

Statistical release

5 April 2022

Euro area quarterly balance of payments and international investment position: fourth quarter of 2021

- Current account surplus at €292 billion (2.4% of euro area GDP) in 2021, up from €219 billion (1.9% of GDP) in 2020
- Geographic counterparts: largest bilateral current account surpluses vis-à-vis *United Kingdom* (€172 billion) and *Switzerland* (€77 billion), largest deficit vis-à-vis *China* (€83 billion)
- International investment position showed net liabilities of €180 billion (1.5% of euro area GDP) at end of 2021

Current account

The *current account* surplus of the euro area increased to €292 billion (2.4% of euro area GDP) in 2021, up from €219 billion (1.9% of GDP) in 2020 (Table 1). This increase mainly reflected larger surpluses for *services* (up from €6 billion to €96 billion) and *primary income* (up from €35 billion to €63 billion) and, to a lesser extent, a reduction in the deficit for *secondary income* (down from €163 billion to €158 billion). These developments were partly offset by a decline in the surplus for *goods* (down from €341 billion to €290 billion).

The increase in the surplus for *services* in 2021 was due to larger surpluses for *telecommunication, computer and information services* (up from €101 billion to €127 billion), *transport services* (up from €5 billion to €16 billion) and *travel services* (up from €11 billion to €19 billion) as well as due to a reduction in the deficit for *other business services* (down from €103 billion to €47 billion). Conversely, a lower surplus was recorded for *insurance, pension and financial services* (down from €15 billion to €10 billion) and the deficit for *other services* increased (up from €24 billion to €29 billion).

The increase in the *primary income* surplus in 2021 was driven by a larger surplus for *investment income* (up from €5 billion to €37 billion). This reflected larger surpluses for *direct investment income* (up from €26 billion to €38 billion), *portfolio debt income* (up from €41 billion to €50 billion) and *other investment income* (up from €7 billion to €12 billion). Moreover, a smaller deficit was recorded for *portfolio equity* (down from €73 billion to €67 billion).

Table 1

Current account of the euro area

(EUR billions, unless otherwise indicated; transactions during the period; non-working day and non-seasonally adjusted)

	Cumulated figures for the four-quarter period ending						Q4 2020	Q4 2021		
	Q4 2020			Q4 2021						
	Balance	Credit	Debit	Balance	Credit	Debit				
Current account	219	3,936	3,717	292	4,458	4,167	102	39		
<i>Percentage of GDP</i>	1.9%	34.5%	32.6%	2.4%	36.4%	34.0%				
Goods	341	2,188	1,847	290	2,508	2,218	113	39		
Services	6	870	864	96	1,004	908	16	20		
Transport	5	131	126	16	175	159	2	5		
Travel	11	57	46	19	68	50	2	8		
Insurance, pension and financial	15	105	89	10	117	106	3	3		
Telecommunication, computer and information	101	176	75	127	210	83	33	40		
Other business	-103	239	342	-47	249	296	-13	-25		
Other	-24	162	186	-29	185	214	-11	-10		
Primary income	35	753	718	63	796	732	22	22		
Compensation of employees	20	42	22	19	43	24	5	5		
Investment income	5	675	670	37	716	679	5	6		
Direct investment	26	408	382	38	440	402	2	6		
Portfolio equity	-73	76	149	-67	93	160	-11	-18		
Portfolio debt	41	129	88	50	127	77	11	13		
Other investment	7	58	51	12	52	41	3	5		
Reserve assets	4	4		3	3		1	1		
Other primary income	10	37	26	8	37	29	11	10		
Secondary income	-163	125	287	-158	151	308	-48	-41		

Source: ECB.

Notes: "Equity" comprises equity and investment fund shares. Discrepancies between totals and their components may arise from rounding.

