22 September 2017

Quarterly Sector Accounts (Base 2011)

Second Quarter 2017

Net lending of the Portuguese economy stood at 1.0% of GDP

The net lending of the economy stood at 1.0% of the Gross Domestic Product (GDP) in the year ending in the second quarter of 2017, the same rate as in the previous quarter.

By institutional sector, there was an improvement in the General Government (GG) sector, from the net borrowing of 1.6% of GDP in the year ending in the first quarter of 2017 to 1.4%, and in the Financial Corporations, with its respective net lending increasing by 0.4 percentage points (p.p.) to 2.3% of GDP. The balance of Non-Financial Corporations decreased to -1.3% of GDP, as a result of the increases in compensation of employees paid and in investment. Households' net lending stabilized at 1.4% of GDP, with current savings maintaining the same level, as a result of increases of similar magnitude in disposable income and final consumption expenditure.

Taking into account the quarterly figures and not the year ending in the quarter, the GG balance stood at around -1017.2 million Euros in the second quarter of 2017, corresponding to -2.1% of GDP (-2.8% in same period of the previous year). In the first semester of 2017, the total balance of the GG stood at -1794.4 million Euros, corresponding to -1.9% of GDP (-3.1% of GDP in the same period last year).

The current results are the preliminary version of the Quarterly Sector Accounts (QSA) for the second quarter 2017. National Accounts aggregates are expressed exclusively in nominal terms and are not seasonally and calendar adjusted.

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:

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

Net lending of the Portuguese economy stood at 1.0% of GDP

The Portuguese economy registered a net lending of 1.0% of GDP in the second quarter of 2017, the same value as in the previous quarter. GNI increased by 1.1%, marginally higher than nominal GDP (1.0%) due to the slight improvement in the balance of property income.

The Gross Disposable Income (GDI) registered a rate of change of 1.0%, higher than that of final consumption expenditure (0.7%), which led to a 2.7% increase in gross savings (1.4 p.p. more than in the previous quarter).

Gross savings of the economy and Gross Capital Formation (GFC) recorded rates of change of 2.7% and 2.6% in the year ending in the second quarter of 2017, thus determining the stabilization of the economy's net lending by 1.0% of GDP.

Figure 1 presents the evolution of the net lending(+)/borrowing(-) of the economy by institutional sector. The net borrowing of GG decreased by 0.2 p.p. to 1.4% of GDP. The improvement in the GG balance was mainly due to the increases in revenues from taxes on production and social contributions received, which more than offset the decline in revenue from income taxes.

The balance of Non-Financial Corporations decreased 0.5 p.p. to -1.3% of GDP, in the second quarter of 2017, while net lending of Financial Corporations increased to 2.3% of GDP.

The external balance of goods and services stabilized at 0.8% of GDP, the same result as in the previous quarter, reflecting similar increases in exports and imports of goods and services by 2.8% and 2.9%, respectively (see figure 2).

Figure 1 - Net Lending(+) /Borrowing(-) by institutional sector (in % of GDP, accumulated sum of 4 quarters)

