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NET LENDING OR NET BORROWING OF THE SECTORS OF THE EU NATIONAL ECONOMIES: 1980-1995

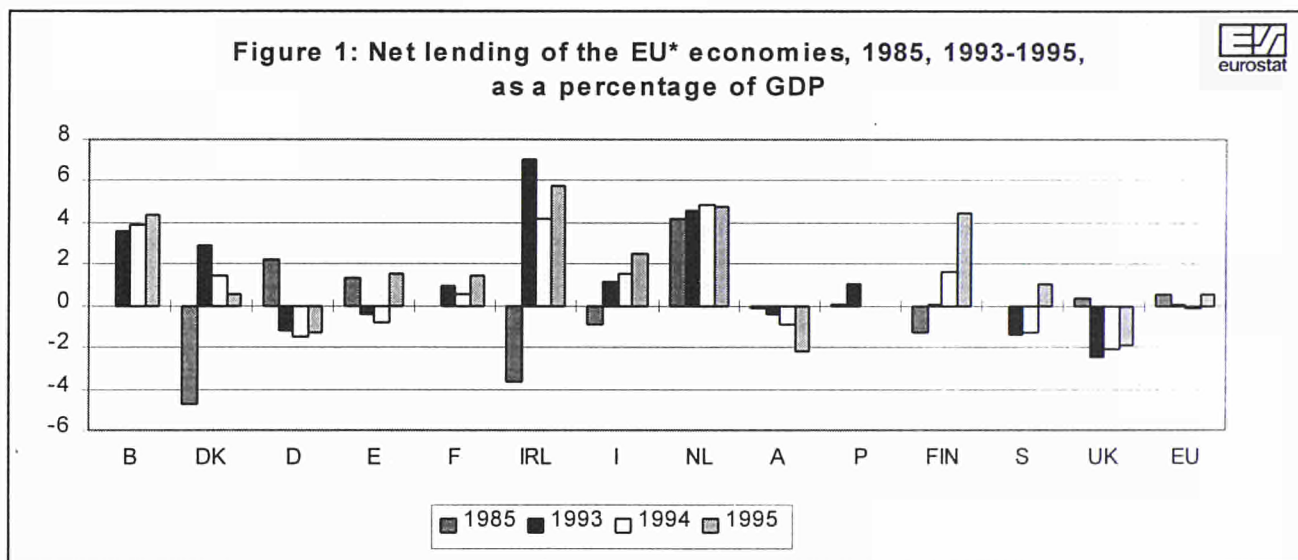
This issue of *Statistics in Focus* looks at the net lending or borrowing of the various sectors of the EU national economies. Particular attention is paid to the financing of general government's net borrowing through national or foreign sectors.

The data given here in outline have been compiled on the basis of the European System of Integrated Economic Accounts (ESA 1979).¹

1995: net lending to rest of the world increases

In 1995 net lending to the rest of the world rose from -0.1 to +0.5 % of GDP in those twelve Member States which supplied data to Eurostat. This value corresponds by definition to the net borrowing of the rest of the world and describes the net amount of resources which national sectors place at the disposal of the rest of the world.

Figure 1: Net lending of the EU* economies, 1985, 1993-1995, as a percentage of GDP



*Excluding Greece and Luxembourg.

¹ The data shown here are also to be found in the annual publication 'National Accounts ESA: Detailed Tables by Sector' and -regularly updated- in the 'New Cronos' database. Detailed information on this database is obtainable from the Eurostat Data Shop, 2 rue J. Engling, L-1466 Luxembourg. Tel. +352.4335.22.51; Fax +352.4335.22.221.

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For further information please contact: T.Peters / M. De March
Eurostat, L-2920 Luxembourg, tel. 4301-32068/33207 Fax: 4301-33879 e-mail: torsten.peters@eurostat.cec.be

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Net lending or net borrowing

The net lending or borrowing of a national economy or an economic sector is calculated on the basis of the balance of the capital account as the difference between gross saving and capital transfers received on the one hand, and capital transfers made and investments in non-financial assets on the other.

