21 September 2018

Quarterly Sector Accounts (Base 2011)

Second Quarter 2018

Net lending of the Portuguese economy decrease to 0.7% of GDP

The net lending of the economy stood at 0.7% of the Gross Domestic Product (GDP) in the year ended in the second quarter of 2018, which corresponds to a decrease of 0.4 percentage points (p.p.) compared to the previous quarter.

By institutional sector, the households sector presented a decrease in the respective balance, moving from 0.8% to 0.7% of GDP in the year ended in the second quarter of 2018. The final consumption expenditure of households registered an increase higher than disposable income, which led to a reduction of the savings rate to 4.4%. The balance of the non-Financial Corporations deteriorated to -1.2% of GDP, while the net lending of Financial Corporations increased to 2.1% of GDP.

General Government (GG) net borrowing increased to 0.9% of GDP, compared to 0.7% in the previous quarter. Taking into account quarterly figures and not the year ended in the quarter, the GG balance stood at -1 491.3 million euros in the second quarter of 2018, corresponding to -2.9% of GDP. In the first half of 2018, the overall balance of the GG stood at 1,864.7 million euros, representing -1.9% of GDP (-6.1% in the same period of the previous year).

The current results are the preliminary version of the Quarterly Sector Accounts (QSA) for the second quarter 2018. It is important to mention that these quarterly figures are consistent with the final results for 2016 and provisional for 2017, also published today. Due to the incorporation of these annual results it was necessary to revise the quarterly accounts series, including the ones published by the end of August (more details in the final section on revisions).

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

- Non-Financial Corporations;
- Financial Corporations;
- General Government;
- Households and Non-Profit Institutions Serving 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 ended 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 ended each quarter and the year ended 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 0.7% of GDP

The net lending of the Portuguese economy diminished to 0.7% of GDP in the second quarter of 2018, compared with 1.1% in the previous quarter. GDP and Gross National Income (GNI) recorded rates of change of 0.7% and 0.2%, respectively. The less intense growth of GNI was driven by the deterioration in the negative balance of property income with the Rest of the World, with income paid and received recording growth rates of 4.5% and -8.6%, respectively.

The Gross Disposable Income (GDI) increased by 0.3%, 0.4 p.p. less than the increase in final consumption expenditure, resulting in a decrease of 1.6% in gross savings (rate of change of 2.5% in the previous quarter).

The increase of 0.6% in Gross Capital Formation (GFC), and the decrease in gross savings led to a reduction of the net lending of the economy to 0.7% of GDP.

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

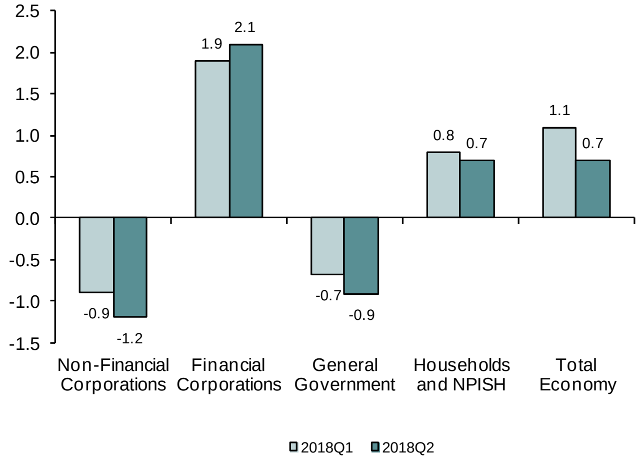
The net borrowing of GG increased to 0.9% of GDP in the second quarter of 2018, compared with 0.7% in the previous quarter. This decrease reflects the capital increase in Novo Banco due to the activation of the contingent capital mechanism under the sale agreement made by Fundo de Resolução (FdR) in the second quarter, in the amount of 792 million euros.

The balance of Non-Financial Corporations decreased 0.3 p.p. in the second quarter, to -1.2% of GDP.

