



EUROPEAN CENTRAL BANK

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PRESS RELEASE

EURO AREA BALANCE OF PAYMENTS (monthly developments in March 2000)

The current account surplus of the euro area declined to EUR 3 billion in March 2000 (from EUR 6.4 billion in the corresponding month of 1999). Half of the decline was due to a fall in the goods surplus (to EUR 8.1 billion, from EUR 9.8 billion in March 1999), but the deficit on current transfers also increased significantly, while the balance for services registered a slight deterioration. By contrast, the deficit on the income account decreased by EUR 1 billion.

The value of exports of goods continued to grow strongly in March 2000, rising by EUR 14.7 billion (or around 21%) compared with the same month in 1999, while imports rose even more rapidly (by EUR 16.4 billion, or around 28%) largely owing to the sustained rise in import prices resulting from the decline of the euro and higher oil prices. Although trade volume data are only available up to the end of 1999, the annual rise in export values seems in part to reflect strong growth in export volumes owing to robust foreign demand and improvements in euro area competitiveness.

During the first quarter of 2000 the current account of the euro area recorded a deficit of EUR 1.2 billion, compared with a surplus of EUR 6.4 billion for the same period in 1999. The greater part of this decline is explained by the fall in the goods surplus (from EUR 21.5 billion to EUR 15.3 billion). Increases in the deficits on services and current transfers, only partially offset by a smaller deficit on the income account, also contributed to the decline in the current account over this period.

In the financial account the acquisition of a euro area company by a non-resident company, which was settled through an exchange of shares and which had already strongly influenced financial flows in February, also had an impact on direct and portfolio equity investment flows in March, although to a lesser extent than in the preceding month.

Direct investment in the euro area amounted to EUR 35.4 billion in March. This strong inflow more than compensated for substantial direct investment abroad by euro area residents (EUR 33 billion), resulting in a small surplus on net direct investment flows in March (EUR 2.4 billion). In the first quarter of 2000, direct investment in the euro area reached EUR 206.9 billion. This was almost three times the amount of total inflows for 1999 as a whole, and originated to a large extent from the take-over operation referred to above. During the same period direct investment abroad by euro area residents increased to EUR 57.7 billion, from EUR 36.3 billion in the same period in 1999.

Portfolio investment showed net outflows of EUR 24.7 billion in March, mainly as a result of substantial equity net outflows (EUR 46 billion), partly in the context of the aforementioned large take-over transaction. These equity outflows more than outweighed the net inflows in debt instruments of EUR 21.3 billion. In the first quarter of 2000 net portfolio investment outflows reached EUR 180.9 billion, mainly reflecting equity net outflows of EUR 208.6 billion, a significant part of which were related to the above-mentioned transaction. By contrast, for debt instruments net inflows of EUR 27.7 billion were reported in the first quarter of 2000, compared with an almost equal amount of net outflows in the same period of 1999.

Elsewhere in the financial account, net outflows in financial derivatives reached EUR 3.2 billion, and net inflows in other investment amounted to EUR 58.2 billion in March 2000. Eurosystem reserve assets fell by EUR 0.6 billion in March.

Errors and omissions amounted to a negative EUR 37.8 billion in March 2000.

Annex I to this press release contains statistics produced by the Eurosystem in respect of the balance of payments (b.o.p.) of the euro area; the methodology has been developed in close co-operation with the European Commission (Eurostat) which publishes the b.o.p. for the European Union. The ECB compiles these statistics on the basis of the data on extra-euro area transactions reported by euro area countries. A complete set of updated euro area b.o.p. statistics is now available (csv files) on the ECB's website in block "Latest releases of monetary and financial statistics". The results for March 2000 will also be published in the June 2000 issue of the ECB Monthly Bulletin. A detailed methodological note on euro area b.o.p. statistics is available on the ECB's website.

