

Quarterly Sector Accounts

2nd quarter of 2013

Net lending of the Portuguese economy increases

In the year ending in the 2nd quarter of 2013, the net lending of the Portuguese economy increased to 1.6% of GDP (1.0% of the GDP in the 1st quarter of 2013). This result was mainly due to the improvements in the balance of goods and services, with exports growing 1.6%.

The households saving rate reached 13.6% in the year ending in the 2nd quarter of 2013 (13.4% in the previous quarter). This increase was determined by the reduction of 0.5% in the final consumption, which more than offset the decrease in disposable income (change rate of -0.3% in the year ending in the 1st quarter of 2013). The households net lending increased to 7.8% of GDP in the year ending in the 2nd quarter of 2013 (plus 0.2 percentage points than in the previous quarter).

Non-financial corporations and financial corporations balances stood respectively at -2.4% and 2.4% in the year ending in the 2nd quarter of 2013.

The net borrowing of general government decreased from 7.0% of GDP in the year ending in the 1st quarter of 2013 to 6.1% in the year ending in the 2nd quarter of 2013. This behaviour reflected the increase in current taxes on income and the decrease in capital transfers expenditure.

Gross National Income remained unchanged and Gross Disposable Income increased by 0.2%, determined by the improvement in the balance of primary income with the Rest of the World.

Unit labour costs remained unchanged, with average compensation of employees and productivity growing at almost the same rates.

The current results are the preliminary version of the Quarterly Sector Accounts for the 2nd quarter of 2013. Unless stated otherwise, the results and graphics in this press release are presented as the cumulated sum of 4 quarters. The change rates compare different years or the year ending in the reference quarter with the year ended in the previous quarter. All variables are valued at current prices.

The results integrate the 2011 provisional sector accounts and are consistent with the accounts for total economy. It should be mentioned that, due to the finalisation of the General Governments accounts associated to the 2nd notification of the Excessive Deficit Procedure also published today, it was necessary to update the results for the total economy, both annual

and quarterly, published in 6th September. This update led to changes in the level of GDP in 2011 and 2012.

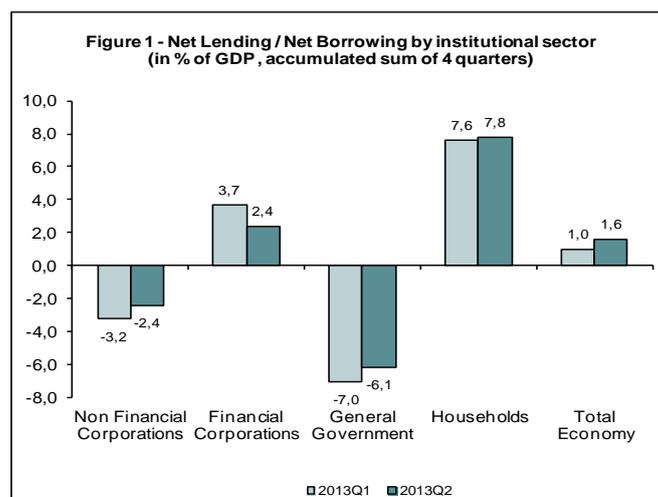
Besides the attached tables to this press release, additional information can be accessed in Statistics Portugal's website, notably that resulting from the mentioned update.

Main results

The Portuguese economy registered a net lending of 1.6% of GDP in the year ending in the second quarter of 2013, reinforcing the positive developments started in 2012 (1.0% in the year ending in the 1st quarter of 2013). This evolution was mainly due to the improvement of the balance of goods and services, determined by the increase in 1.6% of exports, which compensated the increase of 0.7 % of imports.

The net borrowing of the general government sector (GG) reached 6.1 % of the GDP in the year ending in the 2nd quarter of 2013, which compares with 7.0% recorded in the previous quarter. To this positive behaviour especially contributed the increase of the current taxes on income and the decrease in capital transfers expenditure.

