

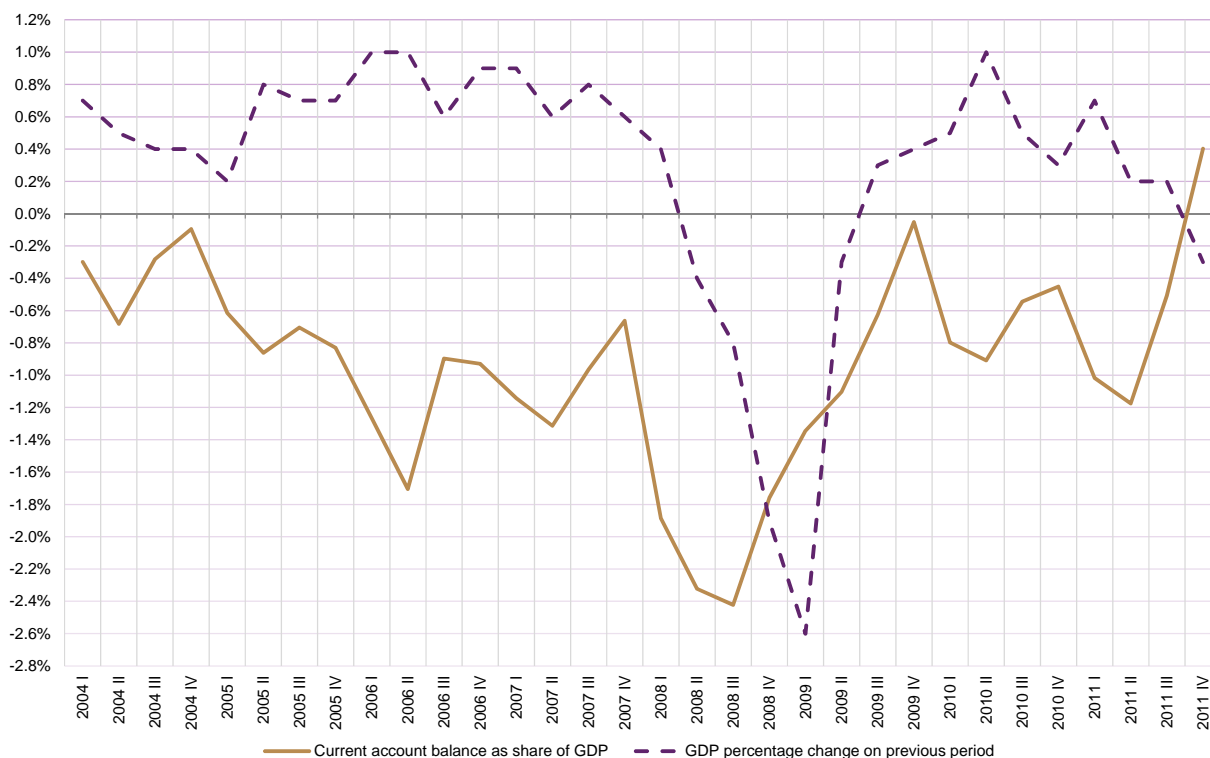
## EU and Member States' balance of payments during the economic turmoil

Growing integration of the global economy resulted in a substantial increase in the value of cross-border trade and financial flows, as measured by the balance of payments statistics. These developments were brought to a halt by the economic crisis. A deterioration in the credit markets led first to a significant drop in the value of financial transactions and, from 2008 onwards, turmoil also started to affect the 'real' economy, with a negative impact on the volume of exports and imports of goods and services. In 2011, the EU-27 posted a current account deficit of EUR 71.3 billion, 13% lower than in 2010 and 73% down on 2008. Although exports and

imports of goods and services recovered in 2011, volumes of financial flows grew back only slowly or in some cases fell still further. National data reveal a mixed picture. Although the current account balances of the biggest economies remained relatively stable, many smaller countries managed to reduce their previously high current account deficits significantly. In recent years there has been a substantial increase in indebtedness recorded in the international investment positions of many of the EU Member States.

### The financial and economic crisis had a substantial impact on the EU current account

Figure 1: Current account balance as a share of GDP in relation to GDP percentage change - 2004Q1-2011Q4



Source: Eurostat (online data codes: [bop\\_q\\_eu](#) and [namq\\_gdp\\_k](#))

In 2011, EU-27 recorded a current account deficit of EUR 71.3 billion or 0.6 % of GDP. This meant a modest 13% drop from 2010 (EUR 82.2 billion or 0.7 % of GDP), but a 73% fall from the peak deficit in 2008 (EUR 261.5 billion or 2.1% of GDP). Compared with 2010, the rise in the deficit in the goods account from EUR 127.8 billion (-1.0% of GDP) to EUR 140.7 billion (-1.1% of GDP) was more than offset by the increase of the surplus in the services account from EUR 92.4 billion (0.8% of GDP) to EUR 109.1 billion (0.9% of GDP), and of the income account from EUR 19.2 billion to EUR 25.8 billion (0.2% of GDP for both years). The deficit in current transfers remained stable at 0.5 % of GDP, with a small decrease from EUR 66.1 billion to EUR 65.5 billion.