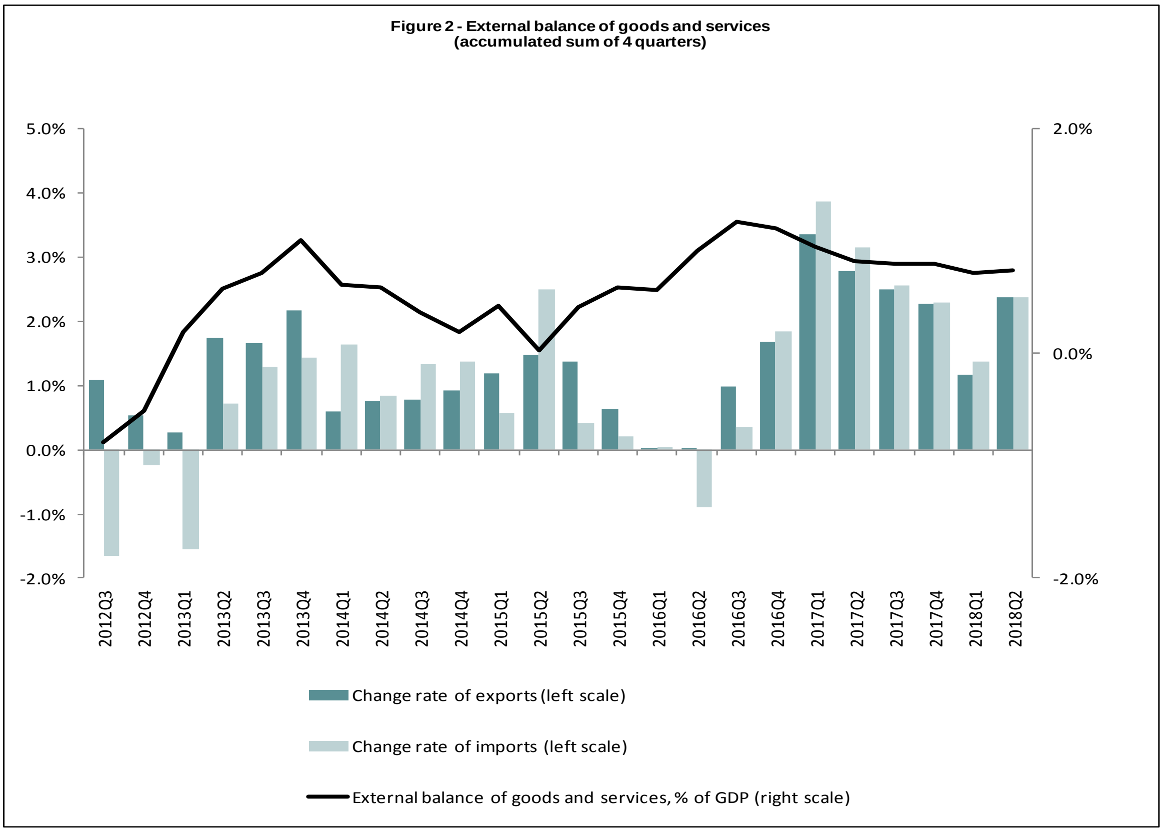
The net lending of Financial Corporations increased from 1.9% in the first quarter of 2018 to 2.1% of GDP in the second quarter. The increase was largely due to the already mentioned capital increase in Novo Banco.

The external balance of goods and services remained at 0.7% of GDP in the second quarter (see Figure 2).

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



[1] Due to rounding procedures, the sum of sectoral balances in percentage of GDP may not equal the balance for the total economy.



Households: net lending stood at 0.7% of GDP

The net lending of Households stood at 0.7% of GDP in the year ended in the second quarter of 2018, less 0.1 p.p. than the previous quarter, mainly reflecting the decrease of 4.7% in savings. Household investment (GFCF) registered a rate of change of 2.1% in the second quarter of 2018 (0.7% in the previous quarter).

Figure 3 shows the savings 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 4.4% of disposable income (0.2 p.p. less than in the previous quarter). This decrease resulted from an increase in the disposable income lower than the final consumption expenditure (rates of change of 0.7% and 0.9%, respectively).

The growth of the disposable income of Households was influenced by the variation of compensation of employees received, which registered an increase of 1.0% in the second quarter of 2018, after an increase of 0.9% observed in the previous quarter.

Table 1 shows the decomposition of the rate of change of disposable income. The 0.7% increase recorded in the second quarter of 2018 was mainly due to compensation of employees (0.7 p.p.), followed by gross operating surplus of 0.2 p.p..

