



EUROPEAN CENTRAL BANK

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## **PRESS RELEASE**

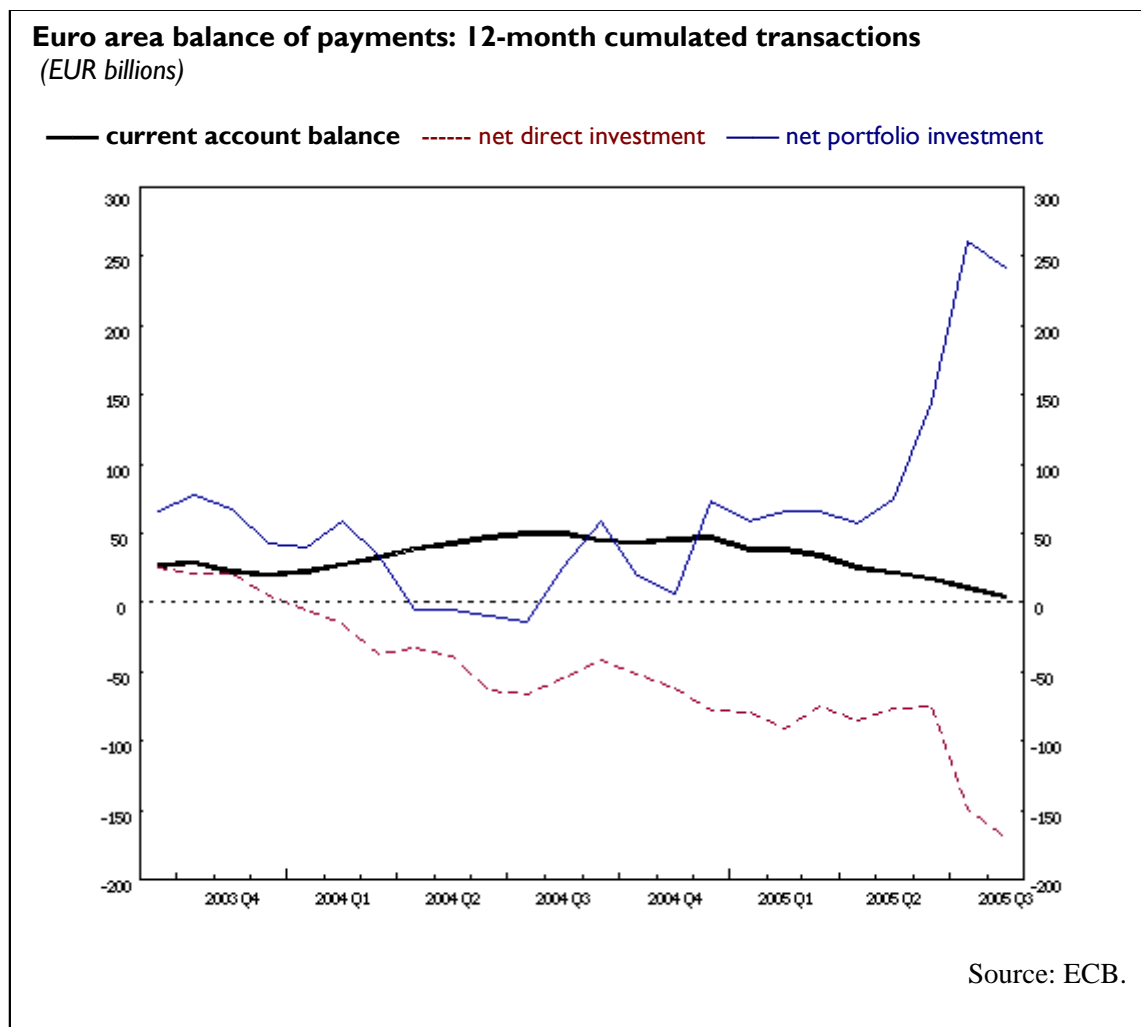
### **EURO AREA BALANCE OF PAYMENTS (August 2005)**

*In August 2005 the seasonally adjusted current account of the euro area recorded a deficit of EUR 6.6 billion as the deficits in income and current transfers exceeded the surpluses in goods and services. In the financial account, combined direct and portfolio investment recorded net outflows of EUR 32 billion. This predominantly reflected net purchases of foreign debt instruments by euro area residents.*

#### **Current account**

The seasonally adjusted *current account* of the euro area showed a deficit of EUR 6.6 billion in August 2005 (corresponding to a deficit of EUR 2.9 billion in non-seasonally adjusted terms). This reflected deficits in *income* (EUR 4.5 billion) and *current transfers* (EUR 5.6 billion) that were partly offset by surpluses in *goods* (EUR 1.0 billion) and *services* (EUR 2.6 billion).

