21 December 2018

Quarterly Sector Accounts (Base 2011)

Third Quarter 2018

Balance of the General Government was 0.0% of GDP in the year ending in the third quarter

The net lending of the economy stood at 0.5% of the Gross Domestic Product (GDP) in the year ending in the third quarter of 2018, a decrease of 0.2 percentage points (p.p.) compared to the previous quarter.

The institutional sector of Households showed a decrease in their net lending, from 0.8% to 0.4% of GDP in the year ending in the third quarter of 2018. Households' final consumption expenditure increased more than disposable income, which led to the reduction in the saving rate to 4.0%. The balance of Non-Financial Corporations deteriorated to -1.9% of GDP in the third quarter, while net lending of Financial Corporations decreased to 1.9%.

In the year ending in the third quarter of 2018, the General Government (GG) balance reached a slightly positive value, (representing 0.0% of GDP) compared with -1.0% in the previous quarter. This improvement also reflects special factors which affected the second and third quarters (see box in the end of this press release). Taking into account quarterly figures and not the year ending in the quarter, the balance of GG stood at 3 082.2 million euro in the third quarter of 2018, corresponding to 6.0% of GDP. For the first three quarters of 2018, the overall balance of the GG stood at 1 111.2 million euro, representing 0.7% of GDP (-3.2% 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 2018.

National Accounts aggregates are expressed exclusively in nominal terms and are not seasonally and calendar adjusted. The results are presented for the aggregate economy or broken down by the following institutional sectors:

- Non-Financial Corporations;
- Financial Corporations;
- General Government;
- Households and Non-Profit Institutions Serving Households (Households);
- Rest of the World.

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 decreased to 0.5% of GDP

The Portuguese economy registered a net lending of 0.5% of GDP in the third quarter of 2018, which compares with 0.7% in the previous quarter. GDP and Gross National Income (GNI) recorded rates of change of 0.9% and 0.7%, respectively. The growth of GNI lower than the GDP was determined by the more negative balance of property income with the Rest of the World, with income paid and received recording change rates of 5.9% and 4.5%, respectively.

The Gross Disposable Income (GDI) increased by 0.7%, similar to the increase in final consumption expenditure (which encompasses Households' and General Government's final consumption expenditure), resulting in a 0.4% increase in gross savings (decrease of 1.7% in the previous quarter). Gross savings of the economy accounted for 16.8% of GDP in the third quarter of 2018 (16.9% in the previous quarter).

The increase of 2.0% of Gross Capital Formation (GCF) more than offset the increase in gross savings, resulting in a reduction in the net lending of the economy.

Figure 1 presents the evolution of the net lending(+)/borrowing(-) of the economy by institutional sector.

The General Government balance was marginally positive in the year ending in the third quarter of 2018, comparing with a net borrowing of 1.0% of GDP in the previous quarter. The improvement in the balance reflected the increase in revenue from taxes on income and on production.

The balance of Non-Financial Corporations decreased by 0.7 p.p. in the third quarter of 2018, to -1.9% of GDP. The net lending of Financial Corporations decreased from 2.1% of GDP in the second quarter of 2018 to 1.9% in the third quarter.

The external balance of goods and services decreased to 0.7% of GDP, due to an increase in imports of 1.8%, 0.2 p.p. higher than exports (see Figure 2).

Table 1: 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 (%)
2014Q1	170 692	0.2	168 293	0.2	170 390	0.3
2014Q2	172 235	0.9	169 641	0.8	171 614	0.7
2014Q3	173 278	0.6	170 792	0.7	172 897	0.7
2014Q4	173 079	-0.1	170 117	-0.4	172 313	-0.3
2015Q1	174 810	1.0	171 299	0.7	173 613	0.8
2015Q2	176 641	1.0	172 327	0.6	174 538	0.5
2015Q3	178 203	0.9	173 836	0.9	176 013	0.8
2015Q4	179 809	0.9	174 868	0.6	177 168	0.7
2016Q1	181 598	1.0	177 237	1.4	179 442	1.3
2016Q2	183 085	0.8	178 490	0.7	181 097	0.9
2016Q3	184 760	0.9	179 948	0.8	182 555	0.8
2016Q4	186 480	0.9	182 176	1.2	184 660	1.2
2017Q1	188 378	1.0	183 876	0.9	186 826	1.2
2017Q2	190 485	1.1	186 187	1.3	188 954	1.1
2017Q3	192 412	1.0	188 187	1.1	191 130	1.2
2017Q4	194 613	1.1	190 364	1.2	193 458	1.2
2018Q1	196 134	0.8	192 328	1.0	195 203	0.9
2018Q2	197 480	0.7	192 700	0.2	195 736	0.3
2018Q3	199 207	0.9	193 967	0.7	197 026	0.7

