

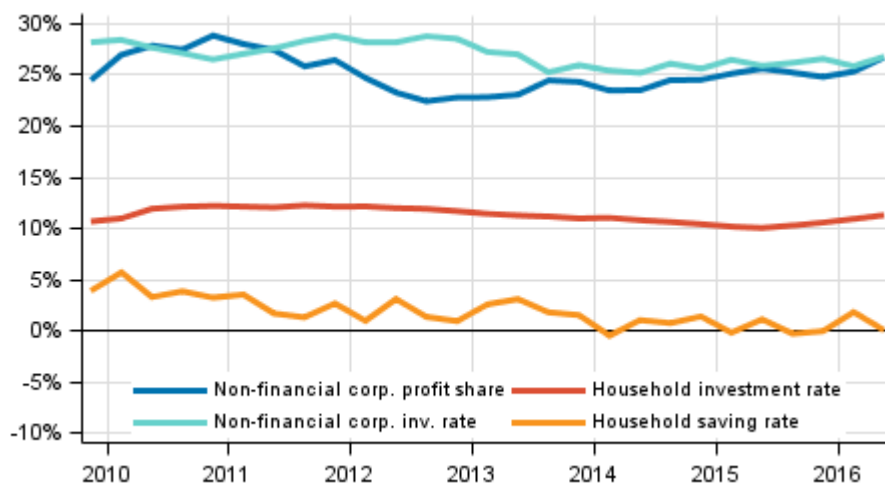
Quarterly sector accounts

2016, 2nd quarter

Profits and investments in the non-financial corporations sector grew in the second quarter of 2016

The profit share of the non-financial corporations sector grew compared to the previous quarter as the sector's value added grew more than compensation of employees. The investment rate of non-financial corporations also improved clearly from the previous quarter. The saving rate of the households sector weakened in the second quarter compared with the first quarter as a result of strong growth in consumption expenditure. Adjusted disposable income describing households' economic well-being contracted slightly year-on-year. These data derive from Statistics Finland's quarterly sector accounts.

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



In the second quarter of 2016, the profit share of non-financial corporations, or the share of profits in value added, grew by 1.4 percentage points to 26.6 per cent. The investment rate of non-financial corporations, or the proportion of investments in value added, increased by 0.9 percentage points to 26.7 per cent. The key figures were calculated from seasonally adjusted time series.

In April to June, households' saving rate declined by 1.7 percentage points to 0.0 per cent. The saving rate refers to the share of savings in disposable income. The investment rate of households grew by 0.3 percentage points and was 11.2 per cent of their disposable income. Households' seasonally adjusted investment rate has now grown during four quarters. Most of households' investments were investments in dwellings.

Households' adjusted disposable income fell from the corresponding quarter in 2015 by 0.4 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 second quarter of 2016

1.1 Households' income and consumption expenditure were equal

The disposable income of households grew in the second quarter of 2016 by 0.3 per cent compared to the corresponding quarter in 2014. 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 nearly EUR 0.3 billion in wages and salaries, good EUR 0.3 billion in social benefits received, and around EUR 0.2 billion in entrepreneurial income. By contrast, property income decreased by around EUR 0.6 billion, mainly as a result of lower dividend income. Of actual expenses, income taxes paid grew by close on EUR 0.1 billion and social contributions paid by good EUR 0.2 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 second quarter of 2016, adjusted disposable income grew at current prices by 0.5 per cent and adjusted for price changes it declined by 0.4 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 zero per cent in the second quarter of 2016, i.e. consumption expenditure and disposable income were in practice equal. In the previous quarter, the saving rate stood at 1.7 per cent. The saving rate is derived by deducting consumption expenditure from disposable income. The saving is positive if households' disposable income is greater than households' consumption expenditure. Households' seasonally adjusted investment rate was 11.2 per cent of disposable income in the second quarter of 2016, which was slightly higher than the corresponding data of the previous quarter that stood at 10.8 per cent. Most of households' investments were investments in dwellings.

