

December 23, 2015

## Quarterly Sector Accounts

3<sup>rd</sup> quarter of 2015

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### Net lending of the Portuguese economy stood at 1.3% of GDP

The current saving in the economy increased in the 3<sup>rd</sup> quarter as the result of the slightly higher growth of disposable income higher than the increase in final consumption expenditure in the economy. This increase was offset by the decrease in the balance of capital transfers so that the net lending of the economy stood at 1.3% of GDP.

The net lending of Households decreased to 1.3% of GDP in the year ending in the 3<sup>rd</sup> quarter of 2015 (0.6 p.p. less than in the previous quarter). The Households saving rate stood at 4.0% (0.8 p.p. less than in the previous quarter), reflecting the combined effects of the increase in private consumption and a slight decline in the disposable income of households (change rates of 0.8% and -0.1%, respectively). The net lending of the Non-financial Corporations steadied at 0.6% of GDP, just as the rate of investment in this sector (20.4% of GDP).

The net borrowing of the General Government (GG) dropped from 6.4% of GDP in the year ended in the second quarter of 2015 to 3.2% in the 3<sup>rd</sup> quarter of 2015. The decrease in the balance by 3.2 p.p. of GDP mainly reflects the negative impact in the second quarter from the recording as capital transfer of the capitalization of Novo Banco. Reflecting the symmetrical effect, the net lending of Financial Corporations decreased from 5.1% to 2.6% between the two periods.

Considering the sum of the first three quarters of 2015, the overall deficit of the GG stood at 4,843.7 million Euros, corresponding to 3.6% of GDP (8.9% of GDP in the same period last year, 5.1% excluding the capitalization of the Novo Banco).

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The current results are the preliminary version of the Quarterly Sector Accounts for the 3<sup>rd</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.

Quarterly Sector Accounts – 3<sup>rd</sup> quarter of 2015

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)

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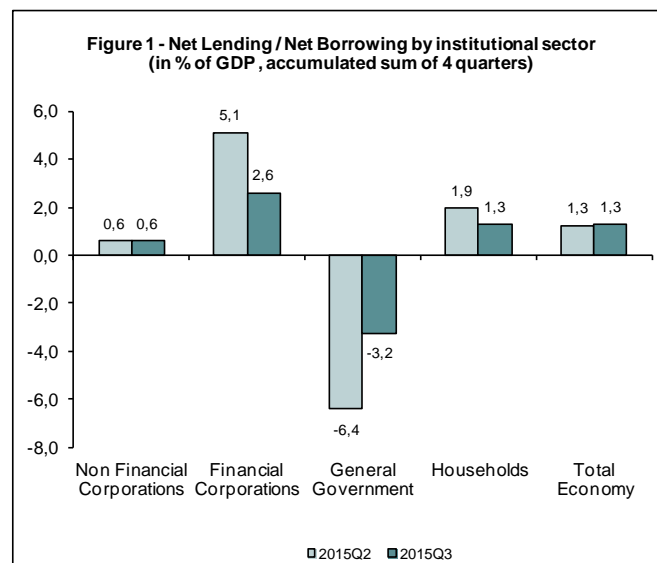
## Net lending of the Portuguese economy stood at 1.3% of GDP

The Portuguese economy registered a net lending of 1.3% of GDP in the year ended in the 3<sup>rd</sup> quarter of 2015, same as recorded in the previous quarter. This evolution was due to the increase in the gross savings, with disposable income increasing more than final consumption expenditure. The improvement of gross disposable income reflected mainly the increase in nominal GDP.

The external balance of goods and services improved to 0.6% of GDP (0.2 p.p. more than in the previous quarter), with both exports and imports increasing by 0.9% and 0.3%, 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 3.2 p.p. to 3.2%. This behaviour reflected mainly the base effect of the capitalization of Novo Banco, recorded as capital transfer, which took place in the 3<sup>rd</sup> quarter of 2014 (see box for the 2<sup>nd</sup> quarter of 2015). By deducting this transaction, the reduction of the Net Borrowing of the GG would have been 0.4 p.p..

In the 3<sup>rd</sup> quarter of 2015, the balance of Non-Financial Corporations stood at 0.6% of GDP, while the net lending of Households decreased to 1.3% (-0.6 p.p. of GDP).



