

Quarterly Sector Accounts (Base 2011)

Third Quarter 2016

Net lending of the Portuguese economy increased to 0.9% of GDP

The Portuguese economy registered a net lending of 0.9% of the Gross Domestic Product (GDP) in the year ending in the third quarter of 2016, 0.1 percentage points (p.p.) more than in the previous quarter. Gross savings decreased by 1.2%, with final consumption expenditure (0.7%) growing more than the Gross Disposable Income (0.4%). Gross National Income (GNI) increased less than GDP (0.5% and 0.7% in the third quarter of 2016, respectively), reflecting the deterioration of the balance of property income with the Rest of the World.

Households' saving rate stood at 4.0%, 0.1 p.p. more than in the previous quarter, reflecting a slightly higher increase in disposable income compared to final consumption expenditure (0.8% and 0, 7%, respectively). The net lending of Households rose from 0.6% to 0.8% of GDP in the third quarter of 2016, while balances of Non-Financial Corporations and Financial Corporations stabilized at 0.4% and 3.3% of GDP, respectively.

The General Government's (GG) net borrowing increased from 3.5% of GDP in the year ending in the second quarter of 2016 to 3.6%. This increase was due to the combined effect of a 0.1% reduction in revenue and a 0.3% increase in expenditure. Taking into account quarterly figures and not the year ending in the quarter, the GG balance stood at -812.9 million Euros in the third quarter of 2016, corresponding to -1,7% of GDP. In the first three quarters of 2016, the GG balance was -2.5% of GDP (-3.4% in the same period of the previous year).

The current results are the preliminary version of the Quarterly Sector Accounts (QSA) for the third 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. In the comparison of consecutive quarters, the variation rates between the year ending each quarter and the year ending in the previous quarter are used as a rule.

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:

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

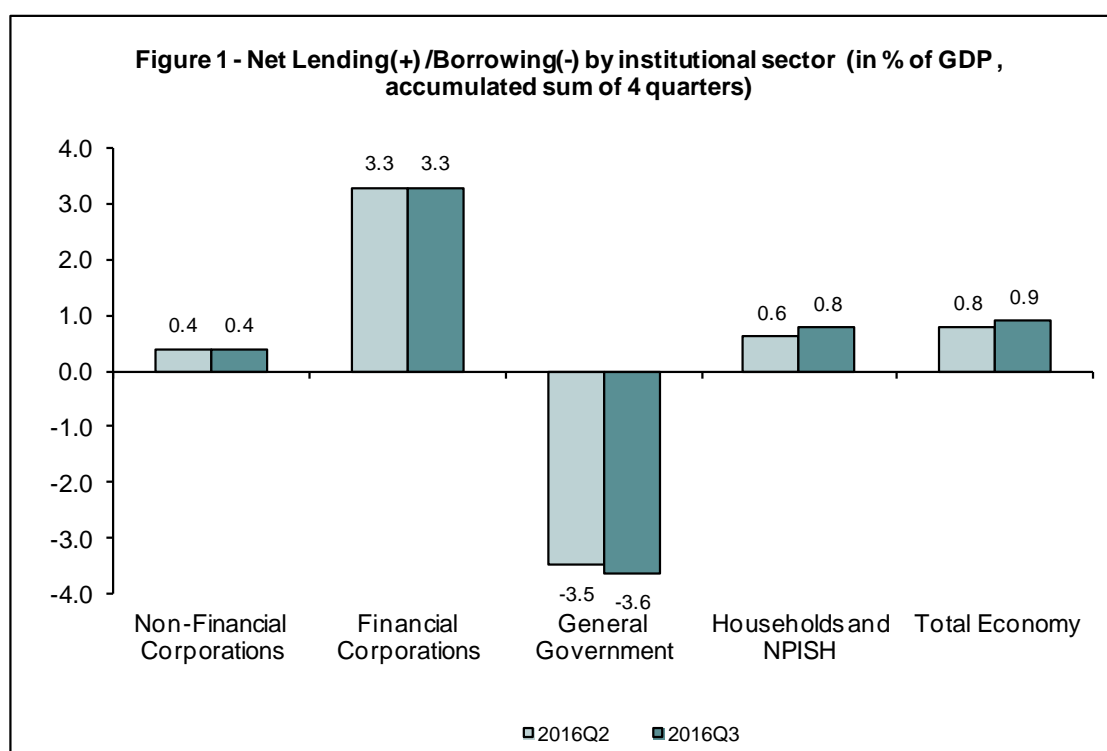
The Portuguese economy registered a net lending of 0.9% of GDP in the third quarter of 2016, 0.1 p.p. more than in the previous quarter. The GDI increased by 0.4% due to the 0.7% increase in nominal GDP, which was largely offset by the increase in Final Consumption Expenditure (0.7% change rate in the year ended in the third quarter of 2016), resulting in a reduction of 1.2% in gross savings. This reduction was more than offset by the decrease in the Gross Capital Formation (GCF) and the increase in the balance of capital transfers, with an increase in the economy's net lending.

