23 December 2019

# Quarterly Sector Accounts (Base 2016)
# Third Quarter 2019

**Net lending of the Portuguese economy decreased to 0.3% of GDP**

The Portuguese economy registered a net lending of 0.3% of Gross Domestic Product (GDP) in the year ending in the third quarter of 2019 (0.5% in the second quarter of 2019). This result was determined by the more negative balance of goods and services transactions with the Rest of the World.

Gross Saving of the Portuguese economy and Gross Capital Formation (GCF) recorded rates of change of 1.5% and 2.2%, respectively, in the third quarter of 2019.The investment rate in the sector of Non-Financial Corporations reached 25.8% (0.1 percentage points more than in the previous quarter).

The net lending of Households slightly increased to 1.2% of GDP in the third quarter 2019, 0.1 percentage points more than in the previous quarter. The saving rate increased to 6.2% of disposable income, mainly reflecting the 0.9% increase in disposable income, 0.2 percentage points higher than the increase in final consumption expenditure.

As a percentage of GDP, the balance of General Government (GG) was nil in the year ending in the third quarter of 2019. Taking as reference the quarterly figures and not the year ending in the quarter, the GG balance was positive in the third quarter of 2019, standing at around 2 461.3 million euros (4.6% of GDP), comparing with 5.4% in the same period of the previous year. In the first three quarters of 2019, the GG balance was 1.0% of GDP (0.4% in the same period of the previous year).

## Introduction

The current results are the preliminary version of the Quarterly Sector Accounts (QSA) for the third quarter of 2019.

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 rates of change 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](http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_cnacionais&xlang=en)

**Net lending of the Portuguese economy reached to 0.3% of GDP**

The Portuguese economy recorded a net lending of 0.3% of GDP in the year ending in the third quarter of 2019, 0.2 percentage points lower than in the previous quarter. This behavior resulted mainly from the more negative balance of goods and services with the Rest of the World, with imports growing more than exports (1.3% and 0.8%, respectively).

GDP and Gross National Income (GNI) registered changes of rate of 0.9% and 1.0%, respectively. The growth of GNI above GDP reflected the improvement in the negative balance of property income with the Rest of the World, which accounted for -2.7% of GDP, in the third quarter of 2019. Property income paid and received with the Rest of the World decreased by 5.6% and 8.8%, respectively.

Gross disposable income (GDI) increased by 1.0%, 0.2 percentage points higher than the rate of change of final consumption expenditure (which includes Households and GGs final consumption expenditure), leading to an increase of 1.5% in gross saving (2.5% in the previous quarter). Gross saving of the economy reached 18.6% of GDP in the third quarter of 2019 (18.5% in the previous quarter).

**Table 1: GDP, GNI and GDI (year ending 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 (%) |
| 2016Q1 | 181 554 | 1.0 | 177 287 | 1.4 | 180 632 | 1.3 |
| 2016Q2 | 183 123 | 0.9 | 178 445 | 0.7 | 182 196 | 0.9 |
| 2016Q3 | 184 778 | 0.9 | 179 803 | 0.8 | 183 535 | 0.7 |
| 2016Q4 | 186 490 | 0.9 | 181 960 | 1.2 | 185 549 | 1.1 |
| 2017Q1 | 188 425 | 1.0 | 183 867 | 1.0 | 188 012 | 1.3 |
| 2017Q2 | 190 776 | 1.2 | 186 006 | 1.2 | 190 065 | 1.1 |
| 2017Q3 | 193 088 | 1.2 | 188 349 | 1.3 | 192 707 | 1.4 |
| 2017Q4 | 195 947 | 1.5 | 191 348 | 1.6 | 195 931 | 1.7 |
| 2018Q1 | 197 864 | 1.0 | 193 706 | 1.2 | 198 147 | 1.1 |
| 2018Q2 | 199 619 | 0.9 | 195 565 | 1.0 | 200 123 | 1.0 |
| 2018Q3 | 201 643 | 1.0 | 197 408 | 0.9 | 202 035 | 1.0 |
| 2018Q4 | 203 896 | 1.1 | 199 411 | 1.0 | 204 006 | 1.0 |
| 2019Q1 | 205 817 | 0.9 | 201 012 | 0.8 | 205 511 | 0.7 |
| 2019Q2 | 207 553 | 0.8 | 203 245 | 1.1 | 207 812 | 1.1 |
| 2019Q3 | 209 392 | 0.9 | 205 264 | 1.0 | 209 814 | 1.0 |

The 2.2% increase in Gross Capital Formation (GCF) more than offset the one in gross saving, resulting in a net lending of 0.3% of GDP (0.5% in the previous quarter).