For all the other domestic sectors, the net lending represented 7.8 % of the GDP in the year ending in the 2nd quarter of 2013, which compares with a net lending of 8.0 % of the GDP in the year ending in the previous quarter. Next figure shows a comparison between the years ending in the 1st and 2nd quarters.



Balances of non-financial corporations and financial corporations stood at -2.4% and 2.4% in the year ending in the 2nd quarter of 2013, respectively.

Comparing with the 1st quarter of 2013, the net lending of the households sector attained 7.8% of GDP in the year ending in the 2nd quarter of 2013, increasing by 0.2 percentage points (p.p.) from the previous quarter.

Households: savings rate increases to 13.6% of disposable income

The increase in the net lending of the households was associated with the improvement in gross savings, which recorded a change rate of 1.4%. The savings rate increased from 13.4% in year ending in the 1st quarter of 2013 to 13.6% in the year ending in the 2nd quarter of 2013. Final consumption expenditure diminished 0.5% while disposable income decreased only 0.3%, leading to the increase in households' savings.

The decrease in disposable income was mainly determined by the evolution of income taxes paid by households which increased by 8.1% in the year ending in the 2nd quarter of 2013. This increase was partially

offset by the increase of social benefits received (change rate of 1.1% in the 2nd quarter of 2013).

The decrease of households' disposable income was also influenced by compensation of employees, which moved from a change rate of -0.2% in the year ending in the 1st quarter of 2013 to -0.3% in the year ending in the 2nd quarter of 2013.

General Government: net borrowing decreases by 0.9 p.p.

The net borrowing of general government sector recorded a decrease of 0.9 p.p. in the year ending in the second quarter of 2013 compared to the year ending in the previous quarter, attaining 6.1% of GDP. This decrease in net borrowing resulted from an increase in revenue combined with a decrease in expenditure (see tables 2 and 3).

On the revenue side, there was a decrease in the revenues from taxes on production and imports as well as in capital revenue. Other current revenue increased significantly due to the payment of dividends by Banco de Portugal.

On the expenditure side, its evolution in the year ending in the second quarter of 2013 was determined by the reduction of capital expenditure, as current expenditure went up by 0.6% mainly reflecting the evolution of intermediate consumption (change rate of 2.0%).

Taking into consideration quarterly figures rather than the sum of four quarters, the net borrowing of general government stood at -1,696.6 million Euros in the second quarter of 2013 (-3,181.5 million Euros in the homologous quarter on 2012), corresponding to -4.1% of GDP.

For the first half of 2013, the net borrowing of general government attained -5,700.2 million Euros, which corresponds to -7.1% of GDP (-7.8% in the first half of 2012).

As it was already mentioned in previous press releases, in the compilation of the budget deficit in National Accounts it is necessary to make several adjustments to Public Accounting data. Indeed, Public Accounting data is on a cash-basis, meaning that expenditures are recorded in the accounting period in which they are paid. On the contrary, in National Accounts, expenditure is recorded on an accrual-basis, that is, in the accounting period to which they refer to, regardless of whether their payment is made in a different period. Accordingly, payments referring to expenditure that is due to other periods are not considered. Another important adjustment is related to sector delimitation of General Government. In National Accounts, the General Government sector includes entities which are not considered in Public Accounting. Similarly, entities which are not part of General Government sector from a National Accounts viewpoint but are included in Public Accounting are excluded.

Finally, there are transactions that, accordingly with the conceptual framework of the National Accounts, have a specific classification, notably in some cases where entities from the GG sector acquire shares from other entities, which are recorded as capital transfers and not as financial transactions, leading to the introduction of the corresponding adjustments.

Table 4 presents the main adjustments for moving from Public Accounting to National Accounts balances¹. Comparing the second quarter of 2013 with the same quarter of the previous year, there was a significant improvement of the National Accounts balance, although the Public Accounting balance deteriorated. This mainly results from the adjustments carried out when moving from Public Accounting to National Accounts in the second quarter of 2012.