Compensation of employees paid by non-profit institutions serving households increased by 2.1 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 Profits and investments in the non-financial corporations sector grew from the previous quarter

In the second quarter of 2016, the seasonally adjusted profit share of non-financial corporations grew by 1.4 percentage points and was 26.6 per cent. The profit share refers to the share of the operating surplus in value added. The profit share grew because value added in the non-financial corporations sector grew more than compensation of employees paid. The investment rate of non-financial corporations, or the proportion of fixed capital investments in value added, has been declining in the long term but the drop seems to have levelled out during 2014 and 2015. In the second quarter of 2016, the investment rate increased by 0.9 percentage points from the previous quarter and was 26.7 per cent.

1.3 Profits of financial and insurance corporations fell from the corresponding quarter in 2015

The value added in the sector fell by around six per cent from the corresponding quarter of last year, while output declined by 0.5 per cent and intermediate consumption grew by 4.1 per cent. The operating surplus describing profits in the sector declined from EUR 450 million one year ago to EUR 340 million. Profits were lowered by an increase in compensation of employees and a drop in value added. Net lending that describes the financial position of the sector was in line with last year, when both property income and property expenditure grew. 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.

1.4 Financial position of general government contracted from last year

In the second quarter of 2016, consolidated total general government revenue grew by EUR 130 million from the respective quarter of the previous year. Consolidated expenditure increased by EUR 240 million. The difference between revenue and expenditure, that is, the deficit (net borrowing) of general government declined by EUR 110 million. The financial position weakened slightly in all sub-sectors of general government. 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. More detailed statistics, where the sub-sectors are specified, are published in [the quarterly sector accounts of general government](#).

1.5 Foreign trade of goods increased in the second quarter of 2016

Exports of goods abroad from Finland amounted to EUR 13.8 billion in the second quarter of 2016. Exports of goods increased by EUR 0.3 billion or 2.3 per cent from the respective quarter of the year before. Exports of services amounted to EUR 5.2 billion, which was 0.2 billion lower than one year ago. Imports of goods amounted to EUR 13.3 billion. Compared to one year ago, the value of imports of goods increased by EUR 0.5 billion (4.0 per cent). Imports of services amounted to EUR 6.1 billion, which is equal to one year earlier. It should be noted that one year ago in the comparison period imports of goods were low due to a maintenance shutdown in the petroleum refining industry.

The balance of goods and services showed a deficit of EUR 0.4 billion in the second quarter of 2016. Property income received from the rest of the world was at the same level as one year ago and property income paid to the rest of the world was EUR 1.0 billion lower than twelve months ago. Current transfers paid abroad from Finland diminished compared with the quarter last year. The most significant current transfer item is the GNI payment paid by the state to the EU, which may vary by quarter due to technical recording reasons. The current account showed a deficit of EUR 1.5 billion in the second quarter of 2016, while one year ago, the deficit was EUR 1.6 billion.

1.6 Data and methods used

The quarterly data become revised as source data are updated. The biggest revision will take place for the last two to three years, because 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 14 September 2016. The data for 1999 to 2015 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:

