

Quarterly Sector Accounts
4th quarter of 2013

Net lending of the Portuguese economy reached 2.0% in 2013

In 2013, Gross National Income and GDP at current prices increased by 1.0% and 0.3%, respectively. The increase by 1.3% of Gross Disposable Income and the slight reduction of the final consumption (-0.1%) led to the increase of 9.3% in savings. This increase, as well as the reduction of Gross Capital Formation (-7.7%), determined a net lending of the Portuguese economy of 2.0% of GDP (net borrowing of 0.1% in 2012).

Despite the reduction observed in the 4th quarter, the household saving rate increased 0.6 percentage points in 2013 comparing with the previous year, attaining 12.6%. The net lending of households reached 6.8% of GDP in 2013 (6.4% in 2012). The non-financial corporations and financial corporations balances stood respectively at -2.1% and 2.3% of GDP in the 2013 (-3.9% and +3.9% in 2012, by the same order).

The net borrowing of general government decreased from 6.5% of GDP in 2012 to 5.0% in 2013. The main contribution to this improvement came from the increase in income taxes revenue (change rate of 27.9% in 2013).

The current results are the preliminary version of the Quarterly Sector Accounts for the 4th 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.

With this press release, Statistics Portugal publishes the seasonally adjusted balance of general government (see box at the end of this press release).

