22 December 2017

Quarterly Sector Accounts (Base 2011)

Third Quarter 2017

## Net lending of the Portuguese economy increased to 1.1% of GDP

The net lending of the economy stood at 1.1% of the Gross Domestic Product (GDP) in the year ending in the third quarter of 2017, 0.2 percentage points (p.p.) more than in the previous quarter.

By institutional sector, there was an improvement in the General Government (GG) sector, from the net borrowing of 1.3% of GDP in the year ending in the second quarter of 2017 to 0.1%. The other sectors of the economy showed reductions in their respective balances. The net borrowing of Non-Financial Corporations increased by 0.3 p.p. to 1.8% of GDP, while the net lending of Financial Corporations declined slightly by 0.1 pp of GDP (2.1% in the third quarter). The net lending of Households decreased by 0.8 p.p., reflecting both the increase in final consumption expenditure and the decreased of disposable income.

Taking into account the quarterly figures and not the year ending in the quarter, the GG balance stood at around 1256.1 million Euros in the third quarter of 2017, corresponding to 2.6% of GDP (-2.1% in same period of the previous year). For the first three quarters of 2017, the total balance of the GG stood at -393.9 million Euros, representing -0.3% of GDP (-2.8% of GDP in the same period last year).

The current results are the preliminary version of the Quarterly Sector Accounts (QSA) for the third 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 increased to 1.1% of GDP**

The Portuguese economy registered a net lending of 1.1% of GDP in the third quarter of 2017, (0.2 p.p. more than in the year ending in the previous quarter). GDP and Gross National Income (GNI) grew by 1.0%, with a slight improvement in the balance of property income.

The Gross Disposable Income (GDI) registered a rate of change of 1.1%, higher than that of final consumption expenditure (0.7%), which led to a 3.3% increase in gross savings (0.3 p.p. more than in the previous quarter).

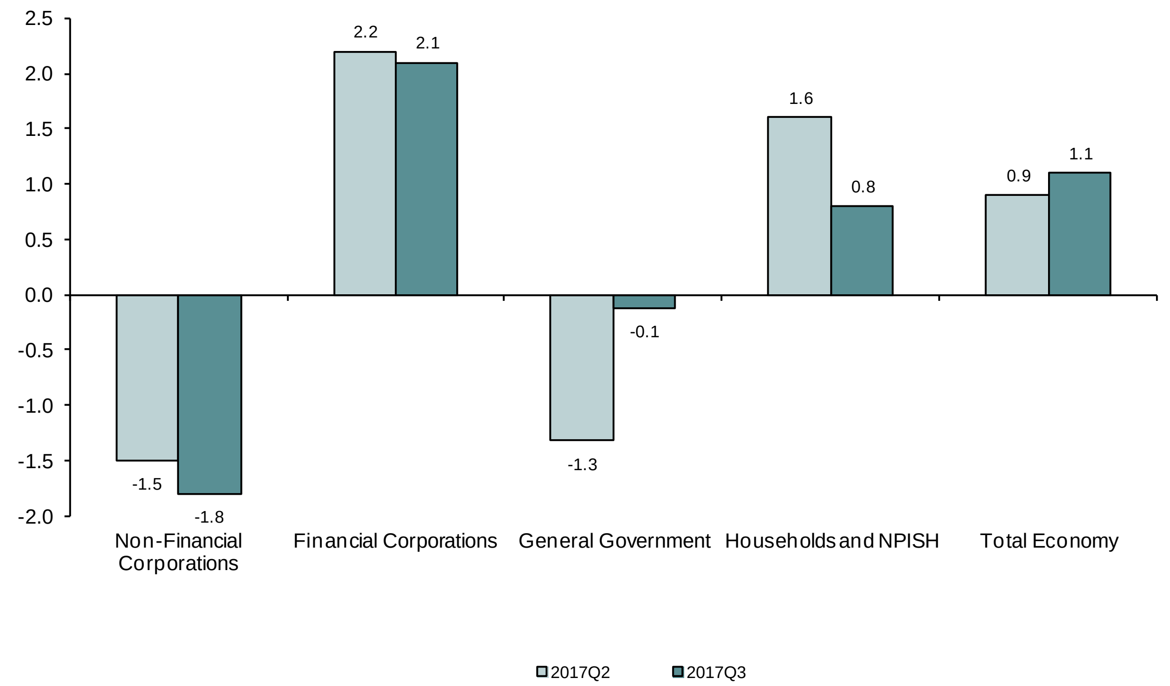
The growth in savings above that of the Gross Capital Formation (GFC), which recorded a 2.0% growth rate, led to an increase in the net lending of the economy to 1.1% of GDP.

