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PRESS RELEASE
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Non-financial accounts of the institutional sectors, fourth quarter 2020

- **Household saving rate rebounds in the fourth quarter to reach a record 21.7% over the year as a whole**
- **The general government financing balance got considerably worse in the fourth quarter; over the whole year, the deficit reached 9.4 %**

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)	
2018	11,6	9,4	41,8	26,8	-0,8	
2019	12,9	9,8	41,6	27,1	-1,9	
2020	21,7	9,0	41,0	27,3	-9,4	
2018	I	11,4	9,2	41,7	26,7	-0,5
	II	11,4	9,2	41,5	26,8	-0,1
	III	11,6	9,4	41,7	26,7	-0,8
	IV	12,0	9,7	42,1	27,0	-1,9
2019	I	13,0	9,8	41,7	27,0	-1,7
	II	13,4	9,9	41,5	27,0	-2,1
	III	13,1	9,7	41,5	27,0	-1,7
	IV	12,3	9,8	41,6	27,3	-2,1
2020	I	18,8	9,2	42,5	27,5	-6,6
	II	28,1	8,0	38,0	26,3	-15,1
	III	16,8	9,4	40,7	27,3	-6,8
	IV	23,3	9,4	42,2	28,1	-9,8

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

Household saving rate bounces back

Household disposable income was up by 1.5 % against the third quarter. Compensation of employees and mixed income of the self-employed made a negative contribution to the increase in household disposable income in the fourth quarter, of respectively -0.2 and -0.3 of a percentage point, as did property incomes and other current transfers.

These effects were nevertheless offset by the upward movement of net social benefits, whose increase in the fourth quarter supported disposable income (to the tune of +1.7 percentage points). Down on the third quarter, current taxes on income and property also contributed positively to this growth (+0.7 of a percentage point).

At the same time, final consumption expenditure was down sharply by -6.5 % compared with the third quarter, following the new lockdown measures introduced from mid-October to tackle the second wave of the COVID-19 epidemic.

Consequently, the gross household saving rate increased to average out at 23,3 % in the fourth quarter of 2020, against 16.8 % in the previous quarter, without however getting back to the historical peak of the second quarter (28.1 %).

Over the whole year 2020, the saving rate came to 21.7%, an all-time high, and thus sharply up on the year 2019 (12.9%).

Household investment rate remains stable

During the fourth quarter, the household investment rate (construction and renovation of housing and gross fixed capital formation of self-employed workers and non-profit institutions serving households - NPISHs) reached 9.4 %, as in the previous quarter.

On average over the whole year 2020, the household investment rate worked out at 9.0 %, down on the previous year (9.8%).

Sharp rise in the profit share of non-financial corporations

The profit share of non-financial corporations recorded an upturn in the fourth quarter of 2020 to settle at 42.2 %, compared with 40.7 % in the previous quarter. The gross operating surplus of non-financial corporations in fact rose by +5.4 %, a growth rate higher than that for value added (+1.8 %).

Over the whole year 2020, non-financial corporations' profit share actually dipped, to 41.0 % of their value added, compared with 41.6 % in 2019.

Investment rate of non-financial corporations picks up slightly

The investment rate of non-financial corporations came to 28.1 % of value added during the fourth quarter, up by 27.3 % on the previous quarter's figure. Corporate investment growth (+4.7 %) actually exceeded the growth in value added (+1.8%).

For the year as a whole, the investment rate of non-financial corporations averaged 27.3 % of value added, a slight rise on 2019 (27.1%).

Balance of general government deteriorates sharply

The balance of general government worked out at -9.8 % of GDP in the last three months of 2020, compared to -6.8 % in the previous quarter.

Figures on the revenue side were badly influenced by the trend in fiscal and parafiscal revenues. This decline is the result of the change in direct assessment taxes levied on households as well as the change in indirect taxation affected by the stagnation of economic activity related to the renewed tightening of the lockdown measures.

As for expenditure, the sharp increase is mainly to do with the rise in social benefits (temporary lay-off and bridging allowance schemes) as well as spending on current and capital transfers.

Over the year 2020 as a whole, the general government balance deteriorated considerably compared with the year before, posting a deficit of 9.4 % of GDP, compared with 1.9 % in 2019.

Definitions

- 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.

Warning

The sectoral accounts for the four quarters of 2020 reflect the disruption associated with the COVID-19 crisis and take account of the impact of the economic policy measures put in place to contain the fallout from the pandemic, based on information available as at 14 April 2021. The main administrative data were available as usual for this publication. However, there is great uncertainty surrounding the accuracy of the macroeconomic aggregates in this pandemic period. The uncertainty concerns non-market production and the components of the expenditure approach, as well as the estimate of certain transfers between sectors, and government revenue and expenditure items directly connected with the pandemic. Consequently, the results published today could undergo more significant revision than usual.

In regard to the seasonal adjustment of the data series, the recent [Eurostat guidance](#) on the subject was followed in order to estimate the impact of COVID-19 as accurately as possible.