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

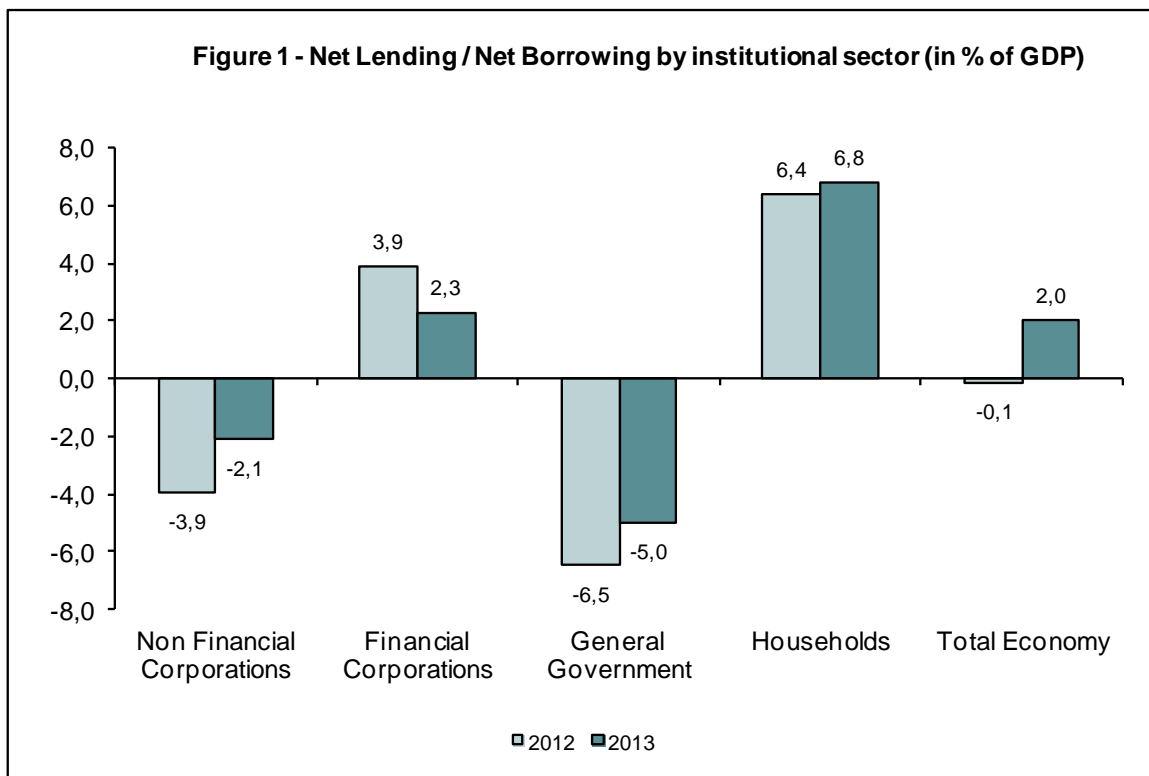
Main results

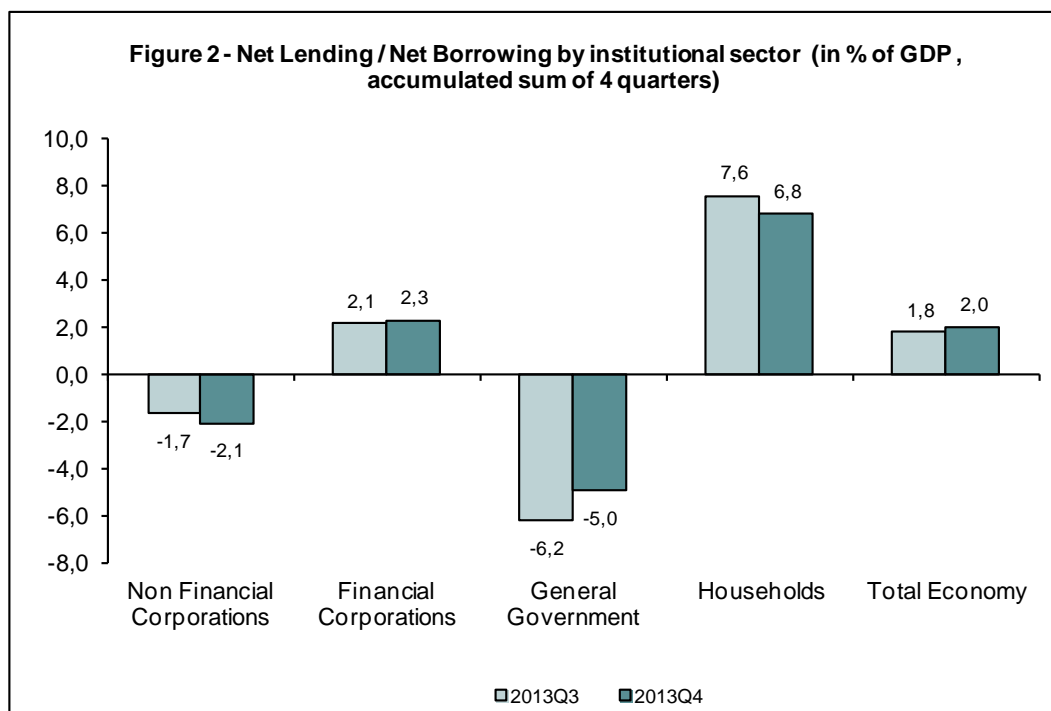
The Portuguese economy recorded a net lending of 2.0% of GDP in 2013, compared with a net borrowing of 0.1% in 2012. This development was mainly due to the improvement of the external balance of goods and services, determined by the increase of 5.4% in exports, which more than offset the 0.9% increase in imports.

Figure 1 shows the evolution of net lending/borrowing of the sectors of the economy. The net borrowing of general government sector (GG) decreased from 6.5% of GDP in 2012 to 5.0% in 2013, reflecting an increase of 27.9% in current taxes, which more than offset increases in compensation of employees and social benefits paid (7.7% and 5.3%, respectively). The

evolution of compensation of employees reflects the reinstatement of holiday and Christmas allowances of General Government employees. For all the other domestic sectors, the net lending represented 7.0 % of the GDP in 2013, which compares with a net lending of 6.3 % of the GDP in the previous year. This behaviour was mostly determined by the reduction of the net borrowing of non financial corporations from 3.9% to 2.1% of GDP.

