

15<sup>th</sup> June, 2016

## Regional Development Composite Index

2014

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In 2014, according to the results of the *regional development composite index*, four out of the 25 Portuguese NUTS 3 level regions stood above the national average in terms of the overall regional development – the metropolitan areas of Lisboa and Porto, Alto Minho and Região de Aveiro.

The territorial image of the *competitiveness* index shows that the regions with more favourable performances are concentrated in the Portuguese mainland coast and especially in the metropolitan area of Lisboa and the mainland Northwest. The metropolitan area of Lisboa was the leading region in the *competitiveness* index, even though Região de Aveiro and the metropolitan area of Porto also stood above the national threshold.

As for *cohesion*, the results display a more balanced country than the one resulting from the *competitiveness* index, since in nine of the 25 level 3 NUTS regions the *cohesion* index stood above the national average. In this dimension of regional development, the 2014 results suggested a more cohesive territory in the mainland centre sub-regions and in the Northern coastal regions, especially in Região de Coimbra and the metropolitan area of Lisboa.

Regarding the *environmental quality* index, the 2014 results highlight the inner mainland and the two autonomous regions showing a better *environmental quality*. The national average was exceeded in 14 out of the 25 NUTS 3 regions and the territorial disparity was weaker than the one observed for the other components. Alto Alentejo was the leading region in 2014 with regard to the *environmental quality* index.

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The **Regional Development Composite Index** (ISDR) relies on a conceptual framework which benefits from a broad view of development that encompasses *competitiveness*, *cohesion* and *environmental quality*.

With the release of the 2014 results, Statistics Portugal continues the production cycle of ISDR's version 2, comprising a data series for the 2011-2014 period, in line with the organization of the level 3 NUTS regions set by the Commission Regulation (EU) No. 868/2014, August 8 (NUTS-2013).

The conceptual and computational methodological options as well as annual result data for the 2011-2014 period are available at [www.ine.pt](http://www.ine.pt), in accordance with the technical note included in the end of this press release. In particular, the series now released benefits from data made available since ISDR's last release which made it possible to produce the 2014 data as well as to revise the past 2011-2013 series, namely by the inclusion of the Regional Accounts data released for the first time in December, 2015 for the NUTS-2013 regions.

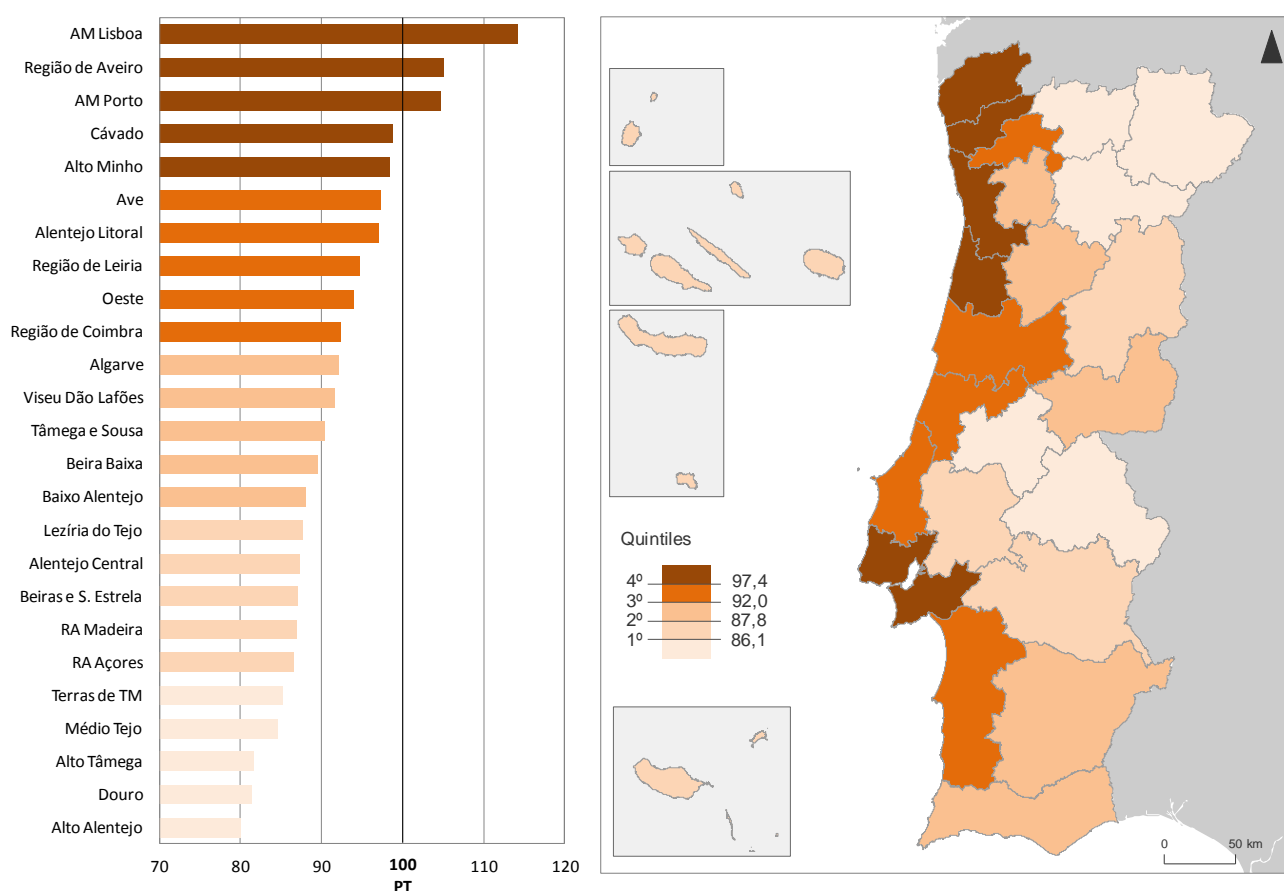
## The NUTS 3 performance in 2014: *competitiveness, cohesion and environmental quality*

