



EUROPEAN CENTRAL BANK

EUROSYSTEM

## PRESS RELEASE

4 April 2019

# Households and non-financial corporations in the euro area: fourth quarter of 2018

The annual growth rate of [loans](#) to households was broadly unchanged at 2.9% in the fourth quarter of 2018 compared with the previous quarter. The [financial investment](#) of households increased at an unchanged rate of 1.9% and their [gross non-financial investment](#) increased at a higher rate of 8.3% (after 7.9%), while their [net worth](#) increased at a lower rate of 2.7% (after 3.8%).

The annual growth rate of the [gross operating surplus](#) of non-financial corporations (NFCs) was 1.3% in the fourth quarter of 2018, compared to a slight decline in the previous quarter (-0.3%). [Gross entrepreneurial income](#) increased at a higher rate of 2.8% (after 0.9%). The annual growth rate of NFCs' [gross non-financial investment](#) increased to 12.4% (from 8.7%), while their [financing](#) increased at a lower rate of 1.4% (after 1.7%).

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Chart 1. Household financing and financial and non-financial investment

(annual growth rates)

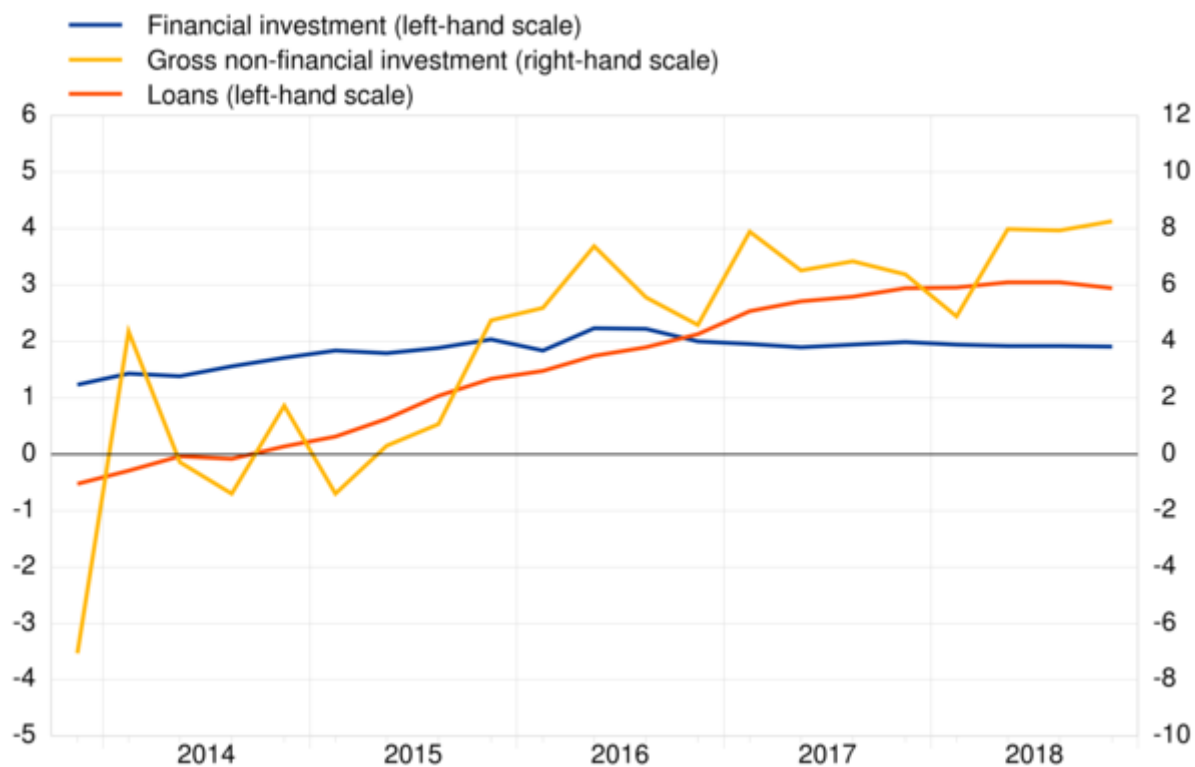
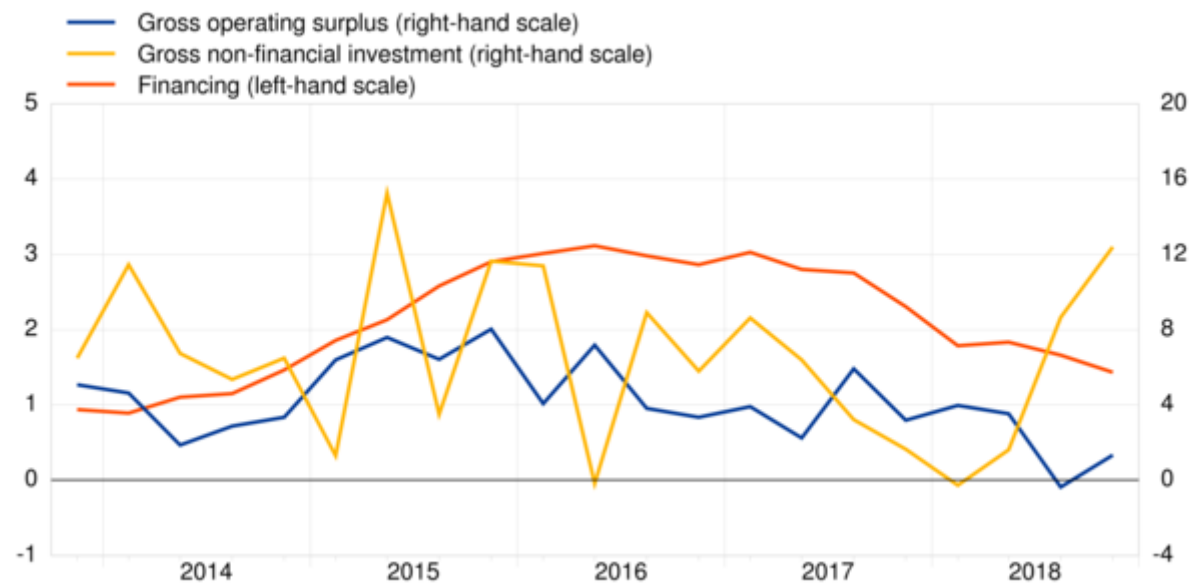