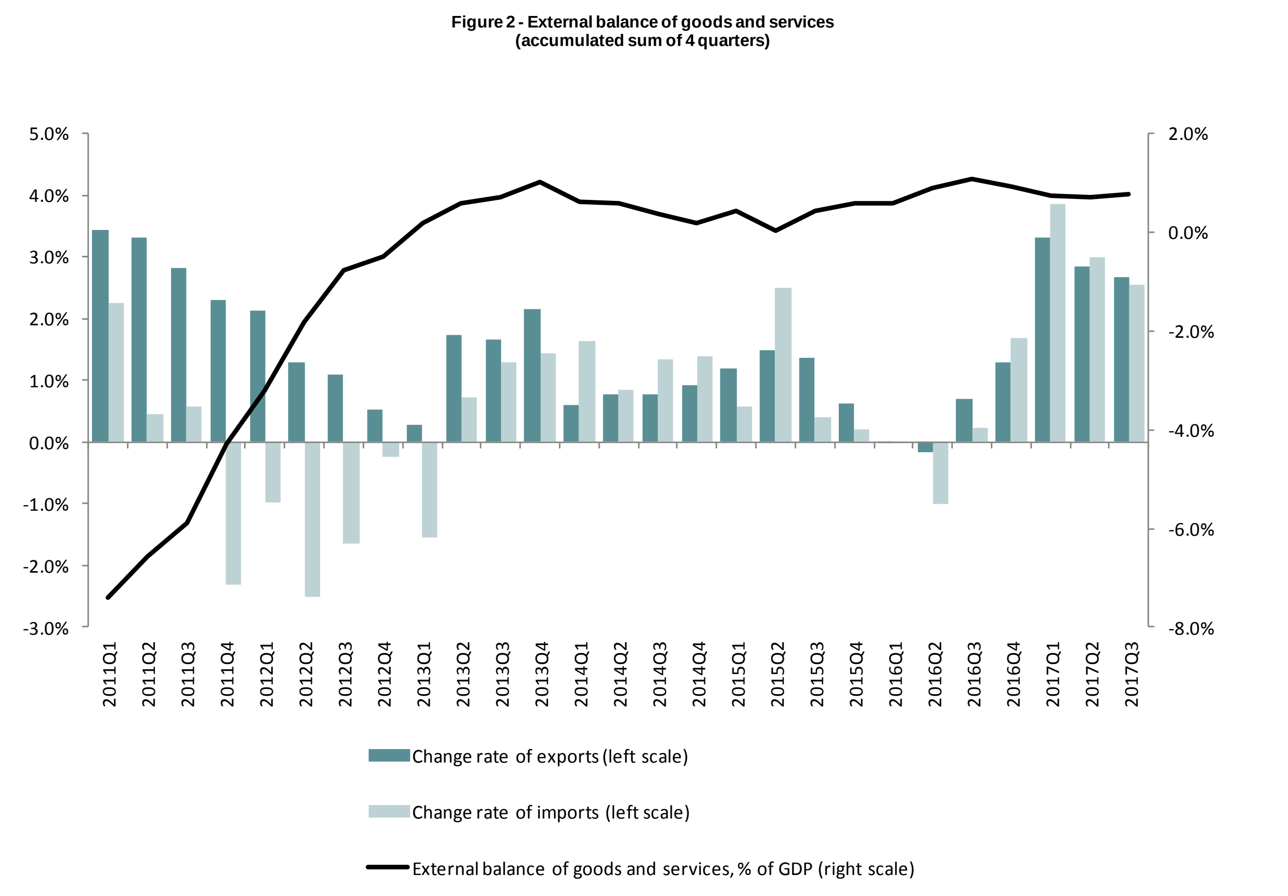
Figure 1 presents the evolution of the net lending(+)/borrowing(-) of the economy by institutional sector. The net borrowing of GG decreased by 1.2 p.p. to 0.1% of GDP. The improvement in the GG balance was mainly due to the increase in revenue from taxes on income, taxes on production and social contributions received, which more than offset the 7.2% increase in the GCF. Current expenditure decreased by 0.3% in the third quarter of 2017.

