

Quarterly Sector Accounts  
1<sup>st</sup> quarter of 2013

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**Net lending of the Portuguese economy increases**

In the year ending in the 1<sup>st</sup> quarter of 2013, the net lending of the Portuguese economy increased to 1.2% of GDP (0.3% of the GDP in 2012). This result was mainly due to improvements in the balance of goods and services and in the balance of primary income.

The households saving rate reached 12.9% in the year ending in the 1<sup>st</sup> quarter of 2013 (11.6% in 2012). This increase was determined by the reduction of 1.0% in the final consumption and by the increase of the disposable income (change rate of 0.5% in the year ending in the 1<sup>st</sup> quarter of 2013). The households net lending increased to 7.7% of GDP in the year ending in the 1<sup>st</sup> quarter of 2013 (plus 1.2 percentage points than in the previous quarter).

Non-financial corporations and financial corporations balances stood respectively at -2.8% and 3.4% in the year ending in the 1<sup>st</sup> quarter of 2013.

The net borrowing of general government increased from 6.4% of GDP in 2012 to 7.1% in the year ending in the 1<sup>st</sup> quarter of 2013. This behaviour reflected mainly the increases in social benefits expenditures and particularly in capital transfers. Considering quarterly figures and not the year ending in the quarter, the general government balance stood at -10.6% of GDP in the 1<sup>st</sup> quarter of 2013 (-7.9% of GDP in the same quarter of the previous year).

Gross National Income and Gross Disposable Income continued to present less intense reductions (change rates of -0.5% in both cases) than GDP (-0.8%).

Unit labour costs maintained the downward trend, although at a slower pace, mainly associated to the impact in average compensation of employees of the changes in the payments of bonuses compared with 2012.

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The current results are the preliminary version of the Quarterly Sector Accounts for the 1<sup>st</sup> quarter of 2013. Unless stated otherwise, the results and graphics in this press release are presented as the cumulated sum of 4 quarters. The change rates compare different years or the year ending in the reference quarter with the year

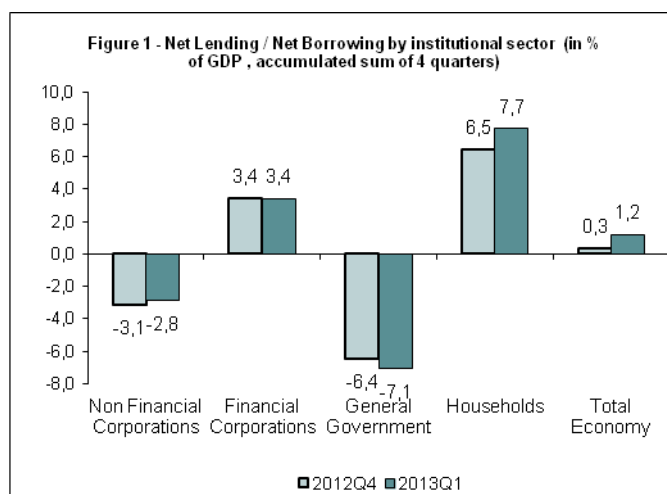
ended in the previous quarter. All variables are valued at current prices.

In addition to the attached tables, additional information can be accessed in National Statistics Portugal's website.

### Main results

The Portuguese economy registered a net lending of 1.2% of GDP in the year ending in the first quarter of 2013, accentuating the positive developments started in the previous quarter, in which the Portuguese economy attained a positive balance for the first time (0.3% in 2012). This development was mainly due to the improvement of the balance of goods and services and the balance of primary income. The surplus in the external account of goods and services was mainly determined by the reduction in 1.7% in imports in the year ending in the 1<sup>st</sup> quarter of 2013. The net borrowing of general government increased from 6.4% of GDP in 2012 to 7.1% in the year ending in the 1<sup>st</sup> quarter of 2013. For this negative behaviour contributed mainly the increase in expenditure on social benefits and other capital expenditures.

For all the other domestic sectors, the net lending represented 8.3% of GDP in the year ending in the 1<sup>st</sup> quarter of 2013, compared with a net lending of 6.8% of GDP in 2012.



Balances of non-financial corporations and financial corporations stood at -2.8% and 3.4% in the year

Quarterly sector accounts – 1<sup>st</sup> quarter of 2013

ending in the 1<sup>st</sup> quarter of 2013, respectively. Comparing with the 4<sup>th</sup> quarter of 2012, the net lending of the households sector increased by 1.2 percentage points (p.p.) of GDP, reaching 7.7% in the year ending in the 1<sup>st</sup> quarter of 2013.

