



OBSERVATOIRE DE L'ÉPARGNE EUROPÉENNE

Households National Accounts in nine countries of the Euro Area

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Our Goal: to figure out differences in national accounts data for households in nine countries of the euro area

- * Institutional factors
- * Fiscal factors
- * Behaviours
- * Statistical discrepancies

The Method:

- * Comparison of main aggregates derived from National Accounts – in ESA 95 standards – in % of Gross Disposable Income
- * Bilateral meetings with statisticians in each country



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I - Formation and use of Households' Gross Disposable Income

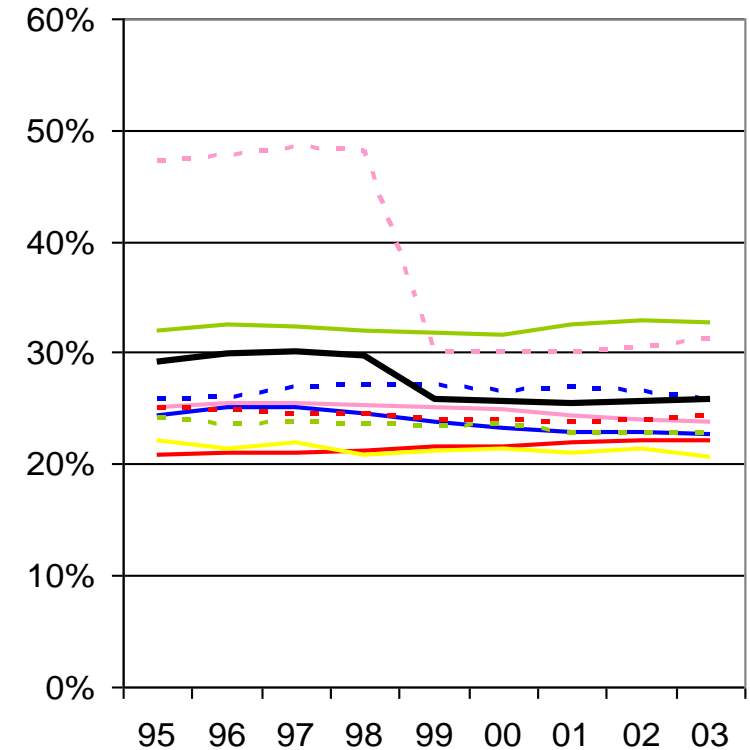
Households' accounts in 9 countries of the euro area (BE, DE, ES, FR, IT, NL, AT, PT, FI – 2003 in % of GDI)

Uses		Ressources	
PRODUCTION ACCOUNT			
P2 Intermediate consumption	16.5	P1 Output	50.8
		P11 Market output	37.0
		P12 Output for own final use	11.3
B1G Gross value added (at basic prices)	34.4	P13 Other non-market output	2.5
GENERATION OF INCOME ACCOUNT			
D1 Compensation of employees	7.8	B1G Gross value added (at basic prices)	34.4
D2 Taxes on production and imports	0.9		
B2+B3 Operating surplus and mixed income	25.8		
ALLOCATION OF PRIMARY INCOME ACCOUNT			
D41 Interest	4.5	B2+B3 Operating surplus and mixed income	25.8
D4-D41 Other property incomes	0.2	D1 Compensation of employees	75.3
		D41 Interest	4.2
		D42 Distributed income of corporations	9.8
		D44 Property income attributed to insurance policy holders	3.0
B5 Balance of primary incomes	113.7	D45 Rents	0.1
SECONDARY DISTRIBUTION OF INCOME ACCOUNT			
D5 Current taxes on income, wealth, etc.	14.5	B5 Balance of primary incomes	113.7
D61 Social contributions	28.7	D61 Social contributions	0.1
D62 Social benefits other than social transfers in kind	0.1	D62 Social benefits other than social transfers in kind	29.0
D71 Net non-life insurance premiums	2.7	D72 Non-life insurance claims	2.8
D75 Miscellaneous current transfers	2.1	D75 Miscellaneous current transfers	2.5
B6G Gross disposable income	100.0		
USE OF DISPOSABLE INCOME ACCOUNT			
P31 Individual consumption expenditure	85.7	B6G Gross disposable income	100.0
B8G Saving gross	15.3	D8 Adj. for the chge in net equity of households in PF reser.	1.1
ACCUMULATION ACCOUNT			
P5 Gross Capital Formation*	9.4	B8G Saving gross	15.3
Financial Transactions	12.1	D9 Net Capital Transfers	0.2
	0.0	Change in Liabilities	5.3
	0.0	Adjustment between financial and non financial accounts	0.8
TOTAL USES	21.5	TOTAL RESSOURCES	21.5