The balance of Non-Financial Corporations decreased 0.3 p.p. to -1.8% of GDP, in the third quarter of 2017, while net lending of Financial Corporations increased to 2.1% of GDP.

The external balance of goods and services increased to 0.8% of GDP (0.7% in the second quarter), due to the 2.7% increase in exports, 0.2 p.p. higher than the increase in imports (see figure 2).

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






## Households: net lending decreased to 0.8% of GDP

The net lending of Households reached 0.8% of GDP in the year ending in the third quarter of 2017, reflecting the increase in final consumption expenditure and the decrease in disposable income.

The household saving rate was 4.4% of disposable income, 1.0 p.p. less than in the previous quarter. As it can be seen in Figure 3, disposable income showed a negative variation (-0.3%).

The reduction in disposable income of households was mainly due to the 8.4% increase in taxes on income paid by households, which more than offset the 0.9% increase in compensation of employees received.

It should be noted that the increase in income taxes in the year ending in the third quarter mainly reflects the base effect of the reduction of income taxes paid in the year ending in the second quarter, caused by the anticipation of refunds of Personal Income Tax (IRS) compared to that of 2016.

As can be seen in Table 1, with the decomposition of the rate of change in disposable income, income taxes recorded a negative contribution of 0.8 p.p., which more than offset the positive contribution of 0.6 p.p. of compensation of employees received.

Table 2 presents the composition of disposable income. In the third quarter of 2017, compensation of employees represented 65.0% of disposable income and Gross Operating Surplus/Mixed Income 26.0% (64.3% and 25.9%, respectively, in the previous quarter).

