



# **The European Savings Institute**

**Didier DAVYDOFF**

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**OBSERVATOIRE DE L'ÉPARGNE EUROPÉENNE**

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- I Presentation of the OEE**
  - II European Savings versus Savings in Europe**
  - II Focus: Savings and Pensions in Europe**

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OBSERVATOIRE DE L'ÉPARGNE EUROPÉENNE

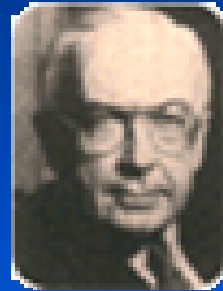
# I - Presentation of the OEE

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- 1. OEE History in Short**
  - 2. Membership**
  - 3. Organisational Chart**
  - 4. The Board**
  - 5. The Advisory Committee**
  - 6. Research Network**

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# 1. OEE History in Short

- **Founded in 1999 as a non-profit association on an initiative of the French Asset Management Association (AFG-ASSFI), the OEE regroups major financial players and is presided by Jacques de Larosière**
- **Promoting improvement and harmonisation of European financial data, the OEE identifies areas needing the most improvement. Subsequently, it investigates and collects data**
- **The OEE was thus designed as a hyphen between producers and end-users of financial statistics**



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## 2. Membership

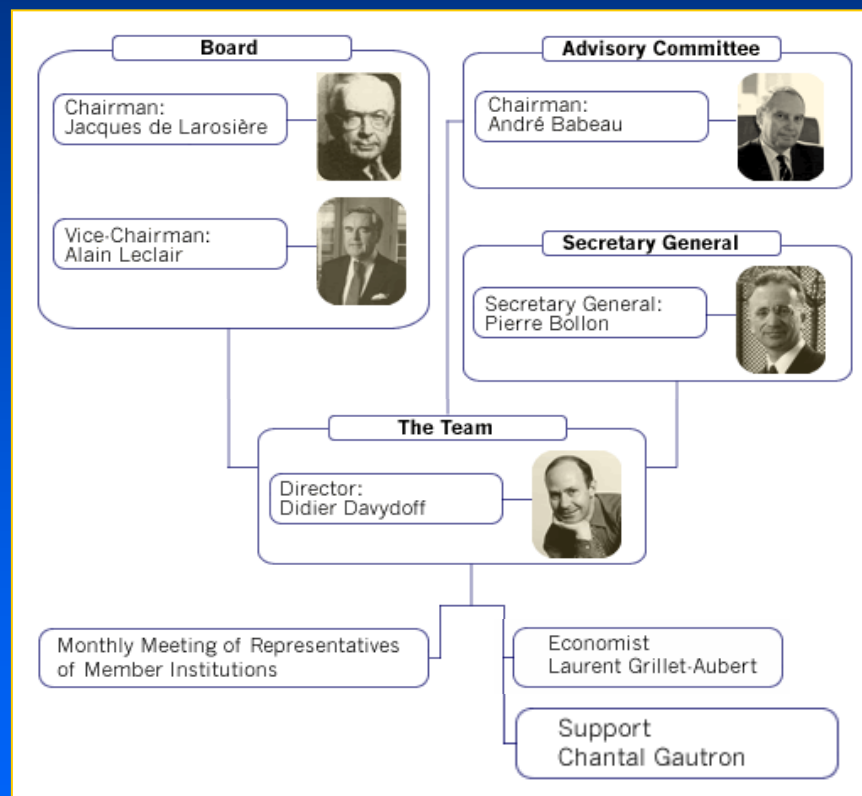
### Founding members

- AFG (French Asset Management Assoc.)
- Bank of France
- CDC Ixis
- CNCE (French Savings Banks)
- CCIP (Paris Chamber of Commerce)
- Commissariat Général du Plan
- Euronext
- FFSA (French Insurers Federation)
- La Poste
- Pioneer Global Asset Management
- PriceWaterhouseCoopers

### Other Members

- BNP Paribas
- European Savings Banks Group
- Finama Asset Management
- Standard and Poor's

