

Business profit share and investment rate higher in the EU than in the USA

Profits and investment of non-financial corporations, 1995-2007

In 2007, non-financial corporations were more profitable in the euro area and EU than in the United States. The highest shares of operating profit were found in Norway, Ireland and Slovakia. The lowest were recorded in the United States, France and Sweden.

The share of operating profit in value added generally tended to increase over the 2000-2007 period compared with the share of labour costs. This was the case in the US, the euro area and the EU, notably in Poland, Slovenia, Germany and Slovakia. However, this share fell sizeably in Denmark, the Baltic countries (Lithuania, Latvia and Estonia) and Italy.

Non-financial corporations invested more in proportion to their value added in the euro area and in the EU than in

the United States. Highest investment rates were recorded in Latvia, Slovakia and Spain whereas the lowest were found in the Netherlands, the US and the United Kingdom.

Investment rates fluctuated over 2000-2007 with a net increase in Spain while a net fall was recorded in Germany, the US and the United Kingdom.

This analysis is based on a selection of indicators derived from national accounts that illustrate the behaviour of non-financial corporations as regards profits and investment, before the ongoing economic slowdown.

More information on concepts and methods is provided at the end of this publication.

PROFIT SHARES IN 2007

- Higher profit shares in the euro area (39.3%) and EU (38.7%) than in the US (29.3%)
- Highest profit shares in Norway (57.6%), Ireland (54.1%) and Slovakia (53.6%)
- Lowest profit shares in the US (29.3%), France (31.2%) and Sweden (31.6%)

Chart 1: Profit share of non-financial corporations in 2007

Share of gross operating surplus in gross value added



*2006 data

Source: Eurostat, OECD and US Bureau of Economic Analysis

Chart 1 shows the breakdown of value added, that is the value generated by the production process, into compensation of employees, other taxes less subsidies on production and gross operating surplus.

The profit share is defined in this publication as the share of gross operating surplus in gross value added. This profitability indicator shows the proportion of the value added created during the production process which remunerates capital.

Different profit shares across countries can be explained by a number of factors, such as the relative importance of labour versus capital intensive industries, labour productivity and the level of labour costs.

In 2007, profit shares were slightly higher in the euro area (39.3%) than in the EU (38.7%), both being above the US level (29.3%).

Among the five largest EU economies, France (31.2%), UK (35.2%) and Spain (35.5%) had profit shares below the EU average, whereas the profit shares of Germany (41.4%) and Italy (42.6%) were above.

In some countries, gross operating surplus represented more than 50% of the gross value added created during the production process. This was the case for Norway, Ireland and Slovakia. Conversely, the profit shares of France and Sweden were just above 30%.

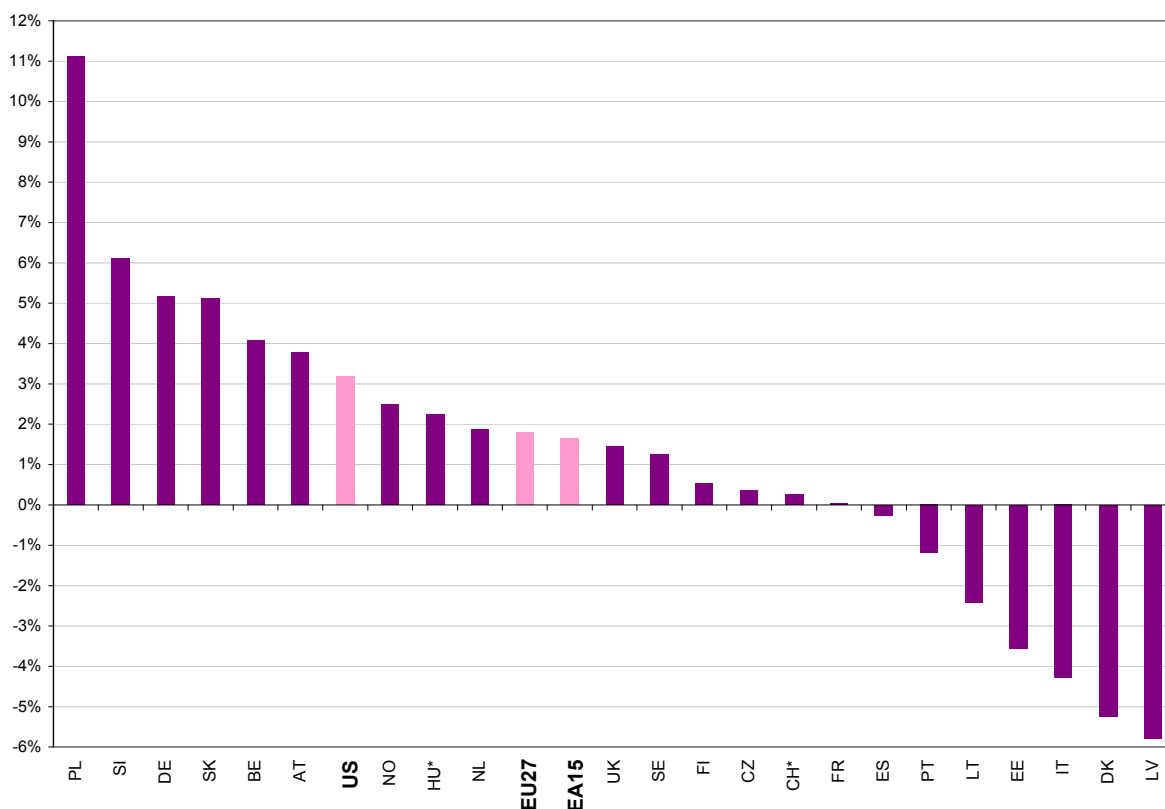
Except for Slovenia, Member States that joined the European Union in 2004 showed higher profit shares than the EU average.

Time series of profit shares are provided in table 1, at the end of this publication.