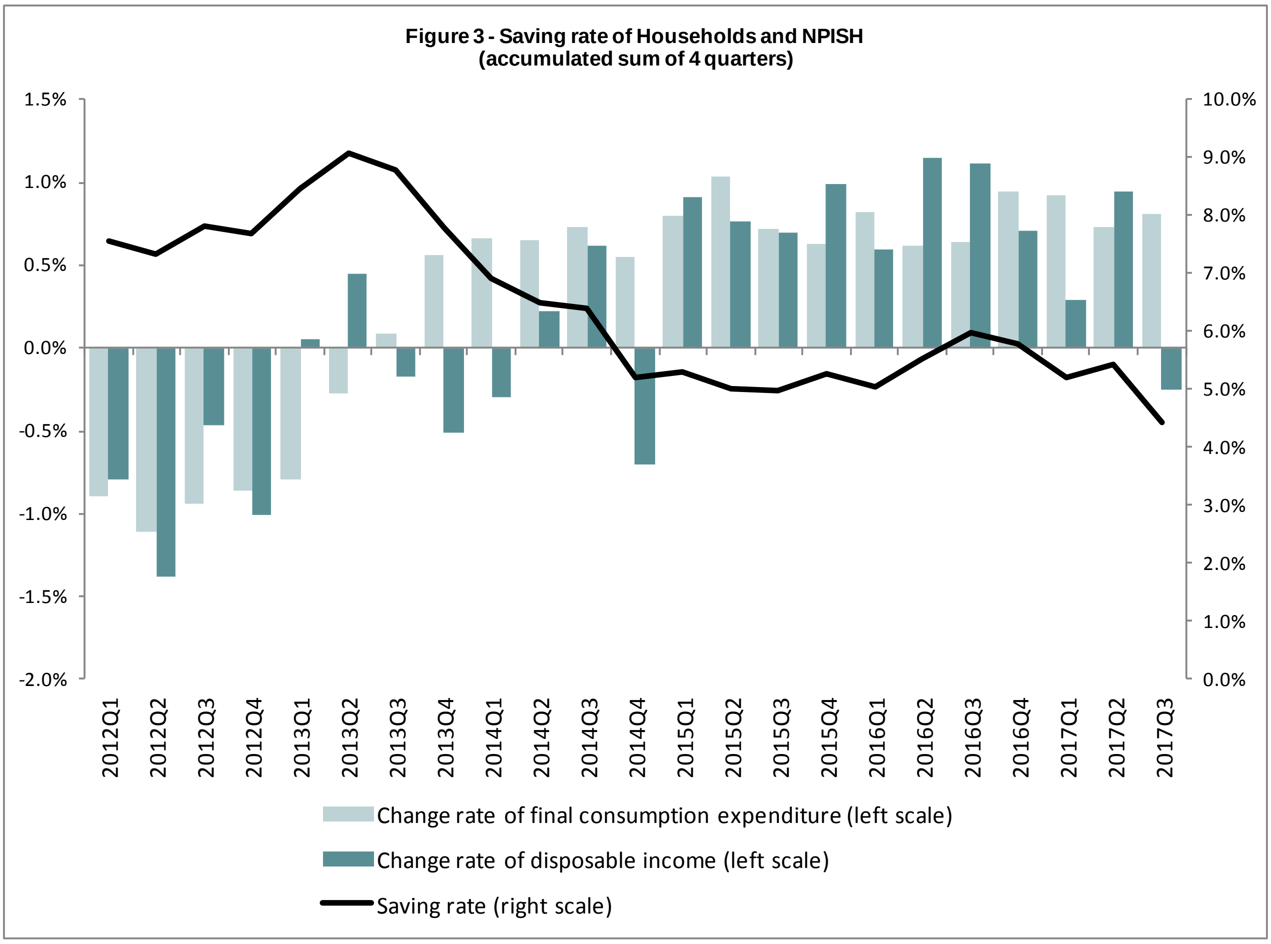


Figure 3 - Saving rate of Households and NPISH
(accumulated sum of 4 quarters)
1.5%
1.0%
0.5%
0.0%
-0.5%
-1.0%
-1.5%
-2.0%
10.0%
9.0%
8.0%
7.0%
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
2012Q1
2012Q2
2012Q3
2012Q4
2013Q1
2013Q2
2013Q3
2013Q4
2014Q1
2014Q2
2014Q3
2014Q4
2015Q1
2015Q2
2015Q3
2015Q4
2016Q1
2016Q2
2016Q3
2016Q4
2017Q1
2017Q2
2017Q3
Change rate of final consumption expenditure (left scale)
Change rate of disposable income (left scale)
Saving rate (right scale)

**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 | 0,2 | -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 | -0,3 | -0,4 | 0,1 | -0,7 | 0,9 |
| 2017Q3 | 0,6 | 0,1 | 0,0 | -0,3 | 0,2 | 0,8 | -0,3 |

**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) | Social benefits less contributions, excluding social transfers in kind | Net Transfers (receivable) | Taxes |
|---|---|---|---|---|---|---|
| 2012Q1 | 65,0 | 24,9 | 7,7 | 7,1 | 3,8 | -8,6 |
| 2012Q2 | 64,0 | 25,3 | 7,9 | 7,8 | 3,8 | -8,8 |
| 2012Q3 | 63,5 | 25,5 | 8,0 | 8,0 | 3,6 | -8,7 |
| 2012Q4 | 62,5 | 26,1 | 8,0 | 8,3 | 3,5 | -8,4 |
| 2013Q1 | 62,5 | 26,1 | 8,6 | 8,5 | 3,6 | -9,4 |
| 2013Q2 | 62,2 | 26,1 | 8,8 | 8,8 | 3,6 | -9,4 |
| 2013Q3 | 62,4 | 26,2 | 8,8 | 8,9 | 3,7 | -10,1 |
| 2013Q4 | 63,4 | 26,4 | 8,6 | 8,8 | 4,1 | -11,3 |
| 2014Q1 | 63,4 | 26,5 | 8,6 | 8,8 | 4,2 | -11,5 |
| 2014Q2 | 63,9 | 26,5 | 8,6 | 8,3 | 4,3 | -11,5 |
| 2014Q3 | 63,9 | 26,4 | 8,6 | 8,7 | 4,2 | -11,8 |
| 2014Q4 | 63,7 | 26,6 | 8,8 | 8,2 | 4,1 | -11,4 |
| 2015Q1 | 63,6 | 26,5 | 8,9 | 8,1 | 4,2 | -11,3 |
| 2015Q2 | 63,7 | 26,3 | 9,0 | 8,1 | 4,2 | -11,3 |
| 2015Q3 | 63,4 | 26,2 | 9,2 | 8,1 | 4,2 | -11,2 |
| 2015Q4 | 63,4 | 26,0 | 9,2 | 8,2 | 4,2 | -11,0 |
| 2016Q1 | 63,6 | 26,2 | 9,0 | 8,1 | 4,1 | -10,9 |
| 2016Q2 | 63,5 | 26,0 | 8,9 | 8,0 | 4,2 | -10,6 |
| 2016Q3 | 63,5 | 25,9 | 8,7 | 7,9 | 4,2 | -10,1 |
| 2016Q4 | 63,8 | 26,1 | 8,5 | 7,6 | 4,1 | -10,1 |
| 2017Q1 | 64,2 | 26,0 | 8,3 | 7,2 | 4,2 | -10,0 |
| 2017Q2 | 64,3 | 25,9 | 7,9 | 6,8 | 4,3 | -9,2 |
| 2017Q3 | 65,0 | 26,0 | 7,9 | 6,5 | 4,5 | -9,9 |

