

Quarterly Sector Accounts (Base 2011)

Second Quarter 2016

Net lending of the Portuguese economy stood at 0.9% of GDP

The Portuguese economy registered a net lending of 0.9% of Gross Domestic Product (GDP) in the year ending in the second quarter of 2016, plus 0.1 percentage points than in the previous quarter. The gross savings decreased by 0.5%, with a growth of final consumption expenditure of the economy (0.6%) slightly higher than the increase of Gross Disposable Income of the nation (0.5%). GDP and Gross National Income (GNI) increased by 0.6% and 0.4% in the second quarter of 2016, respectively. The lower increase of GNI comparing with GDP reflected the reduction in the balance of property income with the Rest of the World (growth rates of -3.5% in income received and 1.8% in income paid).

The Households saving rate stood at 3.9%, 0.1 percentage points higher than in the previous quarter, reflecting the effects of the increase of disposable income slightly higher than the increase of private consumption (change rates of 0.7% and 0.6%, respectively).

The net borrowing of General Government (GG) decreased from 3.7% of GDP in the year ended in the first quarter of 2016 to 3.4%. This improvement of the GG balance resulted from the combined effect of the 0.2% increase in total revenue and a reduction of 0.4% of expenditure. Using quarterly figures and not the sum of the year ending in the quarter, the balance of the GG stood at -2.5% of GDP in the second quarter 2016 (-3.6% in the same quarter of 2015). In the first half of 2016, the net borrowing of GG was -2.8% of GDP (-4.6% of GDP in the same period of 2015).

The current results correspond to the preliminary version of the Quarterly Sector Accounts (QSA) for the second quarter 2016. National Accounts aggregates are expressed exclusively in nominal terms.

Unless otherwise stated, the following descriptive analysis and graphs presented in this press release refer to data in the year ending in the reference quarter, which eliminates seasonal fluctuations and reduces the effect of irregular oscillations.

It should be mentioned that the results for 2014 are now final and detailed data by branch of activity and institutional sector are available, determining revisions comparing with the previous data (see additional information in the end of this press release).

In addition to the attached tables in this press release, additional information can be accessed in the section of National Accounts available in the Statistics Portugal's website:

