

Sector Accounts: Fourth quarter of 2006

Household saving rate at 13.7% in the euro area and 11.0% in the EU27

Business investment rate at 22.0% in the euro area and 21.5% in the EU27

Eurostat, the Statistical Office of the European Communities, and the European Central Bank release for the first time today statistical data on quarterly European sector accounts¹. They provide a comprehensive overview of the **euro area** and **EU** as single entities and allow for a wide-ranging analysis of the interactions between households, non-financial corporations, financial corporations and government. The accounts also show interactions between the euro area and EU and the rest of the world.

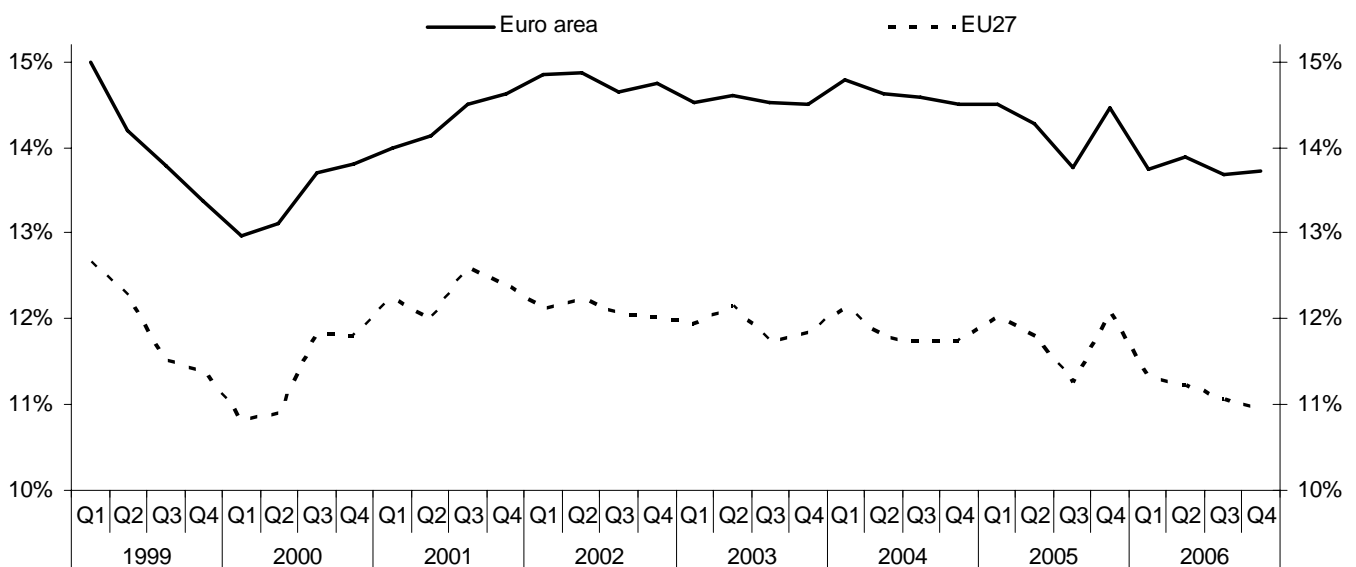
The accounts record the value of goods and services each sector produced, how its income was earned, whether the income was spent or saved and if the sector was in financial deficit or surplus. The accounts include key macroeconomic indicators, such as gross domestic product, disposable income and net lending/net borrowing.

This release, which will be issued quarterly, presents three key indicators taken from these accounts: the household saving rate, together with the business investment rate and profit share.

Household saving rate almost unchanged

In the fourth quarter of 2006, the seasonally adjusted² gross saving rate³ of households was 13.7% in the **euro area**⁴ (EA13). It was 13.7% as well in the third quarter of 2006, which was the lowest level recorded since the third quarter of 2000. In the **EU27**⁴, the household saving rate was 11.0% in the fourth quarter of 2006, compared with 11.1% in the third quarter. The pattern was similar to the **euro area**, although the rates were lower over the whole period.

Household saving rate (seasonally adjusted, %)

