

EU-27 current account deficit rose to EUR 244 bn in 2008

First estimates of the EU-27 current account balance in 2008 put the deficit at EUR 244 billion, or 2.0 % of GDP, up from EUR 140 billion (1.1 % of GDP) in 2007. This was mainly because of declines in the goods and income accounts.

The surplus in the services account (EUR 75 billion) was lower than in 2007, while current transfers remained stable. The USA and China confirmed their positions as the EU's main net debtor and net creditor, respectively.

Table 1: Main items of the EU-27's current account (billion EUR)

	2006			2007			2008		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Current account	2212.2	2360.7	-148.5	2448.8	2589.2	-140.4	2472.4	2716.5	-244.1
Goods	1166.6	1331.6	-165.0	1247.8	1407.9	-160.1	1323.5	1531.2	-207.7
Services	448.0	379.2	68.8	503.0	416.8	86.2	520.5	445.0	75.4
Transportation	111.4	98.1	13.4	121.3	101.9	19.4	130.6	110.0	20.6
Travel	71.1	87.5	-16.4	74.9	94.4	-19.4	73.0	95.2	-22.2
Other services	265.5	193.7	71.8	305.1	215.9	89.2	313.0	233.4	79.6
Services not allocated	0.0	0.0	0.0	1.6	4.6	-3.0	3.9	6.5	-2.6
Income	554.7	553.5	1.1	658.7	668.1	-9.4	586.1	639.2	-53.1
Current transfers	42.9	96.3	-53.4	39.3	96.4	-57.1	42.3	101.0	-58.7

Current account deficit rose by 0.9 percentage points as share of GDP

Preliminary results show that the EU-27 current account deficit increased to EUR 244 billion in 2008 from EUR 140 billion in 2007. Relative to GDP, it climbed to 2.0% in 2008 from 1.1% in 2007. This was the combined result of declines in both the goods and the income accounts.

In the goods account, imports grew faster than exports, leading to a deficit 0.4 percentage points higher than in 2007 (1.7% in 2008 compared with 1.3% in 2007, i.e. EUR 208 billion, up from EUR 160 billion).

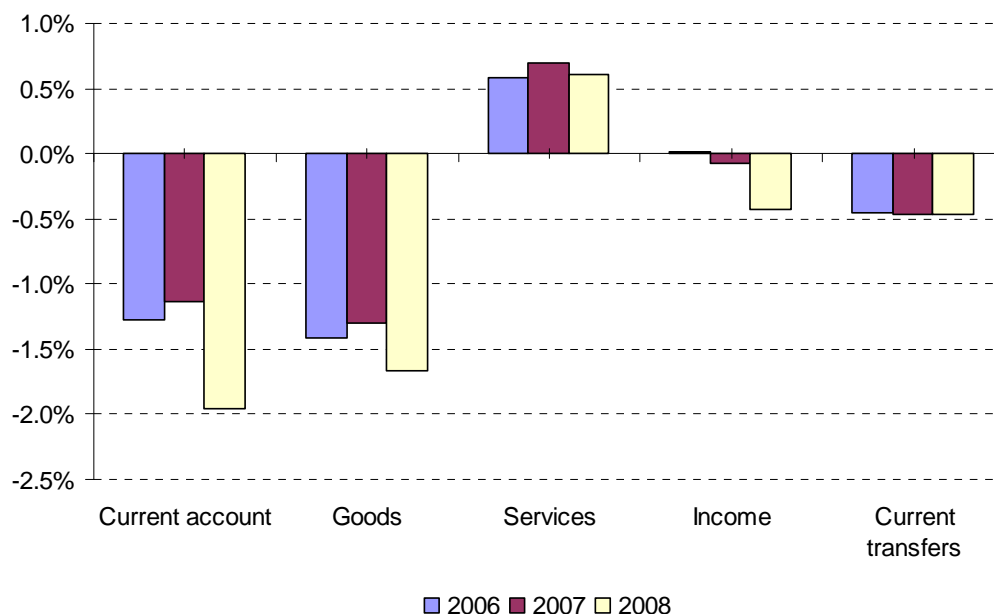
The income account recorded a bigger fall on the credit side than on the debit side, which pushed the deficit up by 0.3 percentage points of GDP, from EUR 9 billion

(0.1% of GDP in 2007) to EUR 53 billion (0.4% of GDP in 2008).

