



# Quarterly Institutional Sector Accounts

## Non-Financial

### Quarter 4 2012 and Year 2012 (Preliminary)

**Gross Household Saving Ratio**  
Seasonally adjusted Q1 2011 - Q4 2012



**Gross Saving by Institutional Sector**

Year	Non-Financial Corporations (S.11)	Financial Corporations (S.12)	General Government (S.13)	Households and NPISH (S.14 & S.15)
	€m			
2011	14,678	6,460	-10,284	9,311
2012	16,375	7,673	-8,554	11,084

### Gross household savings rise in 2012

Preliminary estimates for 2012 indicate that gross household savings increased by €1,773m to €11,084m. Gross disposable income of households (B.6g) increased from €84,196m in 2011 to €86,273m in 2012 – an increase of €2078m (+2.5%). Higher wages (D.1) (+€711m) and profits of the self employed (B.2g/B.3g) (+€1948m) were the main factors which contributed to this increase. In the same period household expenditure (P.3) also increased by €424m (+0.5%) from €77,499m to €77,923m.

The gross savings ratio, which expresses savings as a percentage of gross disposable income, increased from 10.7 per cent in 2011 to 12.5 per cent in 2012.

On a seasonally adjusted basis the quarterly gross disposable income of households (B.6g) was €22,294m in Q4 2012 – an increase of €148m or 0.7 per cent compared with Q3 2012. Quarterly household expenditure (P.3) rose by €362m over the same period (€19,817m in Q4 2012 compared with €19,455m in Q3 2012). Overall, gross household savings decreased by €214m from €2,691m in Q3 2012 to €2,477m in Q4 2012.

The derived gross savings ratio, which expresses savings as a percentage of gross disposable income, decreased from 12.1 per cent in Q3 2012 to 11.1 per cent in Q4 2012 (*see Background Notes - definitions*).

The seasonally adjusted data series which includes *Gross Disposable income, Personal Consumption of Goods and Services and Gross Savings of the Household and NPISH sector* is available at: [www.cso.ie/shorturl.aspx/99](http://www.cso.ie/shorturl.aspx/99). The entire unadjusted series for all variables published in this release are also available there.

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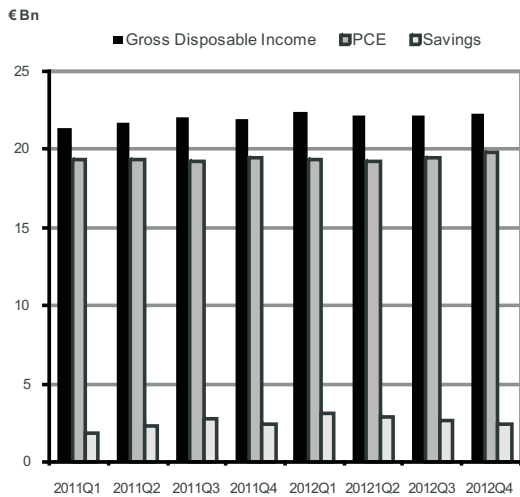
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**Total Gross Disposable Income v's PCE and Savings**  
Seasonally adjusted Q1 2011 - Q4 2012



**Improvement in Government savings deficit**

The gross savings of Government (resources less uses) amounted to a deficit of €8,554m in 2012 – an improvement of €1,730m on the 2011 deficit of €10,284m. This increase is largely explained by higher taxes with taxes on income and wealth (D.5) at €20,903m showing an increase of €1,845m in 2012.

On the capital side investment by government in 2012 was €4,004m. Taken together with the savings deficit this resulted in a net borrowing requirement for Government of €12,209m in 2012.

**Non-financial (S.11) and Financial (S.12) Corporations**

The gross savings of non-financial corporations were €16,375m in 2012 – an increase of €1,699m compared with the 2011 figure of €14,676m. This increase in savings is mainly explained by an increase of €1,159m in gross operating surplus (B.2g/B.3g) and an increase in net property income (D.4) of €296m in 2012.

Financial corporations had gross savings of €7,673m in 2012 – up from €6,460m in 2011. This is explained by an increase in gross operating surplus (B.2g/B.3g) of €559m and an improvement in net property income (D.4) of €687m in 2012.