ES	IT	PT	FR	BE	NL	DE	AT	FI	9 Count.
32.7%	31.1%	25.9%	24.4%	23.9%	22.9%	22.7%	22.1%	20.6%	25.8%

Operating surplus and mixed income correspond to **entrepreneurial income**. They are stable over the period. A wide range of % of GDI due to :

- **Structural factors:** importance of big firms in Finland and weight of small independent businesses in Italy and Spain.
- **Legal and fiscal factors:** responsibility of the entrepreneur in case of insolvency, tax benefits.
- Different definitions of **quasi-corporations**.

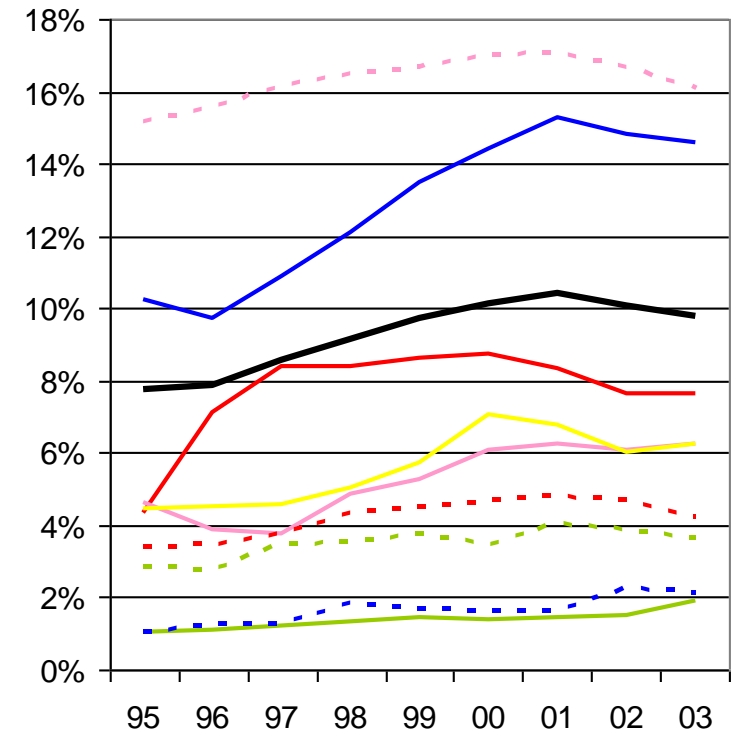


IT	DE	AT	FI	BE	FR	NL	PT	ES	9 Count.
16.1%	14.6%	7.6%	6.2%	6.2%	4.2%	3.6%	2.1%	1.9%	9.8%

Distributed Income of Corporations is made up of **Dividends** and **Withdrawals from the income of quasi-corporations**. Significant increase in the euro area between 1996 and 2001.

Very wide range of % of GDI explained by:

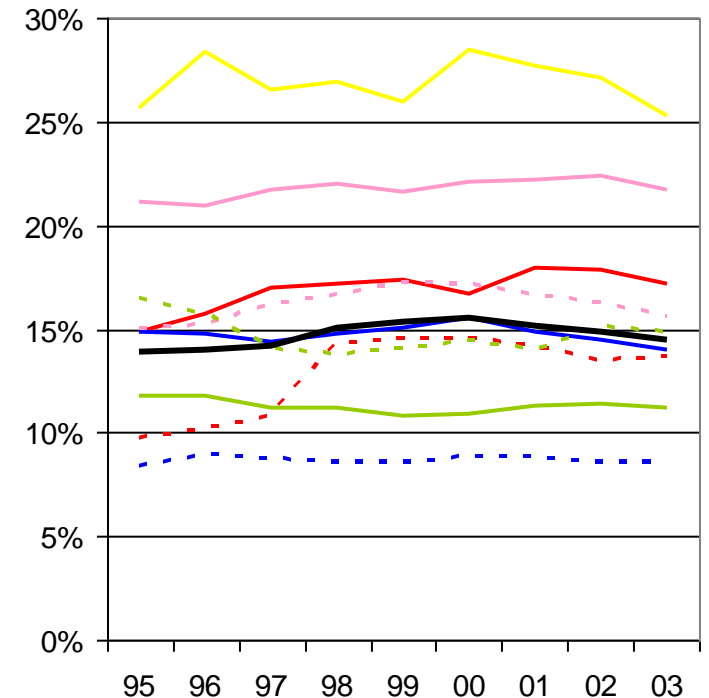
- **Structural factors:** Household's affinity for shares and weight of quasi-corporations.
- **Statistical methods:** D422 calculated as a residual in Germany and 'other distributed income of corporations' included in Italy.
- Different definitions of **quasi-corporations**.