The current account deficit of the EU-27 started to decrease in the fourth quarter of 2008, continued to fall until the end of 2009, remained stable in 2010 and at the beginning of 2011. It eventually moved into surplus in the fourth quarter of 2011, which was a 'first' for the EU-27 since the third quarter of 2002. These fluctuations were linked to the worsening of access to credit and the overall economic situation. Lower consumption and investment led to a fall in imports of goods and, to a lesser extent, in imports of services and income payments. In 2011, especially in the second half of the year, the favourable developments in the EU-27 current account were, however, increasingly due to higher exports of goods and services and income receipts.

A more careful look at the components of the current account shows that, behind the more or less balanced result of the net current account, there had been a dramatic decline in both credit (export) and debit (import) in the goods account in the three quarters prior to 2009Q3, followed by a very sluggish recovery. The improvement in the goods account from a deficit of EUR 222.5 billion (1.8% of GDP) in 2008 to EUR 85.7 billion (0.7% of GDP) in 2009 – the lowest value since 2004 – was due to the fact that the decline in imports was higher and lasted longer than in the case of exports, with exports of goods in 2009 16% lower than in 2008, and imports 23% lower. In the first three quarters of 2009, the values of the goods account were as low as

those recorded in 2005 and did not pick up to the levels recorded in the second half of 2008 until the second half of 2010 for exports and the first half of 2011 for imports. In 2010 and 2011, growth in exports and imports remained on a similar level, and in 2011 they rose by 39% and 41% respectively compared with 2009. Services experienced a less significant drop (-8% for exports and imports in 2009 compared to 2008), because services cannot be stocked and because of the anti-cyclical behaviour of some business services. In 2010 values bounced back to above 2008 levels, and grew further in 2011, with increases of 20% in exports and 12% in imports, compared with 2009. The disinvestment in external financial assets that followed the crisis led to a fall in the payments recorded in the income account in 2009 (-24% for credit and -29% for debit compared to 2008), while in 2010 and 2011 there was a partial recovery, with values higher in 2011 than in 2009 by 24% for credit and 17% for debit. This trend had already begun before the crisis, in the first half of 2008. In 2008, values in the income account were 16% down on 2007 for credit and 8% down for debit. Among the components of investment income, flows of direct investment income were the least affected, and in 2010 and 2011 they returned to above the levels of 2008, with increases in 2011 of 52% for credits and 46% for debits, which resulted in 60% growth in the surplus compared with 2009. Income on equity rose by over 57% for credits and 64% for debits, with very high growth being recorded for reinvested earnings and much lower growth for dividends, where values in 2011 fell compared with 2010. Income on debt (interest payable on intercompany debt) increased only slightly for credits and fell further for debits, resulting in a 78% decrease in the deficit. After two years of falling from its 2007 peak, portfolio investment income grew in 2010 and further in 2011, but was still lower than in 2006. There was a bigger increase in debit transactions and a more substantial rise in income on equity than on debt instruments. Values for other investment income peaked in 2007, collapsed by more than 50% between 2008 and 2009; the fall continued in 2010 and remained at a similar level in 2011, i.e. much lower than in 2005.

**Table 1: Main items of the EU-27's current account (bn euro)**

	2008			2009			2010			2011		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
<b>Current account</b>	<b>2457.3</b>	<b>2718.8</b>	<b>-261.5</b>	<b>2063.5</b>	<b>2153.8</b>	<b>-90.3</b>	<b>2441.0</b>	<b>2523.2</b>	<b>-82.2</b>	<b>2704.6</b>	<b>2775.9</b>	<b>-71.3</b>
<b>Goods</b>	<b>1330.3</b>	<b>1552.7</b>	<b>-222.5</b>	<b>1114.2</b>	<b>1200.0</b>	<b>-85.7</b>	<b>1368.0</b>	<b>1495.8</b>	<b>-127.8</b>	<b>1554.2</b>	<b>1694.9</b>	<b>-140.7</b>
<b>Services</b>	<b>526.3</b>	<b>453.8</b>	<b>72.5</b>	<b>483.7</b>	<b>419.1</b>	<b>64.6</b>	<b>546.9</b>	<b>454.5</b>	<b>92.4</b>	<b>579.5</b>	<b>470.4</b>	<b>109.1</b>
<b>Income</b>	<b>553.7</b>	<b>603.2</b>	<b>-49.6</b>	<b>422.7</b>	<b>428.2</b>	<b>-5.5</b>	<b>482.2</b>	<b>462.9</b>	<b>19.2</b>	<b>525.8</b>	<b>499.9</b>	<b>25.8</b>
Compensation of employees	17.4	10.9	6.4	17.5	9.9	7.6	19.2	9.5	9.7	20.2	9.7	10.5
Direct investment income	197.5	106.7	90.8	195.1	108.1	86.9	265.6	146.3	119.3	296.9	158.3	138.6
Portfolio investment income	161.7	270.5	-108.8	124.6	219.9	-95.3	127.2	237.2	-110.0	136.4	262.0	-125.6
Other investment income	177.1	215.1	-38.0	85.5	90.2	-4.7	70.2	70.0	0.2	72.2	69.9	2.3
<b>Current transfers</b>	<b>47.1</b>	<b>109.1</b>	<b>-62.0</b>	<b>42.9</b>	<b>106.5</b>	<b>-63.6</b>	<b>43.9</b>	<b>110.0</b>	<b>-66.1</b>	<b>45.1</b>	<b>110.7</b>	<b>-65.5</b>
<b>Capital account</b>	<b>8.4</b>	<b>18.2</b>	<b>-9.8</b>	<b>8.9</b>	<b>17.5</b>	<b>-8.6</b>	<b>8.4</b>	<b>18.1</b>	<b>-9.7</b>	<b>10.0</b>	<b>17.7</b>	<b>-7.7</b>