¹ Accordingly with the Commission Regulation (EC) N.º. 351/2002, amending the Council Regulation (EC) N.º. 3605/93 as regards references to ESA 95, the classification of interest flows under swap contracts and forward rate agreements (FRAs) has a specific treatment for the data transmitted under the excessive deficit procedure. This approach leads to differences between the Balance Net lending (+)/Net borrowing (-) according to the European System of National and Regional Accounts (ESA95) – B.9 and the balance under the excessive deficit procedure EDP-B.9.

Table 1: Revenue and expenditure of general government in the year ending in the quarter

Unit: 10⁶ euro

	2012Q2	2012Q3	2012Q4	2013Q1	2013Q2
Total revenue	76 123.7	74 954.7	67 574.3	67 604.3	68 563.2
Current revenue	68 052.0	66 731.5	65 076.9	65 295.7	66 445.8
Current taxes on income and wealth	16 866.2	16 257.1	15 272.5	15 816.1	16 900.1
Taxes on production and imports	22 918.7	22 560.6	22 538.7	22 245.1	21 957.5
Social contributions	20 234.5	19 778.4	19 135.3	19 143.7	19 169.3
Sales	4 533.1	4 642.0	4 608.8	4 600.6	4 579.1
Other current revenue	3 499.5	3 493.4	3 521.7	3 490.1	3 839.8
Capital revenue	8 071.7	8 223.2	2 497.4	2 308.6	2 117.3
Total expenditure	82 891.8	81 543.2	78 243.8	79 116.6	78 608.5
Current expenditure	76 486.4	75 879.8	73 426.9	73 991.7	74 428.2
Social benefits	38 141.2	37 731.2	37 139.3	37 568.2	37 878.7
Compensation of employees	17 839.0	17 606.4	16 510.0	16 548.6	16 690.1
Interest	7 355.7	7 316.1	7 154.2	7 171.7	7 171.0
Intermediate consumption	7 675.6	7 708.8	7 400.2	7 360.7	7 507.9
Subsidies	1 083.1	1 077.1	1 008.5	1 018.8	1 022.4
Other current expenditure	4 391.8	4 440.2	4 214.6	4 323.7	4 158.1
Capital expenditure	6 405.4	5 663.4	4 816.9	5 124.9	4 180.3
Gross fixed capital formation	3 758.7	3 002.5	2 480.8	2 206.1	2 025.7
Other capital expenditure	2 646.7	2 660.9	2 336.1	2 918.7	2 154.5
Current Balance	-8 434.4	-9 148.4	-8 350.0	-8 696.0	-7 982.3
Balance	-6 768.0	-6 588.6	-10 669.5	-11 512.3	-10 045.3
<i>By memory:</i>					
Primary current expenditure	69 130.66	68 563.78	66 272.63	66 819.96	
Gross domestic product at current market prices	170 695.70	170 695.70	170 695.70	170 695.70	170 695.70
Balance in % of GDP	-4.0%	-3.9%	-6.3%	-6.7%	-5.9%

Table 2: Change rates of revenue and expenditure of general government in the year ending in the quarter

change rate (%)