### Competitiveness index

The *competitiveness* index aims to express the regional potential (both regarding human resources and physical infra-structures) for the performance in *competitiveness*, as well as the efficiency in the path being followed (measured by the educational, professional, entrepreneurial and productive profiles) and, also, the effectiveness in creating wealth and the ability to compete in international markets.

According to the 2014 results, the NUTS 3 regions with higher scores in the *competitiveness* index are concentrated in the Portuguese mainland coast and especially, in the south, in the metropolitan area of Lisboa and, in the north, comprising a continuous territory formed by Alto Minho, Cávado, the metropolitan area of Porto and Região de Aveiro. Among the 25 NUTS 3 regions, only three scored above the national average – the two metropolitan areas and Região de Aveiro. The metropolitan area of Lisboa was the leading region in the *competitiveness* ranking. The inner mainland and the two autonomous regions reached lower *competitiveness* scores as compared to coastal mainland. Within the three dimensions of development, the results for *competitiveness* revealed the stronger territorial disparity according to the coefficient of variation.

**Competitiveness (Portugal = 100), NUTS 3, 2014**



## Cohesion index

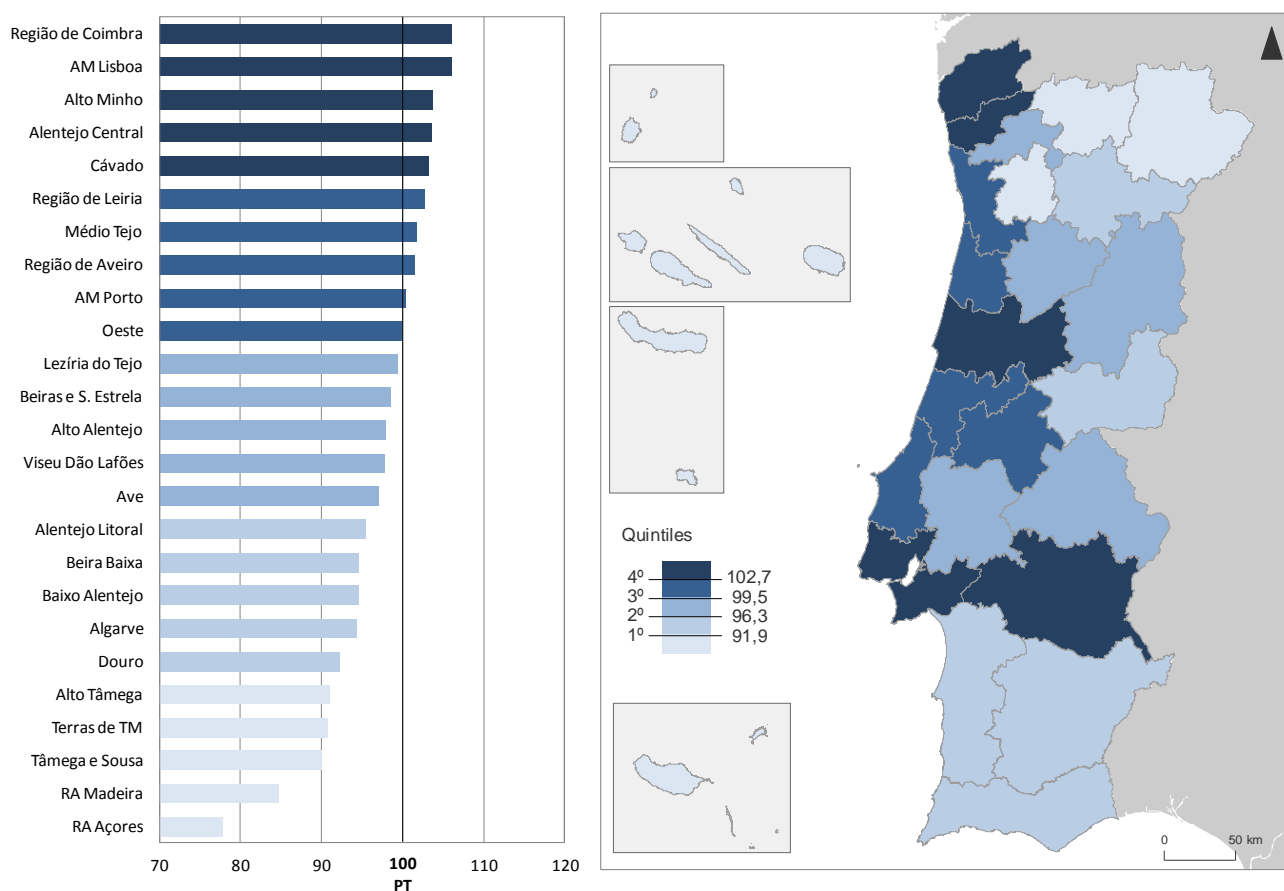
Cohesion's composite indicator regards the population accessibility to quality basic collective equipment and services, the profiles that lead to a greater social inclusion and the effectiveness of public policies given by an increase in the quality of life and to a decrease in territorial disparities.

As for *cohesion*, the results display a more balanced country than the one resulting from the *competitiveness* index, since in nine of the 25 NUTS level 3 regions the *cohesion* index stood above the national average.

In this dimension of regional development, the 2014 results suggested a more cohesive territory – specifically, the higher *cohesion* scores belong to Região de Coimbra and the metropolitan area of Lisboa but also, in the Northern coast, to the territory formed by Alto Minho and Cávado and, in the South, to Alentejo Central.

The autonomous regions of Açores and Madeira, the inner north territory, formed by Terras de Trás-os-Montes and Alto Tâmega, and also Tâmega e Sousa scored poorer in the *cohesion* index.

