

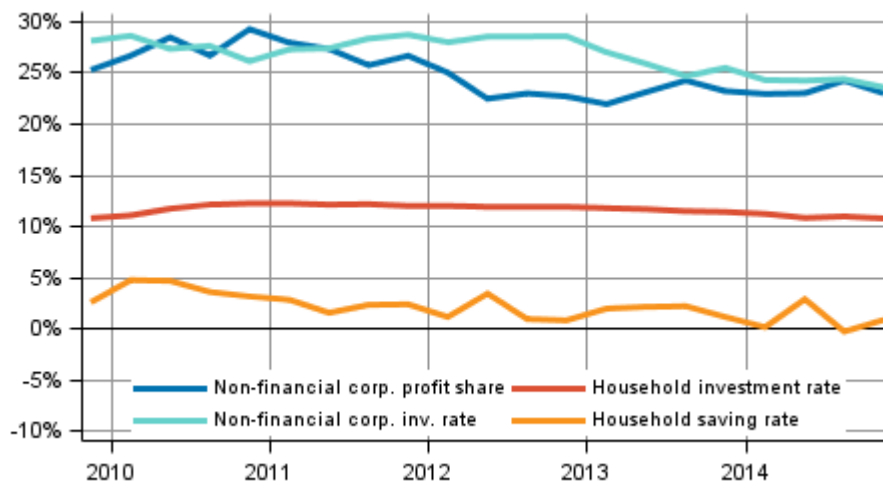
Quarterly sector accounts

2014, 4th quarter

Profits in the non-financial corporations sector weakened and investments diminished in the fourth quarter of 2014

The profit share of the non-financial corporation sector weakened from the year before as the value added of the sector contracted. The investment rate of non-financial corporations decreased further. The saving rate of the household sector rose slightly in the last quarter of the year as disposable income grew larger than consumption expenditure. Adjusted disposable income describing households' economic well-being remained at the same level as one year ago. These data derive from Statistics Finland's quarterly sector accounts.

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



In the fourth quarter of 2014, the profit share of non-financial corporations, or the share of profits in value added, weakened slightly to 22.9 per cent. The investment rate of non-financial corporations, or the proportion of investments in value added, similarly weakened, to 23.5 per cent. The key figures were calculated from seasonally adjusted time series.

Households' saving rate was 0.8 per cent in the fourth quarter of 2014. In the previous quarter, the figure was -0.4 per cent. The saving rate refers to the proportion of savings in disposable income. In the fourth

quarter, the investment rate of households accounted for 10.7 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 adjusted for price changes remained unchanged from the corresponding quarter of the year before. 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 fourth quarter of 2014

1.1 Households' income slightly bigger than consumption expenditure

The disposable income of households grew in the fourth quarter of 2014 by 0.9 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 stayed in practice unchanged and property income grew by around EUR 0.1 billion. On the expense side, income taxes paid grew by EUR 0.4 billion and social contributions paid by good EUR 0.1 billion, while no significant changes took place in the other expense items compared to the corresponding quarter of the previous year. Both interest income and interest expenditure still diminished slightly.

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. In the fourth quarter of 2014, income grew at current prices by good one per cent from the corresponding quarter of the year before and adjusted for price changes, it remained on level with the previous year. 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 0.8 per cent in the fourth quarter of 2014. In the previous quarter, it stood at -0.4 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 10.7 per cent of disposable income in the fourth 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 decreased by 0.3 per cent compared with the quarter of one year ago.

In these statistics, the households sector covers only 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 corporations sector weakened and investments diminished

In the fourth quarter of 2014, the seasonally adjusted profit share of non-financial corporations weakened by good one percentage point and was 22.9 per cent. The profit share refers to the share of profits in value added. The profit share weakened because the entire value added of the non-financial corporations sector contracted and expenditure on wages and salaries increased slightly.

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 fourth quarter of 2014, the investment rate fell further by close on one percentage point and was 23.5 per cent.

1.3 Profits of financial and insurance corporations grew

The value added in the sector rose by 13.4 per cent from the corresponding quarter in 2013, while output grew by 5.9 per cent and intermediate consumption increased by only 1.2 per cent. The compensation of employees in the sector remained at the previous year's level. The operating surplus describing profits in the sector grew from EUR 251 million to EUR 392 million. Value added and operating surplus describe the income that is generated from providing financial services to the public. They do not include property income or holding gains of securities.

Net lending that describes the financial position of the sector weakened slightly and was EUR 170 million, while net lending in the corresponding period in the year before was EUR 210 million.