Data for the current account of the euro area

Data on the geographic counterparts of the euro area current account (Chart 1) show that in 2021 the euro area recorded its largest bilateral surpluses vis-à-vis the *United Kingdom* (€172 billion, up from €147 billion in 2020), *Switzerland* (€77 billion, up from €58 billion) and the *United States* (€56 billion, down from €74 billion). It also recorded a current account surplus vis-à-vis a residual group of *other*

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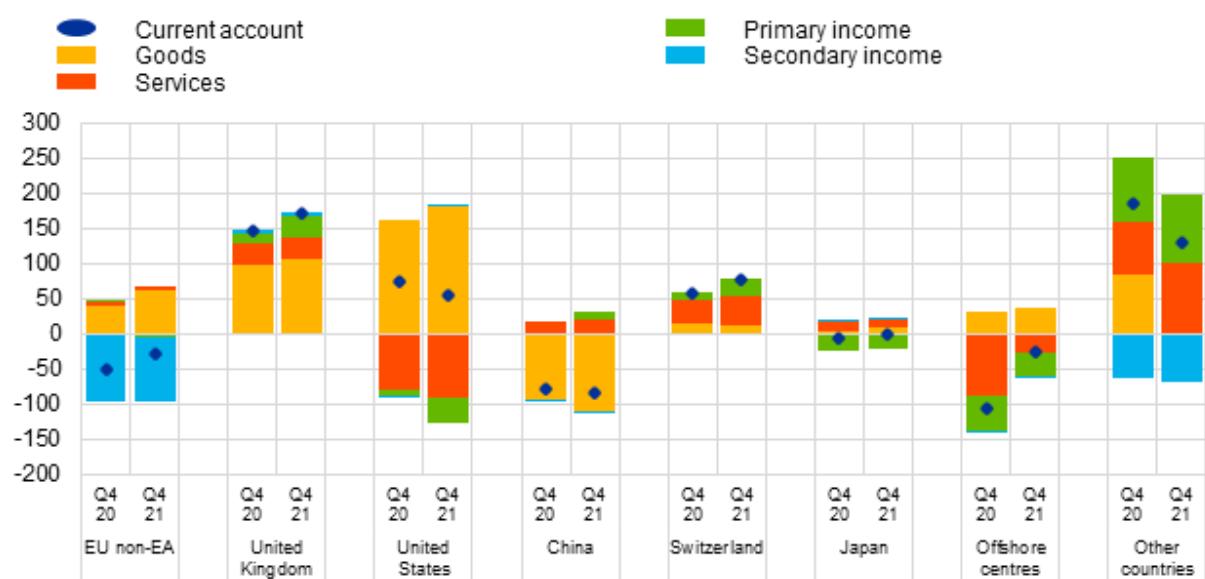
countries (€129 billion, down from €186 billion). The largest bilateral deficits were recorded vis-à-vis *China* (€83 billion, up from €80 billion), *EU Member States and EU institutions outside the euro area* (€30 billion, down from €51 billion) and *offshore centres* (€27 billion, down from €108 billion).

The most significant geographic changes in 2021 relative to 2020 in the components of the current account were as follows. In *goods* the deficit vis-à-vis *China* increased from €93 billion to €112 billion, while larger surpluses were recorded vis-à-vis the *United States* (up from €163 billion to €182 billion) and the *EU Member States and EU institutions outside the euro area* (up from €40 billion to €61 billion). Moreover, the *goods* balance vis-à-vis the residual group of *other countries* turned from a surplus of €83 billion to a deficit of €1 billion. In *services* the deficit vis-à-vis *offshore centres* declined strongly (down from €90 billion to €27 billion), while the surplus vis-à-vis the residual group of *other countries* increased from €76 billion to €99 billion. In *primary income* a larger deficit was recorded vis-à-vis the *United States* (up from €7 billion to €36 billion), while the surpluses widened vis-à-vis the United Kingdom (up from €14 billion to €30 billion) and Switzerland (up from €9 billion to €24 billion). In *secondary income* the deficit vis-à-vis the *EU Member States and EU institutions outside the euro area* decreased slightly from €96 billion to €90 billion.

Chart 1

Geographical breakdown of the euro area current account balance

(four-quarter moving sums in EUR billions; non-seasonally adjusted)



Source: ECB.

Note: "EU non-EA" comprises the non-euro area EU Member States and those EU institutions and bodies that are considered for statistical purposes as being outside the euro area, such as the European Commission and the European Investment Bank. "Other countries" includes all countries and country groups not shown in the chart, as well as unallocated transactions.