**Rest of the World Sector (S.2)**

The net borrowing (B.9) by the rest of the world from Ireland amounted to €6,042m in 2012 compared to €1,523m in 2011. This increase is explained by the higher levels of gross savings in the economy.

**Institutional Sector Accounts  
Non-Financial Tables**

**Quarter 4 2012**

Summary Table - Quarterly Accounts by Institutional Sector, Q3 2011 - Q4 2012

€ million

Key Variables		Quarter	S.2 Rest of World	S.1 Total economy	S.IN Not sectorized	S.11 Non-financial corporations	S.12 Financial corporations	S.13 General government	S.14+S.15 Households including NPISH
(a)	B.1*g Gross domestic product	Q3 2011		40,006	3,604	20,844	3,803	5,363	6,392
		Q4 2011		39,870	3,607	21,024	4,031	5,481	5,727
		Q1 2012		39,847	3,380	20,632	3,787	5,512	6,535
		Q2 2012		42,029	3,418	22,238	4,073	5,225	7,074
		Q3 2012		41,191	3,712	21,423	3,999	5,349	6,709
		Q4 2012		40,529	4,184	21,402	4,057	5,242	5,644
(b)	B.2g/B.3g Gross operating surplus / Mixed income	Q3 2011		18,625	-257	11,512	2,312	694	4,363
		Q4 2011		19,213	-256	11,891	2,403	695	4,479
		Q1 2012		18,872	-256	11,432	2,367	623	4,706
		Q2 2012		20,854	-270	12,684	2,658	608	5,173
		Q3 2012		19,303	-264	11,659	2,420	697	4,791
		Q4 2012		19,280	-260	11,663	2,428	667	4,782
(c)	D.1_D.4 Net Primary Income	Q3 2011		13,475	0	-7,271	163	3,194	17,388
		Q4 2011		14,540	0	-6,242	-672	3,652	17,802
		Q1 2012		12,292	0	-7,466	-692	2,957	17,494
		Q2 2012		13,583	0	-8,296	-50	4,031	17,899
		Q3 2012		14,483	0	-6,665	97	3,109	17,941
		Q4 2012		15,945	0	-5,845	-278	3,716	18,352
(d)	B.5g Gross national income = (b + c)	Q3 2011		32,100	-257	4,242	2,475	3,889	21,751
		Q4 2011		33,753	-256	5,649	1,732	4,347	22,281
		Q1 2012		31,164	-256	3,966	1,675	3,579	22,200
		Q2 2012		34,438	-270	4,389	2,607	4,639	23,072
		Q3 2012		33,786	-264	4,995	2,518	3,805	22,732
		Q4 2012		35,225	-260	5,818	2,150	4,383	23,134
(e)	D.5_D.7 Net Current Transfers	Q3 2011		-587	0	-526	425	-192	-295
		Q4 2011		-613	0	-1,330	127	2,473	-1,883
		Q1 2012		-734	0	-108	617	-668	-575
		Q2 2012		-565	0	-990	214	950	-739
		Q3 2012		-604	0	-505	451	607	-1,157
		Q4 2012		-519	0	-1,189	175	2,889	-2,394
(f)	B.6g Gross disposable income = (d + e)	Q3 2011		31,512	-257	3,715	2,901	3,697	21,456
		Q4 2011		33,140	-256	4,319	1,858	6,820	20,398
		Q1 2012		30,430	-256	3,857	2,292	2,911	21,625
		Q2 2012		33,872	-270	3,398	2,822	5,590	22,333
		Q3 2012		33,182	-264	4,490	2,968	4,412	21,576
		Q4 2012		34,707	-260	4,630	2,325	7,272	20,740