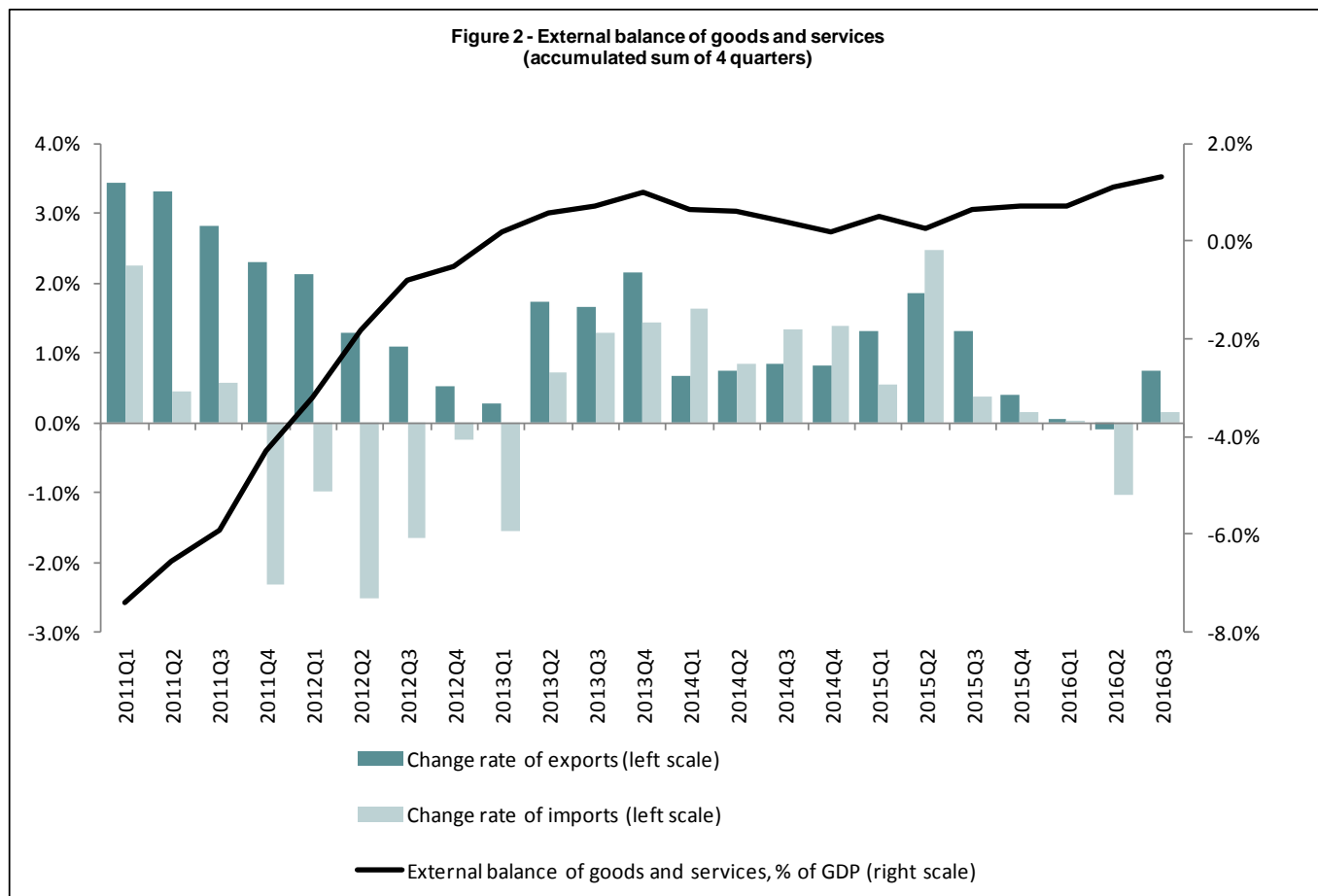
Figure 1 presents the evolution of the net lending(+)/borrowing(-) of the economy by institutional sector. The net borrowing of GG increased by 0.1 p.p. to 3.6% of GDP.

