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More and better statistics for an improved economic governance

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Es gilt das gesprochene Wort

Press Conference to present new economic quarterly statistics

Brussels, 1 June, 2007

Ladies and Gentlemen,

I am particularly happy to present today, together with Mr González-Páramo, the first release of the Quarterly Sector Accounts for the euro area and the European Union.

This concludes a project on which Eurostat and the European Central Bank -- with the help of National Statistical Institutes and National Central Banks -- have been working together for several years.

These new statistics will allow us to **better understand** and to **follow more closely the behaviour of economic agents**: do households spend or save a bigger share of their income? Do corporations invest more or do they prefer to retain their earnings? Does the euro area finance its investments through its total savings or does it borrow from abroad?

Answering such questions is key to understand economic developments and to improve economic governance, including of the euro area.

Let me briefly explain the salient features of the new statistics before commenting on their potential use for the economic governance of the euro area and the European Union. Mr González-Páramo will then elaborate on the interest of such accounts for the monetary policy of the euro area.

I. European sector accounts

When the Economic and Monetary Union was created, in 1999, the European Union had already adopted harmonised standards in the field of economic statistics, namely the European System of Accounts (ESA95). This common language allows for the collection of comparable data across Member States.

However, the data collected either focuses on an individual sector, like government – an example of this are the figures on public deficits and debts –, or cover the whole economy without any sector breakdown, like the GDP.

The European Commission took the initiative in 2005 to collect a consistent set of quarterly accounts for all institutional sectors. A regulation of the Council and the European Parliament was adopted for this purpose.

In parallel, the European Central Bank adopted guidelines to collect quarterly financial accounts and balance sheets by sector.

The Eurostat press release focuses on three key indicators: the household saving rate, the business investment rate and the profit share of non-financial corporations.

So what do those indicators tell us? If you look at the first graph in the press release, on the household saving rate, you see that **families in the euro area save considerably more than in the rest of the EU** and that, in both cases, **the savings rate tends to diminish**.

The first observation can be explained by the traditionally low savings rate in the United Kingdom (5.3% in 2005) as well as the fact that the revenues of families in the new Member States are still significantly lower than in the euro area which, of course, they tend to spend rather than save given their still largely unsatisfied consumption needs.

But is **this declining trend in households saving worrying? I don't think so.** The decrease in the household saving rate since 2002 is rather good news, showing that **households regain confidence** and increase their consumption which supports short-term growth. Saving rates also remain high in Europe which allows financing investment. At about 14% in the euro area in the last quarter of 2006 and 11% in the EU, it compares with a rate of about 6 % in the US and 10 % in Japan.

The investment rate of non-financial corporations – in other words all companies but banks, insurances and other financial institutions – has been increasing steadily in the last few years not only in absolute amounts but also in proportion of the wealth created by corporations, as can be seen from the other two charts contained in the press release.

This also good news as **investment is the other main pillar of growth.** This rise in investment should not create financing problems as the **saving capacities and the investment needs of the EU are broadly balanced.** By the way, this means that the EU is not creating imbalances at the world level. And, as can be seen from the third graph, European firms have also increased their profit shares.

Let me stress, that the data compiled by Eurostat the ECB are much broader than these three indicators, which are nevertheless the most important ones. The full accounts are published on their respective websites.

Such complete accounts may be used to analyse each sector individually and track any change in its economic behaviour.

Moreover, they permit to illustrate interactions between institutional sectors and derive conclusions for the economy as a whole.

Ultimately, they will serve as a tool to strengthen the economic governance of the euro area.

II. A tool for economic governance

The creation of the euro brought about a single monetary policy. Although budgetary policy remains a national prerogative, Member States have to consider their economic policies as a matter of common interest. It is also a core task of the European Commission to recommend policies that suit best the common interest of the euro area as well as that of the Member State concerned.

The European accounts released today will be useful in this respect as they depict the euro area as a genuine entity and shed a useful and timely light on the behaviour of households, whether they are rather saving than consuming, and of business investment trends, both main triggers of domestic demand and short-term growth.

The data will also allow us to better understand the causes underlying the slowdowns and upswings of the euro area economy and derive appropriate recommendations.

III. Conclusion

To conclude, the European accounts revealed today better equip the euro area and the European Union as a whole with the tools necessary to detect and understand short term trends crucial for the economy.

They, therefore, provide valuable information for the coordination of economic policies in Europe, something that is particularly important for a better functioning of the euro area.

Furthermore, they help making emerge the economic interests of the euro area and European Union as a whole, thereby allowing policy makers to define actions for the benefit of all European citizens.

Let me stress that the statistics concerned are based on international standards and are generally not published by Member States or by our main trading partners.

Let me also say, to finish, that I am particularly happy about this excellent example of how a good co-operation between services – in this case the statistic services of the Commission and of the European Central Bank – can be put to the use of the economy as a whole and through it to European citizens.

Thank you for your attention.