

# Quarterly sector accounts

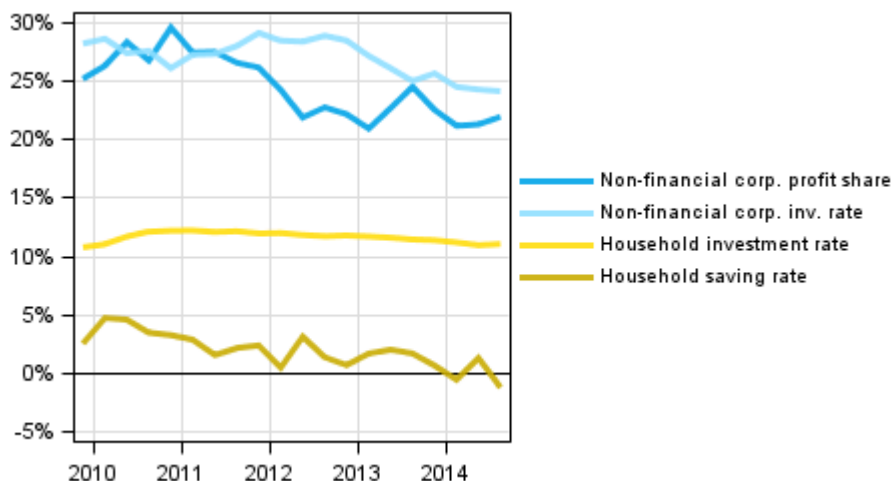
2014, 3rd quarter

## Households' consumption expenditure higher than income in the third quarter of 2014

**Correction.** The review was corrected on 12 January 2015. The corrections are indicated in red.

The saving rate of the household sector was slightly in the negative as consumption expenditure exceeded the disposable income. Adjusted disposable income describing households' economic well-being contracted slightly year-on-year. The profit share of the non-financial corporation sector decreased a little from one year ago, while expenditure on wages and salaries remained unchanged. These data derive from Statistics Finland's quarterly sector accounts.

### Key indicators for households and non-financial corporations, seasonally adjusted



In the third quarter of 2014, the profit share of non-financial corporations, or the share of profits in value added, grew slightly to 21.9 per cent. The investment rate of non-financial corporations, or the proportion of investments in value added, was 24.1 per cent. The investment rate did not change much compared with the previous quarter. The key figures were calculated from seasonally adjusted time series.

Households' saving rate was -1.3 per cent in the third quarter of 2014. In the previous quarter, the figure was +1.3 per cent. The saving rate refers to the proportion of savings in disposable income. In the third quarter, the investment rate of households accounted for 11.0 per cent of disposable income, which was almost on par with the previous quarter. Most of households' investments were investments in dwellings.

Households' adjusted disposable income decreased from the corresponding quarter in 2013 by 0.8 per cent adjusted for price changes. Adjusted income is the indicator recommended by the OECD for evaluating the economic well-being of households. Adjusted disposable income is derived by adding individual services produced by the public sector, such as education, health and social services, to the disposable income of households.

Sector accounts are calculated only at current prices. However, a volume indicator describing the development adjusted for price changes is calculated for households' adjusted disposable income in a separate Appendix table. The profit share, saving rate and investment rate are calculated from net figures, which means that consumption of fixed capital is taken into account. Households do not include non-profit institutions serving households.

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# ***1. Sector-specific review on the data for the third quarter of 2014 (Correction on 12 January 2015)***

## ***1.1. Households' consumption expenditure was higher than their income***

Households' disposable income remained almost unchanged in the third quarter of 2014. The income only grew by 0.2 per cent compared to the corresponding quarter in 2013. The key components of disposable income on the income side are wages and salaries received, entrepreneurial income and property income, and social benefits received. The biggest expense items are taxes paid and social contributions.