Table 2: 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(-)
2014Q1	15.4	1.6	14.9	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	15.8	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	15.7	0.9	15.9	0.7
2016Q3	15.8	1.0	15.8	0.9
2016Q4	15.9	0.9	15.7	1.0
2017Q1	16.1	1.0	16.0	1.1
2017Q2	16.4	0.9	16.4	1.0
2017Q3	16.8	0.9	16.7	1.1
2017Q4	17.1	0.8	16.9	1.1
2018Q1	17.3	0.8	17.1	1.1
2018Q2	16.9	0.9	17.1	0.7
2018Q3	16.8	0.9	17.3	0.5

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

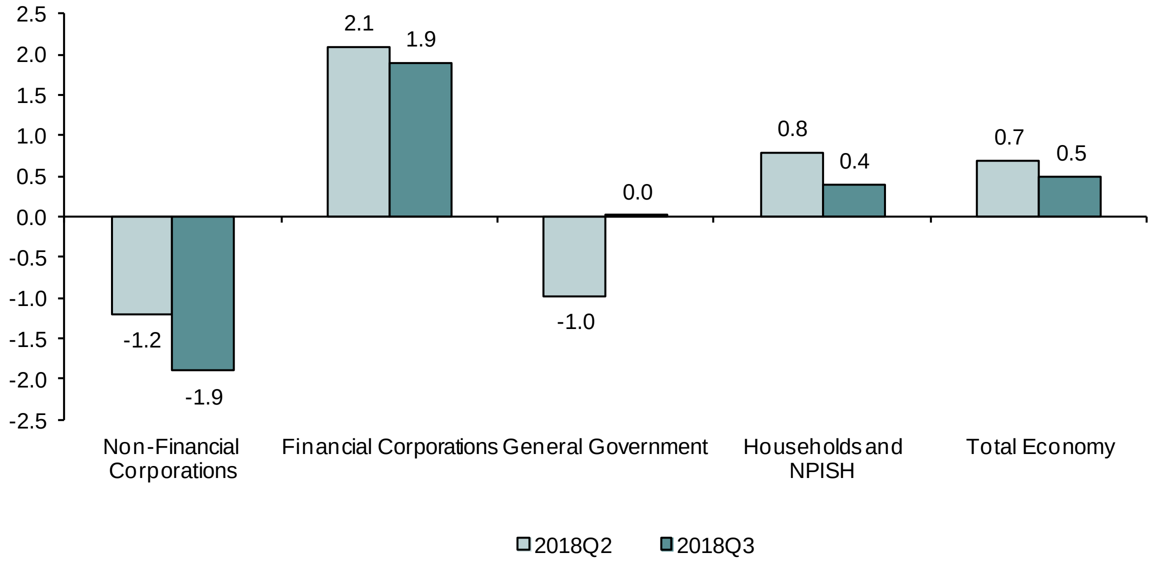
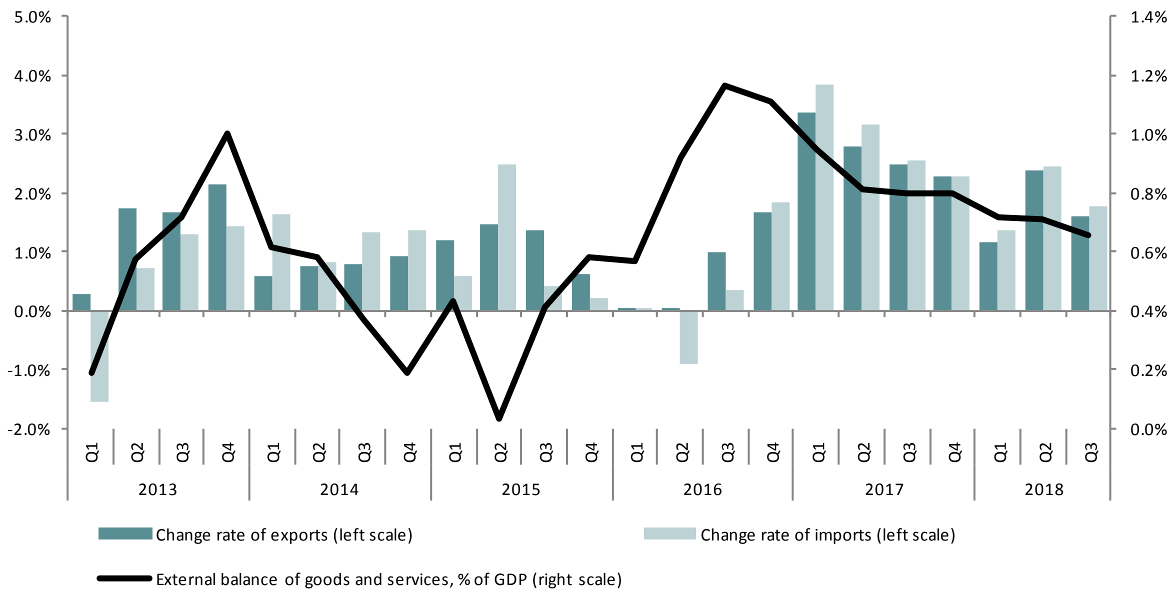