**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(-) |
|---|---|---|---|---|
| 2016Q1 | 16.2 | 1.1 | 16.2 | 1.2 |
| 2016Q2 | 16.4 | 1.0 | 16.0 | 1.4 |
| 2016Q3 | 16.5 | 1.0 | 16.0 | 1.6 |
| 2016Q4 | 16.5 | 0.9 | 15.8 | 1.5 |
| 2017Q1 | 16.8 | 0.9 | 15.9 | 1.9 |
| 2017Q2 | 17.0 | 0.9 | 16.4 | 1.6 |
| 2017Q3 | 17.7 | 0.8 | 16.8 | 1.8 |
| 2017Q4 | 18.2 | 0.8 | 17.2 | 1.8 |
| 2018Q1 | 18.6 | 0.8 | 17.6 | 1.8 |
| 2018Q2 | 18.7 | 0.8 | 17.6 | 1.9 |
| 2018Q3 | 18.7 | 0.8 | 17.9 | 1.8 |
| 2018Q4 | 18.3 | 0.9 | 18.1 | 1.2 |
| 2019Q1 | 18.2 | 0.9 | 18.7 | 0.5 |
| 2019Q2 | 18.5 | 0.8 | 19.0 | 0.5 |
| 2019Q3 | 18.6 | 0.8 | 19.2 | 0.3 |

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

The GG registered a surplus of 3.6 million euros in the year ending in the third quarter of 2019, which compares with a net lending of 0.2% of GDP in the previous quarter. This slight reduction in the balance mainly reflected the increase in public consumption, which registered a rate of change of 1.3% (0.8% in the previous quarter).

The negative balance of Non-Financial Corporations (NFC) remained at -4.0% of GDP, with capital expenditure and savings presenting similar increases. Net lending of Financial Corporations decreased slightly from 3.1% to 3.0% of GDP, while Households' net lending increased to 1.2% of GDP (1.1% in the previous quarter).

The external balance of goods and services was negative for the third consecutive quarter, standing at -0.8% of GDP in the third quarter of 2019 (see figure 2).