1.4 Financial position of general government weakened from one year back

General government's consolidated total revenue grew by EUR 0.6 billion from the respective quarter of the previous year. Total expenditure increased by EUR 1.0 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 (net lending), which is formed as the difference between the total revenue and expenditure, weakened by EUR 0.5 billion from one year ago. On the expense side, the financial position was particularly burdened by social security contributions that were EUR 0.4 billion larger than one year earlier and current transfers paid that grew by EUR 0.3 billion. On the income side, the accrual of taxes grew by EUR 0.5 billion.

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 exports and imports of goods and services. Exports at current prices abroad from Finland amounted to EUR 19.7 billion in the fourth quarter of 2014. Exports decreased by EUR 330 million or 1.6 per cent from the respective quarter of the year before. Imports to Finland at current prices were EUR 19.2 billion. Compared to one year ago, imports decreased by EUR 1.2 billion (5.8 per cent).

Due to decreased imports, the balance of goods and services and the current account improved from one year ago. The balance of goods and services showed a surplus of EUR 0.5 billion and the current account was EUR 0.4 billion in surplus in the fourth 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 is revised for 2014 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 18 March 2015. The data for 1999 to 2014 mainly correspond with the annual sector accounts of the national accounts, although the updating of source data may cause 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:

$$\text{Households' saving rate} = B8N / (B6N+D8R)$$

$$\text{Households' investment rate} = P51K / (B6N+D8R)$$

$$\text{Profit share of non-financial corporations} = B2N / B1NPH$$

$$\text{Investment rate of non-financial corporations} = P51K / B1NPH$$

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. Household 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	23.3	27.3	1.3	10.2
2010Q2	28.8	27.6	8.9	11.1
2010Q3	22.1	28.9	2.8	13.9
2010Q4	35.1	25.7	2.3	11.6
2011Q1	24.4	25.4	-0.3	10.9
2011Q2	27.7	27.3	7.0	11.3
2011Q3	21.8	29.7	0.0	14.3
2011Q4	32.7	28.8	1.5	11.8
2012Q1	20.7	26.1	-5.8	11.0
2012Q2	23.0	28.4	9.3	11.3
2012Q3	18.9	30.0	1.1	13.8
2012Q4	29.6	28.9	0.2	11.3
2013Q1	18.0	25.1	-1.7	10.6
2013Q2	23.0	25.7	7.2	11.4
2013Q3	20.1	26.1	0.2	13.5
2013Q4	30.1	25.8	0.8	10.6
2014Q1	18.4	22.4	-5.2	10.0
2014Q2	22.8	24.1	7.8	10.7
2014Q3	20.8	25.7	-1.3	12.9
2014Q4	30.0	23.8	0.8	9.9

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

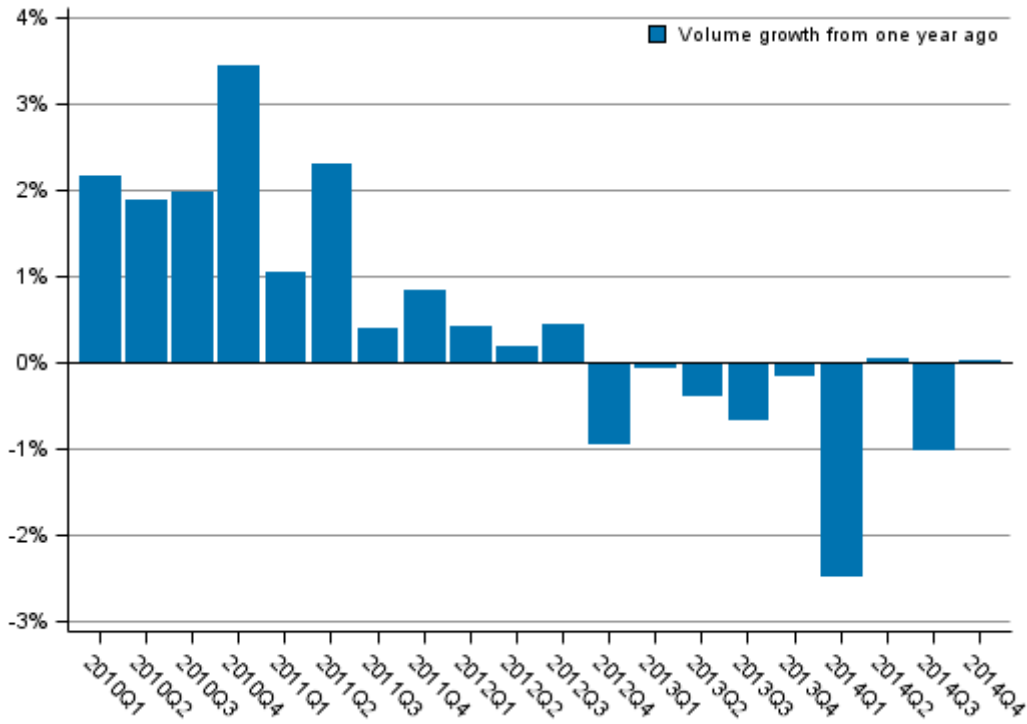
	Non-financial corporations (S11) profit share, %	Non-financial corporations (S11) investment rate, %	Household (S14) saving rate, %	Household (S14) investment rate, %
2010Q1	26.6	28.6	4.7	11.0
2010Q2	28.4	27.3	4.6	11.7
2010Q3	26.6	27.6	3.5	12.1
2010Q4	29.2	26.1	3.1	12.2
2011Q1	27.9	27.2	2.7	12.2
2011Q2	27.3	27.3	1.5	12.0
2011Q3	25.7	28.3	2.2	12.1
2011Q4	26.6	28.7	2.3	11.9
2012Q1	24.9	27.9	1.1	11.9
2012Q2	22.4	28.5	3.3	11.8
2012Q3	22.9	28.5	0.8	11.8
2012Q4	22.6	28.5	0.7	11.8
2013Q1	21.9	26.9	1.9	11.7
2013Q2	23.1	25.8	2.0	11.6
2013Q3	24.2	24.6	2.1	11.4
2013Q4	23.1	25.4	1.1	11.3
2014Q1	22.9	24.2	0.1	11.1
2014Q2	22.9	24.2	2.8	10.8
2014Q3	24.2	24.3	-0.4	10.9
2014Q4	22.9	23.5	0.8	10.7

