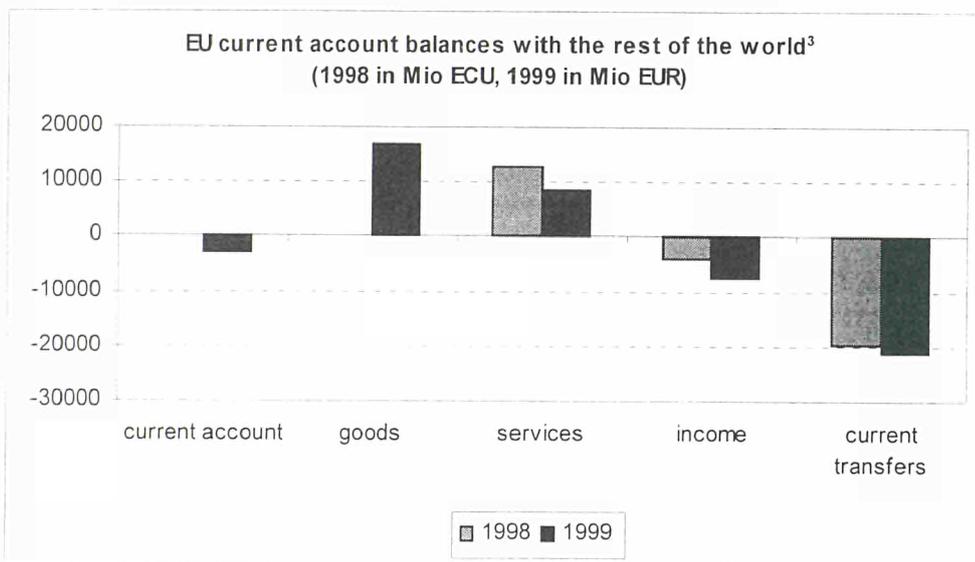


In 1999, the EU current balance with the rest of the world showed a EUR -2.9 bn deficit

*Eduardo BARREDO-CAPELOT
Nikolaos CHRYSSANTHOU*

The EU current account with the rest of the world (excluding intra-EU transactions) showed a EUR -2.9 bn deficit in 1999. The surpluses in goods¹ (EUR 16.9 bn) and services (EUR 8.7 bn) were smaller than the deficits in income² (EUR -7.4 bn) and current transfers (EUR -21.2 bn). The services 1999 surplus was 31% below its 1998 level. This decrease stemmed from the fall of the travel deficit and the shrinkage of the surpluses in transportation and other services (i.e. excluding transportation and travel). The euro-zone's services balance went down to EUR -9.5 bn between 1998 and 1999 because of the plunge of the other services deficit to EUR -21.0 bn. The EU's current transactions with the USA and Canada showed respective surpluses of EUR 22.2 bn and 3.6 bn and a deficit of EUR -27.5 bn with Japan.

In 1999 the EU recorded smaller surpluses in goods and services with the rest of the world than the deficits in income and current transfers



Preliminary 1999 results revealed a EUR -2.9 bn deficit of the EU current account with the rest of the world (extra-EU-15). This deficit came as a result of slightly smaller surpluses in goods and services (EUR 16.9 and 8.7 bn respectively) than the deficits in income (EUR -7.4 bn) and current transfers (EUR -21.2 bn).

¹ According to Balance of Payments concept: (exports FOB - imports FOB)

² For the item investment income, see the methodological note.

³ 1998 current account and trade in goods results are not presented because of a methodological break. See the methodological note.

Statistics in focus

ECONOMY AND FINANCE

THEME 2 – 39/2000

BALANCE OF PAYMENTS

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In 1999, the EU's current surpluses with the USA and Canada almost balanced the deficit with Japan 3



All three balances of services, income and current transfers deteriorated between 1998 and 1999, following a greater increase of debits than that of credits. The services surplus fell by 31% from

ECU 12.6 bn to EUR 8.7 bn. In 1999, the deficit in income (EUR -7.4 bn) was almost twice as big as the previous year and that of current transfers reached EUR -21.2 bn as compared to ECU -19.8 bn in 1998.