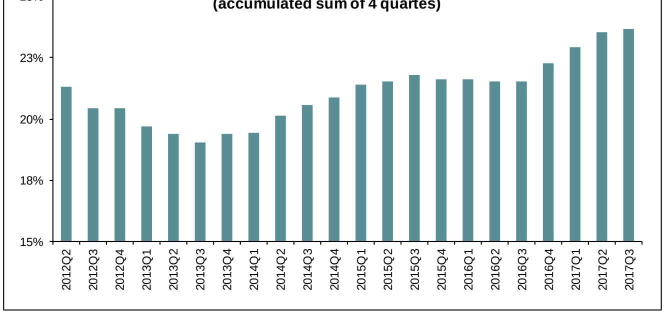
## Non-Financial Corporations: net lending decreased to 1.8% of GDP

Non-financial corporations' net borrowing increased by 0.3 p.p. to 1.8% of GDP in the third quarter of 2017 (1.5% in the previous quarter). Gross Value Added (GVA) increased by 1.0%, 0.2 p.p. less than in the previous quarter. The compensation of employees paid and Gross Operating Surplus of the sector increased by 1.4% and 0.3%, respectively.

The abovementioned increase in GVA was partially offset by the increase in compensation of employees paid and the increase of 3.2% in income tax, which led to an increase of 0.1% in gross savings of the sector.

The investment (GFCF) of the sector grew 1.7% in the year ending in the quarter, resulting in an increase in the investment rate (measured by the ratio between GFCF and GVA) by 0.2 p.p. to 23.7%, thus maintaining the growth trend started in the fourth quarter of 2016.

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




## Financial Corporations: net lending increased to 2.3% of GDP

The sector's net lending represented 2.1% of GDP in the third quarter of 2017, 0.1 p.p. less than in the previous quarter. This slight decrease in the balance was determined by the increase in income taxes paid by the sector. For the same reason, the gross savings of the sector decreased by 1.4% in the third quarter of 2017.

## General Government: net borrowing decreased by 1.2 p.p.

The net borrowing of the GG recorded a decrease of 1.2 percentage points in the year ending in the third quarter 2017 compared to the previous quarter, attaining 0.1% of GDP. This decrease in net borrowing resulted from the combined effect of an increase by 2.7% 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 income and wealth (7.2%), taxes on production and imports (2.3%) and social contributions (1.3%). Other current revenue and sales decreased -2.8% and -0.2%, respectively.

The expenditure decrease was mostly driven by reductions in social benefits (-0.3%), interest paid (-0.7%) and subsidies (-4.4%). This decrease in current expenditure was partially offset by the increase in capital expenditure (3.9%). The zero change observed in employee compensation in the year ended in the third quarter resulted from opposite effects: the decrease in wages and salaries due to the fact that half of the Christmas bonus expenditure was paid by twelfths in 2017 (in the previous year, the whole Christmas bonus had been paid by twelfths); and the increase in compensation through the reversal of the remuneration reduction temporary measure, as well as the raise of employees in GG.

Taking into account quarterly figures rather than the sum of four quarters, the net lending of the GG stood at about 1 256.1 million euro in the third quarter 2017 (2.6% of GDP), while in the same quarter of 2016 the net borrowing was -2.1% of GDP (-1 001.7 million euro) [1].

Considering the sum of three quarters of 2017, the balance of general government attained -393.9 million euro, corresponding to -0.3% of GDP (-2.8% on the same period in the previous year). Table 5 illustrates the improvement of net borrowing that resulted from a 5.5% increase in total revenue and a decrease by 0.4% in expenditure.

