

27 December, 2013

Quarterly Sector Accounts

3rd quarter of 2013

Net lending of the Portuguese economy maintained the increase

In the year ending in the 3rd quarter of 2013, the net lending of the Portuguese economy increased to 1.8% of GDP (1.6% of the GDP in the 2nd quarter of 2013). Similarly to what occurred in the previous quarter, this result mainly reflected the improvements in the balance of goods and services.

The households saving rate decreased slightly to 13.5% in the year ending in the 3rd quarter of 2013 (13.6% in the previous quarter). This increase was determined by the reduction of 0.3% in the disposal income, which was slightly more significant than the decrease in final consumption. Despite that reduction, the households net lending stabilized at 7.8% of GDP in the year ending in the 3rd quarter of 2013. Non-financial corporations and financial corporations balances stood respectively at -1.9% and 2.1% in the year ending in the 3rd quarter of 2013.

The net borrowing of general government increased from 6.1% of GDP in the year ending in the 2nd quarter of 2013 to 6.3% in the year ending in the 3rd quarter of 2013. In the first three quarters of 2013 the net borrowing of general government stood at -5.9% of GDP (-6.1% for the same period of 2012).

Gross National Income and GDP at current prices both increased by 0.2%. Current Saving increased by 2.5%, determined by the improvement of the Gross Disposable Income.

The unit labour costs increased by 0.6%, which was determined by a year-on-year increase in average compensation of employees stronger than the year-on-year increase in productivity.

The current results are the preliminary version of the Quarterly Sector Accounts for the 3rd 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 the year ending in the reference quarter with the year ended in the previous quarter. All variables are valued at current prices.

Besides the attached tables to this press release, additional information can be accessed in Statistics Portugal's website.

Main results

The Portuguese economy registered a net lending of 1.8% of GDP in the year ending in the third quarter of 2013 (1.6% in the year ending in the 2nd quarter of 2013). This evolution was mainly due to the improvement of the balance of goods and services,

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determined by the increase of 1.6% in exports, which more than compensated the increase of 0.9% in imports.

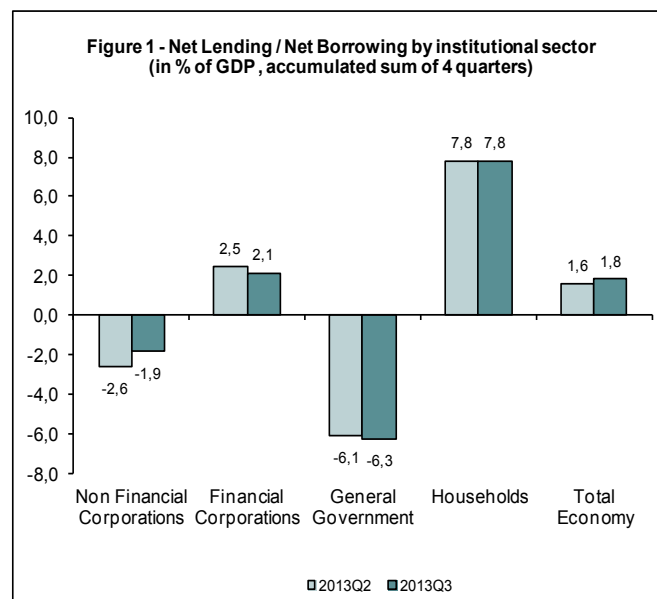
The net borrowing of the general government sector (GG) reached 6.3 % of the GDP in the year ending in the 3rd quarter of 2013, which compares with 6.1% recorded in the previous quarter. On the revenue side, the current taxes on income presented the most significant increase, with a change rate of 4.8% in the year ending in the 3rd quarter of 2013 (6.8% in the previous quarter). There were increases in almost all expenditure items, with emphasis on the increase of social benefits (change rate of 1.5% in the 3rd quarter of 2013) and acquisitions less disposals of fixed assets.

In the first three quarters of 2013 the net borrowing of general government stood at -5.9% of GDP (-6.1% for the same period of 2012).

For all the other domestic sectors, the net lending represented 8.1 % of the GDP in the year ending in the 3rd quarter of 2013, which compares with a net lending of 7.7 % of the GDP in the year ending in the previous quarter. This behaviour was mostly determined by the improvement of the net borrowing of non financial corporations from -2.6% to -1.9% of GDP, while the net lending of the financial corporations sector stood at 2.1% of GDP in the 3rd quarter of 2013 (2.5% in the previous quarter).

Comparing with the 2nd quarter of 2013, the net lending of the households sector remained stable at 7.8% of GDP in the year ending in the 3rd quarter of 2013.

The following picture shows a comparison between the years ending in the 2nd and 3rd quarters for the net lending/borrowing of the several sectors.



Households: net lending stood at 7.8% of GDP

The net lending of the households stabilized at 7.8% of GDP in year ending in the 3rd quarter of 2013, despite the reduction of 0.9% in gross savings. This reduction was offset by the increase in the balance of capital transfers and by the reduction of Gross Capital Formation of the households.