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 publication. This volume index is calculated using the price data of the statistics on quarterly national 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, % |
|--------|--|---|--------------------------------|------------------------------------|
| 2011Q1 | 24.3 | 25.4 | -0.1 | 10.9 |
| 2011Q2 | 27.6 | 27.4 | 7.2 | 11.2 |
| 2011Q3 | 21.8 | 29.7 | 0.0 | 14.3 |
| 2011Q4 | 32.9 | 28.7 | 1.2 | 11.8 |
| 2012Q1 | 20.3 | 26.3 | -5.7 | 11.0 |
| 2012Q2 | 22.8 | 28.0 | 9.2 | 11.4 |
| 2012Q3 | 19.1 | 30.3 | 1.0 | 13.9 |
| 2012Q4 | 30.0 | 28.7 | 0.3 | 11.2 |
| 2013Q1 | 18.4 | 25.5 | -1.4 | 10.3 |
| 2013Q2 | 23.5 | 26.5 | 7.6 | 11.0 |
| 2013Q3 | 20.6 | 26.9 | 0.8 | 13.0 |
| 2013Q4 | 30.9 | 26.2 | 1.0 | 10.2 |
| 2014Q1 | 18.7 | 23.8 | -4.5 | 9.9 |
| 2014Q2 | 23.2 | 25.0 | 5.9 | 10.7 |
| 2014Q3 | 21.6 | 27.6 | -0.6 | 12.3 |
| 2014Q4 | 31.2 | 25.6 | 0.8 | 9.7 |
| 2015Q1 | 20.4 | 24.6 | -4.0 | 9.2 |
| 2015Q2 | 25.0 | 25.9 | 5.5 | 10.1 |
| 2015Q3 | 22.4 | 27.8 | -1.0 | 11.7 |
| 2015Q4 | 31.8 | 26.4 | -1.0 | 9.7 |
| 2016Q1 | 20.5 | 23.9 | -3.6 | 10.0 |
| 2016Q2 | 26.6 | 26.7 | 2.9 | 11.6 |

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, % |
|--------|--|---|--------------------------------|------------------------------------|
| 2011Q1 | 27.9 | 27.0 | 3.5 | 12.0 |
| 2011Q2 | 27.4 | 27.5 | 1.6 | 12.0 |
| 2011Q3 | 25.8 | 28.2 | 1.2 | 12.2 |
| 2011Q4 | 26.4 | 28.7 | 2.6 | 12.0 |
| 2012Q1 | 24.6 | 28.1 | 0.9 | 12.1 |
| 2012Q2 | 23.2 | 28.1 | 3.0 | 11.9 |
| 2012Q3 | 22.3 | 28.7 | 1.3 | 11.8 |
| 2012Q4 | 22.7 | 28.5 | 0.8 | 11.6 |
| 2013Q1 | 22.8 | 27.2 | 2.5 | 11.3 |
| 2013Q2 | 23.0 | 26.9 | 3.0 | 11.2 |
| 2013Q3 | 24.4 | 25.2 | 1.7 | 11.1 |
| 2013Q4 | 24.2 | 25.9 | 1.4 | 10.9 |
| 2014Q1 | 23.4 | 25.3 | -0.6 | 11.0 |
| 2014Q2 | 23.4 | 25.1 | 1.0 | 10.7 |
| 2014Q3 | 24.4 | 26.0 | 0.7 | 10.5 |
| 2014Q4 | 24.4 | 25.5 | 1.3 | 10.3 |
| 2015Q1 | 25.1 | 26.4 | -0.3 | 10.1 |
| 2015Q2 | 25.5 | 25.8 | 1.0 | 10.0 |