### Cohesion (Portugal = 100), NUTS 3, 2014



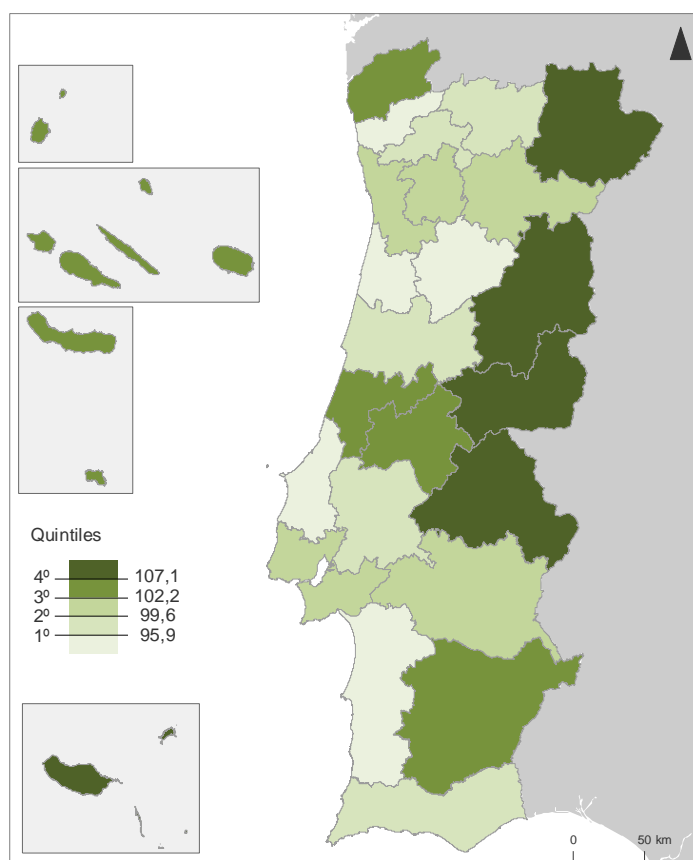
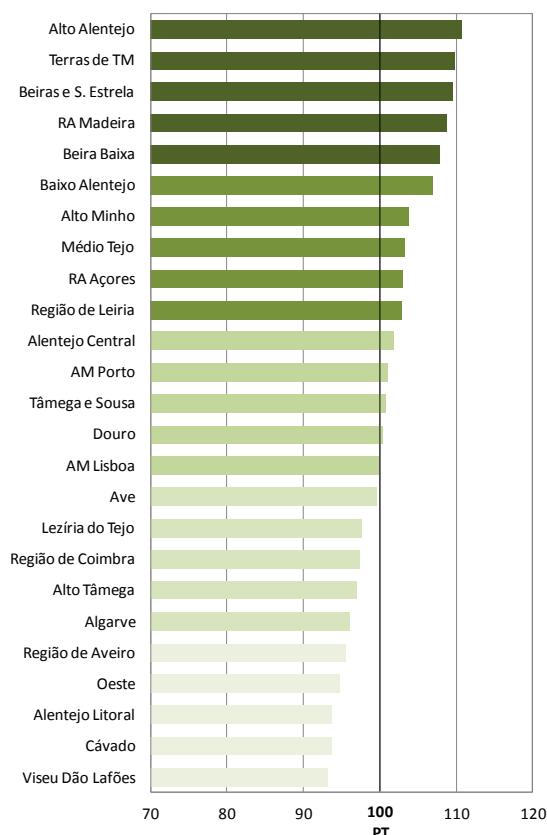
## Environmental quality index

The *environmental quality* index combines the pressure put on the environment by economic activity and social behaviour (extended to territorial qualification and planning), the corresponding effects on environment and the economic and social responses (both regarding individual behaviour and public policies).

The 2014 results reveal a reversed territorial pattern in relation to *competitiveness* as the inner mainland and the two autonomous regions showed, in general, better *environmental quality* with the territorial pattern of the results suggesting that the *environmental quality* progressively increases from the coast toward the inner mainland. Nevertheless, Alto Minho, the metropolitan area of Porto and Região de Leiria, in the Atlantic strip, scored above the national average. The national average in this dimension was exceeded in 14 out of the 25 NUTS 3 regions and the territorial disparities were weaker than the ones observed for the other components.

Among the regions with an *environmental quality* below the national average, there were seven out of the 10 more competitive regions – Cávado, Ave, Região de Aveiro, Região de Coimbra, Oeste, the metropolitan area of Lisboa and Alentejo Litoral. Alto Alentejo was the leading region in 2014 with regard to the *environmental quality* index.