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

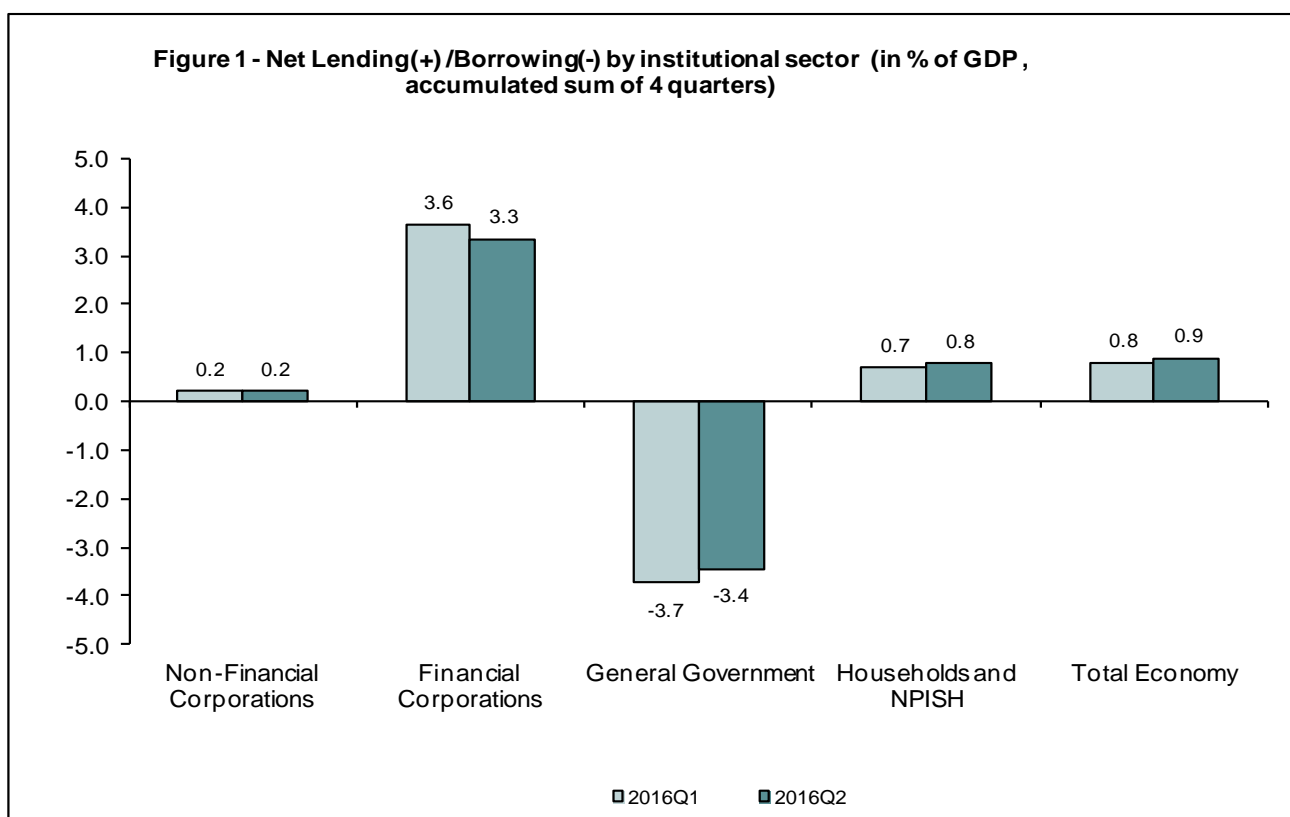
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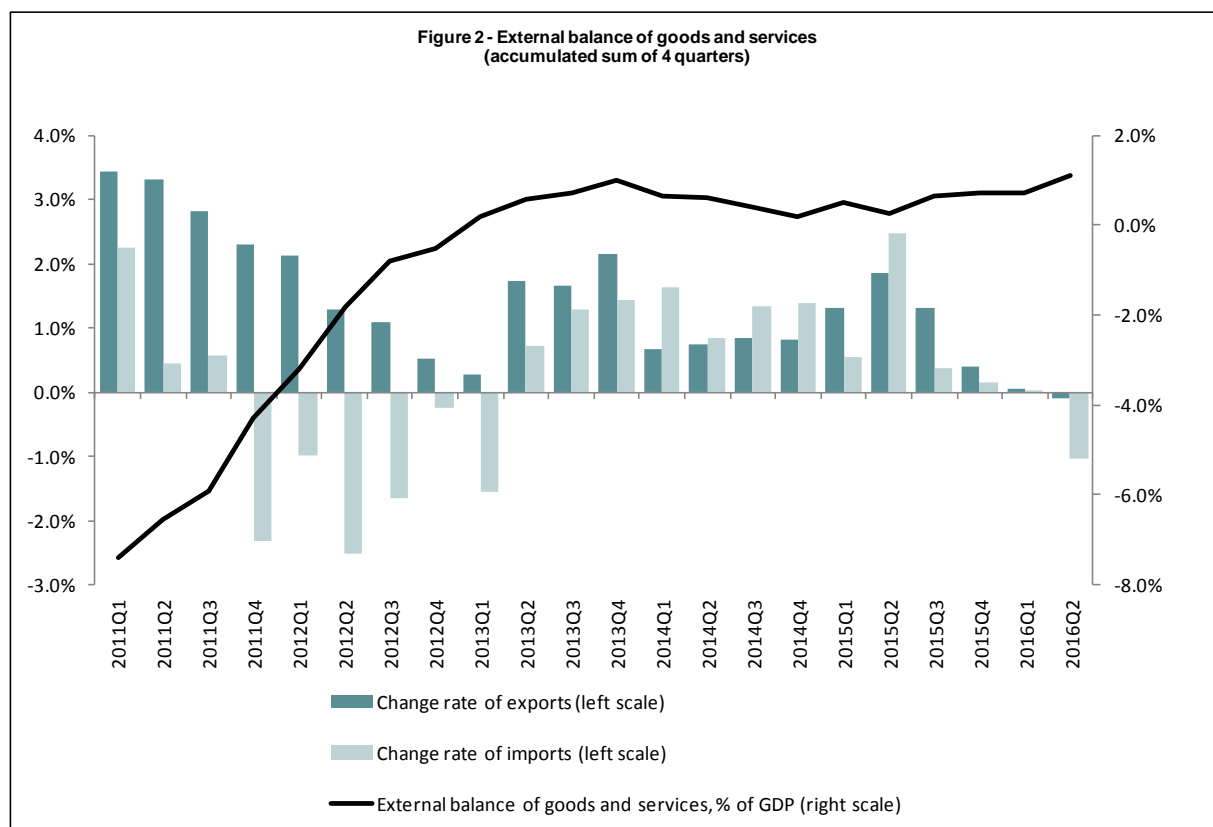
The Portuguese economy registered a net lending of 0.9% of GDP in the year ending in the second quarter 2016, more 0.1 percentage points than in the previous quarter. The current savings registered a decrease of 0.5%, with the Gross Disposable Income and the final consumption expenditure increasing by 0.5% and 0.6%, respectively. The growth rate of Gross Disposable Income mainly reflected the nominal GDP increase (0.6%), which more than offset the decrease of the balance of property income with the Rest of the World.

Figure 1 presents the evolution of the net lending(+)/borrowing(-) of the economy by institutional sector. The net borrowing of GG decreased 0.3 percentage points, attaining 3.4% of GDP. This improvement of the balance resulted from the

combined effect of the 0.2% increase in total revenue and a reduction of 0.4% of expenditure. The balance of Non-Financial Corporations stood at 0.2% of GDP while the Financial Corporations decreased by 0.3 percentage points, standing at 3.3% of GDP. Since the balances analysed here report to the accumulated sum of four quarters, the net lending of Financial Corporations reflects the positive impact of the capital injection in Banif in the fourth quarter 2015, representing 1.3% of GDP. Symmetrically, the balance of the GG reflects the negative effect of this operation. The net lending of households increased by 0.1 percentage points and attained 0.8% of GDP.

The external balance of goods and services increased to 1.1% of GDP (more 0.4 p.p. than in the previous quarter), with imports of goods and services decreasing by 1.0%, while exports of goods and services registered a slight increase of 0.1% (see Figure 2).





Households: net lending increased 0.1 percentage points to 0.8% of GDP

The net lending of Households¹ attained 0.8% of GDP in the year ending the second quarter 2016 (0.7% in the previous quarter). To this result contributed mainly the increase of the current savings and the decrease of investment. The saving rate rose from 3.8% of disposable income in the second quarter to 3.9% in the third.