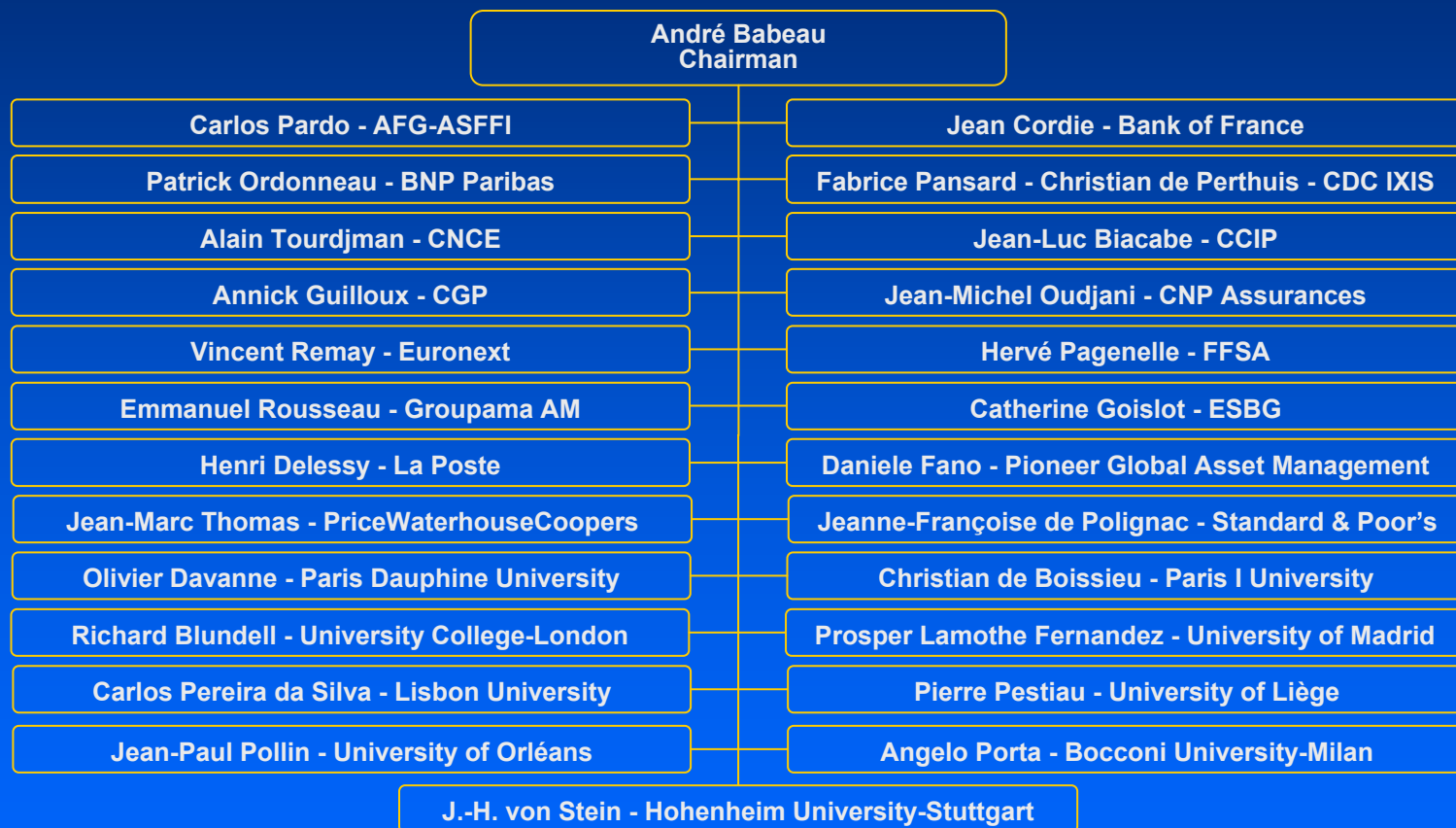
# 3. Organisational Chart



# 4. The Board



# 5. The Advisory Committee





# 6. Research Network

- Caen University - Sylvie Cieply
- CEPII - Florence Legros
- Complutense Univ. of Madrid-N. Badenes Plá
- Ecole Normale Sup. - DELTA, André Masson
- Fixage - Richard Deville
- Free University of Amsterdam - Rob Alessie
- Institut de l'Epargne Immobilière et Foncière (IEIF) - Guy Marty
- Institute for Fiscal Studies - James Banks
- University of Evry - Thierry Laurent
- Univ. of Lisbon - Miguel Rebordão Gouveia