**Figure 1 - Net Lending(+) /Borrowing(-) by institutional sector (in % of GDP , year ending in the quarter)**

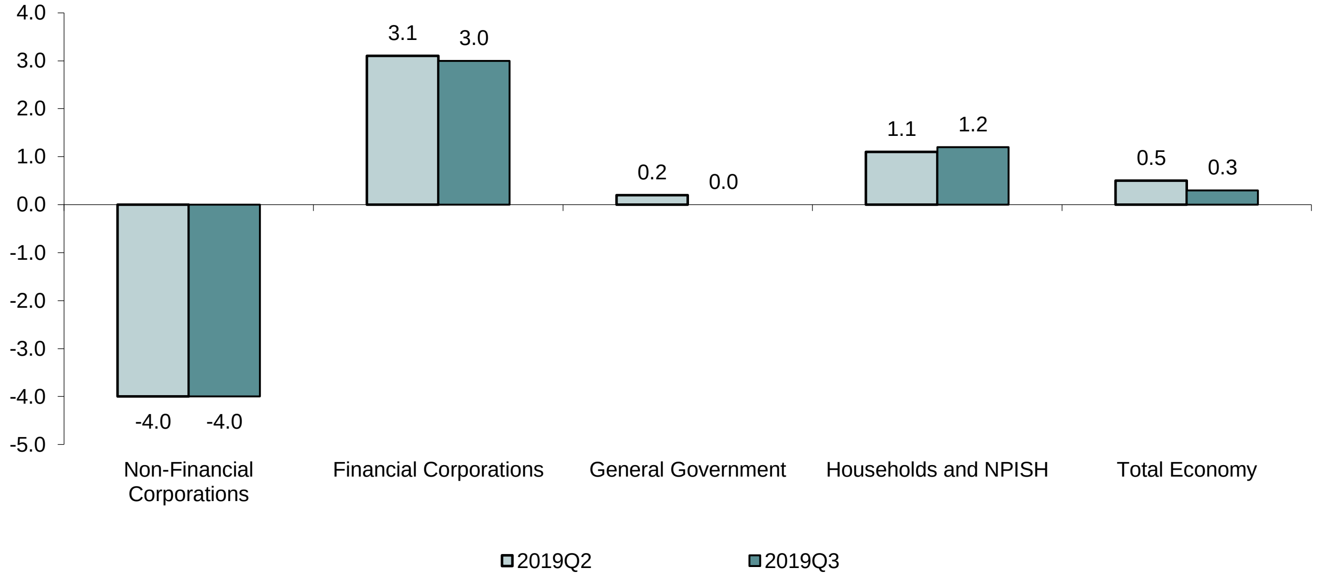
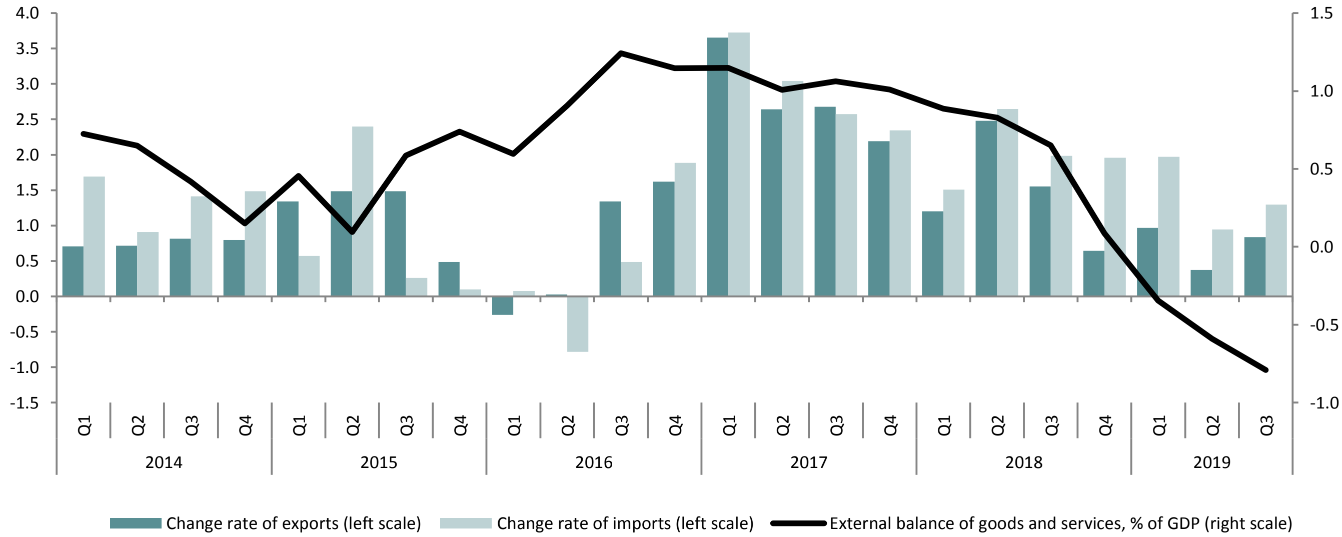