For further details of the concepts used here, readers are referred to the European System of Integrated Economic Accounts (ESA), Second Edition, 1979.

The net lending figures used here for the EU are a weighted average of the national net lending figures. Hence, these also concern net lending patterns between Member States. Consequently, the EU figures shown in this publication are not net lending of the EU as a whole, as this would require information on the breakdown of net lending between EU-Member States and third (non-EU) countries.

However, figures for net lending or borrowing vis-à-vis the other Member States are available for certain countries (Belgium, Germany, Spain, France and the United Kingdom). They are to be found in the printed and electronic publications of Eurostat mentioned on page 1.

A breakdown of net lending by Member State in 1995 reveals net lending of over 4 % of GDP for Belgium, Ireland, the Netherlands and Finland while the figures for France, Spain and Sweden, though still positive, are somewhat lower at between 1 and 1.5 % of GDP. Italy lies between these two groups with 2.5 % of GDP. Germany, Austria and the United Kingdom recorded in 1995 negative net lending figures (i.e. net borrowing), with -1.3, -2.2 and -1.9 % of GDP respectively (Table 2).

Sectoral data on net lending or net borrowing ...


Detailed and recent figures on the net lending or net borrowing of sectors of the national economy are available for nine Member States (excluded are Germany, Greece, Ireland, Luxembourg, Austria and the United Kingdom). For this report, these sectors (whose ESA designations are given in brackets) are aggregated into three groups "General government" (S60), "Households" (S70 and S80) and "Enterprises", comprising "Credit institutions" (S40), "Insurance enterprises" (S50) and "Non-financial corporate and quasi-corporate enterprises" (S10).

... reveal net borrowing of government sector, ...

Since all Member States but Luxembourg show net borrowing for the "General government" sector, it is particularly interesting to see what proportion of this

borrowing is covered by net lending of other sectors of the national economy and what proportion by the rest of the world, i.e. by other EU Member States and third countries.

Table 1 : Net lending by the various sectors in the EU,* 1980-1995, as a % of GDP

 Eurostat	Government	Private	Total
1980	-3.5	2.1	-1.4
1981	-5.3	4.5	-0.8
1982	-5.5	4.8	-0.7
1983	-5.6	5.6	0.0
1984	-5.6	5.9	0.2
1985	-5.5	6.0	0.6
1986	-5.2	6.4	1.2
1987	-4.4	5.0	0.6
1988	-3.7	3.6	0.0
1989	-2.9	2.5	-0.5
1990	-3.8	3.0	-0.8
1991	-4.2	2.9	-1.4
1992	-5.1	3.9	-1.2
1993	-6.1	6.2	0.0
1994	-5.4	5.3	-0.1
1995	-5.0	5.6	0.5

*Excluding Greece and Luxembourg.

Among the Member States which are listed in table 3, the highest net borrowing figure of general government was recorded in 1995 by Sweden with 8 % of GDP, while Denmark and Ireland recorded the lowest figures in the region of 2 %. In most of the other Member States the figures lie somewhere between 3.5 % and 6 % of GDP (see Table 3, "General government" column).

... net lending by the private sector, ...

The "Households" sector, which includes 'Households' and 'Private non-profit institutions', shows net lending for all the Member States which supply detailed figures (see Table 3, "Households" column). The 1995 values are particularly high for Belgium (7.5 % of GDP) and Italy (8.8 % of GDP). Interestingly, these countries, which record the highest levels of government debt in the EU (Belgium 134 % of GDP, Italy 125 % of GDP), do not turn to foreign lending in order to service their government borrowing. The 'household' sector alone provides more net lending than needed to finance government net borrowing.