FI	BE	AT	IT	NL	DE	FR	ES	PT	9 Count.
25.3%	21.7%	17.2%	15.6%	14.9%	14.0%	13.7%	11.2%	8.6%	14.5%

Except in France (because of the treatment of C.S.G.), Level of **Current Taxes on Income and Wealth** is stable over the period. 3 groups of countries can be distinguished with different economic models:

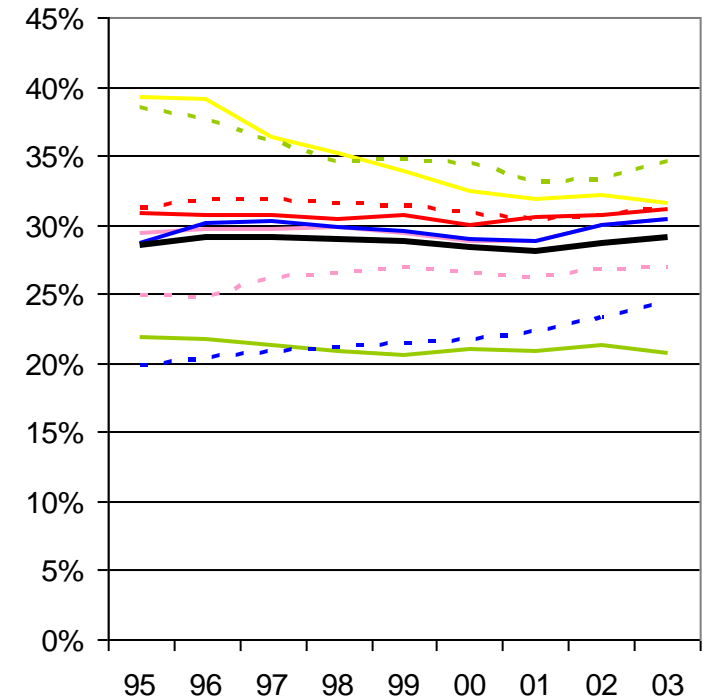
- **Spain and Portugal** with low tax burden
- **Majority** of euro area countries with tax representing about 15% of GDI
- **Belgium and Finland** with bigger tax burden



NL	FI	FR	AT	BE	DE	IT	PT	ES	9 Count.
34.6%	31.6%	31.2%	31.1%	30.4%	30.3%	26.9%	24.5%	20.7%	29.0%

In most of the euro area countries Social benefit amounts to around **30% of GDI** and this rate is quite stable since 1995, nevertheless :

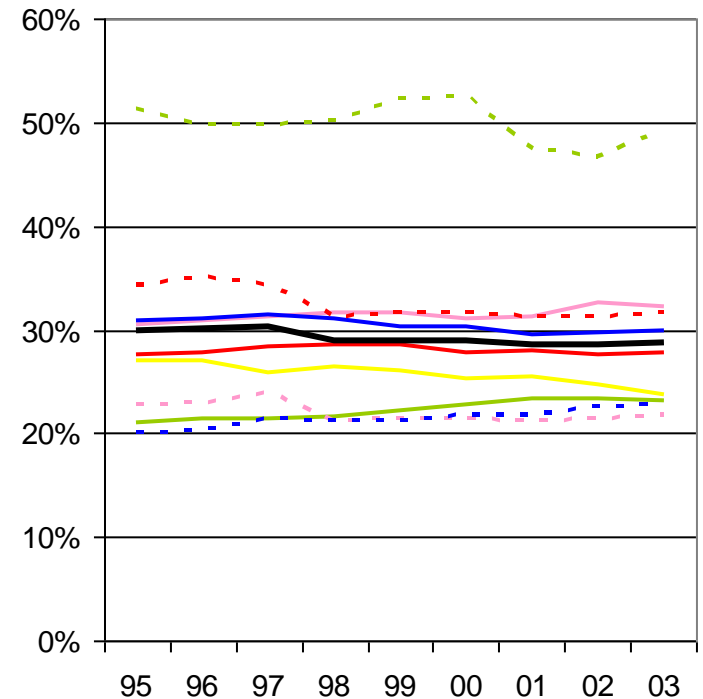
- Social benefits represent a lower part of GDI but tend to raise in **Portugal** and **Italy**.
- In **Netherlands** and **Finland**, where social benefits are higher, the gap with the euro area average tends to decrease.
- **Structural factors** still explain differences between countries such as the importance of **Dutch Pension Funds**.