**Summary Table - Quarterly Accounts by Institutional Sector, Q3 2011 - Q4 2012**
**€ million**

Key Variables	Year	S.2	S.1	S.IN	S.11	S.12	S.13	S.14+S.15
		Rest of World	Total economy	Not sectorized	Non-financial corporations	Financial corporations	General government	Households including NPISH
(g) P.3 + D.8 Use of disposable income	Q3 2011		-25,940	0	0	-643	-7,685	-17,612
	Q4 2011		-28,136	0	0	-669	-7,189	-20,279
	Q1 2012		-26,320	0	0	-677	-7,002	-18,641
	Q2 2012		-25,893	0	0	-665	-7,150	-18,078
	Q3 2012		-26,142	0	0	-690	-7,670	-17,782
	Q4 2012		-28,308	0	0	-703	-6,917	-20,688
(h) B.8g Gross saving = (f + g)	Q3 2011		5,573	-257	3,715	2,258	-3,988	3,844
	Q4 2011		5,003	-256	4,319	1,190	-369	119
	Q1 2012		4,110	-256	3,857	1,616	-4,091	2,984
	Q2 2012		7,980	-270	3,398	2,157	-1,560	4,254
	Q3 2012		7,040	-264	4,490	2,278	-3,258	3,794
	Q4 2012		6,399	-260	4,630	1,622	355	52
(i) Changes in Capital Accounts	Q3 2011		-107	-257	226	5,834	-5,760	-150
	Q4 2011		416	-256	1,091	51	-951	482
	Q1 2012		-1,274	-256	-518	133	-348	-285
	Q2 2012		-3,001	-270	-2,453	139	-230	-188
	Q3 2012		-175	-264	-125	144	189	-120
	Q4 2012		215	-260	852	218	-954	359
(j) K.1 Consumption of fixed capital	Q3 2011		3,991		2,022	169	617	1,182
	Q4 2011		3,922		1,981	166	617	1,158
	Q1 2012		3,831		1,923	161	578	1,169
	Q2 2012		3,837		1,926	162	578	1,171
	Q3 2012		3,831		1,923	161	578	1,169
	Q4 2012		3,757		1,879	158	578	1,142
(k) B.9 Net lending (+) / Net borrowing (-) = (h + i) - j	Q3 2011	-1,475	1,475	-513	1,918	7,923	-10,365	2,512
	Q4 2011	-1,502	1,498	-512	3,429	1,075	-1,937	-558
	Q1 2012	994	-995	-512	1,417	1,587	-5,017	1,529
	Q2 2012	-1,142	1,142	-539	-981	2,135	-2,369	2,896
	Q3 2012	-3,034	3,034	-529	2,443	2,261	-3,647	2,505
	Q4 2012	-2,861	2,857	-520	3,603	1,682	-1,177	-732

## Quarterly Accounts by Institutional Sector, Q4 2012

€million

Uses								CURRENT ACCOUNTS	Resources							
S.14+S.15 Households including NPISH	S.13 General government	S.12 Financial corporations	S.11 Non-financial corporations	S.IN Not sectorized	S.1 Total economy	S.2 Rest of World	S.1+S.2 Sum over sectors		S.1+S.2 Sum over sectors	S.2 Rest of World	S.1 Total economy	S.IN Not sectorized	S.11 Non-financial corporations	S.12 Financial corporations	S.13 General government	S.14+S.15 Households including NPISH
<b>1.2 GENERATION OF INCOME ACCOUNT</b>																
								<b>B.1*g</b>	<b>Gross domestic product</b>		<b>40,529</b>	<b>4,184</b>	<b>21,402</b>	<b>4,057</b>	<b>5,242</b>	<b>5,644</b>
1,937	4,575	1,599	9,488		17,599	137	17,736	D.1	Compensation of employees							
133	0	31	490	4,612	5,266		5,266	D.2	Taxes on production and imports, paid							
								D.3	Subsidies, received	1,615	1,615	168	239	0	0	1,209
<b>4,782</b>	<b>667</b>	<b>2,428</b>	<b>11,663</b>	<b>-260</b>	<b>19,280</b>			<b>B.2g/ B.3g</b>	<b>Gross operating surplus/ Mixed income</b>							
<b>1.3 ALLOCATION OF PRIMARY INCOME ACCOUNT</b>																
								<b>B.2g/ B.3g</b>	<b>Gross operating surplus/ Mixed income</b>		<b>19,280</b>	<b>-260</b>	<b>11,663</b>	<b>2,428</b>	<b>667</b>	<b>4,782</b>
								D.1	Compensation of employees	17,736	203	17,532				17,532
								D.2	Taxes on production and imports, received	5,266	103	5,162			5,162	
	279				279	1,340	1,619	D.3	Subsidies, paid							
301	1,545	12,074	9,245		23,166	13,759	36,924	D.4	Property income	36,924	20,229	16,695	3,400	11,797	378	1,120
251	1,545	5,837	1,111		8,744	8,997	17,741	D.41	Interest	17,741	6,919	10,823	138	10,314	245	125
0	0	4,609	4,571		9,180	*	*	D.42	Distributed income of corporations	*	*	2,626	347	1,468	133	678
0	0	998	3,564		4,562	*	*	D.43	Reinvested earnings on direct foreign investment	*	*	2,930	2,915	15	0	0
0	0	630	0		630	0	630	D.44	Property income attributed to insurance policy holders	630	363	267	0	0	0	267
50	0	0	0		50		50	D.45	Rent	50	50		0	0	0	50
<b>23,134</b>	<b>4,383</b>	<b>2,150</b>	<b>5,818</b>	<b>-260</b>	<b>35,225</b>			<b>B.5g</b>	<b>Gross national income</b>							