Compared to the figures one year ago, disposable income grew mainly due to a growth of good EUR 0.2 billion in wages and salaries and of over EUR 0.4 billion in social benefits received. Entrepreneurial income also grew marginally compared to the corresponding quarter last year, while all property income decreased. On the expense side, income taxes paid grew by EUR 0.4 billion and social contributions paid by good EUR 0.2 billion, while no significant changes took place in the other expense items. Both interest income and expenses continued to diminish slightly from the corresponding quarter of one year before.

When received social benefits in kind are added to the disposable income of households, the household adjusted disposable income is derived, which is the indicator recommended by the OECD for measuring economic well-being. Social benefits in kind refer to education, health and social services produced by general government and non-profit institutions serving households. The adjusted disposable income has been on a slight decline for little over a year. In the third quarter of 2014, the income contracted by close on one per cent from the corresponding quarter of the year before. The volume indicator describing the development of adjusted disposable income adjusted for price changes can be found in Appendix table 3 of this publication.

Households' seasonally adjusted saving rate was -1.3 per cent in the third quarter of 2014. In the previous quarter, it stood at 1.3 per cent. The saving rate is derived by deducting consumption expenditure from disposable income. The saving rate is negative if households' consumption expenditure is higher than their disposable income. Households' seasonally adjusted investment rate was 11.0 per cent of disposable income in the third quarter of 2014, which was almost the same as the corresponding data of the previous quarter that stood at 10.9 per cent. Most of households' investments were investments in dwellings.

Wages and salaries paid by non-profit institutions serving households increased by 0.4 per cent compared with the quarter of one year ago.

In these statistics, the households sector only covers the actual households sector S14. Sector S15, non-profit institutions serving households is calculated and published separately. In Eurostat's publication, the households sector also includes the data for sector S15. Another difference to Eurostat's publication is in how consumption of fixed capital is taken into account: Eurostat publishes investment and saving rates as gross figures, i.e. including consumption of fixed capital. Net data are used in these statistics, that is, when consumption of fixed capital is taken into account, saving and investment rates decrease.

## ***1.2. Profit share of the non-financial corporation sector improved a bit***

In the third quarter of 2014, the seasonally adjusted profit share of non-financial corporations improved slightly compared to the previous quarter and was 21.9 per cent. The profit share refers to the share of profits in value added. The slight improvement in the profit share was based on moderate growth in expenditure on wages and salaries.

The investment rate of non-financial corporations, or the proportion of fixed capital investments in value added, has been contracting for the past two years. In the third quarter of 2014, the investment rate was 24.1 per cent, nearly the same as in the previous quarter.

### ***1.3. Profits of financial and insurance corporations grew and their financial position improved***

The value added in the sector rose by 18.3 per cent from the corresponding quarter in 2013, while output grew by 7.7 per cent and intermediate consumption remained almost unchanged. The compensation of employees in the sector decreased by 6.2 per cent from 2013. The operating surplus describing profits in the sector grew from EUR 318 million to EUR 550 million. Holding gains and losses generated through own securities trading are not visible in the value added and operating surplus; they describe the income that is generated from providing financial services to the public.

Net lending that describes the financial position of the sector improved considerably and was EUR 803 million positive, while net lending in the corresponding period last year was EUR 59 million negative. The improved net lending was, in addition to the positively developed operating surplus, affected by a decrease in property expenditure and an increase in received non-life insurance compensations.

### ***1.4. The financial position of general government weakened slightly from last year***

Sub-heading revised. Was previously: The financial position of general government improved from last year

General government's consolidated total revenue grew by EUR 0.5 billion from the respective quarter of the previous year. Total expenditure increased by EUR 0.6 billion. General government is comprised of central government, local government and social security funds. Consolidated total revenue and expenditure are figures in which flows between the general government sub-sectors have been eliminated.

General government's financial position, which is formed as the difference between the total revenue and expenditure, **weakened by EUR 33 million (3 per cent)** from one year ago. **On the income side, tax revenues and received social contributions increased.** In expenditure, especially paid social contributions increased.

Of the sub-sectors, the financial position of central government and social security funds improved, while the financial position of local government weakened. More detailed statistics, where the sub-sectors are specified, are published in [the quarterly sector accounts of general government](#).