- Univ. of Madrid-P. Lamothe Fernandez
- Univ. of Mannheim - Axel Börsch-Supan
- University of Orléans - Jean-Paul Pollin
- Univ. of Paris X - MODEM, Michel Boutillier
- Univ. of Paris X - M. Mouillart, C. Taffin
- University of Salerno - Tullio Jappelli
- University of Sassari - Luigi Guiso
- University of Tilburg - Arthur van Soest
- Univ. R. Schuman, Strasbourg-M. Dietsch

# **II – European Savings vs Savings in Europe**

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- 1. ECB statistics**
  - 2. Eurostat statistics**
  - 3. Demand: global trends are identified ...**
  - 4. ... but they hide significant discrepancies ...**
  - 5. ... and detailed statistics are often simply lacking**
  - 6. Supply side: a segmented market**
  - 7. Background: Differing institutions & structures**
  - 8. Role of the OEE**
  - 9. The OEE's Channels**
  - 10. The OEE's Reports**
  - 11. Links with international organisations**
  - 12. Project schedule**

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# 1. European Savings Aggregates: ECB statistics

- Aggregated balance sheet of the Eurosystem
- Investment and Financing Tables

### Saving , investment and financing in the euro area – Households<sup>1)</sup>

(bn EUR unless otherwise mentioned)

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth <sup>2)</sup>		Net incurrence of liabilities		Memo:	
	Total	Gross fixed cap. form.	Cons. of fixed capital (-) <sup>3)</sup>	Total	Currency & deposits	Sec. other than shares <sup>3)</sup>	Shares & other eq.	Insurance tech. reserv.	Total	Gross saving	Total	Loans	Disposable income	Gross saving ratio <sup>4)</sup>
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	164.2	361.8	-199	433.9	146.2	24.8	94.4	190.9	436.8	620.5	161.3	160.1	3,763.5	16.5
1997	160.1	353.6	-194.7	423.3	70.4	-18.3	195	217.4	414.9	590.3	168.5	167.1	3,791.0	15.6
1998	169.3	364.2	-199	439.8	96.3	-118.5	292.7	210.7	397.7	566.5	211.5	210.2	3,897.4	14.5
1999	180.3	391.1	-213.5	476.3	119.2	-22.8	193.4	247.6	383.2	553.9	273.4	271.9	4,060.4	13.6
2000	186.7	411.8	-221.1	421.4	65.6	37.4	117.8	247	385.9	567.7	222.2	220.5	4,248.6	13.4
<i>Euro area enlargement</i>														
2001	182.3	424.7	-240.8	409.4	172.3	52.4	60.3	223.5	417.9	625.3	173.7	171.8	4,547.0	13.8
2002	138.9	436.3	-290.6	556.5	229.2	64.4	-4.5	215.5	480.4	740.1	215	212.8	4,777.7	15.5