Chart 2. NFC gross-operating surplus, non-financial investment and financing

(annual growth rates)



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## Households

The annual growth rate of household [gross disposable income](#) increased to 3.4% in the fourth quarter of 2018 (after 3.2% in the previous quarter). Gross operating surplus and mixed income of the self-employed increased at an unchanged rate of 2.3%, while the compensation of employees grew at a lower rate of 3.9% (after 4.3%). Household consumption expenditure grew at an unchanged rate of 2.8%.

The household [gross saving rate](#) in the fourth quarter of 2018 was 12.1%, compared with 11.8% in the same quarter of the previous year.

The annual growth rate of household [gross non-financial investment](#) (which refers mainly to housing) increased to 8.3% in the fourth quarter of 2018, from 7.9% in the previous quarter. [Loans](#) to households, the main component of household financing, increased at a broadly unchanged rate of 2.9%.

The annual growth rate of household [financial investment](#) stood at an unchanged rate of 1.9% in the fourth quarter of 2018. Among its components, currency and deposits grew at a higher rate of 4.1% (after 3.8%). Investment in life insurance and pension schemes grew at a lower rate of 2.0% (after 2.2%), and shares and other equity grew at a lower rate of 0.3% (after 0.6%). Investment in debt securities continued to decline, albeit at a lower rate of -2.7% (after -4.6%).

The annual growth rate of household [net worth](#) decreased to 2.7% in the fourth quarter of 2018, from 3.8% in the previous quarter, driven by higher valuation losses in financial assets. The growth in net worth was due to increases in the value of housing wealth (at a stable rate of 5.0%), which exceeded the increase in liabilities and the net valuation losses on financial assets. The household [debt-to-income ratio](#) continued to decrease, to 93.3% in the fourth quarter of 2018 from 94.0% in the fourth quarter of 2017, as disposable income grew faster than loans to households.

## Non-financial corporations

[Net value added](#) by NFCs increased at a broadly unchanged rate of 3.0% in the fourth quarter of 2018. [Gross operating surplus](#) increased to 1.3% year-on-year, from -0.3% in the previous quarter, and net property income (defined in this context as property income receivable minus interest and rent payable) also increased. As a result [gross entrepreneurial income](#) (broadly equivalent to cash flow) increased at a higher rate of 2.8% (after 0.9%).<sup>1</sup>

The annual growth rate of NFC [gross non-financial investment](#) increased to 12.4% (from 8.7%) partly due to a strong increase in the net acquisition of non-produced assets.<sup>2</sup> [Financing](#) of NFCs increased at a lower rate of 1.4% (after 1.7%), as the annual growth rate of issuance of debt securities by NFCs decreased to 4.0% in the

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<sup>1</sup> Gross entrepreneurial income is the sum of gross operating surplus and property income receivable minus interest and rent payable.

<sup>2</sup> Gross non-financial investment is the sum of gross fixed capital formation, changes of inventories, and the net acquisition of valuables and non-produced assets (e.g. licences).

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## PRESS RELEASE / 4 April 2019

Households and non-financial corporations in the euro area: 4th Quarter 2018

fourth quarter of 2018, from 5.8% in the previous quarter, and trade credit financing grew at a lower rate of 2.8% (after 4.7%). Loan financing grew at a broadly unchanged rate of 2.5%<sup>3</sup>. Equity financing also grew at a broadly unchanged rate of 0.8%. Non-financial corporations' [debt-to-GDP ratio](#) decreased to 137.5% in the fourth quarter of 2018, from 138.3% in the fourth quarter of 2017.

NFC financial investment grew at an annual rate of 2.2%, compared with 2.9% in the previous quarter. Among its components, loans granted grew at a lower rate of 0.3% (after 2.4%), while investment in shares and other equity grew at an unchanged rate of 2.2%.

## Annexes

[Tables](#)

[Charts](#)

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## 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.

Hyperlinks in the main body of the press release are dynamic. The data they lead to may therefore change with subsequent data releases as a result of revisions. Figures shown in annex tables are a snapshot of the data as at the time of the current release.

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<sup>3</sup> Loan financing comprises loans granted by all euro area sectors (in particular MFIs, non-MFI financial institutions and loans from other non-financial corporations) and by creditors that are not resident in the euro area.

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