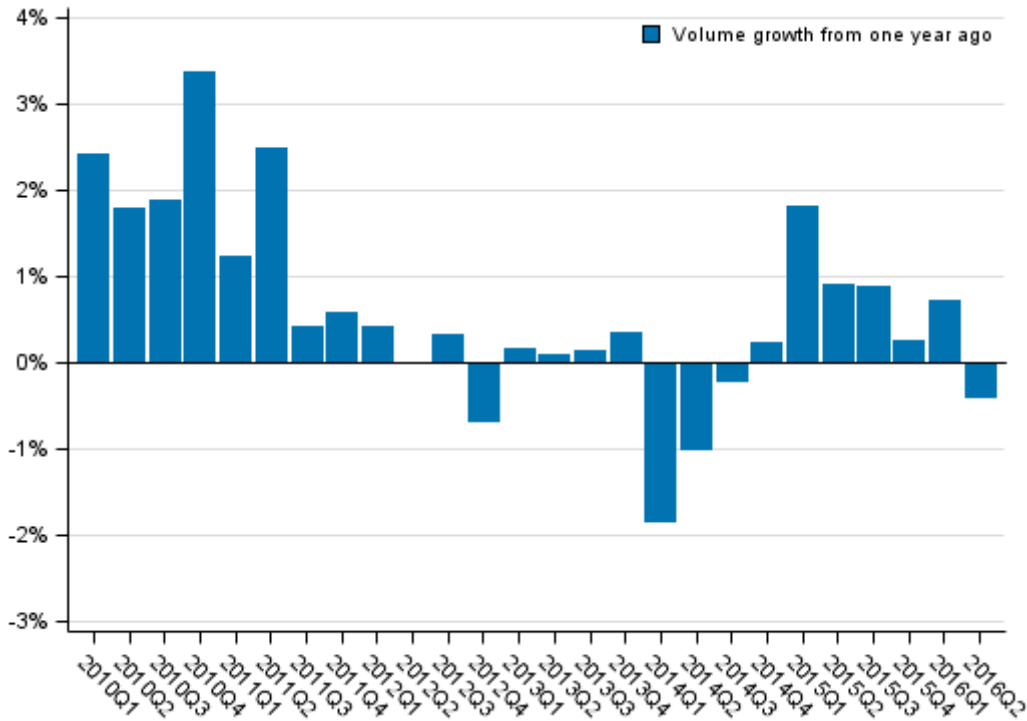
| | Non-financial corporations (S11) profit share, % | Non-financial corporations (S11) investment rate, % | Household (S14) saving rate, % | Household (S14) investment rate, % |
|--------|--|---|--------------------------------|------------------------------------|
| 2015Q3 | 25.2 | 26.1 | -0.4 | 10.2 |
| 2015Q4 | 24.7 | 26.5 | -0.1 | 10.5 |
| 2016Q1 | 25.2 | 25.8 | 1.7 | 10.8 |
| 2016Q2 | 26.6 | 26.7 | 0.0 | 11.2 |