Figure 2 - External balance of goods and services (accumulated sum of 4 quarters)



Households: net lending stood at 0.4% of GDP

The net lending of Households stood at 0.4% of GDP in the year ending in the third quarter of 2018, less 0.4 p.p. than the previous quarter, reflecting mainly the increase in final consumption expenditure by 0.9%, which more than offset the 0.3% increase in disposable income.

Figure 3 shows the saving rate and the rates of change of disposable income and final consumption expenditure. As it can be seen, the Household's saving rate decreased to 4.0% of disposable income (0.5 p.p. less than in the previous quarter), reflecting the increase in disposable income below that of final consumption expenditure.

The lower increase in disposable income of the Households in the 3rd quarter was determined by the increase in income taxes by 3.3% (reduction of 1.3% in the previous quarter), while compensation of employees received increased by 1.1%, a similar rate to the one observed for the previous quarter. It should be mentioned that income taxes paid by Households were influenced by irregularities in the last two years due to different timings of personal income tax reimbursements, affecting in particular the evolution between the second and third quarters of each year.

The investment (Gross Fixed Capital Formation) of Households registered a 1.6% growth rate in the third quarter 2018 (2.1% in the previous quarter).

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

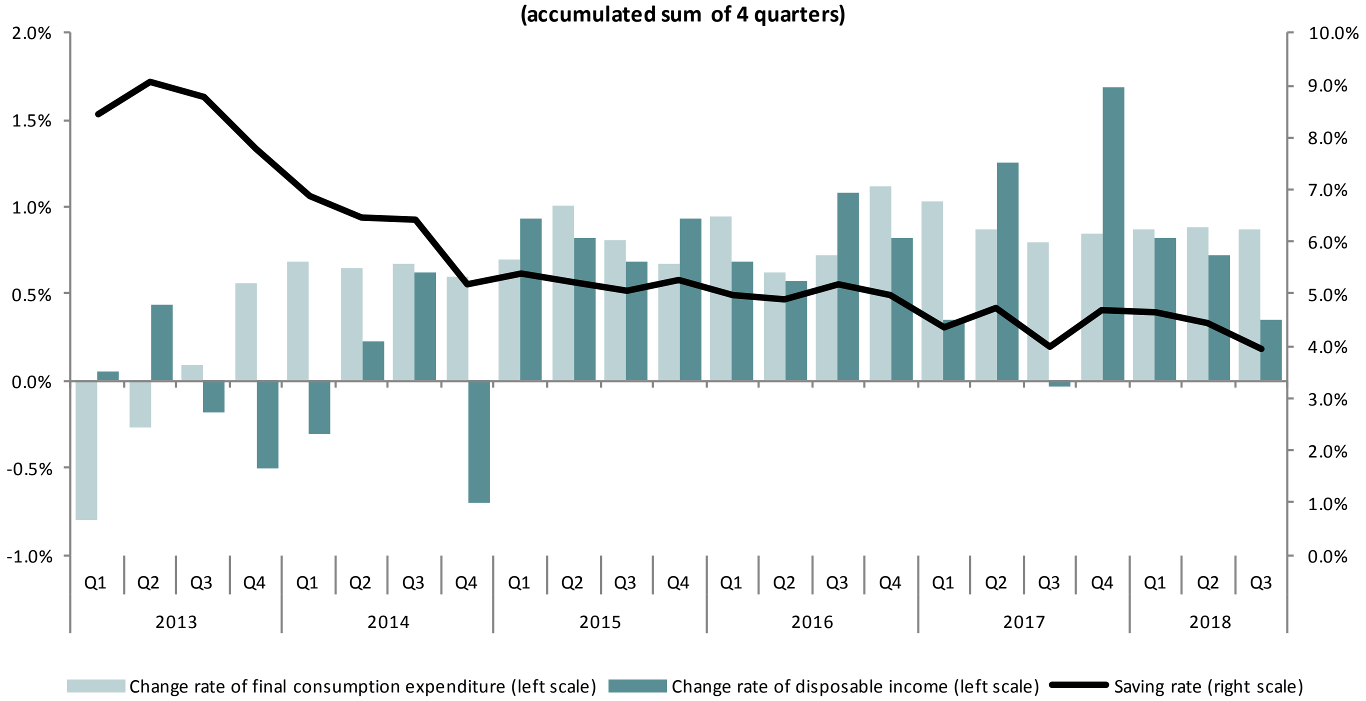