### Households: savings rate increases to 12.9% of disposable income

The increase in the net lending of the households was associated with the improvement in gross savings, which recorded a change rate of 12.2%, leading to an increase in the savings rate from 11.6% in the end of 2012 to 12.9% in the year ending in the 1<sup>st</sup> quarter of 2013. The increase by 0.5% in the disposable income, associated with the reduction of 1.0% in final consumption expenditure, determined that increase in savings.

The increases in the balance of property income and social benefits received more than compensated the increase in income taxes, determining the behaviour of disposable income. Income taxes increased by 5.3% in the year ending in the 1<sup>st</sup> quarter of 2013, following the changes introduced in the personal income tax in 2013.

The increase of households' disposable income was also influenced by compensation of employees, which moved from a change rate of -2.8% in the end of 2012 to only -0.2% in the year ending in the 1<sup>st</sup> quarter of 2013. The less intense reduction of compensation of employees was influenced by the payment, on a monthly basis, of Christmas and holiday bonuses. In the case of the public sector, Christmas bonus is being paid in 2013 on a monthly basis, whereas in the case of the private sector it was possible to choose to receive half of the holiday bonus as well as half of the Christmas bonus on a monthly basis.

## **General Government: net borrowing increases by 0.6 p.p.**

The net borrowing of the general government sector (GG) recorded an increase of 0.6 p.p. in the year ending in the first quarter of 2013 compared to the year ending in the previous quarter, attaining 7.1% of GDP. This increase in net borrowing resulted from a more intense increase of the expenditure compared with the observed for the revenue (see Table 1).

On the revenue side, there was an increase in taxes on income and wealth. Social contributions remained broadly at the same level of the previous quarter, while taxes on production and imports and capital transfers decreased.

On the expenditure side, most of the components increased in the year ending in the 1<sup>st</sup> quarter of 2013 compared to 2012. There was only a slight reduction in intermediate consumption and a more marked decrease in investment. It should be highlighted the increase of other capital expenditure and social benefits paid as the major contributors for the expenditure increase. The behaviour of other capital expenditure was mainly due to the increase in shares on a financial institution made by the GG, which was considered as a capital transfer in National Accounts, amounting to 700 million Euros (1.8% of GDP).

Taking into consideration quarterly figures instead of the sum of four quarters (see Table 3), the net borrowing of the GG stood at -4,167.3 million Euros in the first quarter of 2013 (-10.6% of GDP), while in the same quarter of 2012 it was -3,206.9 (-7.9% of GDP).

As it was already mentioned in previous press releases, in the compilation of the budget deficit in National Accounts it is necessary to make several adjustments to

Public Accounting data. Indeed, Public Accounting data is on a cash-basis, meaning that expenditures are recorded in the accounting period in which they are paid. On the contrary, in National Accounts, expenditure is recorded on an accrual-basis, that is, in the accounting period to which they refer to, regardless of whether their payment is made in a different period. Accordingly, payments referring to expenditure that is due to other periods are not considered. 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 viewpoint but are included in Public Accounting are excluded.

Finally, there are transactions that, accordingly with the conceptual framework of the National Accounts, have a specific classification, notably in some cases where entities from the GG sector acquire shares from other entities, which are recorded as capital transfers and not as financial transactions, leading to the introduction of the corresponding adjustments.

Table 4 presents the main adjustments for moving from the Public Accounting to the National Accounts balances. Comparing the 1<sup>st</sup> quarter of 2013 with the same quarter of the previous year, there was a significant decline of the Public Accounting balance. In the National Accounts adjustments it shows up the already mentioned share capital increase on a financial institution in the item "capital injections" in the 1<sup>st</sup> quarter of 2013.

Table 1: Revenue and expenditure of general government in the year ending in the quarter