### ***1.5. Reduction in imports improved the balance of goods and services***

The essential items for the rest of the world sector are the exports and imports of goods and services. Exports at current prices abroad from Finland amounted to EUR 19.2 billion in the third quarter of 2014. Exports grew by EUR 140 million or 0.7 per cent from the respective quarter in the year before. Imports to Finland at current prices were EUR 19.0 billion. Compared to one year ago, imports decreased by EUR 631 million (3.2 per cent). The fall was especially marked in the value of oil product imports.

Due to decreased imports, the balance of goods and services and the current account improved from one year ago. Both were EUR 0.2 billion in surplus in the third quarter of 2014. The figures of these statistics can differ from the corresponding figures of the balance of payments statistics due to different revision practices. For example, in these statistics, property income between Finland and foreign countries are specified for 2013 only when the corresponding revision has been made in the annual national accounts.

### ***1.6. Data and methods used***

The quarterly data become revised as source data are updated. The biggest revisions will take place for the latest two to three years, because then the data in the annual accounts are still preliminary. Examined by quarter, the biggest revisions occur in the release for the second quarter at the turn of September and October and in the release for the fourth quarter at the turn of March and April. These revisions are caused by updated annual national accounts data. The data in the publication are based on the data sources available by 11/12/2014. The data for 1999 to 2013 correspond with the annual sector accounts of the national

accounts, although concerning the year 2013, the updating of source data causes differences to the previous annual accounts release.

The saving rate, profit share and investment rate in the quarterly publication of sector accounts are net amounts, i.e. consumption of fixed capital has been removed from the figures. The key indicators in these statistics were calculated as follows:

Households' saving rate =  $B8N / (B6N + D8R)$

Households' investment rate =  $P51K / (B6N + D8R)$

Profit share of non-financial corporations =  $B2N / B1NPH$

Investment rate of non-financial corporations =  $P51K / B1NPH$

The volume indicator, measuring the development of households' adjusted disposable income, adjusted for price changes and its change percentages can be found in Appendix table 3 of this release. This volume index is calculated using the price data of the statistics on quarterly accounts, with which the components of adjusted disposable income are deflated. Households' disposable income is deflated with the implicit price index of household consumption expenditure. Price data are also available for the consumption of non-profit institutions serving households. As a methodological shortcoming, general government individual consumption expenditure has to be deflated with the total general government consumption expenditure for lack of more accurate data. The volume time series was formed with the annual overlap method.

## Appendix tables

**Appendix table 1. Key indicators from sector accounts**

	Non-financial corporations (S11) profit share, %	Non-financial corporations (S11) investment rate, %	Household (S14) saving rate, %	Household (S14) investment rate, %
2010Q1	23.4	27.3	1.3	10.2
2010Q2	28.8	27.6	8.8	11.1
2010Q3	22.1	28.9	2.8	13.9
2010Q4	35.1	25.7	2.4	11.6
2011Q1	24.5	25.4	-0.1	10.9
2011Q2	27.7	27.3	7.1	11.3
2011Q3	21.8	29.8	-0.1	14.3
2011Q4	32.6	28.8	1.3	11.8
2012Q1	20.4	26.9	-6.5	11.0
2012Q2	22.5	28.3	9.1	11.3
2012Q3	18.3	30.5	1.4	13.7
2012Q4	29.1	28.3	0.2	11.2
2013Q1	17.6	25.6	-1.9	10.5
2013Q2	22.6	26.0	6.9	11.4
2013Q3	19.7	26.6	0.0	13.4
2013Q4	29.7	25.5	0.3	10.5
2014Q1	16.9	23.2	-4.6	9.9
2014Q2	21.4	24.3	6.7	10.7
2014Q3	18.1	25.5	-1.4	12.8

