



OBSERVATOIRE DE L'ÉPARGNE EUROPÉENNE

Households National Accounts in nine countries of the Euro Area

Methodological issues

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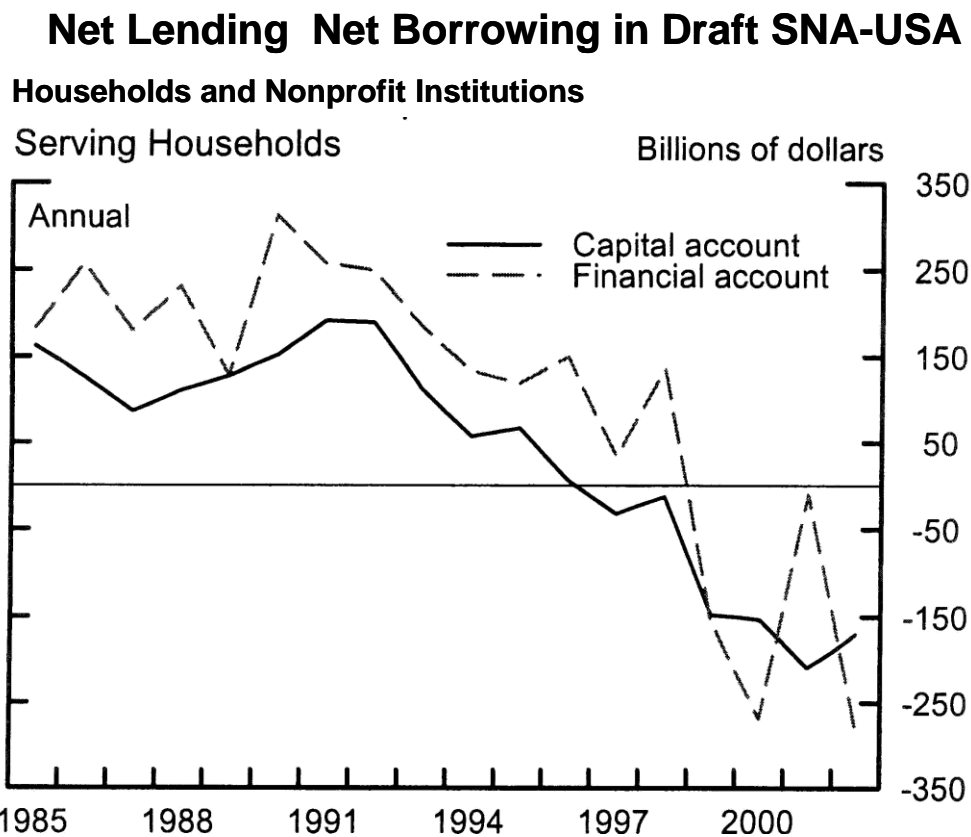
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- Two major steps forwards : ESA 1995 and the single currency.
 - ▶ The new European System of National Accounts is a major improvement on the previous version (1979)
 - ▶ It provides a common language and the basis for rapid harmonization of national accounting practices
 - ▶ A single monetary unit is an important step forward as far as international comparisons are concerned

- In a majority of the nine countries covered by the study, weak points were still identified in households national accounts.
 - ▶ The reconciliation of capital and financial accounts
 - ▶ The elaboration of non-financial wealth accounts
 - ▶ The great difficulties for valuing (and revaluing) household portfolio of non-listed shares
 - ▶ The general lack of distinction between the “revaluation” and the “other changes in volume” accounts

- The reconciliation between capital account balance and financial account balance : an universal source of concern.
 - ▶ The reconciliation of capital and financial accounts



■ The puzzle concerning the United States.

- ▶ Between 1985 and 2003, in a large majority of years the household financial account balance is much greater than the balance of their capital account
- ▶ This is much less true concerning the Federal Government accounts, the Financial Business accounts and the Rest of the World accounts
- ▶ This is also less true if sectors are aggregated, for instance households and non- financial companies

- The discrepancy between capital accounts and financial accounts of households may have various causes.
 - ▶ The main cause is probably the heterogeneity of statistical sources (fiscal data for the capital account and direct information from financial companies for the financial account)
 - ▶ Another possible reason is the existence of an underground economy (no fiscal trace, but financial flows in some financial companies)
 - ▶ In the balance of payments, too important an amount appears under the heading “errors and omissions”
 - ▶ It is necessary not to hide these statistical discrepancies (for instance, under the heading “other changes in volume”), but to make efforts to reduce them : in European countries as well as in the United States, a number of programs are aimed at reducing such discrepancies

- The lack of non financial wealth accounts is a major drawback.
 - ▶ What about the growth of household wealth?
 - ▶ What about the composition of wealth between financial and non financial assets ?
 - ▶ What about the “golden rule” under which the wealth-to-income ratio is stable since stocks and flows at the same pace move ?
 - ▶ How to compute the consumption of fixed capital if this fixed capital is not known ? (in the case of households, mainly residential wealth)
 - ▶ Happily, here again, programs that aim at filling this gap are at work in a number of European countries and are supposed to produce reliable results in a not too distant future

■ Valuing and revaluing non quoted shares .

- ▶ In a majority of European countries, non-listed companies play a very important role as far as growth and employment are concerned
- ▶ For the time being, it is most often impossible to compare the “non-listed shares” owned by households between two countries because of heterogeneity of valuation method
- ▶ Suppose two identical companies, one is listed, the other one is not. Is the market value of the listed company the right valuation for the non-listed one ?
- ▶ Is the evolution of stock market indices a good reference to revalue the non-listed shares ?
- ▶ On this subject a report has been elaborated by the FAWG in 2003 : very soon, in the basis 2000, the new valuation procedure will be taken into account

- To conclude : some other issues which are also of great interest.
 - ▶ A more detailed nomenclature of financial assets allowing to analyse the kind of risk borne by the saver (for instance, in DB and DC pension funds, or in Unit linked and non Unit linked life insurance contracts) : OECD has decided to require supplementary tables in this field
 - ▶ The systematic breakdown of households financial liabilities according to the destination of the credit (consumption credit, housing credit and professional credit) : as surprising as it may be, this distinction is still not available everywhere
 - ▶ The availability of gross flows of credit, that is to say amounts of new credit subscribed during the year and concurrently amounts of repayments during the same years : clearly, gross flows of credit are much more pertinent to analyse the impact of monetary policy



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