Figure 2 represents the quarterly change of net lending/borrowing, taking as reference the cumulated sum of 4 quarters. The net lending of the Portuguese economy maintained an upward trend, initiated in the 1st quarter of 2013 and reached 2.0% of GDP in the 4th quarter of 2013 (1.8% in the 3rd quarter). The net lending of the households decreased 0.8 percentage point (p.p.) of GDP, due to the increase of 10.4% in income taxes paid, which more than offset the increase of the compensation of employees registered in the 4th quarter of 2013 (change rate of 1.2%)





Households: net lending increased to 6.8% of GDP

The net lending of the households increased to 6.8% of GDP in 2013, despite the reduction of 0.7% in gross disposable income. This reduction was offset by the decrease of 1.4% in final consumption, leading to an increase of 4.3% in gross savings. In comparison with 2012, the savings rate increased 0.6 p.p. and reached 12.6%.

The reduction of disposable income was mainly determined by the evolution of current taxes on income paid by households which increased by 33.0% in 2013 and offset the increase of 0.7% in the compensation of employees.

General Government: net borrowing decreases in 2013

In 2013, net borrowing of the General Government sector decreased by 1.5 p.p. comparing with the previous period, attaining 5.0% of GDP. This improvement in the net borrowing was determined by an increase in tax revenue, which more than compensated the increase in compensation of employees and social contributions and benefits paid. On the other hand, there was a reduction of capital expenditure (see table 1).

Concerning current expenditure, most of its components recorded an increase, except for intermediate consumption which decreased by 1.2%. It is worth highlighting the behaviour of some expenditure items such as compensation of employees, which increased by 7.7% due to the increase of the average cost per employee, and social benefits, which rose by

4.6%. On the opposite direction, capital expenditure exhibited a negative evolution comparing to the previous year, mainly reflecting the large reduction of capital transfers to entities not belonging to General Government (-35.3%)¹. Investment remained at levels similar to those exhibited in the previous period.

On the revenue side, there was an increase in tax revenue in 2013, namely in current taxes on income and wealth (27.8%) and social contributions (5.2%), also as a consequence of the Exceptional Settlement Scheme of Tax Arrears and Social Security.

Capital revenues were reduced by 39.8%, reflecting the decrease in both the amount of funds public corporations controlled by Central Government received from the European Union and the tax revenue from capital taxes originated from the New Special Regime for Tax Regularization – RERT III, which was in place in 2012.

The net borrowing of General Government decreased by 1.2 p.p. in the year ending in the fourth quarter of 2013, comparing with the year ending in the previous quarter, attaining 5.0% of GDP. This behaviour resulted from an increase in revenue higher than the increase in expenditure (see tables 2 and 3).

Table 1: Revenue and expenditure of general government

	1st-4th quarter of 2012		1st-4th quarter of 2013		Change rate (%)
	million euro	% GDP	million euro	% GDP	
Total revenue	67,574.3	40.9	72,409.7	43.7	7.2
Current revenue	65,076.9	39.4	70,907.1	42.8	9.0
Current taxes on income and wealth	15,272.5	9.3	19,522.2	11.8	27.8
Taxes on production and imports	22,538.7	13.7	22,568.3	13.6	0.1
Social contributions	19,135.3	11.6	20,139.6	12.2	5.2
Sales	4,608.8	2.8	4,508.2	2.7	-2.2
Other current revenue	3,521.7	2.1	4,168.7	2.5	18.4
Capital revenue	2,497.4	1.5	1,502.6	0.9	-39.8
Total expenditure	78,243.8	47.4	80,650.7	48.7	3.1
Current expenditure	73,386.3	44.4	76,627.1	46.3	4.4
Social benefits	37,139.3	22.5	38,834.0	23.4	4.6
Compensation of employees	16,510.0	10.0	17,788.6	10.7	7.7
Interest	7,154.2	4.3	7,183.2	4.3	0.4
Intermediate consumption	7,400.2	4.5	7,307.9	4.4	-1.2
Subsidies	968.0	0.6	1,116.9	0.7	15.4
Other current expenditure	4,214.6	2.6	4,396.6	2.7	4.3
Capital expenditure	4,857.5	2.9	4,023.5	2.4	-17.2
Gross fixed capital formation ⁽¹⁾	2,480.8	1.5	2,485.0	1.5	0.2
Other capital expenditure	2,376.6	1.4	1,538.5	0.9	-35.3
Current Balance	-8,309.4	-5.0	-5,720.1	-3.5	
Balance	-10,669.5	-6.5	-8,241.0	-5.0	