NL	BE	FR	DE	AT	FI	ES	PT	IT	9 Count.
49.1%	32.2%	31.5%	29.9%	27.8%	23.7%	23.2%	22.7%	21.8%	28.7%

In most of the euro area countries Social Contributions, like social benefits, amounts to around **30% of GDI** and this rate is quite stable since 1995

- The excess of Dutch households contributions over the Euro Area average is bigger than for social benefits because their contributions to pension funds are significantly higher than their benefits.

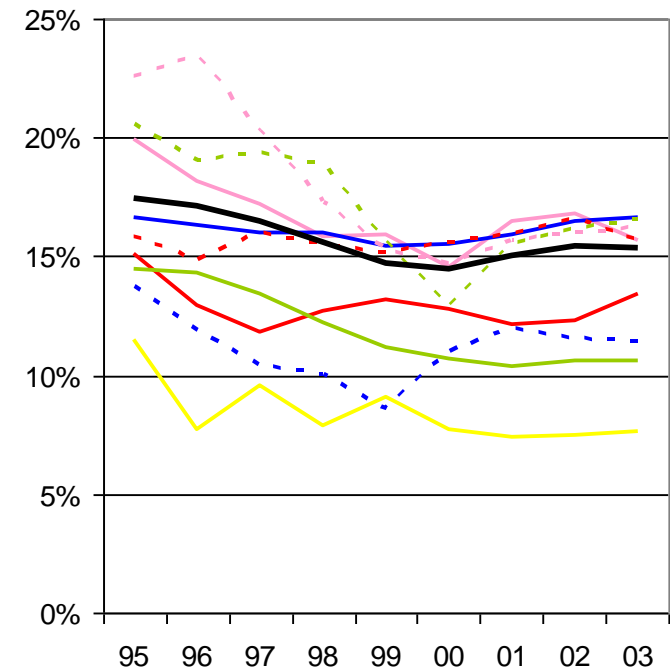


DE	NL	IT	FR	BE	AT	PT	ES	FI	9 Count.
16.6%	16.6%	16.2%	15.7%	15.7%	13.4%	11.4%	10.6%	7.7%	15.3%

Saving rates **decreased during the second half of nineties** but they are **converging** and **stabilizing** since 1999 in most countries. Three countries have lower saving rates: Spain, Portugal and Finland.

Several factors may influence saving rates:

- **Unemployment** and optimism about the future.
- Progression of **GDI**
- **Public Deficits**
- **Social Transfers in kind**

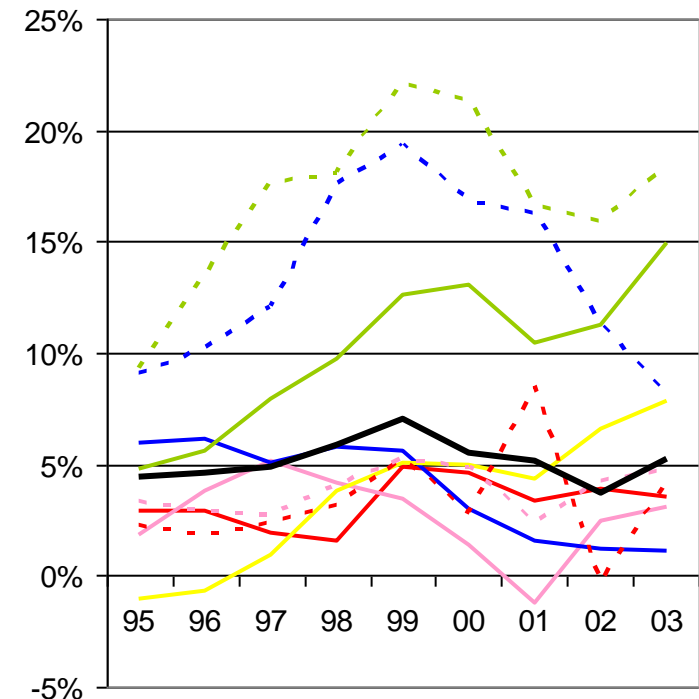


NL	ES	PT	FI	IT	FR	AT	BE	DE	9 Count.
18.4%	14.9%	8.1%	7.8%	4.8%	4.2%	3.5%	3.1%	1.1%	5.2%

Net changes in liabilities mainly consist of subscriptions less repayments of loans. They fluctuate a lot from one year to another and differ from one country to another. Household's subscription of new loans depends on:

- **Interest rates**
- **Dwelling prices** for housing loans
- Confidence and optimism about the **future**
- **GDI**
- **Tax incentives**
- **Outstanding levels of indebtedness**

Interpretation is limited by the fact that information about Gross Flows is not available.

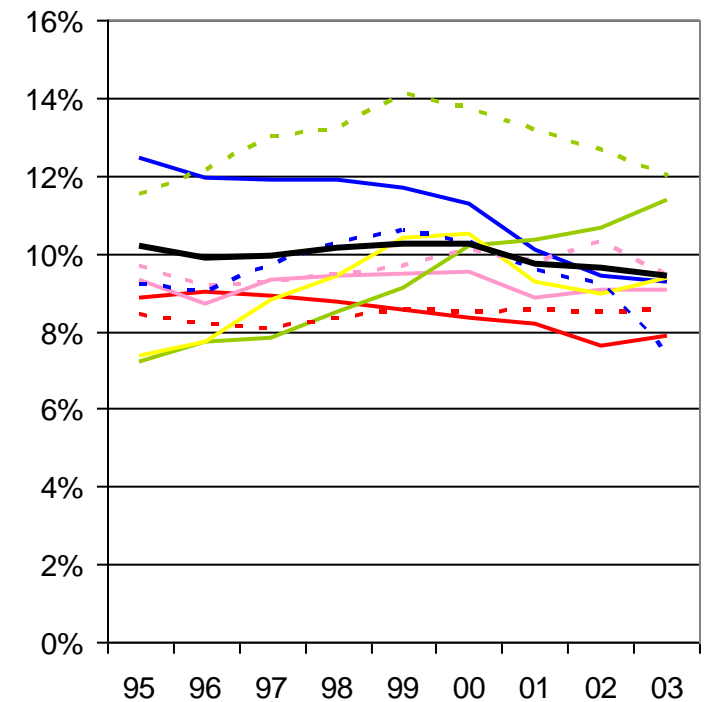


NL	ES	IT	FI	DE	BE	FR	AT	PT	9 Count.
12.0%	11.4%	9.4%	9.3%	9.3%	9.0%	8.5%	7.8%	7.4%	9.4%

Gross Capital Formation is mainly made up of expenses for **purchasing or renovation of housing**, but it also includes professional investments of individual entrepreneurs.

GCF represents **10% of GDI** in the euro area average and this level doesn't differ much from one country to another.

As for indebtedness, Gross Capital Formation depends on: Dwelling prices, Interest rates, Tax incentives...



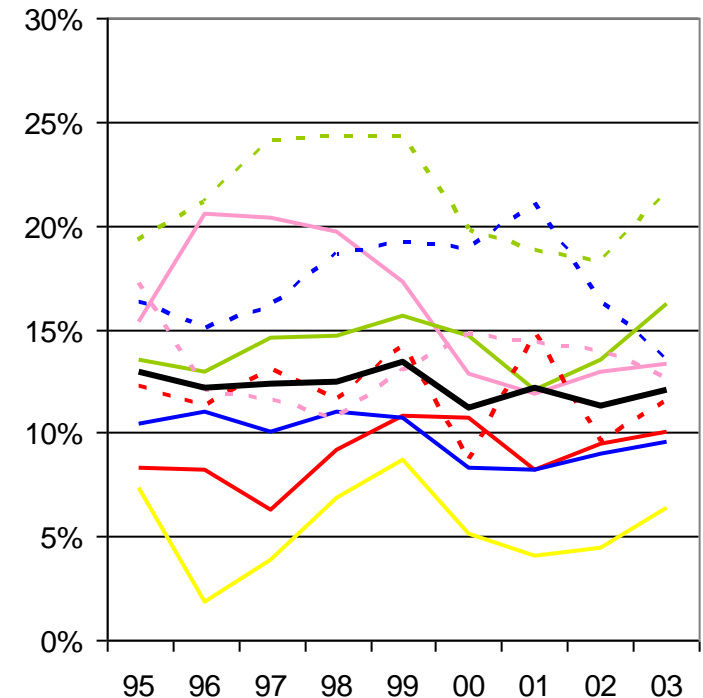
* Including Acquisitions less disposals of non-financial non-produced assets

AT	BE	DE	ES	FI	FR	IT	NL	PT	9 Count.
10.0%	13.3%	9.5%	16.2%	6.3%	11.6%	12.6%	21.6%	13.5%	12.1%

Financial Investment is **more volatile** than non-financial one and represents a bigger part of households' GDI in most countries.