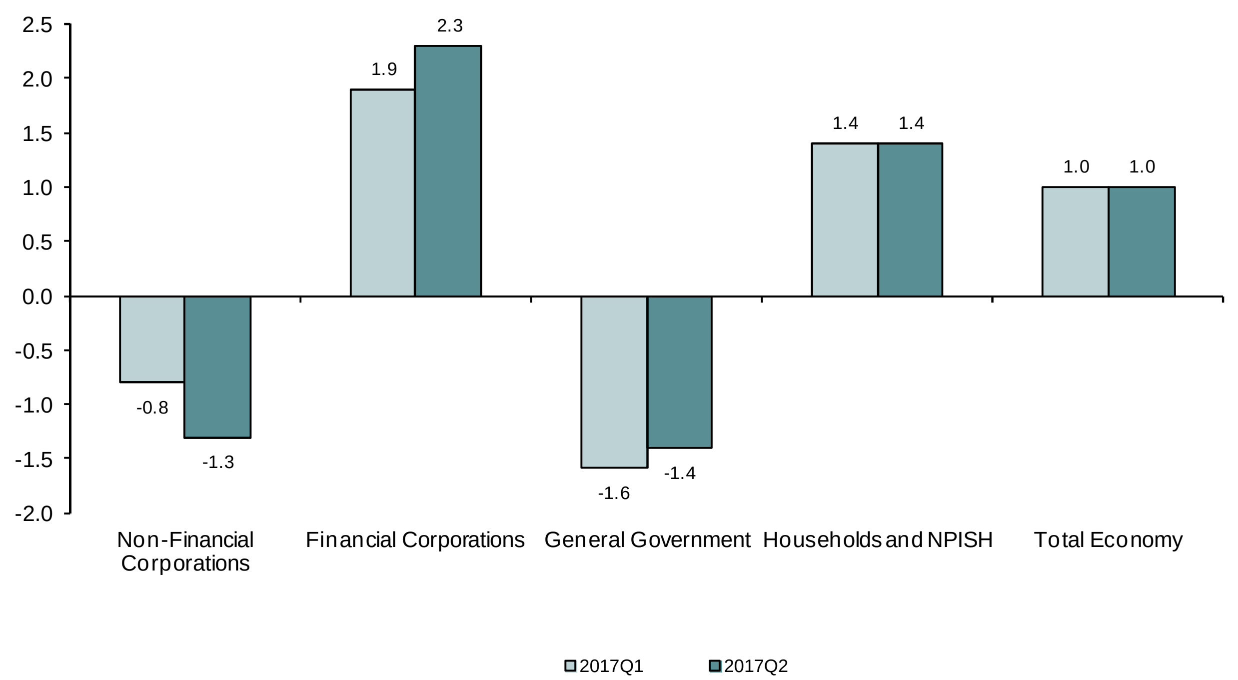
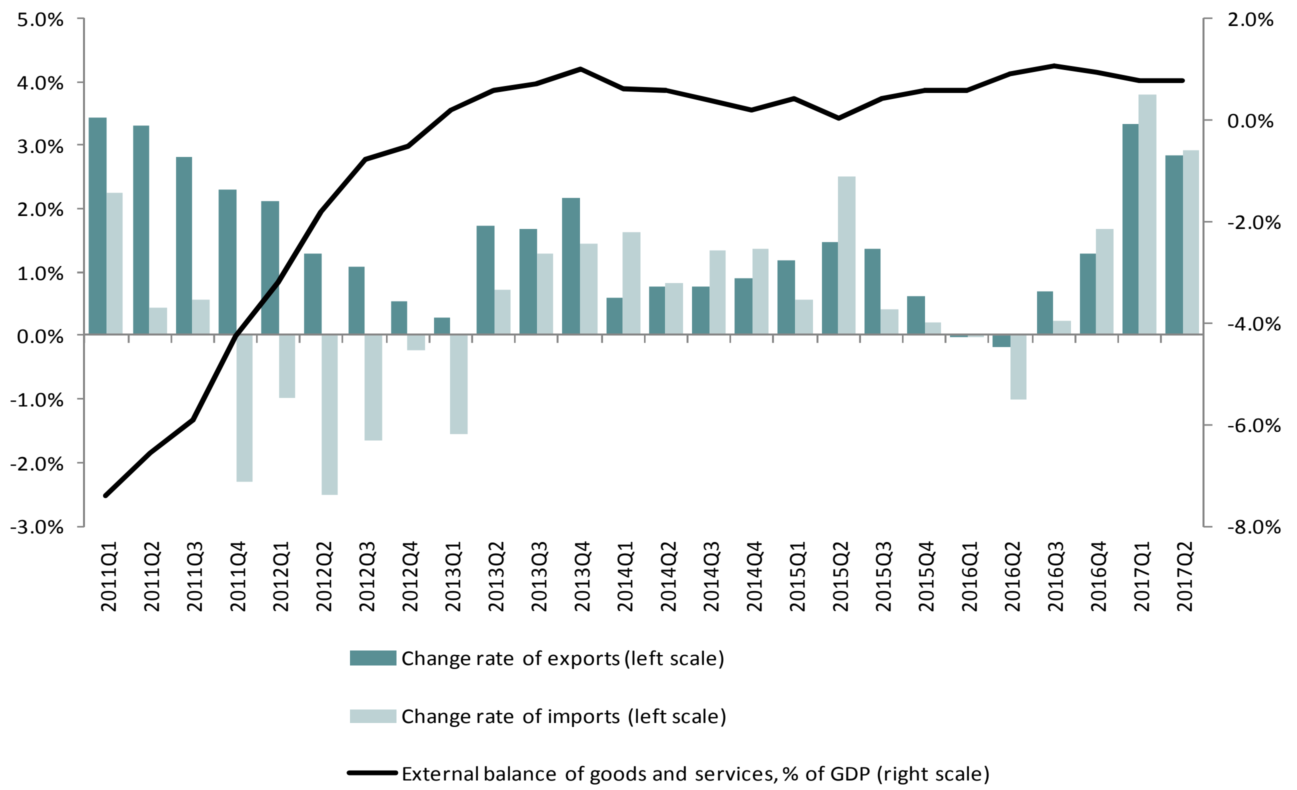