This slight worsening in the GG balance was mainly due to the reduction of the current income taxes paid by the Households.

The balances of Non-Financial Corporations and Financial Corporations stabilized at 0.4% and 3.3% of GDP, respectively. As the figures represent accumulated balances of four quarters, the high net lending of the Financial Corporations reflects the positive impact of the capital injection in the financial corporation Banif in the fourth quarter of 2015, which represented 1.3% of GDP. Symmetrically, the GG balance reflects the negative effect of this operation. The net lending of Households increased by 0.2 p.p. to 0.8% of GDP, with disposable income increasing more than Final Consumption Expenditure.

The external balance of goods and services increased to 1.3% of GDP (more 0.2 p.p. than in the previous quarter), with exports of goods and services increasing 0.7%, 0.5 p.p. more than imports (see Figure 2).





Households: net lending increased to 1.0% of GDP

The net lending of households reached 0.8% of GDP in the year ended in the third quarter of 2016 (0.8% in the previous quarter).

The household saving rate increased to 4.0% of disposable income (0.1 percentage points more than in the previous quarter). This development is described in Figure 3 and results from the higher growth of disposable income compared to final consumption expenditure (growth rates of 0.8% and 0.7% respectively).

The increase in the disposable income of Households was mainly due to the increase of 0.9% of the compensation of employees received, as a counterpart of the compensation of employees paid by the Non-Financial Corporations. Secondly, it should be pointed out the impact of the taxes on income paid by Households, which declined by 3.4% due to changes on the timing of reimbursements and collection.

As can be seen in Table 1, which shows the breakdown of the rate of change of disposable income (0.8%), compensation of employees presented the most relevant contribution (0.6 p.p.) to that growth. Taxes on income paid by Households contributed 0.4 p.p. to the rate of growth of disposable income. On the opposite side, property income contributed negatively

to the disposable income due to reductions in interest and dividends received.

Table 2 shows the composition of the Households' disposable income. In the third quarter of 2016, compensation of employees represented 64.2% of disposable income and gross surplus / mixed income 26.3%.

