24th June 2024
QUARTERLY SECTOR ACCOUNTS (BASE 2016)
First Quarter 2024

EXTERNAL BALANCE OF THE PORTUGUESE ECONOMY INCREASED TO 3.2% OF GDP

The Portuguese economy[1] recorded a net lending of 3.2% Gross Domestic Product (GDP) in the first quarter of 2024, which represents an improvement of 0.5 percentage points compared to the previous quarter. Gross National Income (GNI) and Gross Disposable Income (GDI) increased both by 1.6% (growths of 1.6% and 1.5%, by the same order, in the previous quarter). The increase in the economy's external balance reflected the improvement in the Households balance by 1.0 percentage points of GDP compared to the previous quarter.

The disposable income of Households[2] sector increased by 2.6% compared to the previous quarter, with growths of 2.2% and 1.4% of compensation of employees and Gross Value Added (GVA), respectively. Final consumption expenditure grew by 1.1% (1.2% in the previous quarter), leading to an increase in the savings rate to 8.0% (6.6% in the previous quarter), which led to a net lending of 2.2% of GDP (1.2% of GDP in the previous quarter). In real terms, the adjusted GDI per capita of Households grew by 1.5% in the first quarter of 2024 (0.5% in the previous quarter).

The balance of Non-Financial Corporations remained unchanged at -2.2% of GDP. GVA increased by 1.5%, which was below the growth in compensation of employees paid (change rate of 2.4%), while Gross Capital Formation increased by 0.6%. In turn, the balance of Financial Corporations stood at 2.3% of GDP (0.2 percentage points less than in the previous quarter).

The balance of the General Government (GG) sector decreased by 0.3 percentage points in the year ending in the first quarter of 2024, shifting from a net lending of 1.2% to 0.9% of GDP. Considering quarterly values and not the year ending in the quarter, the GG balance in the first quarter of 2024 reached -118.9 million euros, corresponding to -0.2% of GDP, which compares with 1.1% in the same period of the previous year. Compared to the same period of the previous year, there was an increase of 7.3% in revenue and 11.0% in expenditure.

[1] Unless otherwise indicated, the descriptive analysis and graphs below refer to the year ending in the reference quarter (for additional information. When comparing consecutive quarters are used, in general, quarter-on-quarter rates of change between the year ending in the reference quarter and the year ending in the preceding quarter (see Methodological Note at the end of press release). The rates of change are based in nominal terms. It should also be noted that Excel files with additional information are available as an annex to this press release.

[2] Households and Non-Profit Institutions Serving Households (NPISH)(S.1M).

External balance of the economy presented a positive balance of 3.2% of GDP

The Portuguese economy external balance increased to 3.2% of GDP in the first quarter of 2024 (2.7% in the previous quarter). In nominal terms, GDP grew by 1.5% in the first quarter of 2024 compared to the previous quarter and 8.6% compared to the same quarter of 2023, mainly reflecting the growth of the respective implicit deflator. Gross National Income (GNI) and Gross Disposable Income (GDI) increased both by 1.6% compared to the previous quarter and 8.2% and 8.0%, respectively, compared to the same quarter of 2023.

The increase in the economy's GDI in the first quarter of 2024 was higher than the 1.2% growth in final consumption expenditure (includes the final consumption expenditure by Households and GG), which determined an increase of 3.2% of the economy's gross savings. In the first quarter of 2024, gross savings represented 21.3% of GDP (0.4 percentage points more than in the previous quarter and 1.8 percentage points more than in the same quarter of the previous year).

The increase of savings led to an improvement in the economy's net lending by 0.5 percentage points, which went from 2.7% to 3.2% of GDP in the first quarter of 2024.