PROFIT SHARES OVER 2000-2007

Chart 2: Changes in profit shares between 2000 and 2007

Variation of the share of gross operating surplus in gross value added, percentage points



Data for Ireland are not available for 2000 and 2001

Source: Eurostat and US Bureau of Economic Analysis

*2006 data

Chart 2 shows the absolute changes in profit shares between 2000 and 2007. This time span has been chosen as it broadly coincides with two successive peaks in the European business cycle.

In the euro area and EU, profit shares increased by 1.7 and 1.8 percentage points respectively. This was below the rise observed in the United States (3.2 percentage points).

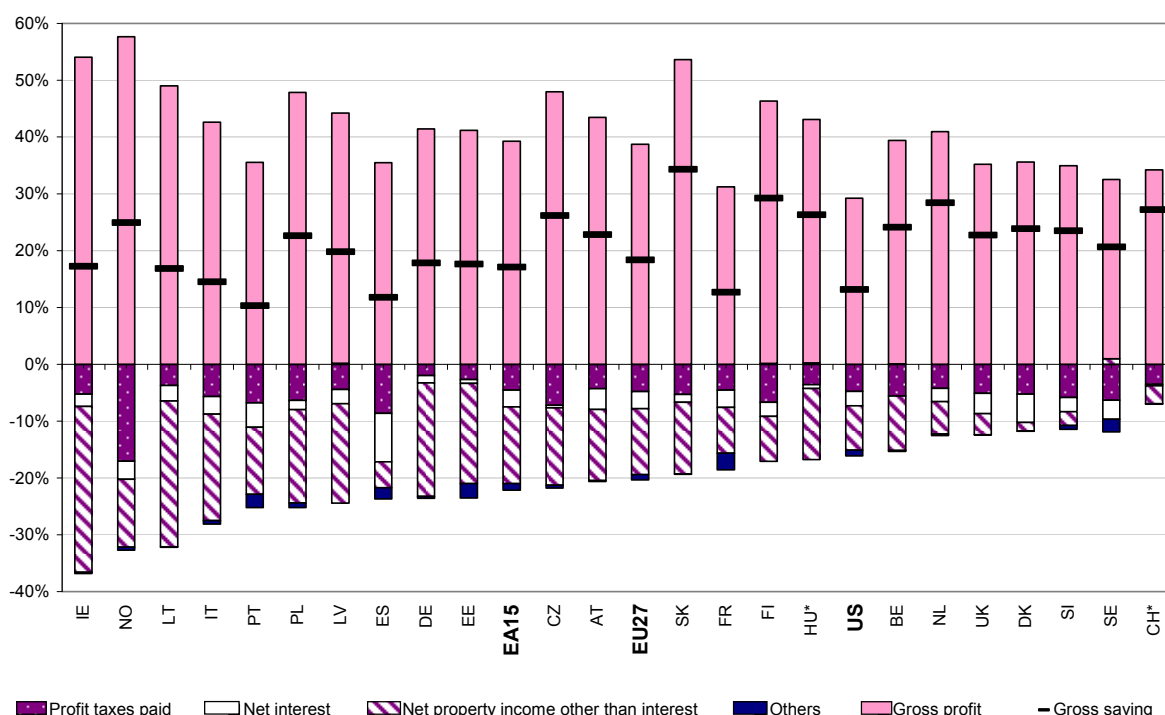
Amongst the five largest economies of the European Union, profit shares increased significantly in Germany, moderately in the United Kingdom, while they remained broadly stable in France and Spain and decreased in Italy.

Poland, Slovenia, Germany and Slovakia experienced the largest rises in profit shares, whereas the largest falls were observed in the Baltic countries, Denmark and Italy.

FROM OPERATING SURPLUS TO SAVING IN 2007

Chart 3: From gross operating surplus to gross saving, 2007 data

Components in proportion to gross value added



*2006 data

Source: Eurostat and US Bureau of Economic Analysis

Profits, measured in the chart above by the gross operating surplus, are mainly used to pay taxes and remunerate capital in the form of interest and dividends paid to shareholders. In addition, non-financial corporations also receive interest and other property income from their financial investments. The remainder, after adjusting for miscellaneous current transfers, forms the saving of non-financial corporations.

Chart 3 shows gross operating surplus, how it is distributed, and the resulting gross saving. Total net distributions correspond to the full bar below the horizontal axis (except for Sweden as explained below).

Total net distributions represented similar shares of value added in the euro area (22.2 %) and in the EU (20.3%) whereas they were only 16.1 % in the US (see table 3).

In Europe, total net distributions were the highest in Ireland, Norway and Lithuania and the lowest in Switzerland.

Property income other than interest explains most of the disparities in total distributions. In particular, they were lower in the US (7.8%) than in the euro area (13.5%) or in the EU (11.6%). In the EU, the highest shares were recorded in Ireland (29.2%), Lithuania (25.6 %) and Germany (20.0%) and the lowest in Sweden (1.0% as net receipts), Denmark (1.5%) and Slovenia (2.4%). Sweden was the only country where receipts exceeded payments, thus contributing positively to saving.

Profit taxes represented a particularly high share of gross value added in Norway (17.0%), followed by Spain (8.6%) and the Czech Republic (7.2%). They were the lowest in Germany (2.0%) and Estonia (2.7%).

Net interest payments and others (benefits paid less social contributions received and other current transfers) represented less than 7% of the gross value added except for Spain (10.5%).

In 2007, the non-financial corporations of the euro area and the EU were net savers, with 17.1% and 18.4% respectively of their value added being saved. Non-

financial corporations saved proportionately less in the US (13.1% of value added).

