

Surplus above EUR 50 bn for the second time since 1998

EU-15 current account preliminary results for 2003

Statistics in focus

ECONOMY AND FINANCE

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Balance of payments

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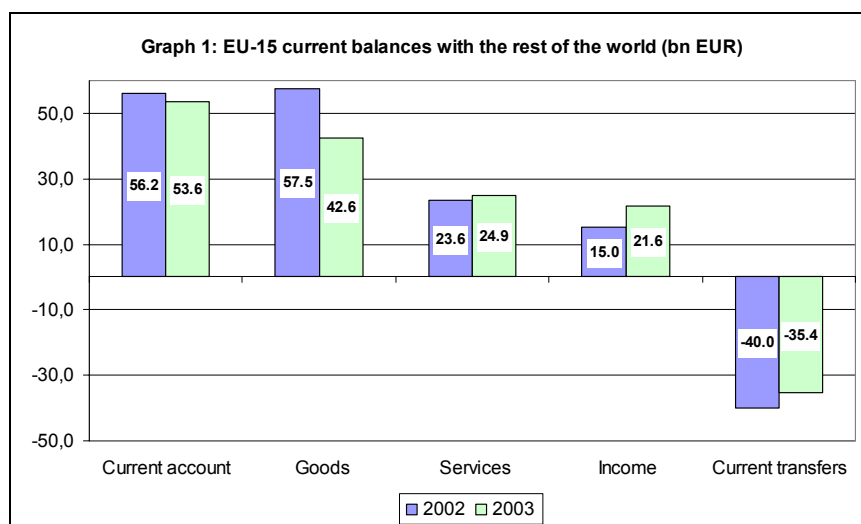
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The EU-15 current account balance for 2003 showed a surplus of EUR 53.6 bn, slightly below the EUR 56.2 bn surplus registered in 2002. It is the second consecutive year with a positive balance on the EU-15 current account since 1998. Surpluses were recorded in the goods, services and income balances while the current transfers balance was in deficit. The slight reduction on the current account surplus was the result of a lower goods surplus which was less than offset by higher surpluses in services and income and the small decrease on the current transfers structural deficit. The euro-zone surplus in services increased by EUR 6.0 bn to reach EUR 19.0 bn in 2003. EU-15 current account balances with the USA, EFTA and Japan recovered a little bit between 2002 and 2003, while the surplus with Canada was slightly lower.



EUR 14.9 bn reduction in the EU-15 goods surplus

Preliminary 2003 results reveal a small decrease of 2.6 bn EUR on the EU-15 current account balance. This was due to a 26 % reduction of the surplus in goods¹ from EUR 57.5 bn to EUR 42.6 bn not compensated with the soft increase by 5.4 % in services balance, the recovery by 43.2% in income and the lower deficit of 11.4% in current transfers balances. The deterioration in the EU-15 goods balance is the result of a less dynamic exports activity (-1.3%) added to a moderate growth on imports (+0.2%).

Table 1: Main items of the EU-15 current account (bn EUR)