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

¹ It should be recalled that, in 2012, two extraordinary operations were recorded as capital expenditure: the capital increase in Sagestamo and the capital injection in Caixa Geral de Depósitos.

Table 2: Revenue and expenditure of general government in the year ending in the quarter

Unit: 10⁵ euro

	2012Q1	2012Q2	2012Q3	2012Q4	2013Q1	2013Q2	2013Q3	2013Q4
Total revenue	76,627.9	76,123.7	74,954.7	67,574.3	67,731.4	68,772.6	70,052.4	72,409.7
Current revenue	68,797.8	68,052.0	66,731.5	65,076.9	65,418.3	66,647.9	68,172.8	70,907.1
Current taxes on income and wealth	16,771.6	16,866.2	16,257.1	15,272.5	15,802.1	16,872.0	17,680.9	19,522.2
Taxes on production and imports	23,158.8	22,918.7	22,560.6	22,538.7	22,273.6	22,034.4	22,174.6	22,568.3
Social contributions	20,812.6	20,234.5	19,778.4	19,135.3	19,253.7	19,303.4	19,544.6	20,139.6
Sales	4,384.0	4,533.1	4,642.0	4,608.8	4,591.1	4,558.5	4,666.9	4,508.2
Other current revenue	3,670.8	3,499.5	3,493.4	3,521.7	3,497.8	3,879.6	4,105.8	4,168.7
Capital revenue	7,830.0	8,071.7	8,223.2	2,497.4	2,313.1	2,124.7	1,879.6	1,502.6
Total expenditure	84,080.9	82,891.8	81,543.2	78,243.8	79,179.8	78,770.9	80,276.6	80,650.7
Current expenditure	77,701.4	76,471.2	75,851.7	73,386.3	73,962.7	74,513.8	75,462.0	76,627.1
Social benefits	38,034.7	38,141.2	37,731.2	37,139.3	37,600.2	37,955.7	38,444.4	38,834.0
Compensation of employees	19,124.3	17,839.0	17,606.4	16,510.0	16,637.2	16,850.1	17,020.8	17,788.6
Interest	7,214.0	7,355.7	7,316.1	7,154.2	7,145.4	7,168.5	7,242.6	7,183.2
Intermediate consumption	7,888.6	7,675.6	7,708.8	7,400.2	7,250.9	7,295.7	7,340.4	7,307.9
Subsidies	1,100.4	1,067.9	1,049.0	968.0	988.8	1,001.2	1,037.9	1,116.9
Other current expenditure	4,339.3	4,391.8	4,440.2	4,214.6	4,340.1	4,242.6	4,375.9	4,396.6
Capital expenditure	6,379.5	6,420.6	5,691.5	4,857.5	5,217.1	4,257.1	4,814.6	4,023.5
Gross fixed capital formation	4,372.0	3,758.7	3,002.5	2,480.8	2,251.1	2,069.1	2,649.7	2,485.0
Other capital expenditure	2,007.5	2,661.9	2,689.0	2,376.6	2,966.0	2,188.0	2,164.9	1,538.5
Current Balance	-8,903.5	-8,419.2	-9,120.3	-8,309.4	-8,544.4	-7,865.9	-7,289.2	-5,720.1
Balance	-7,453.0	-6,768.0	-6,588.5	-10,669.5	-11,448.4	-9,998.3	-10,224.2	-8,241.0
<i>By memory:</i>								
Primary current expenditure	70,487.40	69,115.46	68,535.69	66,232.10	66,817.28	67,345.34	68,219.38	69,443.95
Gross domestic product at current market prices	170,742.40	168,529.80	167,310.70	165,107.40	163,759.20	163,605.50	163,799.30	165,666.30
Balance in % of GDP	-4.4%	-4.0%	-3.9%	-6.5%	-7.0%	-6.1%	-6.2%	-5.0%

