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PRESS RELEASE

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Non-financial accounts of the institutional sectors in third quarter of 2020 still scarred by the health crisis

- After reaching a historic high in the second quarter, the household savings ratio fell sharply, but remains at a higher level than that observed in recent years
- The general government balance is improving but remains decidedly negative

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	12,1	9,4	42,4	26,4	-0,5
	II	12,0	9,3	41,6	26,8	-0,5
	III	12,5	9,2	41,2	26,6	-1,0
	IV	12,2	9,1	41,3	26,9	-0,7
2018	I	11,4	9,2	41,6	26,7	-0,4
	II	11,4	9,2	41,4	26,8	0,0
	III	11,5	9,4	41,8	26,7	-0,7
	IV	12,1	9,7	42,3	27,0	-2,1
2019	I	13,0	9,8	42,0	27,0	-1,9
	II	13,6	9,8	41,7	27,0	-2,2
	III	13,0	9,7	41,5	27,0	-1,7
	IV	12,6	9,8	41,1	27,3	-1,9
2020	I	19,1	9,2	41,1	27,3	-5,7
	II	27,1	7,9	39,8	26,3	-15,3
	III	16,3	9,0	40,2	24,3	-5,9

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

The household savings ratio shows a marked fall

Household disposable income was up by 1.6% against the second quarter, thanks to the easing of the lockdown restrictions against the spread of COVID-19.

Compensation of employees and the mixed income of self-employed workers made a positive contribution to household disposable income in the third quarter, at +6.0 and +1.7 percentage points respectively. Property income and (actual and imputed) rents made a small positive contribution (+0.2 percentage point).

These effects were partly offset by the movement in net social benefits and other current transfers, their sharp contraction in the third quarter resulting in a large negative contribution to the growth of disposable income (-5.4 percentage points). Current taxes on income and on assets made a negative contribution of -0.9 percentage point.

At the same time, final consumption expenditure surged by 16.6% compared to the second quarter, as a direct consequence of suspension of the lockdown and the resumption of “non-essential” economic activities.

As consumption expanded by considerably more than disposable income, the gross household savings ratio subsided to 16.3 % in the third quarter, compared to 27.1% in the previous quarter. However, the year-on-year household savings ratio is still 3.3 percentage points higher than it was in the third quarter of 2019.

The household investment ratio is picking up

During the third quarter, the household investment ratio (housing construction and renovation and gross fixed capital formation of self-employed people and NPIs serving households) picked up, reaching 9.0 % compared to 7.9% in the second quarter.

The profit margin of non-financial corporations is up slightly

The profit margin of non-financial corporations recorded a modest rise in the third quarter of 2020, reaching 40.2% compared to 39.8% in the previous quarter. The operating surplus of non-financial corporations was in fact up by +17.6 %, outpacing the growth of value added (+16.4 %).

The investment ratio of non-financial corporations is still declining

In the third quarter, the investment ratio of non-financial corporations stood at 24.3% of value added, having declined since the previous quarter (26.3 %). The jump in value added in the third quarter (+16.4 %) far exceeded the rise in investment (+7.5 %).

The general government budget balance is improving but remains decidedly negative

The general government balance stood at -5.9 % of GDP in the third quarter, compared to -15.3 % of GDP in the previous quarter.

Revenue was boosted by the movement in fiscal and parafiscal revenues, mainly as a result of an increase in advance payments made by companies and indirect taxes, plus social contributions. This rise was influenced by the revival of economic activity associated with the easing of the lockdown.

The sharp fall in expenditure is due mainly to a marked decline in temporary lay-offs and the bridging allowance, compensatory allowances and nuisance premiums, as well as subsidies for the health care sector.

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 sector accounts for the first three quarters 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 repercussions of the pandemic, on the basis of the information available on 22 December 2020. 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.