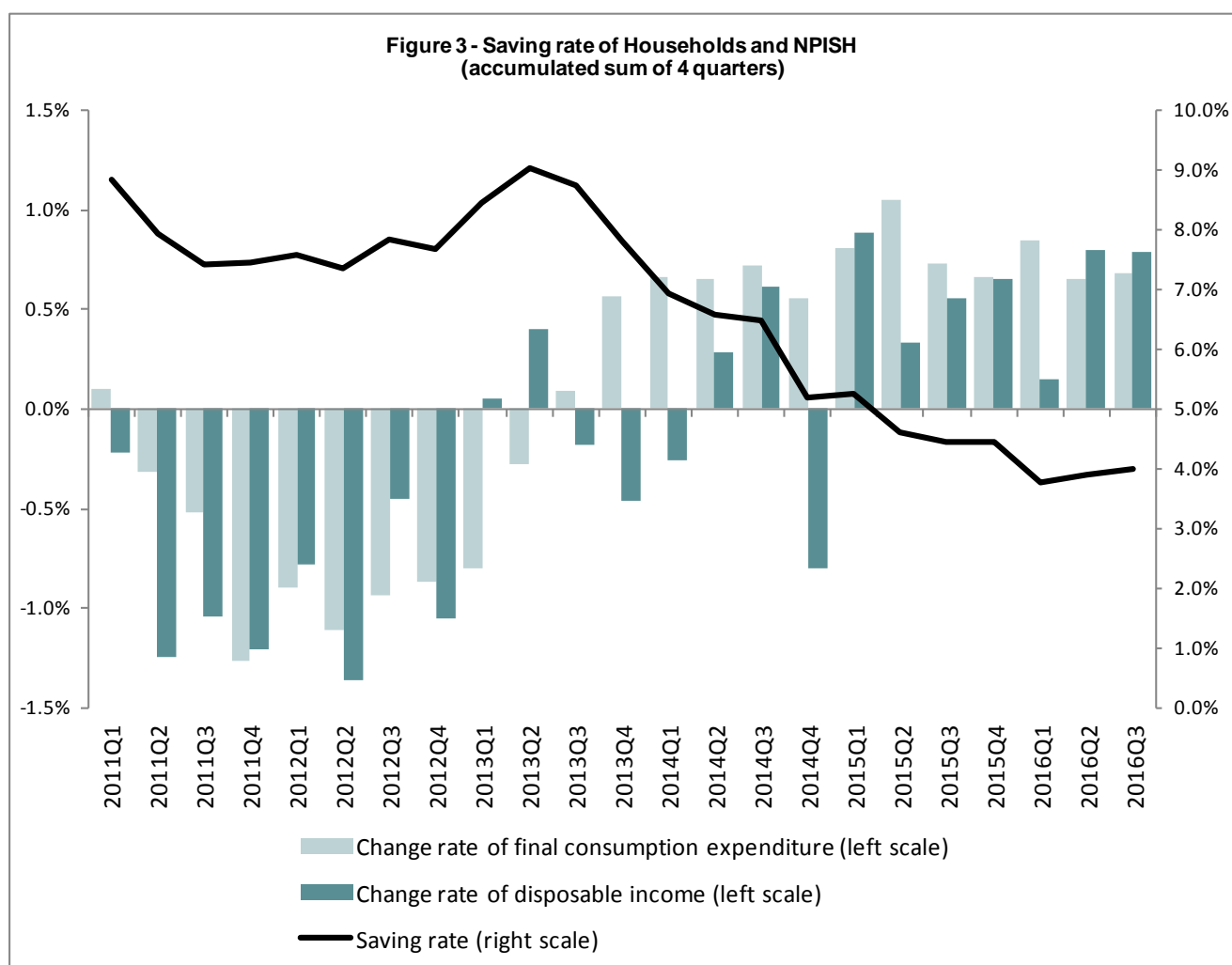


Table 1: Contributions to the change rate of disposable income of Households and NPISH (percentage points, accumulated sum of 4 quarters)

	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	0.0	-0.3	-0.1	0.4	1.2	-0.5
2014Q1	-0.2	0.0	0.0	-0.1	0.1	0.1	-0.3
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	0.1	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	0.1
2016Q2	0.6	0.1	0.0	-0.1	0.0	-0.2	0.8
2016Q3	0.6	0.1	-0.3	-0.1	0.1	-0.4	0.8

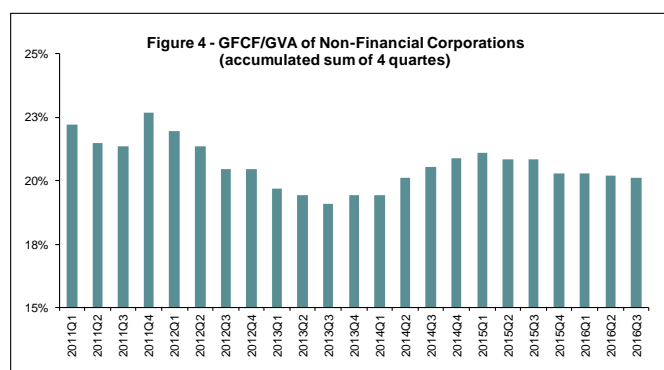
Table 2: Percentual weight of the components of Households and NPISH's disposable income (% accumulated sum of 4 quarters)

	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	8.8	-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	-11.5	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	8.4	-10.9	8.1	3.8
2016Q2	64.1	26.4	8.4	-10.7	7.9	3.8
2016Q3	64.2	26.3	8.1	-10.2	7.8	3.8

Non-Financial Corporations: net lending stood at 0.4% of GDP

The net lending of Non-Financial Corporations stood at 0.4% of GDP in the year ending in the third quarter of 2016, the same as in the previous quarter. The Gross Value Added (GVA) growth of 0.8% was offset by the increase in compensation of employees paid and the decrease of the balance of property income (mainly interest and dividends).