Source: Eurostat (online data code: [bop.q.eu](http://bop.q.eu))

## EU-27 surplus in services rose in 2011 by 70% over 2009

After falling in 2008 and 2009, the surplus in trade in services of the EU-27 rose in 2010 and again in 2011, reaching EUR 109.1 billion. Other business services (which include miscellaneous business, professional and technical services, operational leasing services,

merchandising and other trade-related services) remained the category with the highest surplus; it recorded a further increase of 3%, compared with 2010, and contributed 42% of the total surplus. Other factors behind the balance improvement were a 15% growth in

the surplus in computer services and declines in the deficits in travel (67%) and royalties and licence fees (26%). 81% of the drop in values of credit and debit flows in trade in services between 2008 and 2009 was accounted for by transportation (-21%) and financial

services (-16%), while figures for other business services decreased by 2% and even increased for computer services. Transportation and financial services flows did not return to their 2008 levels until 2011.

**Table 2: EU-27 trade in services with the rest of the world (bn euro)**

	2009			2010			2011		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
<b>Total services</b>	<b>483.7</b>	<b>419.1</b>	<b>64.6</b>	<b>546.9</b>	<b>454.5</b>	<b>92.4</b>	<b>579.5</b>	<b>470.4</b>	<b>109.1</b>
Transportation	108.0	88.5	19.4	129.3	108.6	20.8	134.5	112.8	21.8
Travel	69.0	86.4	-17.4	76.3	90.1	-13.8	85.0	89.6	-4.6
<b>Other services</b>	<b>306.6</b>	<b>229.6</b>	<b>77.0</b>	<b>340.8</b>	<b>242.4</b>	<b>98.4</b>	<b>359.6</b>	<b>253.7</b>	<b>105.9</b>
Communication services	12.9	13.1	-0.2	15.6	14.6	1.1	17.8	15.6	2.2
Construction services	17.0	8.6	8.4	16.7	7.7	9.0	17.1	7.9	9.2
Insurance services	15.0	7.8	7.2	13.3	9.2	4.1	12.6	9.9	2.7
Financial services	40.9	15.8	25.0	46.8	18.8	28.0	47.7	21.8	25.9
Computer and information services	31.5	12.9	18.5	37.1	14.3	22.8	41.1	14.7	26.3
Royalties and license fees	27.6	41.6	-14.0	32.1	43.6	-11.5	35.7	44.2	-8.5
Other business services	149.8	117.4	32.4	164.7	120.4	44.4	173.0	127.1	45.9
Personal, cultur. and recr. services	4.6	5.3	-0.7	7.3	6.7	0.6	7.6	6.4	1.1
Government services n.i.e.	7.2	7.0	0.2	7.1	7.2	-0.1	7.1	6.0	1.1
<b>Services not allocated</b>	<b>0.1</b>	<b>14.6</b>	<b>-14.5</b>	<b>0.6</b>	<b>13.5</b>	<b>-12.9</b>	<b>0.3</b>	<b>14.3</b>	<b>-14.0</b>

Source: Eurostat (online data code: [bop\\_q\\_eu](#))

## Highest current account surplus with United States, deficit with China

The United States continues to be the EU's main net debtor. The current account surplus of the EU-27 with the US in 2011 rose by 6% compared with 2010 to reach EUR 63.1 billion, with an increase in the surplus in goods and a transition from deficit to surplus in services, which was partially offset by an increase in the deficit in income. Switzerland remained the second biggest debtor, with the EU-27 current account surplus amounting to EUR 62.1 billion – a 45% rise compared with 2010 – as surpluses in all of main four accounts rose. Surpluses with Canada and Hong Kong also

increased, and they remained stable with Brazil and India. China continued to be the EU's main creditor, but with a 10% lower deficit as a result of developments in the accounts for goods, services and income, with growths in credit flows exceeding ones in debit flows for all three accounts. The deficit with Russia rose driven by the increase in the deficit in goods, which was partially offset by higher surpluses in the services and income accounts, while with Japan the deficit stayed at the 2010 level.