Unit: 10<sup>6</sup> euro

|   | 2012Q1          | 2012Q2          | 2012Q3          | 2012Q4           | 2013Q1           |
|---|-----------------|-----------------|-----------------|------------------|------------------|
| <b>Total revenue</b>                            | <b>76 586.8</b> | <b>76 150.7</b> | <b>75 251.6</b> | <b>67 794.2</b>  | <b>67 915.0</b>  |
| Current revenue                                 | 68 962.9        | 68 293.9        | 67 282.5        | 65 624.2         | 65 881.9         |
| Current taxes on income and wealth              | 16 851.1        | 16 912.1        | 16 301.5        | 15 291.3         | 15 789.5         |
| Taxes on production and imports                 | 23 059.6        | 22 838.0        | 22 554.8        | 22 522.4         | 22 264.9         |
| Social contributions                            | 20 747.1        | 20 201.0        | 19 816.4        | 19 230.4         | 19 237.0         |
| Sales   | 4 487.0         | 4 618.6         | 4 699.9         | 4 561.5          | 4 537.5          |
| Other current revenue                           | 3 818.1         | 3 724.2         | 3 910.0         | 4 018.6          | 4 053.2          |
| Capital revenue                                 | 7 623.9         | 7 856.8         | 7 969.1         | 2 170.0          | 2 033.1          |
| <b>Total expenditure</b>                        | <b>84 248.4</b> | <b>83 018.7</b> | <b>81 779.5</b> | <b>78 418.6</b>  | <b>79 499.8</b>  |
| Current expenditure                             | 77 726.4        | 76 510.9        | 75 929.6        | 73 372.8         | 74 119.1         |
| Social benefits                                 | 37 965.6        | 38 156.4        | 37 839.5        | 37 355.2         | 37 788.6         |
| Compensation of employees                       | 19 095.2        | 17 785.3        | 17 516.8        | 16 308.9         | 16 387.8         |
| Interest  | 7 262.0         | 7 422.2         | 7 421.5         | 7 293.7          | 7 315.8          |
| Intermediate consumption                        | 8 077.0         | 7 873.2         | 7 906.2         | 7 535.7          | 7 507.6          |
| Subsidies                                       | 1 080.8         | 1 073.9         | 1 072.7         | 1 038.8          | 1 044.7          |
| Other current expenditure                       | 4 245.8         | 4 200.0         | 4 172.9         | 3 840.6          | 4 074.6          |
| Capital expenditure                             | 6 522.0         | 6 507.8         | 5 849.9         | 5 045.8          | 5 380.7          |
| Gross fixed capital formation                   | 4 418.6         | 3 782.0         | 3 130.2         | 2 681.4          | 2 443.6          |
| Other capital expenditure                       | 2 103.4         | 2 725.7         | 2 719.7         | 2 364.3          | 2 937.1          |
| <b>Current Balance</b>                          | <b>-8 763.5</b> | <b>-8 217.0</b> | <b>-8 647.1</b> | <b>-7 748.6</b>  | <b>-8 237.2</b>  |
| <b>Balance</b>                                  | <b>-7 661.6</b> | <b>-6 868.0</b> | <b>-6 527.9</b> | <b>-10 624.3</b> | <b>-11 584.8</b> |
| <i>By memory:</i>                               |                 |                 |                 |                  |                  |
| Primary current expenditure                     | 70 464.43       | 69 088.78       | 68 508.14       | 66 079.05        | 66 803.30        |
| Gross domestic product at current market prices | 170 730.90      | 168 543.50      | 167 384.10      | 165 246.70       | 163 927.20       |
| Balance in % of GDP                             | -4.5%           | -4.1%           | -3.9%           | -6.4%            | -7.1%            |

Table 2: Change rates of revenue and expenditure of general government in the year ending in the quarter

change rate (%)

|  | 2012Q1      | 2012Q2      | 2012Q3      | 2012Q4      | 2013Q1     |
|--|-------------|-------------|-------------|-------------|------------|
| <b>Total revenue</b>                         | <b>-0.5</b> | <b>-0.6</b> | <b>-1.2</b> | <b>-9.9</b> | <b>0.2</b> |
| Current revenue                              | -0.5        | -1.0        | -1.5        | -2.5        | 0.4        |
| Current taxes on income and wealth           | -0.7        | 0.4         | -3.6        | -6.2        | 3.3        |
| Taxes on production and imports              | -1.4        | -1.0        | -1.2        | -0.1        | -1.1       |
| Social contributions                         | -0.9        | -2.6        | -1.9        | -3.0        | 0.0        |
| Sales  | 1.3         | 2.9         | 1.8         | -2.9        | -0.5       |
| Other current revenue                        | 6.6         | -2.5        | 5.0         | 2.8         | 0.9        |
| Capital revenue                              | -0.2        | 3.1         | 1.4         | -72.8       | -6.3       |
| <b>Total expenditure</b>                     | <b>-0.2</b> | <b>-1.5</b> | <b>-1.5</b> | <b>-4.1</b> | <b>1.4</b> |
| Current expenditure                          | 0.1         | -1.6        | -0.8        | -3.4        | 1.0        |
| Social benefits                              | 0.9         | 0.5         | -0.8        | -1.3        | 1.2        |
| Compensation of employees                    | -1.8        | -6.9        | -1.5        | -6.9        | 0.5        |
| Interest                                     | 5.0         | 2.2         | 0.0         | -1.7        | 0.3        |
| Intermediate consumption                     | 0.5         | -2.5        | 0.4         | -4.7        | -0.4       |
| Subsidies                                    | -9.0        | -0.6        | -0.1        | -3.2        | 0.6        |
| Other current expenditure                    | -3.8        | -1.1        | -0.6        | -8.0        | 6.1        |
| Capital expenditure                          | -4.6        | -0.2        | -10.1       | -13.7       | 6.6        |
| Gross fixed capital formation <sup>(1)</sup> | 0.3         | -14.4       | -17.2       | -14.3       | -8.9       |
| Other capital expenditure                    | -13.5       | 29.6        | -0.2        | -13.1       | 24.2       |