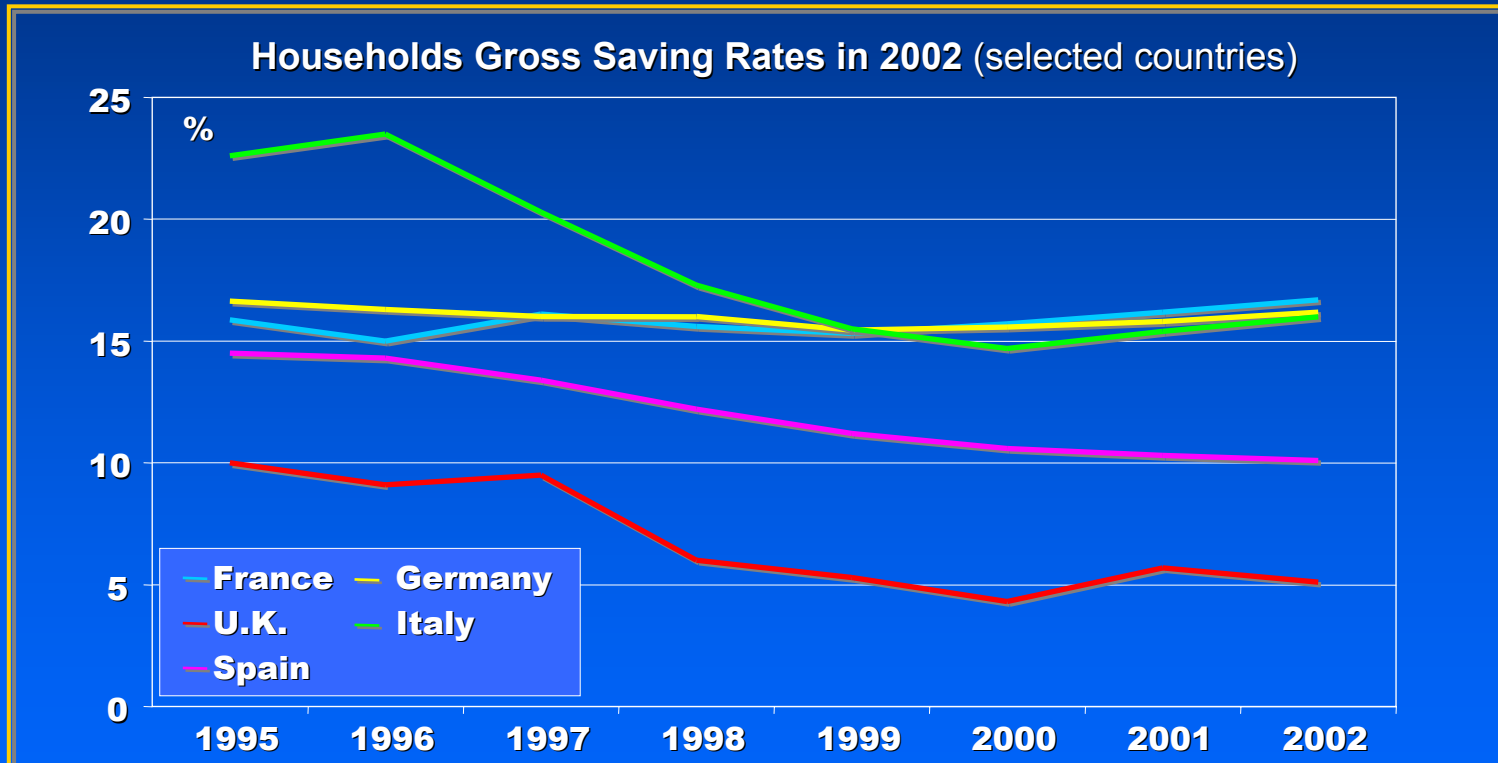
Source: ECB. 1) Including non-profit institutions serving households. 2) Arising from saving and net capital transfers receivable, after allowance for consumption of fixed capital (-). 3) Excl. financial derivatives. 4) Gross saving as a % of GDI.

## 2. European Savings Aggregates: Eurostat statistics

1. National accounts enable to calculate both gross and net saving rates for all European countries
2. Eurostat ESA 95 Financial Accounts (since 2001): a number of improvements remain to be made:
  - Holdings of shares (accounting of non listed shares)
  - Pension fund items and life-insurance are a single category
  - Financial accounts are available with a significant time lag
3. Eurostat gathers Structural Business Statistics on the financial "industries" (banks, insurance, pension funds)

EUROPEAN SAVINGS  
VS SAVINGS IN EUROPE

### 3. Demand for European Savings: Global trends are identified ...



## 4. Demand for European Savings: Global trends are identified ...

- On the long-run, traditional investment with banks falls
- Life insurance investment grows
- Shareholdings and assets managed by mutual funds' rise

Euro area: Households' financial investment flows (as % of total\*)

