

24 June, 2015

## Quarterly Sector Accounts

1<sup>st</sup> quarter of 2015

### Net lending of the Portuguese economy reached 2.0% of GDP in the first quarter of 2015

The Portuguese economy registered a net lending of 2.0% of GDP in the year ended in the 1<sup>st</sup> quarter of 2015, 0.1 percentage points (p.p.) more than in the previous quarter. This behaviour reflected the slight improvement in the current saving of the economy, with the disposable income presenting a slightly higher increase than the final consumption expenditure.

The net lending of Households decreased to 2.3% of GDP in the year ending in the 1<sup>st</sup> quarter of 2015 (0.2 p.p. less than in the previous quarter). The Households saving rate stood at 6.8% (0.1 p.p. less than in the previous quarter), which reflected the simultaneous increase of final consumption expenditure of households and disposable income (change rates of 0.6% and 0.5%, respectively, in the year ended in the 1<sup>st</sup> quarter of 2015). On the opposite side, the balance of the Corporations sector increased, reflecting the behaviour of the balance of Non-Financial Corporations (which moved from 0.6% in the 4<sup>th</sup> quarter 2014 to 0.9% of GDP in the 1<sup>st</sup> quarter 2015) while the balance of Financial Corporations decreased (from 3.3% to 3.2%, by the same order).

The net borrowing of the General Government (GG) decreased from 4.5% of GDP in the 4<sup>th</sup> quarter to 4.4% in the year ending in the 1<sup>st</sup> quarter of 2015. Without four quarters moving average, the GG net borrowing was 5.8% of GDP in the 1<sup>st</sup> quarter 2015, 0.1 p.p. less than the observed in the same quarter of the previous year.

The current results are the preliminary version of the Quarterly Sector Accounts for the 1<sup>st</sup> quarter of 2015. 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:

[http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine\\_cnacionais&xlang=en](http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_cnacionais&xlang=en)

## **Net lending of the Portuguese economy stood at 2.0% of GDP**

The Portuguese economy registered a net lending of 2.0% of the GDP in the 1<sup>st</sup> quarter of 2015, 0.1 percentage points (p.p.) more than in the previous quarter. This evolution was due to the slight improvement in the gross savings, with gross disposable income increasing more than final consumption expenditure. The improvement of gross disposable income reflected mainly the increase in nominal Gross Domestic Product (GDP). The external balance of goods and services increased to 0.7% of GDP (more to 0.2 p.p. than in the previous quarter), with both exports and imports increasing by 1.0% and 0.4%, respectively.

Figure 1 presents the evolution of the net lending(+)/borrowing(-) of the economy by institutional sector. The net borrowing of General Government (GG) decreased 0.1 p.p. to 4.4%. This reflected mainly the increase of revenue from taxes on production and imports (change rate of 1.9%).

For the remaining sectors of the economy, the net lending remained at 6.4% of GDP in the 1<sup>st</sup> quarter of 2015 with the improvement of the balance of Non-Financial Corporations (an increase of 0.3 p.p.) offsetting the reduction of the net lending of Households and Financial Corporations.

### **Households: net lending decreased to 2.3% of GDP**

The net lending of Households decreased to 2.3% of GDP in the year ending in the 1<sup>st</sup> quarter of 2015 (2.5% in the previous quarter). For this result contributed mainly the increase of final consumption expenditure

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(change rate of 0.6%), which more than offset the increase in disposable income. Thus, the saving rate decreased to 6.8% of disposable income (6.9% in the previous quarter). The reduction of the net lending of Households was also influenced by the increase of the Gross Capital Formation.

The improvement in the disposable income reflected primarily the increase of compensation of employees received, and, to a lesser degree, the improvement of the balance of property income. Property income (particularly interest) paid by Households recorded a decrease of 6.5% in the 1<sup>st</sup> quarter of 2015, which more than offset the decrease in property income received.

The burden of taxation reduced to 11.0% of disposable income in the year ending in the 1<sup>st</sup> quarter of 2015.

