



EUROPEAN CENTRAL BANK

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## PRESS RELEASE

### EURO AREA BALANCE OF PAYMENTS KEY ITEMS (monthly developments May 1999)

The current account surplus of the euro area balance of payments (b.o.p.) in May 1999 was EUR 2.5 billion, i.e. EUR 3.9 billion lower than the same month in 1998. This was primarily due to a decline in the surplus on goods and services which was partially offset by a small reduction in the deficits on income and current transfers.

In May 1999 the surplus of the goods balance of the euro area amounted to EUR 6.5 billion, down from the ECU 10.8 billion surplus recorded in May last year, with imports showing a monthly increase relative to the same month in 1998 for the first time this year. The balance on services amounted to EUR 0.1 billion in May whereas the net income and current transfers accounts both recorded deficits of EUR 1.3 billion and EUR 2.7 billion respectively.

Despite a significant reduction in the surplus on goods and services, the cumulative current account surplus for the first five months of 1999 amounted to EUR 18.5 billion which was only slightly lower than the ECU 19.4 billion surplus for the same period a year ago. The surplus in goods reported between January and May declined to EUR 34.1 billion compared to the ECU 43.6 billion for the corresponding period of 1998 and the deficit in services rose from ECU 1.6 billion to EUR 3.5 billion over the same period. However, improvements in the balances on income and current transfers over this period virtually offset the reduction in the combined surplus on goods and services. Between January and May 1999 the deficit on income fell to EUR 1 billion this year compared to ECU 5 billion

last year, accompanied by a decline of EUR 6.4 billion in the deficit on current transfers relative to the same period a year ago.

In May 1999 the capital account showed a surplus of EUR 0.9 billion compared to ECU 0.5 billion a year ago whereas the cumulative capital account surplus of EUR 3.9 billion for the first five months of this year was EUR 1.9 billion lower compared to the same period in 1998.

Turning to the financial account, direct investment recorded net outflows of EUR 17.0 billion in May 1999, following outflows of EUR 13.8 billion in April and EUR 2.6 billion in March. Net direct investment outflows in the period between January and May amount to EUR 40.7 billion. The portfolio investment account recorded net outflows of EUR 27.6 billion in May, compared with net inflows in the order of EUR 2.4 billion in April and net outflows of EUR 33.2 billion in March. In the first five months of 1999 the net outflows from the portfolio investment account totalled EUR 67.1 billion. The net outflows in May were due mainly to large investments by euro area residents outside the euro area and to substantial sales of domestic bonds and notes by non euro area residents.

Other investment showed net inflows of EUR 36.6 billion mainly reflecting an increase in the short-term external liabilities of the MFI sector. In the first five months of 1999 inflows to the "other investment account" amounted to EUR 88.8 billion, compared with ECU 80.4 billion in the same period of the preceding year. Financial derivatives net outflows reached EUR 3.2 billion in May 1999. Reserve assets decreased by EUR 3.9 billion in May 1999.

Errors and omissions reached EUR 4.0 billion in May. In the first five months of 1999, they amounted to –EUR 10.7 billion.

The table attached to this press release contains statistics produced by the Eurosystem in respect of the monthly b.o.p. of the euro area. These statistics are compiled by the ECB on the basis of data on extra-euro area transactions reported by euro area countries. The results for May 1999 will also be published in the August issue of the ECB Monthly Bulletin. A quarterly version of the euro area b.o.p. which covers the first quarter of 1999 and includes a further breakdown of some items, such

as investment income as well as portfolio and other investment, will be published together with the monthly developments on June 1999 (by end-August); the methodology has been set up in close co-operation with the European Commission (Eurostat) which publishes the b.o.p. for the European Union.