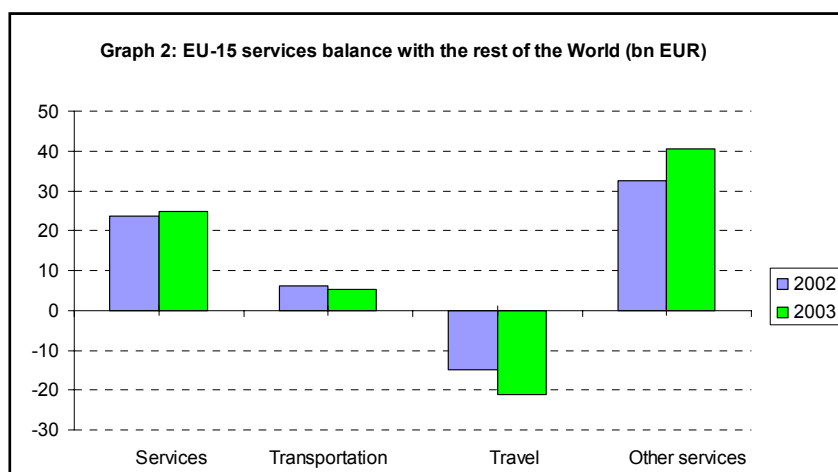
ITEM	CREDIT			DEBIT			NET		
	2002	2003	var.%	2002	2003	var.%	2002	2003	var. (abs)
Current account	1626.1	1586.7	-2.4%	1569.9	1533.1	-2.3%	56.2	53.6	-2.6
Goods	981.3	968.2	-1.3%	923.8	925.7	0.2%	57.5	42.6	-14.9
Services	333.6	326.9	-2.0%	309.9	302.0	-2.5%	23.6	24.9	1.3
Transportation	78.7	75.2	-4.4%	72.7	69.9	-3.9%	6.1	5.4	-0.7
Travel	67.3	61.4	-8.8%	82.3	82.5	0.2%	-15.0	-21.1	-6.1
Other services	187.5	190.2	1.4%	154.9	149.6	-3.4%	32.6	40.6	8.0
Income	276.7	261.5	-5.5%	261.7	239.9	-8.3%	15.0	21.6	6.6
Current transfers	34.5	30.1	-12.8%	74.5	65.5	-12.1%	-40.0	-35.4	4.6

Note: Figures may not add up due to rounding

¹ 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.

Slight amelioration of the EU-15 services surplus with the rest of the world

The EU-15 exports and imports in *services* were both slightly lower in 2003 than in 2002, by -2.0% and -2.5% respectively. The amelioration of EUR 1.3 bn on the balance of *services* registered from 2002 to 2003 is based on the strong surplus on *other services*² of EUR 40.6 bn for 2003, a 24.5% higher than in 2002 while *travel* deficit widened from EUR 15.0 bn to EUR 21.1 bn.



Higher EU-15 income surplus with the rest of the world

A higher *income* surplus of EUR 6.6 bn led income balance up to EUR 21.6 bn from EUR 15.0 bn. Both credits and debits slowed down but the reduction of

income debit of EUR 21.8 bn was bigger compared to the decrease of *income* credits of EUR 15.2 bn.

Lower deficit by 11.4% in EU-15 current transfers with the rest of the world

Current transfers deficit decreased to EUR 35.4 bn in 2003 from 40.0 bn in 2002. The main reason behind this lower deficit was the 12.1 % contraction of debit current

transfers, EUR 9.0 bn in part counterbalanced with the reduction by 12.8 % of credit transactions, EUR 4.4 bn.

Euro-zone³ surplus in services continued growing in 2003

The euro-zone surplus in services grew up to EUR 19 bn. It increased by EUR 6.0 bn compared to the surplus of EUR 13.0 bn recorded in 2002. The improvement is mostly explained by the increase in other *services* balance by EUR 9.6 bn partially offset by the decrease of EUR 3.2 bn and 0.4, respectively, in the *travel* and

transportation surpluses. The *Other services* balance reversed from a deficit of EUR -7.7 bn to a surplus of EUR 1.9 bn mostly due to a decrease of EUR 7.7 bn on the deficit in *other business services* which registered a lower deficit moving from EUR 17.1 bn to EUR 9.4 bn.

Table 2: Euro-zone trade in services with extra euro-zone (bn. EUR)

	Exports			Imports			Balance		
	2002	2003	Var. %	2002	2003	Var. %	2002	2003	Var. (abs)
Services	325.2	322.4	-0.9%	312.1	303.4	-2.8%	13.0	19.0	6.0
Transportation	75.0	72.1	-3.9%	69.1	66.7	-3.5%	5.9	5.5	-0.4
Travel	84.6	81.0	-4.3%	69.8	69.4	-0.6%	14.8	11.6	-3.2
Other services	165.6	169.2	2.2%	173.3	167.3	-3.5%	-7.7	1.9	9.6

Note: Figures may not add up due to rounding

EU-15 current account balances recovered with the USA, EFTA⁴ and Japan but suffered a slight deterioration with Canada

In table 3 can be observed an increase of the EU-15 current account surplus with the US by a 12.5 % in 2003 compared to 2002, a contraction in the deficit with EFTA

countries and with Japan, EUR 4.6 bn and 4.2 bn respectively but on the other hand, the slightly decrease in surplus with Canada of EUR 1.1 bn.