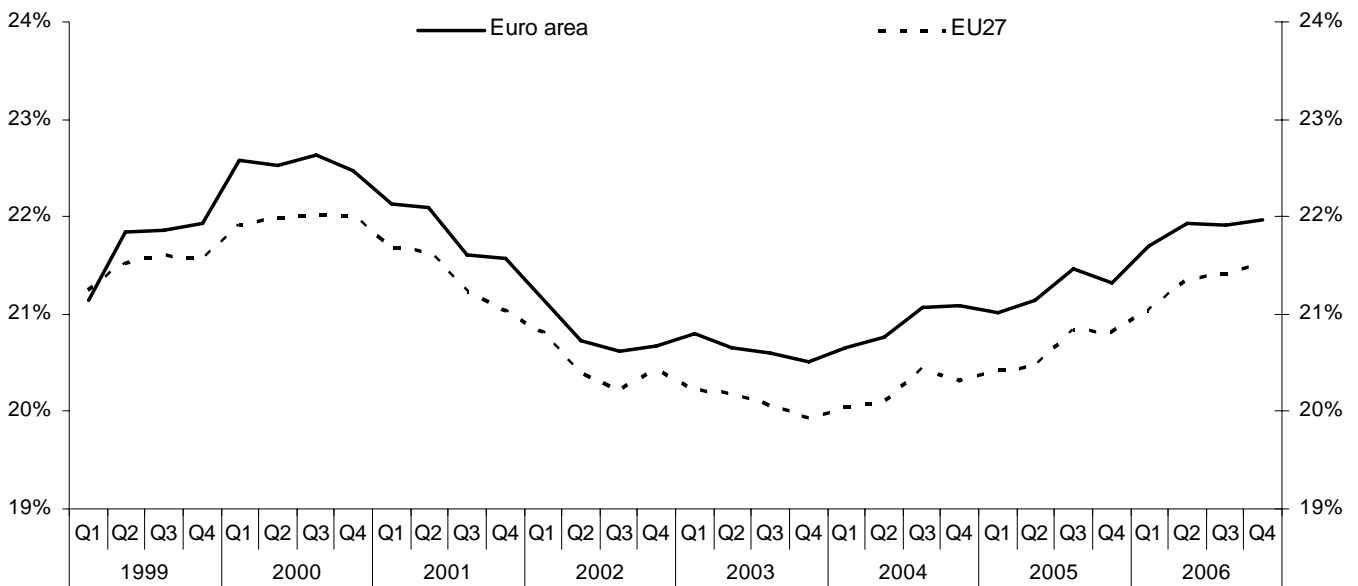


Business profit shares up in both zones

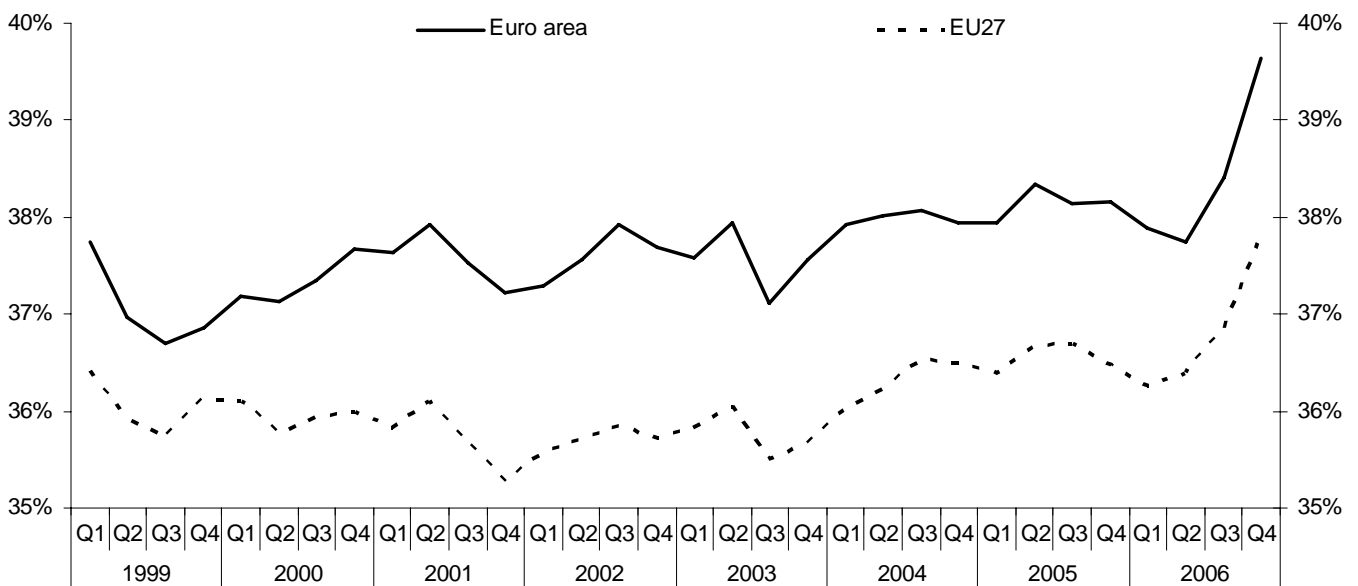
For non-financial corporations, the investment rate⁵ was, in the fourth quarter of 2006, 22.0% in the **euro area** and 21.5% in the **EU27**. In the third quarter of 2006, investment rates were 21.9% and 21.4% respectively. In the **euro area**, the investment rate reached a peak in 2000, decreased until the third quarter of 2002, then showed a generally upward trend since the fourth quarter of 2003. The peak in 2000 was less prominent in the **EU27** and investment rates have been slightly lower than in the **euro area**, in particular since 2003.