### Households: net lending decreased to 1.3% of GDP

The net lending of Households decreased to 1.3% of GDP in the year ending in the 3<sup>rd</sup> quarter of 2015 (1.9% in the previous quarter). For this result contributed mainly the increase of final consumption expenditure (change rate of 0.8%) and the decrease in disposable income. Thus, the saving rate decreased to 4.0% of disposable income, which corresponds to the lowest value since the 1<sup>st</sup> quarter of 1999.

The decrease in the disposable income reflected the combined effect of the decrease of both the compensation of employees received and the balance of property income. The reduction in compensation of employees received by households was mainly determined by the behaviour of compensation of employees paid by the GG, which fell 2.0% in the 3<sup>rd</sup> quarter of 2015. It should be recalled that in the 3<sup>rd</sup> quarter 2014 there have been no pay cuts as a result of the decision of the Constitutional Court.

The interest paid by households recorded a decrease, which was more than offset by the decrease in property

income (interest and dividends) received. As a consequence, the balance of property income of households decreased 1.0%, in the 3<sup>rd</sup> quarter of 2015.

### **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 3<sup>rd</sup> quarter of 2015, same as recorded in the previous quarter. The sector registered an increase of 1.0% of GVA, which was offset by higher compensation of employees paid and the current taxes on income, which registered growth rates of 0.5% and 11.6%, respectively.

The investment rate (measured by the ratio between Gross Fixed Capital Formation and the GVA) stood at 20.4%.

### **Financial Corporations: net lending reached 2.6% of GDP**

In the 3<sup>rd</sup> quarter 2015, the sector of Financial Corporations presented a net lending of 2.6% of GDP, which compares with 5.1% in the previous quarter. It should be mentioned that the balance in the year ending in the 2<sup>nd</sup> quarter 2015 is influenced by the capitalization of Novo Banco in the 3<sup>rd</sup> quarter 2014, recorded as a capital transfer. Without this transaction, the Net Lending of Financial Corporations would have been 2.3% and 2.6% of GDP, in the 2<sup>nd</sup> and 3<sup>rd</sup> quarter of 2015, respectively, which represents an improvement of 0.3 p.p. of GDP.

Property income paid and received registered growth rates of -5.5% and -2.5%, respectively, in the 3<sup>rd</sup> quarter of 2015. These variations corresponded to a

decrease of interest paid, that more than offset the decrease of the interest received.

The improvement of the balance of property income and the increase of Value Added determined, in the year ending in the 3<sup>rd</sup> quarter of 2015, a change rate of 8.1% for the current saving.

### **General Government: net borrowing decreases to 3.2% of GDP**

The net borrowing of the General Government sector (GG) recorded a decrease of 3.2 percentage points in the 3<sup>rd</sup> quarter of 2015 compared to the previous quarter, attaining 3.2% of GDP. As mentioned previously, the capitalization of Novo Banco, recorded as capital transfer in the 3<sup>rd</sup> quarter 2014, is significantly influencing the improvement of the GG sector balance of the, as well as the expenditure decrease, between the years ended in the 2<sup>nd</sup> and the 3<sup>rd</sup> quarters of 2015 (see tables 1 and 2).

On the revenue side, the taxes on production and imports (change rate of 2.0%) and the taxes on income and wealth (1.8%) registered an increase, while the other revenue components remained stable or decreased.

The current expenditure decreased by 0.5% in the year ended in the 3<sup>rd</sup> quarter of 2015, influenced by reductions in social benefits, employee compensations, interest and the other components of current expenditure. On the other hand, intermediate consumption and subsidies increased, partially offsetting the decrease in current expenditure. The reduction by 2.0% of employee compensations in the 3<sup>rd</sup> quarter of 2015 reflects, in part, the fact that in the 3<sup>rd</sup> quarter of 2014 the GG employee compensations

were entirely paid without any reduction measure as a result of a Constitutional Court decision. Capital expenditure recorded a significant decrease associated to the mentioned recording of the capitalization of Novo Banco as capital transfer in the 3<sup>rd</sup> quarter 2014.

Taking into account the quarterly figures rather than the sum of four quarters, the net borrowing of the GG stood at about -705.6 million Euros in the 3<sup>rd</sup> quarter of 2015 (-1.5% of GDP).