Figure 2 - External balance of goods and services
(accumulated sum of 4 quarters)



Households: net lending Stood at 1.4% of GDP

The net lending of Households reached 1.4% of GDP in the year ending in the second quarter of 2017, mainly reflecting the balance between the increase in final consumption expenditure and the increase in disposable income.

The household saving rate was 5.2% of disposable income, same as in the previous quarter. As it can be seen in Figure 3, final consumption expenditure and disposable income showed the same variation (0.9%).

The increase in disposable income of households was mainly due to a 7.7% decrease in income taxes paid and a 1.1% increase in compensation of employees received, which more than offset the reduction in net property income. The reduction of income taxes paid by households mainly reflected the positive effect of the earlier refunds of Personal Income Tax (IRS). It is expected that this effect will be offset in the following quarter.

As it can be observed in Table 1, which shows the decomposition of the rate of change of disposable income, taxes on income and compensation of employees recorded the most relevant contributions with 0.8 p.p. and 0.7 p.p., respectively. Table 2 presents the composition of disposable income. In the second quarter of 2017, wages represented 64.3% of disposable income and operating surplus / mixed income 25.9% (64.2% and 26.0%, respectively, in the previous quarter).

Figure 3 - Saving rate of Households and NPISH (accumulated sum of 4 quarters)