All revenue components rose, but the largest upward impacts came from the revenue of taxes on production and imports (7.1%), such as Value Added Tax (VAT), and social contributions (5.3%). Note that the revenue of taxes on production and imports represented 15.1% of GDP compared to 14.6% in the same period of 2016. Capital revenue was particularly high due to a guarantee repayment by the Banco Privado Português (BPP) and BPP Cayman.

The expenditure was particularly influenced by the decrease in social benefits (-1.2%) and interest paid (-3.7%). The expenditure reduction was partially compensated by the increase in intermediate consumption (1.3%) and in capital expenditure (8.3%) such as investment.

Table 6 presents the main adjustments carried out for moving from Public Accounting to National Accounts balances. Comparing the third quarter of 2017 with the same period of the previous year, there was a significant improvement of the balances in Public Accounting and in National Accounts.

[1] As mentioned in the previous press releases 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

| | 2016Q3 | 2016Q4 | 2017Q1 | 2017Q2 | 2017Q3 |
|---|---|---|---|---|---|
| **Total revenue** | **79 005,5** | **79 705,6** | **80 309,6** | **80 708,5** | **82 877,1** |
| Current revenue | 78 160,9 | 78 909,2 | 79 502,0 | 79 821,5 | 81 951,2 |
| Current taxes on income and w ealth | 18 827,0 | 19 081,1 | 18 888,2 | 18 452,5 | 19 789,3 |
| Taxes on production and imports | 27 100,9 | 27 346,7 | 27 664,1 | 28 148,0 | 28 783,8 |
| Social contributions | 21 271,0 | 21 608,6 | 21 863,7 | 22 154,6 | 22 447,6 |
| Sales | 6 542,5 | 6 625,5 | 6 654,1 | 6 693,9 | 6 679,0 |
| Other current revenue | 4 419,5 | 4 247,3 | 4 431,9 | 4 372,5 | 4 251,6 |
| Capital revenue | 844,6 | 796,4 | 807,6 | 887,0 | 925,9 |
| **Total expenditure** | **85 889,2** | **83 370,8** | **83 248,5** | **83 210,1** | **83 120,9** |
| Current expenditure | 79 316,7 | 79 818,4 | 79 639,9 | 79 602,1 | 79 373,2 |
| Social benefits | 35 015,0 | 35 112,8 | 35 013,7 | 34 906,9 | 34 793,2 |
| Compensation of employees | 20 674,1 | 20 880,9 | 20 921,7 | 20 961,9 | 20 957,6 |
| Interest | 7 822,0 | 7 760,7 | 7 678,6 | 7 605,0 | 7 548,2 |
| Intermediate consumption | 10 220,1 | 10 417,8 | 10 555,6 | 10 496,4 | 10 513,2 |
| Subsidies | 1 020,3 | 975,0 | 966,4 | 943,9 | 902,5 |
| Other current expenditure | 4 565,2 | 4 671,3 | 4 503,9 | 4 687,9 | 4 658,5 |
| Capital expenditure | 6 572,5 | 3 552,3 | 3 608,6 | 3 608,1 | 3 747,7 |
| Investment (1) | 3 569,0 | 2 800,8 | 2 818,6 | 2 797,4 | 2 960,7 |
| Other capital expenditure | 3 003,5 | 751,5 | 789,9 | 810,7 | 787,0 |
| **Current Balance** | -1 155,9 | - 909,2 | - 138,0 | 219,5 | 2 578,1 |
| **Balance** | **-6 883,7** | **-3 665,2** | **-2 938,9** | **-2 501,6** | **- 243,8** |
| *By memory:* | | | | | |
| Primary current expenditure | 71 494,7 | 72 057,7 | 71 961,3 | 71 997,1 | 71 825,0 |
| Gross Domestic Product at current market prices | 183 950,8 | 185 179,5 | 186 620,4 | 188 579,5 | 190 415,3 |
| Balance in % of GDP | -3,7% | -2,0% | -1,6% | -1,3% | -0,1% |

