

26 March, 2015

Quarterly Sector Accounts

4th quarter of 2014

Net lending of the Portuguese economy moved from 2.4% of GDP in the 3rd quarter to 1.9%

The Portuguese economy registered a net lending of 1.9% of GDP in the 4th quarter of 2014, 0.5 percentage points (p.p.) less than in the previous quarter. This reduction was determined by the decrease of the current savings of the economy, as a result of the decrease of 0.4% of Gross Disposable Income. The final consumption expenditure had a change rate of -0.1% in the year ended in the 3rd quarter of 2014 (0.7% in the previous quarter).

The net lending of Households decreased to 2.5% of GDP in the year ending in the 4th quarter of 2014 (1.3 p.p. less than in the previous quarter). The Households saving rate also declined, standing at 6.9%, due to the increase of final consumption expenditure of households and the reduction of disposable income (change rates of 0.6% and -0.8%, respectively, in the year ended in the 4th quarter of 2014). The balances of Non-Financial Corporations and Financial Corporations stood at, respectively, 0.6% and 3.3% of GDP in the 4th quarter of 2014 (0.7% and 2.3% in the previous quarter, in the same order).

The net borrowing of the General Government (GG) increased from 4.4% of GDP in the 3rd quarter to 4.5% in the year ending in the 4th quarter of 2014. For the year 2013, the net lending of GG was 4.8% of GDP.

The current results are the preliminary version of the Quarterly Sector Accounts for the 4th quarter of 2014. 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.

It should be mentioned that the figures for 2012 have now a final status, being available detailed data by branches of activity and by institutional sectors, which implied revisions comparing with the previous results.

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

http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_cnacionais&xlang=en

Net lending of the Portuguese economy decreased to 1.9% of GDP

The Portuguese economy registered a net lending of 1.9% of GDP in the 4th quarter of 2014, 0.5 percentage points (p.p.) less than in the previous quarter. This evolution was essentially due to the deterioration of the balance of property income, as the income received and paid presented rates of change of -4.3% and 0.7%, respectively. The external balance of goods and services remained stable at 0.5% of GDP, with imports and exports increasing 1.2% and 1.1%, respectively.

Figure 1 presents the evolution of the net lending(+)/borrowing(-) of the economy by institutional sector. The net lending of General Government (GG) increased by 0.1 p.p. to 4.5%. This performance reflects in particular the impact of the extraordinary income associated with the Exceptional Settlement Scheme of Tax Arrears and Social Security in the 4th quarter of 2013, with revenue from income and property taxes decreasing by 5.3%.

For the remaining sectors of the economy, the net lending decreased to 6.4% of GDP in the 4th quarter of 2014 (6.8% in the previous quarter), mainly due to the decrease by 1.3 p.p. of the GDP in the net lending of Households' sector.

Households: net lending decreased to 2.5% of GDP

The net lending of Households decreased to 2.5% of GDP in the year ending in the 4th quarter of 2014 (3.8% in the previous quarter). For this result contributed mainly the decrease in compensation of employees and the social benefits other than social transfers in kind received, with reductions of 1.3% and 2.7 %, respectively, as well as the increase in final

consumption expenditure (change rate of 0.6% in the year ended in the 4th quarter of 2014).

This can be partially explained by the change in the payment month of holidays and Christmas allowances of civil servants and pensioners. In 2013 one of the allowances was paid in the 4th quarter while in 2014 it was paid in the 2nd quarter.

The savings rate has decreased to 6.9% of disposable income, as a result of the increase in final consumption by 0.6 %, in conjunction with the reduction of 0.8% in the disposable income.

The burden of taxation has been reduced to 11.2% of disposable income mainly associated to the Exceptional Settlement Scheme of Tax occurred in the 4th quarter of 2013. The gross operating surplus/mixed income of households represented 27.1% of disposable income (more 0.5 p.p. compared to the previous quarter).