**Table 3: EU-27 main items of current account balance with selected partners (billion EUR)**

	United States	Switzerland	Japan	Canada	China	Russia	Brazil	India	Hong Kong
<b>2009 CURRENT ACCOUNT</b>	<b>38.2</b>	<b>36.6</b>	<b>-28.8</b>	<b>5.4</b>	<b>-108.9</b>	<b>-32.6</b>	<b>14.0</b>	<b>4.2</b>	<b>10.0</b>
Goods	50.2	10.0	-20.1	5.4	-119.8	-47.6	-2.6	2.5	3.5
Services	-4.7	15.0	3.7	2.9	5.7	7.8	3.2	1.5	0.8
Transportation	8.6	4.0	0.2	1.0	-0.5	-1.0	0.8	0.8	0.5
Travel	-1.2	3.5	1.2	0.8	0.3	2.7	0.5	-0.6	0.1
Other services	-10.5	15.2	3.3	1.4	6.0	5.9	2.0	1.4	0.2
Income	-5.2	12.0	-12.9	-2.0	8.1	7.6	14.5	1.7	5.9
Compensation of employees	1.0	9.4	-0.3	-0.1	-0.4	-0.1	-0.1	-0.4	0.0
Direct investment income	-14.4	12.4	2.8	-2.8	7.0	4.2	11.3	1.8	8.5
Portfolio investment income	8.5	-8.5	-15.1	0.7	1.3	0.8	2.6	1.0	-2.1
Other investment income	-0.2	-1.2	-0.4	0.1	0.1	2.8	0.7	-0.6	-0.5
<b>Current transfers</b>	<b>-2.0</b>	<b>-0.5</b>	<b>0.5</b>	<b>-0.9</b>	<b>-2.8</b>	<b>-0.3</b>	<b>-1.1</b>	<b>-1.5</b>	<b>-0.2</b>
<b>2010 CURRENT ACCOUNT</b>	<b>59.3</b>	<b>42.9</b>	<b>-28.5</b>	<b>9.3</b>	<b>-136.0</b>	<b>-46.9</b>	<b>23.8</b>	<b>6.6</b>	<b>17.1</b>
Goods	72.6	13.5	-22.4	5.5	-155.4	-62.7	0.3	2.2	8.7
Services	-0.9	19.1	4.6	4.0	6.6	9.6	4.3	2.3	1.7
Transportation	9.6	3.9	-0.2	1.2	-0.7	-2.0	1.3	1.8	0.6
Travel	-1.1	2.9	1.2	1.2	0.3	4.2	1.0	-0.4	0.1
Other services	-6.5	18.6	3.8	1.6	7.1	7.5	2.0	1.0	0.9
Income	-10.7	10.0	-11.1	1.0	15.9	6.4	20.2	3.7	7.1
Compensation of employees	1.0	10.7	-0.1	0.0	-0.3	-0.2	0.0	-0.4	0.0
Direct investment income	-13.9	9.6	6.1	0.6	14.6	3.4	16.5	3.3	8.9
Portfolio investment income	3.5	-10.4	-17.3	0.5	1.6	0.5	3.3	1.0	-2.1
Other investment income	-1.3	0.1	0.2	0.0	0.1	2.7	0.5	-0.2	0.3
<b>Current transfers</b>	<b>-1.7</b>	<b>0.4</b>	<b>0.4</b>	<b>-1.3</b>	<b>-3.1</b>	<b>-0.2</b>	<b>-1.1</b>	<b>-1.6</b>	<b>-0.3</b>
<b>2011 CURRENT ACCOUNT</b>	<b>63.1</b>	<b>62.1</b>	<b>-27.9</b>	<b>11.5</b>	<b>-121.9</b>	<b>-62.2</b>	<b>23.8</b>	<b>6.5</b>	<b>22.3</b>
Goods	78.1	23.5	-19.1	5.7	-142.5	-83.7	0.0	2.6	12.8
Services	2.1	21.9	5.1	4.7	7.3	11.8	4.6	1.2	1.6
Transportation	8.4	4.7	-0.1	1.2	-0.9	-1.2	1.4	1.7	0.9
Travel	-0.8	4.6	1.5	1.4	1.0	5.8	1.1	-0.5	0.1
Other services	-3.5	20.5	3.8	2.1	7.3	7.2	2.0	-0.1	0.6
Income	-16.4	15.2	-14.3	2.4	16.9	9.8	20.4	4.5	8.2
Compensation of employees	0.6	12.0	-0.1	-0.1	-0.3	-0.3	0.0	-0.3	0.0
Direct investment income	-16.8	13.8	2.9	1.9	15.3	7.3	16.0	4.0	9.9
Portfolio investment income	1.5	-10.6	-17.6	0.2	1.8	0.9	3.8	1.1	-2.3
Other investment income	-1.8	0.0	0.5	0.3	0.1	2.0	0.7	-0.3	0.7
<b>Current transfers</b>	<b>-0.7</b>	<b>1.5</b>	<b>0.3</b>	<b>-1.3</b>	<b>-3.6</b>	<b>-0.1</b>	<b>-1.2</b>	<b>-1.7</b>	<b>-0.2</b>