Appendix table 3. Volume development of household adjusted disposable income

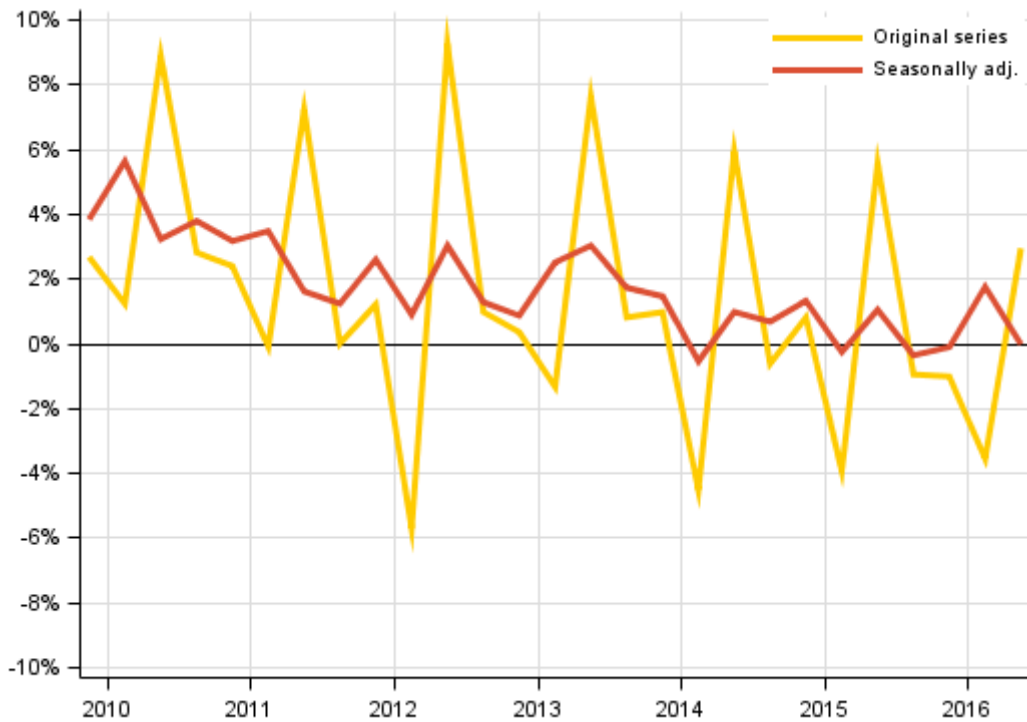
| | Household adjusted disposable income, EUR bil. | Change in value from one year ago, % | Volume indicator (1999=100) | Change in volume from one year ago, % |
|--------|--|--------------------------------------|-----------------------------|---------------------------------------|
| 2011Q1 | 32.0 | 4.4 | 123.8 | 1.2 |
| 2011Q2 | 36.8 | 6.0 | 141.2 | 2.5 |
| 2011Q3 | 34.1 | 4.2 | 130.5 | 0.4 |
| 2011Q4 | 36.4 | 4.0 | 138.1 | 0.6 |
| 2012Q1 | 33.1 | 3.5 | 124.3 | 0.4 |
| 2012Q2 | 38.0 | 3.3 | 141.2 | 0.0 |
| 2012Q3 | 35.4 | 3.5 | 130.9 | 0.3 |
| 2012Q4 | 37.2 | 2.3 | 137.2 | -0.7 |
| 2013Q1 | 34.1 | 2.8 | 124.5 | 0.2 |
| 2013Q2 | 39.0 | 2.5 | 141.4 | 0.1 |
| 2013Q3 | 36.2 | 2.4 | 131.1 | 0.1 |
| 2013Q4 | 38.2 | 2.7 | 137.7 | 0.4 |
| 2014Q1 | 34.1 | 0.0 | 122.2 | -1.8 |
| 2014Q2 | 39.1 | 0.3 | 139.9 | -1.0 |
| 2014Q3 | 36.6 | 1.1 | 130.8 | -0.2 |
| 2014Q4 | 38.7 | 1.5 | 138.1 | 0.2 |
| 2015Q1 | 34.8 | 2.3 | 124.4 | 1.8 |
| 2015Q2 | 39.7 | 1.4 | 141.2 | 0.9 |
| 2015Q3 | 37.0 | 1.1 | 132.0 | 0.9 |
| 2015Q4 | 38.9 | 0.5 | 138.4 | 0.3 |
| 2016Q1 | 35.4 | 1.5 | 125.3 | 0.7 |
| 2016Q2 | 39.9 | 0.5 | 140.7 | -0.4 |

Appendix figures

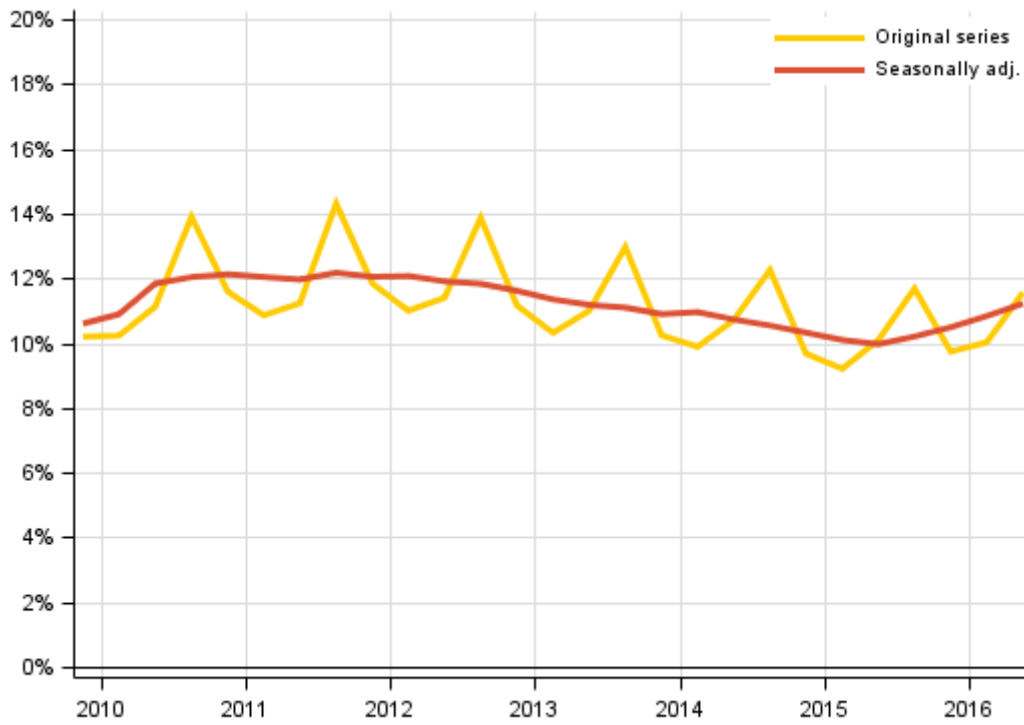
Appendix figure 1. Volume development of households' adjusted disposable income