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

Table 3: Revenue and expenditure of general government

|  | 1st quarter of 2012 |             | 1st quarter of 2013 |              | Change rate (%) |
|--|---------------------|-------------|---------------------|--------------|-----------------|
|  | million euro        | % GDP       | million euro        | % GDP        |                 |
| <b>Total revenue</b>                         | <b>15 221.3</b>     | <b>37.5</b> | <b>15 342.1</b>     | <b>39.0</b>  | <b>0.8</b>      |
| Current revenue                              | 14 932.5            | 36.7        | 15 190.2            | 38.6         | 1.7             |
| Current taxes on income and wealth           | 3 223.4             | 7.9         | 3 721.5             | 9.5          | 15.5            |
| Taxes on production and imports              | 5 240.3             | 12.9        | 4 982.7             | 12.7         | -4.9            |
| Social contributions                         | 4 566.3             | 11.2        | 4 572.9             | 11.6         | 0.1             |
| Sales  | 990.2               | 2.4         | 966.1               | 2.5          | -2.4            |
| Other current revenue                        | 912.3               | 2.2         | 947.0               | 2.4          | 3.8             |
| Capital revenue                              | 288.9               | 0.7         | 151.9               | 0.4          | -47.4           |
| <b>Total expenditure</b>                     | <b>18 428.2</b>     | <b>45.3</b> | <b>19 509.5</b>     | <b>49.6</b>  | <b>5.9</b>      |
| Current expenditure                          | 17 436.4            | 42.9        | 18 182.8            | 46.2         | 4.3             |
| Social benefits                              | 8 772.0             | 21.6        | 9 205.3             | 23.4         | 4.9             |
| Compensation of employees                    | 4 032.7             | 9.9         | 4 111.6             | 10.5         | 2.0             |
| Interest                                     | 1 861.6             | 4.6         | 1 883.7             | 4.8          | 1.2             |
| Intermediate consumption                     | 1 565.3             | 3.9         | 1 537.2             | 3.9          | -1.8            |
| Subsidies                                    | 141.9               | 0.3         | 147.8               | 0.4          | 4.2             |
| Other current expenditure                    | 1 063.1             | 2.6         | 1 297.2             | 3.3          | 22.0            |
| Capital expenditure                          | 991.8               | 2.4         | 1 326.7             | 3.4          | 33.8            |
| Gross fixed capital formation <sup>(1)</sup> | 745.5               | 1.8         | 507.7               | 1.3          | -31.9           |
| Other capital expenditure                    | 246.3               | 0.6         | 819.0               | 2.1          | 232.6           |
| <b>Current Balance</b>                       | <b>-2 504.0</b>     | <b>-6.2</b> | <b>-2 992.5</b>     | <b>-7.6</b>  |                 |
| <b>Balance</b>                               | <b>-3 206.9</b>     | <b>-7.9</b> | <b>-4 167.3</b>     | <b>-10.6</b> |                 |

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

Table 4: Public to National Account adjustments

|   | Unit: million euro |                 |
|---|--------------------|-----------------|
|   | 2012Q1             | 2013Q1          |
| <b>Balance in Public Accounting</b>                             | <b>-611.7</b>      | <b>-1 456.9</b> |
| Accrual adjustment and sector delimitation in National Accounts | -669.7             | -94.6           |
| Difference between paid and due interest                        | -1 103.7           | -1 035.5        |
| Other receivables:  | -1 027.5           | -926.1          |
| Other payables:   | -193.5             | 68.2            |
| Other adjustments:  | 398.2              | -706.9          |
| <i>of which:</i>  |                    |                 |
| <i>Capital injections</i>                                       | <i>347.0</i>       | <i>-700.0</i>   |
| <b>Balance in National Accounts</b>                             | <b>-3 207.8</b>    | <b>-4 151.8</b> |
| % of GDP  | -7.9%              | -10.6%          |

**Unit labour costs (ULC) decline**

In the year ended in the 1<sup>st</sup> quarter of 2013, unit labour costs recorded a year-on-year change rate of -2.1% (-3.7% in the previous quarter), determined by a decline in average compensation of employees (-1.7%), associated to an increase of 0.4% in productivity.

The less pronounced reduction of ULC in the 1<sup>st</sup> quarter of 2013 is explained by the behaviour of the average compensation of employees, which decreased 1.7% in year-on-year terms, while in the previous quarter it had declined 2.7%. This result was influenced by the payment of holiday and Christmas bonuses on a monthly basis.