² 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.

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

⁴ The European Free Trade Association: Iceland, Liechtenstein, Norway and Switzerland.

In general, in the EU-15 current account with these countries as a whole, both credits and debits were weaker by 6.6 % and 8.9 % average respectively. Goods exports and imports slowed down by 5.5 % and 6.2 %. One might highlight that the biggest reduction was registered in goods exports and imports to the USA by around EUR 20 bn for each of them. The only

positive evolution was recorded in services exports to the EFTA countries by a 6.5 % from EUR 50.7 bn in 2002 to EUR 54.0 bn in 2003.

In 2003, the USA remained the first extra-EU partner, with a 25% share of the total EU external transactions, EFTA countries accounted for 12 % and Japan and Canada registered shares of 5% and 2% respectively.

Table 3: EU-15 current account balances with EFTA, US, Japan and Canada (bn EUR)

	US			EFTA			Japan			Canada		
	2002	2003	Var. (abs)	2002	2003	Var. (abs)	2002	2003	Var. (abs)	2002	2003	Var. (abs)
Current account	83.2	93.6	10.4	-6.2	-1.6	4.6	-21.3	-17.1	4.2	10.2	9.1	-1.1
Goods	74.6	76.3	1.7	-3.3	-4.4	-1.1	-22.7	-21.8	0.9	6.9	6.6	-0.3
Services	9.5	9.5	0.0	8.9	14.0	5.1	8.5	6.8	-1.7	0.6	1.0	0.4
Transportation	3.7	6.7	3.0	-0.1	0.1	0.2	1.8	1.2	-0.6	0.8	1.0	0.2
Travel	1.5	1.1	-0.4	5.5	5.7	0.2	2.8	2.1	-0.7	-0.3	-0.5	-0.2
Other services	4.2	1.7	-2.5	3.5	8.1	4.6	3.9	3.5	-0.4	0.1	0.4	0.3
Income	1.8	10.2	8.4	-13.4	-11.6	1.8	-7.2	-2.1	5.1	3.5	2.4	-1.1
Current transfers	-2.6	-2.4	0.2	1.5	0.4	-1.1	0.1	0.0	-0.1	-0.8	-0.8	0.0

Note: Figures may not add up due to rounding

The EU-15 current account surplus with the USA increased EUR 10.4 bn between 2003 and 2002, going up from EUR 83.2 bn to EUR 93.6 bn. The main factor behind this result is the significant improvement in income balance, which has registered a growth of EUR 8.4 bn due to a reduction of income debits of EUR 11.9 bn, together with a bit larger surplus in goods. The bigger surplus of EUR 3.0 bn of transportation was counterbalanced with the reduction of travel and other services balances.

A contraction from EUR 6.2 bn in 2002 to EUR 1.6 bn in 2003 of EU-15 current account deficit with EFTA countries can be explained by a higher surplus in services, which registered a growth of EUR 5.1 bn. EU-15 exports of services to these countries grew by 6.5% while imports declined by 4.2%. The most relevant

expansion was registered in insurance services and in other business services.

With Japan, the EU-15 deficit continued its decreasing trend by 19.6% between 2003 and 2002 going down from EUR 21.3 bn to EUR 17.1 bn, after a decrease by 39% between 2002 and 2001 and by 22% between 2001 and 2000. This reduction of the deficit observed from 2002 to 2003 can be mostly explained by the lower deficit of EUR 5.1 bn registered in income balance.

However the EU-15 current account recorded a slightly lower surplus with Canada moving from EUR 10.2 bn in 2002 to EUR 9.1 in 2003 mostly due to a contraction of income credits of EUR 1.6 bn, while income debits remained relatively stable.

➤ 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. Final 2003 results will be issued by the end of November 2004. 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 15 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. This breakdown, available in full detail only with the final results, is not produced by the ECB.

Eurostat data concerning the euro-zone (available from 1997) do not match up exactly with those released by the ECB.

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➤ Databases

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