Table 1. GDP, GNI and GDI (year ending in the reference quarter)

Year ending in the reference quarter	GDP		GNI		GDI	
	million euros	quarter-on-quarter rate of change (%)	million euros	quarter-on-quarter rate of change (%)	million euros	quarter-on-quarter rate of change (%)
1Q 2021	199 253	-0,6	196 450	-0,5	201 822	-0,3
2Q 2021	207 354	4,1	204 560	4,1	210 495	4,3
3Q 2021	211 407	2,0	208 566	2,0	214 762	2,0
4Q 2021	216 053	2,2	213 892	2,6	220 012	2,4
1Q 2022	223 151	3,3	220 542	3,1	226 474	2,9
2Q 2022	230 187	3,2	227 455	3,1	232 928	2,8
3Q 2022	236 213	2,6	232 517	2,2	238 118	2,2
4Q 2022	242 341	2,6	239 012	2,8	244 968	2,9
1Q 2023	248 374	2,5	244 745	2,4	250 876	2,4
2Q 2023	254 403	2,4	250 452	2,3	256 877	2,4
3Q 2023	260 252	2,3	256 550	2,4	262 945	2,4
4Q 2023	265 525	2,0	260 576	1,6	266 769	1,5
1Q 2024	269 632	1,5	264 801	1,6	271 048	1,6

The improvement in the economy's balance reflected the increase in the Household surplus, which more than offset the reduction in the surplus of GG and Financial Corporations. This decrease in the GG balance was the result of an increase in expenditure (2.3%) higher than the increase in revenue (1.5%).

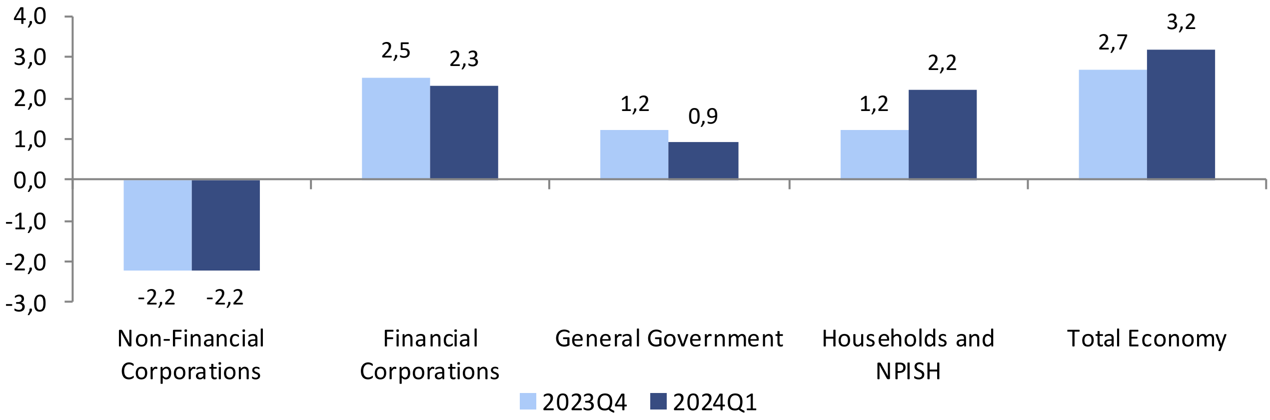
The net borrowing of Non-Financial Corporations remained at 2.2% of GDP in the first quarter of 2024, while the net lending of Financial Corporations decreased by 0.2 p.p. to 2.3% of GDP.

Households' net lending has grown progressively since the second quarter of 2023, standing at 2.2% of GDP in the first quarter of 2024, reflecting the increase in Household savings. In the first quarter of 2024, Households savings grew by 24.6%, as a result of the 2.6% increase in disposable income, higher than the 1.1% growth in private consumption.

Table 2. Net lending (+) / borrowing (-) by institutional sector (in % of GDP, year ending in the reference quarter)

Year ending in the reference quarter	Non-Financial Corporations	Financial Corporations	General Government	Households and NPISH	Total Economy
1Q 2021	-2,2	2,7	-7,0	6,7	0,2
2Q 2021	-1,0	2,2	-5,9	4,9	0,2
3Q 2021	-2,4	2,4	-3,9	4,6	0,7
4Q 2021	-2,8	2,4	-2,9	3,9	0,6
1Q 2022	-2,8	1,9	-1,7	2,2	-0,4
2Q 2022	-3,5	1,5	0,1	1,4	-0,5
3Q 2022	-3,8	1,2	1,0	0,8	-0,8
4Q 2022	-2,3	1,6	-0,3	0,6	-0,4
1Q 2023	-1,6	2,0	0,1	0,1	0,5
2Q 2023	-1,2	2,4	0,0	0,5	1,7
3Q 2023	-1,5	2,7	0,4	1,0	2,6
4Q 2023	-2,2	2,5	1,2	1,2	2,7
1Q 2024	-2,2	2,3	0,9	2,2	3,2

Figure 1. Net lending (+) / borrowing (-) by institutional sector (in % of GDP, year ending in the reference quarter)



Households: net lending increased to 2.2% of GDP

Net lending of Households stood at 2.2% of GDP in the year ending in the first quarter of 2024, which represented an increase of 1.0 percentage points compared to the previous quarter. This behaviour resulted from a 24.6% increase in household savings.

