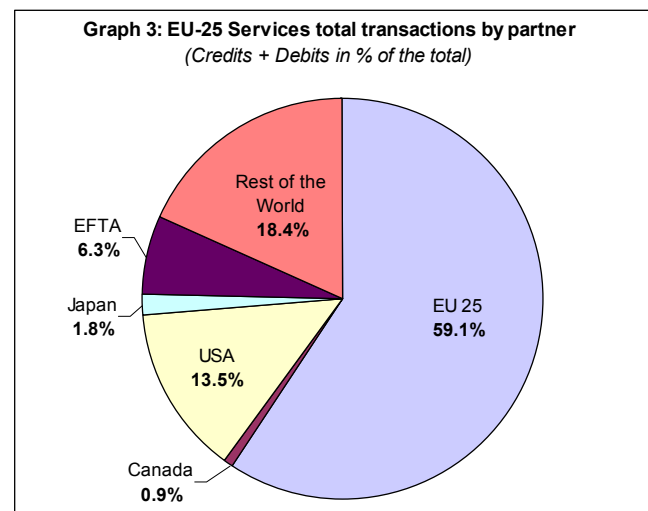
According to graph 3, in 2004 the USA remained the biggest extra-EU-25 partner, with a 13.5% share of total world external transactions (including intra-EU-25). EFTA countries accounted for 6.3% and Japan and Canada registered shares of 1.8% and 0.9% respectively.

Table 3 shows that the *services* balance reports a surplus for all the partners considered.

In detail, there is a surplus in EU-25 *services* transactions with the USA in all the main components - *transportation*, *travel* and *other services* (EUR 8.4 bn, EUR 3.9 bn and EUR 3.6 bn respectively).

The same holds true for EU-25 *services* transactions with EFTA and Japan; the 13.0 bn surplus with EFTA is mostly due to *travel* (EUR 6.1 bn) and *other services* (EUR 6.4 bn), whereas the 8.1 bn surplus with Japan results mainly from the *other services* (EUR 5.3 bn).

Out of these four extra-EU-25 partners, Canada recorded the lowest surplus in the *services* balance (EUR 0.8 bn).



Source: Eurostat

## ➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The results presented here are preliminary calculations based on the sum of quarterly data reported by Member States and are subject to revisions. Detailed trade in services results for 2004 will be issued by the end of December 2005. The 2003 results for the services main items, as presented here, may differ from those previously released under the annual detailed trade in services release, due to revisions in the underlying quarterly data.

The balance of payments records all economic transactions between a country (i.e. its residents) and foreign countries or international organisations (i.e. the non-residents of that country) during a given period. As part of the balance of payments, the current account takes care of real resources and is subdivided into four basic components: goods, services, income and current transfers. The methodological framework used is that of the fifth edition of the International Monetary Fund Balance of Payments Manual (BPM5). 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 25 participating Member States. The balance of payments of the EU institutions is added to the EU aggregate.

The ECB compiles Balance of Payment data for the euro-zone. For more information on euro-zone Balance of Payments data, see the ECB website <http://www.ecb.int/stats/mb/eastats.htm>. Eurostat provides, also for the euro-zone, the annual detailed breakdowns of the item services, both by components and geographical breakdown. These breakdowns, available in full detail only with the final results, are not produced by the ECB.

Eurostat data concerning the euro-zone total services item do not match up exactly with those released by the ECB, due to different revision timetable and level of detail.

## ***Further information:***

### **Databases**

[EUROSTAT Website/Economy and finance/Balance of payments - International transactions/International trade in services, geographical breakdown of the current account/Current account, preliminary results 2004](#)

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