The "Enterprises" sector (non-financial corporate and quasi-corporate enterprises, banks and insurance


enterprises) with a net lending figure of up to 5.8 % of GDP (Finland), is also a net lender in the economy (see Table 3, "Enterprises" column).

... and net borrowing of the rest of the world

The counterpart to the net lending or borrowing of the sectors of the national economy may be seen in

Table 3 in the "Rest of the world" column: the sum of the net lending of the government and private sectors of the national economy corresponds to the net borrowing of the rest of the world. Thus, the 'rest of the world' columns of Table 3 correspond to table 2, with the opposite sign.

Table 2 : Net lending of the EU* national economies as a % of GDP

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	-4.5	-4.0	-3.9	-1.1	-0.9	-0.1	1.7	0.9	1.4	1.4	0.5	1.4	1.8	3.6	3.9	4.4
DK	-3.8	-3.2	-4.4	-2.8	-3.3	-4.7	-5.6	-2.9	-1.3	-1.3	0.6	1.1	2.3	2.9	1.4	0.6
D	-1.8	-0.7	0.7	0.7	1.3	2.3	4.2	4.1	4.1	4.7	3.3	-1.3	-1.3	-1.2	-1.5	-1.3
E	-2.4	-2.7	-2.5	-1.5	1.4	1.4	1.7	0.2	-0.9	-2.9	-3.4	-3.0	-3.0	-0.4	-0.8	1.5
F	-0.7	-0.9	-2.2	-0.9	-0.1	0.0	0.4	-0.4	-0.3	-0.6	-1.3	-0.6	0.1	1.0	0.6	1.5
IRL	-11.0	-13.9	-9.7	-6.2	-5.7	-3.6	-3.1	-0.3	0.9	-0.8	0.7	3.8	4.8	7.0	4.2	5.7
I	-2.3	-2.3	-1.7	0.2	-0.7	-0.9	0.3	-0.3	-0.8	-1.4	-1.6	-2.1	-2.3	1.2	1.6	2.5
NL	-1.7	1.9	2.9	2.9	4.0	4.2	2.8	1.7	2.6	3.2	3.6	3.2	2.8	4.6	4.9	4.8
A	-2.7	-2.0	1.1	0.4	-0.3	-0.2	0.2	-0.2	-0.2	0.2	0.8	0.0	-0.1	-0.4	-0.9	-2.2
P	-5.5	-10.9	-12.2	-7.5	-3.1	0.1	2.6	1.1	-2.4	0.0	-0.9	-1.2	-0.7	1.0	:	:
FIN	-2.7	-0.8	-1.6	-1.9	0.0	-1.3	-1.1	-2.0	-2.7	-4.9	-4.9	-4.9	-3.6	0.0	1.7	4.5
S	:	:	:	:	:	:	:	:	:	-2.7	-3.6	-2.1	-3.1	-1.4	-1.3	1.1
UK	1.5	2.5	1.5	0.8	-0.3	0.3	-1.1	-2.2	-5.0	-5.7	-4.9	-2.7	-2.6	-2.5	-2.1	-1.9
EU*	-1.4	-0.8	-0.7	0.0	0.2	0.6	1.2	0.6	0.0	-0.5	-0.8	-1.4	-1.2	0.0	-0.1	0.5

*Excluding Greece and Luxembourg.

Despite net borrowing in the "General government" sector in all but one Member State, most of the EU national economies - with the exception of Germany, Austria and the UK - come down on the net lending

side. In other words, net borrowing by general government is more than offset by net lending from the private sector and other countries are not needed to finance government borrowing.

Figure 2 : Net lending of the EU* national economies, 1980-1995, in % of GDP



* Excluding Greece and Luxembourg

Significant shifts in the long term

The net lending of national economies increased substantially in the observation period (1980-1995). While Member States recorded an average net borrowing figure of 1.4 % of GDP in 1980, this had been transformed by 1986 into a net lending figure of 1.2 % of GDP, which - after a renewed descent into borrowing (1992: -1.2 %) - climbed back into the lending side of the balance giving a 1995 value of 0.5 % (see Figure 2). The most striking examples here are Belgium and Ireland, which succeeded in converting their respective borrowing of 4.5 % and 11 % of GDP in 1980 into net lending figures of 4.4 % and 5.7 % of GDP respectively in 1995 (see Table 2).