	2012Q2	2012Q3	2012Q4	2013Q1	2013Q2
Total revenue	-0.7	-1.5	-9.8	0.0	1.4
Current revenue	-1.1	-1.9	-2.5	0.3	1.8
Current taxes on income and wealth	0.6	-3.6	-6.1	3.6	6.9
Taxes on production and imports	-1.0	-1.6	-0.1	-1.3	-1.3
Social contributions	-2.8	-2.3	-3.3	0.0	0.1
Sales	3.4	2.4	-0.7	-0.2	-0.5
Other current revenue	-4.7	-0.2	0.8	-0.9	10.0
Capital revenue	3.1	1.9	-69.6	-7.6	-8.3
Total expenditure	-1.4	-1.6	-4.0	1.1	-0.6
Current expenditure	-1.6	-0.8	-3.2	0.8	0.6
Social benefits	0.3	-1.1	-1.6	1.2	0.8
Compensation of employees	-6.7	-1.3	-6.2	0.2	0.9
Interest	2.0	-0.5	-2.2	0.2	0.0
Intermediate consumption	-2.7	0.4	-4.0	-0.5	2.0
Subsidies	-2.2	-0.6	-6.4	1.0	0.3
Other current expenditure	1.2	1.1	-5.1	2.6	-3.8
Capital expenditure	0.5	-11.6	-14.9	6.4	-18.4
Gross fixed capital formation ⁽¹⁾	-14.0	-20.1	-17.4	-11.1	-8.2
Other capital expenditure	32.3	0.5	-12.2	24.9	-26.2

⁽¹⁾ Includes Gross capital formation and Acquisitions less disposals of non-financial non-produced assets

Table 3: Revenue and expenditure of general government

	1st semester of 2012		1st semester of 2013		Change rate (%)
	million euro	% GDP	million euro	% GDP	
Total revenue	31 440.3	38.6	32 429.1	40.5	3.1
Current revenue	30 493.8	37.4	31 862.8	39.8	4.5
Current taxes on income and wealth	6 621.8	8.1	8 249.5	10.3	24.6
Taxes on production and imports	10 685.7	13.1	10 104.5	12.6	-5.4
Social contributions	9 324.8	11.4	9 358.9	11.7	0.4
Sales	2 143.7	2.6	2 114.0	2.6	-1.4
Other current revenue	1 717.8	2.1	2 035.9	2.5	18.5
Capital revenue	946.5	1.2	566.4	0.7	-40.2
Total expenditure	37 764.7	46.3	38 129.4	47.7	1.0
Current expenditure	35 223.3	43.2	36 224.7	45.3	2.8
Social benefits	17 518.6	21.5	18 258.0	22.8	4.2
Compensation of employees	8 214.5	10.1	8 394.5	10.5	2.2
Interest	3 561.5	4.4	3 578.3	4.5	0.5
Intermediate consumption	3 320.3	4.1	3 428.0	4.3	3.2
Subsidies	396.9	0.5	410.7	0.5	3.5
Other current expenditure	2 211.6	2.7	2 155.1	2.7	-2.6
Capital expenditure	2 541.3	3.1	1 904.7	2.4	-25.1
Gross fixed capital formation ⁽¹⁾	1 402.6	1.7	947.5	1.2	-32.4
Other capital expenditure	1 138.8	1.4	957.2	1.2	-15.9
Current Balance	-4 729.5	-5.8	-4 361.9	-5.5	
Balance	-6 324.4	-7.8	-5 700.2	-7.1	

(1) Includes Gross capital formation and Acquisitions less disposals of non-financial non-produced assets

Table 4: Public to National Account adjustments

	Unit: million euro	
	2012Q2	2013Q2
Balance in Public Accounting	-1 086.0	-2 635.0
Accrual adjustment and sector delimitation in National Accounts	124.2	16.4
Difference between paid and due interest	1 219.5	956.9
Other receivables:	-2 291.4	105.6
Other payables:	-279.4	-237.5
Other adjustments:	-868.3	41.1
<i>of which:</i>		
<i>Capital injections</i>	-766.5	-1.8
Balance in National Accounts	-3 207.8	-4 151.8
% of GDP	-7.7%	-4.1%

Unit labour costs (ULC) remain constant

In the year ended in the 2nd quarter of 2013, unit labour costs remained unchanged in comparison to the same quarter of the previous year. This evolution was determined by an almost equal year-on-year terms increase in average compensation of employees and in productivity, which stood at 0.6% and 0.7% respectively. In the previous quarter, productivity grew 0.3% while average compensation of employees diminished 1.2%. It should be mentioned that the behaviour was influenced by the payment of holiday and Christmas bonuses on a monthly basis.

