



EUROPEAN CENTRAL BANK

# Euro Area Accounts Households

**Gabriel Quirós**

Head of Euro Area and Economic Statistics Division

**Robert Gadsby**

Senior Economist-Statistician

The European Savings Institute - Observatoire de l'Épargne  
Européenne

Paris

16 March 2005

EUROPEAN CENTRAL BANK

# Euro Area Accounts - Households

## Contents

- Background to the project
- Main objectives of the project
- Main results
- Current data availability
- ECB uses of household sector data
- Comparison with the U.S.
- Future developments in euro area accounts

# Background to the project

- 2003-2004 – cooperation between the ECB and the OEE (euro area countries)
- Involved 9 euro area countries
- Full cooperation with Eurostat and OECD
- Questionnaires followed by meetings with national statistical experts
- Data source: published annual national financial and non-financial accounts from the ESA 95 Transmission Programme

# Main objectives of the project

- Assess the degree of harmonisation among country data for the household sector
- Identify areas of methodological difficulty and where further improvement is necessary
- Make internal comparisons within the euro area
- Learn more about different national household sector characteristics

# Main results

- Adoption of ESA 95 has significantly harmonised national accounting practices
- Nevertheless weak points are still identifiable
  - Sector delimitation in practice
  - Content of other accounts receivables/ payable: the treatment of the statistical discrepancies
  - Heterogeneity in sources and methods
- Improvements should be made to reconcile capital accounts with financial accounts

# Current data availability

## Euro area

### Table of euro area financing and investment (TFI)

- ECB publishes in a Press Release a set of euro area **quarterly** financial accounts data (available after 140 days)
- Also published in the ECB Monthly Bulletin Statistical Annex since May 2001 and in the ECB Statistics Pocket Book

# Current data availability

- **Covers non-financial sectors (non-financial corporations, government and households), and the insurance corporations and pension funds sector**
- **No split by sub-sector for assets. Split by sub-sector for liabilities**
- **Data are provided through an ECB Guideline on quarterly financial statistics by the national central banks of the Eurosystem**
- **Data also taken from euro area MFI statistics for deposits and loans**

# Current data availability

## Current table on financing and investment

### Financial instruments

- Currency and deposits
- Securities other than shares by maturity
- Loans by maturity taken by euro area MFIs and other financial corporations
- Quoted shares, mutual fund shares, money market fund shares
- Net equity of households in life insurance and pension fund reserves
- Prepayments of insurance premiums and reserves for outstanding claims

# Current data availability

## Country data

- Most published country data for financial and non-financial accounts are annual
- Legally bound by an (EC) Regulation (ESA 95 Transmission Programme)
- Some countries also publish quarterly data

# Current data availability

## Household sector

- Direct source of information is scarce and is normally a residual sector
- Therefore data is provided through other sectors:
  - monetary financial institutions (e.g. loans taken by households)
  - other financial institutions
  - government
  - Balance of Payments data
  - derived by residual

# ECB uses of household sector data

## Economic and financial analysis

- Cross-checking of consumption behaviour
- Which types of assets do households invest in ?
- How do they finance their investments ?
- Borrowing?
- Saving?
- Portfolio shifts?

# ECB uses of household sector data

**Comparisons between economic behaviour of euro area households with other major economies**

- **Savings ratios**
- **Debt to income ratios**
- **Portfolio compositions**

# Comparisons with the U.S.

## Data availability and comparability

- The Federal Reserve Board publishes quarterly Flow of Funds
- Began development in 1947, first published annual data in 1955, first published quarterly data in August 1959
- Significant Conceptual differences in U.S. data
  - Delimitation of the household sector – exclusion of proprietorships and some partnerships (those in Europe are part of households)
  - Net investment in consumer durables is included in saving and in gross capital formation

# Comparisons with the U.S.

## Data availability and comparability (contd.)

- Exclusion of individuals receiving rental income from the household sector
- Interest paid is included in disposable income
- Treatment of current transfers paid as expenditure