Table 3 shows the breakdown of the rate of change of disposable income. The 0.3% increase recorded in the third quarter of 2018 was mainly attributable to compensation of employees received (0.7 p.p.), followed by a gross operating surplus of 0.1 p.p..

The adjusted GDI per capita stood at 15.0 thousand euro in the third quarter of 2018, corresponding to an increase of 0.4% over the previous quarter. Note that the adjusted GDI differs from the GDI by including the value of the goods and services that are purchased or produced by the GG and NPISH and consumed by the Households.

Table 3: 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)
2014Q1	-0.2	0.0	-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	0.6	0.1	0.2	0.1	0.0	0.0	0.8
2015Q3	0.2	0.0	0.3	0.1	0.1	0.0	0.7
2015Q4	0.6	0.1	0.0	0.2	0.0	-0.1	0.9
2016Q1	0.5	0.2	0.0	0.0	-0.1	-0.1	0.7
2016Q2	0.6	0.1	-0.4	0.0	0.2	-0.1	0.6
2016Q3	0.6	0.2	-0.2	0.0	0.1	-0.4	1.1
2016Q4	0.8	0.3	0.0	-0.3	0.0	0.0	0.8
2017Q1	0.7	0.1	-0.3	-0.3	0.1	0.0	0.4
2017Q2	0.8	0.2	-0.2	-0.4	0.0	-0.8	1.3
2017Q3	0.8	0.2	-0.1	-0.3	0.2	0.7	0.0
2017Q4	1.2	0.2	-0.1	0.4	0.0	0.1	1.7
2018Q1	0.6	0.2	0.1	-0.1	0.1	0.1	0.8
2018Q2	0.7	0.2	-0.2	-0.2	0.0	-0.1	0.7
2018Q3	0.7	0.1	0.0	-0.2	0.0	0.3	0.3

Non-Financial Corporations: net lending stood at 1.9% of GDP

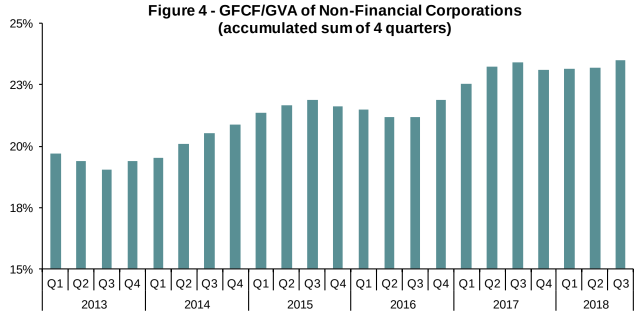
The net borrowing of Non-Financial Corporations worsened by 0.7 p.p., reaching 1.9% of GDP in the year ending in the third quarter of 2018. This result was mainly due to increases in compensation of employees and Gross Capital Formation (GCF). Gross Value Added (GVA) increased by 0.8%, 0.1 p.p. less than in the previous quarter.