However, the positive balance of property income decreased by 2.2% in the second quarter of 2018, with property income received and paid presenting rates of change of -1.8% and 3.8%, respectively.

The per capita adjusted GDI stood at 14.9 thousand euros in the second quarter of 2018, corresponding to a growth of 0.7% over the previous quarter. It should be noted that the adjusted GDI differs from the RDB by including the value of the goods and services that are purchased by the GG and NPISH, but consumed by the households.

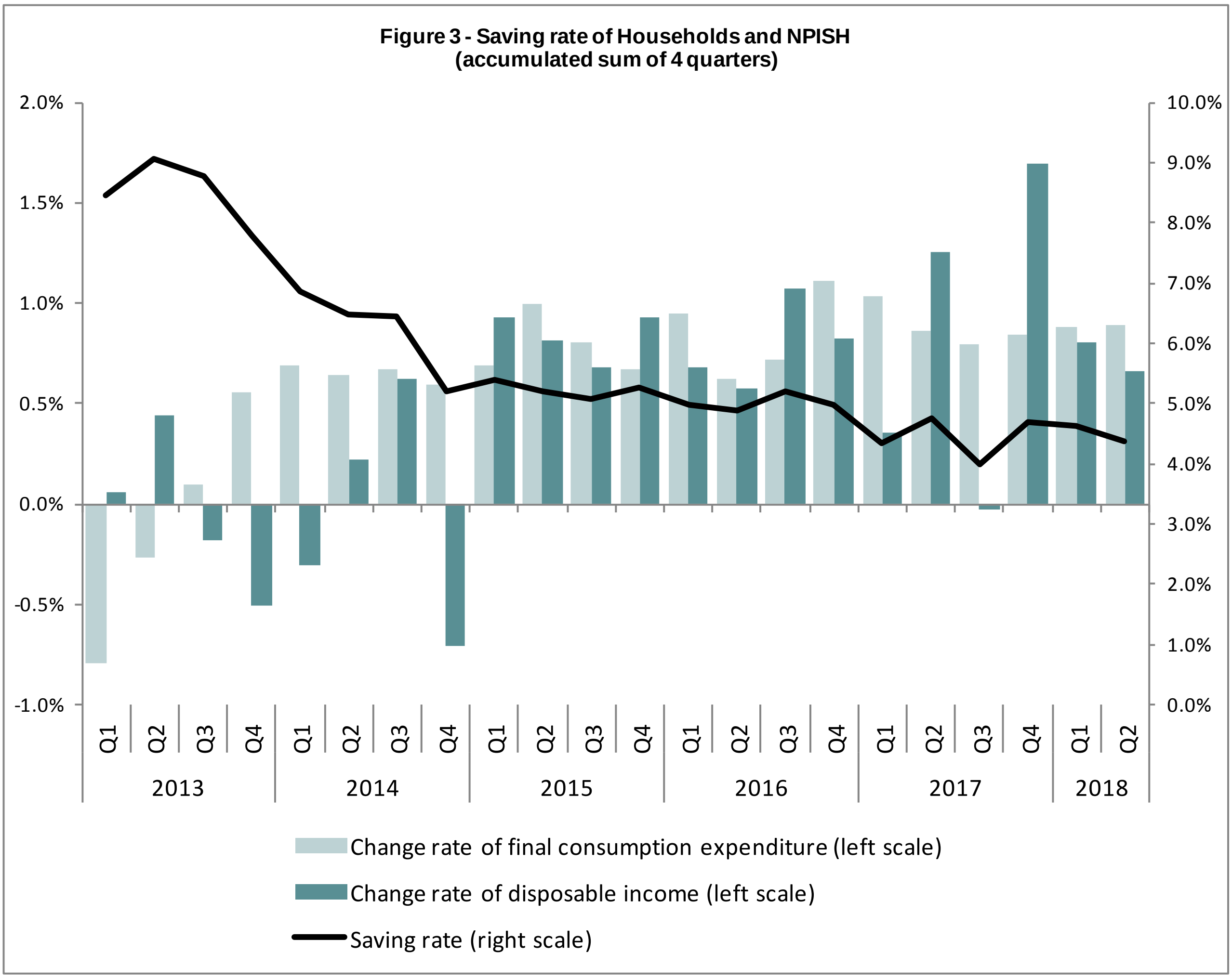


Table 1: Contibutions to the change rate of disposable income of Households and NPISH (percentage points, accumulated sum of 4 quarters)