The investment rate, measured by the ratio between Gross Fixed Capital Formation (GFCF) and GVA, declined 0.1 p.p. to 20.1% in the third quarter of 2016.



Financial Corporations: net lending stood at 3.3% of GDP

In the year ending in the third quarter of 2016, the Financial Corporation sector had a net lending of 3.3% of GDP, similar to the one registered in the previous quarter. It should be noted that the high level of net lending of this sector reflects the capital injection in Banif associated with the resolution operation implemented in the fourth quarter of 2015 and representing 1.3% of GDP.

The GVA of the financial sector decreased by 1.3%, compared with a 2.2% reduction in the year ended in the second quarter of 2016. The balance of property

income increased by 11.7%, mainly due to the decrease in income paid.

General Government: net borrowing increased by 0.1 percentage points

The net borrowing of the GG sector recorded an increase of 0.1 percentage points in the year ending in the third quarter 2016 compared to the previous quarter, attaining 3.6% of GDP. This increase in net borrowing resulted from the combined effect of a decrease in revenue by 0.1% and an increase of 0.3% in expenditure (see tables 3 and 4).

The reduction of the revenue was mainly determined by the decrease in taxes on income and wealth (-2.4%) and, to a lesser extent, by the decrease in capital revenue (-1.5%). On the opposite side, the remaining current revenue components increased, influenced by the growth of the social contributions (1.0%) and taxes on production and imports (0.7%).

The expenditure behavior was mostly driven by the growth in current expenditure (0.7%), influenced by increases in social benefits (0.2%), employee compensations (1.0%), intermediate consumption (1.5%) and other current expenditure (5.3%). The rise of the compensation of employees was associated to the reversal of the remuneration reduction temporary measure during 2016. This increase in current expenditure was partially offset by decreases in subsidies and interest paid and capital expenditure.

Taking into account the quarterly figures rather than the sum of four quarters, the net borrowing of the GG stood at about -812.9 million Euros in the third quarter 2016, corresponding to -1.7% of GDP (-1.1% on the same period in the previous year).

Considering the sum of the three quarters of 2016, the balance of general government attained -3.405,6 million Euros, corresponding to -2.5% of GDP (-3.4% on the same period in 2015). This improvement was mainly due to the increase in total revenue by 0.8% combined with the decrease in expenditure by 1.1% (Table 5). The growth in revenue was particularly influenced by the increase in taxes on production and imports (5.6%) and social contributions (3.6%). The total expenditure decreased largely as a result of the capital expenditure reduction (-32.7%), attaining 1.7% of GDP in the third quarter 2016 (2.7% of GDP in the previous period). The capital expenditure behavior was closely related to the investment decrease by 28.4%.

Table 6 presents the main adjustments of moving from Public Accounting to National Accounts balances. Comparing the third quarter 2016 with the same period of the previous year, the decrease in balance in National Accounts was determined to a large extent by the deterioration of the balance in Public Accounting.

It should also be mentioned that capital injections into public corporations classified in GG institutional sector are compensated by an opposite effect 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