### **Non-Financial Corporations: net lending reached 0.9% of GDP**

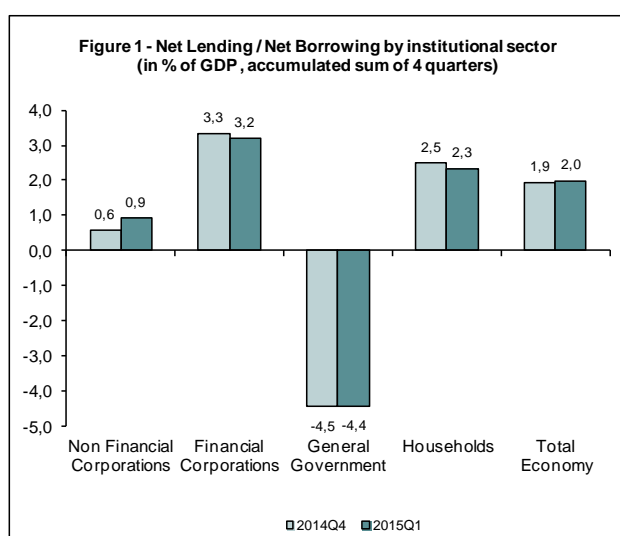
The net lending of Non-Financial Corporations stood at 0.9% of GDP in the year ended in the 1<sup>st</sup> quarter of 2015 (0.3 p.p. more than in the previous quarter). This improvement reflected mainly the increase in the gross value added (change of 0.7%) and also the decrease in property income paid (variation of -2.3%), mainly due to the interest component. The compensation of employees paid by this sector increased by 0.6% in the 1<sup>st</sup> quarter of 2015. It should also be mentioned the contribution of Gross Capital Formation (GCF) to the improvement in the net lending of this sector, which decreased by 1.4% in the 1<sup>st</sup> quarter 2015.

Despite the reduction of GCF, the rate of investment (measured by the ratio between Gross Fixed Capital

Formation and the GVA) increased from 19.6% in the 4<sup>th</sup> quarter of 2014 to 19.9%.

### Financial Corporations: net lending decreased to 3.2% of GDP

In the 1<sup>st</sup> quarter 2015, the sector of Financial Corporations presented a net lending of 3.2% of GDP, which compares with 3.3% in the previous quarter. This evolution was determined by the reduction of the balance of property income, with property income received decreasing more than the paid (change rate of -9.2% and -8.5%, respectively). The behaviour of property income was particularly influenced by the interest component. The compensation of employees paid by the financial corporations maintained a decreasing trend, showing a change rate of -0.2% (decreased by 4.0% in the year ended in the 4<sup>th</sup> quarter of 2014). The current savings of the sector decreased by 6% due to the reduction in the balance of property income.



### General Government: net borrowing decreases by 0.1 p.p.

In the year ending in the 1<sup>st</sup> quarter of 2015 compared to the year ending in the previous quarter, the net borrowing of the General Government sector (GG), in percentage of the GDP, recorded a decrease of 0.1 p.p., attaining 4.4%. This result benefited from the GDP growth as the general government deficit was slightly higher (more 16.8 million euro). Total revenue increased by 0.8% while the expenditure increased by 0.7%.

On the revenue side, it should be highlighted the increase in revenue from taxes on production and imports and social contributions.

The increase in expenditure was mainly determined by higher capital expenditure and, to a lesser extent, by an increase in current expenditure. The evolution of the current expenditure is associated to the growth of employee compensations due to the partial reversal of the temporary measure of remuneration reduction. It should also be mentioned the increase in intermediate consumption and interest paid.

Taking into account the quarterly figures rather than the sum of four quarters, the net borrowing of the GG stood at about -2.444,3 million Euros in the 1<sup>st</sup> quarter of 2015 (-5.8% of GDP), while in the same quarter of 2014 it was -5.9% of GDP (-2.427,5 million Euros). As can be seen from Table 3 this improvement was determined by an increase in total revenue at a higher pace than the increase of expenditure. The largest upward impacts to the current revenue came from the revenue of taxes on production and imports (8.3%), in particular the value added tax revenues (VAT), and social contributions (4.6%).

Table 4 presents the main adjustments carried out for moving from Public Accounting to National Accounts balances. Comparing the 1<sup>st</sup> quarter of 2015 with the same period of the previous year, there was a slight deterioration of the balance in National Accounts.