Source: Eurostat (online data code: [bop\\_q\\_eu](#))

## Financial account: the impact of the crisis is more evident

**Table 4: Main items of the financial account of the EU (billion EUR)**

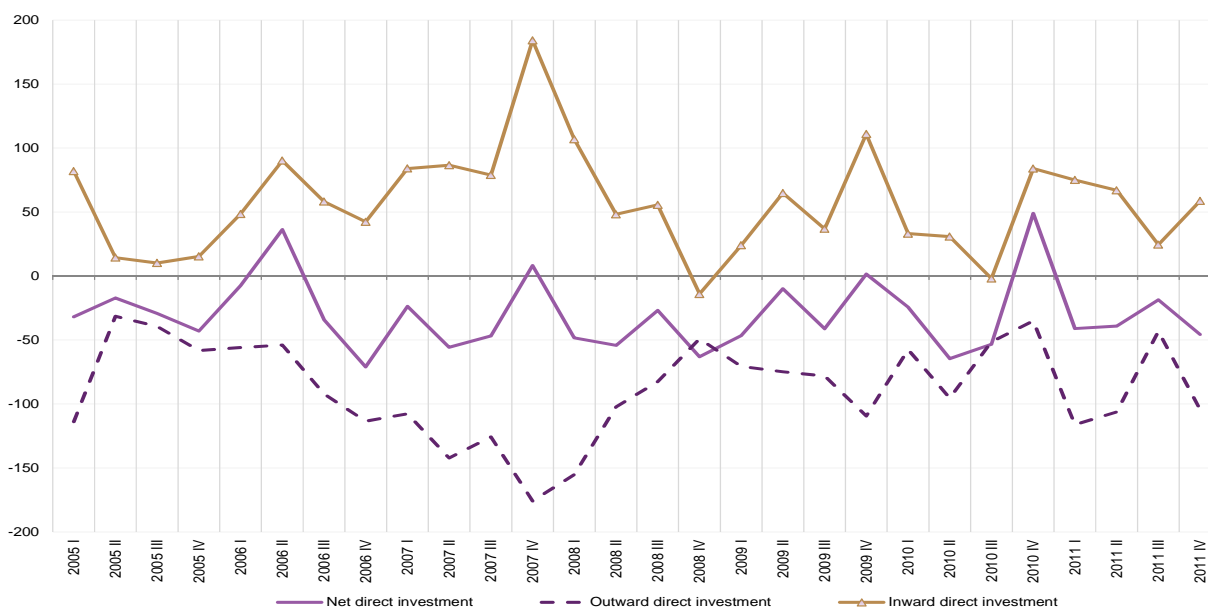
	2007	2010	2011
<b>DIRECT INVESTMENT</b>			
- direct investment abroad	-117.9	-93.4	-144.6
- direct investment in the EU	433.7	146.0	225.3
<b>PORTFOLIO INVESTMENT</b>			
- portfolio investment assets	-492.9	-300.1	-53.5
- portfolio investment liabilities	824.5	552.0	440.5
<b>OTHER INVESTMENT</b>			
- other investment assets	-1207.9	-373.3	-344.6
- other investment liabilities	1317.4	253.9	145.3
<b>FINANCIAL DERIVATIVES</b>			
	-97.8	62.5	-4.3

Source: Eurostat (online data code: [bop\\_q\\_eu](#))

The financial turmoil affected financial account flows to a very substantial extent. Globalization, legislative changes and developments in financial innovation led to the significant increase in international financial flows since the beginning of last decade. With concerns about global credit conditions coming to the fore in the summer of 2007, cross-border investment flows across the world slowed down, with EU and other international investors withdrawing funds and reducing their exposure to foreign markets.

Transactions in direct investment peaked in the fourth quarter of 2007, and then experienced a marked slowdown. This fall, which was more substantial for inflows than outflows of FDI, started as early as the beginning of 2008, continued in 2009 and 2010 and did not stop until 2011, when there was an increase of 55% in both inward and outward direct investment flows compared with 2010. The values were higher than in 2008 but still much lower than in 2007. Both inward and outward flows with the United States and Switzerland (the two biggest FDI partners) increased in 2011, after substantial falls in 2010. As far as outflows are concerned, Brazil and China continued to be important destinations for EU investors, albeit to a lesser extent than in 2010. Following significant investments from Canada and Hong Kong in 2010, inflows from these countries decreased, while inflows from China, India and Japan increased.