A very wide range of % of GDI :
from 6% to 22%.

Pension funds contributions can bring high levels of financial investment, in Netherlands for example.





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II - Households' financial wealth

Hereafter are the **main categories** of financial assets detailed in financial accounts.

Breakdown available differ from one country to another. For example, the ESA 95 transaction F511 Quoted Shares is not available in many countries.

Quarterly financial accounts are now available in many countries

	DE	FR	IT	ES	NL	BE	AT	PT*	FI*	9 Count.
F2 Currency and deposits	35.7%	30.1%	27.1%	40.5%	24.1%	32.5%	55.2%	43.9%	33.5%	32.5%
F3 Securities other than shares	11.3%	1.7%	22.0%	2.9%	4.1%	19.7%	7.7%	9.3%	1.2%	10.2%
F51 Shares and other equity, excluding mutual funds shares	10.0%	25.3%	22.0%	25.4%	11.0%	13.1%	3.5%	20.0%	34.3%	28.3%
F52 Mutual funds shares	11.8%	9.2%	12.3%	12.3%		15.7%	9.6%	8.0%	5.0%	
F6 Insurance technical reserves	29.6%	29.8%	16.0%	15.3%	56.9%	19.2%	20.4%	16.5%	21.4%	26.7%
F7 Other accounts receivable/payable	1.5%	3.9%	0.7%	3.7%	2.2%	-0.3%	3.6%	2.3%	4.3%	2.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total financial assets (bn EUR)	3 919	3 068	2 912	1 249	1 163	674	309	258	143	13 695

* 2002 data

AT	PT	ES	DE	FI	BE	FR	IT	NL	9 Count.
55.2%	43.9%	40.5%	35.7%	33.5%	32.5%	30.1%	27.1%	24.1%	32.5%

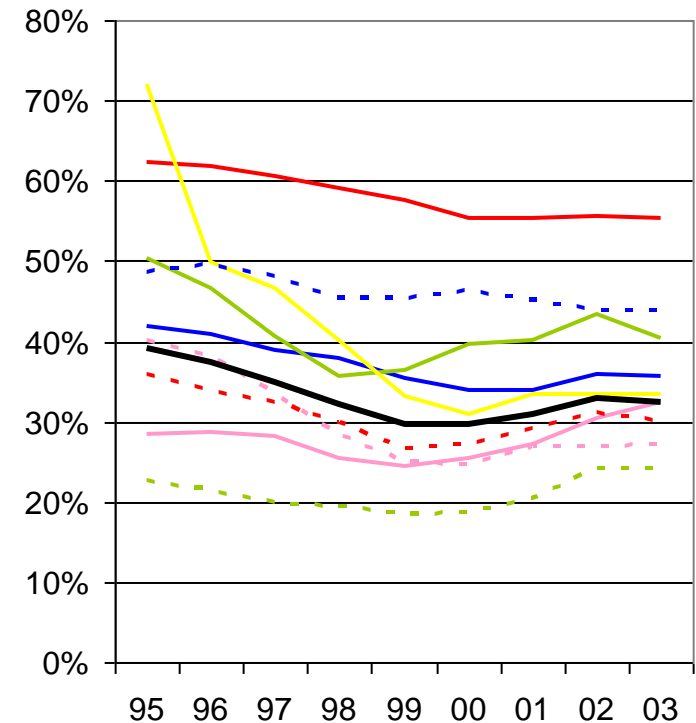
Share of **Currency and Deposits** in Households' financial wealth **differ** from one country to another and **decreased** over the period.

- **Until 2000**, Weight of Currency and Deposits in households' investments decreased:

- * households' preference for **risky assets**,
- * equity **capital gains**.

