

Statistical release

28 January 2021

Euro area economic and financial developments by institutional sector: third quarter of 2020

- Euro area [net saving](#) decreased to €534 billion in four quarters to third quarter of 2020, from €618 billion one quarter earlier
- Household [debt-to-income ratio](#) at 95.7% in third quarter of 2020, up from 93.5% one year earlier
- Non-financial corporations' [debt-to-GDP ratio](#) (consolidated measure) at 83.8% in third quarter of 2020, up from 79.3% one year earlier

Total euro area economy

Euro area [net saving](#) decreased to €534 billion (5.9% of euro area net disposable income) in the four quarters to the third quarter of 2020 compared with €618 billion in the four quarters to the previous quarter. This reflected larger negative saving by government and decreased net saving by non-financial corporations (NFCs), which were only partly offset by increased saving by households. Net non-financial investment decreased to €323 billion (3.5% of net disposable income), from €389 billion previously, mainly due to decreased investment by NFCs.

[Net lending](#) to the rest of the world decreased to €221 billion in the four quarters to the third quarter of 2020 (from €236 billion in the four quarters to the previous quarter), reflecting the decreased net saving that was only partially compensated by the decreased net non-financial investment. Net lending by NFCs increased to €59 billion (0.7% of net disposable income) from €25 billion, while for financial corporations it was broadly

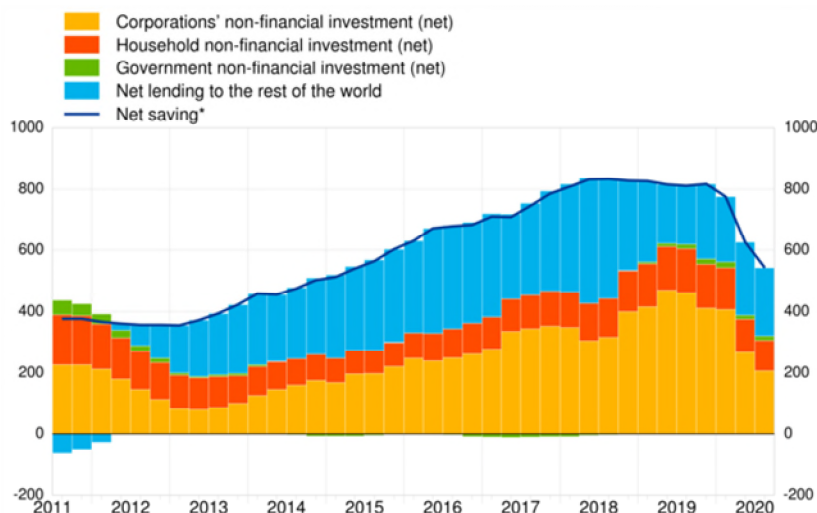
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unchanged at €74 billion (0.8% of net disposable income). Net lending by households rose to €661 billion (7.3% of net disposable income) from €571 billion. The increase in net lending by the total private sector was more than offset by higher net borrowing by the government sector (-6.3% of net disposable income, compared with -4.7% previously).

Chart 1. Euro area saving, investment and net lending to the rest of the world

(EUR billions, four-quarter sums)



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

Households

The annual growth rate of household [financial investment](#) increased to 3.5% in the third quarter of 2020, from 3.3% in the previous quarter. Increased investment in currency and deposits, as well as in shares and other equity, were the main contributors to this strengthening of growth, together with lower net sales of debt securities.

Households were overall net buyers of listed shares. By issuing sector, they were net buyers of listed shares of NFCs, other financial institutions, insurance corporations and the rest of the world (i.e. shares issued by non-residents). Households continued to reduce holdings of debt securities issued by MFIs and, to a lesser extent, by government, NFCs and the rest of the world, while marginally increasing holdings of debt securities issued by other sectors (see Table 1 below and Table 2.2 in the Annex).

The household [debt-to-income ratio](#)¹ increased to 95.7% in the third quarter of 2020, from 93.5% in the third quarter of 2019, as the outstanding amount of loans to households grew faster than disposable income. The

¹ Calculated as loans divided by gross disposable income adjusted for the change in pension entitlements.

European Central Bank

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household [debt-to-GDP ratio](#) also increased, to 61.6% in the third quarter of 2020, from 57.7% in the third quarter of 2019 (see Chart 2), as debt increased and GDP declined.