The Households' savings rate in the first quarter of 2024 (Figure 2) stood at 8.0% of the disposable income, increasing by 1.4 percentage points compared to the previous quarter. This evolution resulted from the 2.6% increase in the GDI (1.4% in the previous quarter), higher than the 1.1% growth in private consumption. Note that, unless otherwise indicated, the variables presented here are in nominal terms, which, in the case of private consumption, means that the evolution is marked by price growth. In real terms, private consumption increased by 0.3% in the year ending in the first quarter of 2024.

Figure 3 shows the breakdown of the 2.6% growth rate of disposable income of households in the first quarter of 2024 compared to the previous quarter. Compensation of employees and gross operating surplus contributed 1.6 and 0.5 percentage points, respectively, to that growth rate. It is also worth highlighting the contribution of 0.2 percentage points from the balance of social benefits (-0.7 percentage points in the previous quarter).

Figure 2. **Saving rate of Households and NPISH (%, year ending in the reference quarter)**

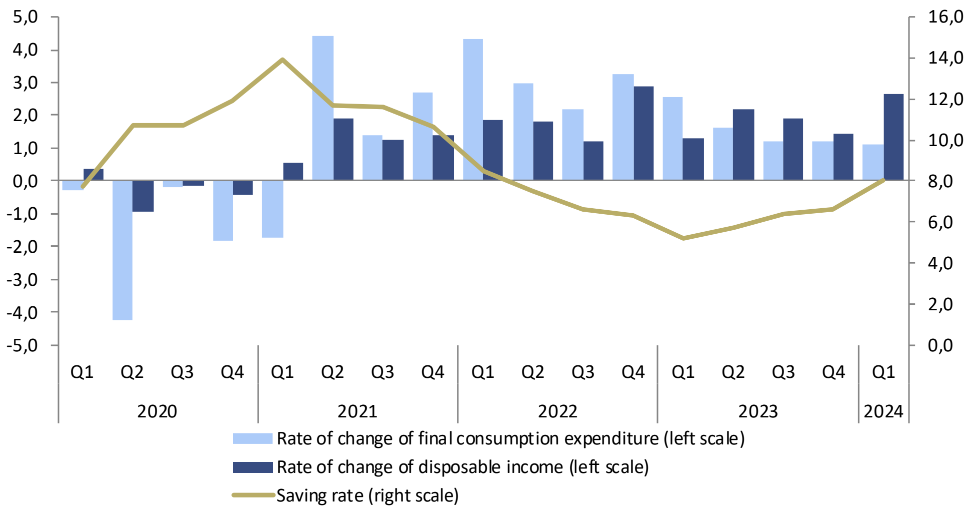
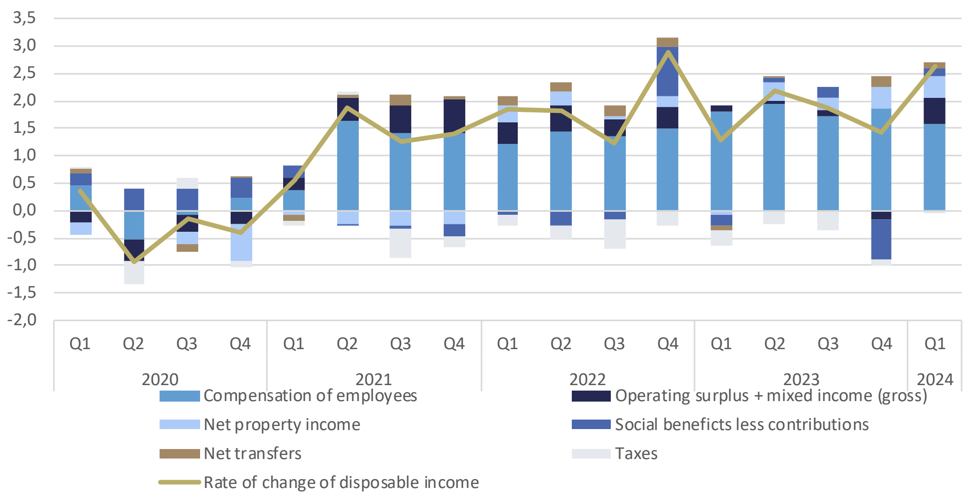