	1999	2000	2001
Deposits	20.4	10.1	31.0
Fixed-income securities	-4.5	12.8	12.3
Shares	6.5	7.4	-0.7
UCITS	29.3	20.2	14.2
Insurance & pension funds	41.3	48.7	43.8
Others	7.0	0.8	-0.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\* Luxembourg, Ireland and Greece excluded

## 5. ... but they hide significant discrepancies...

National characteristics still play a major role in Europeans' saving behaviour.  
An example: Assets managed through mutual funds

bn EUR, 30/06/03	Net Assets	Share (%)
France	869.4	25.1
Luxembourg	798.8	23.1
Italy	378.3	10.9
United Kingdom	289.5	8.4
Ireland	260.2	7.5
Germany	209.8	6.1
Spain	185.6	5.4
Netherlands	80.3	2.3
Belgium	73.3	2.1
Switzerland	72.7	2.1
Austria	68.0	2.0
Sweden	61.0	1.8
Denmark	34.9	1.0
Greece	29.2	0.8
Finland	19.9	0.6
Portugal	19.8	0.6
Norway	14.7	0.4
Total	3 465.3	100.0

Source: FEFSI

EUROPEAN SAVINGS  
VS SAVINGS IN EUROPE

## 6. ... and detailed statistics are often simply lacking

### An example: unit-linked life-insurance statistics

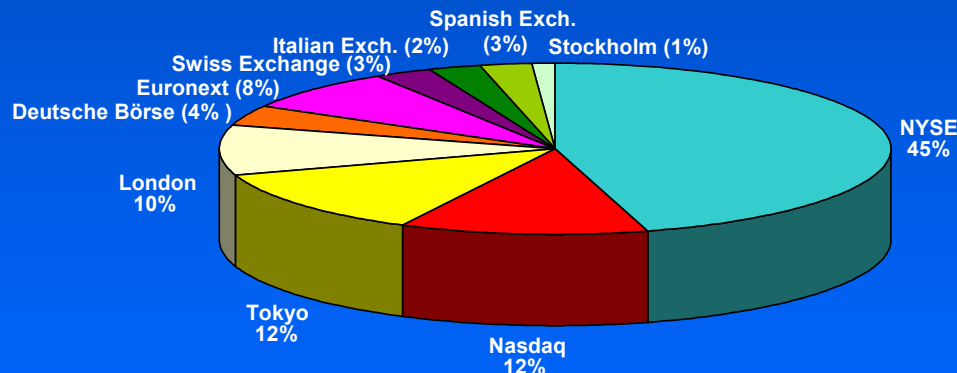
- Are essentially different from monetary contracts as the risk is borne by the bearer, not the insurer
- Life-insurance data generally merge monetary and unit-linked statistics
- In 2002, the OEE launched a survey of European insurance supervisory bodies and created a first European account separating traditional from unit-linked accounts



## 7. Supply side - A segmented European market

- Due to discrepancies between European regulations, cross-border integration remains exceptional and market segmentation high:
  - Professional associations (banks, fund managers, etc.) are often country-based
  - Banking: cross-border development remains rare
  - European stock exchanges' integration is on way

Share in market capitalisation  
(end of Sep. 2003)



EUROPEAN SAVINGS  
VS SAVINGS IN EUROPE

## 8. Background: differing institutional and structural characteristics

### Main factors of discrepancy:

- Tax measures and regulations help explain differences in national patterns and account well for short-term divergence
- Pension schemes (capitalisation for the second pillar) and more generally saving schemes (such as company saving schemes) are at different stages of their development

## 9. Role of the OEE

- Monitoring issues related to savings –and more generally financial data
- Identifying subjects of interest and priority issues

Against this background, the OEE:

- Investigates (report to the European Commission, OECD etc.)
- Subcontracts research to specialised teams
- Communicates and lobbies

# 10. The OEE's Channels

## 1. The website: <http://www.oeefr>

A – Comprehensive and bilingual

B – Offers password protected access to:

- OEE's reports are downloadable in pdf format
- Financial databases (Eurostat's New Cronos and a selection of OEE collected statistics)