**Appendix table 2. Key indicators from sector accounts (seasonally adjusted)**

	Non-financial corporations (S11) profit share, %	Non-financial corporations (S11) investment rate, %	Household (S14) saving rate, %	Household (S14) investment rate, %
2010Q1	26.3	28.6	4.7	11.0
2010Q2	28.3	27.3	4.5	11.7
2010Q3	26.7	27.5	3.4	12.1
2010Q4	29.5	26.0	3.2	12.2
2011Q1	27.4	27.2	2.8	12.2
2011Q2	27.4	27.3	1.5	12.0
2011Q3	26.5	27.9	2.1	12.1
2011Q4	26.1	29.1	2.3	11.9
2012Q1	24.2	28.4	0.4	12.0
2012Q2	21.8	28.3	3.1	11.8
2012Q3	22.7	28.8	1.3	11.7
2012Q4	22.1	28.4	0.6	11.7
2013Q1	20.9	27.1	1.6	11.7
2013Q2	22.6	26.0	2.0	11.5
2013Q3	24.5	24.9	1.6	11.4
2013Q4	22.5	25.6	0.6	11.3
2014Q1	21.1	24.4	-0.6	11.1
2014Q2	21.2	24.2	1.3	10.9
2014Q3	21.9	24.1	-1.3	11.0

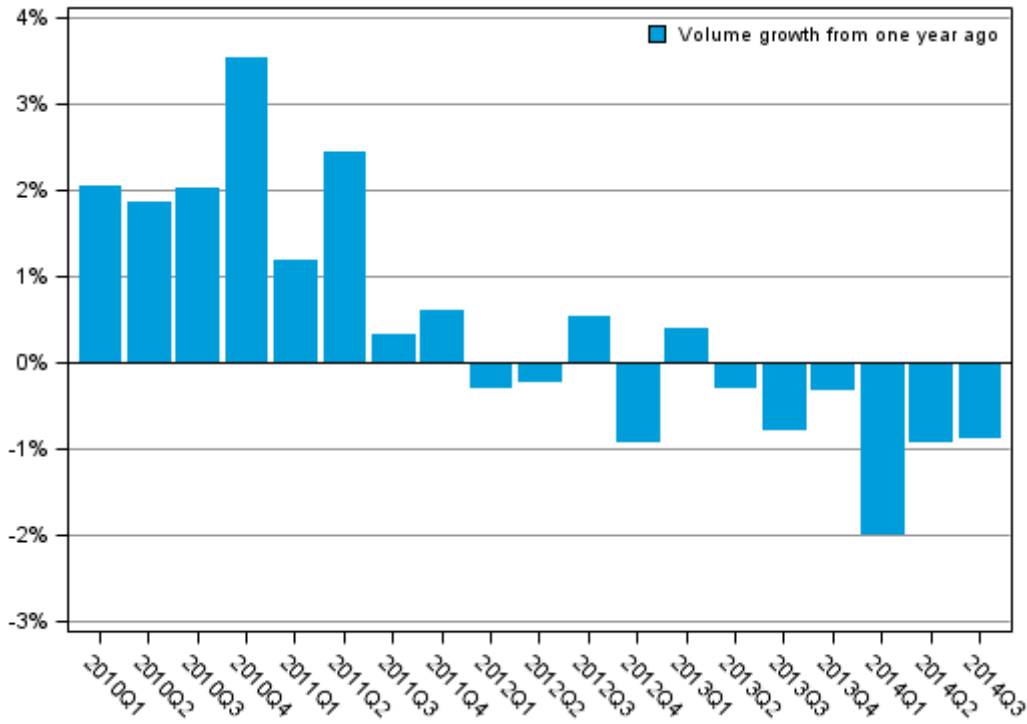
**Appendix table 3. Volume development of household adjusted disposable income**