The profit share⁶ of non-financial corporations was 39.6% in the **euro area** and 37.8% in the **EU27** in the fourth quarter of 2006. In the third quarter of 2006, the share was 38.4% in the **euro area** and 36.9% in the **EU27**. In both zones, the profit shares have increased slowly since 2003 and more rapidly in the last two quarters of 2006.

Investment rate of non-financial corporations (seasonally adjusted, %)



Profit share of non-financial corporations (seasonally adjusted, %)



Methodological information

The compilation of the European sector accounts follows the **European System of Accounts (ESA 95)** and covers the period from the first quarter of 1999 to the fourth quarter of 2006. The European sector accounts are not a simple sum of the data of individual countries. There are five specific compilation steps: (1) conversion to euro, (2) estimation of missing countries, (3) incorporation of the European institutions, (4) estimation of the flows between the euro area / EU and third countries and (5) balancing of the accounts. Due to the **conversion to euro**, the growth rates of EU aggregates may be affected by movements in exchange rates and should be viewed with caution. There is almost no impact on ratios such as saving and investment rates or profit shares. For the time being, the publication is limited to the European aggregates: the EA13 and the EU27, i.e. no individual country data are published.

The **rest of the world accounts**, as compiled by Member States, record transactions between the national economy and all non-resident units, including those in other EU Member States. To measure the external transactions of the euro area / EU, it is necessary to remove cross-border flows within the area concerned. Imbalances between intra-imports and intra-exports, called "asymmetries", are then eliminated. The removal of intra-flows and asymmetries would require further development work in the other domains of national accounts of Eurostat. Therefore, European sector accounts are internally consistent but have discrepancies with other national accounts data.

For **detailed data and methodology**, please see the Eurostat European sector accounts website:
http://epp.eurostat.ec.europa.eu/pls/portal/url/page/PGP_DS_NA/PGE_DS_NA_01

Release and revision policy

This first release will be followed by regular quarterly releases to be published four months after each quarter. The next two releases will take place on 1 August and 30 October 2007. Being a new statistical product, quarterly European sector accounts may be subject to revisions, in particular for the latest quarters.

The ECB and Eurostat are publishing integrated non-financial and financial accounts, including financial balance sheets, for the euro area (the euro area accounts). Eurostat is also publishing the non-financial accounts for the EU.

1. Institutional sectors bring together economic units with broadly similar characteristics and behaviour namely: households (including non-profit institutions serving households), non-financial corporations, financial corporations, government and the rest of the world.
2. Ratios displayed in this news release are seasonally adjusted using the X12-Arima method. The rest of the European sector accounts data, including the aggregates underlying the ratios, are not seasonally adjusted.
3. Gross saving divided by the gross disposable income of households adjusted for the change in their net equity in pension fund reserves. Short term increases of the household saving rate are often linked with pessimistic expectations about the economic future. They are generally driven by changes in the labour market or interest rate movements.
4. The euro area (EA13) consists of 13 Member States: Belgium, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal, Slovenia and Finland plus the European Central Bank.
The European Union (EU27) includes: Belgium, Bulgaria, the Czech Republic, Denmark, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland, Sweden and the United Kingdom plus the European Central Bank and the EU institutions.
5. Gross fixed capital formation divided by the gross value added of non-financial corporations. This ratio relates the investment of businesses in fixed assets (buildings, machinery etc.) to the wealth created during the production process. Investment rate series have been adjusted for two outliers: one in the fourth quarter of 2002 and one in the second quarter of 2005.
6. Gross operating surplus divided by the gross value added of non-financial corporations. This profitability-type indicator shows the share of the wealth created during the production process remunerating capital employed. It is the complement of the share of wage costs (plus net taxes on production) in value added.