**able 4: Change rates of revenue and expenditure of general government in the year ending the quarte**

Unit: %

| | 2016Q3 | 2016Q4 | 2017Q1 | 2017Q2 | 2017Q3 |
|---|---|---|---|---|---|
| **Total revenue** | **-0,3** | **0,9** | **0,8** | **0,5** | **2,7** |
| Current revenue | 0,0 | 1,0 | 0,8 | 0,4 | 2,7 |
| Current taxes on income and w ealth | -2,4 | 1,3 | -1,0 | -2,3 | 7,2 |
| Taxes on production and imports | 0,6 | 0,9 | 1,2 | 1,7 | 2,3 |
| Social contributions | 0,9 | 1,6 | 1,2 | 1,3 | 1,3 |
| Sales | 1,1 | 1,3 | 0,4 | 0,6 | -0,2 |
| Other current revenue | 1,6 | -3,9 | 4,3 | -1,3 | -2,8 |
| Capital revenue | -21,4 | -5,7 | 1,4 | 9,8 | 4,4 |
| **Total expenditure** | **0,2** | **-2,9** | **-0,1** | **0,0** | **-0,1** |
| Current expenditure | 0,6 | 0,6 | -0,2 | 0,0 | -0,3 |
| Social benefits | 0,3 | 0,3 | -0,3 | -0,3 | -0,3 |
| Compensation of employees | 0,8 | 1,0 | 0,2 | 0,2 | 0,0 |
| Interest | -1,0 | -0,8 | -1,1 | -1,0 | -0,7 |
| Intermediate consumption | 1,5 | 1,9 | 1,3 | -0,6 | 0,2 |
| Subsidies | -3,6 | -4,4 | -0,9 | -2,3 | -4,4 |
| Other current expenditure | 4,8 | 2,3 | -3,6 | 4,1 | -0,6 |
| Capital expenditure | -5,1 | -46,0 | 1,6 | 0,0 | 3,9 |
| Investment (1) | -5,3 | -21,5 | 0,6 | -0,8 | 5,8 |
| Other capital expenditure | -4,8 | -75,0 | 5,1 | 2,6 | -2,9 |

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

**Table 5: Revenue and expenditure of general government**

| | 1st-3rd quarter of 2016 | | 1st-3rd quarter of 2017 | | Nominal change rate (%) |
|---|---|---|---|---|---|
| | million euros | % GDP | million euros | % GDP | |
| **Total revenue** | **57 850.1** | **41.7** | **61 021.6** | **42.4** | **5.5** |
| Current revenue | 57 505.1 | 41.5 | 60 547.1 | 42.1 | 5.3 |
| Current taxes on income and w ealth | 13 601.4 | 9.8 | 14 309.5 | 9.9 | 5.2 |
| Taxes on production and imports | 20 230.0 | 14.6 | 21 667.1 | 15.1 | 7.1 |
| Social contributions | 15 807.5 | 11.4 | 16 646.5 | 11.6 | 5.3 |
| Sales | 4 819.6 | 3.5 | 4 873.1 | 3.4 | 1.1 |
| Other current revenue | 3 046.6 | 2.2 | 3 050.9 | 2.1 | 0.1 |
| Capital revenue | 345.0 | 0.2 | 474.5 | 0.3 | 37.5 |
| **Total expenditure** | **61 665.4** | **44.5** | **61 415.5** | **42.7** | **-0.4** |
| Current expenditure | 59 300.9 | 42.8 | 58 855.6 | 40.9 | -0.8 |
| Social benefits | 26 537.2 | 19.1 | 26 217.7 | 18.2 | -1.2 |
| Compensation of employees | 15 678.1 | 11.3 | 15 754.8 | 10.9 | 0.5 |
| Interest | 5 779.4 | 4.2 | 5 566.9 | 3.9 | -3.7 |
| Intermediate consumption | 7 380.4 | 5.3 | 7 475.8 | 5.2 | 1.3 |
| Subsidies | 606.9 | 0.4 | 534.4 | 0.4 | -11.9 |
| Other current expenditure | 3 318.9 | 2.4 | 3 306.1 | 2.3 | -0.4 |
| Capital expenditure | 2 364.4 | 1.7 | 2 559.8 | 1.8 | 8.3 |
| Investment [(1)] | 1 923.2 | 1.4 | 2 083.1 | 1.4 | 8.3 |
| Other capital expenditure | 441.2 | 0.3 | 476.7 | 0.3 | 8.0 |
| **Current Balance** | -1 795.8 | -1.3 | 1 691.4 | 1.2 | |
| **Balance** | -3 815.3 | -2.8 | - 393.9 | -0.3 | |