Figure 3. **Contributions to the rate of change of disposable income of Households and NPISH (percentage points, year ending in the reference quarter)**



The nominal GDI per capita of Households reached 17.7 thousand euros in the first quarter of 2024, which represented an increase of 2.5% compared to the previous quarter. Per capita compensation of employees reached 12.5 thousand euros, 2.1% more than in the previous quarter.

It should be noted that adjusted GDI (GDIa) 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, such as, for example, co-payments in the purchase of medicines by households. Households' adjusted GDI per capita in real terms, which is a more appropriate indicator in a context of high inflation, and which considers the implicit price index of final consumption expenditure as a deflator, increased by 1.5% compared to the previous quarter, after growth of 0.5% in the previous quarter. On the other hand, real final consumption per capita increased by 0.1% in the first quarter of 2024 (0.4% in the previous quarter)

Households' Gross Fixed Capital Formation (GFCF), which essentially corresponds to GFCF in dwellings stabilized in the first quarter of 2024 (rate of change of 0.2% in the previous quarter). The investment rate of Households (measured by the ratio between GFCF and disposable income) stood at 5.6%, 0.1 percentage points less than in the previous quarter.

Non-Financial Corporations: net borrowing stood at 2.2% of GDP

Non-financial corporations' net borrowing remained unchanged at 2.2% of GDP between the last quarter of 2023 and the first quarter of 2024 (-1.6% of GDP in the first quarter of 2023).

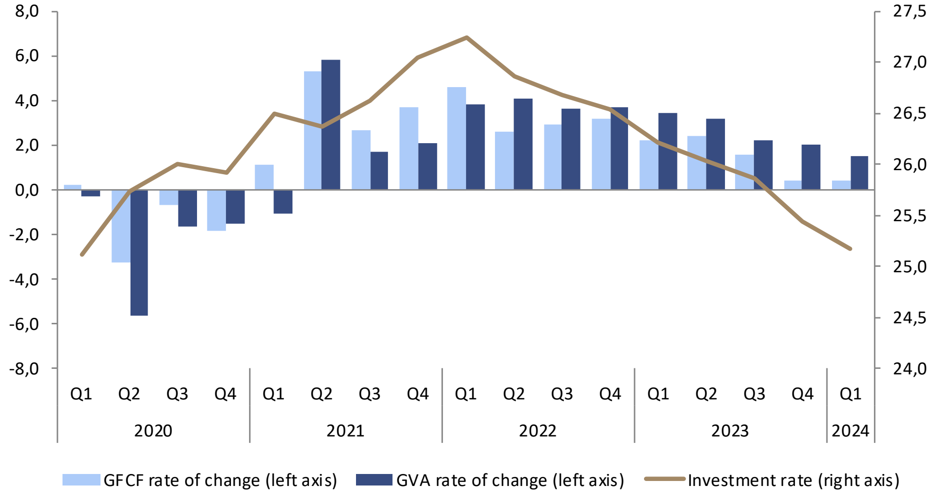
The sector's GVA recorded an increase of 1.5% compared to the previous quarter, driven by the growth of by growth in compensation of employees and operating subsidies of 2.4% and 17.2%, respectively, resulting in a 0.5% growth in the Gross Operating Surplus (-0.9% in the previous quarter).

The sector's net operating margin rate stood at 22.5%, 0.3 percentage points less than in the previous quarter. This rate is obtained by the ratio between Net Operating Surplus and Net Value Added[3] and corresponds to the percentage of value created that is intended for compensation of the financial resources invested in corporations.