EU current account with the rest of the world

(1998 in Mio ECU, 1999 in Mio EUR)

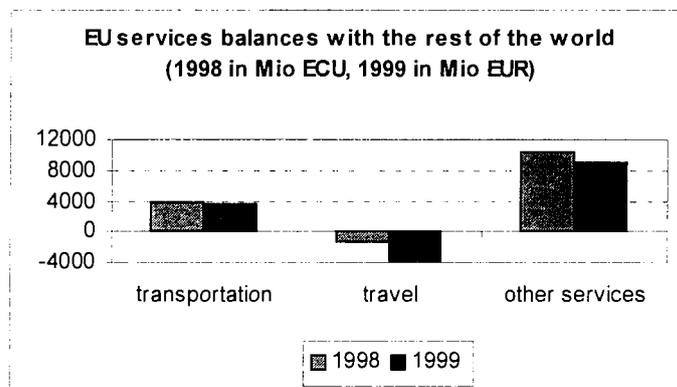
	Credit		Debit		Net	
	1998	1999*	1998	1999*	1998	1999*
Current account	1 184 156	1 255 408	..	1 258 341	..	-2 932
Goods	701 730	738 487	..	721 556	..	16 931
Services	235 766	246 468	223 180	237 777	12 586	8 691
Transportation	60 742	60 737	56 839	57 261	3 903	3 477
Travel	60 945	62 902	62 277	66 672	-1 332	-3 770
Other services	113 235	122 816	102 925	113 837	10 310	8 979
Services not allocated	845	13	934	7	-89	6
Income	219 703	238 721	223 693	246 100	-3 990	-7 379
Current transfers	26 956	31 735	46 783	52 908	-19 827	-21 173

* Preliminary results

The travel deficit expanded to EUR -3.8 bn while surpluses in transportation and other services decreased to EUR 3.5 bn and 9.0 bn

The shrinkage of the services surplus with the rest of the world between 1998 and 1999 resulted from the simultaneous decline of its three sub balances.

The largest deterioration was registered by the travel deficit, expanding from ECU -1.3 bn to EUR -3.8 bn. Both surpluses in transportation and other services⁴ decreased by more than 10%, reaching EUR 3.5 bn and 9.0 bn respectively.



The services balance of the euro-zone decreased to a deficit of EUR -9.5 bn⁵

Like the European Union, the euro-zone experienced a deterioration of its services balance with the rest of the world to a deficit of EUR -9.5 bn in 1999. The comparison with the EU's surplus of EUR 8.7 bn in 1999 stemmed mostly from the United Kingdom's EUR 21.3 bn surplus with extra-EU countries.

The deterioration of the euro-zone's services balance was mainly caused by the enlarged deficit of other services from ECU -11.8 bn in 1998 to EUR -21.0 bn in 1999. The balances of transportation and travel remained in surplus in spite of their 8% and 12% respective decline to EUR 2.9 and 8.6 bn.

Euro-zone trade in services with the rest of the world

(1998 in Mio ECU, 1999 in Mio EUR)

	Exports		Imports		Balance	
	1998	1999*	1998	1999*	1998	1999*
Services	228 809	235 043	227 673	244 567	1 136	-9 523
Transportation	56 802	58 049	53 607	55 107	3 194	2 942
Travel	65 468	66 629	55 710	58 049	9 757	8 580
Other services	105 017	110 349	116 851	131 387	-11 834	-21 038
Services not allocated	1 523	16	1 504	24	19	-8

* Preliminary results

⁴ The item "other services" covers services other than transportation and travel. It includes communications services, construction services, insurance services, financial services, computer and information services, royalties and license fees, other business services, personal, cultural and recreational services, and government services n.i.e.

⁵ The ECB has very recently revised their figures for 1999. According to these revisions, the deficit of services for the euro-zone in 1999 would amount to EUR -11.8 bn. The cut-off date for this "Statistics in focus" was 07/09/2000.

In 1999, the EU's current surpluses with the USA and Canada almost balanced the deficit with Japan

The **USA** remained the main extra-EU partner, accounting for 30% of total external current transactions. The EU's current surplus with the USA, of EUR 22.2 bn was due to a much larger trade in goods surplus (EUR 35.6 bn) than the deficits of the three other current account sub-items.