**Figure 2 - External balance of goods and services (year ending in the quarter)**




**Households: net lending stood at 1.2% of GDP**

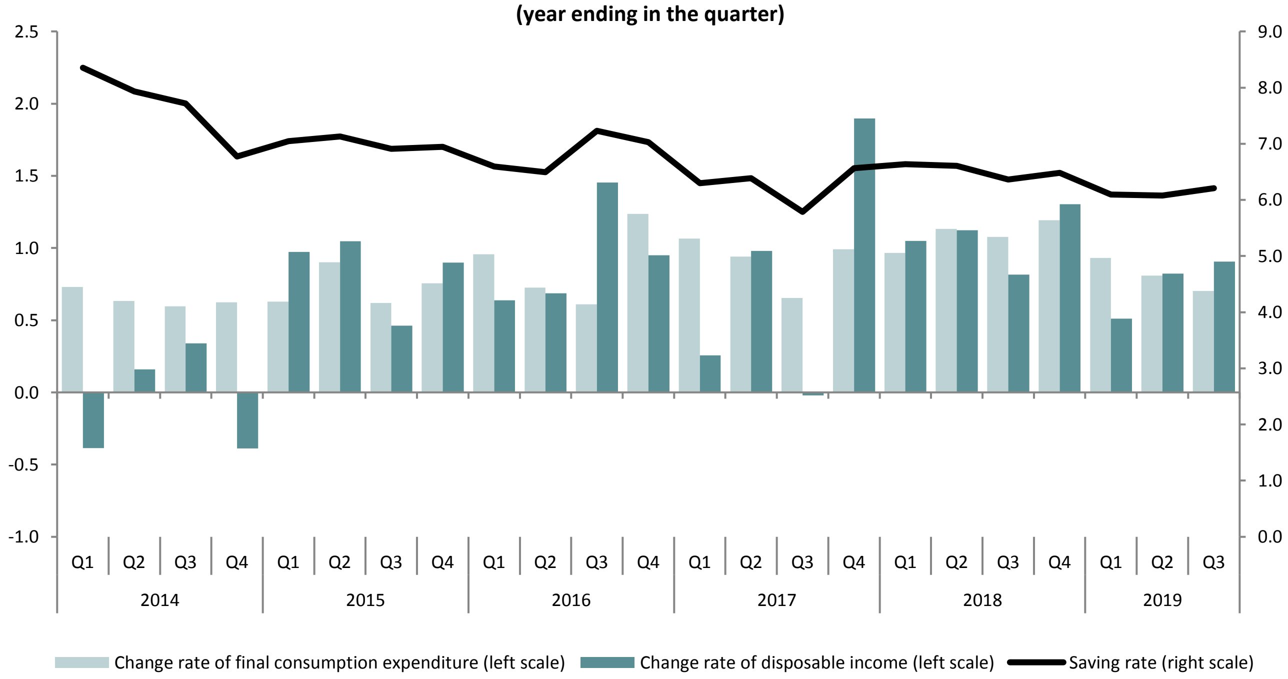
Households' net lending was 1.2% of GDP in the year ending in the third quarter of 2019, 0.1 percentage points more than in the previous quarter, reflecting an increase in current saving above the increase in gross capital formation (3.1% and 1.8%, respectively).

Figure 3 presents the saving rate and the rates of change in disposable income and final consumption expenditure. Household saving rate increased slightly to 6.2% of disposable income (6.1% in the previous quarter), as a result of the increase in disposable income (0.9%) higher by 0.2 percentage points than the increase in final consumption expenditure.

The evolution of disposable income of households was determined by the 1.1% increase in compensation of employees received, which explains 0.7 percentage points of the increase in income (see table 3).

Household Investment (Gross Fixed Capital Formation) registered a growth rate of 1.8% in the third quarter of 2019 (1.7% in the previous quarter).

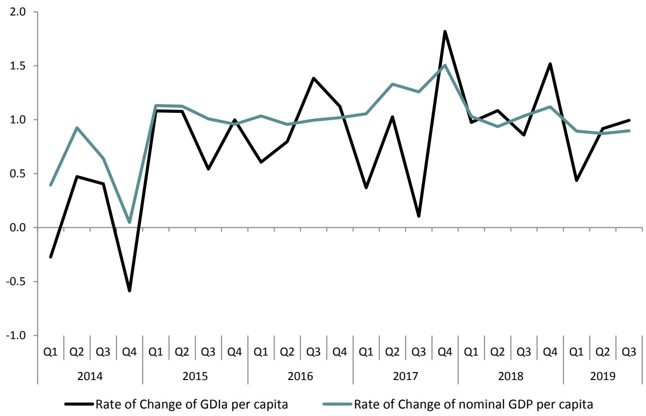
**Figure 3 - Saving rate of Households and NPISH (year ending in the quarter)**




Adjusted household GDI ($GDI_a$) per capita stood at 16.0 thousand euros in the third quarter of 2019, which corresponds to a 1.0% increase when compared to the previous quarter, 0.1 percentage points higher than the of change in nominal GDP *per capita*.

Note that adjusted GDI differs from GDI by including the value of goods and services that are purchased or produced by GG or NPISH and intended for household consumption[1].

**Figure 4 - Households' Adjusted Disposable Income (%)**




[1] Such as, for example, reimbursements in the purchase of medicines by households.