## 2. The Bulletin: The OEE's Letter

A - Bilingual and quarterly

B - Summarises the OEE's main findings but is open to external contributors



## 3. Seminars and Conferences: Examples

- 23 Nov. 99 – European working parties harmonising financial statistics-R. Isnard
- 07 Apr. 00 – Eurostat's Structural Business Statistics - A. Götzfried, Eurostat
- 11 Nov. 02 – Conference on "Stockholding in Europe", Bocconi University
- 28 Nov. 02 – "1st Cross Border European Savings Product Forum", Luxembourg
- 26-27 Feb 02 – Households Wealth in Europe, Japan and the USA

## 4. Press Communiques

# 11. The OEE's Reports

1. European Households Financing Tables - Oct. 2000
2. Real Estate Investment Funds in Europe - Oct. 2000
3. The Final Destination of European Households' Savings - Jan. 2001
4. Sectorial Funds: Development & Performances - Jun. 2001
5. Savings Products Taxation: International Comparison - Jun. 2001
6. Savings & Investment in Europe 1995-2000 (*for the European Commission*) - Jan. 2002
7. Stockholding in Europe - Mar. 2002
8. Company saving schemes in Europe - Sep. 2002
9. OEE survey of life-insurance: unit-linked & monetary contracts - Oct. 2002
10. Households Wealth in Europe, Japan & the US (with OECD & Pioneer) - Feb 2003
11. Accounting for occupational pension funds in Europe - Apr. 2003

The April 2002 issue of *Revue d'Economie Financière* (also available in English) on European Savings was fully contributed by the OEE. It summarised a number of OEE findings.

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## 12. Links with International Institutions

The OEE cooperates with the OECD on several issues, such as:

- International comparisons of households wealth statistics
- Pension data collection

The OEE is supported by the European Commission: The OEE delivered in January 2002 a report on “European savings developments“.

Partnership with the ECB on households accounts analysis

Didier Davydoff, Director of the OEE is a member of the European Parliament's panel of financial experts

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# 13. Project Schedule

**Current OEE research projects include:**

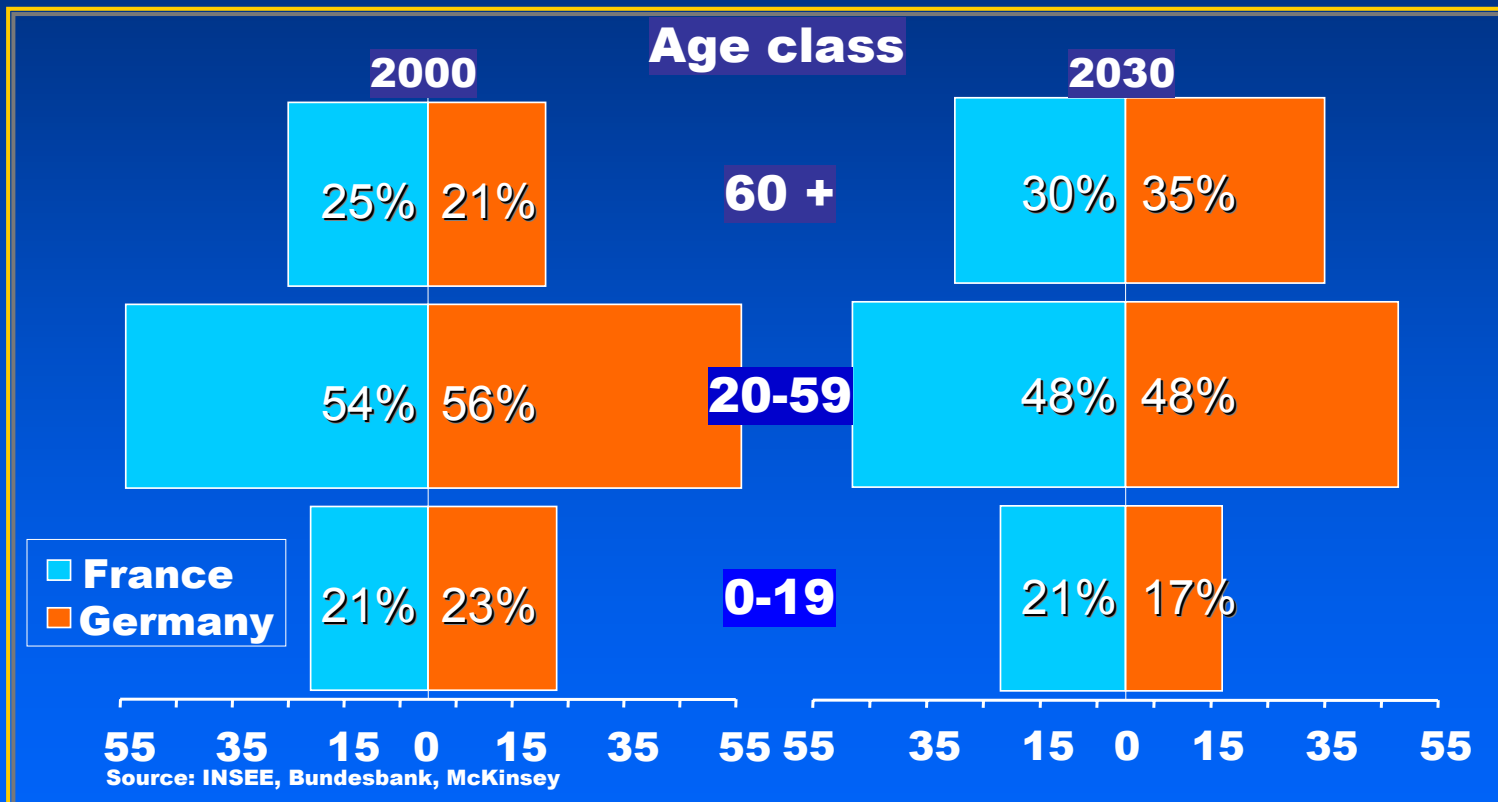
- **Valuation methods of pension funds in Europe**
- **Professional wealth : from real to financial assets**
- **Housing liabilities account of European households**
- **Financial assets performance and households' risk aversion measures**