Figure 3 shows the evolution of saving rate and its main components. The evolution of the saving rate reflected a growth in disposable income slightly higher than the increase in final consumption (0.7% and 0.6%, respectively).

¹ Includes Households and Non-Profit Institutions Serving Households (NPISHs). Corresponds to S.1M code in the attached excel files.

The growth of disposable income of Households resulted mainly from an increase of 0.8% of the compensation of employees received, mainly due to the compensation of employees paid by Non-Financial Corporations (rate of change of 0.9%). The current taxes paid decreased, which was partially offset by the increase of the social contributions of Households.

As it can be seen in Table 1, which shows the breakdown of the growth rate of disposable income, compensation of employees presented the more significant contribution (0.5 percentage points) to the growth of disposable income of Households.

The income tax paid by Households declined by 1.4%, contributing 0.2 p.p. to the rate of growth of disposable income, while the social benefits net of contributions had a negative impact (by 0.1 p.p.).

Table 2 shows the composition of Households' disposable income, with compensation of employees accounting for 64.1% of disposable income and gross operating surplus / mixed income 26.5%.

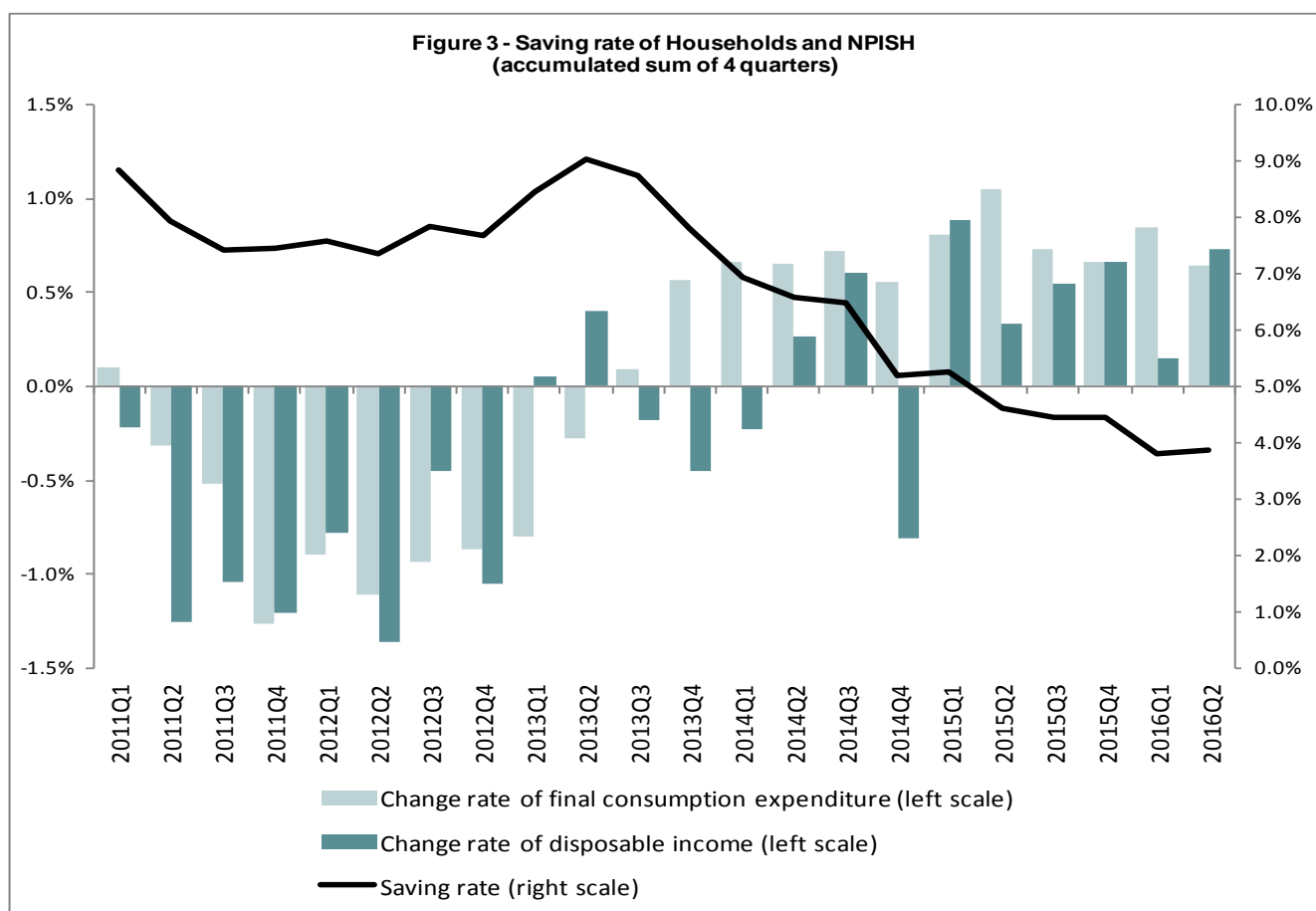


Table 1: Contributions to the change rate of disposable income of Households and NPISH (percentage points, accumulated sum of 4 quarters)