Non-Financial Corporations: net lending reached 0.6% of GDP

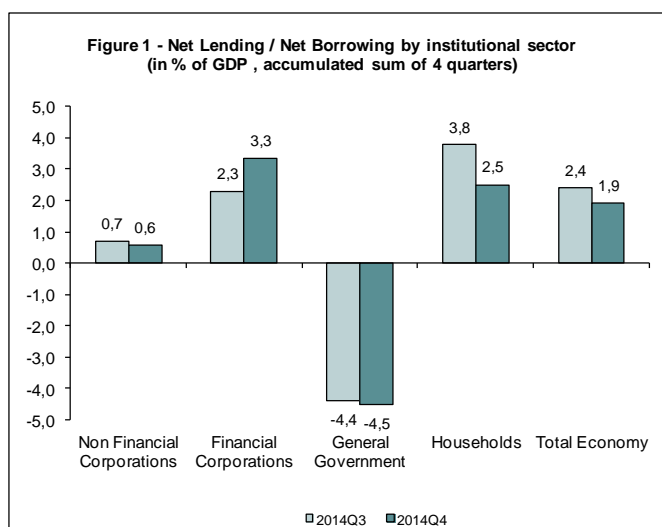
The net lending of Non-Financial Corporations stood at 0.6% of GDP in the year ended in the 4th quarter of 2014 (0.1 p.p. less than in the previous quarter). The slight decrease in the net lending of this sector mainly reflected the decline in revenue from property income (-6.9%) and capital transfers.

The main positive contributions on the balance of the sector were the taxes on income and the gross value added, which presented growth rates of -10.0% and 0.5%, respectively, in the year ended in the fourth quarter of 2014.

Financial Corporations: net lending increased to 3.3% of GDP

In the 4th quarter of 2014, the sector of Financial Corporations presented a net lending of 3.3% of GDP, which compares with 2.3% in the previous quarter. This improvement was mainly determined by the decrease of property income paid (rate of change of -7.9% in the year ended in the 4th quarter of 2014). The compensation of employees paid fell by 4.0% in the year ended in the fourth quarter of 2014, which compares with a reduction of 0.6% in the previous quarter.

The current saving of the sector increased to 15.3% and an improvement in the capital balance was also observed.



General Government: net borrowing increases by 0.1 p.p.

The net borrowing of the General Government sector (GG) recorded an increase of 0.1 p.p. in the 4th quarter of 2014 compared to the previous quarter, attaining 4.5% of GDP. This performance resulted from a decrease of the revenue more significant than the decrease of the expenditure (see tables 1 and 2).

Quarterly sector accounts – 4th quarter of 2014

The decrease in revenue was mainly determined by a reduction in the capital revenue and, to a lesser extent, by a decrease in taxes on income and wealth. This decrease is mainly due to the revenue collected in the 4th quarter of 2013 under the Extraordinary Scheme for the Settlement of Tax and Social Security Debts.

On the expenditure side, there was a decrease in the current expenditure, influenced by decreases in employee compensations and social benefits other than social transfers in kind. This was determined by the change in the payment month of holidays and Christmas allowances of civil servants and pensioners. In general, the other expenditure components increased.

Taking into account the quarterly figures rather than the sum of four quarters, the net borrowing of the GG stood at about -1182 million Euros in the 4th quarter of 2014 (-2.7% of GDP).

Considering the sum of the four quarters of 2014, the balance of general government attained -7822,3 million Euros, corresponding to -4.5% of GDP (-4.8% for the same period of 2013). As can be seen from Table 3 this improvement was determined by an increase of 0.5% of the total revenue, in particular, the increase of the revenue of taxes on production and imports (5.0%) and social contributions (2.3%), while the total expenditure remained stable.

Table 4 presents the main adjustments carried out for moving from Public Accounting to National Accounts balances. Comparing the 4th quarter of 2014 with the same period of the previous year, despite a slight improvement of the balance in Public Accounting, the balance in National Accounts decreased mainly as a result of the assumption of the guaranteed debt by Fundo de Contragarantia Mútuo in about 0.5% of GDP.

The capital injections into public corporations classified in GG institutional sector recorded a significant growth compared with the same period of the previous year. However, this operation has no impact on the net borrowing, as it is also reflected as revenue in the "accrual adjustment and sector delimitation in National Accounts".

The results for 2014 do not include an impact in the General Government deficit due to the capitalization of

Novo Banco by the Portuguese Resolution Fund. Considering that the sale of Novo Banco has not yet occurred, there is no sufficient information to have a final assessment of the capitalization operation (see box of the press release on the Excessive Deficit Procedure - 1st notification of 2015).