Table 1. Financial investment and financing of households, main items

(annual growth rates)

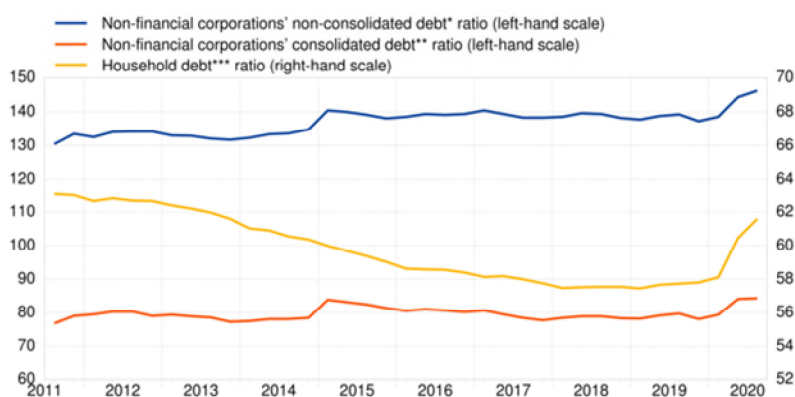
	Financial transactions				
	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3
Financial investment*	2.5	2.6	2.6	3.3	3.5
Currency and deposits	5.3	5.1	5.2	6.4	6.9
Debt securities	-9.4	-10.5	-12.8	-10.2	-5.4
Shares and other equity	-0.3	0.3	1.1	2.0	2.4
Life insurance and pension schemes	2.9	2.8	2.1	1.9	1.6
Financing**	4.0	4.1	3.6	3.6	3.2
Loans	3.5	3.6	3.4	3.0	3.1

* Items not shown include: loans granted, prepayments of insurance premiums and reserves for outstanding claims and other accounts receivable.

** Items not shown include: financial derivatives' net liabilities, pension schemes and other accounts payable.

Chart 2. Debt ratios of households and non-financial corporations

(debt as a percentage of GDP)



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

** Outstanding amount of loans and debt securities, excluding debt positions between NFCs.

*** Outstanding amount of loan liabilities.

Non-financial corporations

In the third quarter of 2020, the annual growth of [financing](#) of NFCs increased to 2.1%, from 1.9% in the previous quarter. This resulted from a moderate acceleration in financing through equity and loans (notably those from other NFCs), as well as from a slowdown in the decline of trade credits. Financing through debt securities decelerated (see Table 2 below and Table 3.2 in the Annex).

NFCs' [debt-to-GDP ratio](#) (consolidated measure) increased to 83.8% in the third quarter of 2020, from 79.3% in the third quarter of 2019; the [non-consolidated](#) (wider) debt measure increased to 146.2% from 139.3%

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(see Chart 2). The increases in these ratios were due to an increase in the debt of NFCs and a decline in GDP over this period.

Table 2. Financial investment and financing of non-financial corporations, main items

(annual growth rates)

	Financial transactions				
	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3
Financing*	1.6	1.9	2.1	1.9	2.1
Debt securities	5.7	5.9	4.3	10.2	9.8
Loans	1.9	2.0	3.6	3.4	3.5
Shares and other equity	0.9	1.4	1.1	1.2	1.4
Trade credits and advances	1.6	1.8	0.6	-5.0	-2.9
Financial investment**	1.8	2.4	2.5	2.8	3.3
Currency and deposits	6.1	5.8	9.6	18.2	20.6
Debt securities	1.6	-6.9	-0.7	9.4	6.5
Loans	0.6	1.5	1.0	1.0	1.7
Shares and other equity	1.7	2.3	2.0	2.1	2.1

* Items not shown include: pension schemes, other accounts payable, financial derivatives' net liabilities and deposits.

** Items not shown include other accounts receivable and prepayments of insurance premiums and reserves for outstanding claims.

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Notes

These data come from a second release of quarterly euro area sector accounts from the European Central Bank (ECB) and Eurostat, the statistical office of the European Union. This release incorporates revisions and completed data for all sectors compared with the first quarterly release on "Euro area households and non-financial corporations" of 12 January 2021.

The debt-to-GDP (or debt-to-income) ratios are calculated as the outstanding amount of debt in the reference quarter divided by the sum of GDP (or income) in the four quarters to the reference quarter. The ratio of non-financial transactions (e.g. savings) as a percentage of income or GDP is calculated as the sum of the four quarters to the reference quarter for both numerator and denominator.

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.

The next release of the [Household Sector Report](#) containing results for the euro area and all EU countries is scheduled for 9 February 2021.

Hyperlinks in the main body of the statistical release lead to data that may change with subsequent 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.

The production of quarterly financial accounts (QFA) may have been affected by the COVID-19 crisis. More information on the potential impact on QFA can be found [here](#).

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