Data for the geographical breakdown of the euro area current account

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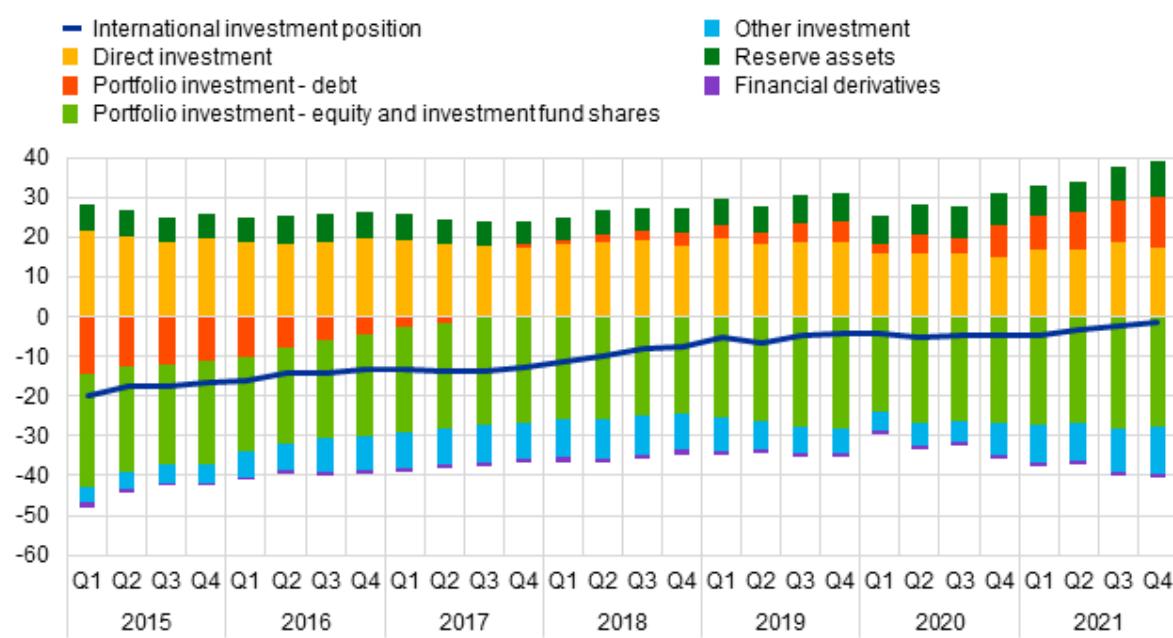
International investment position

At the end of the fourth quarter of 2021 the international investment position of the euro area recorded net liabilities of €180 billion vis-à-vis the rest of the world (1.5% of euro area GDP), down from €272 billion in the previous quarter (Chart 2 and Table 2).

Chart 2

Net international investment position of the euro area

(net amounts outstanding at the end of the period as a percentage of four-quarter moving sums of GDP)



Source: ECB.

Data for the net international investment position of the euro area

The decline in net liabilities of €92 billion reflected large but partly offsetting changes in the various investment components. Larger net assets were recorded for *portfolio debt* (up from €1.3 trillion to €1.6 trillion), while net liabilities remained stable in *portfolio equity* (€3.4 trillion). Conversely, net assets in *direct investment* declined (down from €2.3 trillion to €2.2 trillion), while net liabilities increased in *other investment* (up from €1.3 trillion to €1.5 trillion).

Table 2

International investment position of the euro area

(EUR billions, unless otherwise indicated; amounts outstanding at the end of the period, flows during the period; non-working day and non-seasonally adjusted)