	Compensation of Employees	Operating Surplus + Mixed Income (Gross)	Net Property Income (receivable)	Social benefits less contributions, excluding social transfers in kind	Net Transfers (receivable)	Taxes	Disposable Income
	(1)	(2)	(3)	(4)	(5)	(6)	(7) = (1)+...+(5) - (6)
2011Q1	-0.3	-0.1	0.0	0.2	0.2	0.2	-0.2
2011Q2	-0.6	-0.2	-0.7	0.0	0.0	-0.1	-1.3
2011Q3	-0.6	-0.2	0.0	0.0	0.1	0.2	-1.0
2011Q4	-1.0	-0.1	0.0	0.3	0.1	0.4	-1.2
2012Q1	-0.7	0.0	-0.1	0.4	-0.4	0.0	-0.8
2012Q2	-1.9	0.1	0.1	0.6	-0.1	0.2	-1.4
2012Q3	-0.8	0.1	0.0	0.2	-0.2	-0.2	-0.4
2012Q4	-1.6	0.3	-0.1	0.1	-0.1	-0.4	-1.1
2013Q1	0.0	0.1	0.6	0.2	0.1	1.0	0.1
2013Q2	0.0	0.1	0.2	0.3	0.0	0.1	0.4
2013Q3	0.1	0.1	0.0	0.1	0.1	0.6	-0.2
2013Q4	0.7	0.1	-0.3	-0.1	0.4	1.2	-0.5
2014Q1	-0.2	0.0	0.0	-0.1	0.1	0.1	-0.2
2014Q2	0.6	0.0	0.1	-0.5	0.1	0.1	0.3
2014Q3	0.5	0.1	0.0	0.5	0.0	0.4	0.6
2014Q4	-0.6	0.0	0.1	-0.5	-0.2	-0.4	-0.8
2015Q1	0.5	0.1	0.2	-0.1	0.2	0.0	0.9
2015Q2	0.5	0.0	-0.2	0.0	0.0	0.0	0.3
2015Q3	0.1	0.1	0.3	0.1	-0.1	-0.1	0.6
2015Q4	0.5	0.1	-0.2	0.1	0.0	-0.1	0.7
2016Q1	0.4	0.2	-0.1	-0.1	-0.3	0.0	0.2
2016Q2	0.5	0.1	0.0	-0.1	0.0	-0.2	0.7

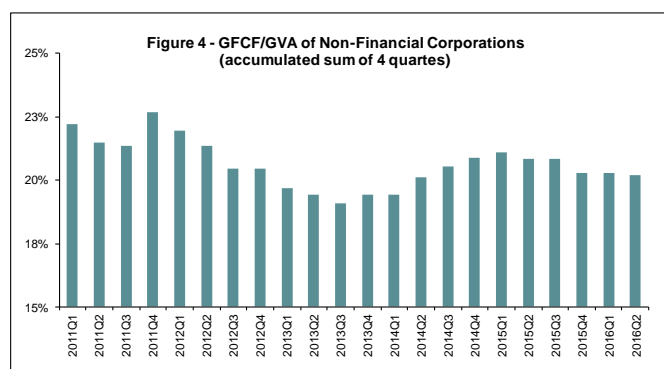
Table 2: Percentual weight of the components of Households and NPISH's disposable income (% accumulated sum of 4 quarters)

	Compensation of Employees	Operating Surplus + Mixed Income (Gross)	Net Property Income (receivable)	Taxes	Social benefits less contributions, excluding social transfers in kind	Net Transfers (receivable)
2011Q1	65.2	24.3	8.2	-7.7	6.2	3.8
2011Q2	65.5	24.5	7.6	-7.7	6.3	3.9
2011Q3	65.5	24.5	7.7	-8.0	6.3	4.0
2011Q4	65.3	24.7	7.8	-8.5	6.6	4.1
2012Q1	65.0	24.9	7.7	-8.6	7.1	3.8
2012Q2	64.0	25.3	8.0	-8.8	7.8	3.8
2012Q3	63.5	25.5	8.0	-8.7	8.0	3.6
2012Q4	62.5	26.1	8.0	-8.4	8.3	3.5
2013Q1	62.5	26.1	8.6	-9.4	8.5	3.6
2013Q2	62.2	26.1	8.7	-9.4	8.8	3.6
2013Q3	62.4	26.2	8.8	-10.1	8.9	3.7
2013Q4	63.4	26.4	8.6	-11.3	8.8	4.1
2014Q1	63.3	26.5	8.6	-11.4	8.8	4.2
2014Q2	63.8	26.5	8.6	-11.5	8.3	4.3
2014Q3	63.9	26.4	8.6	-11.8	8.7	4.2
2014Q4	63.7	26.6	8.8	-11.4	8.2	4.1
2015Q1	63.6	26.5	8.9	-11.3	8.1	4.2
2015Q2	63.9	26.5	8.6	-11.2	8.1	4.2
2015Q3	63.7	26.4	8.9	-11.1	8.1	4.1
2015Q4	63.7	26.3	8.6	-10.9	8.2	4.1
2016Q1	64.1	26.5	8.5	-10.9	8.1	3.8
2016Q2	64.1	26.5	8.4	-10.7	7.9	3.8

Non-Financial Corporations: net lending stood at 0.2% of GDP

The net lending of Non-Financial Corporations stood at 0.2% of GDP in the year ending in the second quarter 2016, the same as in the previous quarter. To this result contributed mainly the growth of Gross Value Added (GVA) by 0.8%, which more than offset the increase in compensation of employees paid mentioned before and the deterioration of the balance of the property income.