The maintenance of the net borrowing at 2.2% of GDP resulted from the combined effects of the aforementioned growth in the Operating Surplus and the increases of 0.1% in capital transfers and 0.2% in Gross Capital Formation. GFCF recorded a growth of 0.6% in the first quarter of 2024 and maintained the series of positive quarter-on-quarter rates of change started in the first quarter of 2021. The investment rate (measured through the ratio between GFCF and GVA) stood at 25.2%, which represents a decrease in 0.2 percentage points compared to the previous quarter, determined by the higher growth of GVA compared to GFCF.

[3] The Net Operating Surplus and Net Value Added correspond, respectively, to GOS and GVA deducting the consumption of fixed capital.

Figure 4. GFCF/GVA of Non-Financial Corporations (%, year ending in the reference quarter)



Financial Corporations: net lending decreased to 2.3% of GDP

The net lending of Financial Corporations decreased by 0.2 percentage points, reaching 2.3% of GDP. This result was mainly driven by the worsening of the negative balance of property income, with income paid and received recording growth rates of 10.3% and 6.8%, respectively, compared to the previous quarter. The reduction in that balance more than offset the increase in the sector's GVA (which includes the financial intermediation margin obtained by banking institutions when granting loans and obtaining deposits (Indirectly Measured Financial Intermediation Service – FISIM)[4]), which grew 2.9% in the year ending in the first quarter of 2024.

In terms of distribution of sectoral GVA, compensation of employees paid increased by 1.0%, while the Gross Operating Surplus registered an increase of 3.8% in the first quarter of 2024 (10.5% in the previous quarter).

[4] It should be highlighted that, in National Accounts, the financial intermediation margin obtained by banking institutions when granting loans and obtaining deposits (named Financial Intermediation Services Indirectly Measured – SIFIM) is recorded as production, influencing GVA, and not as interest paid and received. Analogously, the cost incurred by other institutional sector in those operations is recorded as intermediate or final consumption. Thus, reflecting the significant rise in interest rates, FISIM is increasing significantly in nominal terms, determining the increase in GVA of the financial sector and negatively influencing the GVA of the other sectors, notably the households' sector in their capacity as owners of dwellings acquired using banking loans. The increase in FISIM bore by the households' sector influences positively the final consumption expenditure.

General Government: net balance decreased 0.3 percentage points to 0.9% of GDP

The net balance of the GG sector decreased by 0.3 percentage points in the year ending in the first quarter of 2024 compared with the year ending in the previous quarter, attaining 0.9% of GDP. This decrease was due to a higher increase in expenditure (2.3%) than in revenue (1.5%).

Tables 3 and 4 show the revenue and expenditure in the year ending the reference quarter, in value and rate of change, respectively.

Table 3. **Revenue and Expenditure of General Government**

(year ending in the reference quarter)

Unit: 10^6 EUR

	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1
Total revenue	**108 144.6**	**110 085.4**	**113 298.0**	**115 621.5**	**117 402.3**
Current revenue	106 509.2	108 199.5	111 138.1	113 122.9	114 812.7
Current taxes on income and wealth	26 209.3	27 102.3	27 825.7	28 435.3	28 748.0
Taxes on production and imports	36 680.9	36 858.1	37 838.5	38 453.0	38 996.1
Social contributions	30 407.8	31 184.0	31 910.8	32 720.4	33 421.9
Sales	7 859.3	8 047.2	8 057.2	8 067.8	8 134.5
Other current revenue	5 351.8	5 007.9	5 505.7	5 446.4	5 512.2
Capital revenue	1 635.4	1 886.0	2 160.0	2 498.6	2 589.6
Total expenditure	**107 869.5**	**110 195.4**	**112 290.7**	**112 428.0**	**115 019.5**
Current expenditure	98 468.8	100 398.2	102 190.8	102 192.2	104 656.0
Social benefits	45 066.0	45 935.8	46 919.1	46 346.9	47 506.3
Compensation of employees	26 190.6	26 721.9	27 204.9	27 787.0	28 373.0
Interest	4 872.1	5 126.6	5 455.5	5 751.6	5 881.4
Intermediate consumption	13 486.1	13 767.0	13 871.5	14 043.8	14 169.5
Subsidies	2 669.0	2 760.7	2 622.0	2 001.0	2 375.4
Other current expenditure	6 185.0	6 086.3	6 117.9	6 261.9	6 350.4
Capital expenditure	9 400.8	9 797.2	10 099.8	10 235.8	10 363.5
Investment (1)	5 883.3	5 968.6	6 222.7	6 792.2	6 855.0
Other capital expenditure	3 517.4	3 828.6	3 877.1	3 443.6	3 508.5
Current Balance	**8 040.4**	**7 801.2**	**8 947.3**	**10 930.7**	**10 156.7**
Balance	**275.1**	**-110.0**	**1 007.4**	**3 193.5**	**2 382.8**
Memorandum items:					
Primary current expenditure	93 596.7	95 271.7	96 735.4	96 440.5	98 774.6
Gross Domestic Product at current market prices	248 373.7	254 403.0	260 252.1	265 525.1	269 632.2
Balance in % of GDP	**0.1**	**0.0**	**0.4**	**1.2**	**0.9**