**Table 3: Contributions to the change rate of disposable income of Households and NPISH (percentage points, year ending in the quarter)**

| | Compensation of Employees (1) | Operating Surplus + Mixed Income (Gross) (2) | Net Property Income (receivable) (3) | Social benefits less contributions, excluding social transfers in kind (4) | Net Transfers (receivable) (5) | Taxes (6) | Disposable Income (7) = (1)+...+(5) - (6) |
|---|---|---|---|---|---|---|---|
| 2018Q1 | 0.6 | 0.3 | 0.0 | 0.0 | 0.2 | 0.1 | 1.0 |
| 2018Q2 | 0.8 | 0.3 | 0.2 | -0.1 | -0.1 | -0.1 | 1.1 |
| 2018Q3 | 0.7 | 0.3 | 0.2 | -0.1 | 0.0 | 0.3 | 0.8 |
| 2018Q4 | 1.3 | 0.2 | -0.3 | 0.3 | 0.0 | 0.2 | 1.3 |
| 2019Q1 | 0.7 | 0.2 | -0.2 | -0.1 | 0.0 | 0.1 | 0.5 |
| 2019Q2 | 0.7 | 0.2 | -0.2 | 0.0 | 0.1 | 0.0 | 0.8 |
| 2019Q3 | 0.7 | 0.2 | -0.1 | 0.0 | 0.0 | 0.0 | 0.9 |

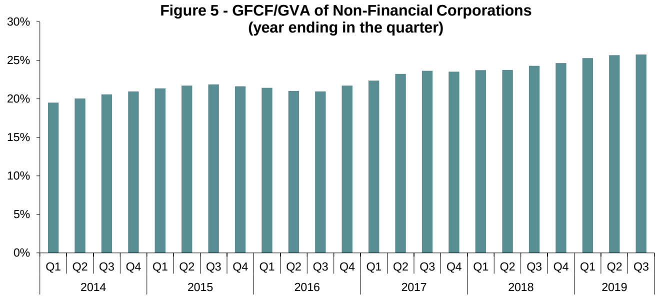
## Non-Financial Corporations: net borrowing stood at 4.0% of GDP

Net borrowing of Non-Financial Corporations increased by 0.4 percentage points to 4.0% of GDP in the year ending in the third quarter of 2019. Saving increased by 1.7%, after declining in the previous quarter), while investment decelerated from 2.2% in the previous quarter to 1.3%. The investment rate (measured by the ratio of investment to GVA) increased to 25.8%.

The compensation of employees paid by the sector increased by 1.2%, higher than the 0.9% increase in GVA.

Reflecting behavior of GVA and the compensation of employees, the Gross Operating Surplus increased 0.5%. The operating margin rate for the sector reached 26.3% (0.3 percentage points less than in the previous quarter)[2].

Figure 5 - GFCF/GVA of Non-Financial Corporations (year ending in the quarter)




## Financial Corporations: net lending stood at 3.0% of GDP

The net lending of Financial Corporations decreased slighly to 3.0% of GDP (3.1% in the previous quarter). The sector's gross savings increased by 1.1% in the third quarter of 2019 (-1.3% in the previous quarter), lower than the increase in investment, leading to a reduction in the sector's balance.

## General Government: net balance decreased by 0.2 percentage points of GDP

The net balance of the GG recorded a decrease of 0.2 percentage points in the year ending in the third quarter 2019 compared to the year ending in the previous quarter, attaining 0.0% of GDP. As shown in tables 4 and 5, this decrease resulted of a higher

[2] This rate is obtained by the ratio between GOS and GVA and corresponds to the percentage of value created that is channeled for compensation of the financial resources invested in corporations.

increase in expenditure than in revenue (1.1% and 0.6%, respectively).

The behavior of expenditure expressed in its two components: capital expenditure which increased 2.8% and current expenditure that increased 0.9%. The changes in current expenditure were due to the decrease in interest paid (2.6%) and the increases in social benefits (1.1%), compensation of employees (1.1%), intermediate consumption (0.7%), subsidies (9.2%) and other current expenditure (2.4%).

The change in total revenue was due to the increase of 0.8% in current revenue which more than offset the decrease of 16.7% in capital revenue. On the side of current revenue, there increases in taxes on production and imports (0.4%), social contributions (1.7%), sales (0.7%) and other current revenue (3.6%). It is worth mentioning the slight decrease of 0.1% in current taxes on income and wealth as a result of the increase in reimbursements, since the gross revenue increased in the same period. The decrease in capital revenue is explained by the base effect of BPP credit recovery registered in the third quarter of 2018.

Considering quarterly figures rather than the sum of four quarters, the net balance of the GG was positive in the third quarter 2019, attaining 2 461.3 million euro (4.6% of GDP), that compares with 5.4% of GDP for the same period of the previous year, as it can be seen in table 6. The decrease of the net balance was a result of increases in both total expenditure and total revenue (of 4.3% and 2.3%, respectively).