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BALANCE OF PAYMENTS OF THE EURO AREA ⁽¹⁾

(EUR billions)

	1999						2000					
	Mar.			Jan.-Mar.			Mar.			Jan.-Mar.		
	<i>Credit</i>	<i>Debit</i>	<i>Net</i>	<i>Credit</i>	<i>Debit</i>	<i>Net</i>	<i>Credit</i>	<i>Debit</i>	<i>Net</i>	<i>Credit</i>	<i>Debit</i>	<i>Net</i>
CURRENT ACCOUNT	110.4	103.9	6.4	300.8	294.4	6.4	130.0	127.1	3.0	355.3	356.5	-1.2
<i>Goods</i>	68.8	59.0	9.8	179.7	158.2	21.5	83.5	75.4	8.1	219.0	203.7	15.3
<i>Services</i>	18.7	19.0	-0.4	50.7	53.9	-3.2	20.7	21.6	-0.9	56.3	61.2	-4.8
<i>Income ⁽²⁾</i>	17.7	19.3	-1.6	46.6	53.0	-6.4	20.3	20.9	-0.6	54.4	60.2	-5.7
<i>Current transfers</i>	5.3	6.6	-1.4	23.8	29.3	-5.5	5.6	9.2	-3.7	25.5	31.4	-6.0
CAPITAL ACCOUNT	0.6	0.5	0.2	4.4	1.7	2.8	1.9	0.4	1.4	4.3	1.2	3.1
	<i>Assets⁽³⁾</i>	<i>Liab.⁽³⁾</i>	<i>Balance</i>	<i>Assets⁽³⁾</i>	<i>Liab.⁽³⁾</i>	<i>Balance</i>	<i>Assets⁽³⁾</i>	<i>Liab.⁽³⁾</i>	<i>Balance</i>	<i>Assets⁽³⁾</i>	<i>Liab.⁽³⁾</i>	<i>Balance</i>
FINANCIAL ACCOUNT ⁽³⁾			-40.3			-33.1			33.3			60.2
DIRECT INVESTMENT			-4.6			-15.6			2.4			149.2
<i>Abroad</i>			-12.5			-36.3			-33.0			-57.7
<i>In the euro area</i>			7.9			20.8			35.4			206.9
PORTFOLIO INVESTMENT	-30.0	-7.1	-37.1	-65.3	10.7	-54.7	-37.6	12.9	-24.7	-130.8	-50.0	-180.9
<i>Equity</i>	-11.0	-16.9	-27.9	-21.7	-5.4	-27.1	-27.6	-18.4	-46.0	-102.2	-106.4	-208.6
<i>Debt instruments</i>	-19.0	9.7	-9.2	-43.6	16.1	-27.6	-10.0	31.4	21.3	-28.7	56.4	27.7
<i>Bonds and notes</i>	-21.2	5.2	-16.0	-43.8	2.9	-40.9	-6.9	24.9	18.0	-25.5	30.6	5.1
<i>Money market instruments</i>	2.3	4.5	6.8	0.1	13.2	13.3	-3.2	6.5	3.3	-3.1	25.8	22.6
FINANCIAL DERIVATIVES			0.9			-1.4			-3.2			-1.9
OTHER INVESTMENT	-0.8	-1.3	-2.1	-34.6	67.7	33.0	-32.8	91.0	58.2	-69.5	163.5	94.0
<i>Eurosystem</i>	-1.0	0.0	-1.0	2.9	0.0	2.9	-1.3	0.0	-1.3	-3.5	0.0	-3.5
<i>General government</i>	-1.1	1.2	0.0	-3.3	-4.2	-7.5	-0.1	-1.5	-1.5	-6.4	-3.2	-9.6
<i>MFIs (excluding the Eurosystem)</i>	3.2	-8.1	-4.9	-13.4	58.6	45.2	-15.4	97.5	82.0	-29.5	169.1	139.6
<i>Long-term</i>	-7.1	6.8	-0.3	-13.9	7.1	-6.9	-4.7	8.7	3.9	-11.0	24.7	13.7
<i>Short-term</i>	10.3	-14.9	-4.6	0.6	51.5	52.1	-10.7	88.8	78.1	-18.5	144.4	126.0
<i>Other sectors</i>	-1.8	5.6	3.8	-20.9	13.3	-7.6	-16.0	-5.0	-21.0	-30.2	-2.4	-32.6
RESERVE ASSETS ⁽⁴⁾			2.7			5.5			0.6			-0.2
ERRORS AND OMISSIONS			33.7			24.0			-37.8			-62.0

Source: ECB.

(1) Discrepancies may arise from rounding.

(2) Monthly figures for 1999 are not closely comparable with later observations.

(3) Inflows (+); outflows (-).

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