The investment rate, measured by the ratio between Gross Fixed Capital Formation (GFCF) and GVA, declined 0.1 p.p. to 20.2% in the second quarter of 2016.



Financial Corporations: net lending reached 3.3% of GDP

In the year ending in the 2nd quarter of 2016, the sector of Financial Corporations presented a net lending of 3.3% of GDP, which compares with 3.6% in the previous quarter. Note that the high level of the net lending of this sector reflects the capital injection in Banif associated to the resolution measure implemented in the fourth quarter of 2015, which accounted for 1.3% of GDP.

The decrease in the net lending was mainly due to a decrease of 5.6% in property income received, which more than offset the decline of 3.9% in income paid.

The GVA of the Financial Corporations sector decreased 2.0%, compared with an increase of 1.4% in the year ended in the first quarter 2016.

General Government: net borrowing decreased by 0.3 percentage points

The net borrowing of the GG recorded a decrease of 0.3 percentage points in the year ending in the second quarter 2016 compared to the previous quarter, attaining 3.4% of GDP. This decrease in net borrowing resulted from the combined effect of an increase by 0.2% of the revenue and a decrease of the expenditure by 0.4% (see tables 3 and 4).

The increase of the revenue was determined by the growth of the current revenue, mainly due to the increase in taxes on production and imports (1.2%) and social contributions (1.0%). On the opposite side, there was a reduction in the current taxes on income and wealth (-1.4%) and in capital revenue (-8.4%).

The expenditure behavior was mainly driven by the reductions in capital expenditure (-6.7%) and in other current expenditure (-3.2%), and to a lesser extent, by the decrease in subsidies and interest paid. On the other hand, the remaining current expenditure components rose, reflecting the increase in employee compensations (0.8%), social benefits (0.4%) and intermediate consumption (0.7%).

Considering quarterly figures rather than the sum of four quarters, the net borrowing of the GG stood at about -1 167.2 million Euros in the second quarter 2016 (-2.5% of GDP), while in the same quarter of 2015 it

was -3.6% of GDP (-1 660.0 million Euros). This improvement was mainly due to the increase in total revenue by 0.9% combined with the decrease in expenditure by 1.6% (see table 5). The increase in revenue was particularly influenced by the increase of taxes on production and imports (5.2%) and social contributions (3.9%). The total expenditure decreased namely due to the reductions in capital expenditure (-7.0%) attaining 1.8% of GDP in the second quarter 2016 comparing with 2.9% of GDP in the previous period, and in other current expenditure (-13.1%).

Table 6 presents the main adjustments carried out for moving from Public Accounting to National Accounts balances. In the first half of 2016, net borrowing of GG

was -2 509.5 million Euros, corresponding to -2.8% of GDP (-4.6% of GDP in the same period of 2015). Comparing the first half of 2016 with the same period of the previous year, there was a significant improvement of the balances in Public Accounting and in National Accounts, more significant in the latter case.

It should also be mentioned about table 6 that the significant decrease in capital injections into public corporations classified in GG institutional is compensated by the difference in the item related to the sector delimitation in national accounts, without impact in the GG balance.

Table 3: Revenue and expenditure of general government in the year ending the quarter

Unit: 10⁶ euros

	2015Q2	2015Q3	2015Q4	2016Q1	2016Q2
Total revenue	78 010.1	78 571.5	79 004.5	79 462.5	79 627.3
Current revenue	76 312.5	76 970.2	77 477.5	78 001.7	78 289.6
Current taxes on income and wealth	18 878.4	19 207.2	19 438.3	19 468.6	19 189.7
Taxes on production and imports	25 471.1	25 968.6	26 103.6	26 712.2	27 044.6
Social contributions	20 707.2	20 673.9	20 775.1	20 919.0	21 126.6
Sales	6 445.0	6 586.9	6 636.4	6 627.3	6 635.6
Other current revenue	4 810.8	4 533.6	4 524.2	4 274.7	4 293.1
Capital revenue	1 697.6	1 601.3	1 527.0	1 460.8	1 337.8
Total expenditure	89 393.1	84 302.7	86 825.4	86 234.0	85 906.0
Current expenditure	79 174.6	78 886.2	79 094.8	78 871.8	79 033.9
Social benefits	34 218.6	34 357.3	34 637.3	34 684.9	34 810.7
Compensation of employees	20 545.0	20 207.1	20 272.9	20 329.3	20 488.1
Interest	8 424.0	8 293.7	8 191.3	7 967.7	7 953.2
Intermediate consumption	10 125.1	10 216.2	10 328.8	10 412.8	10 486.6
Subsidies	1 149.9	1 159.2	1 110.4	1 100.7	1 060.4
Other current expenditure	4 712.1	4 652.6	4 554.1	4 376.4	4 234.9
Capital expenditure	10 218.5	5 416.4	7 730.6	7 362.3	6 872.1
Investment ⁽¹⁾	4 045.3	4 008.7	4 316.2	3 994.4	3 744.3
Other capital expenditure	6 173.1	1 407.7	3 414.4	3 367.9	3 127.9
Current Balance	-2 862.2	-1 916.1	-1 617.3	- 870.1	- 744.4
Balance	-11 383.1	-5 731.2	-7 820.9	-6 771.5	-6 278.7
<i>By memory:</i>					
Primary current expenditure	70 750.6	70 592.5	70 903.5	70 904.1	71 080.7
Gross Domestic Product at current market prices	176 552.3	178 013.0	179 539.9	181 012.6	182 149.0
Balance in % of GDP	-6.4%	-3.2%	-4.4%	-3.7%	-3.4%