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

	Unit: 10 ⁹ euro							
	2013Q1	2013Q2	2013Q3	2013Q4	2014Q1	2014Q2	2014Q3	2014Q4
Total revenue	72.030,2	72.802,0	73.769,2	76.636,7	77.225,0	77.868,7	78.853,9	77.011,9
Current revenue	69.576,5	70.864,2	72.113,3	75.062,6	75.590,9	76.355,9	77.317,7	75.740,8
Current taxes on income and wealth	15.692,5	16.733,3	17.503,2	19.388,4	19.550,7	19.490,6	19.977,4	18.921,6
Taxes on production and imports	23.108,1	22.799,1	22.972,6	23.442,2	23.705,9	24.277,4	24.638,5	24.616,8
Social contributions	19.254,8	19.271,2	19.536,5	20.051,4	20.043,2	20.467,7	20.812,0	20.512,7
Sales	6.506,5	6.527,0	6.704,6	6.666,9	6.776,7	6.804,5	6.744,1	6.769,2
Other current revenue	5.014,5	5.333,8	5.396,3	5.513,7	5.514,4	5.315,7	5.145,7	4.920,6
Capital revenue	2.453,7	2.137,8	1.655,9	1.574,0	1.634,1	1.512,8	1.536,2	1.271,1
Total expenditure	82.571,7	82.079,2	83.653,8	84.817,6	83.881,7	85.702,3	86.435,5	84.834,2
Current expenditure	76.860,4	77.413,8	78.638,4	79.633,9	79.330,8	80.094,7	80.905,5	79.272,9
Social benefits	33.290,7	33.480,2	34.040,9	34.522,2	34.518,8	34.533,4	35.215,3	34.092,2
Compensation of employees	19.889,2	20.184,9	20.434,4	21.059,6	20.685,1	21.203,4	21.406,2	20.481,5
Interest	8.195,6	8.237,7	8.310,0	8.318,6	8.351,7	8.377,9	8.495,8	8.580,3
Intermediate consumption	9.726,4	9.870,9	10.018,8	9.718,8	9.835,2	9.854,4	9.915,6	10.193,9
Subsidies	1.022,3	980,1	989,3	1.033,9	1.099,3	1.173,7	1.159,3	1.164,3
Other current expenditure	4.736,1	4.660,2	4.845,0	4.980,8	4.840,7	4.951,9	4.713,1	4.760,7
Capital expenditure	5.711,4	4.665,4	5.015,4	5.183,7	4.550,8	5.607,7	5.530,0	5.561,4
Gross fixed capital formation	3.550,4	3.316,7	3.715,4	3.864,8	3.763,5	3.558,0	3.498,2	3.546,1
Other capital expenditure	2.161,0	1.348,7	1.300,0	1.518,9	787,4	2.049,6	2.031,8	2.015,3
Current Balance	-7.283,9	-6.749,6	-6.525,1	-4.571,2	-3.739,9	-3.738,8	-3.587,8	-3.532,1
Balance	-10.541,5	-9.277,2	-9.884,6	-8.180,9	-6.656,7	-7.833,7	-7.581,6	-7.822,3
<i>By memory:</i>								
Primary current expenditure	68.664,72	69.176,17	70.328,41	71.315,28	70.979,14	71.716,84	72.409,62	70.692,68
Gross domestic product at current market prices	167.335,33	167.435,09	168.015,18	169.394,86	170.051,65	171.823,32	173.193,36	173.053,30
Balance in % of GDP	-6,3%	-5,5%	-5,9%	-4,8%	-3,9%	-4,6%	-4,4%	-4,5%

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

	change rate (%)							
	2013Q1	2013Q2	2013Q3	2013Q4	2014Q1	2014Q2	2014Q3	2014Q4
Total revenue	-0,2	1,1	1,3	3,9	0,8	0,8	1,3	-2,3
Current revenue	0,6	1,6	2,1	4,1	0,7	1,0	1,3	-2,0
Current taxes on income and wealth	3,6	6,6	4,6	10,8	0,8	-0,3	2,5	-5,3
Taxes on production and imports	-1,0	-1,3	0,8	2,0	1,1	2,4	1,5	-0,1
Social contributions	0,6	0,1	1,4	2,6	0,0	2,1	1,7	-1,4
Sales	0,2	0,3	2,7	-0,6	1,6	0,4	-0,9	0,4
Other current revenue	-1,1	6,4	1,2	2,2	0,0	-3,6	-3,2	-4,4
Capital revenue	-17,4	-12,9	-22,5	-4,9	3,8	-7,4	1,6	-17,3
Total expenditure	1,2	-0,6	1,9	1,4	-1,1	2,2	0,9	-1,9
Current expenditure	0,9	0,7	1,6	1,3	-0,4	1,0	1,0	-2,0
Social benefits	0,9	0,6	1,7	1,4	0,0	0,0	2,0	-3,2
Compensation of employees	1,0	1,5	1,2	3,1	-1,8	2,5	1,0	-4,3
Interest	-0,2	0,5	0,9	0,1	0,4	0,3	1,4	1,0
Intermediate consumption	0,4	1,5	1,5	-3,0	1,2	0,2	0,6	2,8
Subsidies	0,4	-4,1	0,9	4,5	6,3	6,8	-1,2	0,4
Other current expenditure	3,3	-1,6	4,0	2,8	-2,8	2,3	-4,8	1,0
Capital expenditure	5,6	-18,3	7,5	3,4	-12,2	23,2	-1,4	0,6
Gross fixed capital formation ⁽¹⁾	-7,5	-6,6	12,0	-1,4	2,7	-5,5	-1,7	1,4
Other capital expenditure	37,7	-37,6	-3,6	16,8	-48,2	160,3	-0,9	-0,8