The compensation of employees paid by the sector registered a growth of 1.4%, higher than the increase in GVA, which resulted in a reduction of 0.4% in Gross Operating Surplus (GOS).

The sector's operating margin rate reached 39.0% (0.4 p.p. less than in the previous quarter). This rate is obtained by the ratio between GOS and GVA, and corresponds to the percentage of value created that is intended to remunerate the financial resources invested in the corporations.

GFCF increased by 2.2% in the year ending in the third quarter, with the investment rate (measured by the ratio between GFCF and GVA) at 23.5%, 0.3 p.p. more than in the previous quarter.

Figure 4 - GFCF/GVA of Non-Financial Corporations (accumulated sum of 4 quarters)



Financial Corporations: net lending stood at 1.9% of GDP

The sector's net lending represented 1.9% of GDP in the third quarter of 2018, 0.2 p.p. less than in the previous quarter. Gross savings decreased by 11.6% in the third quarter of 2018.

For this behaviour contributed mainly the reduction of the balance of property income. Income received and paid registered rates of change of -4.6% and -2.1%, respectively.

General Government: net balance increased by 1.0 p.p.

The net borrowing of the GG recorded an increase of 1 p.p. in the year ending in the third quarter 2018 compared to the year ending in the previous quarter, reaching 0.0% of GDP. This increase in net borrowing resulted of increases in both total revenue, by 2.6%, and in total expenditure, by 0.3% (view tables 4 and 5).

The behaviour of total expenditure was a result of increases in capital and current expenditure, of 2.8% and 0.1%.

The variation of capital expenditure is mainly explained by the increase of 4.2% in investment. Current expenditure almost stabilised as a result of the combined effect of decreases in subsidies, interest paid and social contributions, by 3.0%, 2.1% e 0.1% respectively, and of increases of 2.3%, 0.9% e 0.2% in other current expenditure, intermediate consumption and compensation of employees.

The behaviour of total revenue was a result of increases in current revenue (2.4%) and in capital revenue (24.0%). The increase in current revenue was mainly due to increases in taxes on income and wealth (5.2%), sales (2.5%), taxes on production and imports (1.9%) and social contributions (1.2%). The other current revenue decreased by 0.5%.

Considering quarterly figures rather than the sum of four quarters, the net lending of the GG stood at 1 111.2 million euro in the first three quarters of 2018, corresponding to 0.7% of GDP, that compares with a net borrowing of -3.2% of GDP in the same period of the previous year.

The net balance of GG in the third quarter of 2018 stood at 3 082.2 million euro (6.0% of GDP), which compares with a 2.3% balance in the same period of the previous year. Between these two periods, both total revenue and total expenditure increased by 9.5% and 1.0%, respectively (please see a box in the end of this press release explaining the main reasons for the increase of the net balance in the third quarter).

Table 7 presents the main adjustments from Public Accounting to National Accounts. In the third quarter of 2018, the balance stood at 3 082.2 million euro, corresponding to 6.0% of GDP (2.3% of GDP in same period of last year). Comparing the third quarter of 2018 with the same period of the previous year, balances in both National Accounts and Public Accounting improved. The main differences between National and Public Accounting were due to time adjustment of taxes and social contributions and to GG sector delimitation, particularly corporations classified inside GG. Taxes and social contributions are time-adjusted so that the recording and the moment when the activity took place are closer.