	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)
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	0.0	-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

Non-Financial Corporations: net lending stood at 1.2% of GDP

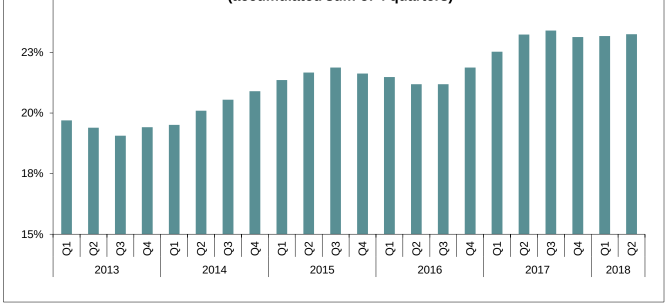
The net borrowing of non-financial corporations increased by 0.3 p.p., attaining 1.2% of GDP in the second quarter of 2018. Gross Value Added (GVA) increased by 1.0%, 0.1 p.p. more than in the previous quarter. The compensation of employees paid and Gross Operating Surplus of the sector increased by 1.2% and 0.3%, respectively.

The compensation of employees paid registered a growth rate of 1.6%, higher than the increase in GVA, which resulted in a slight reduction of the Gross Operating Surplus (rate of change of -0.1%).

The sector's operating margin rate reached 39.5% (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 firms.

Gross Fixed Capital Formation (GFCF) of the sector increased by 1.3% in the year ended in the second quarter, contributing to an investment rate (measured by the ratio between GFCF and GVA) of 23.2%, similar to that observed in the previous quarter.

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



Financial Corporations: net lending stood at 2.1% of GDP

The sector's net lending represented 2.1% of GDP in the second quarter of 2018, 0.2 p.p. more than in the previous quarter. This increase in net lending reflects the increase in capital of the Novo Banco in the second quarter of 2018, amounting to 792 million euros.

Current savings, which are not affected by this capital increase, registered a decrease of 7.5% in the second quarter of 2018. This result was determined by the reduction of the balance of property income, with property income expenses and revenues presenting rates of change of 3.9% and 1.1%, respectively.

General Government: net borrowing increased by 0.2 p.p.

The net borrowing of the GG recorded an increase of 0.2 p.p. in the second quarter 2018 compared to the year ended in the previous quarter, reaching 0.9% of GDP. This increase in net borrowing resulted of increases in both total expenditure, by 1.3%, and in total revenue, by 0.7% (view tables 2 and 3).

The behaviour of total expenditure was a result of an increase of 23.3% in capital expenditure and a decreased of 0.1% in current expenditure.

The variation of capital expenditure was largely determined by the capital increase in Novo Banco, made by FdR and, to a lesser extent, by the loan of 124.4 million euro from Direção Geral de Tesouro e Finanças (DGTF) to the credit recovery fund FRC-INQ-Papel Comercial ESI Rio Forte. These operations were registered as capital transfers, with an impact in the net borrowing of GG.

The change in current expenditure resulted from the combined effect of decreases in interest paid, other current expenditure and compensation of employees, by 1.3%, 0.4% and 0.3% respectively, and of increases in subsidies and intermediate consumption, by 2.5% and 1.1%, respectively. Social contributions, which account for 41.4% of current expenditure, remained unchanged in the period under analysis.

The behaviour of total revenue was a result of the combined effects of an increase in current revenue (0.8%) and a decreased in capital revenue (8.8%). The increase in current revenue was mainly due to increases in taxes on production and imports (0.8%), social contributions (1.1%), sales (1.2%) and other current revenue (7.7%). The taxes on income and wealth recorded a decreased of 1.1%.

Considering quarterly figures rather than the sum of four quarters, the net borrowing of the GG stood at -1 491.3 million euro in the second quarter of 2018, corresponding to -2.9% of GDP, that compares with -2.1% of GDP in the same period of the previous year (view table 4).

The variation of net borrowing is a result of the increases in both total expenditure (5.2%) and total revenue (3.0%).