	Household adjusted disposable income, EUR bil.	Change in value from one year ago, %	Volume indicator (1999=100)	Change in volume from one year ago, %
2010Q1	30.7	3.7	122.3	2.0
2010Q2	34.7	3.4	137.8	1.9
2010Q3	32.8	3.5	130.0	2.0
2010Q4	35.0	5.4	137.4	3.5
2011Q1	32.0	4.3	123.8	1.2
2011Q2	36.8	5.9	141.1	2.4
2011Q3	34.1	4.1	130.4	0.3
2011Q4	36.4	4.1	138.2	0.6
2012Q1	32.9	2.9	123.4	-0.3
2012Q2	38.0	3.2	140.9	-0.2
2012Q3	35.4	3.8	131.1	0.5
2012Q4	37.1	2.1	137.0	-0.9
2013Q1	33.9	3.0	123.9	0.4
2013Q2	38.7	2.0	140.5	-0.3
2013Q3	36.0	1.5	130.1	-0.8
2013Q4	37.9	2.0	136.6	-0.3
2014Q1	33.9	-0.1	121.5	-2.0
2014Q2	38.9	0.5	139.2	-0.9
2014Q3	36.2	0.6	129.0	-0.8

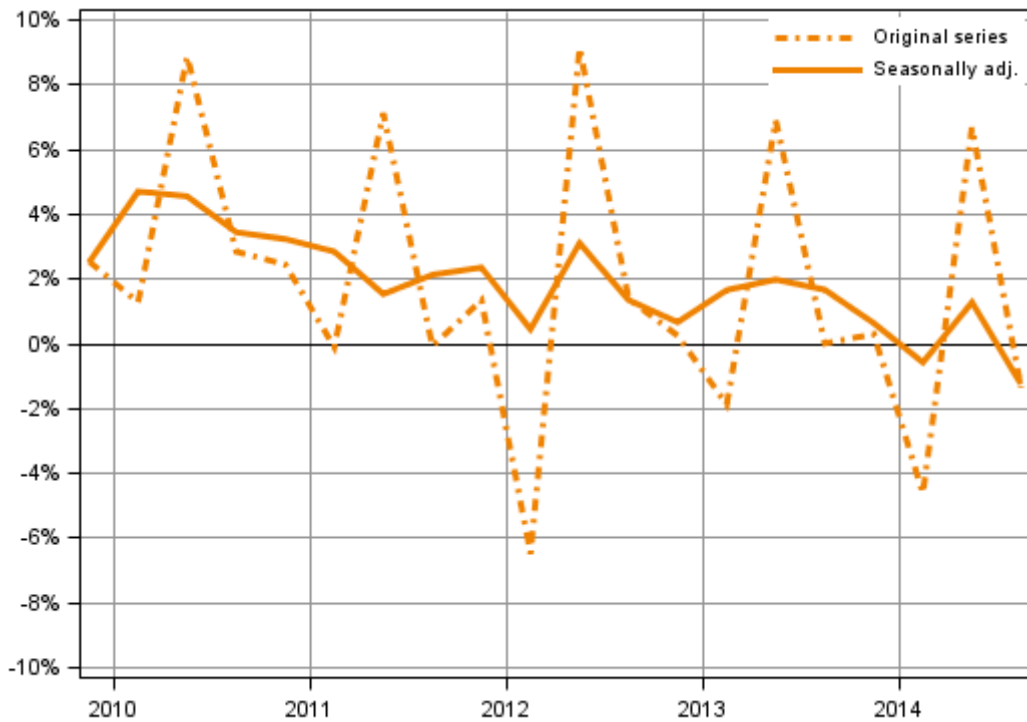


# Appendix figures

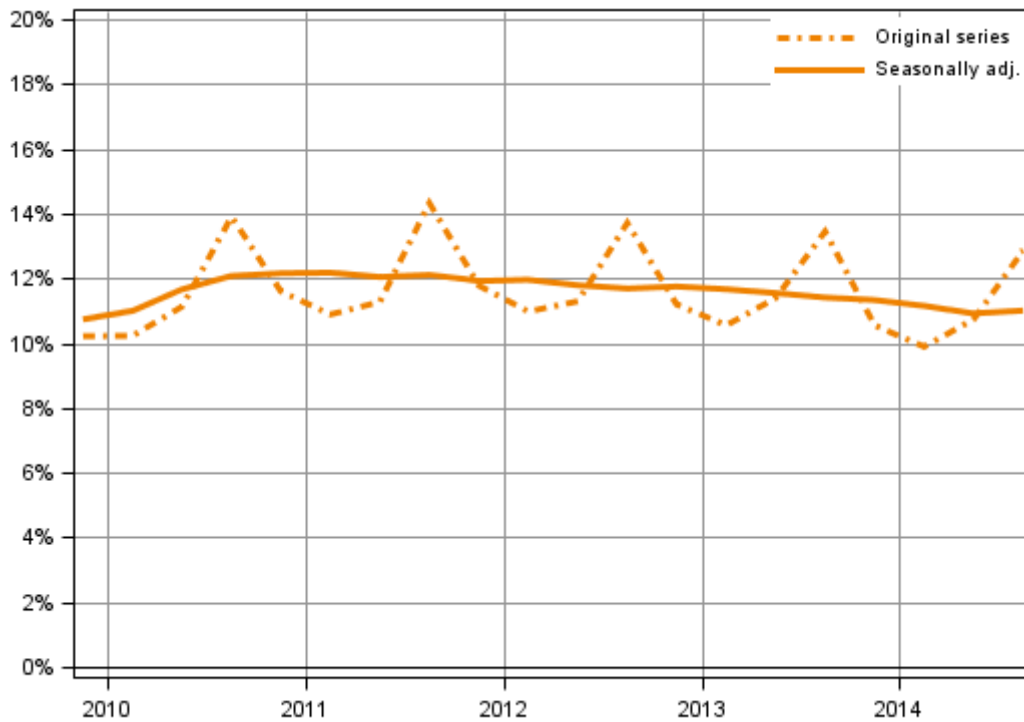
**Appendix figure 1. Volume development of households' adjusted disposable income**



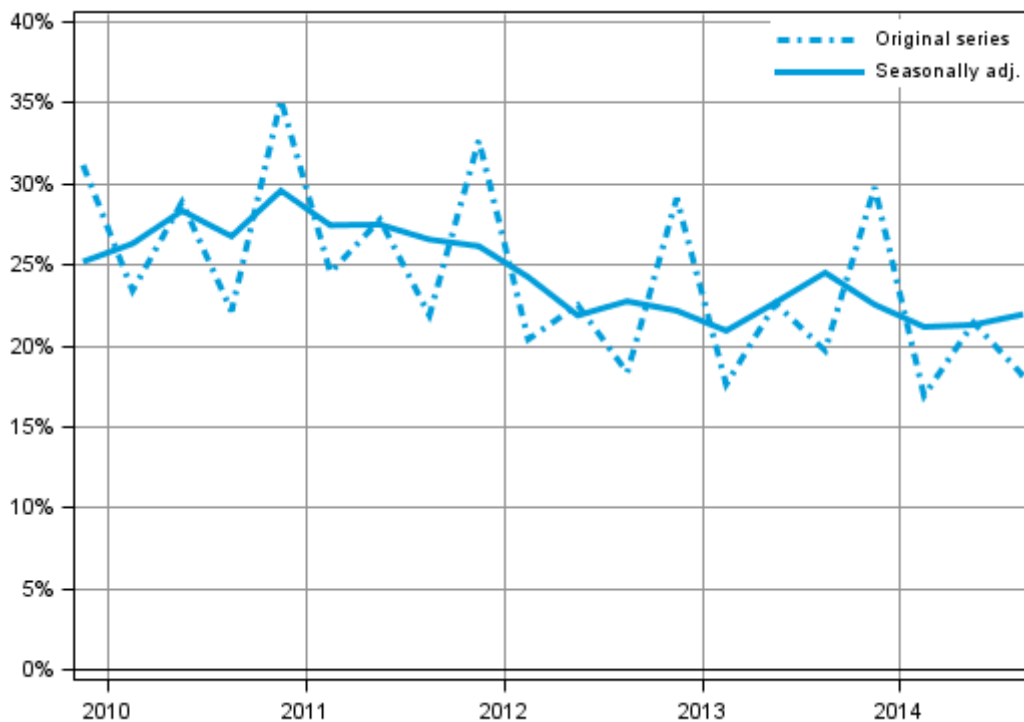
**Appendix figure 2. Households' saving rate**



