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PRESS RELEASE
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Non-financial accounts of the institutional sectors in the third quarter of 2016

The NAI is publishing today, 10 January 2017, its estimate for the quarterly non-financial accounts of the institutional sectors for the third quarter of 2016. These accounts are compiled at current prices and in accordance with ESA 2010.

KEY INDICATORS*(data adjusted for seasonal and calendar effects)*

Households ¹				Non-financial corporations	
		Saving rate (in %)	Investment rate (in %)	Profit share (in %)	Investment rate (in %)
2013	I	12.3	9.6	40.1	24.7
	II	12.4	9.5	39.9	24.6
	III	12.8	9.5	40.0	24.8
	IV	11.8	9.5	40.1	24.4
2014	I	12.0	9.7	40.3	24.7
	II	11.8	9.9	40.6	24.8
	III	11.9	10.0	40.6	27.5
	IV	12.5	10.0	40.7	25.0
2015	I	12.1	10.0	41.2	28.7
	II	11.1	9.8	41.7	24.2
	III	11.5	9.8	42.2	24.6
	IV	12.1	10.0	42.5	24.8
2016	I	12.3	10.1	42.3	25.1
	II	11.7	10.3	43.4	25.3
	III	12.6	10.2	43.0	25.1

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

Higher household saving rate

Disposable income of households increased by 1.8 % in the third quarter of 2016, while final consumption was up by 0.7 %. Consequently, the gross saving rate rose by 0.9 of a percentage point compared with the previous quarter, to reach 12.6 % of disposable income.

The growth of household disposable income was driven by a positive contribution from all its components, and in particular compensation of employees and net social benefits.

Household investment rate slows down

During the third quarter, the household investment rate (house construction and renovation and gross fixed capital formation of the self-employed and non-profit institutions serving households) dipped by 0.1 of a percentage point compared with the previous quarter, dropping back from 10.3 to 10.2 % of disposable income.

Non-financial corporations' profit margins squeezed

During the quarter under review, gross value added of non-financial corporations increased by 0.9 % in comparison to the previous three-month period. Compensation of employees and taxes on production net of subsidies both grew by 1.5 %. As for the gross operating surplus, this inched up by 0.1 %. Since the gross operating surplus grew at a slower pace than gross value added, the profit margin of non-financial corporations shrank by 0.4 of a percentage point compared with the second quarter of 2016, to 43 %.

Drop in investment rate among non-financial corporations

Although gross value added of non-financial corporations grew by 0.9 % during the quarter under review, their investment was up by a mere 0.1 %. The gross investment rate of non-financial corporations thus contracted by 0.2 of a percentage point from the previous quarter to settle at 25.1 %.

Deterioration of general government balance

At the end of the third quarter of 2016, the ESA 2010 general government balance came to -3.8 % of GDP, compared to -3.4 % of GDP in the quarter before that.

On the whole, revenues have remained stable, while expenditure has been on an upward path, notably following the indexation of social benefits.

As a result of these trends, the general government balance deteriorated during the quarter under review.

Definitions

- The gross saving rate of households (household saving rate) is defined as gross saving divided by gross disposable income, with the latter including the change in the net equity of households in pension funds reserves. Gross saving is the part of the gross disposable income which is not spent as final consumption expenditure. Therefore, the saving rate increases when gross disposable income grows at a higher rate than final consumption expenditure.
- The gross investment rate of households (household investment rate) is defined as 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 funds reserves. Household investment consists of the purchase and renovation of dwellings, as well as investments by self-employed workers and NPISH's
- The profit share of non-financial corporations (business profit share) is defined as gross operating surplus divided by gross value added. This profitability-type indicator shows the share of the value added kept by non-financial corporations after the payment for wage costs (plus taxes less subsidies on production).
- The gross investment rate of non-financial corporations (business investment rate) 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 etc.) to the value added created during the production process.
- The final balancing items by sector show the net lending / net borrowing of each of the big sectors of the economy (households, corporations, government). A net lending means that taking accounts of all receipts and expenses, a sector can increase its financial assets and/or decrease its financial liabilities. In the opposite, a net borrowing implies that the sector has to sell some assets or to increase its debt in order to finance its non-financial operations.
- The considered rates show high fluctuations from a quarter to another. In order to draw more fundamental developments, these series are all presented after correction for seasonal and calendar effects.