3 October 2017

Income and expenditure of households were increasing

Quarterly sector accounts – the second quarter of 2017

Household real income increased by 2.6% in the Q2 2017 and real consumption per capita increased by 2.9%, y-o-y. Investment rate of non-financial corporations increased by 0.6 p.p., y-o-y.

Non-financial corporations: expenditure on wages and salaries increased

**Profit rate**1 in the Q2 2017 was 49.6%, which is by 2.9 p.p. less, y-o-y. The decrease in profitability of corporations was related to increasing wage costs, which grew by 9.4%, y-o-y. Despite that, the profit rate of Czech corporations remains above average, because based on the available data of Eurostat the average profit rate of non-financial corporations for the EU in the Q2 is about 39.0% for a long-term. **Investment rate**2 increased by 0.6 p.p., y-o-y, and reached 28.1%.

Households: real income increased by 2.6% in the Q2

Household real income per capita3 increased by 2.6%, year-on-year, in the Q2. Household real consumption per capita4 grew faster, i.e. by 2.9%.

**Average monthly income of households** per capita in nominal terms5 was CZK 24 596; of that, CZK 4 148 consisted of individual services and goods6 provided by the general government and non-profit institutions serving households.

**Average monthly income from employment**7 reached CZK 30 603 in the Q2 and it increased in real terms by 4.4%, compared to the corresponding period of the previous year.

**Average monthly consumption of households** per capita in nominal terms8 reached CZK 22 564.

Resulting from the faster growth of household expenditure compared to their income was lower **saving rate**9 compared to the previous year, namely 10.9%. **Investment rate** in the household sector remained almost unchanged, year-on-year, and reached 8.2%.

When compiling sector accounts for the Q2 2017, also new data for the general government sector were incorporated; it had no impact on the growth rate of the gross domestic product (GDP). The GDP increased by 4.7%, y-o-y, in the Q2 2017; in the q-o-q comparison it was 2.5% up. 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. *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 household final consumption expenditure.*
4. *Household real consumption per capita is defined as real household final consumption, in nominal terms, divided by the mid-year population and deflated by the deflator (price index) of household final consumption expenditure.*
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. *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) further 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).*
7. *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.*
8. *Average monthly consumption of households per capita, in nominal terms, is defined as the real household final consumption divided by the mid-year population.*
9. *Household saving rate is defined as the gross saving divided by the gross disposable income with inclusion of adjustment for net share of households in reserves of pension funds (B.8g/(B.6g+D.8)). Gross saving is part of gross disposable income, which has not been consumed in the form of final consumption expenditure.*
10. *Profit from foreign investment consists of dividends paid and of reinvested earnings. Dividends are related to the economic result (profit/loss) of the previous period and reinvested earnings are thus a supplement to the economic result (profit/loss) of the current period and may take a form of a loss (reach negative values). These two components in total are the 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: 10 January 2018 (Quarterly Sector Accounts for the third quarter of 2017)

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

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

http://ec.europa.eu/eurostat/web/products-press-releases/-/2-06072017-AP*,*

http://ec.europa.eu/eurostat/web/products-press-releases/-/2-06072017-BP,

http://ec.europa.eu/eurostat/web/products-press-releases/-/2-28072017-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>