**Therefore some adjustments need to be made to  
U.S. data before making comparisons**

# Comparisons with the U.S.

## Households' saving and capital formation (2002)

as a percentage of disposable income

	Euro Area	US
Gross Saving	14.9	4.9
Other net capital account transactions (e.g. capital taxes paid – inheritance tax)	0.7	-0.5
Gross fixed capital formation (e.g. acquisitions less disposals of tangible fixed assets)	9.8	6.4
Net Lending (+)\ Net Borrowing (-)	5.9	-2.3

# Comparisons with the U.S.

## Households' financial investment developments

**(Share of total financial assets from 1995 to 2002)**

Equity holdings (including mutual fund shares)

Euro area - rose to 25%

US - remained stable - just above 40%

Net equity in life insurance and pension fund products

Euro area - rose to 25%

US - remained stable - just below 30%

Currency and deposits

Euro area – fell from 40% to 35%

US – remained at 13%

# Comparisons with the U.S.

## Household gross debt (loans) outstanding

As a percentage of households gross disposable income end 2003

Euro Area

81.1

US

113.4

# Comparisons with the U.S.

Need to harmonise the measurement of saving ratios

1. Household consumption of public services and its financing
2. Income taxes versus taxes on production and imports
3. Social security schemes versus private pension schemes

# Comparisons with the U.S.

Need to harmonise the measurement of saving ratios

## 1. Household consumption of public services and its financing

- Services on education and health provided by the government, if financed by income tax reduce expenditure and disposable income by the same amount....
- ...thus savings remain unchanged .... but savings ratios increase
- The current estimate of the correction is of -1.5% in the euro area and -0.2% in the US

# Comparisons with the U.S.

Need to harmonise the measurement of saving ratios

## 2. Income taxes versus taxes on production and imports

- Income taxes reduce disposable income while indirect taxes increase consumer prices and therefore the value of household consumption...
- ...thus saving amounts are always reduced .... but saving ratios will be reduced as the proportion of indirect taxes increase...
- the net correction affect outstanding ratios estimated in around +1.9% in the euro area and +0.1% in the US.

# Comparisons with the U.S.

Need to harmonise the measurement of saving ratios

## 3. Social security schemes versus private pension schemes

- Convention: contribution paid to private pension or life insurance schemes and the income earned by these schemes are both included in household saving, whereas any net payment to social security is not regarded as household saving.
- Therefore the higher the importance of private schemes the higher the household savings appear .... and higher the saving ratios.
- The estimated effect on saving ratios would be of around 1.0% in the euro area and 3.7% in the US.

# Future developments in euro area accounts

## Quarterly financial accounts

- Amendments to the current ECB Guideline starting in the first quarter of 2006 to cover full national quarterly financial accounts (110 days transmission lag)
- Combined with national data on financial accounts for the government and euro area statistics for MFIs, OFIs, b.o.p. and i.i.p. and securities issues

# Future developments in euro area accounts

## Quarterly financial accounts

- Fully integrated system of euro area accounts
- Coverage of seven sectors including euro area households
- Full financial instrument coverage
- Improve the publication timeliness from 140 days to 120 days from the end period
- More who-to-whom information

# Future developments in euro area accounts

## Future quarterly financial accounts

### Seven sector approach

- Non-Financial Corporations
- General Government
- Households
- Monetary Financial Institutions
- Other Financial Institutions
- Insurance Corporations and Pension Funds
- Rest of the World

# Future developments in euro area accounts

## Future table on financing and investment

### Financial instruments

- **Monetary gold and special drawing rights**
- Currency and deposits
- Securities other than shares by maturity
- **Derivatives**
- **Loans by maturity**
- Quoted shares, **unquoted shares**, **other equities**, mutual fund shares, money market fund shares
- Net equity of households in life insurance and pension fund reserves

# Future developments in euro area accounts

## Future table on financing and investment (contd.)

### Financial instruments

- Prepayments of insurance premiums and reserves for outstanding claims
- **Other accounts receivable\payable**

# Future developments in euro area accounts

## Quarterly non-financial accounts

- Development in cooperation with Eurostat
- Improve current timeliness
- Improve current coverage
- Closer integration with quarterly financial accounts

# Future developments in euro area accounts

- **Key set of information for monetary policy analysis and decisions**
- **Need to increase timeliness: to be done by making more extensive use of euro area statistics**



EUROPEAN CENTRAL BANK