# **III - Savings and Pensions**

- 1. Rising need for individual pension funding**
- 2. Life-Cycle Hypothesis**
- 3. Impact on saving rates (1)**
- 4. Impact on saving rates (2)**
- 5. Financial Saving**
- 6. Long-Term Saving**
- 7. Households' Indebtedness**
- 8. Conclusion**



# 1. Rising need for individual pension funding



## 2. Life-Cycle Hypothesis

Observation leads to results often contradictory with the life cycle theory:

→ In France, most generations since the early XX<sup>th</sup> century show rising wealth even beyond the age of 60

Two major types of explanation:

- Altruism: parents wish their children to inherit wealth
- Social protection covers some of the needs of retired people, leaving space for other saving motives

### 3. Impact on saving rates (1)

- Pension fund contributions are accounted for as financial rights, thus increasing saving rates (at least as long as the demographic structure does not lead a period's pension payments to exceed contributions )
- Conversely, in countries where pension reserves have already been built up, savers may act less cautiously (according to a European Commission survey, over a half of Europeans expect difficulties for the payment of their PAYG pensions)

## 4. Impact on saving rates (2)

At this stage, no discriminatory impact of pension funding on European savings rates cannot be perceived.

**Gross Saving Ratio**  
(% of Gross Disposable Income)

	2001	2002
Germany	15.8	16.2
France	16.2	16.7
United Kingdom	5.7	5.1
Netherlands	15.1	14.6
Belgium	15.0	-
Italy	15.4	16.0
Spain	10.3	10.1
Finland	7.4	7.4
Portugal	10.6	11.9
Austria	12.1	-
Denmark	7.2	-

## 5. Financial Saving

**Annual Financing Capacity**  
(average from 1995 to 2001 per inhabitant, in euros)

<b>United Kingdom</b>	211
<b>France</b>	1 008
<b>Germany</b>	869
<b>Spain</b>	372
<b>Belgium</b>	1 057
<b>Finland</b>	-74
<b>Italy</b>	1 140
<b>Netherlands</b>	404