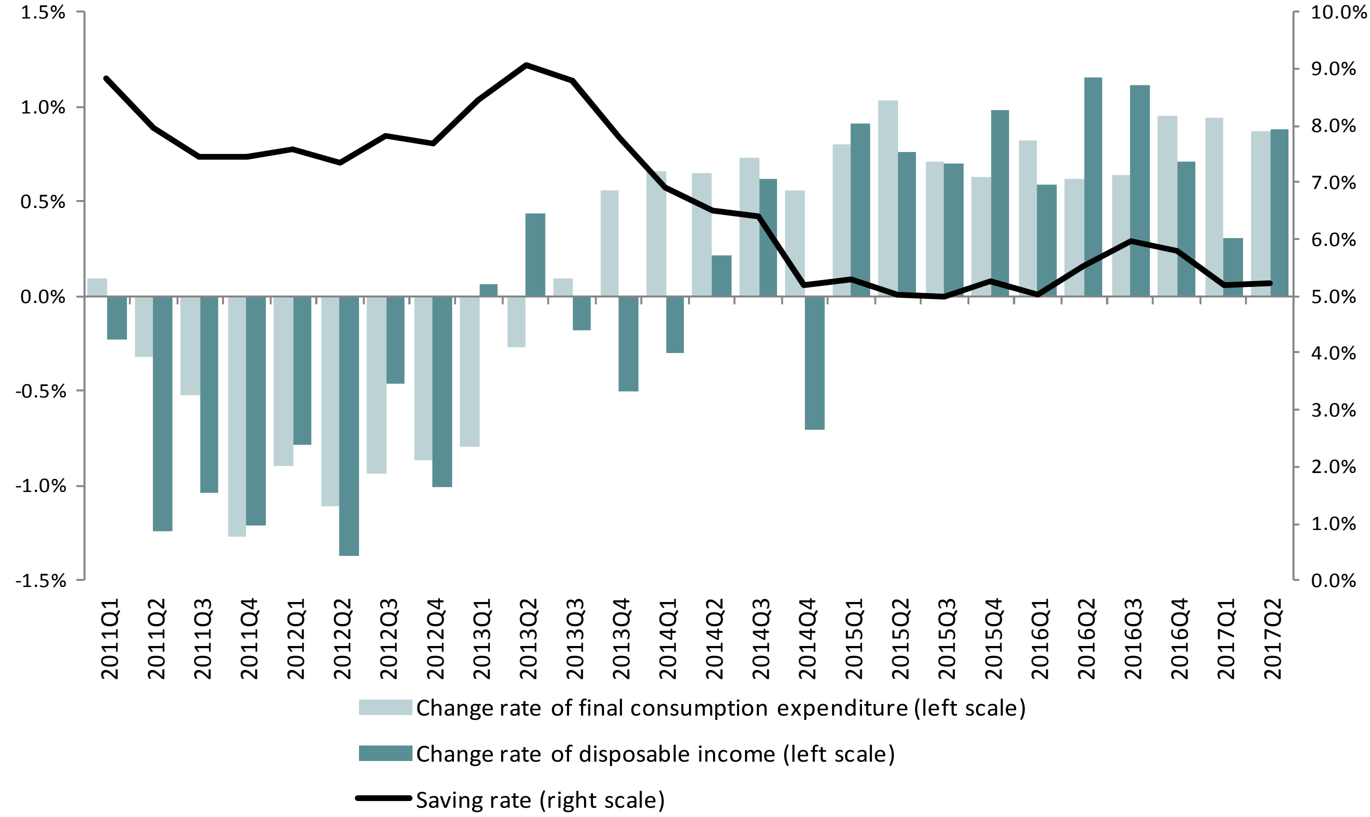


Table 1: Contibutions to the change rate of disposable income of Households and NPISH (percentage points, accumulated sum of 4 quartes)

	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)
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	-0.5
2012Q4	-1.6	0.3	0.0	0.1	-0.1	-0.4	-1.0
2013Q1	0.0	0.1	0.6	0.3	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	-0.2	0.4	1.1	-0.5
2014Q1	-0.2	0.1	-0.1	-0.1	0.1	0.1	-0.3
2014Q2	0.6	0.0	0.0	-0.5	0.1	0.1	0.2
2014Q3	0.5	0.1	0.1	0.5	0.0	0.4	0.6
2014Q4	-0.6	0.1	0.1	-0.5	-0.2	-0.4	-0.7
2015Q1	0.5	0.1	0.3	-0.1	0.2	0.0	0.9
2015Q2	0.5	0.0	0.2	0.1	0.0	0.0	0.8
2015Q3	0.2	0.1	0.3	0.1	0.1	0.0	0.7
2015Q4	0.6	0.1	0.0	0.2	0.0	-0.1	1.0
2016Q1	0.6	0.3	-0.1	0.0	-0.1	0.0	0.6
2016Q2	0.6	0.2	0.0	0.0	0.2	-0.2	1.2
2016Q3	0.7	0.2	-0.2	0.0	0.0	-0.4	1.1
2016Q4	0.8	0.3	-0.1	-0.3	0.0	0.1	0.7
2017Q1	0.6	0.0	-0.2	-0.3	0.2	-0.1	0.3
2017Q2	0.7	0.1	-0.4	-0.4	0.1	-0.8	0.9

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

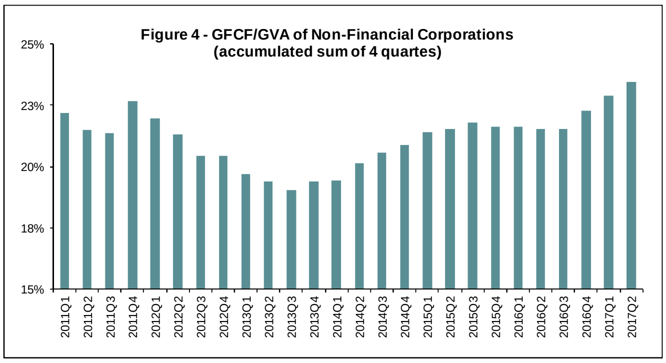
	Compensation of Employees	Operating Surplus + Mixed Income (Gross)	Net Property Income (receivable)	Taxes	Social benefits less contributions, excluding social transfers in kind	Net Transfers (receivable)
2012Q1	65.0	24.9	7.7	-8.6	7.1	3.8
2012Q2	64.0	25.3	7.9	-8.8	7.8	3.8
2012Q3	63.5	25.5	8.0	-8.7	8.0	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	63.4	26.5	8.6	-11.5	8.8	4.2
2014Q2	63.9	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	63.7	26.3	9.0	-11.3	8.1	4.2
2015Q3	63.4	26.2	9.2	-11.2	8.1	4.2
2015Q4	63.4	26.0	9.2	-11.0	8.2	4.2
2016Q1	63.6	26.2	9.0	-10.9	8.1	4.1
2016Q2	63.5	26.0	8.9	-10.6	8.0	4.2
2016Q3	63.5	25.9	8.7	-10.1	7.9	4.2
2016Q4	63.8	26.1	8.5	-10.1	7.6	4.1
2017Q1	64.2	26.0	8.3	-10.0	7.2	4.3
2017Q2	64.3	25.9	7.8	-9.1	6.8	4.3

