

EU current account preliminary annual results: deficit with extra-EU contracted to EUR -14.6 bn in 2001

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In 2001, the EU current account deficit with extra-EU partners showed a significant reduction compared to the previous year, shrinking from EUR -65.4 bn to EUR -14.6 bn. This improvement can be explained by the deficit-turned-surplus goods balance, which after an unusual deficit of EUR -53.5 bn in 2000, totalled EUR 2.8 bn in 2001. The partial recovery of the current account was possible despite a deterioration of the deficit in current transfers of EUR -6.9 bn. Meanwhile, the income balance remained in surplus and the services balance rose slightly, thanks to the remarkable surge in the surplus for other services. The euro-zone's¹ services balance went from a deficit of EUR -13.8 bn to a surplus of EUR 0.3 bn, mainly led by the growth in the travel balance surplus. The EU current account surpluses with the USA and Canada grew to EUR 53.9 bn and EUR 6.9 bn, respectively, whereas the EU current account deficit with Japan narrowed to EUR -30.3 bn.

Statistics in focus

ECONOMY AND FINANCE

THEME 2 – 34/2002

BALANCE OF PAYMENTS

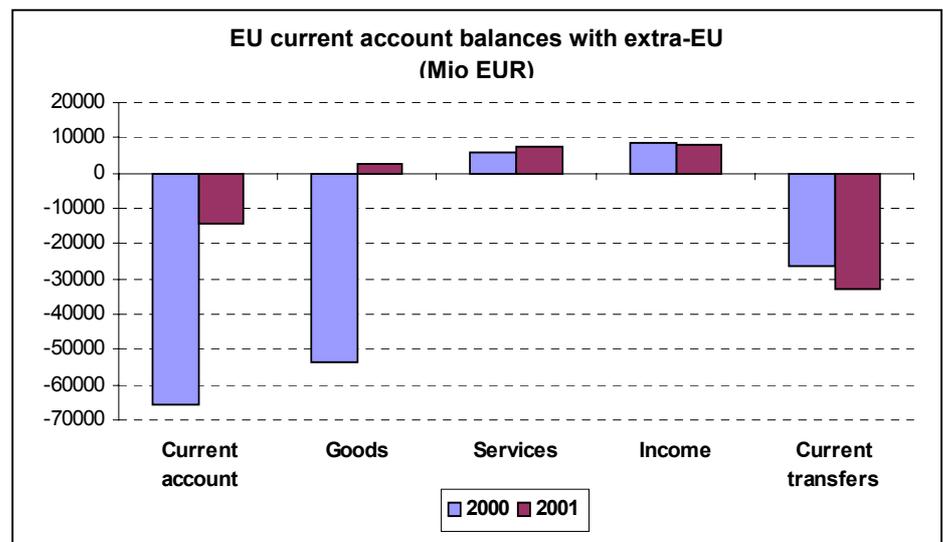
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The reversal in the trade balance reduced the EU current account deficit from EUR -65.4 bn in 2000 to EUR -14.6 bn in 2001

Preliminary 2001 results show a shrinkage of the EU current account deficit with extra-EU partners from EUR -65.4 bn in 2000 to EUR -14.6 bn in 2001. This remarkable improvement can be explained by the recovery of the goods balance at EUR 2.8 bn after an unprecedented EUR -53.5 bn deficit in 2000 (while it had always been in surplus since 1993)². However, the current account balance was weakened as a result of the current transfers deficit increasing from EUR -26.1 bn in 2000 to EUR -33.0 bn in 2001. The current account benefited also from the slight improvement of the services balance. The income balance stabilised at EUR 8.3 bn. The EU's current account credits with extra-EU partners rose by 3% while debits remained unchanged.

¹ The euro-zone aggregate includes Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal, Finland and Greece (Greece is included for data from 2001 onwards).

² For more information about the EU goods balance in 2000 see Statistics in Focus Theme 2 - 15/2002, Eurostat, 'EU current account transactions in 2000, detailed results' by Luis Biedma, and 'EU International Transactions', 2002 Edition.