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

Table 3: Revenue and expenditure of general government

	1st-4th quarter of 2013		1st-4th quarter of 2014		Change rate (%)
	million euro	% GDP	million euro	% GDP	
Total revenue	76.636,7	45,2	77.011,9	44,5	0,5
Current revenue	75.062,6	44,3	75.740,8	43,8	0,9
Current taxes on income and wealth	19.388,4	11,4	18.921,6	10,9	-2,4
Taxes on production and imports	23.442,2	13,8	24.616,8	14,2	5,0
Social contributions	20.051,4	11,8	20.512,7	11,9	2,3
Sales	6.666,9	3,9	6.769,2	3,9	1,5
Other current revenue	5.513,7	3,3	4.920,6	2,8	-10,8
Capital revenue	1.574,0	0,9	1.271,1	0,7	-19,2
Total expenditure	84.817,6	50,1	84.834,2	49,0	0,0
Current expenditure	79.633,9	47,0	79.272,9	45,8	-0,5
Social benefits	34.522,2	20,4	34.092,2	19,7	-1,2
Compensation of employees	21.059,6	12,4	20.481,5	11,8	-2,7
Interest	8.318,6	4,9	8.580,3	5,0	3,1
Intermediate consumption	9.718,8	5,7	10.193,9	5,9	4,9
Subsidies	1.033,9	0,6	1.164,3	0,7	12,6
Other current expenditure	4.980,8	2,9	4.760,7	2,8	-4,4
Capital expenditure	5.183,7	3,1	5.561,4	3,2	7,3
Gross fixed capital formation ⁽¹⁾	3.664,8	2,2	3.546,1	2,0	-3,2
Other capital expenditure	1.518,9	0,9	2.015,3	1,2	32,7
Current Balance	-4.571,2	-2,7	-3.532,1	-2,0	
Balance	-8.180,9	-4,8	-7.822,3	-4,5	

(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	
	2013Q4	2014Q4
Balance in Public Accounting	-3.346,2	-3.035,0
Accrual adjustment and sector delimitation in National Accounts	1.327,3	2.215,7
Difference between paid and due interest	502,1	357,2
Other receivables:	732,8	751,6
<i>Temporal adjustment to taxes and contributions</i>	530,7	532,4
<i>Others</i>	202,1	219,1
Other payables:	399,3	148,3
<i>Expenditure already incurred but not yet paid</i>	415,1	356,9
<i>Others</i>	-15,8	-208,7
Other adjustments:	-556,6	-1.619,7
<i>of which:</i>	0,0	0,0
<i>Capital injections and debt assumptions</i>	-506,4	-1.927,9
Balance in National Accounts:	-941,3	-1.182,0
	43.852,3	43.712,2
% of GDP	-2,5%	-2,7%

National Economy: Gross National Income (GNI) decreased 0.3%

In the 4th quarter of 2014, the Gross National Income (GNI) registered a nominal variation of -0.3 %, 0.2 p.p. lower than the rate of change of nominal GNP. To this result contributed an aggravation of the negative balance of property income (interest and dividends) with the rest of the world (change rate of -4.3% in the revenues and 0.7% in the paid income).