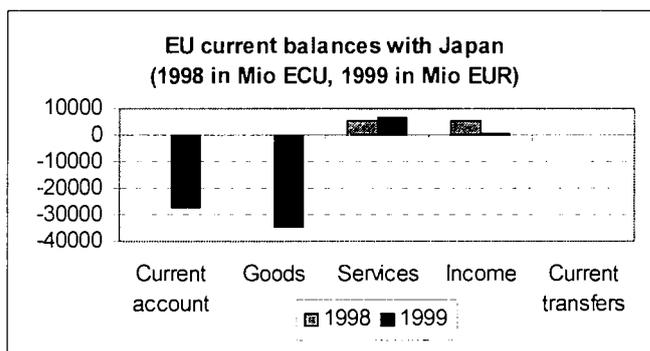
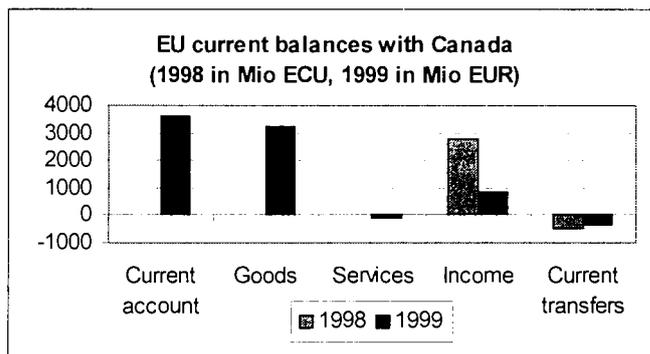
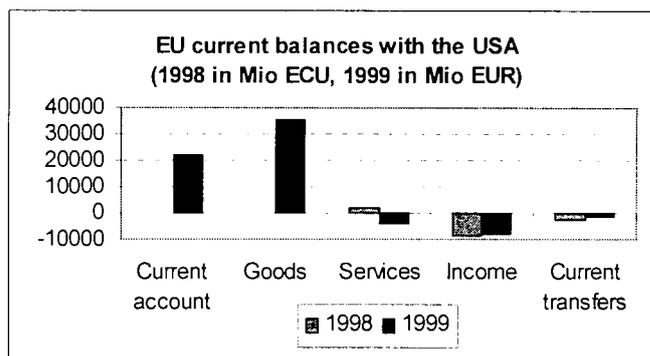
The income deficit was stable at EUR -8.3 bn while the services 1998 surplus reversed to a EUR -3.8 bn deficit. The net current transfers from the EU towards the USA decreased from a deficit of ECU -2.4 bn in 1998 to EUR -1.4 bn in 1999.

With **Canada** (2% of total extra-EU current transactions), the EU current account was in surplus by EUR 3.6 bn in 1999. Goods and income showed surpluses of EUR 3.3 bn and 0.9 bn respectively.

As the year before, the balances of services (EUR -0.1 bn) and current transfers (EUR -0.4 bn) remained close to equilibrium. The income surplus of EUR 0.9 bn was much below its 1998 level (ECU 2.8 bn).

The EU current balance with **Japan** (6% of total extra-EU transactions) showed a consistent deficit in 1999 (EUR -27.5 bn). This was mainly due to the EUR -34.9 bn deficit of the trade balance.

As compared to 1998, the surplus of services increased by 23% to reach EUR 6.7 bn and that of income decreased sharply to EUR 0.9 bn. Current transfers with Japan remained in equilibrium, at EUR -0.2 bn.



➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The balance of payments (BOP) of the European Union (and of the euro-zone) is compiled as the sum of the harmonised balance of payments accounts of the fifteen (respectively eleven) Member States. The balance of payments of the EU institutions is added to the European Union aggregate.

The methodological framework is that of the fifth edition of the *International Monetary Fund (IMF) Balance of Payments Manual*.

The extra-EU figures for goods and the current account are not comparable to those of 1998. In fact, a significant number of EU Member States were able to implement the allocation of intra-EU imports of goods according to the **country of consignment** this year, thus conforming to international standards. As 1998 have not yet been revised (because preliminary results are calculated only for the most recent year), a methodological break exists between 1998 and 1999. This will disappear later this year, when the complete detail of 1999 data is released and the figures for 1998 are revised.

In addition, the European Union figures are not fully comparable to the euro-zone data released by the ECB for 1999. This stems mostly from the fact that the ECB has implemented a new methodology for the treatment of **portfolio investment income** flows. Due to a shortage of data, Eurostat could not implement this methodological change for the compilation of the EU-15 aggregate. Apart from this there are no conceptual differences between data released by both institutions.

Further information:

➤ Reference publications

Title International trade in services – EU – Data 1989-1998
 Catalogue No KS-28-00-139-3A-C Price EUR 65

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