The 12-month cumulated surplus of the euro area *current account* up to August 2005 amounted to EUR 5.2 billion, i.e. less than 0.1% of GDP, as compared with EUR 47.3 billion a year earlier (around 0.6% of GDP). This decrease mainly resulted from a decline of EUR 46.5 billion in the *goods* surplus, reflecting a higher increase of imports than exports.



### Financial account

In the *financial account*, combined *direct and portfolio investment* recorded net outflows of EUR 32 billion in August 2005, reflecting similar net outflows in *direct investment* and *portfolio investment*.

The developments in *direct investment* reflected net outflows of EUR 8 billion in *equity capital and reinvested earnings* that were due to investments abroad by euro area residents and to disinvestments of non-resident corporations in the euro area affiliates. Net outflows of EUR 8 billion in *other capital (mostly inter-company loans)* were also recorded, reflecting net repayments by euro area affiliates of foreign companies.

In *portfolio investment*, *debt instruments* recorded net outflows of EUR 36 billion that were partly offset by net inflows of EUR 20 billion in *equity securities*. These developments predominantly reflected net purchases of foreign debt securities by euro area residents (EUR 34 billion) and net purchases of euro area equities by non-residents (EUR 23 billion).

*Other investment* recorded net inflows of EUR 37 billion, mainly as a result of short-term net inflows recorded by *monetary financial institutions (MFIs) excluding the Eurosystem* (EUR 25 billion) and, to a lesser extent, by *general government* (EUR 7 billion).

Reserve assets were virtually unchanged (excluding valuation effects). The stock of the [Eurosystem's reserve assets](#) stood at EUR 295.6 billion at the end of August 2005.

In the 12-month period up to August 2005, *combined direct and portfolio investment* recorded cumulated net inflows of EUR 73 billion, as compared with net outflows of EUR 29 billion a year earlier. This mainly resulted from an increase of EUR 217 billion in net inflows in *portfolio investment* (from EUR 25 billion to EUR 242 billion) that was largely due to increased net purchases of euro area equities by non-residents. Over the same period, net outflows in *direct investment* increased by EUR 115 billion (from EUR 54 billion to EUR 169 billion), mainly on account of higher investment abroad by euro area residents.

### **Data revisions**

In addition to the monthly balance of payments data for August 2005, this press release incorporates revisions for the period from January to July 2005.

For this period as a whole, the non-seasonally adjusted *current account* deficit was revised downwards from EUR 12.6 billion to EUR 8.4 billion. This is mainly due to the combined effect of a higher *services* surplus (revised upwards from EUR 14.5 billion to EUR 16.5 billion) and a lower *income* deficit (revised downwards from EUR 37.1 billion to EUR 35.3 billion). Revisions in the *financial account* were relatively minor in the reference period.

### **Additional information on the euro area balance of payments and international investment position**

A complete set of updated euro area balance of payments and international investment position statistics is available on the ECB's website in the "Statistics" section under the heading "Data services"/"Latest monetary, financial markets and balance of payments statistics". The results up to August 2005 will also be published in the November 2005 issue of the ECB's Monthly Bulletin. [A detailed methodological note](#) is available on the ECB's website. The next press release on the euro area monthly balance of payments will be published on 24 November 2005. In addition, a separate press release on the quarterly euro area balance of payments (including a geographical breakdown) and quarterly details on the euro area international investment position will be published on 27 October 2005.

**Annexes**

Table 1: Current account of the euro area – seasonally adjusted data.

Table 2: Monthly balance of payments of the euro area – non-seasonally adjusted data.

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