



EUROPEAN CENTRAL BANK

EUROSYSTEM

# PRESS RELEASE

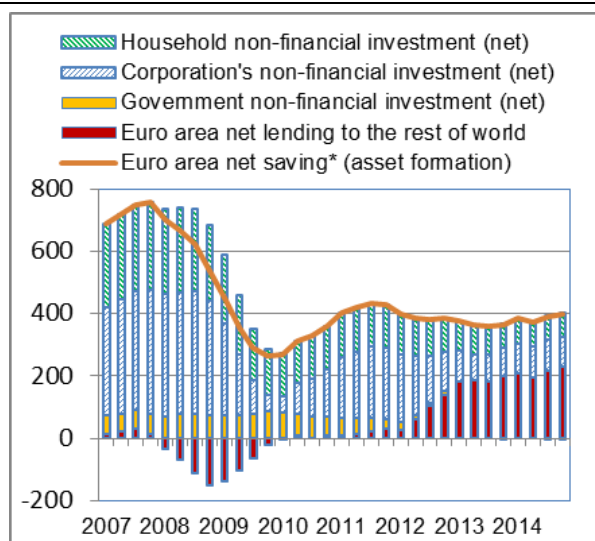
30 April 2015

## EURO AREA ECONOMIC AND FINANCIAL DEVELOPMENTS BY INSTITUTIONAL SECTOR: 4<sup>th</sup> Quarter 2014

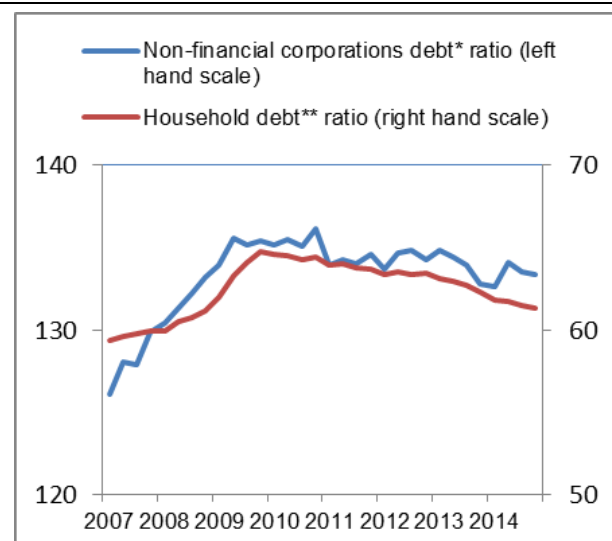
This euro area accounts press release includes detailed and updated quarterly integrated accounts for all institutional sectors (advanced results for households and non-financial corporations were published on 14 April 2015). Quarterly financial and non-financial accounts data by institutional sector for EU countries are now also available.

- Euro area saving grew faster than non-financial investments. Net non-financial investments increased for non-financial corporations, declined for households, continued to be negative for government and turned negative for financial corporations. As a result, euro area net lending to the rest of the world increased further.
- The household debt-to-GDP ratio as well as the household debt-to-disposable income ratio decreased (to 61.3% in the fourth quarter of 2014, from 62.3% in the fourth quarter of 2013; and to 95.1% from 96.3% respectively).
- The non-financial corporation debt-to-GDP ratio increased to 133.4% in the fourth quarter of 2014 (from 132.8% in the fourth quarter of 2013).

Euro area saving, investment and net lending to the rest of the world (EUR billions)



Debt ratios of households and non-financial corporations (debt as a percentage of GDP)



\* Euro area net saving minus net capital transfers to the rest of the world (equals change in euro area net worth due to transactions).

\* Outstanding amount of loans, debt securities, trade credits and pension scheme liabilities.

\*\* Outstanding amount of loan liabilities.