Non-Financial Corporations: net lending decreased to 1.3% of GDP

Non-financial corporations' net borrowing increased by 0.5 p.p. to 1.3% of GDP in the second quarter of 2017 (0.8% in the previous quarter). Gross Value Added (GVA) increased by 1.2%, 0.3 p.p. less than the increase in compensation of employees paid. The Gross Operating Surplus of the sector increased by 0.7%.

The aforementioned increase in compensation of employees paid, combined with a 10.8% increase in income tax, led to a 1.9% decrease in gross savings of the sector.

The investment (GFCF) of the sector grew 3.6% in the year ending in the quarter, resulting in an increase in the investment rate (measured by the ratio between GFCF and GVA) by 0.6 p.p. to 23.5%. The investment rate in this quarter reached the highest value since the third quarter of 2010.



Financial Corporations: net lending increased to 2.3% of GDP

The sector's net lending represented 2.3% of GDP in the second quarter of 2017, 0.4 p.p. more than in the previous quarter. This result was due to the behaviour of property income paid and received, which recorded rates of change of -3.0% and 3.3%, respectively. The savings of the sector increased by 22.7%, which determined the improvement of the balance of this sector.

General Government: net borrowing decreased by 0.2 percentage points

The net borrowing of the GG recorded a decrease of 0.2 p.p. in the year ending in the second quarter 2017 compared to the previous quarter, attaining 1.4% of GDP. This decrease in net borrowing resulted from the combined effect of an increase by 0.3% of the revenue and a decrease of the expenditure by 0.1% (see tables 3 and 4).

On the revenue side, both current and capital revenues registered an increase, particularly the taxes on production and imports (1.6%) and social contributions (1.3%). Current taxes on income and wealth and other current revenue decreased -2.6% and -2.2%, respectively.

The expenditure behavior was mainly driven by reductions in capital expenditure (-0.8%) and in some current expenditure components, such as social benefits, interest paid, intermediate consumption and subsidies. On the opposite side, there was an increase in employee compensations (0.1%) and in other current expenditure (4.8%).

Considering quarterly figures rather than the sum of four quarters, the net borrowing of the GG stood at about -1017.2 million euro in the second quarter 2017 (-2.1% of GDP), while in the same quarter of 2016 it was -2.8% of GDP (-1327.6 million euro). Table 5 illustrates how the 0.3% decrease in expenditure combined with the 1.3% increase in revenue has resulted in an improvement of net borrowing.

The increase of taxes on production and imports (6.5%), such as Value Added Tax (VAT), and social contributions (5.1%) influenced total revenue. Tax revenue behavior reflects the decrease of 12% of the current taxes on income and wealth that mainly results from an increase in Personal Income Tax (PIT) refunds, compared with the same period in 2016. This effect is expected to be compensated in the next quarter. Capital revenue was particularly high due to a guarantee repayment by the Banco Privado Português (BPP) and BPP Cayman.

On the expenditure side, the increase in employee compensations and in other current expenditure was compensated by the decrease in the remaining current expenditure components and capital expenditure.

Table 6 presents the main adjustments carried out for moving from Public Accounting to National Accounts balances. In the first half of 2017, net borrowing of GG was -1794.4 million euro, corresponding to -1.9% of GDP (-3.1% of GDP in the same period of 2016)[1]. Comparing the first half of 2017 with the same period of the previous year, the National Accounting balance improved, in spite of a deterioration of the balance in Public Accounting. This evolution mainly results from the effects of the accrual adjustments and sector delimitation, and the time adjustment of taxes and social contributions. Taxes and social contributions are time-adjusted so that the recording is closer to the moment when the activity took place. In the first half of 2017 this adjustment improved as a result of the growth of tax and contributions revenue in the months affected by the time adjustment.