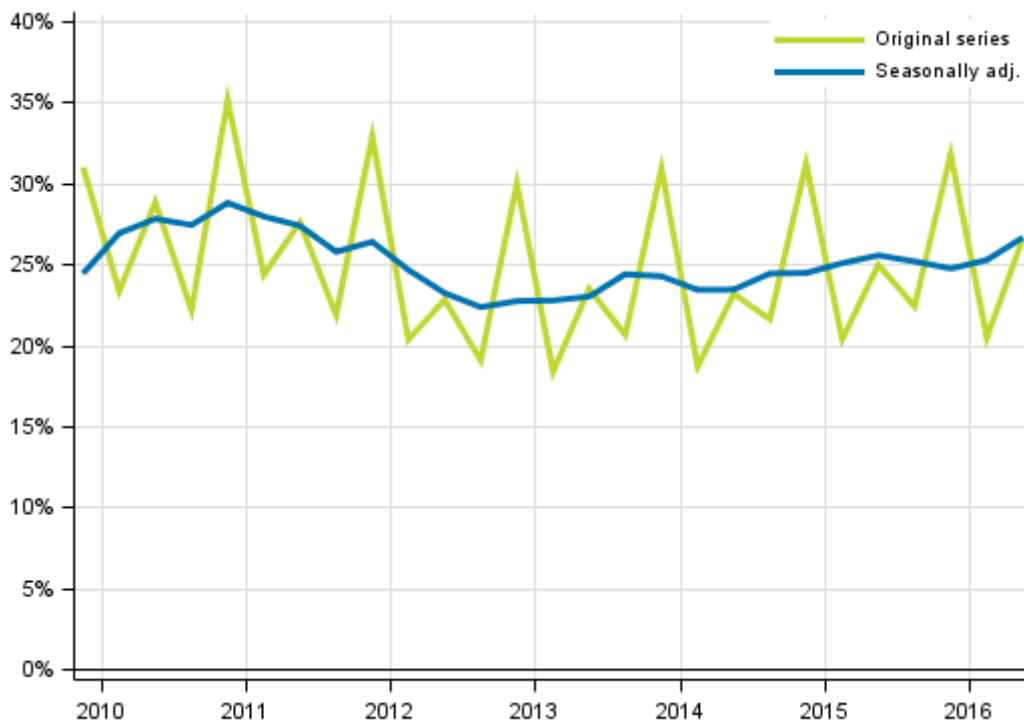
Appendix figure 2. Households' saving rate