Table 4: Change rates of revenue and expenditure of general government in the year ending the quarter

Unit: %

	2015Q2	2015Q3	2015Q4	2016Q1	2016Q2
Total revenue	0.5	0.7	0.6	0.6	0.2
Current revenue	0.5	0.9	0.7	0.7	0.4
Current taxes on income and wealth	-0.3	1.7	1.2	0.2	-1.4
Taxes on production and imports	1.9	2.0	0.5	2.3	1.2
Social contributions	0.3	-0.2	0.5	0.7	1.0
Sales	1.6	2.2	0.8	-0.1	0.1
Other current revenue	-4.1	-5.8	-0.2	-5.5	0.4
Capital revenue	-0.5	-5.7	-4.6	-4.3	-8.4
Total expenditure	-0.9	-5.7	3.0	-0.7	-0.4
Current expenditure	-0.2	-0.4	0.3	-0.3	0.2
Social benefits	0.3	0.4	0.8	0.1	0.4
Compensation of employees	-0.3	-1.6	0.3	0.3	0.8
Interest	-1.3	-1.5	-1.2	-2.7	-0.2
Intermediate consumption	1.0	0.9	1.1	0.8	0.7
Subsidies	-4.7	0.8	-4.2	-0.9	-3.7
Other current expenditure	-2.1	-1.3	-2.1	-3.9	-3.2
Capital expenditure	-6.2	-47.0	42.7	-4.8	-6.7
Investment ⁽¹⁾	11.3	-0.9	7.7	-7.5	-6.3
Other capital expenditure	-15.0	-77.2	142.6	-1.4	-7.1

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

Table 5: Revenue and expenditure of general government

	2nd quarter 2015		2nd quarter 2016		Nominal change rate (%)
	million euro	% GDP	million euro	% GDP	
Total revenue	19,308.4	42.4	19,473.3	41.7	0.9
Current revenue	18,928.8	41.6	19,216.7	41.2	1.5
Current taxes on income and wealth	4,282.0	9.4	4,003.1	8.6	-6.5
Taxes on production and imports	6,442.8	14.1	6,775.3	14.5	5.2
Social contributions	5,305.2	11.6	5,512.8	11.8	3.9
Sales	1,641.7	3.6	1,650.0	3.5	0.5
Other current revenue	1,257.1	2.8	1,275.5	2.7	1.5
Capital revenue	379.6	0.8	256.6	0.5	-32.4
Total expenditure	20,968.4	46.0	20,640.4	44.2	-1.6
Current expenditure	19,642.4	43.1	19,804.6	42.4	0.8
Social benefits	8,165.7	17.9	8,291.5	17.8	1.5
Compensation of employees	5,664.3	12.4	5,823.1	12.5	2.8
Interest	1,917.7	4.2	1,903.2	4.1	-0.8
Intermediate consumption	2,554.0	5.6	2,627.8	5.6	2.9
Subsidies	263.5	0.6	223.3	0.5	-15.3
Other current expenditure	1,077.2	2.4	935.7	2.0	-13.1
Capital expenditure	1,326.0	2.9	835.9	1.8	-37.0
Investment ⁽¹⁾	956.4	2.1	706.2	1.5	-26.2
Other capital expenditure	369.7	0.8	129.6	0.3	-64.9
Current Balance	-713.6	-1.6	-587.9	-1.3	
Balance	-1,660.0	-3.6	-1,167.2	-2.5	

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

Table 6: Public to National Accounting adjustments

	Unit: 10 ⁶ euro	
	2015S1	2016S1
Balance in Public Accounting:	-4 040.1	-3 079.7
Accrual adjustment and sector delimitation in National Accounts	1 636.8	788.1
Difference between paid and due interest	491.3	968.4
Other receivables:	- 150.1	- 376.4
<i>Temporal adjustment to taxes and contributions</i>	- 198.4	- 188.2
<i>Others</i>	48.3	- 188.2
Other payables:	- 211.9	- 127.8
<i>Expenditure already incurred but not yet paid</i>	- 170.9	- 141.5
<i>Others</i>	- 41.0	13.7
Other adjustments:	-1 777.7	- 682.1
<i>of which:</i>		
<i>Capital injections and debt assumptions</i>	-2 111.2	- 876.9
Balance in National Accounting:	-4 051.7	-2 509.5
GDP	88 426.6	91 035.7
Balance in National Accounting in % of GDP	-4.6%	-2.8%

National Economy: Gross National Income increased 0.4%

In the second quarter 2016, the Gross National Income registered a change rate of 0.4% (0.2 percentage points lower than the rate of change of nominal GDP). To this result contributed the deterioration of the negative balance of property income (interest and dividends) with the Rest of the World (change rates of -3.5% in income received and 1.8% in the income paid).