	2015Q3	2015Q4	2016Q1	2016Q2	2016Q3
Total revenue	78 571.5	79 004.5	79 418.8	79 527.8	79 460.5
Current revenue	76 970.2	77 477.5	77 957.9	78 194.5	78 147.4
Current taxes on income and wealth	19 207.2	19 438.3	19 469.1	19 196.7	18 736.4
Taxes on production and imports	25 968.6	26 103.6	26 693.5	26 999.1	27 175.3
Social contributions	20 673.9	20 775.1	20 916.2	21 121.0	21 326.6
Sales	6 586.9	6 636.4	6 630.9	6 646.3	6 663.8
Other current revenue	4 533.6	4 524.2	4 248.2	4 231.4	4 245.2
Capital revenue	1 601.3	1 527.0	1 460.9	1 333.3	1 313.1
Total expenditure	84 302.7	86 825.4	86 214.8	85 889.7	86 121.3
Current expenditure	78 886.2	79 094.8	78 849.0	78 972.5	79 559.3
Social benefits	34 357.3	34 637.3	34 684.4	34 810.5	34 882.4
Compensation of employees	20 207.1	20 272.9	20 328.6	20 488.0	20 690.8
Interest	8 293.7	8 191.3	7 973.0	7 931.2	7 871.3
Intermediate consumption	10 216.2	10 328.8	10 413.6	10 493.0	10 655.3
Subsidies	1 159.2	1 110.4	1 103.3	1 064.4	1 050.7
Other current expenditure	4 652.6	4 554.1	4 346.2	4 185.3	4 408.8
Capital expenditure	5 416.4	7 730.6	7 365.8	6 917.2	6 562.0
Investment ⁽¹⁾	4 008.7	4 316.2	3 997.0	3 743.0	3 566.4
Other capital expenditure	1 407.7	3 414.4	3 368.8	3 174.3	2 995.6
Current Balance	-1 916.1	-1 617.3	- 891.1	- 778.0	-1 411.9
Balance	-5 731.2	-7 820.9	-6 796.1	-6 361.9	-6 660.7
<i>By memory:</i>					
Primary current expenditure	70 592.5	70 903.5	70 876.0	71 041.2	71 688.0
Gross Domestic Product at current market prices	178 013.0	179 539.9	180 944.6	182 048.3	183 244.9
Balance in % of GDP	-3.2%	-4.4%	-3.8%	-3.5%	-3.6%

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

Unit: %

	2015Q3	2015Q4	2016Q1	2016Q2	2016Q3
Total revenue	0.7	0.6	0.5	0.1	-0.1
Current revenue	0.9	0.7	0.6	0.3	-0.1
Current taxes on income and wealth	1.7	1.2	0.2	-1.4	-2.4
Taxes on production and imports	2.0	0.5	2.3	1.1	0.7
Social contributions	-0.2	0.5	0.7	1.0	1.0
Sales	2.2	0.8	-0.1	0.2	0.3
Other current revenue	-5.8	-0.2	-6.1	-0.4	0.3
Capital revenue	-5.7	-4.6	-4.3	-8.7	-1.5
Total expenditure	-5.7	3.0	-0.7	-0.4	0.3
Current expenditure	-0.4	0.3	-0.3	0.2	0.7
Social benefits	0.4	0.8	0.1	0.4	0.2
Compensation of employees	-1.6	0.3	0.3	0.8	1.0
Interest	-1.5	-1.2	-2.7	-0.5	-0.8
Intermediate consumption	0.9	1.1	0.8	0.8	1.5
Subsidies	0.8	-4.2	-0.6	-3.5	-1.3
Other current expenditure	-1.3	-2.1	-4.6	-3.7	5.3
Capital expenditure	-47.0	42.7	-4.7	-6.1	-5.1
Investment ⁽¹⁾	-0.9	7.7	-7.4	-6.4	-4.7
Other capital expenditure	-77.2	142.6	-1.3	-5.8	-5.6

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

Table 5: Revenue and expenditure of general government

	1st-3rd quarter of 2015		1st-3rd quarter of 2016		Nominal change rate (%)
	million euros	% GDP	million euros	% GDP	
Total revenue	57 968.4	43.1	58 424.4	42.3	0.8
Current revenue	56 937.2	42.4	57 607.1	41.7	1.2
Current taxes on income and wealth	14 236.3	10.6	13 534.5	9.8	-4.9
Taxes on production and imports	19 305.4	14.4	20 377.1	14.8	5.6
Social contributions	15 312.3	11.4	15 863.9	11.5	3.6
Sales	4 841.7	3.6	4 869.1	3.5	0.6
Other current revenue	3 241.4	2.4	2 962.4	2.1	-8.6
Capital revenue	1 031.2	0.8	817.3	0.6	-20.7
Total expenditure	62 534.2	46.5	61 830.0	44.8	-1.1
Current expenditure	58 962.1	43.9	59 426.7	43.0	0.8
Social benefits	26 174.4	19.5	26 419.4	19.1	0.9
Compensation of employees	15 290.1	11.4	15 708.0	11.4	2.7
Interest	6 152.3	4.6	5 832.4	4.2	-5.2
Intermediate consumption	7 303.6	5.4	7 630.0	5.5	4.5
Subsidies	703.2	0.5	643.5	0.5	-8.5
Other current expenditure	3 338.7	2.5	3 193.4	2.3	-4.4
Capital expenditure	3 572.0	2.7	2 403.4	1.7	-32.7
Investment ⁽¹⁾	2 644.4	2.0	1 894.5	1.4	-28.4
Other capital expenditure	927.6	0.7	508.8	0.4	-45.1
Current Balance	-2 025.0	-1.5	-1 819.6	-1.3	
Balance	-4 565.8	-3.4	-3 405.6	-2.5	