In what refers to expenditure, capital expenditure registered an increase of 130.1%, due to the impact of the capital transfers made by FdR and DGTF (equivalent to around 1.8% of the GDP of the 2nd quarter of 2018). It is worth noting that investment increased by 12.6% in the reference period. Current expenditure decreased by 0.2%, driven by the combined effect of the decreases in interest paid, other current expenditure and compensation of employees and the increases in subsidies and intermediate consumption. The decrease in compensation of employees was due to changes in the payment profile of the Christmas bonus.

Total revenue increased given the combined variations of 3.4% and -32.2% in current revenue and capital revenue, respectively. Current revenue increased due to increases of other current revenue, sales, social contributions and taxes on production and imports and the decrease in taxes on income and wealth. The increase in sales is explained by the increase in revenue from carbon emissions allowances, and the decrease in capital revenue partly explained by a base effect of the recording, in 2017, of the sales of F-16 aircrafts to Romania.

Table 5 presents the main adjustments from Public Accounting to National Accounts. In the first half of 2018, the balance stood at -1 864.7 million euro, corresponding to -1.9% of GDP (-6.1% of GDP in same period of last year). Comparing the first semester of 2018 with the same period of the previous year, both balances improved. This evolution mainly results from the impact of Caixa Geral de Depósitos recapitalisation process in the first quarter of 2017. The remaining differences between National and Public Accounting were due to time adjustment of taxes and social contributions and to GG sector delimitation, particularly corporations classified in GG. Taxes and social contributions are time-adjusted so that the recording and moment when the activity took place are closer.

Table 2: Revenue and expenditure of general government in the year ending the quarter

	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2
Total revenue	**80 494.4**	**80 676.8**	**82 732.5**	**83 109.5**	**83 614.9**	**84 198.0**
Current revenue	79 462.6	79 638.1	81 697.7	82 311.3	82 825.0	83 478.0
Current taxes on income and wealth	18 870.1	18 423.2	19 756.6	19 718.9	19 820.0	19 608.6
Taxes on production and imports	27 595.0	28 000.6	28 625.0	29 041.7	29 562.4	29 802.1
Social contributions	21 854.6	22 102.6	22 333.1	22 685.0	22 849.2	23 093.3
Sales	6 579.0	6 614.2	6 606.0	6 695.6	6 724.8	6 807.3
Other current revenue	4 563.9	4 497.6	4 376.9	4 170.1	3 868.6	4 166.7
Capital revenue	1 031.8	1 038.7	1 034.8	798.2	789.9	720.1
Total expenditure	**87 552.0**	**87 425.8**	**87 335.3**	**88 872.0**	**84 947.1**	**86 010.1**
Current expenditure	79 835.1	79 775.5	79 530.0	80 286.4	80 195.3	80 152.7
Social benefits	35 082.3	34 986.0	34 899.0	35 646.6	35 629.0	35 627.1
Compensation of employees	20 930.1	20 918.8	20 882.0	21 299.1	21 215.6	21 150.0
Interest	7 707.8	7 632.2	7 563.6	7 436.9	7 314.0	7 220.8
Intermediate consumption	10 526.4	10 512.0	10 559.2	10 565.3	10 479.7	10 595.3
Subsidies	1 006.2	976.1	927.2	857.3	886.7	909.0
Other current expenditure	4 582.3	4 750.4	4 699.0	4 481.1	4 670.4	4 650.4
Capital expenditure	7 716.9	7 650.2	7 805.3	8 585.6	4 751.9	5 857.4
Investment (1)	3 042.8	2 962.1	3 119.3	3 618.2	3 696.6	3 787.6
Other capital expenditure	4 674.1 (2)	4 688.2 (2)	4 686.1 (2)	4 967.4 (2)	1 055.3	2 069.8
Current Balance	- 372.5	- 137.4	2 167.7	2 024.9	2 629.8	3 325.2
Balance	**-7 057.6 (2)**	**-6 748.9 (2)**	**-4 602.8 (2)**	**-5 762.5 (2)**	**-1 332.2**	**-1 812.1**
By memory:						
Primary current expenditure	72 127.3	72 143.3	71 966.4	72 849.5	72 881.3	72 931.9
Gross Domestic Product at current market p	188 378.3	190 484.7	192 411.6	194 613.5	196 191.7	197 578.3
Balance in % of GDP	-3.7%	-3.5%	-2.4%	-3.0%	-0.7%	-0.9%