**Figure 2: Net, outward and inward direct investment of EU-27 - 2005Q1-2011Q4**



Source: Eurostat (online data code: [bop\\_q\\_eu](#))

Portfolio investment data in 2011 continued to show net capital inflows of EUR 386.9 billion – an increase of 54% compared with 2010, but still lower than in 2009 and 2008. Transactions in external assets and liabilities shrank dramatically, starting from the third quarter of 2008. After the slump of 74% in 2008 in comparison with the record of 2007, which was due in large measure to the disinvestment of EUR 252.7 billion in 2008 Q4, portfolio investment assets recovered slightly in 2009 and increased by a further 55% in 2010, to EUR 300.1 billion, with almost half (EUR 139.3 billion) of purchases of external securities by EU residents in the third quarter. However, the year 2011 brought a 82% drop, due to substantial disinvestments made by EU investors abroad in the second half of the year. Portfolio

investment liabilities, on the other hand, were only slightly down in 2008, due to exceptionally high level of acquisitions – amounting to EUR 495.8 billion – by non-residents of EU issued securities in the second quarter of 2008. However, in the second half of 2008 there was a very substantial drop. Falls continued in 2009, 2010 and 2011, with transactions down by 25% in 2009, by 8% in 2010 and by a further 20% to EUR 440.5 billion, in 2011.

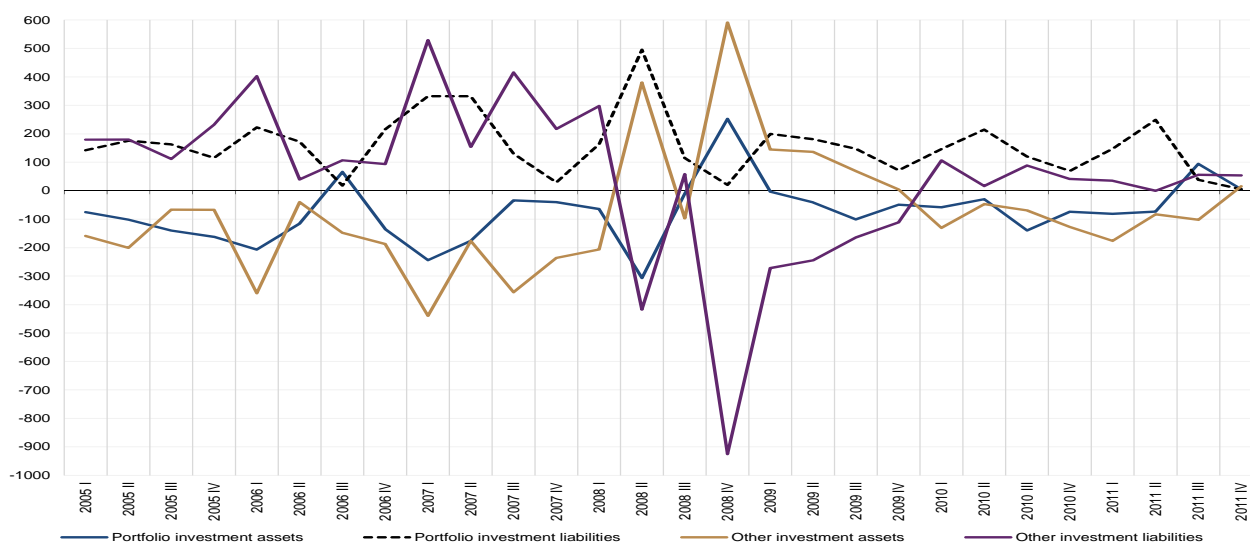
Other investment, which includes loans, trade credit, currency and deposits, continued the trend of the three previous years and recorded net outflows from the EU of EUR 199.3 billion, which was 67% up on 2010. Other investment assets (i.e. deposits held by EU residents abroad and loans granted to non-residents) were down

8% compared with 2010, and recorded an outflow of EUR 344.6 billion in 2011. These falls followed reductions in other investment assets in 2008 and 2009. Withdrawals were particularly high (EUR 591.4 billion) in 2008Q4 and continued throughout 2009, following the bankruptcy of Lehman Brothers in September 2008, and a growing realization among financial institutions of the extent of the distress. It expanded from inter-bank lending to money market funds, with liquidity quickly drying up in credit markets around the world. Similarly, other investment liabilities also fell 43% compared with 2010, recording an inflow of EUR 145.3 billion in 2011. Other investment inflows

rose in 2010 and 2011 after two years of withdrawals of funds held by non-residents in the EU, which were exceptionally high in 2008Q4 (EUR 925 billion), while withdrawals in 2009 were already lower and more evenly distributed throughout the year.