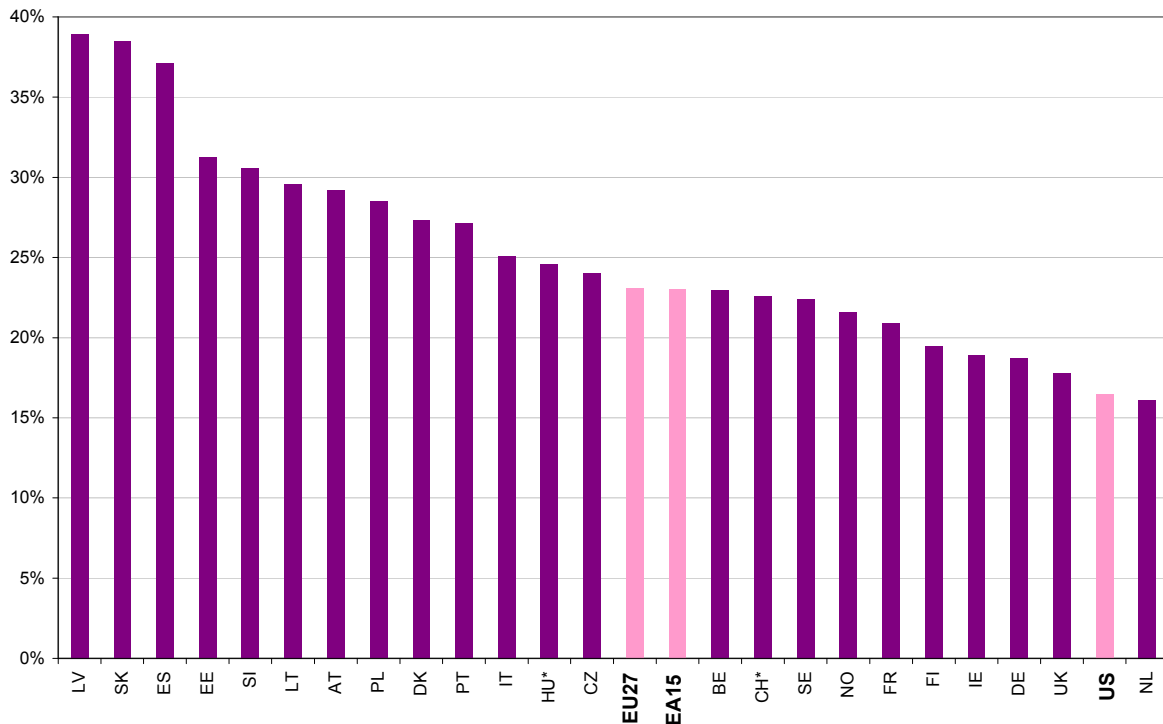
Slovakia (34.3%), Finland (29.3%) and the Netherlands (28.4%) were the European countries with the highest saving shares whereas Portugal (10.3%), Spain (11.8%) and France (12.7%) had the lowest.

INVESTMENT RATES IN 2007

- Higher investment rates in the euro area (23.0%) and EU (23.1%) than in the US (16.5%)
- Highest investment rates in Latvia (38.9%), Slovakia (38.5%), and Spain (37.1%)
- Lowest investment rates in the Netherlands (16.1%), the US (16.5%) and the United Kingdom (17.8%).

Chart 4: Gross investment rate of non-financial corporations in 2007

Ratio of gross fixed capital formation to gross value added



*2006 data

Source: Eurostat and US Bureau of Economic Analysis

The investment rate presented in chart 4 shows investments in fixed assets (mainly machinery and buildings) as a percentage of value added created in the production process.

The investment rate was significantly higher in the EU than in the United States (23.1% versus 16.5% respectively).

Among the five largest EU economies, investment rates were above the EU average in Spain (37.1%) and Italy (25.1%). They were below in the United Kingdom (17.8%), Germany (18.7%) and France (20.9%).

Investment rates showed sizable disparities across Europe in 2007. This can be partly explained by the relative importance of capital intensive industries in the structure of the different economies.

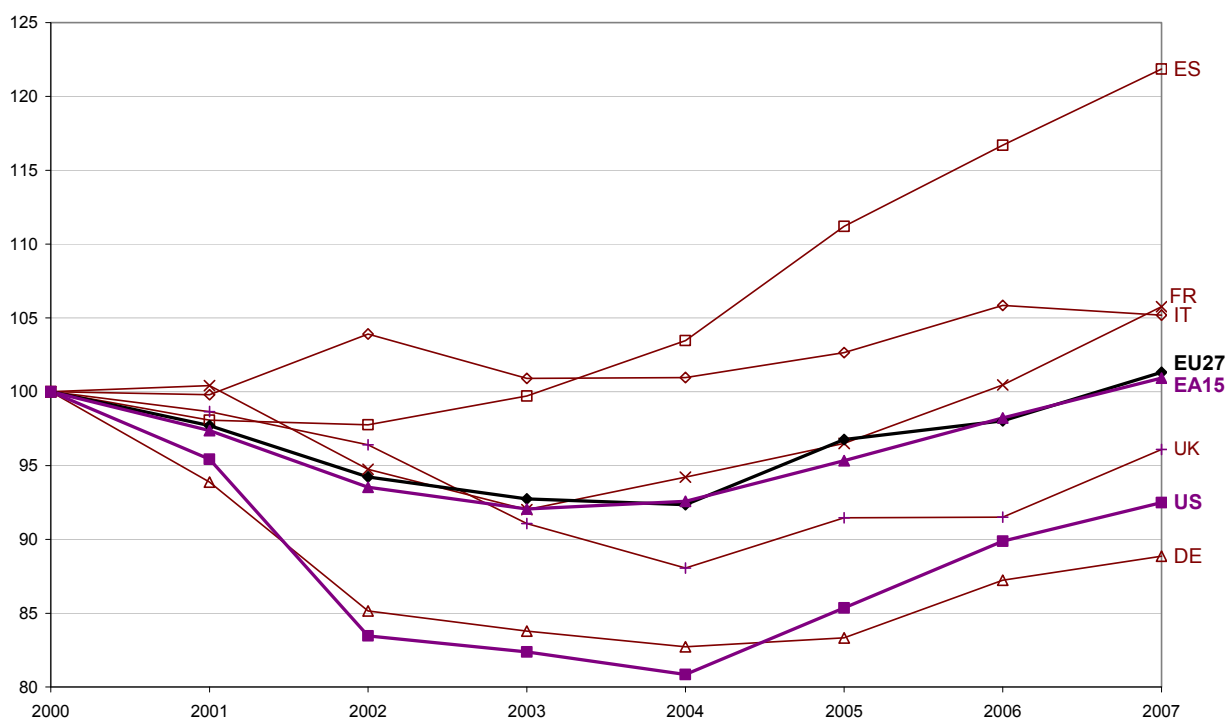
The highest investment rates were recorded in Latvia (38.9%), Slovakia (38.5 %) and Spain (37.1%) and the lowest in the Netherlands (16.1%) and the United Kingdom (17.8%).