Considering the sum of the three quarters of 2015, the balance of general government attained -4.843,7 million Euros, corresponding to -3.6% of GDP (-8.9% for the same period of 2014, 5.1% excluding the capitalization of the Novo Banco). This improvement was mainly due to the decrease of expenditure by 8.0% reflecting the capitalization of Novo Banco in the same

period of the previous year combined with the increase in total revenue (2.2%). The evolution of the tax revenues contributed in large extent for the increase of total revenue, particularly the growth of the taxes on production and imports (8.2%) attaining 14.5% of GDP, comparing with 13.8% of GDP in the previous period (table 3).

Table 4 presents the main adjustments carried out for moving from Public Accounting to National Accounts balances. Comparing the 3<sup>rd</sup> quarter of 2015 with the same period of the previous year, excluding the effect of the capitalization of Novo Banco, there was an improvement in the balance in National Accounts determined to a large extent by the improvement of the balance in Public Accounting.

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

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

	2014Q3	2014Q4	2015Q1	2015Q2	2015Q3
<b>Total revenue</b>	<b>78.712,5</b>	<b>77.230,8</b>	<b>77.661,5</b>	<b>78.125,5</b>	<b>78.486,4</b>
Current revenue	76.912,0	75.785,8	76.220,4	76.671,9	77.124,8
Current taxes on income and wealth	19.981,9	18.973,7	18.913,7	18.903,3	19.240,4
Taxes on production and imports	24.556,3	24.592,6	25.027,8	25.542,9	26.060,8
Social contributions	20.837,0	20.370,8	20.610,6	20.718,2	20.625,5
Sales	6.492,0	6.531,0	6.492,7	6.626,7	6.638,4
Other current revenue	5.044,8	5.317,7	5.175,6	4.880,8	4.559,8
Capital revenue	1.800,5	1.445,0	1.441,1	1.453,7	1.361,6
<b>Total expenditure</b>	<b>91.485,1</b>	<b>89.676,9</b>	<b>90.174,1</b>	<b>89.423,1</b>	<b>84.223,7</b>
Current expenditure	80.914,1	79.287,5	79.684,6	79.675,2	79.264,6
Social benefits	35.253,7	34.106,3	34.107,8	34.200,2	34.156,7
Compensation of employees	21.481,4	20.494,6	20.609,7	20.602,4	20.197,8
Interest	8.408,9	8.502,3	8.554,3	8.453,4	8.319,3
Intermediate consumption	9.816,0	10.079,2	10.266,9	10.411,4	10.649,4
Subsidies	1.160,7	1.209,7	1.216,7	1.185,2	1.212,4
Other current expenditure	4.793,3	4.895,4	4.929,2	4.822,5	4.729,0
Capital expenditure	10.571,1	10.389,4	10.489,5	9.747,9	4.959,1
Investment <sup>(1)</sup>	3.487,7	3.578,5	3.579,8	3.861,9	3.792,3
Other capital expenditure	7.083,4	6.810,8	6.909,7	5.886,0	1.166,8
<b>Current Balance</b>	<b>-4.002,1</b>	<b>-3.501,8</b>	<b>-3.464,2</b>	<b>-3.003,3</b>	<b>-2.139,7</b>
<b>Balance</b>	<b>-12.772,6</b>	<b>-12.446,2</b>	<b>-12.512,6</b>	<b>-11.297,6</b>	<b>-5.737,2</b>
<i>By memory:</i>					
Primary current expenditure	72.505,15	70.785,21	71.130,32	71.221,81	70.945,30
Gross domestic product at current market prices	173.575,91	173.446,19	174.946,75	176.547,03	177.720,51
Balance in % of GDP	-7,4%	-7,2%	-7,2%	-6,4%	-3,2%