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

The expenditure behaviour reflected the increase of 2.4% in current expenditure and 1.2% in capital expenditure. All items of current expenditure increased, standing out the subsidies (18.7%), social benefits (2.5%), interest (2.3%) and compensation of employees (2.1%). The primary current expenditure, that excludes interest paid, increased 2.4% in the year ending in the first quarter of 2024.

The 1.2% increase in capital expenditure was a result of an increase in investment (0.9%) and in other capital expenditure (1.9%).

Table 4. **Revenue and Expenditure of General Government**

(%; year ending in the reference quarter)

Unit: %

	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1
Total revenue	**1.9**	**1.8**	**2.9**	**2.1**	**1.5**
Current revenue	1.8	1.6	2.7	1.8	1.5
Current taxes on income and wealth	2.0	3.4	2.7	2.2	1.1
Taxes on production and imports	1.0	0.5	2.7	1.6	1.4
Social contributions	2.6	2.6	2.3	2.5	2.1
Sales	1.5	2.4	0.1	0.1	0.8
Other current revenue	2.8	-6.4	9.9	-1.1	1.2
Capital revenue	10.5	15.3	14.5	15.7	3.6
Total expenditure	**0.9**	**2.2**	**1.9**	**0.1**	**2.3**
Current expenditure	0.8	2.0	1.8	0.0	2.4
Social benefits	0.5	1.9	2.1	-1.2	2.5
Compensation of employees	1.4	2.0	1.8	2.1	2.1
Interest	4.5	5.2	6.4	5.4	2.3
Intermediate consumption	0.9	2.1	0.8	1.2	0.9
Subsidies	-0.6	3.4	-5.0	-23.7	18.7
Other current expenditure	-1.4	-1.6	0.5	2.4	1.4
Capital expenditure	2.0	4.2	3.1	1.3	1.2
Investment (1)	1.4	1.4	4.3	9.2	0.9
Other capital expenditure	3.1	8.8	1.3	-11.2	1.9
Memorandum items:					
Primary current expenditure	0.7	1.8	1.5	-0.3	2.4

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

Total revenue increased by 1.5% due to the increase of current revenue by 1.5% and capital revenue by 3.6%. All items of current revenue increased, with revenue from social contributions standing out with an increase of 2.1%, taxes on production and imports 1.4% and taxes on income and wealth 1.1%. The increase in capital revenue is related to the higher use of European Funds for capital expenditure, namely in the context of the Recovery and Resilience Facility (RRF).

To allow a comparison between quarters, table 5 presents the detail of revenue and expenditure of GG and its GDP percentage for the first quarters of 2023 and 2024.

Table 5. **Revenue and Expenditure of General Government**

(quarterly figures)