Appendix table 3. Volume development of household adjusted disposable income

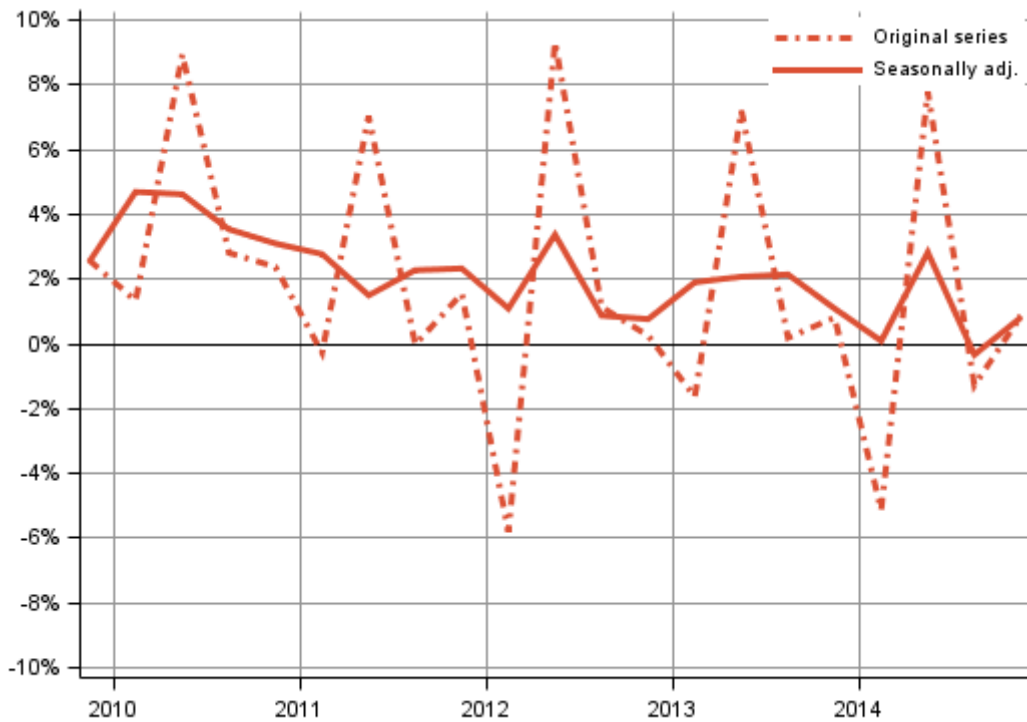
	Household adjusted disposable income, EUR bil.	Change in value from one year ago, %	Volume indicator (1999=100)	Change in volume from one year ago, %
2010Q1	30.7	3.8	122.3	2.2
2010Q2	34.8	3.4	137.8	1.9
2010Q3	32.8	3.5	130.0	2.0
2010Q4	34.9	5.3	137.3	3.4
2011Q1	32.0	4.2	123.6	1.0
2011Q2	36.8	5.8	141.0	2.3
2011Q3	34.1	4.2	130.5	0.4
2011Q4	36.4	4.3	138.5	0.8
2012Q1	33.1	3.5	124.1	0.4
2012Q2	38.1	3.5	141.3	0.2
2012Q3	35.4	3.7	131.1	0.4
2012Q4	37.2	2.0	137.2	-0.9
2013Q1	34.0	2.7	124.1	0.0
2013Q2	38.8	2.1	140.8	-0.4
2013Q3	36.0	1.7	130.2	-0.6
2013Q4	38.0	2.3	137.0	-0.1
2014Q1	33.8	-0.6	121.0	-2.5
2014Q2	39.4	1.5	140.8	0.0
2014Q3	36.2	0.4	128.9	-1.0
2014Q4	38.5	1.3	137.0	0.0

