National Accounts Institute

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PRESS RELEASE

Links: Publication NBB.stat General information

Non-financial accounts of the institutional sectors, first quarter of 2020

- **Household saving rate up sharply**
- **General government net borrowing shows marked deterioration**

The sector accounts are drawn up at current prices and in accordance with ESA 2010.

KEY INDICATORS

(data adjusted for seasonal and calendar effects)

		Households[1]		Non-financial corporations		General government
		Saving ratio (in %)	Investment ratio (in %)	Profit margin (in %)	Investment ratio (in %)	Budget balance (in % of GDP)
2017	I	11.8	9.3	42.6	26.1	-0.4
	II	11.9	9.2	42.0	26.4	-0.8
	III	12.1	9.2	41.8	26.2	-0.9
	IV	12.3	9.1	41.7	26.8	-0.6
2018	I	11.3	9.3	41.9	26.6	-0.4
	II	11.5	9.3	41.5	26.8	-0.2
	III	11.5	9.3	41.7	26.7	-0.7
	IV	12.7	9.5	42.0	27.4	-1.9
2019	I	13.1	9.6	41.4	27.2	-2.0
	II	13.5	9.6	41.0	27.2	-2.3
	III	12.9	9.5	40.7	27.2	-1.9
	IV	12.7	9.6	40.5	27.4	-1.5
2020	I	19.1	8.9	40.9	27.5	-6.1

[1] Including non-profit institutions (NPIs) serving households.

The household saving ratio soars

At current prices, household disposable income was up by 1.4% against the previous quarter. While some components of disposable income have been adversely affected by the public health crisis, others have fared better.

In the wake of the confinement measures and the closure of broad swathes of economic activity, the compensation of employees and mixed income of self-employed persons contracted, thus making a negative contribution to the growth of overall household income, at -2.1 and -0.6 percentage points respectively. However, in the first quarter that decline was still kept relatively small by two and a half months of favourable economic momentum.

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Property incomes and (imputed or actual) rents have not yet felt the impact of the crisis. They contributed 0.0 and 0.2 percentage points respectively to the growth of disposable income.

Conversely, net social benefits, other current transfers and taxes on income made a very positive contribution to the growth of household income. In particular, net social benefits increased strongly as a result of government measures such as partial lay-offs or the “droit passerelle” bridging allowance for self-employed workers. It should be pointed out that, according to the rules of the ESA 2010, this type of transfer must be recorded on the basis of the accrual principle, i.e. at the time when the transfer is due, not when it is paid.

Final consumption expenditure was down by 6.0 %. The saving ratio therefore surged compared to the previous quarter, increasing from 12.7% to 19.1 %.

The household investment ratio is down

During the first quarter, the household investment ratio (construction and renovation of housing and gross fixed capital formation of self-employed persons and NPIs serving households) dropped to 8.9 % of disposable income (compared to 9.6% in the fourth quarter of 2019). Investment in fact declined sharply, by 5.5%, whereas disposable income continued rising, by 1.4 %.

The profit margin of non-financial corporations is up

In the first quarter of 2020 the profit margin of non-financial corporations increased to 40.9 % (against 40.5% in the previous quarter). The fall in the operating surplus (-3.2 %) was smaller than the decline in value added (-4.2 %), as remuneration paid to employees and taxes net of production subsidies were down by 4.9% against the previous quarter.

The investment ratio of non-financial corporations remains stable

During the first quarter, the investment ratio of non-financial corporations stood at 27.5% of value added, comparable to the figure for the fourth quarter of 2019 (27.4 %). Investment declined (-3.9 %), but to a lesser degree than value added (-4.2 %).

The general government balance has deteriorated significantly

In the first quarter of 2020, the general government balance came to -6.1% of GDP, compared to -1.5% of GDP in the previous quarter. The fiscal and parafiscal revenue figures had a negative impact on revenue, mainly owing to a sharp decline in indirect taxes as a result of the fall in VAT and excise revenue following the lockdown, and the decline in registration fees following the abolition of tax relief on mortgages in the Flemish Region at the end of 2019. Direct taxes and social contributions are also down as a result of the lockdown imposed in mid-March. The steep rise in expenditure is due mainly to increased recourse to temporary lay-offs and the bridging allowance, and to compensatory allowances and “nuisance premiums” [paid for forced business closures].

<u>Definitions</u>

- The ratios considered fluctuate widely from one quarter to the next. In order to detect more fundamental trends, these series are all presented after adjustment for seasonal and calendar effects.
- The gross saving ratio of households is gross saving divided by gross disposable income, which is 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 on final consumption. The saving ratio therefore increases when gross disposable income grows faster than final consumption expenditure.
- The gross investment ratio of households is gross fixed capital formation divided by gross disposable income. with 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 construction and renovation of housing, and investments in fixed capital by self-employed persons and by NPIs serving households.
- The investment ratio of companies is gross fixed capital formation divided by gross value added.

- The profit margin of companies is the gross operating surplus divided by gross value added. This indicator measures the percentage of value added retained by non-financial corporations after paying compensation of employees and taxes on production (net of subsidies).

- The general government budget balance measures the government's financing capacity or requirement. A positive balance (financing capacity) means that, after taking account of all its resources and expenditure, the government is able to increase its financial assets and/or reduce its financial liabilities. Conversely, a negative balance (financing requirement) indicates that the sector needs to sell some of its assets and/or take on more debt in order to fund its non-financial operations. The budget balance is expressed here as a percentage of GDP.

Caution

The sectoral accounts for the first quarter of 2020 reflect the disruption associated with the COVID-19 crisis and take account of the impact of the economic policy measures introduced to contain the effects of the pandemic, on the basis of the information available as at 25 June 2020. The main administrative data were available as usual for this publication. However, the pandemic is causing some uncertainty. That concerns non-market production and components of the expenditure approach, and the estimate of certain transfers between sectors. Consequently, the figures published today are subject to subsequent revision to a greater degree than normal.

A detailed description of the methodological aspects relating to economic policy measures is available in our Publication.

As far as seasonal adjustment of the data series is concerned, the recent Eurostat guidance on the subject has been closely followed in order to estimate the impact of COVID-19 as accurately as possible.