### Total euro area economy

Euro area net saving, that is the sum of the savings of households, corporations and government after deducting the consumption of fixed capital, increased as a percentage of euro area net disposable income (fourth quarter 2014: 4.6% compared to fourth quarter 2013: 4.3%). Euro area net non-financial investment was broadly stable (2.0% after 2.1% of net disposable income) as the growth in gross fixed capital formation was more than offset by the decline in inventories and the deduction of the consumption of fixed capital. Net capital transfers to the rest of the world remained broadly unchanged. As a result, euro area net lending to the rest of the world increased to 2.8% (after 2.5% in the fourth quarter of 2013) of net disposable income. Net lending by euro area households remained broadly unchanged as a percentage of euro area net disposable income (fourth quarter 2014: 3.6% after 3.7%) while the net lending of non-financial corporations increased (to 1.0% after 0.6), net lending by the financial corporations sector decreased and the borrowing by the government sector decreased.

### Households

Household gross disposable income increased at a lower annual rate (fourth quarter 2014: 1.8%, third quarter: 2.0%) similarly to the compensation of employees (2.3% after 2.4%). The growth rate of gross operating surplus and mixed income from the self-employed was unchanged (0.6%).

Household consumption expenditure increased at a broadly unchanged annual rate (1.7% after 1.8%). The household gross saving rate was 12.7% in the fourth quarter of 2014, compared to 12.9% in the fourth quarter of 2013. Household gross non-financial investment decreased at a lower rate (-0.3% after -0.8%). Household financing increased at a broadly unchanged rate (0.2% after 0.3%) and, its main component, loan financing turned positive (0.1% after -0.1% respectively).

Household financial investment grew at a higher rate (1.8% after 1.6%). Among the components, additions to currency and deposits grew at a higher rate (2.9% after 2.7%) and additions to life insurance and pension schemes accelerated (3.6% after 3.3%). Investments in shares and other equity increased at a higher rate (3.5% after 2.4%). The negative growth rate for investments in debt securities (-16.7% after -14.9%) reflects redemptions and sales exceeding purchases.

Household net worth increased at a broadly unchanged rate (2.6% after 2.7%), with the continued growth being explained by increases in financial and non-financial investments as well as net valuation gains which exceeded financing. The value of housing wealth increased at a higher rate (1.0 after 0.4%). The household debt-to-GDP ratio as well as the household debt-to-disposable income ratio decreased (to 61.3% from 62.3% in the fourth quarter of 2013; and to 95.1% from 96.3 % respectively).

| <b>Household saving, change in net worth and debt</b>   |        |        |        |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|--------|--------|--------|
| <i>(percentages of adjusted gross disposable income, based on four-quarter cumulated flows)</i> |        |        |        |        |        |        |        |        |
|   | 2013Q1 | 2013Q2 | 2013Q3 | 2013Q4 | 2014Q1 | 2014Q2 | 2014Q3 | 2014Q4 |
| Saving rate (gross)   | 12.8   | 12.7   | 12.8   | 12.9   | 12.8   | 12.7   | 12.7   | 12.7   |
| Change in net worth   | -4.6   | -1.0   | 3.6    | 2.5    | 12.3   | 19.3   | 17.8   | 17.1   |
| Non-financial investment (net)  | 1.5    | 1.5    | 1.4    | 1.3    | 1.3    | 1.3    | 1.2    | 1.2    |
| Non-financial investment (gross)  | 8.6    | 8.5    | 8.4    | 8.3    | 8.3    | 8.3    | 8.3    | 8.2    |
| Consumption of fixed capital (-)  | 7.1    | 7.1    | 7.1    | 7.1    | 7.1    | 7.1    | 7.1    | 7.1    |
| Financial investment  | 5.2    | 5.6    | 4.9    | 5.0    | 4.3    | 4.4    | 4.9    | 5.6    |
| Financing (-)   | 0.5    | 0.2    | -0.5   | -0.2   | -0.6   | -0.2   | 0.3    | 0.2    |
| Revaluation of assets and other changes   | -10.9  | -7.8   | -3.2   | -3.9   | 6.2    | 13.5   | 12.0   | 10.6   |
| Debt (loans, outstanding amount)  | 97.3   | 97.3   | 96.9   | 96.3   | 95.7   | 95.7   | 95.2   | 95.1   |

## Non-financial corporations

Net entrepreneurial income of non-financial corporations increased at a higher annual rate (13.2% after 9.5%) and net value added increased at a broadly unchanged rate (2.1% after 2.0%). Non-financial investment (net) increased. This increase was driven by net fixed capital formation, while inventories and other nonfinancial assets decreased.

