29 June 2018

Expenditure of households grew faster than their income

Quarterly sector accounts – the first quarter of 2018

According to seasonally adjusted data, the total of monetary and non-monetary income of households increased in real terms by 4.2%, quarter-on-quarter (q-o-q), and real consumption per capita increased by 5.5% in the Q1 2018. The investment rate of non-financial corporations increased by 0.2 percentage point (p.p.), q-o-q.

Non-financial corporations: investments are increasing

The **profit rate**1 in the Q1 2018 was 48.4%, which is by 0.8 p.p. less, q-o-q, and by 1.0 p.p. less, year-on-year. Total labour costs of non-financial corporations increased by 9.2%, y-o-y. The profit rate of domestic corporations still remains above average, because based on the available data of Eurostat the average profit rate of non-financial corporations for the EU is about 40.0% for a long-term. The **investment rate**2 increased by 0.2 p.p., q-o-q, and reached 28.1%. In the y-o-y comparison it increased also by 0.2 p.p.

Households: real consumption per capita increased by 5.5% in the Q1

The total of monetary and non-monetary income of households per capita3 increased in real terms by 4.2%, quarter-on-quarter, in the Q1; in the y-o-y comparison it was 2.8% up. Household real consumption per capita4 grew faster, i.e. by 5.5%, q-o-q; in the y-o-y comparison it increased by 2.8%.

**Average monthly income of households** per capita in nominal terms5 was CZK 24 3056; of that, CZK 4 3836 consisted of individual services and goods7 provided by the general government and non-profit institutions serving households.

**Average monthly income from employment**8 reached CZK 31 5766 in the Q1 and it increased in real terms by 1.9%, q-o-q; in the y-o-y comparison it was 6.7% up.

**Average monthly consumption of households** per capita in nominal terms9 reached CZK 22 9226.

Resulting from the faster growth of household expenditure compared to their income was a lower **saving rate**10 compared to the previous quarter, namely 8.1%. **Investment rate** in the household sector increased by 0.2 p.p., quarter-on-quarter, and reached 8.4%.

**GDP estimate refinement**

Concurrently, the gross domestic product (GDP) estimate has been refined. The GDP increased by 0.5%, q-o-q; in the y-o-y comparison it grew by 4.2% in the Q1 2018. For the time series of the GDP resources and uses see: <https://www.czso.cz/csu/czso/hdp_ts>.

In accordance with the CZSO revision policy, annual national accounts have been refined; for more information see: <https://apl.czso.cz/nufile/Comment_29_06_2018.pdf>. Following that, also respective quarterly outputs have been harmonised.

Notes:

1. *The profit rate of non-financial corporations is defined as the gross operating surplus divided by the gross value added (B.2g/B.1g). The indicator refers to profitability of production factors from the production process.*
2. *The investment rate of non-financial corporations is defined as the gross fixed capital formation divided by the gross value added (P.51g/B.1g). The indicator refers to the investments in non-financial assets (buildings, machinery etc.) divided by the value created during the production process.*
3. *The total of real monetary and non-monetary income of households per capita is defined as the adjusted gross disposable income of households, in nominal terms, divided by the mid-year population and deflated by the deflator (price index) of final consumption expenditure of households.*
4. *Household real consumption per capita is defined as real final consumption of households, in nominal terms, divided by the mid-year population and deflated by the deflator (price index) of final consumption expenditure of households.*
5. *Average monthly income of households per capita, in nominal terms, is defined as the adjusted disposable income of households divided by the mid-year population.*
6. *Seasonally non-adjusted piece of data.*
7. *Individual services and goods provided to households by the general government and non-profit institutions serving households (NPISHs) refer to the value of products and services provided in the form of health and social care, education, housing, and the like. They include especially benefits in kind related to health insurance (payments for health aids, medical and dental treatment, medical operations, and the like) paid by health insurance companies to providers of such goods and services. Social transfers in kind (D.63) also include benefits in kind provided by municipalities (including reimbursements for approved household expenditure for certain types of products and services) and all the value of non-market services of the general government and non-profit institutions serving households provided for individual consumption. The same value is imputed in the sector of households on the income side (adjusted disposable income) as well as on the expenditure side (real final consumption of households).*
8. *Average monthly income from employment is defined as wages and salaries for the national economy (D.11) in average per month divided by the number of employees (full-time equivalent). The wages and salaries indicator includes all income from employment, namely in cash as well as in kind (employee benefits) regardless of whether they have been officially reported or not. The number of employees (full-time equivalent) includes all forms of employment, formal and informal. Various types of agreements are also included. The calculation does not include hours worked by working owners of enterprises, who are according to national accounts definitions included in the category of employees.*
9. *Average monthly consumption of households per capita, in nominal terms, is defined as the real final consumption of households divided by the mid-year population.*
10. *The 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 (B.8g/(B.6g+D.8)). Gross saving is the part of the gross disposable income that has not been spent as final consumption expenditure.*

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Used data sources updated as at: 22 June 2018

Related CZSO website: <https://www.czso.cz/csu/czso/quarterly-national-accounts-gdp-resources-and-uses-and-gdp-preliminary-estimate>

Next Release will be published on: 2 October 2018 (Quarterly Sector Accounts for the second quarter of 2018)

*Data of quarterly sector accounts are seasonally adjusted unless otherwise stated.*

*The news releases of Eurostat on quarterly sector accounts are published later. The latest published information for the fourth quarter of 2017 is available at:*

<http://ec.europa.eu/eurostat/web/products-press-releases/-/2-06042018-AP> *,*

<http://ec.europa.eu/eurostat/web/products-press-releases/-/2-06042018-BP> ,

<http://ec.europa.eu/eurostat/web/products-press-releases/-/2-27042018-AP> .

*Quarterly sector accounts data are published on the CZSO website in the tables of Transactions in Products and Distributive Transactions by Sector:* <http://apl.czso.cz/pll/rocenka/rocenkavyber.kvart_qsa?mylang=EN>

*and Quarterly Non-Financial Sector Accounts (Current and Capital Accounts, not seasonally adjusted):*

<http://apl.czso.cz/pll/rocenka/rocenkavyber.kvart_qsa_mat?mylang=EN>