In what refers to expenditure, current expenditure increased by 3.7% as all of its components, apart from interest paid, increased. Capital expenditure increased by 14.6%.

The increase in total revenue was determined by current revenue (rate of change of 3.0%) as capital revenue decreased by 47.9% due to the BPP credit recovery as abovementioned. The change in current revenue was due to the increases of taxes on production and imports, social contributions, sales and other current revenue, and the decreases in current taxes on income and wealth.

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

Unit: $10^6$ EUR

| | 2018Q1 | 2018Q2 | 2018Q3 | 2018Q4 | 2019Q1 | 2019Q2 | 2019Q3 |
|---|---|---|---|---|---|---|---|
| **Total revenue** | **83 497.7** | **84 073.2** | **86 087.5** | **87 695.1** | **88 707.0** | **89 783.8** | **90 364.8** |
| Current revenue | 82 775.8 | 83 427.9 | 85 278.7 | 86 866.5 | 87 857.3 | 88 909.9 | 89 637.2 |
| Current taxes on income and w ealth | 19 507.7 | 19 293.8 | 20 314.3 | 20 680.7 | 20 908.6 | 20 811.7 | 20 780.8 |
| Taxes on production and imports | 29 629.7 | 29 848.1 | 30 406.3 | 30 955.8 | 31 254.7 | 31 646.8 | 31 781.5 |
| Social contributions | 22 864.6 | 23 125.1 | 23 311.5 | 23 835.4 | 24 093.8 | 24 479.0 | 24 885.1 |
| Sales | 6 855.0 | 6 930.8 | 7 058.3 | 7 129.4 | 7 321.3 | 7 431.1 | 7 486.4 |
| Other current revenue | 3 918.7 | 4 230.1 | 4 188.3 | 4 265.2 | 4 278.9 | 4 541.4 | 4 703.3 |
| Capital revenue | 721.9 | 645.3 | 808.8 | 828.6 | 849.7 | 873.8 | 727.6 |
| **Total expenditure** | **84 998.5** | **86 133.7** | **86 380.7** | **88 606.0** | **88 998.2** | **89 410.7** | **90 361.2** |
| Current expenditure | 80 399.6 | 80 296.9 | 80 390.5 | 82 297.3 | 82 672.3 | 83 184.2 | 83 962.8 |
| Social benefits | 36 028.1 | 36 035.1 | 36 081.6 | 37 098.7 | 37 343.5 | 37 663.3 | 38 093.9 |
| Compensation of employees | 21 303.7 | 21 198.9 | 21 201.0 | 21 835.2 | 22 019.2 | 22 223.1 | 22 478.0 |
| Interest | 7 270.1 | 7 144.1 | 6 987.6 | 6 897.8 | 6 808.7 | 6 755.0 | 6 582.6 |
| Intermediate consumption | 10 570.5 | 10 735.8 | 10 907.5 | 11 067.4 | 10 957.7 | 10 962.2 | 11 039.6 |
| Subsidies | 836.8 | 823.3 | 793.0 | 750.5 | 756.7 | 770.2 | 840.9 |
| Other current expenditure | 4 390.3 | 4 359.6 | 4 419.7 | 4 647.7 | 4 786.6 | 4 810.3 | 4 927.8 |
| Capital expenditure | 4 598.8 | 5 836.8 | 5 990.2 | 6 308.8 | 6 325.9 | 6 226.5 | 6 398.4 |
| Investment (1) | 3 520.1 | 3 725.3 | 3 893.9 | 3 957.9 | 3 944.8 | 3 727.3 | 3 724.7 |
| Other capital expenditure | 1 078.8 | 2 111.5 | 2 096.3 | 2 350.9 | 2 381.1 | 2 499.2 | 2 673.7 |
| **Current Balance** | 2 376.2 | 3 131.0 | 4 888.2 | 4 569.3 | 5 185.0 | 5 725.8 | 5 674.4 |
| **Balance** | **-1 500.8** | **-2 060.5** | **- 293.2** | **- 910.9** | **- 291.2** | **373.1** | **3.6** |
| *By memory:* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* |
| Primary current expenditure | 73 129.5 | 73 152.8 | 73 402.9 | 75 399.4 | 75 863.5 | 76 429.1 | 77 380.2 |
| Gross Domestic Product at current market prices | 197 864.2 | 199 619.4 | 201 642.9 | 203 896.2 | 205 817.3 | 207 553.4 | 209 391.8 |
| Balance in % of GDP | -0.8% | -1.0% | -0.1% | -0.4% | -0.1% | 0.2% | 0.0% |