	1st quarter 2023		1st quarter 2024		Nominal rate of change (%)
	10^6 EUR	% GDP	10^6 EUR	% GDP	
Total revenue	**24 247.2**	**38.8**	**26 028.0**	**39.1**	**7.3**
Current revenue	23 947.7	38.3	25 637.5	38.5	7.1
Current taxes on income and wealth	4 880.9	7.8	5 193.6	7.8	6.4
Taxes on production and imports	8 846.3	14.2	9 389.4	14.1	6.1
Social contributions	7 235.7	11.6	7 937.3	11.9	9.7
Sales	1 880.6	3.0	1 947.3	2.9	3.5
Other current revenue	1 104.2	1.8	1 169.9	1.8	6.0
Capital revenue	299.5	0.5	390.5	0.6	30.4
Total expenditure	**23 555.3**	**37.7**	**26 146.9**	**39.3**	**11.0**
Current expenditure	22 249.7	35.6	24 713.6	37.1	11.1
Social benefits	10 015.9	16.0	11 175.4	16.8	11.6
Compensation of employees	6 110.9	9.8	6 696.8	10.1	9.6
Interest	1 342.3	2.1	1 472.1	2.2	9.7
Intermediate consumption	3 091.5	4.9	3 217.3	4.8	4.1
Subsidies	361.9	0.6	736.2	1.1	103.4
Other current expenditure	1 327.3	2.1	1 415.8	2.1	6.7
Capital expenditure	1 305.6	2.1	1 433.3	2.2	9.8
Investment (1)	976.1	1.6	1 038.9	1.6	6.4
Other capital expenditure	329.5	0.5	394.4	0.6	19.7
Current Balance	**1 698.0**	**2.7**	**923.9**	**1.4**	
Balance	**691.9**	**1.1**	**-118.9**	**-0.2**	
Memorandum items:					
Primary current expenditure	20 907.5	33.5	23 241.5	34.9	11.2

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

Considering quarterly figures rather than the sum of four quarters, the net balance of the GG was negative in the first quarter of 2024, attaining -118.9 million euros (-0.2% of GDP), which compares with 1.1% of GDP for the same period of the previous year. This variation reflects the increases in both total expenditure and total revenue, by 11.0% and 7.3%, respectively.

Within total expenditure, the growth of current expenditure (11.1%), due to increases in social benefits (11.6%), compensation of employees (9.6%), interests paid (9.7%), intermediate consumption (4.1%), subsidies (103.4%) and other current expenditure (6.7%). The change rate in subsidies reflects the growth in the additional allocation of funds to the National Electric System for electricity tariff reduction. The primary current expenditure, that excludes interest paid, increased 11.2% in the first quarter of 2024. Capital expenditure increased 9.8%, given the 6.4% increase in investment and 19.7% in other capital expenditure.

The increase by 7.1% of current revenue was due to increases in all its components. Capital revenue increased by 30.4%, as a consequence of the higher use of European Funds for capital expenditure.

Table 6 presents the main adjustments carried out for moving from Public Accounts to National Accounts balances in the first quarters of 2023 and 2024.

Table 6. **Public to National Accounting Adjustments**

Unit: 10^6 EUR

	2023Q1	2024Q1
Balance in Public Accounting:	**4 689.0**	**-560.0**
Accrual adjustment and sector delimitation in National Accounts	-3 073.5	-245.3
Difference between paid and due interest	-93.9	-146.0
Other receivables:	-453.8	168.3
Time adjustment of taxes and social contributions	-448.5	179.2
Others	-5.4	-10.8
Other payables:	25.1	107.4
Expenditure already incurred but not yet paid	-170.7	-130.0
Others	195.7	237.4
Other adjustments:	-401.0	556.8
of which:		
Capital injections and debt assumptions	-629.2	-562.9
Balance in National Accounting:	**691.9**	**-118.8**
GDP [1]	62 473.7	66 580.9
Balance in National Accounting in % of GDP	**1.1**	**-0.2**