[1] As mentioned in the previous press release on quarterly sector accounts, the recapitalisation Plan for CGD began in the first quarter of 2017, and was not considered as State Aid by the European Commission.
The recapitalisation of CGD is projected to be of 4 874 million euro (4 444 million euro occurred in the first quarter of 2017) of which 3 944 million euro, supported by the Portuguese State (2.1% of GDP).
Given the complexity of this operation, there is an ongoing exchange of information and dialogue between Statistics Portugal and the European Commission (Eurostat) regarding its recording in national accounts. This discussion has to be concluded at least on March 2018, when INE will send the first notification for 2017 in the context of the Excessive Deficit Procedure.

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

Unit: 10^6 euros

	2016Q2	2016Q3	2016Q4	2017Q1	2017Q2
Total revenue	**79,219.7**	**79,005.5**	**79,705.6**	**80,289.6**	**80,533.7**
Current revenue	78 145.6	78 160.9	78 909.2	79 483.6	79 648.0
Current taxes on income and w ealth	19 291.0	18 827.0	19 081.1	18 898.6	18 412.9
Taxes on production and imports	26 945.6	27 100.9	27 346.7	27 634.0	28 069.5
Social contributions	21 091.4	21 271.0	21 608.6	21 857.4	22 139.3
Sales	6 469.1	6 542.5	6 625.5	6 668.1	6 697.1
Other current revenue	4 348.5	4 419.5	4 247.3	4 425.4	4 329.2
Capital revenue	1 074.1	844.6	796.4	806.0	885.7
Total expenditure	**85 738.1**	**85 889.2**	**83 370.8**	**83 246.0**	**83 179.7**
Current expenditure	78 812.9	79 316.7	79 818.4	79 649.6	79 611.2
Social benefits	34 926.1	35 015.0	35 112.8	35 007.7	34 891.7
Compensation of employees	20 504.4	20 674.1	20 880.9	20 935.3	20 960.2
Interest	7 898.3	7 822.0	7 760.7	7 677.8	7 606.4
Intermediate consumption	10 070.6	10 220.1	10 417.8	10 546.5	10 469.6
Subsidies	1 058.8	1 020.3	975.0	967.6	951.3
Other current expenditure	4 354.7	4 565.2	4 671.3	4 514.7	4 731.8
Capital expenditure	6 925.2	6 572.5	3 552.3	3 596.4	3 568.5
Investment (1)	3 769.9	3 569.0	2 800.8	2 807.4	2 759.0
Other capital expenditure	3 155.3	3 003.5	751.5	789.0	809.5
Current Balance	- 667.3	-1 155.9	- 909.2	- 166.0	36.8
Balance	**-6 518.4**	**-6 883.7**	**-3 665.2**	**-2 956.4**	**-2 646.0**
By memory:					
Primary current expenditure	70,914.59	71,494.73	72,057.73	71,971.74	72,004.73
Gross Domestic Product at current market prices	182 613.2	183 954.4	185 179.5	186 711.9	188 562.0
Balance in % of GDP	-3.6%	-3.7%	-2.0%	-1.6%	-1.4%

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

Unit: %

	2016Q2	2016Q3	2016Q4	2017Q1	2017Q2
Total revenue	**0.1**	**-0.3**	**0.9**	**0.7**	**0.3**
Current revenue	0.4	0.0	1.0	0.7	0.2
Current taxes on income and w ealth	-1.3	-2.4	1.3	-1.0	-2.6
Taxes on production and imports	1.1	0.6	0.9	1.1	1.6
Social contributions	0.9	0.9	1.6	1.2	1.3
Sales	0.8	1.1	1.3	0.6	0.4
Other current revenue	0.1	1.6	-3.9	4.2	-2.2
Capital revenue	-16.7	-21.4	-5.7	1.2	9.9
Total expenditure	**-0.4**	**0.2**	**-2.9**	**-0.1**	**-0.1**
Current expenditure	0.2	0.6	0.6	-0.2	0.0
Social benefits	0.4	0.3	0.3	-0.3	-0.3
Compensation of employees	0.6	0.8	1.0	0.3	0.1
Interest	-1.0	-1.0	-0.8	-1.1	-0.9
Intermediate consumption	0.4	1.5	1.9	1.2	-0.7
Subsidies	-4.5	-3.6	-4.4	-0.8	-1.7
Other current expenditure	-1.6	4.8	2.3	-3.4	4.8
Capital expenditure	-6.0	-5.1	-46.0	1.2	-0.8
Investment (1)	-5.1	-5.3	-21.5	0.2	-1.7
Other capital expenditure	-7.0	-4.8	-75.0	5.0	2.6