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".

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

Unit: 10<sup>6</sup> euro

	2014Q1	2014Q2	2014Q3	2014Q4	2015Q1
<b>Total revenue</b>	<b>77.225,0</b>	<b>77.868,7</b>	<b>78.853,9</b>	<b>77.011,9</b>	<b>77.600,7</b>
Current revenue	75.590,9	76.355,9	77.317,7	75.740,8	76.276,5
Current taxes on income and wealth	19.550,7	19.490,6	19.977,4	18.921,6	18.867,6
Taxes on production and imports	23.705,9	24.277,4	24.638,5	24.616,8	25.072,4
Social contributions	20.043,2	20.467,7	20.812,0	20.512,7	20.724,7
Sales	6.776,7	6.804,5	6.744,1	6.769,2	6.701,1
Other current revenue	5.514,4	5.315,7	5.145,7	4.920,6	4.910,7
Capital revenue	1.634,1	1.512,8	1.536,2	1.271,1	1.324,1
<b>Total expenditure</b>	<b>83.881,7</b>	<b>85.711,8</b>	<b>86.448,7</b>	<b>84.728,8</b>	<b>85.334,3</b>
Current expenditure	79.330,8	80.094,7	80.905,5	79.152,0	79.576,3
Social benefits	34.518,8	34.533,4	35.215,3	34.092,2	34.109,9
Compensation of employees	20.685,1	21.203,4	21.406,2	20.481,5	20.588,2
Interest	8.351,7	8.377,9	8.495,8	8.580,3	8.631,4
Intermediate consumption	9.835,2	9.854,4	9.915,6	10.193,9	10.296,5
Subsidies	1.099,3	1.173,7	1.159,3	1.164,3	1.143,5
Other current expenditure	4.840,7	4.951,9	4.713,1	4.639,8	4.806,7
Capital expenditure	4.550,8	5.617,1	5.543,3	5.576,7	5.758,1
Gross fixed capital formation	3.763,5	3.558,0	3.498,2	3.546,1	3.553,4
Other capital expenditure	787,4	2.059,1	2.045,1	2.030,7	2.204,7
<b>Current Balance</b>	<b>-3.739,9</b>	<b>-3.738,8</b>	<b>-3.587,8</b>	<b>-3.411,2</b>	<b>-3.299,7</b>
<b>Balance</b>	<b>-6.656,7</b>	<b>-7.843,1</b>	<b>-7.594,8</b>	<b>-7.716,9</b>	<b>-7.733,7</b>
<i>By memory:</i>					
Primary current expenditure	70.979,14	71.716,84	72.409,62	70.571,76	70.944,86
Gross domestic product at current market prices	170.051,65	171.823,32	173.193,36	173.053,30	174.324,47
Balance in % of GDP	-3,9%	-4,6%	-4,4%	-4,5%	-4,4%

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

	change rate (%)				
	2014Q1	2014Q2	2014Q3	2014Q4	2015Q1
<b>Total revenue</b>	<b>0,8</b>	<b>0,8</b>	<b>1,3</b>	<b>-2,3</b>	<b>0,8</b>
Current revenue	0,7	1,0	1,3	-2,0	0,7
Current taxes on income and wealth	0,8	-0,3	2,5	-5,3	-0,3
Taxes on production and imports	1,1	2,4	1,5	-0,1	1,9
Social contributions	0,0	2,1	1,7	-1,4	1,0
Sales	1,6	0,4	-0,9	0,4	-1,0
Other current revenue	0,0	-3,6	-3,2	-4,4	-0,2
Capital revenue	3,8	-7,4	1,6	-17,3	4,2
<b>Total expenditure</b>	<b>-1,1</b>	<b>2,2</b>	<b>0,9</b>	<b>-2,0</b>	<b>0,7</b>
Current expenditure	-0,4	1,0	1,0	-2,2	0,5
Social benefits	0,0	0,0	2,0	-3,2	0,1
Compensation of employees	-1,8	2,5	1,0	-4,3	0,5
Interest	0,4	0,3	1,4	1,0	0,6
Intermediate consumption	1,2	0,2	0,6	2,8	1,0
Subsidies	6,3	6,8	-1,2	0,4	-1,8
Other current expenditure	-2,8	2,3	-4,8	-1,6	3,6
Capital expenditure	-12,2	23,4	-1,3	0,6	3,3
Gross fixed capital formation <sup>(1)</sup>	2,7	-5,5	-1,7	1,4	0,2
Other capital expenditure	-48,2	161,5	-0,7	-0,7	8,6