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<http://ec.europa.eu/eurostat>

Euro area (EA13)

		Household savings rate, %		Investment rate of non-financial corporations,%		Profit share of non-financial corporations,%	
		Not seasonally adjusted	Seasonally adjusted	Not seasonally adjusted	Seasonally adjusted	Not seasonally adjusted	Seasonally adjusted
1999	Q1	14.5	15.0	21.1	21.1	40.3	37.7
	Q2	16.1	14.2	22.6	21.9	36.4	37.0
	Q3	12.4	13.8	21.1	21.9	38.8	36.7
	Q4	13.4	13.4	22.0	21.9	32.8	36.9
2000	Q1	12.5	13.0	22.6	22.6	39.9	37.2
	Q2	14.9	13.1	23.3	22.5	36.4	37.1
	Q3	12.2	13.7	21.8	22.6	39.4	37.3
	Q4	13.9	13.8	22.5	22.5	33.6	37.7
2001	Q1	13.5	14.0	22.1	22.1	40.4	37.6
	Q2	16.1	14.1	22.8	22.1	37.2	37.9
	Q3	12.9	14.5	20.9	21.6	39.6	37.5
	Q4	14.7	14.6	21.6	21.6	33.2	37.2
2002	Q1	14.4	14.9	21.2	21.2	39.6	37.3
	Q2	17.1	14.9	21.4	20.7	37.2	37.6
	Q3	12.8	14.7	20.0	20.6	40.0	37.9
	Q4	14.8	14.8	20.7	20.7	33.7	37.7
2003	Q1	14.1	14.5	20.8	20.8	40.2	37.6
	Q2	16.8	14.6	21.3	20.7	37.2	37.9
	Q3	12.6	14.5	20.0	20.6	39.2	37.1
	Q4	14.6	14.5	20.5	20.5	33.6	37.6
2004	Q1	14.5	14.8	20.7	20.7	40.6	37.9
	Q2	16.9	14.6	21.4	20.8	37.2	38.0
	Q3	12.6	14.6	20.5	21.1	40.2	38.1
	Q4	14.6	14.5	21.0	21.1	34.0	37.9
2005	Q1	14.2	14.5	21.0	21.0	40.2	37.9
	Q2	16.5	14.3	21.8	21.1	37.8	38.3
	Q3	11.8	13.8	20.9	21.5	40.2	38.1
	Q4	14.7	14.5	21.3	21.3	34.3	38.2
2006	Q1	13.4	13.8	21.7	21.7	40.5	37.9
	Q2	16.0	13.9	22.6	21.9	36.9	37.7
	Q3	11.7	13.7	21.3	21.9	40.5	38.4
	Q4	14.0	13.7	21.9	22.0	35.7	39.6

EU27

		Household savings rate, %		Investment rate of non-financial corporations,%		Profit share of non-financial corporations,%	
		Not seasonally adjusted	Seasonally adjusted	Not seasonally adjusted	Seasonally adjusted	Not seasonally adjusted	Seasonally adjusted
1999	Q1	11.7	12.7	21.1	21.3	37.7	36.4
	Q2	14.5	12.3	22.0	21.5	35.5	35.9
	Q3	9.9	11.5	20.9	21.6	37.3	35.7
	Q4	11.8	11.4	21.9	21.6	33.6	36.1
2000	Q1	10.0	10.8	21.7	21.9	37.6	36.1
	Q2	12.9	10.9	22.5	22.0	35.1	35.8
	Q3	10.1	11.8	21.3	22.0	37.6	35.9
	Q4	12.2	11.8	22.4	22.0	33.5	36.0
2001	Q1	11.3	12.2	21.5	21.7	37.3	35.8
	Q2	14.2	12.0	22.1	21.6	35.5	36.1
	Q3	10.8	12.6	20.6	21.2	37.3	35.7
	Q4	12.8	12.4	21.4	21.0	32.9	35.3
2002	Q1	11.3	12.1	20.6	20.8	36.6	35.6
	Q2	14.5	12.2	20.8	20.4	35.4	35.7
	Q3	10.2	12.1	19.7	20.2	37.5	35.8
	Q4	12.4	12.0	20.7	20.4	33.3	35.7
2003	Q1	11.2	11.9	20.1	20.2	37.2	35.8
	Q2	14.4	12.1	20.6	20.2	35.4	36.1
	Q3	9.9	11.7	19.6	20.1	37.2	35.5
	Q4	12.2	11.8	20.2	19.9	33.3	35.7
2004	Q1	11.4	12.1	19.9	20.0	37.4	36.0
	Q2	14.0	11.8	20.5	20.1	35.5	36.2
	Q3	9.8	11.7	20.0	20.4	38.3	36.5
	Q4	12.1	11.7	20.5	20.3	34.1	36.5
2005	Q1	11.4	12.0	20.2	20.4	37.3	36.4
	Q2	14.1	11.8	20.8	20.5	36.3	36.7
	Q3	9.4	11.2	20.4	20.8	38.5	36.7
	Q4	12.4	12.1	21.0	20.8	34.2	36.5
2006	Q1	10.7	11.3	20.9	21.0	37.5	36.3
	Q2	13.4	11.2	21.8	21.4	35.6	36.4
	Q3	9.2	11.1	21.0	21.4	38.7	36.9
	Q4	11.3	11.0	21.7	21.5	35.5	37.8