(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 2016		2nd quarter 2017		Nominal change rate (%)
	million euro	% GDP	million euro	% GDP	
Total revenue	**19,281.6**	**41.2**	**19,525.7**	**40.1**	**1.3**
Current revenue	19,149.4	40.9	19,313.9	39.7	0.9
Current taxes on income and wealth	4,053.3	8.7	3,567.5	7.3	-12.0
Taxes on production and imports	6,693.7	14.3	7,129.2	14.6	6.5
Social contributions	5,489.7	11.7	5,771.5	11.9	5.1
Sales	1,639.3	3.5	1,668.3	3.4	1.8
Other current revenue	1,273.5	2.7	1,177.3	2.4	-7.6
Capital revenue	132.2	0.3	211.8	0.4	60.3
Total expenditure	**20,609.2**	**44.0**	**20,542.9**	**42.2**	**-0.3**
Current expenditure	19,778.3	42.2	19,739.9	40.5	-0.2
Social benefits	8,330.8	17.8	8,214.8	16.9	-1.4
Compensation of employees	5,824.8	12.4	5,849.7	12.0	0.4
Interest	1,852.2	4.0	1,780.8	3.7	-3.9
Intermediate consumption	2,541.6	5.4	2,464.8	5.1	-3.0
Subsidies	216.7	0.5	200.4	0.4	-7.5
Other current expenditure	1,012.3	2.2	1,229.5	2.5	21.5
Capital expenditure	830.9	1.8	803.0	1.6	-3.4
Investment (1)	718.2	1.5	669.8	1.4	-6.7
Other capital expenditure	112.7	0.2	133.2	0.3	18.2
Current Balance	-628.9	-1.3	-426.0	-0.9	
Balance	-1,327.6	-2.8	-1,017.2	-2.1	

(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

	2016S1	2017S1
Balance in Public Accounting:	**-3 168.8**	**-3 307.5**
Accrual adjustment and sector delimitation in National Accounts	714.1	1 016.1
Difference between paid and due interest	971.9	935.0
Other receivables:	- 544.0	- 215.0
Temporal adjustment to taxes and contributions	*- 188.1*	*202.9*
Others	*- 355.9*	*- 417.8*
Other payables:	- 98.1	153.2
Expenditure already incurred but not yet paid	*- 117.6*	*- 83.2*
Others	*19.5*	*236.3*
Other adjustments:	- 688.6	- 376.2
of which:		
Capital injections and debt assumptions	*- 877.0*	*- 961.7*
Balance in National Accounting:	**-2 813.6**	**-1 794.4**
GDP	91 339.8	94 686.3
Balance in National Accounting in % of GDP	-3.1%	-1.9%

Table corrected at 13:00; values for the line GDP were changed.

National Economy: Gross National Income increased 1.1%

In the second quarter of 2017, GNI registered a nominal variation of 1.1%, 0.1 p.p. above the change in GDP. This slight positive difference was determined by the improvement in the negative balance of property income with the Rest of the World (with rates of change of 8.8% in income received and 2.9% in income paid) and the balance of taxes and subsidies.

