



## AIB Group Treasury Economic Services Unit

### Investment Flows Move In Euro's Direction

	June 2001	Jan-June 2001	June 2000	Jan-June 2000
<b>Direct Investment</b> (Includes equity capital and reinvested earnings, other capital, mostly inter company loans)	-7.9	-91.1	-10.5	129.6
<b>Portfolio Investment</b> (Equity, Debt instruments, bonds and money & money market instruments)	27.7	-6.5	57.4	-137.5
<b>Net</b>	<b>19.8</b>	<b>-97.6</b>	<b>46.9</b>	<b>-7.9</b>

- European Central Bank financial account data for June show that net inflows of direct and portfolio investments to the euro zone swung into positive territory for the first month this year.
- After net outflows of Eur15.5 billion euros in May and net outflows in all the previous months this year, combined direct and portfolio investment posted net inflows of Eur19.8 billion in June.
- In its statement the ECB said that this turnaround in the direction of flows mainly reflects strong foreign investment in euro area securities. However, there was a word of caution. For the first six months, net combined direct and portfolio investment showed a net outflow of Eur97.6 billion, much higher than the Eur7.9 billion outflow recorded in the first six month of last year.
- The current account numbers revealed that the euro zone's goods trade surplus with the rest of the world jumped to Eur8.3 billion in June, from the Eur5.3 billion in May and more than doubled from the Eur4.0 billion surplus seen in June 2000. Goods and services payments and other transfers posted a deficit of Eur0.8 billion, the same level as in May. The cumulative current account deficit for the first half of 2001 fell to Eur11.2 billion from Eur20.7 for the first six months of 2000. The deficit drop was mainly due to an increase in the goods trade surplus as exports grew faster than imports, rising 13.3% and 10.4% respectively.
- Seasonally adjusted data for the current account provide further insights into trade movement and also give a clearer picture of recent monthly trends. According to these numbers, export and import volumes grew strongly in the second half of last year but stagnated in the first half of 2001.