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**PRESS RELEASE**

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## Non-financial accounts of the institutional sectors, first quarter of 2019

- The household saving rate was up, while non-financial corporations' profit share shrank.
- Investment rates, both for households and non-financial corporations, stabilised.
- The budget deficit widened further.

On 12 July 2019, the NAI is publishing the estimate of the quarterly non-financial accounts of the institutional sectors for the first quarter of 2019. The sector accounts are drawn up at current prices and in accordance with the ESA 2010.

**KEY INDICATORS**

(data adjusted for seasonal and calendar effects)

		Households <sup>1</sup>		Non-financial corporations		General government
		Saving rate (in %)	Investment rate (in %)	Profit share (in %)	Investment rate (in %)	Balance (in % of GDP)
2016	I	11.5	10.0	42.3	25.1	-3.5
	II	11.0	10.2	43.2	25.1	-2.4
	III	11.7	10.1	43.0	28.5	-2.7
	IV	11.0	10.2	43.2	25.6	-1.1
2017	I	10.9	10.3	43.9	26.0	-0.7
	II	11.2	10.1	43.1	26.3	-1.2
	III	11.9	10.1	42.9	26.1	-0.9
	IV	11.7	10.0	42.6	26.1	-0.5
2018	I	11.1	10.2	43.0	26.5	-0.4
	II	11.7	10.1	42.3	26.3	0.0
	III	11.4	10.2	42.3	26.3	-0.7
	IV	12.4	10.4	42.4	27.1	-1.6
2019	I	12.9	10.4	41.7	27.1	-1.9

<sup>1</sup> Including non-profit institutions (NPIs) serving households.

**Rise in the household saving rate**

In the first quarter of 2019, household disposable income was up by 1% on the previous quarter. Final consumption expenditure picked up more moderately, by 0.4%. The gross saving rate was therefore higher than in the previous quarter, rising from 12.4% to 12.9%.

The increase in household disposable income primarily reflects the rise in compensation of employees, helped along by a small reduction in direct taxation. Self-employed incomes and rental incomes were up slightly. However, social benefits, as well as property incomes and other current transfers contracted slightly.

### ***Household investment rate stabilises***

During this first quarter, the household investment rate (construction and renovation of housing and gross fixed capital formation of self-employed workers and NPIs serving households) remained stable, at 10.4% of disposable income.

### ***Drop in non-financial corporations' profit share***

The profit share of non-financial corporations dropped back during the first quarter of 2019, from 42.4% to 41.7%. Gross value added generated by non-financial corporations grew by 0.7% over the first three months of the year, while compensation of employees and taxes net of subsidies on production were 1.8% higher than in the previous quarter.

### ***Investment rate of non-financial corporations remains steady***

Non-financial corporations saw their investment rate hold steady, at 27.1% of gross value added. They effectively stepped up their investment efforts at a fairly similar pace to their value added growth rate.

### ***Deterioration in the general government balance***

At the end of the first quarter of 2019, the balance of general government worked out at -1.9 % of GDP, compared with - 1.6 % of GDP in the previous quarter. Public expenditure was up slightly, while revenue contracted a little, mainly as a result of the drop in net VAT revenue.

### Definitions

- ∅ The ratios considered fluctuate widely from one quarter to another. In order to discern more fundamental trends, these series are all presented after adjustment for seasonal and calendar effects.
- ∅ The gross saving rate of households is gross saving divided by gross disposable income, the latter being adjusted for the change in the net equity of households in pension fund reserves. Gross saving is the part of gross disposable income which is not spent in the form of final consumption. The saving rate therefore increases when gross disposable income rises faster than final consumption expenditure.
- ∅ The gross investment rate of households is gross fixed capital formation divided by gross disposable income, the latter being adjusted for the change in the net equity of households in pension fund reserves. Gross fixed capital formation covers household expenditure on housing construction and renovation by households, and investments by self-employed workers and NPIs serving households.
- ∅ The corporate investment rate is gross fixed capital formation divided by gross value added.
- ∅ The profit share of companies is the gross operating surplus divided by gross value added. This indicator measures the percentage of value added that non-financial corporations retain after paying compensation of employees and taxes on production (net of subsidies).
- ∅ The general government balance measures its financing capacity or borrowing requirement. A positive balance (financing capacity) means that, after taking account of all its resources and expenditure, the government can increase its financial assets and/or reduce its financial liabilities. Conversely, a negative balance (borrowing requirement) indicates that the sector needs to sell some of its assets and/or increase its debts in order to fund its non-financial operations. The financing balance is expressed here as a percentage of GDP.