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**BALANCE OF PAYMENTS OF THE EURO AREA <sup>(1)</sup>**

(EUR billions; ECU billions to end-1998)

	1998						1999					
	May.			Jan.-May.			May.			Jan.-May.		
	<i>Credit</i>	<i>Debit</i>	<i>Net</i>									
<b>CURRENT ACCOUNT</b>	104.4	98.0	6.4	528.4	509.0	19.4	101.0	98.5	2.5	497.5	479.0	18.5
<i>Goods</i>	64.3	53.5	10.8	321.6	278.0	43.6	60.6	54.1	6.5	302.1	267.9	34.1
<i>Services</i>	20.7	19.9	0.8	97.2	98.8	-1.6	18.2	18.2	0.1	84.0	87.5	-3.5
<i>Income</i>	15.2	17.3	-2.2	78.4	83.4	-5.0	16.9	18.2	-1.3	78.9	80.0	-1.0
<i>Current transfers</i>	4.2	7.2	-3.0	31.3	48.8	-17.5	5.3	8.0	-2.7	32.5	43.6	-11.1
<b>CAPITAL ACCOUNT</b>	0.9	0.4	0.5	7.8	2.0	5.8	1.2	0.3	0.9	7.2	3.2	3.9
	<i>Assets<sup>(2)</sup></i>	<i>Liab.<sup>(2)</sup></i>	<i>Balance</i>									
<b>FINANCIAL ACCOUNT <sup>(2)</sup></b>			19.5			-11.1			-7.4			-11.7
<b>DIRECT INVESTMENT</b>			-1.3			-20.7			-17.0			-40.7
<i>Abroad</i>			-12.3			-79.4			-25.4			-75.9
<i>In the euro area</i>			10.9			58.7			8.4			35.2
<b>PORTFOLIO INVESTMENT <sup>(3)</sup></b>	-19.6	28.7	9.1	-167.7	100.2	-67.5	-25.0	-2.6	-27.6	-104.0	36.9	-67.1
<i>Equity</i>	-6.7	5.5	-1.2	-44.3	21.5	-22.8	-11.7	6.1	-5.6	-31.1	-4.7	-35.7
<i>Debt instruments</i>	-12.9	23.2	10.3	-123.4	78.7	-44.7	-13.3	-8.7	-22.0	-72.9	41.6	-31.4
<i>Bonds and notes</i>	-10.0	15.8	5.7	-115.9	66.3	-49.6	-14.1	-17.5	-31.6	-78.2	28.4	-49.9
<i>Money market instruments</i>	-2.9	7.5	4.6	-7.5	12.4	4.9	0.8	8.8	9.6	5.3	13.2	18.5
<b>FINANCIAL DERIVATIVES <sup>(3)</sup></b>			-1.5			-2.1			-3.2			-2.1
<b>OTHER INVESTMENT <sup>(3)(4)</sup></b>	-0.7	12.9	12.3	-25.1	105.5	80.4	-3.1	39.7	36.6	-38.0	126.8	88.8
<i>Eurosystem</i>	-0.0	-0.3	-0.4	0.3	-0.1	0.2	3.6	0.0	3.6	2.1	0.0	2.1
<i>General government</i>	-1.2	-0.6	-1.8	-2.6	-2.9	-5.5	1.2	-0.8	0.4	-2.2	-5.4	-7.5
<i>MFIs (excluding the Eurosystem)</i>	-5.9	13.5	7.6	-2.5	95.0	92.5	-5.6	39.9	34.3	-20.7	114.4	93.7
<i>Long-term</i>	-3.9	0.8	-3.2	-15.7	15.9	0.2	-7.1	7.3	0.3	-30.5	33.2	2.7
<i>Short-term</i>	-1.9	12.7	10.8	13.2	79.1	92.3	1.5	32.5	34.0	9.8	81.2	91.0
<i>Other sectors</i>	6.4	0.4	6.8	-20.3	13.5	-6.8	-2.3	0.6	-1.7	-17.1	17.8	0.6
<b>RESERVE ASSETS <sup>(3)(5)</sup></b>			0.9			-1.2			3.9			9.3
<b>ERRORS AND OMISSIONS <sup>(3)</sup></b>			-26.4			-14.2			4.0			-10.7

Source: ECB

(1) Discrepancies may arise from rounding.

(2) Inflows (+); Outflows (-).

(3) Series for which data from January 1999 are not closely comparable with earlier observations.

(4) Flows before January 1999 include estimations.

(5) Increase in reserve assets (-), decrease in reserve assets (+).