Table 3: Change rates of revenue and expenditure of general government in the year ending in the quarter

change rate (%)

	2012Q1	2012Q2	2012Q3	2012Q4	2013Q1	2013Q2	2013Q3	2013Q4
Total revenue	-0.5	-0.7	-1.5	-9.8	0.2	1.5	1.9	3.4
Current revenue	-0.6	-1.1	-1.9	-2.5	0.5	1.9	2.3	4.0
Current taxes on income and wealth	-0.7	0.6	-3.6	-6.1	3.5	6.8	4.8	10.4
Taxes on production and imports	-1.4	-1.0	-1.6	-0.1	-1.2	-1.1	0.6	1.8
Social contributions	-1.1	-2.8	-2.3	-3.3	0.6	0.3	1.2	3.0
Sales	1.8	3.4	2.4	-0.7	-0.4	-0.7	2.4	-3.4
Other current revenue	5.0	-4.7	-0.2	0.8	-0.7	10.9	5.8	1.5
Capital revenue	0.2	3.1	1.9	-69.6	-7.4	-8.1	-11.5	-20.1
Total expenditure	-0.4	-1.4	-1.6	-4.0	1.2	-0.5	1.9	0.5
Current expenditure	0.1	-1.6	-0.8	-3.3	0.8	0.7	1.3	1.5
Social benefits	0.7	0.3	-1.1	-1.6	1.2	0.9	1.3	1.0
Compensation of employees	-1.5	-6.7	-1.3	-6.2	0.8	1.3	1.0	4.5
Interest	5.0	2.0	-0.5	-2.2	-0.1	0.3	1.0	-0.8
Intermediate consumption	-0.2	-2.7	0.4	-4.0	-2.0	0.6	0.6	-0.4
Subsidies	-9.8	-3.0	-1.8	-7.7	2.1	1.3	3.7	7.6
Other current expenditure	-2.0	1.2	1.1	-5.1	3.0	-2.2	3.1	0.5
Capital expenditure	-6.2	0.6	-11.4	-14.7	7.4	-18.4	13.1	-16.4
Gross fixed capital formation ⁽¹⁾	-2.2	-14.0	-20.1	-17.4	-9.3	-8.1	28.1	-6.2
Other capital expenditure	-13.9	32.6	1.0	-11.6	24.8	-26.2	-1.1	-28.9

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

Unit labour costs (ULC) increased

In 2013, unit labour costs increased by 1.8% (decrease of 3.0% in 2012). This evolution was determined by an increase in average compensation of employees of 3.3%, more significant than the increase in productivity. The increase of the compensation of employees includes the effect of the reinstatement of the holidays and Christmas allowances, but also of the exceptional settlement of social security taxes in arrear, promoted by Portuguese government.

In 2012, average compensation of employees decreased 2.0%.

Seasonally adjusted net borrowing/net lending of general government

With this press release, INE publishes the seasonally adjusted balance of general government, as well as adjusted data for total revenue and total expenditure.

The seasonal adjusted global balance of general government was computed following an indirect approach, that is, seasonal adjustment was applied to its main components, while the adjusted global balance was obtained through the respective accounting identity.

This method allows a more accurate identification of specific seasonal patterns and guarantees the accounting identity after the adjustment.

The seasonal adjusted balance of general government is presented in figure 4. Although seasonal patterns have been changing over time, it is possible to observe that seasonal adjustment has a systematic positive impact on the balance at each fourth quarter and the opposite impact on third quarters.

The seasonal adjusted balance of general government presented a positive path during 2013, recording a particular improvement in the 4th quarter.