- **Since 2000**:

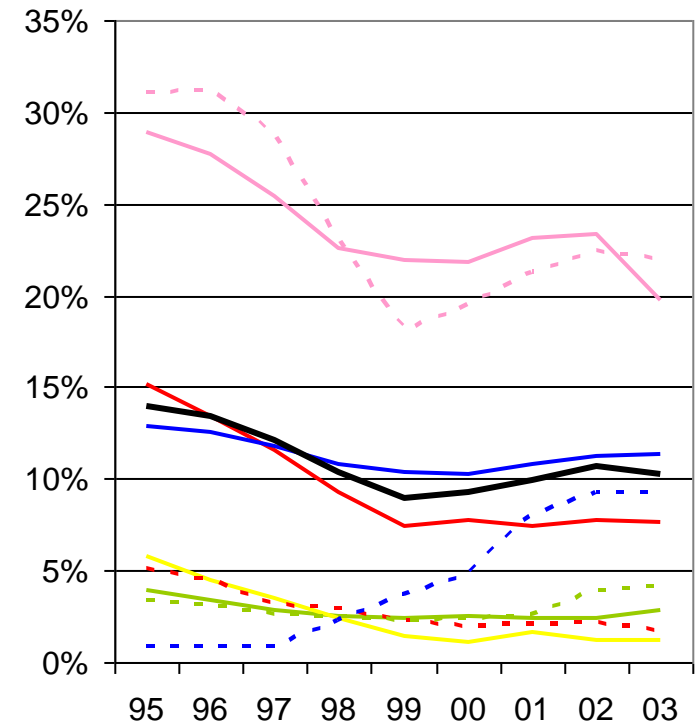
- * deposits were not affected by **capital losses** unlike other assets,
- * **risk aversion** still high



IT	BE	DE	PT	AT	NL	ES	FR	FI	9 Count.
22.0%	19.7%	11.3%	9.3%	7.7%	4.1%	2.9%	1.7%	1.2%	10.2%

The great majority of Securities other than shares are **bonds**. Bonds direct holding generally decreased over the period. Three groups of countries can be identified.

- Households also hold interest rate instruments **indirectly** through UCITS, life insurance contracts and Pension Funds.
- In some countries (Belgium, Italy), households traditionally hold more bonds directly than other Europeans

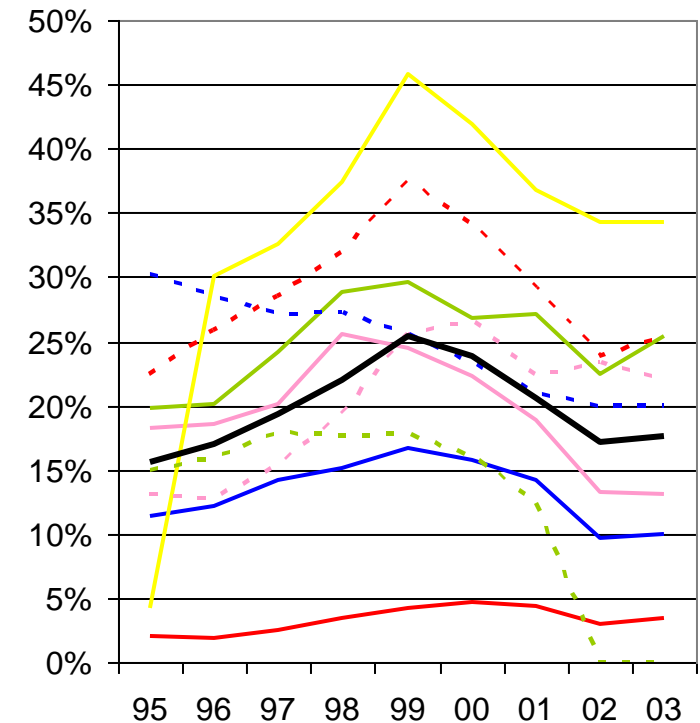


FI	ES	FR	IT	PT	BE	NL	DE	AT	9 Count.
34.3%	25.4%	25.3%	22.0%	20.0%	13.1%	-	10.0%	3.5%	17.7%

In almost all the countries equities investments has followed the **same trend**: a sharp increase from 1995 to 1999, a drop in 2000, 2001 and 2002 and a recovery in 2003. In the euro area average, the weight of shares in household's portfolio was slightly higher in 2003 than in 1995.