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	179 518	-0.2	174 406	0.3	175 653	0.4
2011Q2	179 009	-0.3	174 294	-0.1	175 555	-0.1
2011Q3	178 037	-0.5	174 350	0.0	175 669	0.1
2011Q4	176 167	-1.1	172 772	-0.9	174 098	-0.9
2012Q1	174 810	-0.8	170 487	-1.3	171 809	-1.3
2012Q2	171 973	-1.6	167 735	-1.6	168 944	-1.7
2012Q3	170 335	-1.0	165 894	-1.1	167 051	-1.1
2012Q4	168 398	-1.1	164 317	-1.0	165 851	-0.7
2013Q1	167 664	-0.4	164 362	0.0	165 934	0.0
2013Q2	168 093	0.3	165 482	0.7	167 273	0.8
2013Q3	168 920	0.5	166 389	0.5	168 222	0.6
2013Q4	170 269	0.8	167 975	1.0	169 808	0.9
2014Q1	170 716	0.3	168 318	0.2	170 414	0.4
2014Q2	172 241	0.9	169 647	0.8	171 620	0.7
2014Q3	173 324	0.6	170 838	0.7	172 942	0.8
2014Q4	173 079	-0.1	170 117	-0.4	172 313	-0.4
2015Q1	174 865	1.0	171 355	0.7	173 669	0.8
2015Q2	176 720	1.1	172 407	0.6	174 617	0.5
2015Q3	178 261	0.9	173 894	0.9	176 072	0.8
2015Q4	179 809	0.9	174 868	0.6	177 168	0.6
2016Q1	181 386	0.9	177 183	1.3	179 347	1.2
2016Q2	182 611	0.7	178 213	0.6	180 802	0.8
2016Q3	183 951	0.7	179 411	0.7	181 984	0.7
2016Q4	185 179	0.7	181 174	1.0	183 630	0.9
2017Q1	186 674	0.8	182 347	0.6	185 291	0.9
2017Q2	188 526	1.0	184 437	1.1	187 198	1.0

The GDI registered a 1.0% increase in the second quarter of 2017, while the final consumption expenditure of the economy (which includes GG and Household final consumption expenditures) increased by 0.7%, leading to an increase of 2.7% of the economy's gross saving. The economy's gross saving represented 16.0% of GDP in the second quarter of 2017.

The GCF for the total economy stood at 15.9% of GDP in the second quarter of 2017 (0.2 p.p. more than in the previous quarter). This increase in the GCF offset the increase in savings already mentioned, resulting in stabilization of the economy's net lending at 1.0% of GDP.

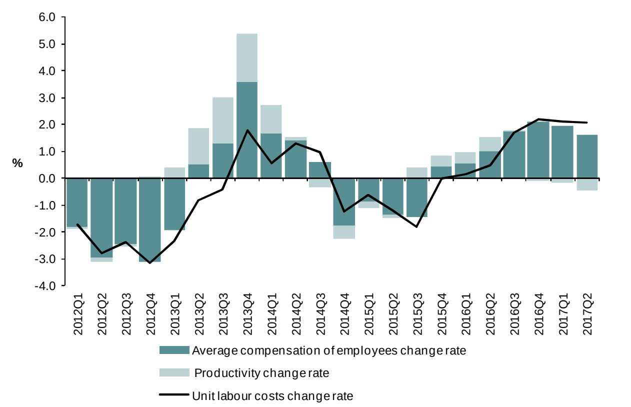
Table 8: Gross Saving and Net Lending(+)/ Borrowing(-) unit: % of GDP

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	15.0	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	15.0	2.0
2014Q2	15.2	1.5	15.0	1.7
2014Q3	15.3	1.5	15.1	1.7
2014Q4	15.0	1.2	15.3	1.0
2015Q1	15.0	1.2	15.2	1.0
2015Q2	14.6	1.2	15.7	0.1
2015Q3	14.9	1.1	15.7	0.3
2015Q4	14.9	1.2	15.8	0.3
2016Q1	15.4	1.1	16.0	0.5
2016Q2	15.6	0.9	15.7	0.8
2016Q3	15.7	1.0	15.6	1.0
2016Q4	15.6	0.9	15.5	1.0
2017Q1	15.7	1.0	15.7	1.0
2017Q2	16.0	0.9	15.9	1.0

Unit labour costs (ULC) increased 2.1%

In the year ending in the second quarter of 2017, ULC registered an increase of 2.1%, similar to that recorded in the previous quarter, following the increase of 1.6% in average remuneration and, to a lesser extent, the reduction of 0.5% of productivity.

Figure 5 - Unit labour costs change rates (year ending in the quarter)



Revision of estimates

The Quarterly Sector Accounts now presented incorporate new information with the consequent revisions of the previous estimates of some aggregates. Thus, in comparison with the previous publication for the first quarter of 2017, the final results for 2015 are included, with detailed data available by industry and by institutional sector, which had consequences for the quarterly estimates for the year 2015 onwards as well as the revisions of the quarterly accounts for the total economy, published on August 31st. In the press release of the final results of the National Accounts for the year 2015, published simultaneously, the revisions are analysed in more detail (only in the Portuguese version).

In addition, the most recent versions of the Balance of Payments and Monetary and Financial Statistics produced by Banco de 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.