### Environmental quality (Portugal = 100), NUTS 3, 2014



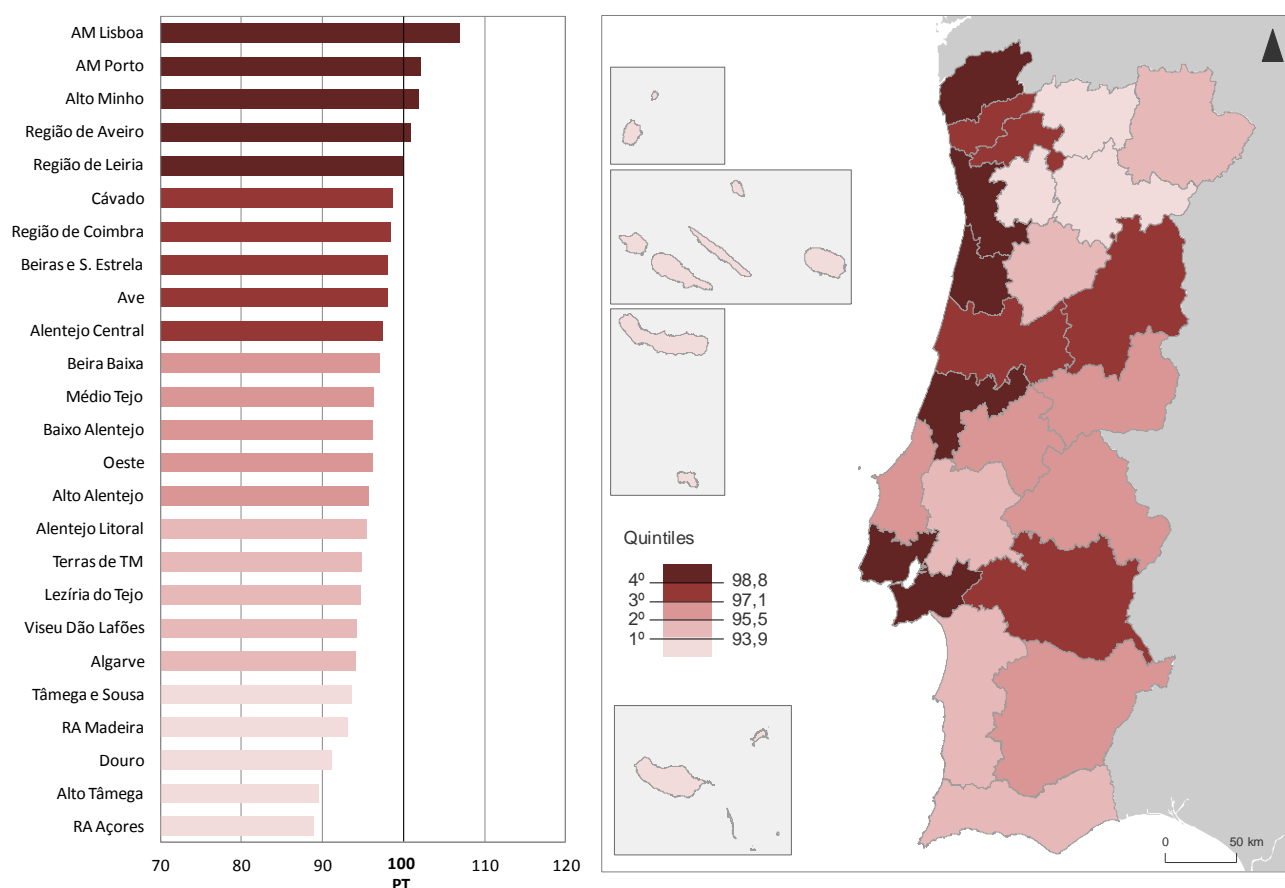
## The joint analysis of regional development in 2014

### Overall index of regional development

The *overall index of regional development* is the result of the joint performance in *competitiveness, cohesion* and *environmental quality*.

According to the 2014 ISDR results, four out of the 25 Portuguese NUTS 3 level regions scored above the national average – the metropolitan areas of Lisboa and Porto, Alto Minho and Região de Aveiro. Região de Leiria scored slightly below the national average in the *overall index of regional development*.

**Overall index of regional development (Portugal = 100), NUTS 3, 2014**



In 2014, the *competitiveness* and *cohesion* indexes showed a positive correlation with *overall development* (0.8, in both cases) while, as for *environmental quality*, there was no relevant correlation with the *overall development*, thus showing the absence of a relationship between the joint performance of the Portuguese NUTS 3 regions in *environmental quality* and in the *overall index of regional development*. The negative association between *environmental quality* and the other two dimensions of regional development should also be noted.

**Correlation matrix, 2014**

	Overall index	Competitiveness	Cohesion	Environmental quality
Overall index	-			
Competitiveness	0.8	-		
Cohesion	0.8	0.5	-	
Environmental quality	0.0	-0.4	-0.3	-