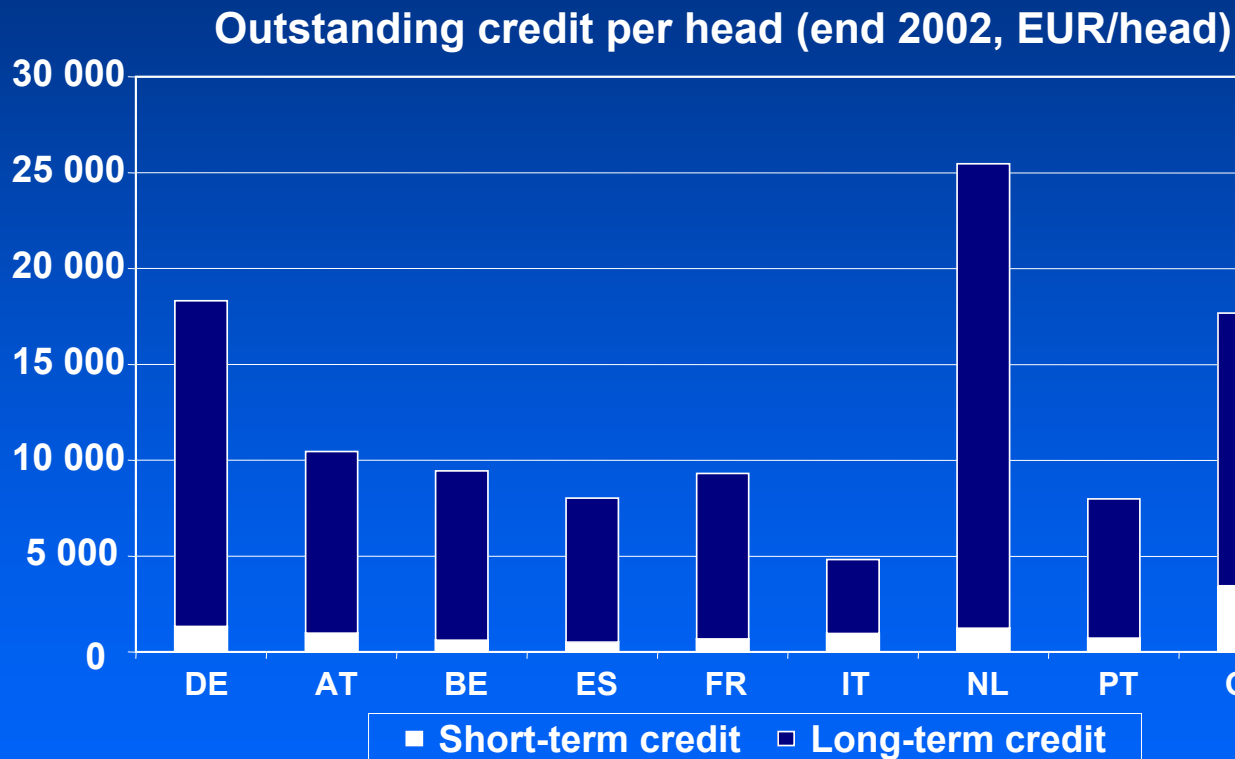
## 6. Long-Term Saving

**Net yearly acquisitions of pension and life-insurance rights**  
(average from 1995 to 2002\* per inhabitant, in euros)

<b>United Kingdom</b>	979
<b>France</b>	638
<b>Germany</b>	697
<b>Spain</b>	319
<b>Belgium</b>	609
<b>Finland</b>	404
<b>Italy</b>	507
<b>Netherlands</b>	1 593
<b>Portugal</b>	314

*\* 2001 for the Netherlands, Finland and Portugal*

## 7. Households' Indebtedness



## Conclusion

No simple and direct relation between pensions' financing mode and related savings. A number of other factors play a role in determining saving behaviours, be they active or constrained.

As a result, funded pensions cannot aim at rising or reducing households' saving rates. They may, however:

- Provide -through company schemes- a much broader population with access to retirement saving benefits -and not only 3<sup>rd</sup> pillar schemes
- Lead to create specific, long-term saving products facilitating asset allocation on such investment horizons, and thus more favourable to equities. This may however only happen if regulatory constraints do not reduce the benefit of it.





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