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

Table 6: Public to National Accounting adjustments

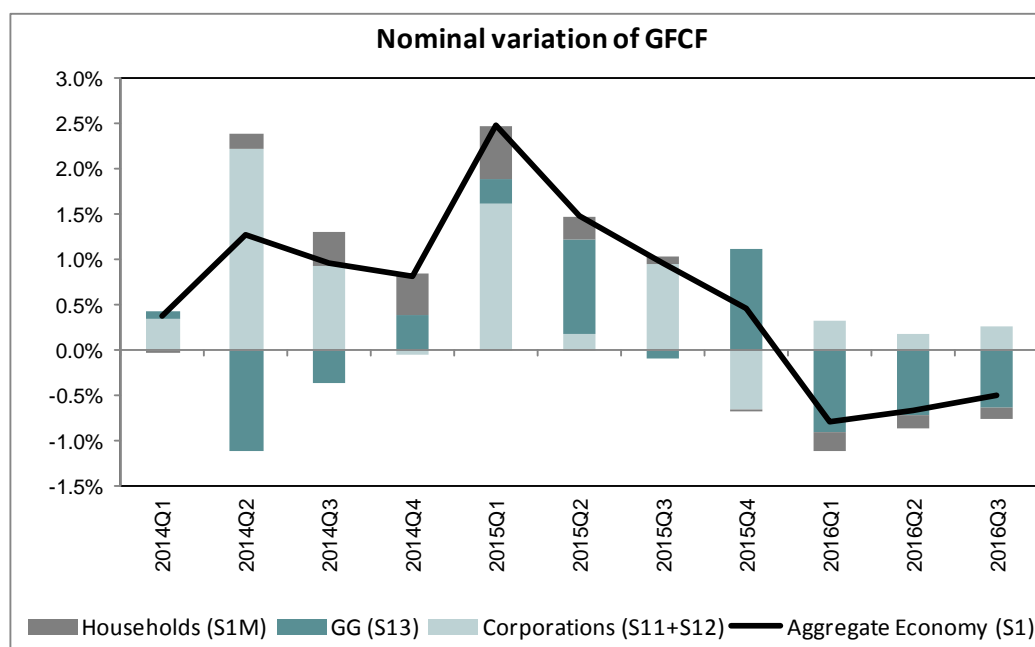
	Unit: 10 ⁶ euros	
	2015Q3	2016Q3
Balance in Public Accounting:	704.3	- 59.2
Accrual adjustment and sector delimitation in National Accounts	449.6	1 253.2
Difference between paid and due interest	-1 230.6	-1 095.0
Other receivables:	- 193.4	- 133.8
<i>Time adjustment of taxes and social contributions</i>	- 245.6	- 123.2
<i>Others</i>	52.3	- 10.6
Other payables:	264.9	66.0
<i>Expenditure already incurred but not yet paid</i>	210.3	41.6
<i>Others</i>	54.7	24.4
Other adjustments:	- 508.8	- 844.1
<i>of which:</i>		
<i>Capital injections and debt assumptions</i>	- 285.5	- 702.6
Balance in National Accounting:	- 514.0	- 812.9
Quarterly GDP	45 918.3	47 114.9
Balance in National Accounting in % of GDP	-1.1%	-1.7%

Evolution of the investment by institutional sector

The Portuguese economy's investment, measured by the behavior of the Gross Fixed Capital Formation (GFCF), has shown a negative behavior in 2016, recording a decrease of 2.6% in nominal terms over the first three quarters of 2016, compared to the same period of the previous year. However, this behavior is not homogeneous among the various institutional sectors.

In the corporations' sector (Non-Financial Corporations and Financial Corporations), investment increased by 1.5% over the three quarters of 2016, which determined a contribution of 1.0 p.p. to the change rate of total investment. The institutional sector of GG has shown a significant reduction in investment in 2016, registering a variation of -24.8% in nominal terms over the first three quarters of 2016 (contribution of -3.0 p.p.). Finally, the investment on the Household sector, composed mainly by the acquisition of dwellings from other sectors of the economy, declined by 2.9%.