(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 3: Change rates of revenue and expenditure of general government in the year ending the quarter

Unit: %

	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2
Total revenue	**0.8**	**0.2**	**2.5**	**0.5**	**0.6**	**0.7**
Current revenue	0.8	0.2	2.6	0.8	0.6	0.8
Current taxes on income and wealth	-1.0	-2.4	7.2	-0.2	0.5	-1.1
Taxes on production and imports	0.9	1.5	2.2	1.5	1.8	0.8
Social contributions	1.1	1.1	1.0	1.6	0.7	1.1
Sales	0.7	0.5	-0.1	1.4	0.4	1.2
Other current revenue	6.6	-1.5	-2.7	-4.7	-7.2	7.7
Capital revenue	-1.8	0.7	-0.4	-22.9	-1.0	-8.8
Total expenditure	**4.8**	**-0.1**	**-0.1**	**1.8**	**-4.4**	**1.3**
Current expenditure	-0.1	-0.1	-0.3	1.0	-0.1	-0.1
Social benefits	-0.2	-0.3	-0.2	2.1	0.0	0.0
Compensation of employees	0.2	-0.1	-0.2	2.0	-0.4	-0.3
Interest	-1.2	-1.0	-0.9	-1.7	-1.7	-1.3
Intermediate consumption	2.0	-0.1	0.4	0.1	-0.8	1.1
Subsidies	-1.8	-3.0	-5.0	-7.5	3.4	2.5
Other current expenditure	-3.6	3.7	-1.1	-4.6	4.2	-0.4
Capital expenditure	113.2	-0.9	2.0	10.0	-44.7	23.3
Investment (1)	4.1	-2.7	5.3	16.0	2.2	2.5
Other capital expenditure	570.8	0.3	0.0	6.0	-78.8	96.1

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

Table 4: Revenue and expenditure of general government

	2nd quarter 2017		2nd quarter 2018		Nominal change rate (%)
	million euro	% GDP	million euro	% GDP	
Total revenue	**19 561.2**	**39.8**	**20 144.3**	**39.8**	**3.0**
Current revenue	19 344.5	39.3	19 997.4	39.5	3.4
Current taxes on income and wealth	3 600.3	7.3	3 388.9	6.7	-5.9
Taxes on production and imports	7 118.1	14.5	7 357.9	14.5	3.4
Social contributions	5 744.6	11.7	5 988.7	11.8	4.2
Sales	1 652.3	3.4	1 734.8	3.4	5.0
Other current revenue	1 229.1	2.5	1 527.2	3.0	24.3
Capital revenue	216.7	0.4	146.8	0.3	-32.2
Total expenditure	**20 572.5**	**41.8**	**21 635.5**	**42.8**	**5.2**
Current expenditure	19 722.9	40.1	19 680.3	38.9	-0.2
Social benefits	8 246.7	16.8	8 244.9	16.3	0.0
Compensation of employees	5 819.0	11.8	5 753.4	11.4	-1.1
Interest	1 788.3	3.6	1 695.2	3.4	-5.2
Intermediate consumption	2 501.7	5.1	2 617.4	5.2	4.6
Subsidies	195.2	0.4	217.5	0.4	11.4
Other current expenditure	1 172.0	2.4	1 151.9	2.3	-1.7
Capital expenditure	849.6	1.7	1 955.2	3.9	130.1
Investment (1)	721.1	1.5	812.1	1.6	12.6
Other capital expenditure	128.6	0.3	1 143.1	2.3	789.1
Current Balance	- 378.4	-0.8	317.1	0.6	
Balance	-1 011.4	-2.1	-1 491.3	-2.9	