Moreover, the investment rates of Member States that joined the European Union in 2004 were all above the EU average (see table 2).

INVESTMENT RATES OVER 2000-2007

Chart 5: Relative changes in the gross investment rates of non-financial corporations in the five largest EU economies and in the US, 2000-2007

Relative changes in the ratio of gross fixed capital formation to gross value added, 2000=100



Source: Eurostat and US Bureau of Economic Analysis

Although investments may be very volatile at enterprise level, cyclical trends can be observed at the macro (country) level.

Chart 5 shows the investment rates of the five largest EU economies and the US together with euro area and EU averages.

After a fall starting in 2001, the investment rate of the euro area and the EU grew from 2004. Similar patterns were observed in the United States and Germany whose investment cycles broadly overlap.

The UK also experienced a downward trend of the investment rate after 2001, but it was less prominent in

France and was not observed in Italy and Spain. Indeed, Spain experienced a steady and significant increase of its investment rate from 30.5 % in 2000 to 37.1% in 2007.

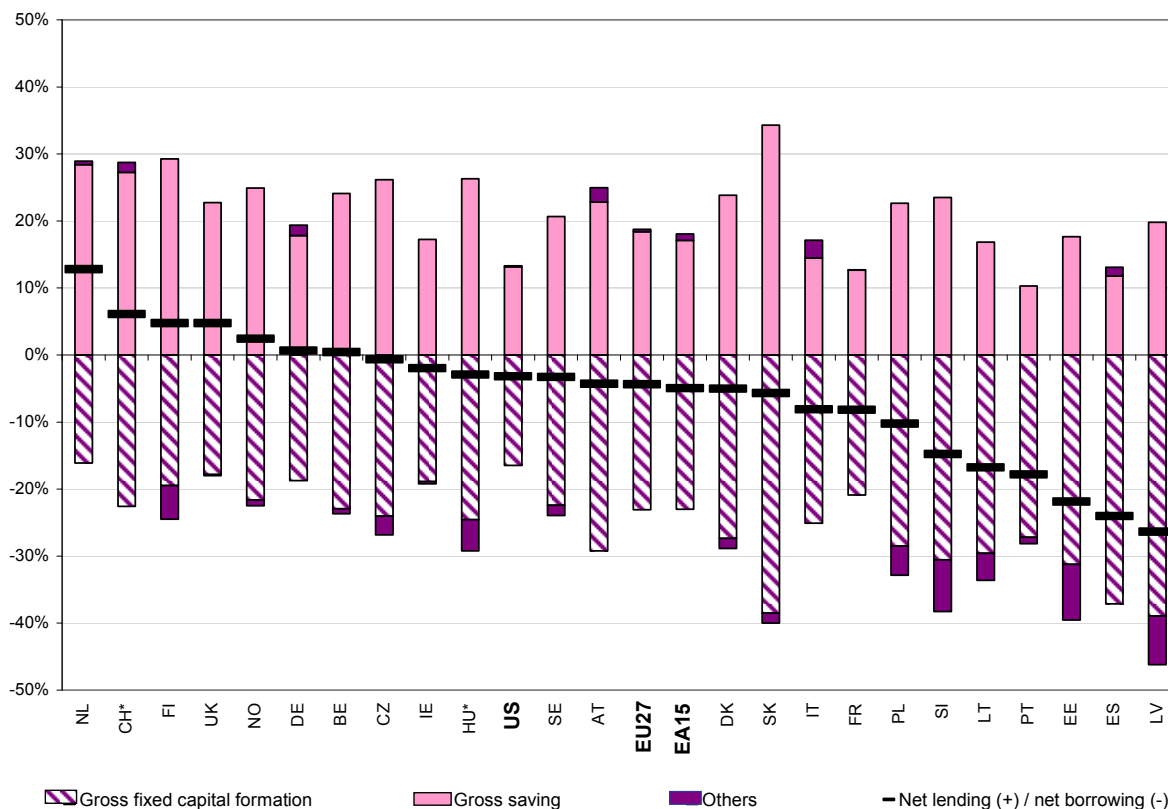
Among other European countries (see table 2), only Slovakia registered a significant rise in the investment rate (from 32.3% in 2000 to 38.5% in 2007).

Significant falls were observed in Poland (from 38.2% in 2000 to 28.5% in 2007) and the Czech Republic (from 33.2% to 24.0%). The lowest investment rate for Poland was recorded in 2004 (22.4%) whereas the Czech Republic has registered a steady decrease since 2001.

NET LENDING / NET BORROWING IN 2007

Chart 6: Net lending / borrowing of non-financial corporations in 2007

Components in proportion to gross value added



*2006 data

Source: Eurostat and US Bureau of Economic Analysis

Corporations' savings are one source used by enterprises to finance their investment, mainly in buildings and machinery, called gross fixed capital formation in national accounts terms.

Chart 6 plots gross saving, gross investment and other capital transactions (inventories, capital transfers etc.) of non-financial corporations, expressed as a share of gross value added.