\* Suppressed for confidentiality reasons

## Quarterly Accounts by Institutional Sector, Q4 2012

€million

Uses								CURRENT ACCOUNTS	Resources								
S.14+S.15 Households including NPISH	S.13 General government	S.12 Financial corporations	S.11 Non-financial corporations	S.IN Not sectorized	S.1 Total economy	S.2 Rest of World	S.1+S.2 Sum over sectors		S.1+S.2 Sum over sectors	S.2 Rest of World	S.1 Total economy	S.IN Not sectorized	S.11 Non-financial corporations	S.12 Financial corporations	S.13 General government	S.14+S.15 Households including NPISH	
<b>1.5 SECONDARY DISTRIBUTION OF INCOME ACCOUNT</b>																	
								<b>B.5g</b>	<b>Gross national income</b>			<b>35,225</b>	<b>-260</b>	<b>5,818</b>	<b>2,150</b>	<b>4,383</b>	<b>23,134</b>
5,413	0	552	1,289		7,254	25	7,279	D.5	Current taxes on income, wealth, etc.	7,279	20	7,260				7,260	
3,742					3,742	0	3,742	D.61	Social contributions	3,742	0	3,742		0	1,077	2,562	104
172	6,314	374	0		6,860	73	6,934	D.62	Social benefits other than social transfers in kind	6,934	87	6,846					6,846
1,421	644	1,820	161		4,046	686	4,732	D.7	Other current transfers	4,732	1,196	3,537		262	1,844	26	1,404
<b>20,740</b>	<b>7,272</b>	<b>2,325</b>	<b>4,630</b>	<b>-260</b>	<b>34,707</b>			<b>B.6g</b>	<b>Gross disposable income</b>			<b>34,707</b>	<b>-260</b>	<b>4,630</b>	<b>2,325</b>	<b>7,272</b>	<b>20,740</b>
<b>1.6 USE OF DISPOSABLE INCOME ACCOUNT</b>																	
								<b>B.6g</b>	<b>Gross disposable income</b>			<b>34,707</b>	<b>-260</b>	<b>4,630</b>	<b>2,325</b>	<b>7,272</b>	<b>20,740</b>
21,391	6,917				28,308			P.3	Final consumption expenditure								
			703		703	0	703	D.8	Adjustment for the change in net equity of households in pension funds reserves	703	0	703					703
<b>52</b>	<b>355</b>	<b>1,622</b>	<b>4,630</b>	<b>-260</b>	<b>6,399</b>			<b>B.8g</b>	<b>Gross saving</b>								
<b>1.7 EXTERNAL ACCOUNT</b>																	
						44,730		P.6	Exports of goods and services								
								P.7	Imports of goods and services		36,056						
					<b>-8,675</b>			<b>B.11</b>	<b>External balance of goods &amp; services</b>								
					68,915	16,020	84,935	D.1 to D.8	Primary incomes and current transfers	84,931	21,838	63,093					
					<b>-2,857</b>			<b>B.12</b>	<b>Current external balance</b>								