Table 7: GDP, GNI and GDI (year ended in the quarter)

Year ending in the quarter	GDP		GNI		GDI	
	million euros	quarter-on-quarter change rate (%)	million euros	quarter-on-quarter change rate (%)	million euros	quarter-on-quarter change rate (%)
2011Q1	179 517	-0.2	174 405	0.3	175 652	0.4
2011Q2	179 008	-0.3	174 293	-0.1	175 554	-0.1
2011Q3	178 036	-0.5	174 349	0.0	175 668	0.1
2011Q4	176 167	-1.0	172 772	-0.9	174 098	-0.9
2012Q1	174 812	-0.8	170 489	-1.3	171 811	-1.3
2012Q2	171 973	-1.6	167 736	-1.6	168 945	-1.7
2012Q3	170 337	-1.0	165 896	-1.1	167 053	-1.1
2012Q4	168 398	-1.1	164 317	-1.0	165 851	-0.7
2013Q1	167 658	-0.4	164 354	0.0	165 926	0.0
2013Q2	168 085	0.3	165 474	0.7	167 264	0.8
2013Q3	168 910	0.5	166 379	0.5	168 211	0.6
2013Q4	170 269	0.8	167 975	1.0	169 808	0.9
2014Q1	170 721	0.3	168 323	0.2	170 419	0.4
2014Q2	172 305	0.9	169 712	0.8	171 685	0.7
2014Q3	173 381	0.6	170 895	0.7	172 999	0.8
2014Q4	173 079	-0.2	170 117	-0.5	172 313	-0.4
2015Q1	174 819	1.0	171 556	0.8	173 902	0.9
2015Q2	176 552	1.0	172 751	0.7	175 055	0.7
2015Q3	178 013	0.8	174 287	0.9	176 574	0.9
2015Q4	179 540	0.9	175 261	0.6	177 729	0.7
2016Q1	181 013	0.8	177 123	1.1	179 252	0.9
2016Q2	182 149	0.6	177 762	0.4	180 092	0.5

The Gross Disposable Income rose 0.5% in the second quarter 2016, while the final consumption expenditure of the economy (which includes the final consumption expenditure of Households and of General Government) increased 0.6%. Thus, there was a reduction of 0.5% in the current savings of the economy. The GCF dropped by 1.8%, determining the slight increase of net lending to 0.9% of GDP in the second quarter 2016 (more 0.1 percentage points than in the previous quarter).

The Gross Capital Formation for the total economy was 15.1% of GDP in the second quarter 2016 (less 0.4 percentage points than in the previous quarter). Quarterly Sector Accounts – Second Quarter 2016

Table 8: Gross Saving and Net Lending(+)/ Borrowing(-) unit: % of GDP

Year ending in the quarter	Gross Saving	Balance of Capital Transfers with the Rest of the World	Gross Capital Formation	Net Lending (+)/ Borrowing(-)
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	16.5	-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	14.9	1.9
2013Q3	15.2	1.7	14.9	2.0
2013Q4	15.4	1.5	14.6	2.3
2014Q1	15.4	1.6	14.9	2.1
2014Q2	15.2	1.5	15.0	1.8
2014Q3	15.3	1.5	15.1	1.7
2014Q4	15.0	1.2	15.3	1.0
2015Q1	15.1	1.2	15.1	1.2
2015Q2	14.9	1.2	15.5	0.6
2015Q3	15.2	1.0	15.4	0.9
2015Q4	15.2	1.2	15.5	0.9
2016Q1	15.2	1.1	15.5	0.8
2016Q2	15.0	1.0	15.1	0.9

Unit labour costs (ULC) without changes

In the year ending in the second quarter 2016, the UCL remained stable with equal increases in productivity and in average compensation of employees (change rate of 0.3%). The increase in the average compensation was influenced by the growth in remuneration above employment growth.

Figure 7 - Unit labour costs change rates (year ended in the quarter)



Revision of estimates

The current Quarterly Accounts by Institutional Sector incorporate new information, leading to revisions of the previous estimates for some aggregates. Comparing with the previous press release for the first quarter 2016, it should be noted:

- i. The compilation of final results for 2014, which had consequences on the quarterly estimates for the year 2014 and following quarters.

The national accounts for the total economy and by institutional sector for the year 2014 use a broad set of statistical sources, which enables to improve the estimates previously made available.

The Simplified Business Information (IES) is a critical source of information for the sector of non-financial corporations. It stood out as major impacts of integration of IES information, the revision of property income, which has resulted in an improvement in the balance of non-financial corporations. The deterioration of the balance of Households was due to the decrease of GVA and, to a lesser extent, the upward revision of their GCF.

- ii. In addition, revisions of the Quarterly National Accounts also reflected the integration of updated information to the sector of general government and international trade.

- iii. Finally, the update of the balance of the Rest of the World reflected the revision of Balance of Payments series from 2014 onwards. Note that the revisions in the balances of the various internal sectors also reflect the revision in the balance of the Rest of the World.

The following table summarises, for the year of 2014, the major revisions that have occurred with the final version when compared with the previous version.

The major revisions in 2014 were the reductions of the balance of the Households (903 million euros) and Financial Corporations (635 million euros), as a counterpart reflex of the improvement in the balances of Non-Financial Corporations and the Rest of the World. The main operations which are at the origin of these revisions are the following: i) the downward revision of the GVA of the Households, by 740 million Euros; ii) the balance of property income of Non-Financial Corporations, revised upwards by 1275 million Euros, with a counterpart of Financial Corporations; iii) investment by Non-Financial Corporations and Households, revised by -617 and 407 million Euros, respectively.