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

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

Unit: %

| | 2018Q1 | 2018Q2 | 2018Q3 | 2018Q4 | 2019Q1 | 2019Q2 | 2019Q3 |
|---|---|---|---|---|---|---|---|
| **Total revenue** | **0.5** | **0.7** | 2.4 | 1.9 | 1.2 | 1.2 | 0.6 |
| Current revenue | 0.5 | 0.8 | 2.2 | 1.9 | 1.1 | 1.2 | 0.8 |
| Current taxes on income and w ealth | 0.5 | -1.1 | 5.3 | 1.8 | 1.1 | -0.5 | -0.1 |
| Taxes on production and imports | 1.6 | 0.7 | 1.9 | 1.8 | 1.0 | 1.3 | 0.4 |
| Social contributions | 0.8 | 1.1 | 0.8 | 2.2 | 1.1 | 1.6 | 1.7 |
| Sales | 0.4 | 1.1 | 1.8 | 1.0 | 2.7 | 1.5 | 0.7 |
| Other current revenue | -8.8 | 7.9 | -1.0 | 1.8 | 0.3 | 6.1 | 3.6 |
| Capital revenue | 0.6 | -10.6 | 25.3 | 2.4 | 2.5 | 2.8 | -16.7 |
| **Total expenditure** | **-4.4** | **1.3** | **0.3** | **2.6** | **0.4** | **0.5** | **1.1** |
| Current expenditure | 0.0 | -0.1 | 0.1 | 2.4 | 0.5 | 0.6 | 0.9 |
| Social benefits | 0.0 | 0.0 | 0.1 | 2.8 | 0.7 | 0.9 | 1.1 |
| Compensation of employees | -0.4 | -0.5 | 0.0 | 3.0 | 0.8 | 0.9 | 1.1 |
| Interest | -1.7 | -1.7 | -2.2 | -1.3 | -1.3 | -0.8 | -2.6 |
| Intermediate consumption | 0.0 | 1.6 | 1.6 | 1.5 | -1.0 | 0.0 | 0.7 |
| Subsidies | 1.7 | -1.6 | -3.7 | -5.4 | 0.8 | 1.8 | 9.2 |
| Other current expenditure | 5.1 | -0.7 | 1.4 | 5.2 | 3.0 | 0.5 | 2.4 |
| Capital expenditure | -46.1 | 26.9 | 2.6 | 5.3 | 0.3 | -1.6 | 2.8 |
| Investment (1) | 1.0 | 5.8 | 4.5 | 1.6 | -0.3 | -5.5 | -0.1 |
| Other capital expenditure | -78.6 | 95.7 | -0.7 | 12.1 | 1.3 | 5.0 | 7.0 |

(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 2018 | | 3rd quarter 2019 | | Nominal change rate (%) |
|---|---|---|---|---|---|
| | million euro | % GDP | million euro | % GDP | |
| **Total revenue** | **24 905.2** | **47.9** | **25 486.3** | **47.4** | **2.3** |
| Current revenue | 24 600.1 | 47.3 | 25 327.4 | 47.1 | 3.0 |
| Current taxes on income and wealth | 7 919.3 | 15.2 | 7 888.4 | 14.7 | - 0.4 |
| Taxes on production and imports | 8 267.0 | 15.9 | 8 401.7 | 15.6 | 1.6 |
| Social contributions | 5 771.0 | 11.1 | 6 177.1 | 11.5 | 7.0 |
| Sales | 1 820.5 | 3.5 | 1 875.8 | 3.5 | 3.0 |
| Other current revenue | 822.4 | 1.6 | 984.4 | 1.8 | 19.7 |
| Capital revenue | 305.1 | 0.6 | 158.9 | 0.3 | - 47.9 |
| **Total expenditure** | **22 074.5** | **42.5** | **23 025.0** | **42.8** | **4.3** |
| Current expenditure | 20 894.2 | 40.2 | 21 672.9 | 40.3 | 3.7 |
| Social benefits | 10 071.6 | 19.4 | 10 502.1 | 19.5 | 4.3 |
| Compensation of employees | 4 990.2 | 9.6 | 5 245.1 | 9.7 | 5.1 |
| Interest | 1 802.3 | 3.5 | 1 629.9 | 3.0 | - 9.6 |
| Intermediate consumption | 2 796.4 | 5.4 | 2 873.8 | 5.3 | 2.8 |
| Subsidies | 150.8 | 0.3 | 221.5 | 0.4 | 46.9 |
| Other current expenditure | 1 083.0 | 2.1 | 1 200.5 | 2.2 | 10.8 |
| Capital expenditure | 1 180.2 | 2.3 | 1 352.1 | 2.5 | 14.6 |
| Investment [(1)] | 1 020.1 | 2.0 | 1 017.5 | 1.9 | - 0.3 |
| Other capital expenditure | 160.1 | 0.3 | 334.6 | 0.6 | 109.0 |
| **Current Balance** | 3 705.9 | 7.1 | 3 654.5 | 6.8 | |
| **Balance** | 2 830.7 | 5.4 | 2 461.3 | 4.6 | |