The decrease in disposable income was mainly determined by the evolution of income taxes paid by households which increased by 5.6% in the year ending in the 3rd quarter of 2013. The compensation of employees decreased 0.2% in the year ending in the 3rd quarter of 2013. However, there were opposite effects, with compensation of employees paid by the non-financial corporations decreasing while those paid by the GG sector increased.

General Government: net borrowing increased by 0.2 p.p.

The net borrowing of general government sector recorded an increase of 0.2 p.p. in the year ending in the third quarter of 2013 comparing with the year ending in the previous quarter, attaining 6.3% of GDP. This increase in net borrowing resulted from a higher rise in expenditure than in revenue (see tables 1 and 2).

All the components of current revenue presented increases in the year ending in the third quarter of 2013, notably taxes on income and wealth, which increased by 4.8%. In contrast, capital revenues decreased in the year ending in the third quarter.

On the expenditure side, all items of current and investment expenditure increased comparing with the year ending in the second quarter of 2013. As far as the behaviour of investment expenditure is concerned, the increase of 24.6% for this item mainly reflects a base effect in the use of moving averages methodology. This base effect is associated with the recording in the third quarter of 2012 of the revenue from the auction attributing the user rights for the 4th generation of mobile phone frequencies. Such revenue was recorded as a sale in Acquisitions less disposals of non-financial non-produced assets, which is included in investment. Even though, Gross Fixed Capital Formation increased by 3.5% in the year ending in the third quarter of 2013, mainly determined by the behaviour of the Regional and Local Governments.

Taking into consideration quarterly figures rather than the sum of four quarters, the net borrowing of general government stood at -1,533.3 million Euros in the third quarter of 2013, corresponding to -3.6% of GDP.

Considering the sum of the three quarters of 2013, the global balance of general government attained -7,165.6 million Euros, corresponding to -5.9% of GDP (-6.1% for the same period of 2012). This result is depicted in table 3.

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 and revenues are recorded in the accounting period in which they are paid and received. On the contrary, in National Accounts, expenditure and revenue are recorded on an accrual basis, that is, in the accounting period to which they refer to, regardless of whether their payment is made or their revenue is received in a different period. 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 should be excluded.

Finally, there are transactions that, according to the Framework of National Accounts, have a specific classification. Notably, there are cases of entities belonging to the general government sector that acquire shares from other entities, which should be recorded as capital transfers rather than financial transactions, thus leading to the introduction of the corresponding adjustments.

Table 4 presents the main adjustments carried out for moving from Public Accounting to National Accounts balances. Comparing the third quarter of 2013 with

same quarter of the previous year, there was a significant improvement of the Public Accounting balance. However, the National Accounts balance deteriorated. This evolution mainly results from base effects related to the adjustments carried out when moving from Public Accounting to National Accounts in the third quarter of 2012. Among those adjustments, it should be highlighted the payment of expenditure

referring to previous years made by the National Health System. This payment was recorded in the 3rd quarter of 2012 as expenditure in Public Accounting, but it was cancelled out in National Accounts (see the item "accrual adjustment") due to the fact that it had already been recorded in the period in which the expenditure was made.

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

	Unit: 10 ⁹ euro				
	2012Q3	2012Q4	2013Q1	2013Q2	2013Q3
Total revenue	74,954.7	67,574.3	67,693.8	68,717.4	69,968.5
Current revenue	66,731.5	65,076.9	65,381.5	66,596.0	68,091.9
Current taxes on income and wealth	16,257.1	15,272.5	15,804.0	16,875.8	17,688.2
Taxes on production and imports	22,560.6	22,538.7	22,289.6	22,055.7	22,165.6
Social contributions	19,778.4	19,135.3	19,193.0	19,203.7	19,397.6
Sales	4,642.0	4,608.8	4,598.1	4,567.4	4,683.4
Other current revenue	3,493.4	3,521.7	3,496.8	3,893.4	4,157.2
Capital revenue	8,223.2	2,497.4	2,312.3	2,121.4	1,876.7
Total expenditure	81,543.2	78,243.8	79,142.5	78,694.9	80,242.1
Current expenditure	75,879.8	73,426.9	74,005.9	74,577.9	75,649.6
Social benefits	37,731.2	37,139.3	37,573.2	37,901.8	38,373.4
Compensation of employees	17,606.4	16,510.0	16,580.0	16,759.7	16,888.2
Interest	7,316.1	7,154.2	7,164.7	7,159.0	7,316.9
Intermediate consumption	7,708.8	7,400.2	7,284.4	7,391.2	7,489.3
Subsidies	1,077.1	1,008.5	1,026.1	1,032.9	1,060.1
Other current expenditure	4,440.2	4,214.6	4,377.5	4,333.3	4,521.8
Capital expenditure	5,663.4	4,816.9	5,136.6	4,117.0	4,592.5
Gross fixed capital formation	3,002.5	2,480.8	2,203.4	1,951.7	2,432.3
Other capital expenditure	2,660.9	2,336.1	2,933.2	2,165.4	2,160.2
Current Balance	-9,148.4	-8,350.0	-8,624.4	-7,981.8	-7,557.7
Balance	-6,588.5	-10,669.5	-11,448.7	-9,977.5	-10,273.5
<i>By memory:</i>					
Primary current expenditure	68,563.78	66,272.63	66,841.20	67,418.84	68,332.73
Gross domestic product at current market prices	170,735.00	168,483.80	167,309.00	165,107.50	163,669.00
Balance in % of GDP	-3.9%	-6.3%	-6.8%	-6.0%	-6.3%