[1] Non seasonally and calendar effects adjusted data

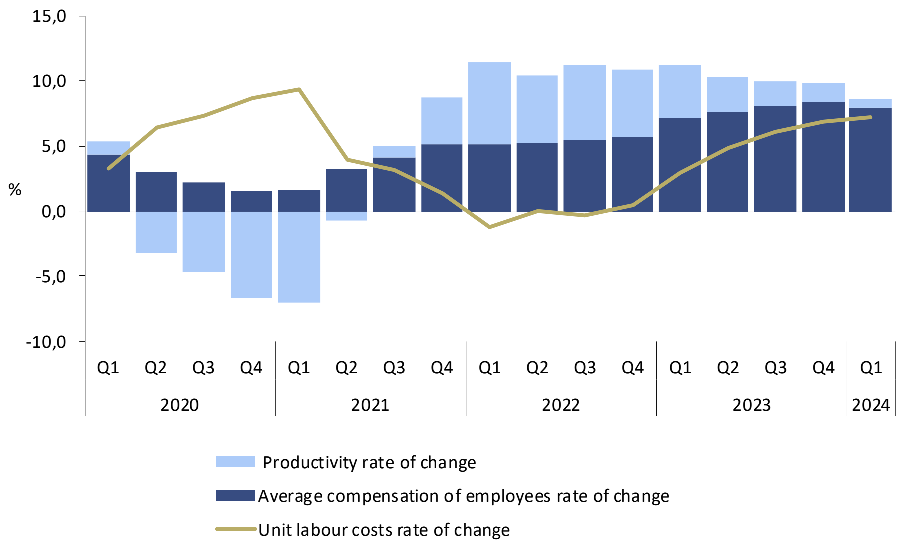
Comparing the first quarter of 2024 with the same period of 2023, a decrease is noticeable in both national accounts and public accounts balances. In national accounts, the GG net balance changed to -0.2% of GDP in the first quarter of 2024 from 1.1% in 2023. The entirety of the expenditure in capital injections and debt assumptions was granted to public corporations classified inside GG, with a neutral impact in the balance.

Additionally, due to the policy measures for fractional future payment of taxes and social contributions implemented in the context of the COVID 19 pandemic, that have been prolonged in the current context of the geopolitical conflict, a supplementary adjustment was made to include the future payments as revenue of the period when the activity took place.

Unit labour costs (ULC) increased by 7.2%

In the year ending in the first quarter of 2024, UCL increased by 7.2% in year-on-year terms, which compares with a growth rate of 6.9% in the previous quarter. This result was due to the 7.9% increase in average compensation of employees, which surpassed the 0.7% increase in productivity.

Figure 5. **Unit labour costs rates of change (%, year ending in the reference quarter)**



METHODOLOGICAL NOTE

The results presented correspond to the preliminary version of the Quarterly Sector Accounts (QSA) for the first quarter of 2024.

For a better understanding of the results, it should be noted that, unless otherwise indicated, 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. Due to rounding, the sum of the parts of the economic indicators presented may not coincide with the result for the total economy.

The Quarterly Sector Accounts are expressed exclusively in nominal terms and from Quarterly National Accounts (QNA) since they are based on non-seasonally adjusted data. The results are presented for the total economy and in detail by institutional sector.

Compared to previous estimates, the new results did not determined revisions in the rate of change of GDP in volume terms.

In addition to the tables attached to this press release, further information is available on the Statistics Portugal's website:

https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_cnacionais&xlang=en

Revision of estimates

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

It is worth mentioning the use of the most recent data from the Balance of Payments and the Monetary and Financial Statistics from Banco de Portugal, as well as the recent information on international trade in goods statistics and the updated data on the GG sector. As a result of the incorporation of additional information after the publication on May 31, the quarterly accounts for the economy as a whole were also revised, thus ensuring the total consistency of the national accounts aggregates available on Statistics Portugal website. Compared to previous estimates, the new results did not determined revisions in the rates of change of GDP.

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.

MAIN CONCEPTS AND DEFINITIONS

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 (-): The net lending (+) or borrowing (-) (B.9) 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 percentage points with 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.

Adjusted Gross Disposable Income of Households: Corresponds to the sum of gross disposable income of Households and social transfers in kind, that is, it includes value of goods and services that are purchased or produced by GG or NPISH and intended for household consumption, such as, for example, co-payments in the purchase of medicines by households.

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: These 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. The institutional sectors are as follows: Non-Financial Corporations (S.11); Financial Corporations (S.12); General Government (S.13); Households and Non-Profit Institutions Serving Households (NPISH)(S.1M); Rest of the World (S.2).

Households Investment rate: Represents the ratio between GFCF and disposable income (includes the adjustment for the change in pension entitlements).

Non-Financial Corporations Investment rate: Represents the ratio between GFCF and Gross Value Added (GVA).

Non-Financial Corporations operating margin rate: This rate is obtained by the ratio between Net Operating Surplus and Net Value Added and corresponds to the percentage of value created that is intended for compensation of the financial resources invested in corporations.

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).

Next release of Quarterly Sector Accounts – 23rd September 2024