The surplus on the services account marked a slowdown, as it was about EUR 11 billion lower in 2008 than in 2007. This was due to slow growth in exports (up EUR 18 billion, from EUR 503 billion in 2007 to EUR 521 billion in 2008) compared with imports (up EUR 28 billion, from EUR 417 billion to EUR 445 billion).

The deficit in current transfers remained roughly stable at 0.5% of GDP, that is EUR 59 billion, in 2008, as the small increase in debits was nearly offset by a rise in credits.

Graph 1 — EU-27 current account balance with the rest of the world as share of GDP



EU-27 surplus in services fell by 12%

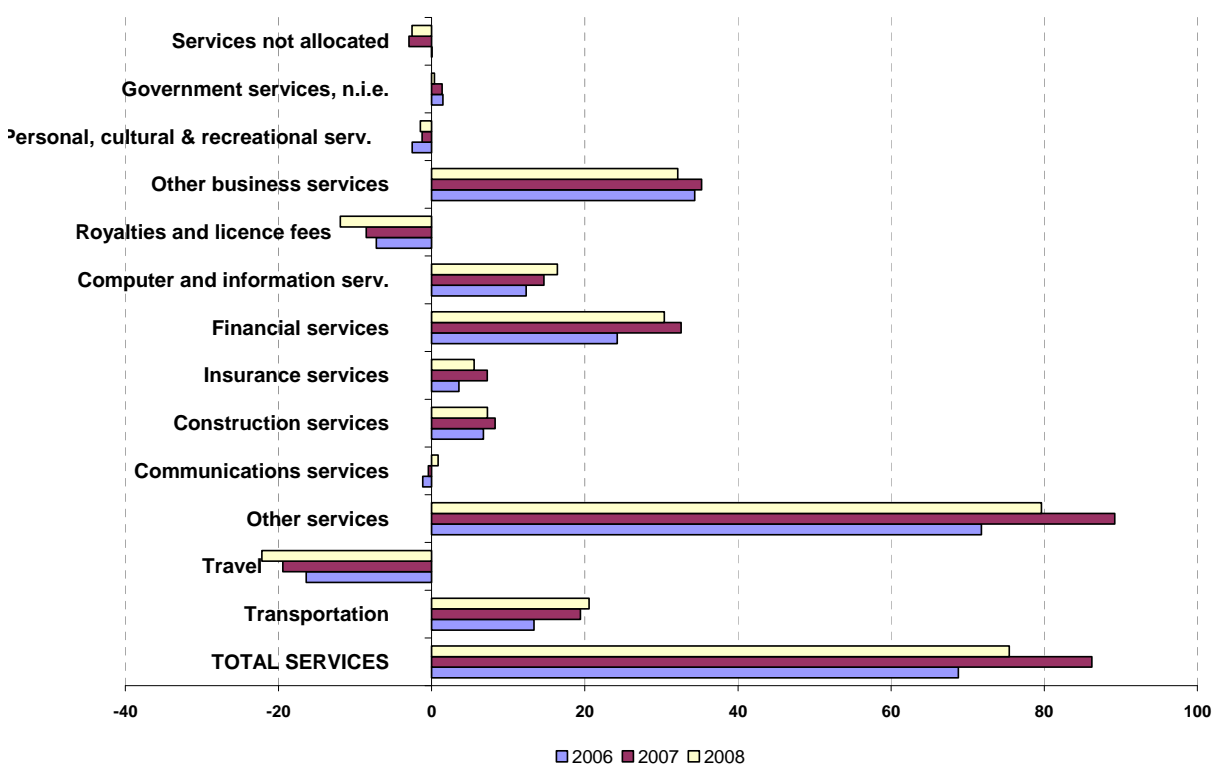
The EU-27 trade surplus in services fell by 12% in 2008 compared with 2007. This result was due to a noticeable increase in the deficit in travel and a decrease in the surplus in other services.

The latter stemmed from a decline in the surplus in other business services (which includes miscellaneous business, professional and technical services, operational

leasing services, merchanting and other trade-related services), and in financial services, together with an increased deficit in royalties and licence fees which was not offset by the positive results in computer and information services and in communication services.

On the other hand, the surplus in transportation grew by almost 6% compared with 2007.

