3 April 2018

Growth of Real Income and Expenditure of Households Accelerated

Quarterly sector accounts – the fourth quarter of 2017

The household real income and real consumption per capita increased by 3.9% and by 4.6%, year-on-year, respectively in 2017. Revenues from profits belonging to foreign owners of corporations reached 8.3% of the gross domestic product in 2017.

Non-financial corporations: profit rate annually increased in Q4 2017

The **profit rate**1 in the Q4 2017 was 49.8%, which is by 0.2 percentage point (p.p.) more, quarter-on quarter (q-o-q), and by 0.1 p.p. more, year-on-year (y-o-y). The total labour costs of non-financial corporations increased by 8.5%, y-o-y. The **investment rate**2 increased by 0.5 p.p., q-o-q, and reached 30.0%. It fell by 0.2 p.p. compared year-on-year.

Households: real income increased by 1.4% in Q4 2017

The household real income per capita3 increased by 1.4%, q-o-q, in the Q4 2017. In the y-o-y comparison it was by 4.8% up. Household real consumption per capita4 grew at a moderately faster pace by 1.5%, q-o-q, and by 5.6%, y-o-y.

The **average monthly income of households** per capita in nominal terms5 was CZK 26 835; of which CZK 5 0516 consisted of individual services and goods7 provided by the general government and non-profit institutions serving households.

The **average monthly income from employment**8 reached CZK 32 8876 in the Q4 2017 and it increased by 1.1%, q-o-q; in real terms, and by 5.4%, y-o-y in real terms.

The **average monthly consumption of households** per capita in nominal terms9 reached CZK 24 5666.

A growth of household expenditure faster than their income, compared to the previous quarter, resulted in a lower **saving rate**10, being concrete at 10.4%. The **investment rate** in the household sector declined by 0.3% p.p., q-o-q, and reached 8.3%.

Non-financial corporations in 2017: wage costs increased by 8.4%

The **profit rate**1 in 2017 declined to 49.4%, which was by 1.1 p.p. less, y-o-y. Nevertheless, the profit rate in the Czech Republic still remained high above the EU average, which is approximately 40%. Yet profit has been still growing if measured in absolute value. The reason behind the profit rate decline was a faster growth in wage costs, which increased by 8.4%, y-o-y. The **investment rate**2 slightly increased by 0.2 p.p. compared to that of 2016 and reached 29.4%.

Profit rate and investment rate of non-financial corporations (percentage)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Q1 | Q2 | Q3 | **Q4** | **Year 2017** |
| Profit rate | 49.3 | 49.2 | 49.6 | **49.8** | **49.4** |
| Investment rate | 28.6 | 29.1 | 29.4 | **30.0** | **29.4** |

Households in 2017: real income increased by 3.9%

The household real income per capita3 increased by 3.9% compared to that of 2016. The household real consumption per capita4 grew at a 0.8 p.p. faster pace, i.e. by 4.6%.

Household real income and expenditure, y-o-y change (percentage)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Q1 | Q2 | Q3 | **Q4** | **Year 2017** |
| Real income | 2.3 | 2.4 | 3.7 | **4.8** | **3.9** |
| Real consumption (expenditure) | 3.2 | 3.3 | 4.1 | **5.6** | **4.6** |

The **average monthly income of households** per capita in nominal terms5 was CZK 24 842, of which CZK 4 372 consisted of individual services and goods6 provided by the general government and non-profit institutions serving households.

The **average monthly income from employment**8 reached CZK 30 806 in 2017 and increased by 5.1%, in real terms, compared to 2016.

The **average monthly consumption of households** per capita in nominal terms9 reached CZK 22 925.

The **saving rate**10 reached 10.5% in 2017 and was by 0.8 p.p. lower than that in 2016. The **investment rate** in the household sector reached 8.8% in 2017 and thus was remained the same as in the previous year.

**Relationship to the rest of the world in 2017: profit from foreign investment**11 **exceeded CZK 421 billion**

An outflow of income from profit belonging to foreign owners of corporations to abroad in 2017 was 8.3% of the gross domestic product (GDP). In the form of dividends the outflow was almost CZK 270 billion; reinvestment was for more than CZK 151 billion. This trend reflects high profitability of foreign direct investment in the Czech Republic.

On the contrary, outflow of income from profit was partially compensated by inflow of income from abroad, especially by interest and income from employment. A negative balance of primary income from abroad reached CZK 285.4 billion and thus it was by CZK 20 billion lower than that in the previous year.

The **gross national income** in real terms increased by 4.4% in 2017.

The **gross disposable income** for the entire economy in real terms grew by 4.5% in 2017.

**More precise GDP estimate**

New data for the general government sector were also incorporated when compiling sector accounts for the Q4 2017. This led to a more precise estimate of growth paces of the GDP. The GDP increased by 5.5%, y-o-y, in the Q4 2017 and in the q-o-q comparison it was 0.8% up. In 2017 the GDP increased by 4.6%. For the time series of GDP resources and uses see: <https://www.czso.cz/csu/czso/hdp_ts>.

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 household real income 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. *The 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. *The 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. *A 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. *The 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. *The 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 which is not spent as final consumption expenditure.*
11. *The profit from foreign investment consists of paid dividends and reinvested profit. Dividends relate to profit/loss of the previous period and thus the reinvested profit is a supplementary item to profit/loss of the current period and may get negative values as well. If summarised these two components represent profit belonging to foreign owners.*

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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: 29 June 2018 (Quarterly Sector Accounts for the first quarter of 2017)

*Data of quarterly sector accounts are seasonally unadjusted and therefore they cannot be compared quarter-on-quarter.*

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

http://ec.europa.eu/eurostat/web/products-press-releases/-/2-12012018-AP*,*

http://ec.europa.eu/eurostat/web/products-press-releases/-/2-12012018-BP,

http://ec.europa.eu/eurostat/web/products-press-releases/-/2-26012018-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):*

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