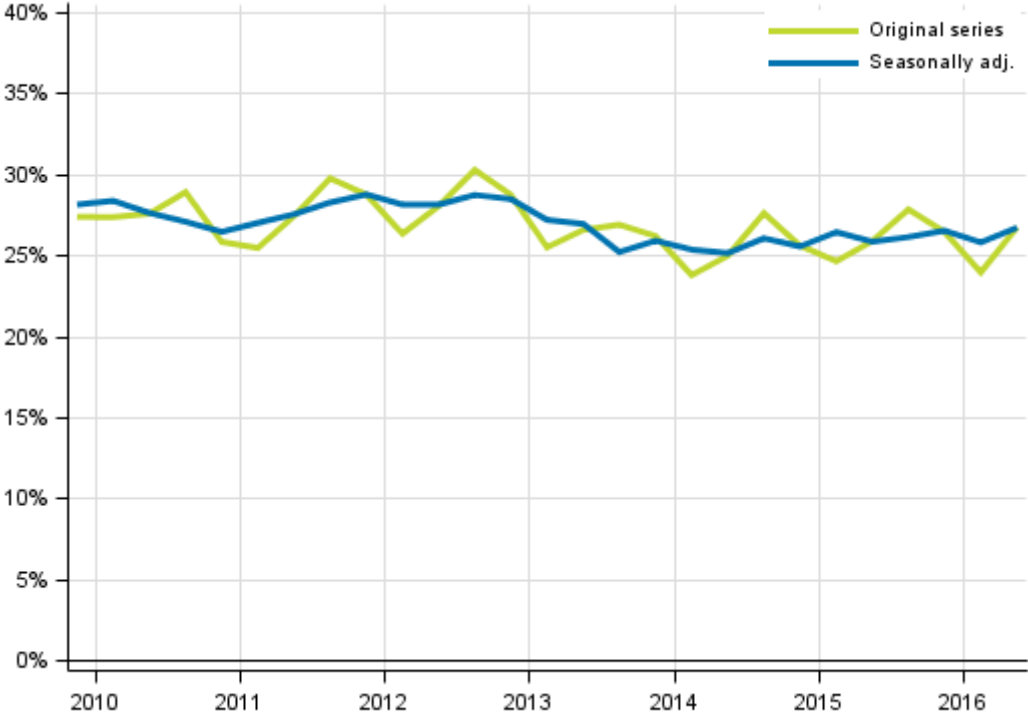
Appendix figure 3. Households' investment rate



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 (23.09.2016) (%) | Revision (% pts) |
|--|--------|-----------------|---------------------------------|------------------|
| Non-financial corporations (S11) profit share | 2015Q2 | 23.0 | 25.5 | 2.5 |
| | 2015Q3 | 22.3 | 25.2 | 2.9 |
| | 2015Q4 | 22.0 | 24.7 | 2.7 |
| | 2016Q1 | 23.3 | 25.2 | 1.9 |
| Non-financial corporations (S11) investment rate | 2015Q2 | 24.6 | 25.8 | 1.2 |
| | 2015Q3 | 24.8 | 26.1 | 1.3 |
| | 2015Q4 | 26.6 | 26.5 | -0.1 |
| | 2016Q1 | 25.3 | 25.8 | 0.5 |
| Household (S14) saving rate | 2015Q2 | 0.1 | 1.0 | 0.9 |
| | 2015Q3 | -0.2 | -0.4 | -0.2 |
| | 2015Q4 | -0.4 | -0.1 | 0.3 |
| | 2016Q1 | 2.2 | 1.7 | -0.5 |
| Household (S14) investment rate, | 2015Q2 | 10.4 | 10.0 | -0.4 |
| | 2015Q3 | 10.2 | 10.2 | 0.0 |
| | 2015Q4 | 10.4 | 10.5 | 0.1 |
| | 2016Q1 | 10.9 | 10.8 | -0.1 |

Inquiries

Pekka Tamminen 029 551 2460

Katri Soinne 029 551 2778

Director in charge:

Ville Vertanen

kansantalous.suhdanteet@stat.fi

www.stat.fi

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