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

Table 3: Revenue and expenditure of general government

	1st quarter of 2014		1st quarter of 2015		Change rate (%)
	million euro	% GDP	million euro	% GDP	
<b>Total revenue</b>	<b>16.977,0</b>	<b>41,3</b>	<b>17.565,7</b>	<b>41,4</b>	<b>3,5</b>
Current revenue	16.743,1	40,7	17.278,8	40,8	3,2
Current taxes on income and wealth	3.907,0	9,5	3.853,1	9,1	-1,4
Taxes on production and imports	5.487,4	13,3	5.943,1	14,0	8,3
Social contributions	4.647,8	11,3	4.859,8	11,5	4,6
Sales	1.587,5	3,9	1.519,4	3,6	-4,3
Other current revenue	1.113,3	2,7	1.103,4	2,6	-0,9
Capital revenue	233,9	0,6	286,9	0,7	22,7
<b>Total expenditure</b>	<b>19.404,4</b>	<b>47,2</b>	<b>20.010,0</b>	<b>47,2</b>	<b>3,1</b>
Current expenditure	18.536,4	45,1	18.960,6	44,7	2,3
Social benefits	8.092,1	19,7	8.109,8	19,1	0,2
Compensation of employees	4.688,4	11,4	4.795,2	11,3	2,3
Interest	2.106,2	5,1	2.157,3	5,1	2,4
Intermediate consumption	2.133,3	5,2	2.235,9	5,3	4,8
Subsidies	208,0	0,5	187,2	0,4	-10,0
Other current expenditure	1.308,4	3,2	1.475,2	3,5	12,8
Capital expenditure	868,1	2,1	1.049,4	2,5	20,9
Gross fixed capital formation <sup>(1)</sup>	762,6	1,9	769,9	1,8	1,0
Other capital expenditure	105,5	0,3	279,5	0,7	165,0
<b>Current Balance</b>	<b>-1.793,3</b>	<b>-4,4</b>	<b>-1.681,7</b>	<b>-4,0</b>	
<b>Balance</b>	<b>-2.427,5</b>	<b>-5,9</b>	<b>-2.444,3</b>	<b>-5,8</b>	

<sup>(1)</sup> Includes Gross capital formation and Acquisitions less disposals of non-financial non-produced asset

Table 4: Public to National Account adjustments

	Unit: million euro	
	2014Q1	2015Q1
<b>Balance in Public Accounting</b>	<b>-861,8</b>	<b>-832,9</b>
Accrual adjustment and sector delimitation in National Accounts	-125,9	767,8
Difference between paid and due interest	-825,5	-612,7
Other receivables:	-661,8	-787,0
<i>Temporal adjustment to taxes and contributions</i>	-718,0	-826,8
<i>Others</i>	56,3	39,7
Other payables:	190,4	82,3
<i>Expenditure already incurred but not yet paid</i>	-19,4	-83,6
<i>Others</i>	209,8	165,9
Other adjustments:	-143,0	-1.061,8
<i>of which:</i>	0,0	0,0
<i>Capital injections and debt assumptions</i>	-388,1	-1.250,2
<b>Balance in National Accounts:</b>	<b>-2.427,5</b>	<b>-2.444,3</b>
	41.112,2	42.383,3
% of GDP	-5,9%	-5,8%

## National Economy: Gross National Income (GNI) increased 0.6%

In the 1<sup>st</sup> quarter of 2015, the Gross National Income (GNI) registered a nominal change rate of 0.6 %, 0.1 p.p. lower than the rate of change of nominal GDP. To this result contributed the reduction of the balance of property income (interest and dividends) with the rest of the world (change rate of -3.4% for the income received and -0.6% for the income paid).