Appendix figures

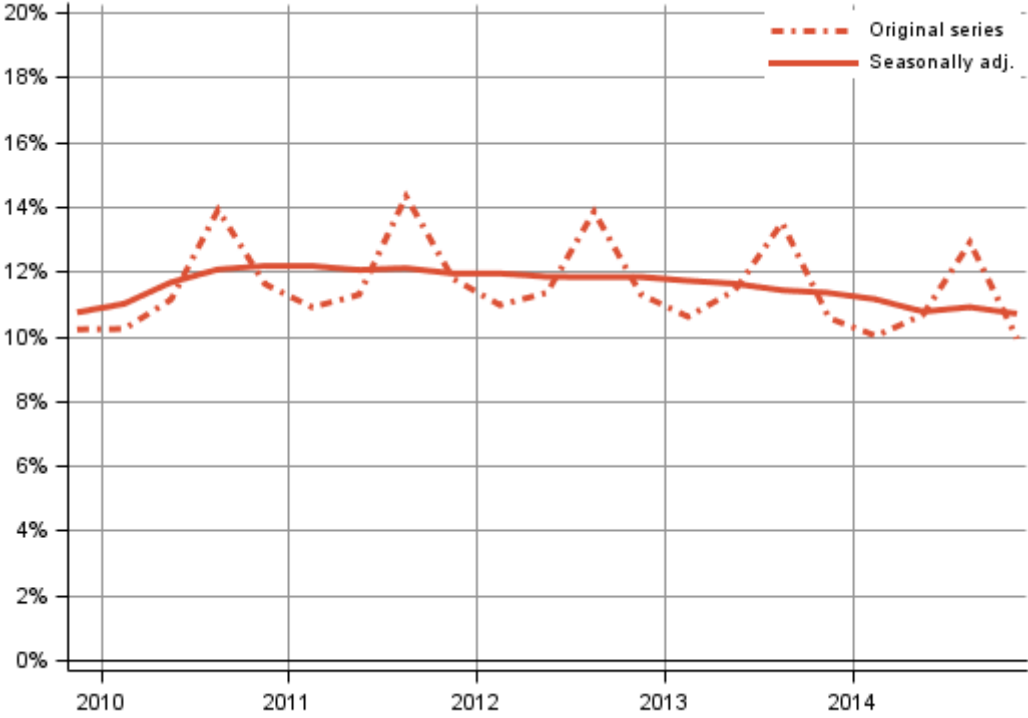
Appendix figure 1. Volume development of households' adjusted disposable income



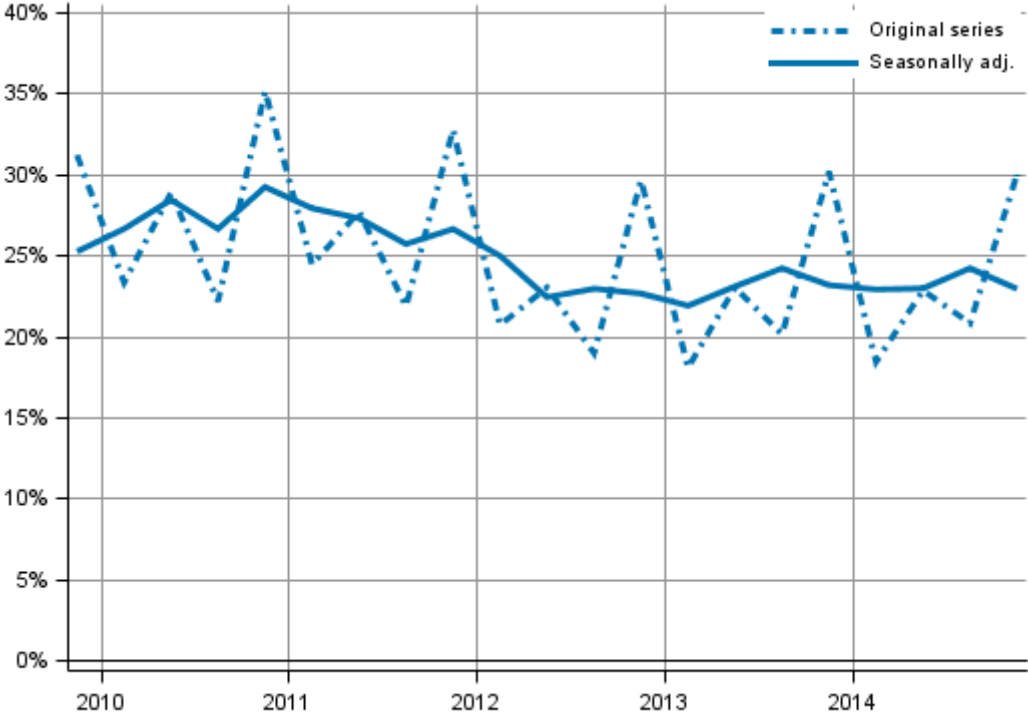
Appendix figure 2. Households' saving rate



