

Guarantee Fund for external actions. Codification

2008/0117(CNS) - 07/08/2019 - Follow-up document

This Commission staff working document accompanies the report on the Guarantee Fund for external action and its management in 2018.

Article 8 of Council Regulation (EC, Euratom) No 480/2009 requires the Commission to send a report to the European Parliament, the Council and the Court of Auditors on the situation of the Fund and the management of the Fund at the end of the previous calendar year thereof for each financial year by 31 May of the following year.

That report together with this Commission staff working document provides this information. This staff document also includes the financial statements audited by an external auditor.

Development of the Fund in 2018

As at 31 December 2018 total assets (excluding accrued interest) of the Guarantee Fund amounted to EUR 2 596.7 million against EUR 2 546.6 million as at 31 December 2017, an increase of EUR 50.1 million.

Contributions paid in as at 31 December 2018

The net contributions paid into the Fund by the European Union budget increased by EUR 82.2 million or 5.8% from EUR 1 413.0 million at 31 December 2017 to EUR 1,495.2 million at 31 December 2018.

Contributions payable and receivable as at 31 December 2018

As at 31 December 2018 the Fund has recorded EUR 103.2 million (2017: EUR 137.8 million) as contributions to be paid in by the European Union.

The Fund's holdings at 31 December 2018 excluding accrued interest and contributions receivable totalled EUR 2 493.5 million as detailed below:

- EUR 14.0 million in the monetary portfolio (nominal value of interbank term deposits);
- EUR 27.6 million in the current accounts;
- EUR 2 451.9 million in the Available For Sale (AFS) (portfolio market value of fixed rate bonds, floating rate bonds, zero-coupon bonds and commercial papers, excluding accrued interest).

Market development in 2018

The year was characterised by volatile yield movements on European fixed income markets with rates moving higher in Q1 due to ECB QE taper expectations. Rates then moved to annual lows at the end of the year due to softening economic growth. Credit spreads edged higher during the year and the move accelerated in December on falling equity markets and expectation of tighter monetary policies.

Throughout the year, financial markets were affected by risk factors such as: the imposition of trade tariffs by president Trump slowed economic growth, and inflation remained below the central bank targets due to low commodity prices and globalisation factors and the uncertain outlook of Brexit negotiations weighed on UK financials and corporates.