## Quarterly Accounts by Institutional Sector, Q4 2012

€million

Changes in assets								CAPITAL ACCOUNTS	Changes in liabilities and net worth								
S.14+S.15 Households including NPISH	S.13 General government	S.12 Financial corporations	S.11 Non-financial corporations	S.IN Not sectorized	S.1 Total economy	S.2 Rest of World	S.1+S.2 Sum over sectors		S.1+S.2 Sum over sectors	S.2 Rest of World	S.1 Total economy	S.IN Not sectorized	S.11 Non-financial corporations	S.12 Financial corporations	S.13 General government	S.14+S.15 Households including NPISH	
<b>1.8 CHANGE IN NET WORTH DUE TO SAVING AND CAPITAL TRANSFERS ACCOUNT</b>																	
								<b>B.8g</b>	<b>Gross saving</b>		<b>6,399</b>	<b>-260</b>	<b>4,630</b>	<b>1,622</b>	<b>355</b>	<b>52</b>	
								<b>B.12</b>	<b>Current external balance</b>		<b>-2,857</b>						
202	366	0	100		667	19	686	D.9	Capital transfers	686	15	671	1	147	368	155	
1,142	578	158	1,879		3,757			K.1	Consumption of fixed capital								
<b>-1,138</b>	<b>-221</b>	<b>1,612</b>	<b>2,652</b>	<b>-260</b>	<b>2,646</b>	<b>-2,861</b>	<b>-215</b>	<b>B.10.1</b>	<b>Changes in net worth due to saving and capital transfers</b>								
<b>1.9 ACQUISITION OF NON-FINANCIAL ASSETS ACCOUNT</b>																	
								<b>B.10.1</b>	<b>Changes in net worth due to saving and capital transfers</b>	<b>-215</b>	<b>-2,861</b>	<b>2,646</b>	<b>-260</b>	<b>2,652</b>	<b>1,612</b>	<b>-221</b>	<b>-1,138</b>
∞	737	1,816	87	647	260	3,546	3,546	P.5	Gross capital formation								
								K.1	Consumption of fixed capital	3,757		3,757		1,879	158	578	1,142
	0	-282	0	282	0	0	0	K.2	Acquisitions less disposals of non-produced non-financial assets								
	<b>-732</b>	<b>-1,177</b>	<b>1,682</b>	<b>3,603</b>	<b>-520</b>	<b>2,857</b>	<b>-4</b>	<b>B.9</b>	<b>Net lending (+) / net borrowing (-)</b>								



## Background Notes

**Description of institutional sectors** In the sector accounts, institutional sectors are distinguished not in terms of the nature of their production activity (such as agriculture, industry, services etc) but rather in terms primarily of the institutional form of the units that make them up. Thus companies, whether engaged in commercial non-financial or financial business, are grouped in a different sector from households, even though the latter are in many cases also engaged in commercial production, and from government or other non-market producers such as voluntary agencies.

**Institutional Sectors** The classification system is that of the European System of Accounts 1995 (ESA95). The sectors and sub-sectors distinguished in the present publication are as follows:

**S.1 Resident Economy** is the sum of all the sectors of the domestic economy.

**S.11 Non-Financial Corporations** are corporate bodies producing goods and non-financial services on a commercial basis. They include public limited companies, private companies and other corporate forms of business, whether owned by residents (including the government) or non-residents or both. In particular, therefore, Irish subsidiaries of foreign companies and the Irish branches of foreign companies operating in Ireland on a branch basis are included; while the foreign subsidiaries of Irish companies and the foreign branches of Irish companies operating abroad are excluded (they form part of the Rest of the World sector S.2). The business activities of self-employed persons (quasi-corporations) are in principle to be included here if separate accounts are available for statistical purposes.

**S.12 Financial Corporations** are corporate bodies producing financial services on a commercial basis. As with S.11, they can take various legal forms, with a range of ownership arrangements. They include monetary financial institutions, other financial intermediaries, financial auxiliaries and insurance corporations and pension funds.

**S.13 General Government** consists of central and local government and the social security fund. Central government includes the National Pension Reserve Fund, and non-commercial agencies owned and funded by government, but does not include commercial state-owned companies (which are proper to S.11 or S.12 as appropriate).