The difference between savings and capital transactions is called net lending when positive and net borrowing when negative.

If non-financial corporations are net lenders, it means that they have an excess of savings over investment that they can lend to other sectors of the national economy or to non-residents.

Conversely, they are net borrowers when they need to borrow money from other sectors in order to finance their investment and other capital transactions.

In 2007, non-financial corporations were net borrowers in the euro area and in the EU as well as in the United States (see table 3).

Amongst the largest EU economies, corporations in Spain (-24.0%), France (-8.2%) and Italy (-8.1%) were net borrowers whereas corporations in the United Kingdom (4.8%) and to a lesser extent Germany (0.7%) were net lenders.

In Europe, non-financial corporations were net lenders in seven European countries only, namely the Netherlands (12.8% of value added), Switzerland (6.1%), Finland (4.8%), United Kingdom (4.8%), Norway (2.4%), Germany (0.7%) and Belgium (0.4%).

Countries whose non-financial corporations had the largest borrowing needs were Latvia (-26.4% of value added), Spain (-24.0%) and Estonia (-21.9%).

Table 1: Profit share of non-financial corporations, 1995-2007

Share of gross operating surplus to gross value added, %

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
BE (Belgium)	35.3	34.9	35.2	35.6	34.5	35.2	33.9	34.1	35.2	37.1	38.4	39.0	39.3
CZ (Czech Republic)	42.9	43.2	43.4	46.0	46.9	47.6	48.1	47.2	45.7	46.7	47.4	48.1	48.0
DK (Denmark)	39.9	39.6	39.9	37.2	38.0	40.9	38.3	37.6	37.5	38.5	38.3	37.5	35.6
DE (Germany)	34.8	34.9	36.1	37.3	36.3	36.3	37.2	37.5	37.7	38.7	40.0	40.8	41.4
EE (Estonia)	33.1	35.6	38.4	41.9	44.6	44.7	46.1	46.8	48.0	48.1	48.4	47.2	41.2
IE (Ireland)	:	:	:	:	:	:	:	59.1	57.9	56.5	55.2	54.9	54.1
ES (Spain)	:	:	:	:	:	35.8	35.8	36.0	36.0	36.6	35.8	35.2	35.5
FR (France)	31.6	30.6	31.2	32.4	31.3	31.2	31.3	30.7	31.0	30.8	30.8	31.1	31.2
IT (Italy)	48.2	48.7	47.9	46.9	46.5	46.9	47.0	46.3	45.6	45.7	44.1	42.9	42.6
LV (Latvia)	33.7	27.6	42.4	44.8	46.8	49.8	52.7	55.7	54.1	52.8	49.7	47.0	44.0
LT (Lithuania)	50.0	50.3	49.3	46.2	43.5	51.4	56.4	56.4	56.2	55.4	54.4	52.0	49.0
HU (Hungary)	:	:	:	:	:	40.6	39.6	41.6	41.4	41.4	40.3	42.8	:
NL (Netherlands)	38.2	38.5	39.4	38.7	38.2	39.1	38.7	38.7	38.0	38.4	40.2	40.9	40.9
AT (Austria)	35.7	37.0	38.0	38.6	38.6	39.7	38.6	39.1	39.5	41.0	41.9	42.8	43.4
PL (Poland)	34.7	31.4	33.4	33.1	34.2	36.7	33.8	38.0	42.1	47.4	47.2	47.1	47.8
PT (Portugal)	37.5	37.5	37.5	37.5	38.1	36.7	37.2	37.0	35.5	36.9	35.9	35.4	35.5
SI (Slovenia)	:	:	:	:	:	28.9	29.5	30.5	32.2	31.7	31.2	32.7	35.0
SK (Slovakia)	50.1	48.0	47.3	46.8	48.8	48.5	49.9	47.3	49.6	54.3	51.5	53.8	53.6
FI (Finland)	43.7	42.9	44.2	45.2	45.1	45.7	45.8	45.5	45.0	45.2	43.8	45.3	46.2
SE (Sweden)	39.4	33.9	33.1	32.0	31.6	30.3	27.1	28.1	28.5	30.2	31.2	33.0	31.6
UK (United Kingdom)	36.4	37.7	37.4	35.7	34.7	33.8	32.7	32.6	33.3	33.9	33.9	34.5	35.2
CH (Switzerland)	34.9	34.8	35.2	34.8	34.9	34.0	32.5	31.8	31.8	34.3	33.8	34.2	:
NO (Norway)	46.0	48.7	48.5	42.3	45.1	55.1	54.5	51.4	52.4	55.5	58.9	59.7	57.6
EA15 (Euro area)	37.1	37.3	37.7	38.2	37.6	37.6	38.3	38.1	38.2	38.7	38.8	39.0	39.3
EU27 (European Union)	37.2	37.4	37.7	37.7	37.1	36.9	36.9	36.7	37.1	37.9	38.1	38.4	38.7
US (United States)	:	:	:	:	:	26.1*	25.4	25.8	26.4	28.1	29.4	30.4	29.3