- It is obviously linked with **capital gains** until 1999 **and losses** in 2000, 2001 and 2002 (valuation of non listed shares is connected with listed shares' one)

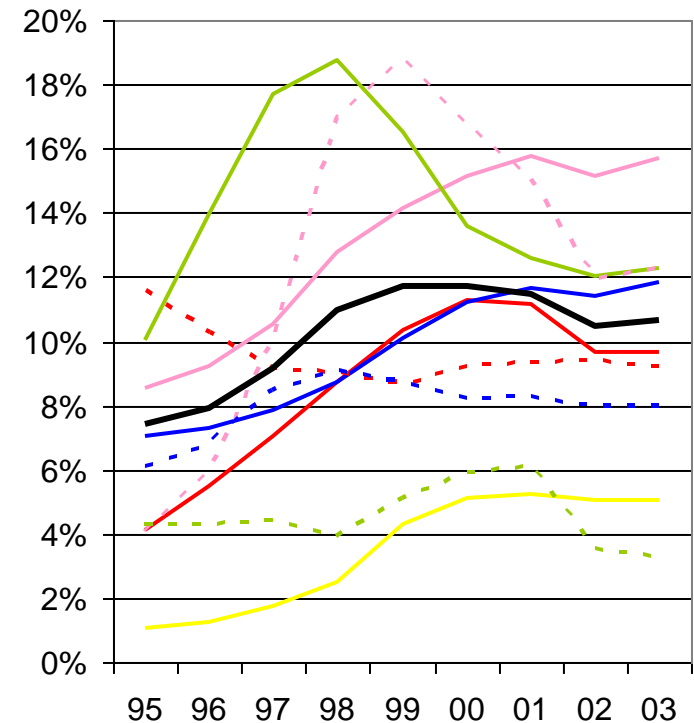
- **Net flows** of direct investment in shares are somewhat low. In France, for instance, households have been net sellers of listed shares every year.



BE	ES	IT	DE	AT	FR	PT	FI	NL	9 Count.
15.7%	12.3%	12.3%	11.8%	9.6%	9.2%	8.0%	5.0%	3.3%	10.6%

In average, the weight of Mutual Funds Shares **increased by 3 points** from 1995 to 2003 but evolution profiles are quite different from one country to another. In 2003 holding of Mutual Funds Shares spreaded out from 3.3% in Netherlands to 15.7% of total financial assets in Belgium.

- Sharp increase and drop in Spain and Italy
- In some countries, the relative weight of **monetary funds** is high
- **Real Estate Funds** are included in Mutual Funds Shares in some countries (Netherlands, Germany) and are not in some others (France).

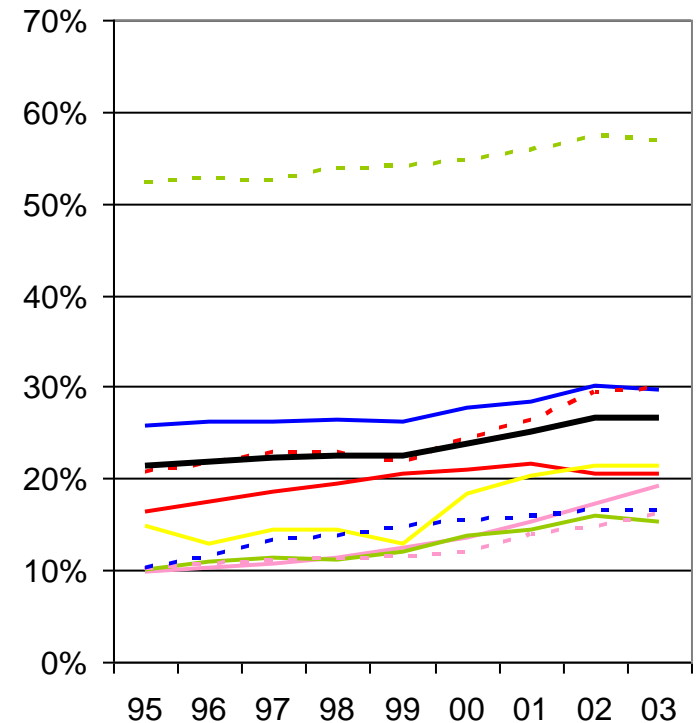


NL	FR	DE	FI	AT	BE	PT	IT	ES	9 Count.
56.9%	29.8%	29.6%	21.4%	20.4%	19.2%	16.5%	16.0%	15.3%	26.7%

In all countries, the relative weight of insurance technical reserves **increased** over the period.

Three components:

- **Life insurance reserves:** High when pension funds are small (France). Most contracts are not unit-linked contracts.
- **Pension Fund's reserves:** The major component in the Netherlands. Most pension funds are still defined benefits.
- **Prepayment of Insurance premiums:** marginal





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