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

**Table 6: Public to National Accounting adjustments**

Unit: $10^6$ euros

| | 2016Q3 | 2017Q3 |
|---|---|---|
| **Balance in Public Accounting:** | **- 114.8** | **2 475.8** |
| Accrual adjustment and sector delimitation in National Accounts | 1 280.6 | 157.4 |
| Difference betw een paid and due interest | -1 094.9 | -1 016.5 |
| Other receivables: | - 254.9 | - 405.0 |
| *Time adjustment of taxes and social contributions* | *- 121.3* | *- 253.9* |
| *Others* | *- 133.6* | *- 151.2* |
| Other payables: | 118.5 | 163.2 |
| *Expenditure already incurred but not yet paid* | *41.1* | *20.1* |
| *Others* | *77.4* | *143.2* |
| Other adjustments: | - 936.3 | - 118.7 |
| *of which:* | | |
| *Capital injections and debt assumptions* | *- 712.1* | *- 118.6* |
| **Balance in National Accounting:** | **-1 001.7** | **1 256.1** |
| Quarterly GDP [(1)] | 47 352.0 | 49 187.7 |
| Balance in National Accounting in % of GDP | -2.1% | 2.6% |

[(1)] Not seasonally and calendar effects ajusted data

## National Economy: Gross National Income increased 1.0%

In the third quarter of 2017, GNI registered a nominal variation of 1.0%, same as the change in GDP. The negative balance of property income with the Rest of the World slightly improved, with rates of change of -1.1% in incomes received and 0.1% in income paid in the third quarter.

**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 (%) |
| 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 | 170 837 | 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 | 182 610 | 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 | 186 620 | 0.8 | 182 293 | 0.6 | 185 238 | 0.9 |
| 2017Q2 | 188 579 | 1.0 | 184 491 | 1.2 | 187 254 | 1.1 |
| 2017Q3 | 190 415 | 1.0 | 186 357 | 1.0 | 189 346 | 1.1 |

The GDI registered a 1.1% increase in the third 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 3.3% of the economy's gross saving. The economy's gross saving represented 16.5% of GDP in the third quarter of 2017.

The GCF for the total economy stood at 16.3% of GDP in the third quarter of 2017 (0.2 p.p. more than in the previous quarter). This increase in the GCF was lower than the increase in savings already mentioned, resulting in stabilization of the economy's net lending at 1.1% of GDP.

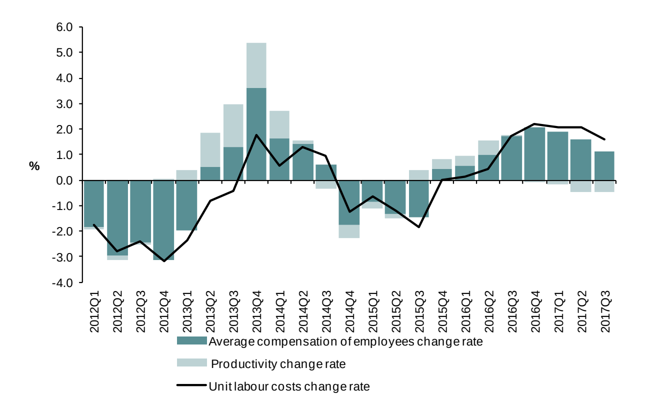
**Table 8: Gross Saving and Net Lending(+)/ Borrowing(-)** unit: % of GDP

| Year ending in the quarter | Gross Saving | Balance of Capital Transfers with the Rest of the World | Gross Capital Formation | Net Lending (+)/ Borrowing(-) |
|---|---|---|---|---|
| 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 | 16.1 | 0.9 | 16.1 | 0.9 |
| 2017Q3 | 16.5 | 0.8 | 16.3 | 1.1 |

## Unit labour costs (ULC) increased 1.6%

In the year ending in the third quarter of 2017, ULC registered an increase of 1.6%, 0.5 p.p. less than in the previous quarter. This behaviour was determined by the deceleration of average employee compensation growth rate (increases of 1.6% and 1.1% in the second and third quarters of 2017, respectively).

**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 second quarter of 2017, 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.

**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.