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

	change rate (%)				
	2014Q3	2014Q4	2015Q1	2015Q2	2015Q3
<b>Total revenue</b>	<b>1,3</b>	<b>-1,9</b>	<b>0,6</b>	<b>0,6</b>	<b>0,5</b>
Current revenue	1,2	-1,5	0,6	0,6	0,6
Current taxes on income and wealth	2,5	-5,0	-0,3	-0,1	1,8
Taxes on production and imports	1,5	0,1	1,8	2,1	2,0
Social contributions	1,0	-2,2	1,2	0,5	-0,4
Sales	-1,1	0,6	-0,6	2,1	0,2
Other current revenue	-0,8	5,4	-2,7	-5,7	-6,6
Capital revenue	2,5	-19,7	-0,3	0,9	-6,3
<b>Total expenditure</b>	<b>6,8</b>	<b>-2,0</b>	<b>0,6</b>	<b>-0,8</b>	<b>-5,8</b>
Current expenditure	1,1	-2,0	0,5	0,0	-0,5
Social benefits	2,0	-3,3	0,0	0,3	-0,1
Compensation of employees	0,6	-4,6	0,6	0,0	-2,0
Interest	1,6	1,1	0,6	-1,2	-1,6
Intermediate consumption	0,5	2,7	1,9	1,4	2,3
Subsidies	-0,2	4,2	0,6	-2,6	2,3
Other current expenditure	-2,4	2,1	0,7	-2,2	-1,9
Capital expenditure	86,7	-1,7	1,0	-7,1	-49,1
Investment <sup>(1)</sup>	-1,6	2,6	0,0	7,9	-1,8
Other capital expenditure	234,2	-3,8	1,5	-14,8	-80,2

<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-3rd quarter of 2014		1st-3rd quarter of 2015		Change rate (%)
	million euro	% GDP	million euro	% GDP	
<b>Total revenue</b>	<b>56.591,7</b>	<b>43,7</b>	<b>57.847,4</b>	<b>43,2</b>	<b>2,2</b>
Current revenue	55.605,0	42,9	56.944,0	42,5	2,4
Current taxes on income and wealth	13.983,8	10,8	14.250,5	10,6	1,9
Taxes on production and imports	17.924,8	13,8	19.393,0	14,5	8,2
Social contributions	15.040,2	11,6	15.294,9	11,4	1,7
Sales	4.710,0	3,6	4.817,4	3,6	2,3
Other current revenue	3.946,1	3,0	3.188,2	2,4	-19,2
Capital revenue	986,8	0,8	903,4	0,7	-8,5
<b>Total expenditure</b>	<b>68.144,4</b>	<b>52,6</b>	<b>62.691,1</b>	<b>46,8</b>	<b>-8,0</b>
Current expenditure	59.237,1	45,7	59.214,1	44,2	0,0
Social benefits	25.924,1	20,0	25.974,5	19,4	0,2
Compensation of employees	15.588,4	12,0	15.291,6	11,4	-1,9
Interest	6.359,6	4,9	6.176,5	4,6	-2,9
Intermediate consumption	7.061,1	5,4	7.631,3	5,7	8,1
Subsidies	755,2	0,6	757,8	0,6	0,4
Other current expenditure	3.548,7	2,7	3.382,4	2,5	-4,7
Capital expenditure	8.907,3	6,9	3.477,0	2,6	-61,0
Investment <sup>(1)</sup>	2.274,4	1,8	2.488,1	1,9	9,4
Other capital expenditure	6.632,9	5,1	988,9	0,7	-85,1
<b>Current Balance</b>	<b>-3.632,1</b>	<b>-2,8</b>	<b>-2.270,1</b>	<b>-1,7</b>	
<b>Balance</b>	<b>-11.552,6</b>	<b>-8,9</b>	<b>-4.843,7</b>	<b>-3,6</b>	

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

**Table 4: Public to National Account adjustments**

	Unit: million euro	
	2014Q3	2015Q3
<b>Balance in Public Accounting</b>	<b>79,8</b>	<b>666,4</b>
Accrual adjustment and sector delimitation in National Accounts	515,4	384,6
Difference between paid and due interest	-1.284,0	-1.230,8
Other receivables:	-127,2	-248,4
<i>Temporal adjustment to taxes and contributions</i>	-60,4	-245,9
<i>Others</i>	-66,8	-2,5
Other payables:	186,1	282,6
<i>Expenditure already incurred but not yet paid</i>	129,1	174,1
<i>Others</i>	57,0	108,5
Other adjustments:	-5.636,1	-559,9
<i>of which:</i>	0,0	0,0
<i>Capital injections and debt assumptions</i>	-5.378,1	-298,8
<b>Balance in National Accounts :</b>	<b>-6.266,0</b>	<b>-705,6</b>
	44.604,4	45.777,9
% of GDP	-14,0%	-1,5%

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

In the 3<sup>rd</sup> quarter of 2015, the Gross National Income (GNI) registered a 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 subsidies received from abroad, which recorded a -15.6% change rate. This impact was partially offset by the improvement in the negative balance of property income (interest and dividends) with the Rest of the World, registering growth rates of 2.3% in income received and -2.7% in income paid abroad.

