

## Quarterly Sector Accounts

2<sup>nd</sup> quarter of 2012

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### **Saving rate increased determined by a decrease in consumption larger than the decline in disposable income**

The net borrowing of the Portuguese economy decreased to 2.0% of GDP in the year ending in the 2<sup>nd</sup> quarter of 2012 (4.2% in the previous quarter). This evolution reflected improvements in all institutional sectors' balances.

In the case of households it should be stressed the increase of net lending, as well as the raise in the current savings despite the decline in disposable income. In fact, reflecting a steeper reduction in consumption than for disposable income, the household savings rate reached 10.9%, 0.2 percentage points (p.p.) more than that observed in the year ended in the 1<sup>st</sup> quarter.

Non-financial corporations decreased their net borrowing by 0.3 p.p. to 4% of GDP, mainly reflecting the contraction of both in investment and in current expenditures, namely with employees' compensations. Financial corporations recorded a net lending of 0.5% of GDP, improving their balance by 0.9 p.p. comparing with the rate observed in the previous quarter.

General government's net borrowing also decreased due to a more intense reduction of public expenditure than the decrease in revenues. In the 1<sup>st</sup> semester of 2012 the net borrowing stood at 6.8% of GDP, while in the same period of 2011 it was 8.2%.

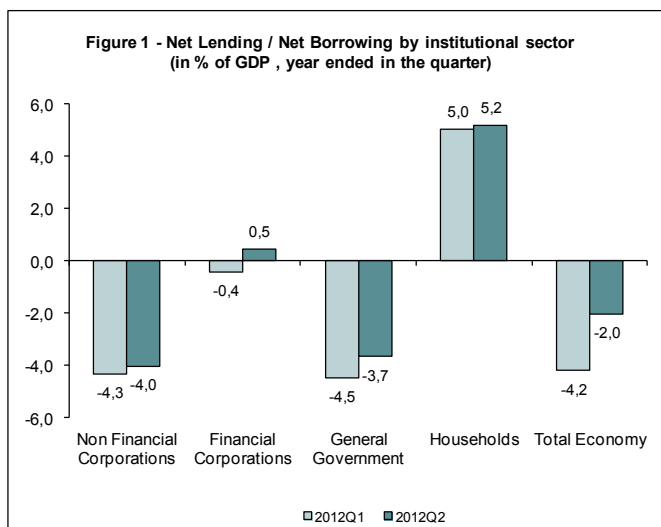
Unit labour costs accentuated their decreased mainly as a result of the decrease in the average pay per worker which was particularly significant in the general government sector.

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The current results correspond to a preliminary version of the Quarterly Sector Accounts for the 2<sup>nd</sup> quarter of 2012. The results and graphics in this press release are always presented as the cumulated sum of 4 quarters. The change rates compare different years or the year ended in the reference quarter with the year ended in the previous quarter. All the variables are valued at current prices.

#### **Main results**

Figure 1 presents the data for the 1<sup>st</sup> and 2<sup>nd</sup> quarter of 2012. The net borrowing of Portuguese economy diminished to 2.0% of GDP. This positive performance was the outcome of the improvement in the balance of primary incomes as well as in the external balance of goods and services. The balance of property income with the rest of the world decreased from -4.7% of GDP in the 1<sup>st</sup> quarter of 2012 to -3.8% in the current quarter.



Net lending of households increased to 5.2% of GDP, as an effect of the growth of gross saving. The saving rate increased to 10.9% of disposable income (0.2 percentage points more than the year ended in the previous quarter). This performance was mostly due to the contraction of households' final consumption (-1.0%). The disposable income of households decreased 0.8% as a consequence of the decrease in wages and salaries, partially counterbalanced by the increase in social insurance benefits received net of social contributions, and by the increase in property income.

Non financial corporations' gross capital formation decreased 4.1% in the year ended in the 2<sup>nd</sup> quarter of 2012. Their investment rate decreased to 19.7% (less 0.5 percentage points than in the previous quarter). Non financial corporations' net borrowing reached 4.0% of GDP, less 0.3 p.p. (percentage points) than the 1<sup>st</sup> quarter.

The net lending of financial corporations increased to 0.5% of GDP in the year ended in the 2<sup>nd</sup> quarter of 2012, reflecting the reduction in profits distribution of financial corporations.

The net borrowing of the General Government decreased from 4.5% of GDP in the first quarter of 2012 to 3.7% in the year ending in the 2<sup>nd</sup> quarter of 2012. This performance reflected mainly the reduction of 6.7% in compensation of employees, as well as the decrease in gross capital formation of 13.3%. However, it should be pointed out that these results still reflect the transfer of financial institutions' pension funds to the general government in the last quarter of 2011.

Unit labour costs decreased 2.3% in the year ending in 2<sup>nd</sup> quarter of 2012 (rate of growth of -0.8% in the previous quarter). This evolution reflected both the reduction of average wages and the growth of labour productivity.