The pace in innovation of financial instruments led to financial derivatives taking on a significantly greater role. The value of transactions in derivatives increased from outflows of EUR 4.6 billion in 2005 to outflows of EUR 108.9 billion in 2008, moving to inflows into the EU in 2009 and 2010 (with smaller absolute figures than in 2007 and 2008), and in 2011 again to outflows of EUR 4.3 billion.

**Figure 3: Portfolio and other investment (assets and liabilities) of EU-27 - 2005Q1-2011Q4**



Source: Eurostat (online data code: [bop\\_q\\_eu](#))

## Main developments in balance of payments by country

Economic turmoil had a substantial impact on the international transactions recorded in the balance of payments at national level. Between 2008 and 2009 the volume of credit and debit flows in the current account fell, by an average of 20% in all EU Member States, and in 2011 only credit flows managed to recover fully, while still being below 2008 levels for debits.

Transactions in the income account were most seriously affected, falling by an average of 28% in 2009.

Although this had a significant influence on the current accounts of Ireland, Luxembourg and the Netherlands, the biggest falls in credit payments were recorded in Slovenia and Romania, and for debit payments in Latvia and Lithuania. In 2011, despite an increase in income flows for the EU aggregate, some Member States still posted falls in the value of income transactions.

In the biggest economies – Germany, France, Italy and the United Kingdom – fluctuations in the amounts of current account flows in relation to GDP were smaller, but nevertheless very significant in absolute numbers. In the largest EU economies, the impact on the net current account was limited. Due to trade in goods, Germany's current account shrank in 2009, but recovered in 2010 and 2011. The current account deficit in France, Italy

and the United Kingdom fell in 2009, rose again in 2010, and in 2011 further increased for France, while decreasing for Italy and the United Kingdom. In Spain and Poland, the current account deficit fell in the three last years from the high levels it had achieved up to 2008, mainly as a result of the substantial reduction in the deficit in the goods account. Most of the small and medium-sized economies run a significant deficit, often in excess of 5% of GDP, which has been determined primarily by a deficit in the goods account and, for most countries, in the income account. However, this tendency was at its highest in the years 2006 - 2008, and the deficit actually fell in most countries in 2009. Latvia and Hungary, which benefited from assistance with their balance of payments from the European Union and the International Monetary Fund (IMF), turned their deficit into a surplus. Romania was also helped by support from the European Union and the IMF, and markedly reduced its deficits. Similarly, Estonia moved from high deficits before 2008 to surpluses in the following three years. Bulgaria and Lithuania moved from deficits of over 10% of GDP in 2008 to balanced current account in 2010 and 2011, while Ireland and Portugal reduced their deficits by 6% of GDP between 2008 and 2011. Cyprus and



Greece remained the only Member States with current account deficits in 2011 at close to 10% of GDP, while eight countries had deficits which were at that level or higher in 2008.

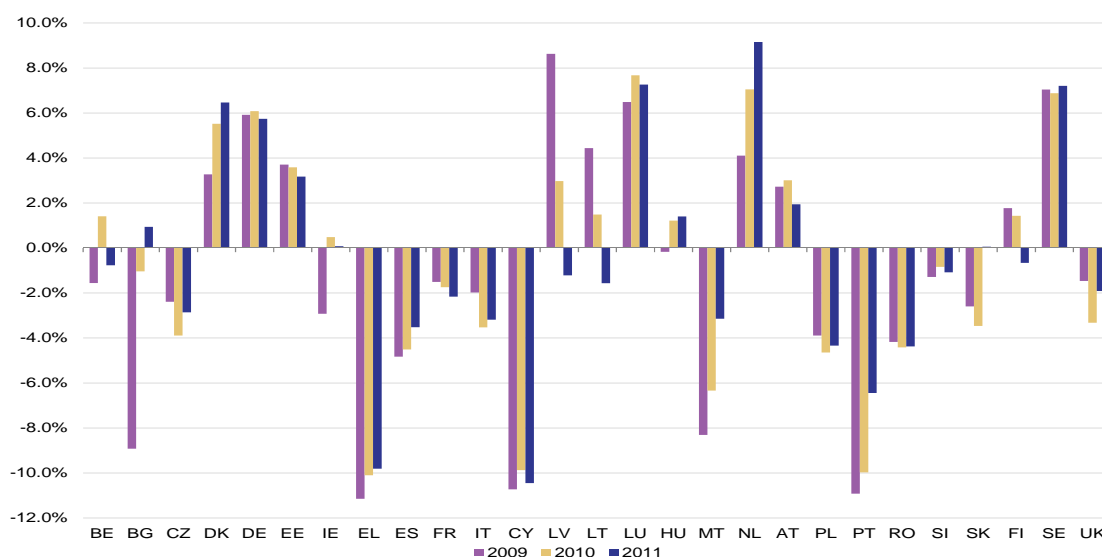
Countries which managed to curb their high current account deficits usually did so by reducing imports – in the case of Estonia, Latvia and Lithuania by more than 30% for goods and over 20% for services in 2009 compared to 2008. Imports recovered to some extent in 2010 and 2011.