Table 7: GDP, GNI and GDI as the cumulated sum of 4 quarters

year ended in the quarter	GDP		GNI		GDI	
	million euros	change of rate (%)	million euros	change of rate (%)	million euros	change of rate (%)
2008Q1	176 952		170 963		172 359	
2008Q2	178 076	0,6	171 724	0,4	173 065	0,4
2008Q3	179 096	0,6	172 230	0,3	173 741	0,4
2008Q4	178 873	-0,1	171 910	-0,2	173 720	0,0
2009Q1	177 215	-0,9	170 002	-1,1	171 641	-1,2
2009Q2	176 035	-0,7	168 802	-0,7	170 272	-0,8
2009Q3	175 548	-0,3	169 090	0,2	170 190	0,0
2009Q4	175 448	-0,1	169 024	0,0	169 934	-0,2
2010Q1	177 303	1,1	171 170	1,3	172 098	1,3
2010Q2	178 320	0,6	171 996	0,5	173 109	0,6
2010Q3	179 355	0,6	172 389	0,2	173 668	0,3
2010Q4	179 930	0,3	173 689	0,8	174 798	0,7
2011Q1	179 538	-0,2	174 234	0,3	175 481	0,4
2011Q2	179 018	-0,3	174 099	-0,1	175 360	-0,1
2011Q3	178 026	-0,6	174 108	0,0	175 427	0,0
2011Q4	176 167	-1,0	172 518	-0,9	173 844	-0,9
2012Q1	174 892	-0,7	170 350	-1,3	171 672	-1,2
2012Q2	172 127	-1,6	167 717	-1,5	168 926	-1,6
2012Q3	170 486	-1,0	165 950	-1,1	167 106	-1,1
2012Q4	168 398	-1,2	164 317	-1,0	165 851	-0,8
2013Q1	167 335	-0,6	164 270	0,0	165 768	-0,1
2013Q2	167 435	0,1	165 206	0,6	166 860	0,7
2013Q3	168 015	0,3	165 999	0,5	167 659	0,5
2013Q4	169 395	0,8	167 718	1,0	169 395	1,0
2014Q1	170 052	0,4	168 299	0,3	170 247	0,5
2014Q2	171 823	1,0	170 154	1,1	171 973	1,0
2014Q3	173 193	0,8	171 664	0,9	173 638	1,0
2014Q4	173 053	-0,1	171 108	-0,3	172 994	-0,4

The Net Disposable Income (NDI) registered a decrease of 0.4% in the 4th quarter of 2014 while the final economy consumption expenditure (which includes the final consumption expenditure of households and of General Government) registered a decrease of 0.1% which led to a decrease of 2.1% of the net saving of the economy. This fact, together with the decrease of the balance of capital transfers, determined the reduction in the Net lending of the economy to 1.9% of GDP (less 0.5 p.p. than in the previous quarter). The investment for the total economy stabilized at 14.9 % of GDP in the 4th quarter of 2014.

Table 8: Gross Saving and Net Lending / Net Borrowing unit: % of GDP

year ended in the quarter	Gross Saving	Balance of Capital Transfers with the Rest of the World	Investment + Acquisitions less disposals of non-financial non-produced assets	Net Lending / Net Borrowing
2008Q1	12,3	-1,1	23,2	-9,8
2008Q2	11,8	-1,0	23,4	-10,7
2008Q3	11,2	-0,8	23,7	-11,7
2008Q4	11,0	-0,9	23,3	-11,4
2009Q1	10,4	-0,8	22,6	-11,4
2009Q2	10,4	-1,1	21,8	-10,3
2009Q3	10,9	-1,2	21,2	-9,2
2009Q4	10,7	-1,1	20,8	-9,0
2010Q1	11,3	-1,0	21,1	-8,9
2010Q2	10,9	-0,9	21,4	-9,6
2010Q3	10,4	-1,0	20,9	-9,5
2010Q4	10,7	-1,3	21,1	-9,1
2011Q1	11,2	-1,5	20,9	-8,2
2011Q2	11,8	-1,4	20,3	-7,1
2011Q3	12,7	-1,5	20,0	-5,9
2011Q4	13,0	-1,4	18,5	-4,1
2012Q1	12,5	-1,6	17,5	-3,4
2012Q2	12,9	-1,7	16,5	-1,9
2012Q3	12,7	-1,8	15,4	-0,8
2012Q4	13,7	-2,0	15,7	0,0
2013Q1	14,3	-1,8	15,0	1,0
2013Q2	14,9	-1,8	14,6	2,0
2013Q3	15,1	-1,7	14,7	2,1
2013Q4	15,4	-1,5	14,4	2,5
2014Q1	15,4	-1,6	14,7	2,3
2014Q2	15,5	-1,5	14,8	2,2
2014Q3	15,7	-1,5	14,8	2,4
2014Q4	15,4	-1,4	14,8	1,9

Unit labour costs (ULC) decreased

In the 4th quarter of 2014, unit labour costs reduced 0.9% (increase of 2.0% in the previous quarter). This evolution was determined by a decrease in average compensation of employees of 1.4%, higher than the decrease in productivity.

Figure 2 - Unit labour costs change rates (moving averages of 4 quarters)