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

Table 7 presents the main adjustments carried out for moving from Public Accounting to National Accounts balances. Comparing the third quarter 2019 with the same period of the previous year, both National Accounting and Public Accounting balances decreased. It is worth mentioning that the expenditure in capital injections and debt assumptions was in almost its entirety given to public corporations classified inside GG, therefore not impacting the net balance of GG. The main differences between National and Public Accounting were due to time adjustment of taxes and social contributions and to GG sector delimitation. Taxes and social contributions are time-adjusted so that the recording and the moment when the activity took place are closer.

**Table 7: Public to National Accounting adjustments**

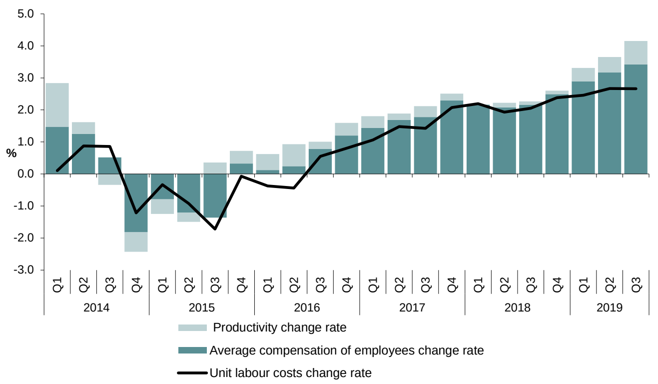
| | Unit: $10^6$ euro | |
|---|---|---|
| | **2018Q1-Q3** | **2019Q1-Q3** |
| **Balance in Public Accounting:** | **3 863.4** | **3 274.2** |
| Accrual adjustment and sector delimitation in National Accounts | 24.6 | 395.6 |
| Difference betw een paid and due interest | - 834.5 | - 737.0 |
| Other receivables: | - 332.6 | - 264.4 |
| *Temporal adjustment to taxes and contributions* | *- 144.9* | *- 173.4* |
| *Others* | *- 187.7* | *- 91.1* |
| Other payables: | 182.0 | 33.6 |
| *Expenditure already incurred but not yet paid* | *29.9* | *- 18.4* |
| *Others* | *152.1* | *51.9* |
| Other adjustments: | - 72.2 | - 240.7 |
| *of which:* | | |
| *Capital injections and debt assumptions* | *- 37.7* | *- 286.0* |
| **Balance in National Accounting:** | **2 830.7** | **2 461.3** |
| GDP (1) | 51 976.3 | 53 814.7 |
| Balance in National Accounting in % of GDP | 5.4% | 4.6% |

(1) Non seasonally and calendar effects ajusted data

## Unit labour costs (ULC) increased 2.7%

In the year ending in the third quarter of 2019, ULC registered an increase of 2.7%, the same rate as in the previous quarter. The growth of ULC was determined by the increase of the average compensation of employees higher than productivity.

Figure 6 - Unit labour costs change rates
(year ending in the quarter)




## Revision of estimates

The Quarterly Accounts by Institutional Sector now presented incorporate new information with consequent revisions to previous estimates of some aggregates. Thus, compared to the previous publication for the second quarter of 2019, it is important to highlight the incorporation of quarterly accounts revisions for the total economy. It should be noted that the results for the total economy differ from those published last November 29, in particular in nominal terms, reflecting the incorporation of new information on international trade and public consumption.

Additionally, the latest 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.