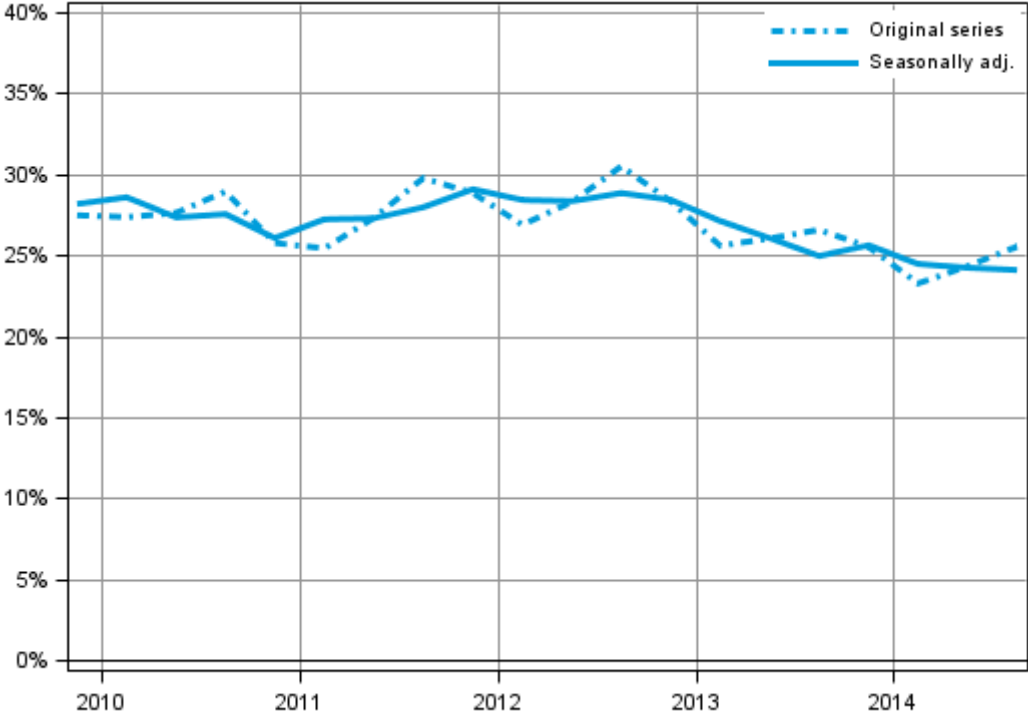
**Appendix figure 3. Households' investment rate**



**Appendix figure 4. Non-financial corporations' profit share**



Appendix figure 5. Non-financial corporations' investment rate



## Revisions in these statistics

Revisions to the latest quarters' seasonally adjusted key indicators since their initial publications.

		1st release (%)	Latest release (19.12.2014) (%)	Revision (% pts)
Non-financial corporations (S11) profit share	2013Q3	23.6	24.5	0.9
	2013Q4	22.9	22.5	-0.4
	2014Q1	19.4	21.1	1.7
	2014Q2	20.7	21.2	0.5
Non-financial corporations (S11) investment rate	2013Q3	25.3	24.9	-0.4
	2013Q4	25.5	25.6	0.1
	2014Q1	25.0	24.4	-0.6
	2014Q2	24.6	24.2	-0.4
Household (S14) saving rate	2013Q3	1.1	1.6	0.5
	2013Q4	0.4	0.6	0.2
	2014Q1	-0.8	-0.6	0.2
	2014Q2	2.3	1.3	-1.0
Household (S14) investment rate,	2013Q3	11.4	11.4	0.0
	2013Q4	11.3	11.3	0.0
	2014Q1	11.1	11.1	0.0
	2014Q2	10.9	10.9	0.0

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Source: Sector accounts, Statistics Finland