	Q3 2021	Q4 2021						% GDP
		Amounts outstanding	Transactions	Exchange rate changes	Price changes	Other volume changes	Amounts outstanding	
Net	-272	22	159	-74	-16	-180	-1.5	
of which: Direct investment	2,259	47	99	-71	-183	2,151	17.6	
of which: Portfolio equity	-3,383	-117	14	-15	125	-3,375	-27.5	
of which: Portfolio debt	1,277	237	36	15	2	1,567	12.8	
of which: Other investment	-1,325	-192	-1	-3	38	-1,484	-12.1	
Assets	31,085	164	398	256	126	32,029	261.3	
Direct investment	11,729	-24	128	34	14	11,881	96.9	
Portfolio equity	5,855	29	114	264	38	6,299	51.4	
Portfolio debt	6,375	115	70	-43	36	6,552	53.5	
Financial derivatives	-103	45	-	-41	2	-97	-0.8	
Other investment	6,227	-3	76	0	37	6,336	51.7	
Reserve assets	1,002	3	11	41	0	1,057	8.6	
Liabilities	31,357	142	239	329	142	32,209	262.8	
Direct investment	9,470	-71	30	105	197	9,730	79.4	
Portfolio equity	9,237	146	100	279	-88	9,674	78.9	
Portfolio debt	5,097	-122	34	-58	34	4,985	40.7	
Other investment	7,553	189	76	3	-1	7,820	63.8	
Gross external debt	15,788	108	148	-55	37	16,025	130.8	

Source: ECB.

Notes: "Equity" comprises equity and investment fund shares. Net financial derivatives are reported under assets. "Other volume changes" mainly reflect reclassifications and data enhancements. Discrepancies between totals and their components may arise from rounding.

Data for the international investment position of the euro area

The developments in the euro area's net international investment position in the fourth quarter of 2021 were mainly driven by positive net flows owing to exchange rate changes and, to a lesser extent, transactions, which were partly offset by negative net price changes and other volume changes (Table 2 and Chart 3).

The increase in net assets for *portfolio debt* was mainly driven by positive net flows for transactions and exchange rate changes (Table 2). The decline in net assets for *direct investment* resulted from negative net flows in other volume changes (mostly reclassifications) and price changes. The stability in net liabilities for *portfolio equity* was mainly due to positive net flows in other volume changes

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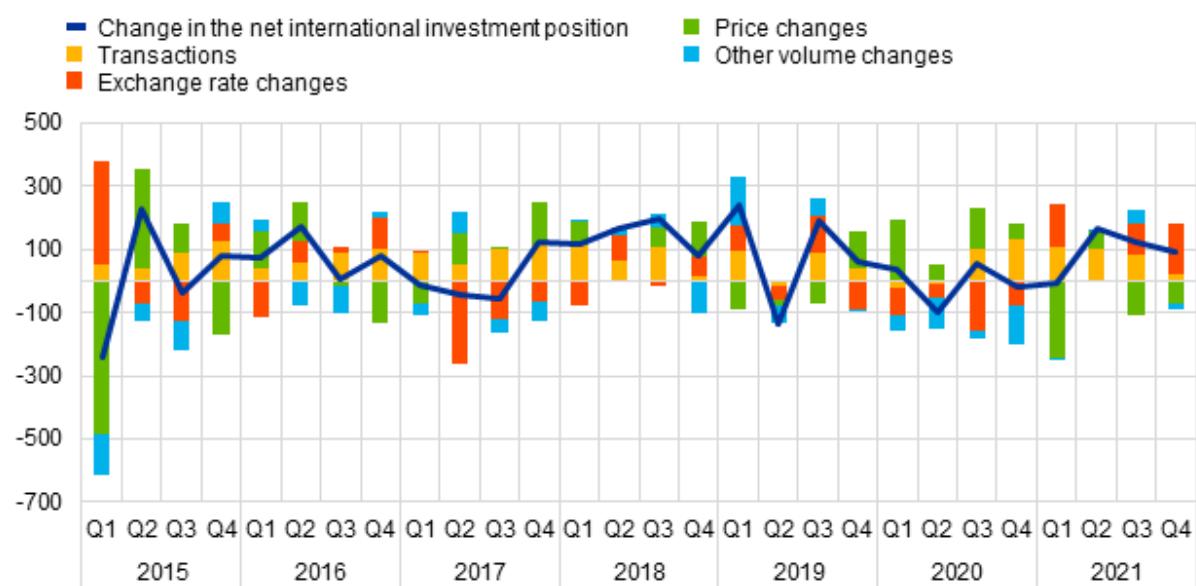
(mostly reclassifications) that were largely offset by negative net transactions. Larger net liabilities for *other investment* were driven by negative net transactions.

At the end of the fourth quarter of 2021 the *gross external debt* of the euro area amounted to €16.0 trillion (around 131% of euro area GDP), up by €237 billion compared with the previous quarter.