Source: Eurostat and US Bureau of Economic Analysis

* US: 2000 data for Gross Value Added at basic prices were estimated by Eurostat

Table 2: Gross investment rate of non-financial corporations, 1995-2007

Ratio of gross fixed capital formation to gross value added, %

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
BE (Belgium)	20.6	21.8	22.0	22.6	22.7	23.4	22.5	20.8	20.8	20.9	21.5	21.7	22.9
CZ (Czech Republic)	38.7	38.0	36.7	33.1	33.5	33.2	33.6	31.8	30.6	28.7	26.5	24.9	24.0
DK (Denmark)	26.1	25.8	27.1	29.0	25.7	25.3	24.7	26.0	25.7	25.2	24.0	25.4	27.3
DE (Germany)	19.7	19.5	19.5	19.5	20.4	21.1	19.8	17.9	17.7	17.4	17.6	18.4	18.7
EE (Estonia)	29.9	30.5	32.8	35.6	28.5	31.4	30.4	33.7	36.1	35.0	31.9	32.7	31.2
IE (Ireland)	:	:	:	:	:	:	:	15.9	15.8	17.1	18.9	17.8	18.9
ES (Spain)	:	:	:	:	:	30.5	29.9	29.8	30.4	31.5	33.9	35.6	37.1
FR (France)	17.6	17.7	17.1	17.7	18.7	19.7	19.8	18.7	18.2	18.6	19.1	19.8	20.9
IT (Italy)	21.5	21.3	21.8	22.3	22.9	23.8	23.8	24.8	24.1	24.1	24.5	25.2	25.1
LV (Latvia)	22.8	28.7	21.7	37.0	33.1	35.9	36.0	34.8	32.0	34.7	36.9	38.1	38.9
LT (Lithuania)	25.4	28.8	32.4	33.5	31.3	24.3	25.7	23.9	24.0	24.1	25.1	28.3	29.6
HU (Hungary)	:	:	:	:	:	30.4	27.9	24.7	25.8	25.1	26.5	24.6	:
NL (Netherlands)	18.6	19.1	19.2	18.9	19.8	18.2	17.4	16.8	15.2	15.1	15.2	15.7	16.1
AT (Austria)	29.4	30.7	30.4	30.7	30.1	31.5	30.5	28.1	29.5	29.1	29.0	28.6	29.2
PL (Poland)	25.0	29.6	32.6	35.4	37.5	38.2	29.4	25.2	23.8	22.4	23.0	25.2	28.5
PT (Portugal)	23.5	23.8	26.8	30.0	31.5	33.0	31.8	29.7	28.4	27.0	28.2	27.5	27.2
SI (Slovenia)	:	:	:	:	:	31.7	29.0	27.5	28.7	29.4	30.3	30.1	30.6
SK (Slovakia)	34.9	43.4	46.3	51.2	41.7	32.3	40.0	38.0	36.6	35.5	40.9	38.8	38.5
FI (Finland)	18.6	19.0	19.6	19.6	18.8	19.8	20.4	17.6	17.1	16.8	17.6	18.1	19.5
SE (Sweden)	19.2	20.6	20.4	20.9	21.9	23.1	22.6	20.8	20.0	19.8	21.0	21.6	22.4
UK (United Kingdom)	17.5	18.3	18.7	19.3	19.2	18.5	18.3	17.9	16.9	16.3	17.0**	17.0	17.8
CH (Switzerland)	20.9	20.8	20.9	22.2	22.7	23.6	22.9	22.7	21.0	20.9	21.7	22.6	:
NO (Norway)	22.5	22.2	24.8	30.1	24.2	18.4	17.3	17.5	16.8	16.5	17.5	18.4	21.6
EA15 (Euro area)	20.6	20.9	21.2	21.5	22.2	22.8	22.2	21.3	21.0	21.1	21.7	22.4	23.0
EU27 (European Union)	20.9	21.3	21.5	21.9	22.4	22.8	22.3	21.5	21.1	21.1	22.1	22.3	23.1
US (United States)	:	:	:	:	:	17.8*	17.0	14.9	14.7	14.4	15.2	16.0	16.5

Source: Eurostat and US Bureau of Economic Analysis

* US: 2000 data for Gross Value Added at basic prices were estimated by Eurostat

**It was 19.2 % before correcting for the one-off payment of GBP 15,6 bn (EUR 23 bn) by British Nuclear Fuels as a compensation for the transfer of old nuclear reactors to the (public) Nuclear Decommissioning Authority

Table 3: Allocation and distribution of income of non-financial corporations in 2007