Germany's itinerary was equally striking, albeit in the opposite direction. Starting with a net borrowing figure for the national economy of the order of 1.8% (in 1980), it moved into net lending to the tune of 4.7% of GDP (in 1989) only to sink back - with -1.3% of GDP

in 1995 - into the borrowing side of the balance after German unification (see Table 2).

Conclusion

Two trends emerge from this analysis of the net lending or borrowing of the EU national economies. On the one hand, most of the EU Member States have moved from a position of net borrowing to one of net lending. The exceptions are Germany, Austria and the United Kingdom, where the net lending of the domestic 'household' and 'enterprise' sectors does not entirely offset the government's net borrowing.

On the other hand, - interestingly enough - Member States with relatively high government debt and interest payments (Belgium, Ireland and Italy) have recorded net lending by the private sector. This has been more than sufficient to offset the government borrowing and has resulted in a net lending position for the national economy as a whole.

Table 3: Net lending of the sectors in the EU,* as a % of GDP

EU eurostat	General government				Households				Enterprises				Rest of the world			
	1985	1993	1994	1995	1985	1993	1994	1995	1985	1993	1994	1995	1985	1993	1994	1995
B	-9,1	-7,5	-5,2	-4,2	6,3	10,2	7,7	7,5	2,7	0,8	1,3	1,1	0,1	-3,6	-3,9	-4,4
DK	-2,1	-3,9	-3,4	-1,9	-6,9	0,6	-1,2	:	4,0	6,2	6,1	:	4,7	-2,9	-1,4	-0,6
D	:	-3,5	-2,4	-3,6	6,1	:	:	:	2,7	:	:	:	-2,3	1,2	1,5	1,3
E	-6,8	-6,8	-6,3	-6,6	4,0	5,5	3,3	4,8	4,2	1,0	2,3	3,4	-1,4	0,4	0,8	-1,5
F	-2,9	-6,1	-6,0	-5,3	3,6	5,7	5,1	5,6	-0,7	1,4	1,4	1,2	0,0	-1,0	-0,6	-1,5
IRL	-11,0	-2,5	-1,8	-2,1	:	:	:	:	:	:	:	:	3,6	-7,0	-4,2	-5,7
I	-12,6	-9,6	-9,0	-7,1	11,3	10,0	9,3	8,8	0,8	-0,3	0,4	0,0	0,9	-1,2	-1,6	-2,5
NL	-3,6	-3,2	-3,4	-4,0	5,3	5,0	3,9	5,2	2,5	2,8	4,3	3,6	-4,2	-4,6	-4,9	-4,8
A	-2,3	-4,3	-4,5	-6,1	:	:	:	:	:	:	:	:	0,2	0,4	0,9	2,2
P	-6,5	-6,7	-5,3	-4,9	18,3	5,6	:	:	-11,8	2,3	:	:	-0,1	-1,0	:	:
FIN	2,9	-8,0	-6,2	-5,1	-1,1	3,5	1,0	2,9	-2,7	5,0	6,5	5,8	1,3	0,0	-1,7	-4,5
S	:	-12,3	-10,4	-8,0	:	6,0	5,9	5,0	:	4,9	3,2	4,0	:	1,4	1,3	-1,1
UK	-2,8	-7,8	-6,8	-5,8	:	:	:	:	:	:	:	:	-0,3	2,5	2,1	1,9
EU*	-5,5	-6,1	-5,4	-5,0	:	:	:	:	:	:	:	:	-0,6	0,0	0,1	-0,5

*Excluding Greece and Luxembourg.