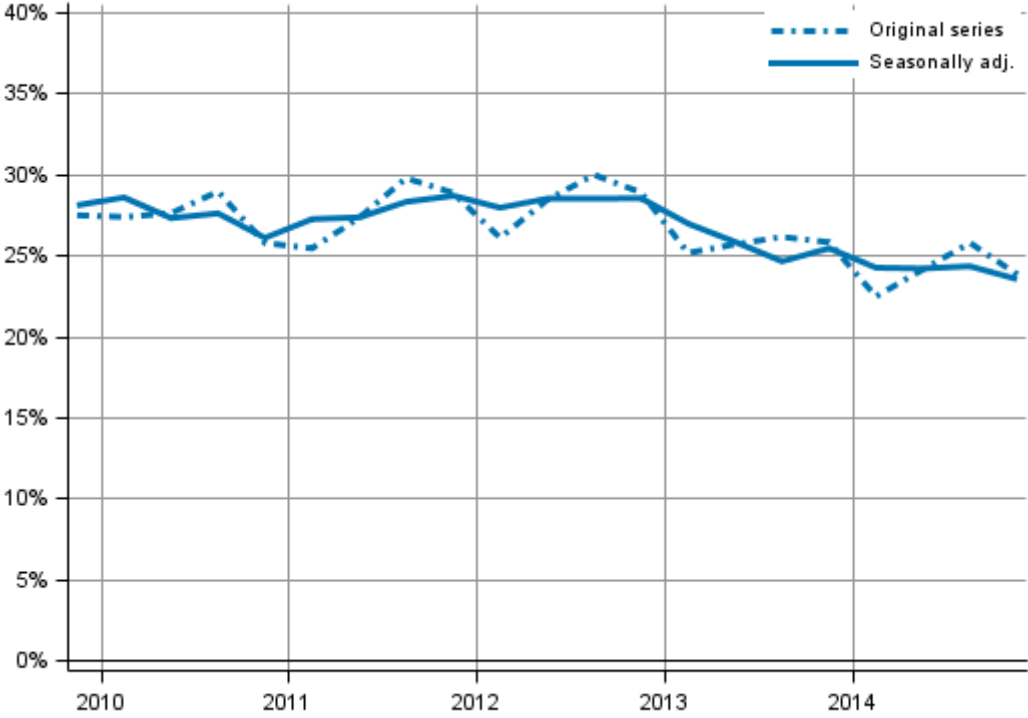
Appendix figure 3. Households' investment rate



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 (26.03.2015) (%)	Revision (% pts)
Non-financial corporations (S11) profit share	2013Q4	22.9	23.1	0.2
	2014Q1	19.4	22.9	3.5
	2014Q2	20.7	22.9	2.2
	2014Q3	21.9	24.2	2.3
Non-financial corporations (S11) investment rate	2013Q4	25.5	25.4	-0.1
	2014Q1	25.0	24.2	-0.8
	2014Q2	24.6	24.2	-0.4
	2014Q3	24.1	24.3	0.2
Household (S14) saving rate	2013Q4	0.4	1.1	0.7
	2014Q1	-0.8	0.1	0.9
	2014Q2	2.3	2.8	0.5
	2014Q3	-1.3	-0.4	0.9
Household (S14) investment rate,	2013Q4	11.3	11.3	0.0
	2014Q1	11.1	11.1	0.0
	2014Q2	10.9	10.8	-0.1
	2014Q3	11.0	10.9	-0.1

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Source: Sector accounts, Statistics Finland