Table 4: Revenue and expenditure of general government in the year ending the quarter

Unit: 10^6 EUR

	2017Q3	2017Q4	2018Q1	2018Q2	2018T3
Total revenue	**82 732.5**	**83 109.5**	**83 605.7**	**84 195.4**	**86 376.4**
Current revenue	81 697.7	82 311.3	82 816.0	83 475.8	85 483.8
Current taxes on income and w ealth	19 756.6	19 718.9	19 820.0	19 612.3	20 625.5
Taxes on production and imports	28 625.0	29 041.7	29 535.0	29 754.2	30 319.3
Social contributions	22 333.1	22 685.0	22 846.1	23 103.8	23 385.5
Sales	6 606.0	6 695.6	6 717.3	6 800.5	6 971.5
Other current revenue	4 376.9	4 170.1	3 897.6	4 205.0	4 182.1
Capital revenue	1 034.8	798.2	789.7	719.6	892.6
Total expenditure	**87 335.3**	**88 872.0**	**84 975.4**	**86 113.6**	**86 336.3**
Current expenditure	79 530.0	80 286.4	80 244.1	80 221.6	80 277.6
Social benefits	34 899.0	35 646.6	35 630.0	35 634.8	35 616.9
Compensation of employees	20 882.0	21 299.1	21 208.9	21 141.1	21 186.1
Interest	7 563.6	7 436.9	7 317.0	7 222.1	7 070.9
Intermediate consumption	10 559.2	10 565.3	10 506.7	10 629.1	10 729.6
Subsidies	927.2	857.3	884.7	904.6	877.7
Other current expenditure	4 699.0	4 481.1	4 696.7	4 690.0	4 796.4
Capital expenditure	7 805.3	8 585.6	4 731.3	5 892.1	6 058.7
Investment (1)	3 119.3	3 618.2	3 702.0	3 852.7	4 016.3
Other capital expenditure	4 686.1	4 967.4	1 029.3	2 039.4	2 042.4
Current Balance	2 167.7	2 024.9	2 571.9	3 254.2	5 206.2
Balance	**-4 602.8**	**-5 762.5**	**-1 369.8**	**-1 918.3**	**40.1**
By memory:	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Primary current expenditure	71 966.4	72 849.5	72 927.1	72 999.5	73 206.6
Gross Domestic Product at current market prices	192 412.4	194 613.5	196 133.7	197 479.0	199 206.9
Balance in % of GDP	-2.4%	-3.0%	-0.7%	-1.0%	0.0%

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

(2) Includes 3 944 million euro of the recapitalization of CGD

Table 5: Change rates of revenue and expenditure of general government in the year ending the quarter

Unit: %

	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3
Total revenue	**2.5**	**0.5**	**0.6**	**0.7**	**2.6**
Current revenue	2.6	0.8	0.6	0.8	2.4
Current taxes on income and w ealth	7.2	-0.2	0.5	-1.0	5.2
Taxes on production and imports	2.2	1.5	1.7	0.7	1.9
Social contributions	1.0	1.6	0.7	1.1	1.2
Sales	-0.1	1.4	0.3	1.2	2.5
Other current revenue	-2.7	-4.7	-6.5	7.9	-0.5
Capital revenue	-0.4	-22.9	-1.1	-8.9	24.0
Total expenditure	**-0.1**	**1.8**	**-4.4**	**1.3**	**0.3**
Current expenditure	-0.3	1.0	-0.1	0.0	0.1
Social benefits	-0.2	2.1	0.0	0.0	-0.1
Compensation of employees	-0.2	2.0	-0.4	-0.3	0.2
Interest	-0.9	-1.7	-1.6	-1.3	-2.1
Intermediate consumption	0.4	0.1	-0.6	1.2	0.9
Subsidies	-5.0	-7.5	3.2	2.3	-3.0
Other current expenditure	-1.1	-4.6	4.8	-0.1	2.3
Capital expenditure	2.0	10.0	-44.9	24.5	2.8
Investment (1)	5.3	16.0	2.3	4.1	4.2
Other capital expenditure	0.0	6.0	-79.3	98.1	0.2

