

Title: *Durable Goods and Household Saving Ratios in the Euro Area*

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The purpose of this paper is to estimate the impact of the capitalisation of consumer durable goods on the euro area (EA) countries and the EA household saving ratios and disposable incomes. The reason for undertaking this exercise is twofold. Firstly, the System of National Accounts 1993 (SNA93) does not treat consumer durables as assets, even though they are generally regarded by individual households as such. Recently Jorgenson and Landefeld (2006) have recommended that consumer durables be both treated as assets and their services included in GDP. Secondly, the method of measuring of household saving ratios in the EA does not take into account the actual behaviour of households. This can be contrasted with the practice at the US Federal Reserve Board, which publishes two separate household net saving measures - one that adheres to the SNA93 treatment of consumer durables, and another that treats expenditure on consumer durables as an investment. The fact that the US uses two official saving ratios highlights the importance and usefulness of this kind of analysis; this paper seeks to extend this approach to the EA.

The discussion of the treatment of durable goods is also related to the issue of comparability of the saving ratios. A recent contribution was published by the ECB and the OECD in the beginning of 2004. This paper continues this debate from the borderline of investment and consumption goods point of view. The treatment of consumer durables is, furthermore, also significant for how wealth is defined.