Chart 3

Changes in the net international investment position of the euro area

(EUR billions; flows during the period)



Source: ECB.

Note: "Other volume changes" mainly reflect reclassifications and data enhancements.

Data for changes in the net international investment position of the euro area

At the end of 2021 the stock of euro area *direct investment assets* was €11.9 trillion, 25% of which was invested in the *United States* and 21% in the *United Kingdom* (see Table 3). The stock of *foreign direct investment liabilities* was €9.7 trillion, with 31% being investments originating from the *United States*, 19% from the *United Kingdom* and 18% from *offshore centres*.

In *portfolio investment*, euro area holdings of foreign securities amounted to €6.3 trillion in equity and €6.6 trillion in debt at the end of 2021. The largest holdings of equity securities by the euro area were in securities issued by residents of the *United States* (accounting for 52%), followed by those issued by residents of the *United Kingdom* and *offshore centres* (each accounting for 9%). For debt securities, the largest euro area holdings were in securities issued by residents of the *United States* (accounting for 35%), the *United Kingdom* (21%) and the *EU Member States and EU institutions outside the euro area* (14%).

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On the *portfolio investment* liabilities side, non-residents' holdings of securities issued by euro area residents stood at €9.7 trillion in equity and at €5.0 trillion in debt at the end of 2021. The largest holder countries of euro area equity securities were the *United States* (42%) and the *United Kingdom* (11%), while for euro area debt securities the largest holders were the *BRIC group of countries* (18%), the *United States* (15%) and *Japan* (13%).

In *other investment*, euro area residents' claims on non-residents amounted to €6.3 trillion, 31% of which was vis-à-vis the *United Kingdom* and 23% vis-à-vis the *United States*. Euro area *other investment* liabilities amounted to €7.8 trillion, with the *United Kingdom* accounting for 30%, while the shares of the *EU Member States* and *EU institutions outside the euro area* and the *United States* were 19% and 15% respectively.

Table 3

International investment position of the euro area – geographical breakdown

(as a percentage of the total, unless otherwise indicated; at the end of the period; non-working day and non-seasonally adjusted)

	Total EUR bn	Q4 2021							
		EU non-EA	United Kingdom	United States	BRIC	Switzerland	Japan	Offshore centres	Other countries
Direct investment									
Assets	11,881	9	21	25	8	10	1	10	16
Liabilities	9,730	5	19	31	4	9	3	18	11
Portfolio investment									
Assets	12,851	9	15	43	4	3	4	7	14
Equity	6,299	4	9	52	6	5	5	9	10
Debt securities	6,552	14	21	35	3	1	4	5	18
Liabilities	14,659	6	11	33	9	8	8	8	18
Equity	9,674	6	11	42	4	6	5	8	18
Debt securities	4,985	7	10	15	18	10	13	10	17
Other investment									
Assets	6,336	7	31	23	4	7	4	9	15
Liabilities	7,820	19	30	15	5	5	2	7	16

Source: ECB.

Notes: "Equity" comprises equity and investment fund shares. "EU non-EA" comprises the non-euro area EU Member States and those EU institutions and bodies that are considered for statistical purposes as being outside the euro area, such as the European Commission and the European Investment Bank. The "BRIC" countries are Brazil, Russia, India and China. "Other countries" includes all countries and country groups not listed in the table as well as unallocated positions.

Data for the international investment position of the euro area – geographical breakdown**European Central Bank**

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Data revisions

This statistical release incorporates revisions to data for the reference periods between the first quarter of 2018 and the third quarter of 2021. The revisions reflect revised national contributions to the euro area aggregates as a result of the incorporation of newly available information.

Next releases

- Monthly balance of payments: 22 April 2022 (reference data up to February 2022)
- Quarterly balance of payments and international investment position: 5 July 2022 (reference data up to the first quarter of 2022)

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Notes

- All data are neither seasonally nor working day-adjusted. Ratios to GDP (including in the charts) refer to four-quarter sums of non-seasonally and non-working day-adjusted GDP figures.
- Hyperlinks in this press release lead to data that may change with subsequent releases as a result of revisions.