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

Table 6: Revenue and expenditure of general government

	3rd quarter 2017		3rd quarter 2018		Nominal change rate (%)
	million euro	% GDP	million euro	% GDP	
Total revenue	**22 929.1**	**46.2**	**25 110.1**	**48.9**	**9.5**
Current revenue	22 779.6	45.9	24 787.6	48.3	8.8
Current taxes on income and w ealth	6 981.1	14.1	7 994.2	15.6	14.5
Taxes on production and imports	7 688.0	15.5	8 253.0	16.1	7.4
Social contributions	5 582.8	11.3	5 864.4	11.4	5.0
Sales	1 663.2	3.4	1 834.1	3.6	10.3
Other current revenue	864.6	1.7	841.7	1.6	- 2.6
Capital revenue	149.5	0.3	322.5	0.6	115.7
Total expenditure	**21 805.3**	**44.0**	**22 027.9**	**42.9**	**1.0**
Current expenditure	20 756.5	41.9	20 812.5	40.6	0.3
Social benefits	9 925.9	20.0	9 908.0	19.3	- 0.2
Compensation of employees	4 975.4	10.0	5 020.3	9.8	0.9
Interest	1 969.2	4.0	1 818.1	3.5	- 7.7
Intermediate consumption	2 620.4	5.3	2 720.9	5.3	3.8
Subsidies	187.6	0.4	160.7	0.3	- 14.3
Other current expenditure	1 078.0	2.2	1 184.4	2.3	9.9
Capital expenditure	1 048.8	2.1	1 215.4	2.4	15.9
Investment (1)	889.9	1.8	1 053.5	2.1	18.4
Other capital expenditure	158.8	0.3	161.9	0.3	1.9
Current Balance	2 023.0	4.1	3 975.0	7.7	
Balance	1 123.8	2.3	3 082.2	6.0	

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

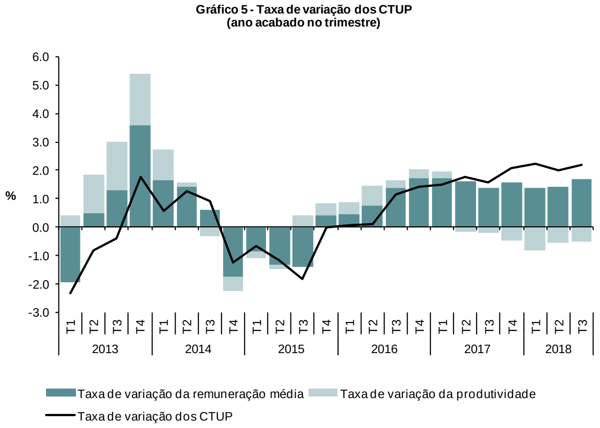
Table 7: Public to National Accounting adjustments

	Unit: 10^6 euro	
	2017Q3	**2018Q3**
Balance in Public Accounting:	**2 493.0**	**3 915.3**
Accrual adjustment and sector delimitation in National Accounts	126.3	192.2
Difference betw een paid and due interest	-1 016.1	- 834.3
Other receivables:	- 398.5	- 337.0
Time adjustment of taxes and social contributions	- 245.8	*- 143.8*
Others	- 152.6	*- 193.2*
Other payables:	118.6	157.1
Expenditure already incurred but not yet paid	17.6	*60.5*
Others	100.9	*96.6*
Other adjustments:	- 199.5	- 11.1
of which:		
Capital injections and debt assumptions	- 118.6	*- 44.7*
Balance in National Accounting:	**1 123.8**	**3 082.2**
GDP (1)	49 595.3	51 323.1
Balance in National Accounting in % of GDP	2.3%	6.0%

(1) Non seasonally and calendar effects ajusted data

Unit labour costs (ULC) increased 2.2%

In the year ending in the third quarter of 2018, ULC registered an increase of 2.2%, 0.2 p.p. more than in the previous quarter. The growth of ULC was determined by the increase of the average compensation of employees, and to a lesser extent, the decrease in productivity.



Revision of estimates

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 second quarter of 2018, it is worth noting the incorporation of the revisions of the quarterly accounts for the total economy, published on November 30th.

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

Table 8 - Net Lending/ Borrowing of the economy in the 2nd quarter of 2018
(% of GDP, acumulated sum of 4 quarters)

	previous release	actual release
Non-financial corporations	-1,2	-1,2
Financial corporations	2,1	2,1
General Government	-0,9	-1,0
Households and NPISH	0,7	0,8
Total economy	0,7	0,7

The net balance of General Government in the third quarter

In the first three quarters of 2018, the net balance of General Government (GG) was of 1 111.2 million euro, representing 0.7% of GDP (-3.2% in the same period of the previous year).