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

	change rate (%)				
	2012Q3	2012Q4	2013Q1	2013Q2	2013Q3
Total revenue	-1.5	-9.8	0.2	1.5	1.8
Current revenue	-1.9	-2.5	0.5	1.9	2.2
Current taxes on income and wealth	-3.6	-6.1	3.5	6.8	4.8
Taxes on production and imports	-1.6	-0.1	-1.1	-1.0	0.5
Social contributions	-2.3	-3.3	0.3	0.1	1.0
Sales	2.4	-0.7	-0.2	-0.7	2.5
Other current revenue	-0.2	0.8	-0.7	11.3	6.8
Capital revenue	1.9	-69.6	-7.4	-8.3	-11.5
Total expenditure	-1.6	-4.0	1.1	-0.6	2.0
Current expenditure	-0.8	-3.2	0.8	0.8	1.4
Social benefits	-1.1	-1.6	1.2	0.9	1.2
Compensation of employees	-1.3	-6.2	0.4	1.1	0.8
Interest	-0.5	-2.2	0.1	-0.1	2.2
Intermediate consumption	0.4	-4.0	-1.6	1.5	1.3
Subsidies	-0.6	-6.4	1.7	0.7	2.6
Other current expenditure	1.1	-5.1	3.9	-1.0	4.4
Capital expenditure	-11.6	-14.9	6.6	-19.8	11.5
Gross fixed capital formation ⁽¹⁾	-20.1	-17.4	-11.2	-11.4	24.6
Other capital expenditure	0.5	-12.2	25.6	-26.2	-0.2

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

Table 3: Revenue and expenditure of general government

	1st-3rd quarter of 2012		1st-3rd quarter of 2013		Change rate (%)
	million euro	% GDP	million euro	% GDP	
Total revenue	48,835.1	39.6	51,229.3	41.9	4.9
Current revenue	47,332.8	38.3	50,347.8	41.2	6.4
Current taxes on income and wealth	11,142.0	9.0	13,557.7	11.1	21.7
Taxes on production and imports	16,458.5	13.3	16,085.5	13.2	-2.3
Social contributions	13,967.2	11.3	14,229.5	11.6	1.9
Sales	3,219.5	2.6	3,294.1	2.7	2.3
Other current revenue	2,545.6	2.1	3,181.1	2.6	25.0
Capital revenue	1,502.2	1.2	881.5	0.7	-41.3
Total expenditure	56,396.7	45.7	58,394.9	47.8	3.5
Current expenditure	53,534.7	43.4	55,757.4	45.6	4.2
Social benefits	27,119.9	22.0	28,354.1	23.2	4.6
Compensation of employees	12,197.1	9.9	12,575.3	10.3	3.1
Interest	5,362.2	4.3	5,524.8	4.5	3.0
Intermediate consumption	5,099.9	4.1	5,188.9	4.2	1.7
Subsidies	625.9	0.5	677.5	0.6	8.2
Other current expenditure	3,129.6	2.5	3,436.8	2.8	9.8
Capital expenditure	2,862.0	2.3	2,637.5	2.2	-7.8
Gross fixed capital formation ⁽¹⁾	1,546.4	1.3	1,497.9	1.2	-3.1
Other capital expenditure	1,315.6	1.1	1,139.7	0.9	-13.4
Current Balance	-6,201.9	-5.0	-5,409.6	-4.4	
Balance	-7,561.6	-6.1	-7,165.6	-5.9	

(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	
	2012Q3	2013Q3
Balance in Public Accounting	-2,373.4	-1,385.7
Accrual adjustment and sector delimitation in National Accounts	1,276.6	-251.1
Difference between paid and due interest	-356.1	-670.6
Other receivables:	-243.3	-368.1
Other payables:	368.4	980.3
Other adjustments:	106.6	211.4
<i>of which:</i>		
<i>Capital injections</i>	-146.1	-0.7
Balance in National Accounts (EDP concept)⁽¹⁾	-1,221.2	-1,483.9
% of GDP	-2.9%	-3.5%

⁽¹⁾ According to the Commission Regulation (EC) N.º 351/2002, amending the Council Regulation (EC) N.º 3605/93 as regards references to ESA95, the classification of interest flows and 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, expressed in the current table.

Unit labour costs (ULC) increased

In the year ended in the 3rd quarter of 2013, unit labour costs increased 0.6% in comparison with the same quarter of the previous year. This evolution was determined by a year-on-year increase in average compensation of employees of 1.1%, more significant than the year-on-year increase in productivity (0.5% in the same period). In the previous quarter, productivity grew 0.7% while average compensation of employees increased 0.8%.