Financing of non-financial corporations grew at an unchanged annual rate (1.0%). Loan financing grew after decreasing in the previous quarter (0.6% after -0.5%), as loans granted by MFIs and by non-MFIs turned positive.<sup>1</sup> The issuance of debt securities grew at a lower rate (2.5% after 4.6%). Trade credit financing grew at a lower rate (1.5% after 2.0%). The debt ratio increased to 133.4% (after 132.8% in the fourth quarter of 2013). Equity financing grew at a lower rate (1.3% after 1.5%).

Financial investment grew at a broadly unchanged rate (1.6% after 1.7%). Among the components, loans granted grew at a higher rate (1.9% after 1.3%), and investment in shares and other equity grew at a higher rate (0.9% after 0.5%).

| <b>Non-financial corporations</b>  |        |        |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| <i>(percentages of value added (net), based on four-quarter cumulated flows)</i> |        |        |        |        |        |        |        |        |
|  | 2013Q1 | 2013Q2 | 2013Q3 | 2013Q4 | 2014Q1 | 2014Q2 | 2014Q3 | 2014Q4 |
| Entrepreneurial income, net (current profits)                                    | 31.4   | 31.3   | 31.3   | 31.0   | 31.3   | 31.3   | 31.5   | 32.3   |
| Saving, net (retained earnings)  | 2.0    | 2.2    | 2.3    | 1.6    | 2.2    | 1.8    | 2.0    | 2.7    |
| Non-financial investment, net  | 2.4    | 2.0    | 2.2    | 2.1    | 2.2    | 2.3    | 2.4    | 2.4    |
| Non-financial investment (gross)   | 26.7   | 26.4   | 26.5   | 26.3   | 26.5   | 26.5   | 26.5   | 26.5   |
| Consumption of fixed capital (-)   | 24.3   | 24.3   | 24.3   | 24.3   | 24.2   | 24.2   | 24.1   | 24.1   |
| Financial investment   | 8.2    | 8.0    | 10.3   | 10.3   | 9.0    | 9.7    | 7.4    | 7.2    |
| Financing  | 7.5    | 7.8    | 10.1   | 9.9    | 7.9    | 8.8    | 6.4    | 6.7    |
| Debt (outstanding amount to GDP)   | 134.8  | 134.4  | 133.9  | 132.8  | 132.7  | 134.1  | 133.6  | 133.4  |

**For media queries, please contact Stefan Ruhkamp, tel.: +49 69 1344 5057.**

This press release incorporates revisions compared to the press release on “Euro area households and non-financial corporations” of 14 April. Quarterly financial and non-financial accounts by institutional sector are available for the euro area as well as for EU countries at the [ECB's Statistical Data Warehouse \(SDW\)](#). Euro area charts and additional tables are available under "Euro area accounts" in the statistics section of the ECB's website at: [Euro area charts and additional tables](#). The next quarterly press release, with advanced results for households and non-financial corporations, is scheduled for 13 July 2015 (see also the Statistical Release Calendar on the ECB website: [calendar](#)).

### Notes:

- The annual growth rate of non-financial transactions and of outstanding assets and liabilities (stocks) is calculated as the percentage change between the value for a given quarter and that value recorded four quarters earlier. The annual growth rates used for financial transactions refer to the total value of transactions during the year in relation to the outstanding stock a year before.
- Net entrepreneurial income is broadly equivalent to current profits in business accounting (after the receipt and payment of interest and including the profits of foreign subsidiaries, but before the payment of income taxes and dividends).
- The sum of household debt and non-financial corporation debt (also referred to as “private debt”), as a percentage of GDP is one of the headline indicators of the macroeconomic imbalances procedure (MIP). For non-financial corporations

<sup>1</sup> Loan financing comprises loans granted by all sectors (including loans granted by non-MFI financial institutions) and by creditors that are not residents in the euro area.

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the definition of debt used by the MIP differs from the definition applied here as the MIP indicator is based on annual, consolidated data, moreover, pension fund reserve liabilities and trade credits are excluded. For the MIP data see: [Annual scoreboard for the surveillance of macroeconomic imbalances](#).

- Further methodological information is available at: [Euro area accounts](#).