The net balance of GG in the third quarter of 2018 stood at 3 082.2 million euro (6.0% of GDP), which compares with a 2.3% balance in the same period of the previous year. Between these two periods, both total revenue and total expenditure increased, by 9.5% and 1.0%, respectively (see table at the end of this box).

The behaviour of revenue was particularly influenced by the increases in tax revenue (10.8%) and in social contributions, in line with the improvements in both economic growth and employment.

Notwithstanding, the increase in tax revenue also reflects special factors, namely time lags in payments and/or reimbursements that altered the evolution between the second and third quarters.

Compared with the same period of the previous year, the Value Added Tax (VAT) revenue increased by 9.1% in the third quarter, which compares with an increase of 1.9% in the second quarter. This growth can be explained by both the behaviour of private consumption and the changes in the VAT regimen regarding extra-community imports, changes that encompassed the possibility of paying the due VAT not at the time of the customs clearance but at the time of the actual sale. This change resulted in a time lag of the net revenue of VAT between the second and third quarters of 2018.

Taxes on income and wealth presented an increase of 14.5% in the third quarter compared to the same quarter of the previous year, as a result of increases in both Corporate Income Tax and Personal Income Tax.

The negative behaviour of the Corporate Income Tax in the second quarter, vis-a-vis the same period of 2017, is related to the delay of the revenue, in result of the postponement of the periodic corporate income declaration regarding 2017. In the third quarter, the Corporate Income Tax grew by 25%, as a combined result of the reduction of reimbursements (2.2%) and the increase of 16.5% in gross income, explained by increases in self-assessments (*autoliquidações*) and advanced tax payments (*pagamentos por conta*).

Personal Income Tax presented a decrease of 9.7% in second quarter and an increase of the same magnitude in the third quarter. To some extent these changes can be justified by the anticipation of the reimbursements, in 2018, to the months of April and May and, in the third quarter, to the increase in the additional payments related to the 2017 tax.

Additionally, capital revenue increased 115.7% (173 million euro) mainly explained by the repayment of part of the guarantee (166.3 million euro) granted to Banco Privado Português in 2010.

The improvement in the balance between the second and the third quarter of 2018 is also marked by a decrease of expenditure, which went from a growth of 5.5% to only 1.0%.

It is worth mentioning that the increase of 5.5% in expenditure in the second quarter was mainly influenced by other capital expenditure, namely by the capital increase in Novo Banco, made by Fundo de Resolução (792 million euro) and by the loan of 121.4 million euro from Direção Geral de Tesouro e Finanças (DGTF) to the credit recovery fund FRC-INQ-Papel Comercial ESI Rio Forte (both operations attained 1.8% of GDP in the quarter).

It is also important to note that the balance of the first three quarters of 2018 does not reflect the change in the Christmas subsidy payment, which was fully paid in the fourth quarter of 2018. As a result, a significant increase in expenditure on compensation of employees and social benefits (pensions) is expected in that quarter.

Change rates of revenue and expenditure of general government by quarter

	2018 Q1	2018 Q2	2018 Q3
Total revenue	2.7	3.0	9.5
Current revenue	2.8	3.4	8.8
Current taxes on income and wealth	2.7	-5.8	14.5
of which:			
Personal income tax	2.4	-9.7	9.7
Corporate income tax	2.5	-4.6	25.0
Current taxes on income and wealth	7.4	3.1	7.4
of which: Value added tax	6.2	1.9	9.1
Social contributions	3.1	4.5	5.0
Sales	1.4	5.0	10.3
Other current revenue	-25.1	25.0	-2.6
Capital revenue	-5.3	-32.4	115.7
Total expenditure	-16.8	5.5	1.0
Current expenditure	-0.2	-0.1	0.3
Social benefits	-0.2	0.1	-0.2
Compensation of employees	-1.8	-1.2	0.9
Interest	-6.6	-5.3	-7.7
Intermediate consumption	-2.4	4.9	3.8
Subsidies	17.1	10.2	-14.3
Other current expenditure	20.6	-0.6	9.9
Capital expenditure	-82.2	136.6	15.9
Investment (1)	14.0	20.9	18.4
Other capital expenditure	-96.3	785.7	1.9
Balance	-91.4	54.2	174.3

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

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.