**S.14 + S.15 Households (S.14) and Non-Profit Institutions Serving Households (S.15).** S.14 consists of persons in their capacity as holders of financial assets or as borrowers. The business assets and liabilities of unincorporated self-employed persons are also mainly reflected in this sector. S.15 consists of non-profit institutions such as charities and non-commercial agencies not owned by the government, such as some schools and hospitals.

**S.2 Rest of the World.**

The figures represent the economy's transactions with non-residents. The conceptual definition is the same as in the balance of payments (BOP) statistics. In particular, non-residents include foreign subsidiaries of Irish companies, the foreign branches of Irish companies that operate abroad on a branch basis, and the head offices of foreign companies that operate in Ireland on a branch basis.

**S.1N Not Sectorised.**

In the non-financial accounts an additional residual sector is used to report taxes and subsidies in the Generation of Income Account (*Account 1.2*) as it is not possible to allocate these amounts to Institutional Sectors. In addition throughout these accounts S.1N is used to report the amounts that appear as the statistical discrepancy in the National Income and Expenditure GDP accounts, arising from the use of two independent estimates of GDP (from the Income and Expenditure approaches). In the Annual National Accounts NIE tables 3 and 5, the official estimate of GDP is reported as the average of the two measures, and the discrepancy is therefore displayed as half the difference between the two independent estimates (and thus with different signs in the two tables). The discrepancy is projected forward on a quarterly basis in line with the trends in the Expenditure components and is presented in Table 2 of the Quarterly National Accounts. In the sector accounts it appears as the first balancing item in the sequence (in the gross value added item in the production account), and is then carried through successive accounts via the balancing item. In the final non-financial account, the full amount of the discrepancy then emerges as the unallocated net lending or borrowing in the economy.

**Description of detailed non-financial accounts** Sector accounts present a coherent overview of all economic processes and the roles played by the various sectors. Each economic process is described in a separate account. The accounts describe successively generation of income, primary and secondary income distribution, final consumption, redistribution by means of capital transfers and capital formation. Note that the *Production Account (1.1)* from the Annual Accounts is not included in these quarterly accounts as the data is not available on a quarterly basis. The accounts record economic transactions, distinguishing between uses and resources, (e.g. the *resources* side of the transaction category *D.41 Interest* records the amounts of interest receivable by the different sectors of the economy and the *uses* side shows interest payable) with a special item to **balance** the two sides of each account. By passing on the balancing item from one account to the next a connection is created between successive accounts.

The accounts are compiled for the total economy and include accounts for separate domestic sectors and the Rest of the World sector. In this way the sector accounts describe:

- for each economic process the role of each sector, for instance General Government in income redistribution and Financial Corporations in financing.
- for each sector all economic transactions and their relation with other domestic sectors and the Rest of the World.

The successive accounts are explained in more detail below.

#### **Current Accounts 1.1 Production Account**

This Account is not presented in the Quarterly Non-Financial Accounts as quarterly data is not available.

#### **1.2 Generation of Income Account**

This account displays the transactions through which Gross Domestic Product at market prices is distributed to labour (compensation of employees), capital (operating surplus) and government (the balance of taxes and subsidies on production). The balancing item for the Household and NPISH sector in this account is called mixed income, because apart from operating surplus it also contains compensation for work by self-employed persons and their family members. B.2g/B.3g Gross Operating Surplus / Gross Mixed Income is the balancing item for the entire account.

#### **1.3 Allocation of Primary Income Account**

This account records, as resources, the income from direct participation in the production process, as well as property income received in exchange for the use of land, financial resources and other intangible assets. In addition, this account records the taxes on production and imports received by the government. On the uses side, property income is recorded as well as the subsidies paid by the government.

On this account the interest paid and received are recorded excluding imputed bank services (financial intermediation services indirectly measured -FISIM). In the national accounts insurance technical reserves are seen as a liability of insurance enterprises and pension funds to policyholders. Therefore, the receipts from investing these reserves are recorded as payments from insurance enterprises and pension funds to households, in the form of property income attributed to insurance policy holders and pension scheme members. The balancing item of this account for each sector is B.5g Gross National Income. The Primary Income for the total economy is the National Income.