Revisions in the Net Lending (+) /Net Borrowing (-) and main components

Un.: 10⁶ Euros

2014		S.11	S.12	S.1M	S.2
Net Lending (+) /Net Borrowing (-)	Provisional data	1.187	8.910	4.742	-2.392
	Final data	2.074	8.275	3.839	-1.786
	Revision	887	-635	-903	607
Gross Value Added (B.1g)	Provisional data	80.173	7.716	38.554	
	Final data	80.205	7.951	37.814	
	Impact on the balance	32	235	-740	
Compensation of employees paid (D1U)	Provisional data	46.389	3.839	5.887	330
	Final data	46.209	3.790	5.959	330
	Impact on the balance	181	49	-72	0
Compensation of employees Received (D1R)	Provisional data			76.670	269
	Final data			76.533	269
	Impact on the balance			-137	0
Balance of property income (D4R - D4U)	Provisional data	-11.580	3.452	10.391	4.512
	Final data	-10.306	2.070	10.507	4.501
	Impact on the balance	1.275	-1.382	117	-11
Gross Capital Formation (P5)	Provisional data	16.483	827	5.414	
	Final data	17.100	119	5.820	
	Impact on the balance	-617	708	-407	

S.11-Non-financial Corporations; S.12 - Financial Corporations;
S.1M - Households and NPISH ; S.2 - Rest of the World

Methodological notes

The results are preliminary as the basis of information used is subject to revisions, and the treatment of some transactions can be changed with the incorporation of information derived from the compilation of Annual National Accounts.

The Quarterly Sector Accounts differ from Quarterly National Accounts since they are based on non-seasonally adjusted data unless otherwise stated, the descriptive analysis and graphs presented in this press release refer to data in the year ending in the reference quarter (which eliminates seasonal fluctuations and reduces the effect of irregular oscillations. When comparing consecutive quarters are used, in general, quarter-on-quarter change rates between the year ending in the reference quarter and the year ending in the preceding quarter. The Quarterly Sector Accounts are expressed exclusively in nominal terms.

The estimated aggregates are compiled based on the European System of National and Regional Accounts (ESA 2010), with emphasis on the following concepts:

Net lending (+)/ borrowing (-) (B.9) – The net lending (+) or borrowing (-) represents the net resources that one institutional sector makes available to the other sectors (if it is positive) or receives from the other sectors (if it is negative). The net lending or borrowing of the total economy is equal but of opposite sign to the net borrowing or lending of the rest of the world.

Final consumption – Final consumption expenditure is expenditure on goods and services used by institutional units to satisfy individual and collective needs.

Unit Labour Costs (ULC) – Measure the average cost of labour per unit of output and are calculated as the ratio of average worker compensation to real GDP by employee.

Gross Fixed Capital Formation (GFCF) – Gross Fixed Capital Formation (P.51g) consists of resident producers' acquisitions, less disposals, of fixed assets during a given period plus certain additions to the value of non-produced assets realised by the productive activity of producer or institutional units. Fixed assets are produced assets used in production for more than one year.

Gross Capital Formation (Investment) – The Gross Capital Formation (or Investment) (P.5) includes (GFCF), changes in inventories (P.52) and acquisitions less disposals of valuables (P.53).

Disposable income – Disposable income refers to the value that each institutional sector has available to affect to final consumption expenditure or saving.

Gross National Income (GNI) – Gross National Income (at market prices) represents total primary income receivable by resident institutional units: compensation of employees, taxes on production and imports less subsidies, property income (receivable less payable), operating surplus and mixed income.

Property income – Property income accrues when the owners of financial assets and natural resources put them at the disposal of other institutional units.

It corresponds to the income receivable by the owner of a financial asset or an asset not produced tangible to remunerate the fact of making funds or assets not produced tangible at the disposal of another institutional unit.

Saving – This aggregate measures the portion of disposable income that is not used for final consumption expenditure. If saving is positive, the remaining income is used in the acquisition of assets or in the reduction of liabilities. If saving is negative, some assets are reduced or some liabilities are increased.

Gross Domestic Product (GDP) – Gross Domestic Product (at market prices) is the final result of the production activity of resident producer units. It can be defined in three ways: 1) production approach: GDP is the sum of gross value added of the various institutional sectors or the various industries plus taxes and less subsidies on products (which are not allocated to sectors and industries); 2) expenditure approach: GDP is the sum of final uses of goods and services by resident institutional units (final consumption and gross capital formation), plus exports and minus imports of goods and services; 3) income approach: GDP is the sum of uses in the total economy generation of income account (compensation of employees, taxes on production and imports less subsidies, gross operating surplus and mixed income of the total economy).

Institutional Sector – The institutional sector aggregates institutional units with similar economic behaviour. The institutional units are grouped into sectors on the basis of the type of producer they are and depending on their principal activity and function, which are considered to be indicative of their economic behaviour. Each institutional unit belongs to one and only one sector.

Investment Rate – Represents the ratio between GFCF and Gross Value Added (GVA).

Households saving rate – The households saving rate measures the part of de disposable income which is not spent as final consumption expenditure, and it is calculated as the ratio between gross saving and disposable income (includes the adjustment for the change in pension entitlements).

Concerning the balance of General Government in National Accounting and in Public Accounting, it should be clarified that:

In the compilation of the budget deficit in National Accounts it is necessary to perform several adjustments to the 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 perspective 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.