The following graph shows the contributions of the different institutional sectors to the variation of the total investment of the Portuguese economy (change rates of the accumulated values of the year ending in each quarter compared to the previous quarter).



National Economy: Gross National Income increased 0.5%

In the third quarter of 2016, GNI registered a nominal variation of 0.5%, 0.2 p.p. less than the nominal GDP variation. The increase in GNI lower than GDP was driven by the worsening of the negative balance of property income with the rest of the world (rates of change of -7.0% on incomes received and 0.2% on incomes 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	-1.1	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	164 355	0.0	165 927	0.0
2013Q2	168 086	0.3	165 474	0.7	167 265	0.8
2013Q3	168 912	0.5	166 381	0.5	168 213	0.6
2013Q4	170 269	0.8	167 975	1.0	169 808	0.9
2014Q1	170 733	0.3	168 335	0.2	170 432	0.4
2014Q2	172 281	0.9	169 687	0.8	171 660	0.7
2014Q3	173 369	0.6	170 882	0.7	172 987	0.8
2014Q4	173 079	-0.2	170 117	-0.4	172 313	-0.4
2015Q1	174 816	1.0	171 554	0.8	173 899	0.9
2015Q2	176 594	1.0	172 792	0.7	175 096	0.7
2015Q3	178 037	0.8	174 311	0.9	176 598	0.9
2015Q4	179 540	0.8	175 261	0.5	177 729	0.6
2016Q1	180 945	0.8	177 055	1.0	179 184	0.8
2016Q2	182 048	0.6	177 661	0.3	179 995	0.5
2016Q3	183 245	0.7	178 526	0.5	180 730	0.4

The GDI of the nation registered a 0.4% increase in the third quarter of 2016, while final consumption expenditure of the economy (which includes GG and Household final consumption expenditure) increased by 0.7%, resulting in a 1.2% reduction in gross savings. This reduction was offset by the 1.1% decrease in the GCF and the increase in the balance of capital transfers with the rest of the world, which meant a slight increase in net lending to 0.9% of GDP in the third quarter of 2016.

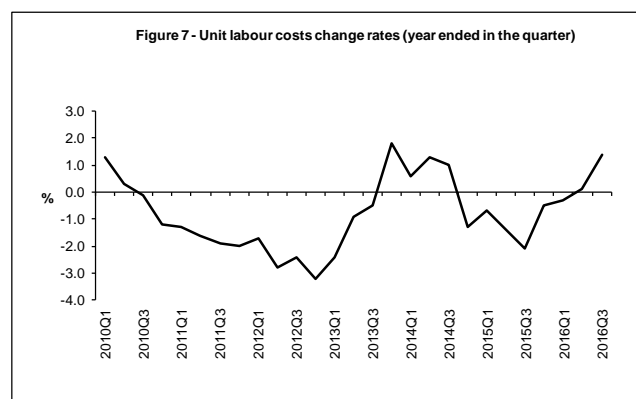
The GCF for the total economy stood at 14.8% of GDP in the third quarter of 2016 (0.2% less than in the previous quarter).

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	1.1	15.5	0.8
2016Q1	15.2	1.0	15.4	0.8
2016Q2	15.0	0.9	15.0	0.8
2016Q3	14.7	1.0	14.8	0.9

Unit labour costs (ULC) increased 1.4%

In the year ending in the third quarter of 2016, ULC registered an increase of 1.4%, mainly as a result of the increase in average compensation of employees (rate of change of 1.1%), with productivity declining slightly. In the third quarter of 2016, there were increases in employment, total compensation of employees and in the average compensation.



Revision of estimates

The Quarterly Sector Accounts now presented incorporate new information with the consequent revisions of the previous estimates of some aggregates. Compared with the previous publication for the second quarter of 2016, the revisions reflect the incorporation of the updated results of the quarterly accounts for the

economy as a whole, published on November 30, and the incorporation of the Economic Accounts for Agriculture, published by Statistics Portugal on the 13th of December. In addition, the most recent versions of the Balance of Payments and Monetary and Financial Statistics produced by the Bank of Portugal were also integrated.

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.