EU current account with extra-EU

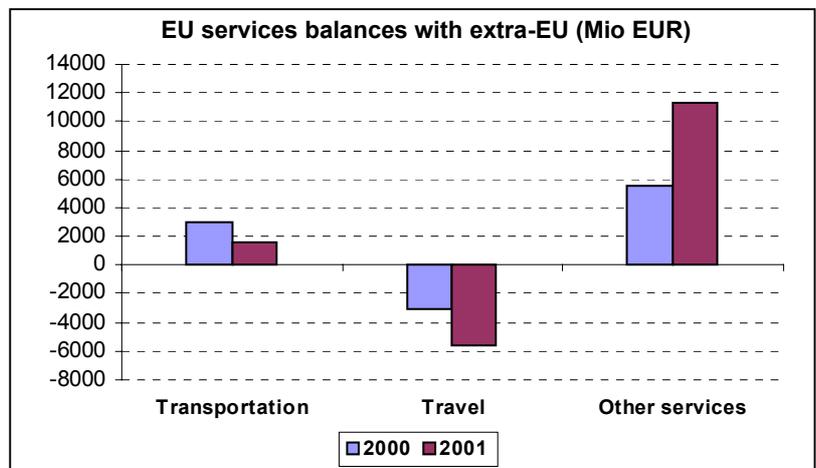
(Mio EUR)

	Credits		Debits		Net	
	2000	2001*	2000	2001*	2000	2001*
Current account	1.538.157	1.588.793	1.603.587	1.603.418	-65.431	-14.626
Goods	909.026	952.398	962.567	949.640	-53.541	2.758
Services	298.196	302.476	292.590	295.173	5.606	7.303
<i>Transportation</i>	76.381	74.689	73.332	73.159	3.049	1.529
<i>Travel</i>	74.658	70.936	77.694	76.534	-3.036	-5.598
<i>Other services</i>	147.156	156.835	141.562	145.468	5.594	11.367
<i>Services not allocated</i>	0	16	1	12	-1	5
Income	297.290	300.498	288.692	292.236	8.599	8.262
Current transfers	33.643	33.420	59.739	66.371	-26.096	-32.951

* Preliminary results

The strong expansion of the *other services* surplus in 2001 made up for the deterioration of both the *transport* and *travel* balances.

Due to an upsurge in exports of 7% in 2001 (compared to 3% for imports), the *other services*³ surplus doubled to EUR 11.4 bn. This improvement helped to attenuate the declines observed for the *transport* and *travel* balances. As a matter of fact, the contractions of both exports and imports of EU *transport* services (-2% and 0% between 2000 and 2001, respectively) halved the surplus of this component to arrive at EUR 1.5 bn in 2001. Regarding *travel*, the deficit of EUR -5.6 bn worsened, compared to 2000, because of a more pronounced decline in exports (-5%), against imports (-1%).



Euro-zone trade in services: from deficit to equilibrium

The euro-zone showed an amelioration of its *services* balance with the extra-euro-zone which reversed from a EUR -13.8 bn deficit in 2000 to a slight surplus of EUR 0.3 bn in 2001. The EU's more sizeable *services* surplus, compared to the euro-zone's surplus, was due principally to the UK's EUR 24.4 bn surplus with extra-EU partners. In fact, this country alone accounted for 25% for credits and 17% for debits of the EU total

external transactions in *services*.

Contrary to the EU situation, the recovery of the euro-zone's *services* balance was mainly due to the improvement of the *travel* surplus from EUR 14.5 bn to EUR 22.2 bn and the erosion of the *other services* deficit from EUR -27.4 bn to -25.5 bn. With respect to the *transportation* balance, it moved from a slight deficit to a surplus of EUR 3.6 bn.

Euro-zone trade in services with extra-euro-zone

(Mio EUR)

	Exports		Imports		Balance	
	2000	2001*	2000	2001*	2000	2001*
Services	276.517	305.352	290.289	305.032	-13.772	321
<i>Transportation</i>	68.299	73.419	69.149	69.800	-849	3.618
<i>Travel</i>	79.497	88.366	65.015	66.159	14.483	22.207
<i>Other services</i>	128.722	143.537	156.127	169.045	-27.405	-25.508
<i>Services not allocated</i>	-2	31	-1	27	-1	4

* Preliminary results

³ 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 and licence fees, other business services, personal, cultural & recreational services and government services n.i.e.