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 (%)
2010Q1	177 312	1,1	171 224	1,3	172 152	1,3
2010Q2	178 333	0,6	172 102	0,5	173 214	0,6
2010Q3	179 365	0,6	172 541	0,3	173 819	0,3
2010Q4	179 930	0,3	173 878	0,8	174 987	0,7
2011Q1	179 514	-0,2	174 402	0,3	175 649	0,4
2011Q2	178 996	-0,3	174 281	-0,1	175 543	-0,1
2011Q3	178 022	-0,5	174 335	0,0	175 654	0,1
2011Q4	176 167	-1,0	172 772	-0,9	174 098	-0,9
2012Q1	174 830	-0,8	170 494	-1,3	171 816	-1,3
2012Q2	172 010	-1,6	167 746	-1,6	168 955	-1,7
2012Q3	170 371	-1,0	165 907	-1,1	167 063	-1,1
2012Q4	168 398	-1,2	164 317	-1,0	165 851	-0,7
2013Q1	167 630	-0,5	164 348	0,0	165 920	0,0
2013Q2	167 983	0,2	165 411	0,6	167 202	0,8
2013Q3	168 809	0,5	166 314	0,5	168 146	0,6
2013Q4	170 269	0,9	167 975	1,0	169 808	1,0
2014Q1	170 764	0,3	168 440	0,3	170 542	0,4
2014Q2	172 387	1,0	169 942	0,9	171 914	0,8
2014Q3	173 605	0,7	171 770	1,1	173 842	1,1
2014Q4	173 446	-0,1	171 119	-0,4	173 292	-0,3
2015Q1	174 972	0,9	172 538	0,8	174 765	0,9
2015Q2	176 578	0,9	173 645	0,6	175 792	0,6
2015Q3	177 751	0,7	174 740	0,6	176 872	0,6

The Gross Disposable Income (GDI) registered an increase of 0.6% in the 3<sup>rd</sup> quarter of 2015 while the final consumption expenditure of the economy (which includes the final consumption expenditure of Households and of General Government) registered an increase of 0.5%. The net saving of the economy increased by 1.1%, while the balance of capital transfers decreased, determining the stabilization of the net lending of the economy at 1.3% of GDP (same as in the previous quarter).

The investment for the total economy was 15.1% of GDP in the 3<sup>rd</sup> quarter of 2015 (less 0.1 p.p. than in the previous quarter).

Table 6: 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	Gross Capital Formation	Net Lending / Net Borrowing
2010Q1	11,3	-1,0	21,1	-8,8
2010Q2	10,9	-0,9	21,4	-9,5
2010Q3	10,5	-1,0	20,9	-9,5
2010Q4	10,8	-1,3	21,1	-9,0
2011Q1	11,3	-1,5	20,9	-8,1
2011Q2	11,9	-1,4	20,4	-7,0
2011Q3	12,8	-1,5	20,0	-5,7
2011Q4	13,1	-1,4	18,6	-4,0
2012Q1	12,7	-1,6	17,6	-3,3
2012Q2	13,0	-1,7	16,6	-1,8
2012Q3	12,8	-1,8	15,5	-0,8
2012Q4	13,7	-2,0	15,7	0,0
2013Q1	14,3	-1,8	15,1	1,0
2013Q2	14,9	-1,8	14,8	2,0
2013Q3	15,2	-1,7	14,8	2,1
2013Q4	15,4	-1,5	14,6	2,3
2014Q1	15,5	-1,6	14,9	2,1
2014Q2	15,3	-1,5	15,1	1,8
2014Q3	15,7	-1,5	15,1	2,2
2014Q4	15,4	-1,3	15,1	1,7
2015Q1	15,4	-1,3	14,9	1,8
2015Q2	15,1	-1,3	15,2	1,3
2015Q3	15,2	-1,1	15,1	1,3

## Unit labour costs (ULC) decreased

In the 3<sup>rd</sup> quarter of 2015, the UCL fell by 2.2% (reduction of 1.1% in the previous quarter). This evolution was determined by a decrease of 2.0% in the average compensation of employees and an increase of productivity. The decrease in the average compensation was influenced by the reduction of compensation of employees paid by the General Government sector.