#### **1.4 Memorandum - Entrepreneurial Income Account**

This account is not presented in the Quarterly series.

#### **1.5 Secondary Distribution of Income Account**

The secondary distribution of income account shows how primary income is redistributed by means of current taxes on income and wealth, social contributions (including contributions to pension schemes), social benefits (including pension benefits) and other current transfers. The balancing item of this account is B.6g Gross Disposable Income. For the consuming sectors (Households, NPISH and General Government) this item is passed on to 1.6 Use of Disposable Income Account. For the other sectors the disposable income is generally equal to savings. This is then passed on to the capital account.

### 1.6 Use of Disposable Income Account

This account shows the element of disposable income that is spent on final consumption and also the element that is saved. As mentioned above final consumption only exists for Households, NPISH and General Government. The net equity of Households in pension funds and life insurance reserves are seen as financial assets that belong to Households. Changes in these reserves need to be included in the savings of Households. However, contributions to pension schemes and pension benefits have already been recorded on 1.5 Secondary Distribution of Income Account (as social contributions and social benefits). Therefore, an adjustment is needed to include in the savings of Households the change in pension funds reserves on which they have a definite claim. This adjustment is called D.8 'Adjustment for the change in net equity in pension funds reserves'. There is no need for a similar adjustment concerning life insurance because life insurance premiums and benefits are not recorded as current transactions. The balancing item for this account is B.8g Gross Saving.

### 1.7 External account

This account records the summarised transactions of S.2 the Rest of the World sector, including on the uses side exports of goods and services, primary incomes and current transfers receivable. The resources side of this account includes imports of goods and services together with primary incomes and transfers payable. The balancing item is B.12 Current External Balance, which records the balance on current accounts with the Rest of the World.

### Capital accounts 1.8 Change in Net Worth due to Saving and Capital Transfers

On this account the capital transfers are recorded and combined with gross saving and the current external balance. The resulting balancing item is B.10.1 Changes in Net Worth due to Saving and Capital Transfers.

### 1.9 Acquisition of Non-Financial Assets Account

On this account gross fixed capital formation, changes in inventories, acquisitions less disposals of valuables and non-produced non-financial assets are recorded among the uses. The decline in the value of fixed capital goods caused by consumption of fixed capital goods is recorded among the resources. The balancing item is Net Lending (+) or Borrowing (-). It shows the amount a sector can lend / invest or has to borrow as a result of its current and capital transactions.

### Seasonal Adjustment

Seasonally adjusted estimates of Household Savings are done using the indirect seasonal adjustment approach. Under this approach the two main aggregates Household Disposable Income and Final Consumption Expenditure of Households are independently adjusted. In the case of Household Savings, however, this estimate is derived by taking the difference between the two adjusted series of Household Disposable Income and Final Expenditure of Households. This method for estimating the seasonally adjusted value for a small net residual of two large aggregates, such as Household Savings is considered a more appropriate estimation procedure.

As part of the seasonal adjustment process, ARIMA models are identified for each series based on unadjusted data spanning Q1 2002 to Q2 2012. These models are then applied to the entire series (Q1 2002 to Q4 2012). Seasonal factors and the parameters of the ARIMA models are updated each quarter.

The adjustments are completed by applying the X-12-ARIMA model, developed by the U.S. Census Bureau to the unadjusted data. This methodology estimates seasonal factors while also taking into consideration factors that impact on the quality of the seasonal adjustment such as, for example:

- Calendar effects, e.g. the timing of Easter
- Outliers, temporary changes and level shifts in the series

For additional information on the use of X-12-ARIMA see (Findley, D.F., B.C. Monsell, W.R. Bell, M.C. Otto, and B. Chen (1998), "New Capabilities and Methods of the X-12-Arima Seasonal Adjustment Program", *Journal of Business & Economic Statistics*, 16, pp. 127-177.)

### Definitions

#### Household Savings Ratio

The household saving ratio is Gross Household Saving expressed as a percentage of total resources i.e. the sum of Gross Household Disposable income and the adjustment for the change in net equity of households in pension funds.