Table 5: 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 (%)
2008Q2	178 077	0,0	171 725	0,0	173 067	0,0
2008Q3	179 097	0,6	172 231	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	176 034	-0,7	168 801	-0,7	170 271	-0,8
2009Q3	175 547	-0,3	169 089	0,2	170 189	0,0
2009Q4	175 448	-0,1	169 024	0,0	169 934	-0,1
2010Q1	177 302	1,1	171 169	1,3	172 097	1,3
2010Q2	178 319	0,6	171 996	0,5	173 108	0,6
2010Q3	179 355	0,6	172 390	0,2	173 668	0,3
2010Q4	179 930	0,3	173 689	0,8	174 798	0,7
2011Q1	179 537	-0,2	174 233	0,3	175 480	0,4
2011Q2	179 015	-0,3	174 096	-0,1	175 357	-0,1
2011Q3	178 023	-0,6	174 104	0,0	175 424	0,0
2011Q4	176 167	-1,0	172 518	-0,9	173 844	-0,9
2012Q1	174 897	-0,7	170 355	-1,3	171 676	-1,2
2012Q2	172 135	-1,6	167 724	-1,5	168 933	-1,6
2012Q3	170 494	-1,0	165 958	-1,1	167 114	-1,1
2012Q4	168 398	-1,2	164 317	-1,0	165 851	-0,8
2013Q1	167 324	-0,6	164 259	0,0	165 757	-0,1
2013Q2	167 416	0,1	165 187	0,6	166 841	0,7
2013Q3	167 997	0,3	165 981	0,5	167 641	0,5
2013Q4	169 395	0,8	167 718	1,0	169 395	1,0
2014Q1	170 063	0,4	168 310	0,4	170 258	0,5
2014Q2	171 836	1,0	170 167	1,1	171 986	1,0
2014Q3	173 205	0,8	171 675	0,9	173 649	1,0
2014Q4	173 044	-0,1	171 099	-0,3	173 106	-0,3
2015Q1	174 314	0,7	172 130	0,6	174 222	0,6

The Net Disposable Income (NDI) registered an increase of 0.6% in the 1<sup>st</sup> quarter of 2015 and the final consumption expenditure of the economy (which includes the final consumption expenditure of Households and of General Government) also registered an increase of 0.6%. This determined the increase in the Net lending of the economy to 2.0% of GDP (0.1 p.p. more than in the previous quarter). The investment for the total economy was 14.7 % of GDP in the 1<sup>st</sup> quarter of 2015 (less 0.2 p.p. than in the previous quarter).

### Unit labour costs (ULC) decreased

In the 1<sup>st</sup> quarter of 2015, the UCL fell by 0.5% (a reduction of 0.9% in the previous quarter). This evolution was determined by a decrease in average compensation of employees of 0.8%, higher than the decrease in productivity.

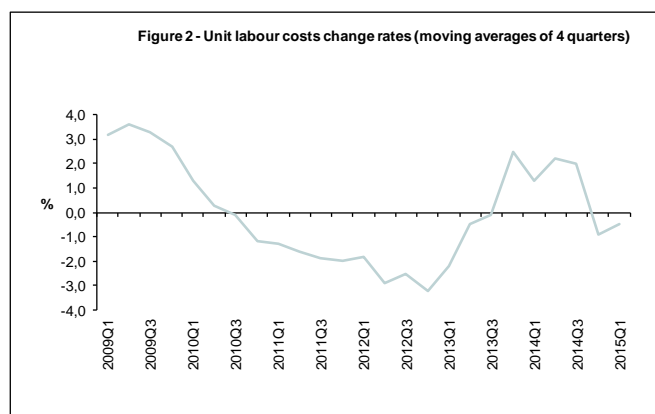


Table 6: Gross Saving and Net Lending / Net Borrowing unit: % of GDP

year ended in the quarter	Gross Saving	Balance of Capital Transfers w with the Rest of the World	Investment + Acquisitions less disposals of non-financial non-produced assets	Net Lending / Net Borrowing
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	15,4	-1,5	14,8	2,2
2014Q3	15,6	-1,5	14,8	2,4
2014Q4	15,4	-1,3	14,8	1,9
2015Q1	15,4	-1,3	14,7	2,0