Graph 2 — EU-27 trade balance with the rest of the world in services (billion EUR)



Financial account

Table 2: Main items of the EU-27's financial account (billion EUR)

	2006	2007	2008
DIRECT INVESTMENT	-111.3	-116.9	-175.6
- direct investment abroad	-313.4	-511.6	-342.6
- direct investment in the EU	202.2	394.7	167.0
PORTFOLIO INVESTMENT	310.4	358.9	931.7
- portfolio investment assets	-248.6	-518.5	213.7
- portfolio investment liabilities	559.0	877.4	718.0
OTHER INVESTMENT	-57.1	45.0	-554.8
- other investment assets	-758.6	-1380.0	-26.5
- other investment liabilities	701.5	1424.9	-528.3
FINANCIAL DERIVATIVES	14.0	-98.0	-12.3

Investment shows a noticeable slowdown in 2008, mostly attributable to a poor performance in the last quarter, when the impact of the current financial turmoil became apparent.

Direct investment abroad plunged by more than 30% for the year, and direct investment in the EU by almost 60%. In addition, EU residents sold external securities

(portfolio investment) worth EUR 214 billion, whereas in 2007 they had been net buyers to the tune of EUR 519 billion; acquisitions by non-residents of securities issued in the EU dropped by 20% (from EUR 877 billion in 2007 to EUR 718).

As for other investment, which includes bank deposits, trade credit and loans, the net outflow on assets (i.e. bank deposits of EU residents abroad) shrank almost to zero (EUR 27 billion) from EUR 1380 billion in 2007; on the liabilities side, the large inflow recorded in 2007 (EUR 1425 billion) turned into an outflow of EUR 528 billion.

Current account surplus with the US halved

The EU-27 current account surplus with the US halved in 2008, to EUR 61 billion, as surpluses in goods and services shrank, and surpluses on income and current transfers turned into deficits.

Both the deficit with Japan and the surplus with Canada remained stable. On the other hand, the surplus with Switzerland grew, mainly due to an improvement in the income account (which moved into surplus) and an increase in the surplus in services.

Table 3: EU-27 current account balance with selected partners: Switzerland, Canada, USA, Japan (billion EUR)

	Switzerland			Canada			USA			Japan		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Current account	16.3	21.4	36.2	12.0	13.8	11.3	110.9	121.4	61.5	-38.1	-40.0	-38.9
Goods	9.8	10.4	12.5	7.0	2.8	2.5	85.6	77.1	68.4	-30.5	-33.5	-32.0
Services	15.6	16.2	19.5	1.9	2.2	1.8	9.8	10.5	3.8	5.4	5.5	4.7
Income	-9.6	-5.2	4.0	4.4	10.1	8.3	14.9	32.8	-9.5	-12.8	-12.0	-11.5
Current transfers	0.4	0.0	0.2	-1.4	-1.3	-1.2	0.7	1.0	-1.2	-0.1	0.0	-0.2

Deficit with China deteriorated further

The current account deficit with China worsened, mostly because of changes in the goods account, where the EUR 158-billion trade deficit dwarfed a small increase in the services surplus to EUR 5.8 billion.

The deficit with Russia rose significantly, too, as the trade deficit in goods grew. Brazil, Hong Kong and India confirmed their position as net creditors to the EU, recording overall current account surpluses.

Table 4: EU-27 current account balance with other selected partners: Russia, Brazil, China, Hong Kong, India (billion EUR)

	Russia		Brazil		China		Hong Kong		India	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Current account	-38.5	-46.0	3.0	6.0	-140.7	-150.8	8.8	3.9	5.1	2.9
Goods	-48.4	-61.6	-8.5	-6.4	-146.4	-157.6	1.3	1.5	4.0	2.6
Services	7.7	7.6	1.9	2.9	4.8	5.8	0.4	-0.3	2.5	1.5
Income	2.5	8.1	10.9	10.7	3.5	3.5	7.4	2.8	0.5	0.6
Current transfers	-0.2	-0.1	-1.3	-1.3	-2.6	-2.5	-0.2	-0.2	-1.9	-1.9

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. The figures shown in the tables may not exactly add up due to rounding.

Detailed trade in services and direct investments results for 2008 will be issued by the end of December 2009. The 2007 results for the services and direct investments main items, as presented here, may differ from those previously released by Eurostat, due to revisions in the underlying quarterly data.

The balance of payments records all economic transactions between residents of country or region and non-residents in a given period. 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 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 following the balance of payments sign convention: increases in liabilities (and in direct investment in the EU) are shown with a positive 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 sign.

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

Further information

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

Data on Balance of payment:

http://epp.eurostat.ec.europa.eu/portal/page/portal/balance_of_payments/data/database

(Select Balance of payment - international transactions, then Balance of payments statistics and International investment positions)

More information about balance of payments:

http://epp.eurostat.ec.europa.eu/portal/page/portal/balance_of_payments/introduction

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