The *current account* surplus with the USA, the EU's main partner, largely balanced the *current account* deficit with Japan

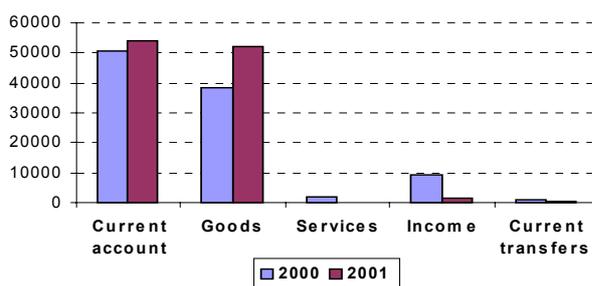
Over the last five-year period, the shares of the USA, Japan and Canada in the EU's total external current transactions (credit+debit) have not changed. In 2001, the USA remained the main extra-EU partner, accounting for 28% of total EU external current transactions. The shares of Japan and Canada were respectively 6% and 2%.

Between 2000 and 2001, the EU current surplus with the USA edged up by EUR 3.4 bn, to reach EUR 53.9 bn, mainly due to a 14.5 bn increase of the trade in *goods* surplus. The *services*, *income* and *current transfers* surpluses narrowed to reach EUR 0.2 bn, 1.4 bn and 0.3 bn, respectively.

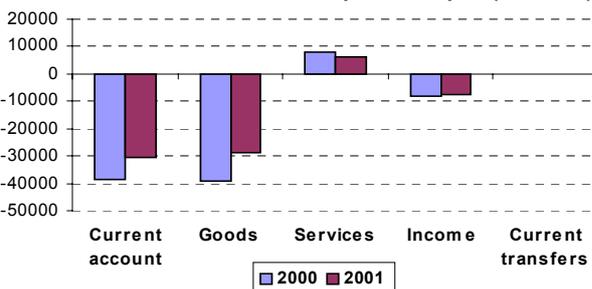
The EU *current account* deficit with Japan decreased by 22%, reaching EUR -30.3 bn in 2001. It followed the swelling of the *goods* balance by EUR 10.6 bn, whereas the surplus in *services* deteriorated to EUR 6.1 bn. The EU *current transfers* and *income* deficits with Japan were almost unchanged in 2001 at, respectively, EUR -0.04 bn and EUR -7.8 bn.

As was the case for partners USA and Japan, *goods* also determined the evolution of the EU *current account* balance with Canada. The *current account* surplus of EUR 6.9 bn achieved in 2001, was EUR 1.2 bn bigger than in 2000. This progression arose from a doubling of the *goods* surplus, from EUR 2.2 bn to EUR 4.5 bn. Moreover, the upward trend of the *current account* surplus was little affected by the decrease of the *income* balance from EUR 3.2 bn to EUR 2.2 bn. Finally, the balances in *services* and *current transfers* remained close to their 2000 levels, at EUR 0.5 bn and -0.2 bn, respectively.

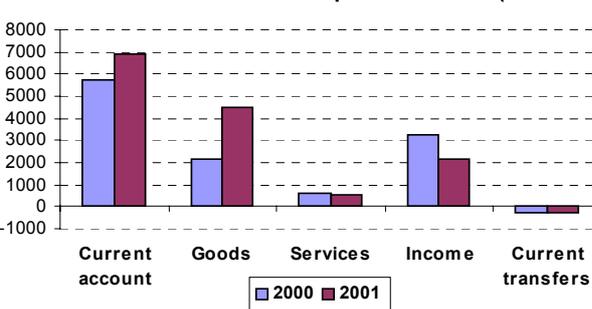
Current balances of the EU with partner USA (Mio EUR)



Current balances of the EU with partner Japan (Mio EUR)



Current balances of the EU with partner Canada (Mio EUR)



➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

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 calculations based on the sum of quarterly data and subject to revision according to the data timetable agreed with Member States. Final 2001 results will be issued by the end of November 2002.

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.

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 (both by components and geographical breakdown) 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 different treatments of some (minor) unallocated flows.

Geographical breakdown of goods imports

In 2002, most EU Member States supplied imports of goods data allocated geographically according to the « principle of consignment », thus conforming to international standards. This methodology consists of reporting intra-EU imports of goods according to country of consignment (community concept) rather than origin (national concept). To calculate the EU aggregate, country data have been harmonised in order to create one single methodological break in 1997.

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

The EU-15 current account data are not fully comparable with 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 partners according to the residency of the end-investor. Because of a lack 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 so as to minimise these discrepancies in the future.

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