As a proportion to gross value added, %

	Chart 1. Profit share				Chart 3. From operating surplus to saving							Chart 6. Net lending / borrowing			
	Compensation of employees received			Gross operating surplus	Total net payments	Profit taxes	Net interest	Net property income other than interest			Others	Gross saving	Gross fixed capital formation	Others	Net lending (+) / net borrowing (-)
	Total	Wages and salaries	Employers' social contributions					Total	Of which distributed income of corporations	Of which reinvested earnings on direct foreign investment					
BE (Belgium)	61.7	46.1	15.6	39.3	-15.2	-5.6	0.1	-9.6	-8.6	-0.9	-0.1	24.1	-22.9	-0.7	0.4
CZ (Czech Republic)	53.3	40.2	13.1	48.0	-21.8	-7.2	-0.5	-13.6	-8.7	-4.7	-0.5	26.2	-24.0	-2.8	-0.7
DK (Denmark)	64.6	59.7	4.9	35.6	-11.8	-5.2	-5.0	-1.5	-2.4	1.8	0.0	23.8	-27.3	-1.5	-5.0
DE (Germany)	57.4	:	:	41.4	-23.6	-2.0	-1.3	-20.0	-21.2	1.1	-0.3	17.8	-18.7	1.5	0.7
EE (Estonia)	59.1	45.2	13.9	41.2	-23.5	-2.7	-0.7	-17.7	-3.7	-13.8	-2.5	17.7	-31.2	-8.3	-21.9
IE (Ireland)	44.5	:	:	54.1	-36.8	-5.2	-2.2	-29.2	-17.5	-11.6	-0.2	17.2	-18.9	-0.3	-2.0
ES (Spain)	64.3	49.9	14.5	35.5	-23.7	-8.6	-8.5	-4.6	-5.4	0.9	-2.0	11.8	-37.1	1.3	-24.0
FR (France)	65.1	48.9	16.1	31.2	-18.6	-4.5	-3.1	-8.1	-8.0	0.1	-2.9	12.7	-20.9	0.0	-8.2
IT (Italy)	53.8	39.4	14.4	42.6	-28.1	-5.7	-3.1	-18.7	-18.4	-0.4	-0.6	14.5	-25.1	2.6	-8.1
LV (Latvia)	55.7	49.3	6.3	44.0	-24.2	-4.4	-2.5	-17.5	-13.7	-3.7	0.2	19.8	-38.9	-7.2	-26.4
LT (Lithuania)	51.0	40.9	10.2	49.0	-32.2	-3.7	-2.8	-25.6	-22.2	-3.2	-0.1	16.8	-29.6	-4.0	-16.8
HU (Hungary)*	57.6	45.5	12.1	42.8	-16.5	-3.6	-0.7	-12.5	-8.8	-2.2	0.3	26.3	-24.6	-4.7	-2.9
NL (Netherlands)	58.9	47.2	11.8	40.9	-12.5	-4.2	-2.4	-5.7	-3.6	-0.3	-0.3	28.4	-16.1	0.5	12.8
AT (Austria)	54.8	45.2	9.6	43.4	-20.6	-4.3	-3.7	-12.5	-11.4	-1.1	-0.2	22.8	-29.2	2.1	-4.3
PL (Poland)	50.2	:	:	47.8	-25.2	-6.3	-1.6	-16.4	-10.8	-4.8	-0.8	22.6	-28.5	-4.4	-10.2
PT (Portugal)	64.3	:	:	35.5	-25.2	-6.8	-4.3	-11.8	-11.3	-0.4	-2.3	10.3	-27.2	-1.0	-17.8
SI (Slovenia)	64.2	:	:	35.0	-11.5	-5.8	-2.5	-2.4	-3.2	0.6	-0.7	23.5	-30.6	-7.7	-14.8
SK (Slovakia)	47.0	:	:	53.6	-19.4	-5.3	-1.4	-12.6	-11.0	-1.5	-0.1	34.3	-38.5	-1.5	-5.7
FI (Finland)	54.2	44.1	10.1	46.2	-16.9	-6.7	-2.5	-7.9	-8.3	0.4	0.1	29.3	-19.5	-5.0	4.8
SE (Sweden)	65.4	48.8	16.6	31.6	-10.9	-6.3	-3.4	1.0	-4.4	5.5	-2.2	20.7	-22.4	-1.5	-3.3
UK (United Kingdom)	62.6	:	:	35.2	-12.4	-5.1	-3.6	-3.7	-8.2	4.6	-0.1	22.8	-17.8	-0.2	4.8
CH (Switzerland)*	69.7	59.0	10.7	34.2	-7.0	-3.5	-0.2	-3.2	-5.6	2.3	-0.1	27.2	-22.6	1.5	6.1
NO (Norway)	42.7	:	:	57.6	-32.7	-17.0	-3.2	-11.9	-13.6	1.6	-0.6	24.9	-21.6	-0.9	2.4
EA15 (Euro area)	59.0	:	:	39.3	-22.2	-4.6	-2.9	-13.5	-14.4	1.1	-1.1	17.1	-23.0	1.0	-4.9
EU27 (European Union)	59.6	:	:	38.7	-20.3	-4.8	-3.0	-11.6	-12.4	0.9	-0.9	18.4	-23.1	0.4	-4.4
US (United States)	68.6	:	:	29.3	-16.1	-4.8	-2.5	-7.8	-7.5	:	-1.0	13.1	-16.5	0.2	-3.2

Source: Eurostat and US Bureau of Economic Analysis

* 2006 data

Table 4: Net lending / borrowing of non-financial corporations, 1995-2007

As a proportion to gross value added, %

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
BE (Belgium)	1.3	1.5	2.3	-0.6	-1.3	-0.5	-1.4	-0.5	-0.2	0.2	5.1	-0.6	0.4
CZ (Czech Republic)	-16.0	-13.3	-12.4	-4.0	-5.0	-5.0	-5.5	-1.2	-3.8	-4.5	0.4	-2.2	-0.7
DK (Denmark)	1.3	3.7	1.4	-2.8	5.4	1.4	4.4	2.6	1.7	1.9	2.0	-2.4	-5.0
DE (Germany)	9.1	-1.5	-2.6	-3.2	-6.5	-12.0	-3.5	0.3	-0.8	2.6	1.8	0.6	0.7
EE (Estonia)	-16.6	-14.3	-21.7	-12.7	-0.4	-9.6	-8.4	-14.9	-14.3	-12.4	-7.9	-15.3	-21.9
IE (Ireland)	:	:	:	:	:	:	:	0.1	0.4	0.1	-1.0	1.1	-2.0
ES (Spain)	:	:	:	:	:	-8.3	-9.8	-8.1	-7.8	-9.3	-15.2	-19.9	-24.0
FR (France)	-2.0	0.4	0.3	0.2	0.6	-3.9	-3.0	-2.7	-2.2	-2.9	-5.7	-6.3	-8.2
IT (Italy)	-3.7	-2.9	-5.7	-1.4	-4.7	-5.8	-5.3	-6.4	-4.9	-3.8	-4.0	-6.2	-8.1
LV (Latvia)	2.5	-14.4	-16.0	-17.2	-10.9	-6.6	-8.2	-9.4	-11.5	-19.0	-14.3	-27.4	-26.4
LT (Lithuania)	-11.9	-4.1	-18.8	-19.1	-21.5	-11.7	-3.9	-5.9	-5.8	-5.2	-7.9	-13.3	-16.8
HU (Hungary)	:	:	:	:	:	-11.3	-4.8	3.0	-1.8	-6.9	-5.9	-2.9	:
NL (Netherlands)	15.7	3.2	4.2	0.6	3.5	5.6	4.7	9.0	12.4	14.4	11.6	14.3	12.8
AT (Austria)	-8.4	-9.1	-9.2	-6.2	-7.9	-7.7	-9.6	-1.5	-3.1	2.7	-3.9	-4.6	-4.3
PL (Poland)	-10.3	-11.3	-14.0	-16.4	-19.5	-17.9	-10.1	-4.0	3.3	0.0	1.7	-1.1	-10.2
PT (Portugal)	-2.6	-2.4	-6.3	-8.2	-11.8	-18.2	-15.8	-14.2	-10.3	-9.8	-13.1	-16.5	-17.8
SI (Slovenia)	:	:	:	:	:	-9.3	-6.2	-5.5	-5.7	-9.4	-12.1	-13.7	-14.8
SK (Slovakia)	1.8	-16.8	-18.5	-16.1	1.1	16.3	-4.4	-5.1	-8.6	-7.1	-13.5	-5.9	-5.7
FI (Finland)	8.4	9.6	9.6	6.3	10.7	5.3	7.7	8.5	6.4	8.9	4.7	6.3	4.8
SE (Sweden)	5.7	3.3	3.5	1.6	0.8	-1.4	-5.9	2.3	2.4	0.1	-0.2	-1.6	-3.3
UK (United Kingdom)	1.3	1.3	-0.5	-0.7	-1.9	-0.8	-1.1	1.8	3.7	4.7	3.3	3.9	4.8
CH (Switzerland)	-0.7	-0.6	2.4	3.8	3.3	-0.5	2.8	-2.2	6.2	7.4	9.8	6.1	:
NO (Norway)	-1.9	0.9	-3.3	-10.3	-3.2	-0.3	6.1	1.3	2.9	-1.3	-3.5	1.2	2.4
EA15 (Euro area)	2.9	-1.7	-3.0	-2.8	-4.8	-8.0	-4.7	-2.5	-2.1	-1.0	-2.6	-4.0	-4.9
EU27 (European Union)	2.3	-1.1	-2.4	-2.3	-4.1	-7.2	-4.2	-2.0	-1.3	-0.8	-1.9	-3.4	-4.4
US (United States)	:	:	:	:	:	-3.9	0.2	3.2	3.9	3.7	4.0	2.7	-3.2