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

Table 5: Public to National Accounting adjustments

Unit: 10^6 euro

	2017Q1-Q2	2018Q1-Q2
Balance in Public Accounting:	**-3 213.8**	**-2 858.8**
Accrual adjustment and sector delimitation in National Accounts	1 023.0	459.1
Difference between paid and due interest	938.7	1 139.0
Other receivables:	- 144.6	- 184.9
Time adjustment of taxes and social contributions	*274.1*	*172.3*
Others	*- 418.7*	*- 357.1*
Other payables:	- 7.3	- 142.5
Expenditure already incurred but not yet paid	*- 109.6*	*- 179.5*
Others	*102.4*	*37.0*
Other adjustments:	-4 411.2	- 276.6
of which:		
Capital injections and debt assumptions	*-4 905.7* (2)	*- 903.6*
Balance in National Accounting:	**-5 815.1**	**-1 864.7**
GDP (1)	95 732.6	98 697.4
Balance in National Accounting in % of GDP	-6.1% (3)	-1.9%

(1) Non seasonally and calendar effects ajusted data

(2) Includes 3.944 billion euro of the recapitalization of CGD

(3) Without the recapitalization of CGD, the balance in National Accounting is -2.0% of GDP

National Economy: Gross National Income increased 0.2%

In the second quarter of 2018, GNI registered a nominal variation of 0.2%, 0.5 p.p. lower than the rate of change of GDP. The negative balance of property income with the Rest of the World deteriorated, with rates of change of -8.6% in incomes received and 4.5% in income paid.

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 (%)
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	170 692	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	196 192	0.8	192 391	1.1	195 265	0.9
2018Q2	197 578	0.7	192 808	0.2	195 844	0.3

The GDI increased by 0.3% in the second quarter of 2018, while the final consumption expenditure of the economy (which includes GG and Households final consumption expenditures) increased by 0.7%, leading to a reduction of 1.6% of the economy's gross saving. The economy's gross saving represented 17.0% of GDP in the second quarter of 2018 (17.4% in the previous quarter).

The GFC for the total economy stood at 17.1% of GDP in the second quarter of 2018 (same rate as in the previous quarter). The increase by 0.6% of GFC, combined with the reduction in savings, led to a decrease of net lending to 0.7% of GDP.

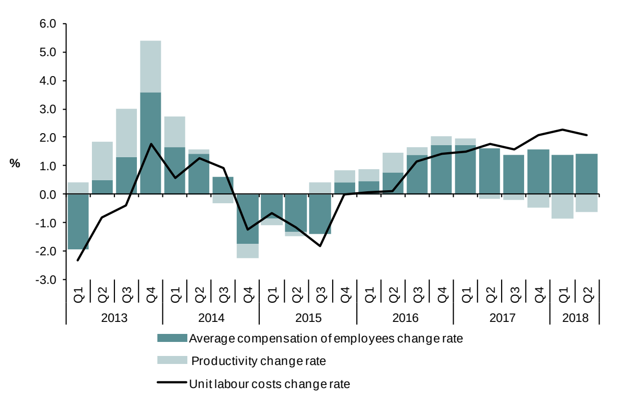
Table7: Gross Saving and Net Lending(+)/ Borrowing(-) unit: % of GDP

Year ending in the quarter	Gross Saving	Balance of Capital Transfers with the Rest of the World	Gross Capital Formation	Net Lending (+)/ Borrowing(-)
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	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	17.4	0.8	17.1	1.1
2018Q2	17.0	0.8	17.1	0.7

Unit labour costs (ULC) increased 2.1%

In the year ended in the second quarter of 2018, ULC registered an increase of 2.1%, 0.2 p.p. less than in the previous quarter. The less intense growth of ULC was determined by the less intense reduction of productivity, while the growth of average compensation of employees remained stable.

Figure 5 - Unit labour costs change rates (year ended in the qaurter)



Revision of estimates

The Quarterly Sector Accounts now presented incorporate new information with the consequent revisions of the previous estimates of some aggregates.

In the present release, besides the use of the most recent data from the Balance of Payments and the Monetary and Financial Statistics from Banco de Portugal, as well updated data on the GG sector, it is important to underline the incorporation of the final annual results for 2016 and provisional for 2017 of the National Accounts, which led to revisions in the quarterly accounts series. In consequence of this new annual benchmark data and the use of new source data available after the publication of end August, the quarterly accounts for the total economy were revised, ensuring total consistency of the national accounts aggregates published in the website.

Specifically, the quarterly accounts by institutional sectors now published have implicit an upwards revision in the GDP year on year volume change rate by 0.1 percentage points to 2.4% of 2018Q2 compared with the estimates published in end August.

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 ended 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 ended in the reference quarter and the year ended 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.