Among the Member States with a structural surplus, Austria and Luxembourg consistently ran a positive balance on their current account; surpluses in Denmark, Netherlands and Sweden rose in 2011, while in the same year Finland posted its first deficit since 1993. The breakdown of the net current account into credit and debit shows that these components were sharply down in 2009 in all Member States, which is mainly due to the fall in the value of goods credits/exports and an even steeper drop in debits/imports. Services were more resilient, but their value decreased - albeit less significantly - in almost all of the EU-27 Member States. On the credit side, the biggest falls recorded in 2009 compared with 2008 were in Finland (-32%) and

Lithuania for goods (-27%), and in Slovakia (-28%) and Greece (-21%) for services. The biggest falls on the debit side were for both goods and services in Latvia and Lithuania. In 2011, compared with 2009, the recovery in exports of goods was strongest in Estonia (46%), Bulgaria and Lithuania (42% each), while trade in services grew strongest in Lithuania (29%), Poland and Sweden (22% each).

The financial account shows that transactions in direct and portfolio investment experienced a marked slowdown in 2008 and 2009. This fall started as early as the beginning of 2008. Portfolio investment recovered in 2009 and 2010, but fell again in 2011 with disinvestments for both assets and liabilities in several Member States. Similarly, inward and outward FDI flows fell in 2009 and 2010 in most Member States and then recovered to some extent in 2011. Denmark, Luxembourg, Hungary, Austria, Poland and Portugal made investments abroad in 2011 that were higher than in 2008, while, in terms of inward direct investment, Denmark, Germany, Luxembourg, Netherlands, Austria, Poland and Portugal recorded larger inflows in 2011 than in 2008.

**Figure 4: Net current account as share of GDP of the EU Member States, 2009-2011**



Source: Eurostat (online data code: [bop\\_q\\_gdp](#))

## International investment position of the EU Member States

The last six years have seen a substantial rise in international indebtedness in most of the EU Member States. In 2010 and 2011, external liabilities - representing the negative net international investment position - were higher than assets, in a majority of countries, while external assets exceeded liabilities in seven Member States (Belgium, Denmark, Germany, Luxembourg, Malta, Netherlands and Finland). Germany recorded the highest value of net IIP of EUR 933.7 billion in 2011, which was a 51% increase on 2008 due to the improvement in direct and other investment positions. Luxembourg continues to be the biggest creditor relative to its GDP, particularly due to its position in other investments. Spain had the

highest net international indebtedness among the EU Member States, at EUR 989.1 billion in 2011, almost twice that of 2005, due to its position in portfolio and other investments. Hungary, Portugal and Ireland recorded even higher indebtedness levels relative to GDP, which were above or only slightly below 100% of GDP. The critical items vary from one country to another: other investment in Portugal, portfolio investment in Ireland and direct, portfolio and other investments in Hungary. Bulgaria and Greece scaled down their high negative positions in 2011, mainly as a result of reductions in portfolio investment liabilities.



## METHODOLOGICAL NOTES

This article is based on the data that were published in the Eurostat database in May 2012. Annual data are calculations based on the sum of quarterly data reported by the Member States. The figures shown in the tables may not add up exactly due to rounding.

The balance of payments records all economic transactions in a given period between residents of a country or economic area and non-residents. As part of the balance of payments, the current account records real resources and is subdivided into four basic components: goods, services, income and current transfers. The capital account covers all transactions that involve the receipt or payment of transfers linked to the acquisition or disposal of fixed assets or the acquisition or disposal of non-produced, non-financial assets. The financial account records transactions that involve financial assets and liabilities, which are further subdivided into direct investment, portfolio, other investments, financial derivatives and reserve

assets (for which the EU aggregate is not compiled, as the European Union is not a monetary union).

Data on the financial account are presented in accordance with the balance of payments sign convention: increases in liabilities (and in direct investment in the EU) are shown with a positive (plus) sign, as are decreases in assets (and in direct investment abroad), while decreases in liabilities (and in direct investment in the EU) and increases in assets (and in direct investment abroad) are shown with a negative (minus) sign.

The international investment position (IIP) records the financial assets and liabilities position of a country in relation to the rest of the world. Data cover stocks of direct and portfolio investments, financial derivatives and other investment and reserve assets.

The methodological framework used is that of the fifth edition of the Balance of Payments Manual, published by the International Monetary Fund.

## Further information

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Eurostat Website: <http://ec.europa.eu/eurostat>

Data on "Balance of payment statistics"

[http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

Further information about "Balance of payment statistics"

[http://epp.eurostat.ec.europa.eu/portal/page/portal/balance\\_of\\_payments/introduction](http://epp.eurostat.ec.europa.eu/portal/page/portal/balance_of_payments/introduction)

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