Source: Eurostat and US Bureau of Economic Analysis

METHODOLOGICAL NOTES

The data analysed in this publication derive from the annual non-financial sector accounts of the countries. National accounts data by institutional sectors are compiled according to internationally harmonised standard: the European System of Accounts (ESA95) in the European Union and the System of National Accounts at the world level.

National Accounts versus business accounts

Non-financial national accounts by institutional sector provide a systematic description of the different stages of economic process: production, generation and distribution, use and accumulation of income. Each of the accounts ends with a balancing item (value added, operating surplus, primary income, disposable income, saving). In case of corporations these can be seen as aggregate approximations of profit measures common for business accounting.

However, profitability indicators derived from National Accounts aim at measuring outcomes of regular economic processes. They exclude in particular provisions, profits/losses caused by changes in the price levels of assets or by other changes such as catastrophic losses.

Profitability indicators may be calculated either gross or net of depreciation. In national accounts, depreciation is called consumption of fixed capital and defined as the amount of fixed assets used-up as a result of normal wear and tear and foreseeable obsolescence.

Consumption of fixed capital is generally estimated on the basis of models, such as the perpetual inventory method, which may hamper the comparability of the data across countries. For this reason, the aggregates analysed in this publication are gross of consumption of fixed capital.

Institutional sectors

In National Accounts, economic units may be grouped into four mutually exclusive institutional sectors, which make up the total economy: non-financial corporations, financial corporations, general government and households (including non-profit institutions serving households).

The current publication focuses on the sector of non-financial corporations that includes all market producers of goods and non-financial services. It includes incorporated enterprises, but also unincorporated enterprises as long as they keep a complete set of accounts and have an economic and financial behaviour that differs from that of their owners. Small businesses like self-entrepreneurs are recorded under the households sector.

Non-financial corporations play a key role in productive investment and therefore in the growth of the economy.

Main definitions used

The **profit share** of non-financial corporations is defined as gross operating surplus divided by gross value added. This profitability-type indicator shows the share of the value added created during the production process remunerating capital. It is the complement of the share of labour costs (plus net taxes on production) in value added.

The **gross investment rate** of non-financial corporations is defined as gross fixed capital formation divided by gross value added. This ratio relates the investment of non-financial businesses in fixed assets (buildings, machinery, software, major improvements to fixed assets etc.) to the value added created during the production process.

Data sources

Non-financial annual sector accounts are transmitted according to the ESA 95 transmission programme and published in the Eurostat database (domain: "annual sector accounts").

Countries that did not deliver a full set of accounts, over the full time span 1999-2007, were normally not analysed in this publication. This was the case for Bulgaria, Cyprus, Luxembourg, Malta and Romania. In the case of Greece, the data provided were still under validation by Eurostat when this publication was drafted.

As for Hungary and Switzerland, only 2007 data were missing and 2006 data have been analysed instead.

The accounts of the euro area (EA15) and the EU were compiled jointly by Eurostat and the European Central Bank, for the 1999-2007 time span, whereas Eurostat estimated 1995-1998 series. The European sector accounts are not a simple sum of the data of individual countries. There are five specific compilation steps: (1) conversion to euro, (2) estimation of missing countries, (3) incorporation of the European institutions, (4) estimation of the flows between the euro area / EU and third countries and (5) balancing of the accounts.

US data come from the national accounts published by the Bureau of Economic Analysis (BEA).

This version of the US accounts is established according to the System of National Accounts (SNA) concepts and differs from the officially released National Income and Product Accounts (NIPA). For more details, please refer to <http://www.bea.gov/national/sna.htm>.

Additional information

Additional information on quarterly and annual sector accounts can be found on Eurostat's website at:

<http://ec.europa.eu/eurostat/sectoraccounts>

Symbols:

: not available

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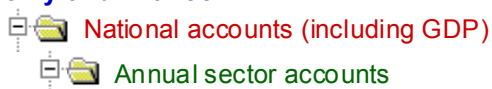
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