

28 December, 2012

Quarterly Sector Accounts

3rd quarter of 2012

Net borrowing of the Portuguese economy decreased significantly

The net borrowing of the Portuguese economy decreased to 0.7% of GDP in the year ending in the 3rd quarter of 2012 (2.1% in the previous quarter).

In the case of households, there was an increase of net lending from 5.0% to 5.9% of GDP, mainly associated with the growth of current savings. Reflecting a strong reduction in consumption, the household savings rate reached 11.2%, 1.1 percentage points (p.p.) more than the observed in the year ended in the 2nd quarter.

The net borrowing of non-financial corporations was 3.7% of GDP, decreasing by 0.6 p.p., mainly reflecting the contraction of both investment and compensations of employees. Financial corporations recorded a net lending of 0.6% of GDP, 0.2 p.p. lower than the observed in the previous quarter.

In the first three quarters of 2012 the General government's net borrowing stood at 5.6% of GDP, while in the same period of 2011 it was 6.7%.

The decrease in Unit labour costs accentuated, mainly as a result of the decline in the average pay per worker and the increase of productivity.

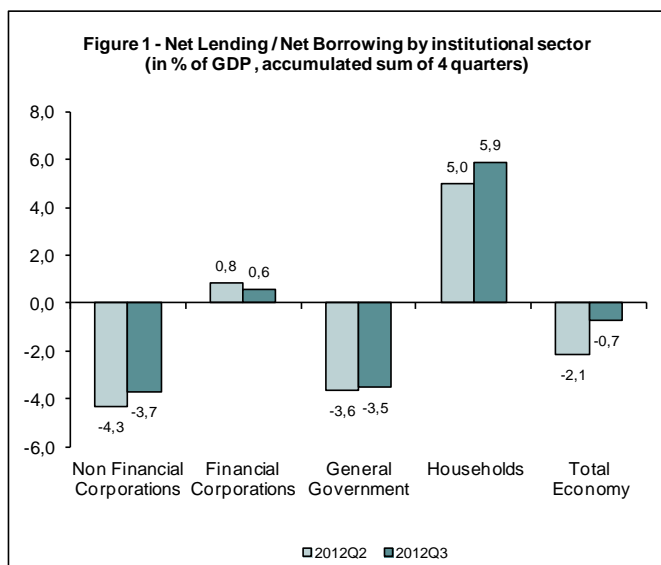
The current results correspond to first version of the Quarterly Sector Accounts for the 3rd quarter of 2012.

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

The net borrowing of the Portuguese economy diminished to 0.7% of GDP in the year ended in the 3rd quarter of 2012 (2.1% in the previous quarter), as it can be seen in figure 1. This positive performance was mainly the outcome of the external balance of goods and services with total imports decreasing 1.5% while the exports increased 0.9%. For the first three quarters of the year the net borrowing of the Portuguese economy also stood at 0.7% of GDP, while in the same period of 2011 it was 7.2%.



The net lending of households increased by 0.9 p.p. to 5.9% of GDP in the 3rd quarter 2012, in consequence of the reduction of investment and, above all, the increase in current savings. The household saving rate increased to 11.2% of disposable income (1.1 p.p. more than the year ended in the previous quarter).

The increase in current savings was mostly due to the contraction of households' final consumption (-1.0%). The disposable income of households slightly increased (0.2%) as a consequence of the less intense decrease in wages and salaries, which was more than offset by the increase in other income components, most notably the increase in property income.

Non financial corporations' gross capital formation decreased 3.7% in the year ended in the 3rd quarter of 2012, with the corresponding investment rate decreasing to 19.5% (less 0.7 p.p. than in the previous quarter). Non financial corporations' net borrowing reached 3.7% of GDP, 0.6 p.p. less than the observed in the 2nd quarter. The net lending of financial corporations was 0.6% of GDP in the year ended in the

3rd quarter of 2012, reflecting a strong reduction of the property income received by this sector (-4.9%).

The net borrowing of the General Government decreased by 0.1 p.p. in the year ending in the 3rd quarter of 2012 compared to the year ended in the previous quarter, reaching 3.5% of GDP.

Comparing the first three quarters of 2011 and 2012, the net borrowing of General Government decreased 1.1 p.p. to 5.6% of GDP. This improvement reflected a sharper reduction in spending than the observed in revenues. The evolution of revenues was primarily affected by the significant reduction of taxes and social contributions. In fact, social contributions decreased 6.8%, taxes on income and wealth declined 5.6% and taxes on production and imports declined 4.9%.

On the expenditure side, it should be highlighted the reduction of 13.3% in compensation of employees due to the elimination of holiday pay at the end of the first half of 2012 and, to a lesser degree, the reduction in employment.

Unit labour costs decreased 2.4% in the year ending in 3rd quarter of 2012 (change rate of -2.2% in the previous quarter). This evolution reflected both the reduction of average wages (-1.1%) and the growth of labour productivity (1.3%).