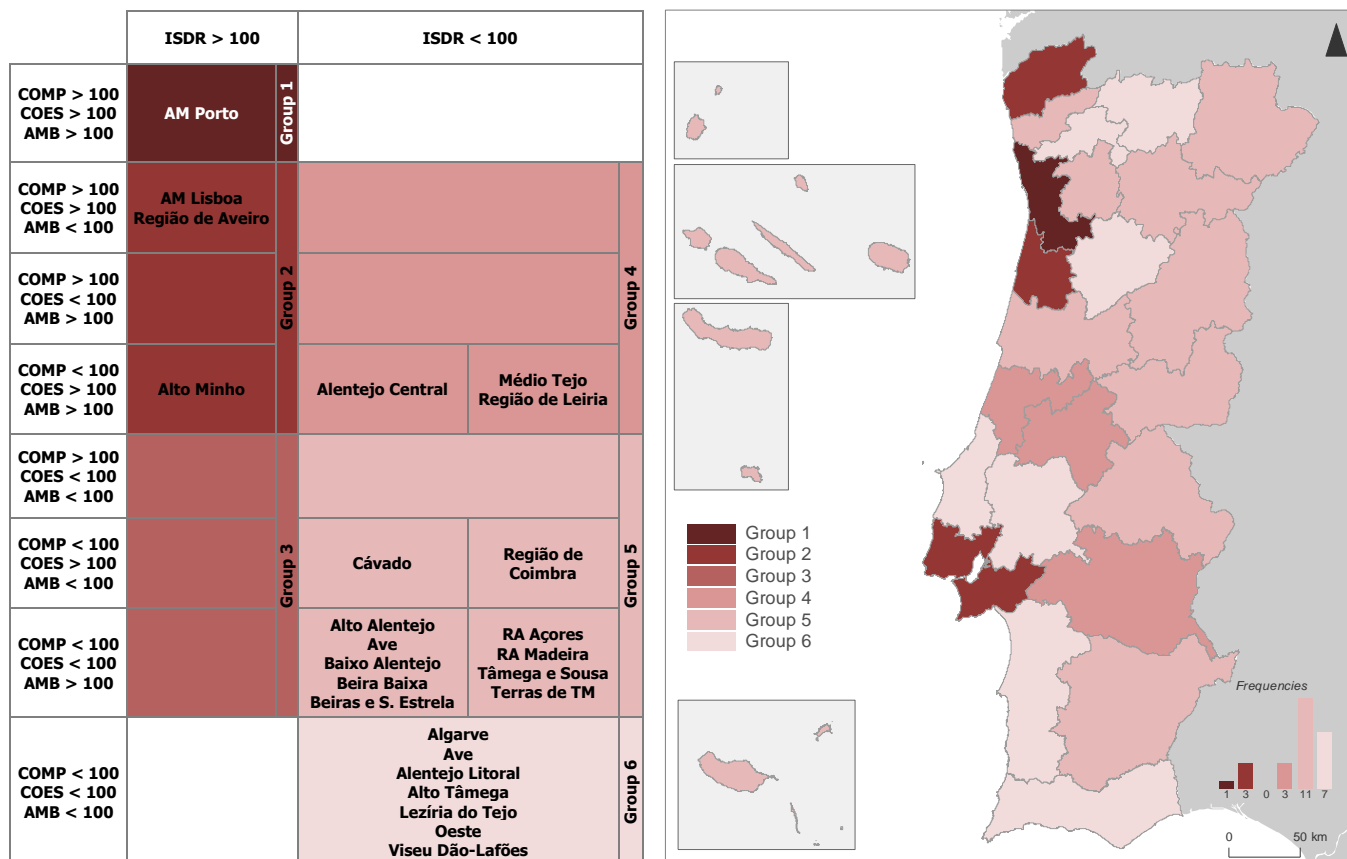
The complexity of regional development, considering the multidimensional perspective that ISDR intends to reflect, leads to heterogeneous regional profiles.

In 2014, the metropolitan area of Porto was the only region which scored above the national average in both the *overall index of regional development* and the three partial indexes. In the metropolitan area of Lisbon and Região de Aveiro, the *overall index of regional development* exceeded the national average as a result of a score above that threshold in *competitiveness* and *cohesion*. Alto Minho completed the group of four regions scoring above the national threshold in the *overall index of regional development* but due to a better performance than the regional average in *cohesion* and *environmental quality*.

On the other hand, the NUTS 3 regions with performances below the national average in the four indexes were Algarve, Ave, Alentejo Litoral, Alto Tâmega, Lezíria do Tejo, Oeste and Viseu Dão-Lafões.

The most common regional profile, covering nine regions, consisted in an *environmental quality* above the national average and *competitiveness* and *cohesion* indexes below the national level.

**Overall index of regional development, competitiveness, cohesion and environmental quality: performance in relation to the national average (Portugal = 100), NUTS 3, 2014**



Note: The acronym ISDR refers to the overall index of regional development, COMP to the competitiveness index, COES to the cohesion index and AMB to the environmental quality index.

### Technical note

The Regional Development Composite Index (ISDR) is a statistical study of annual frequency and national coverage. The observed statistical unit is the NUTS 3 level region, data collection is indirect and the variables used to compute the composite index result from administrative procedures and from statistical operations within the National Statistical System.

The pertinence of the statistical data guided the selection of the statistical indicators that supported the quantitative match to the concepts underlying the construction of the index – *competitiveness*, *cohesion* and *environmental quality* –, taking into account the 25 Portuguese NUTS 3 level regions (NUTS-2013). It is, however, worthwhile to stress the diversity of territorial contexts among these regions, of which the autonomous regions and the metropolitan areas are examples, as well as the heterogeneity regarding the size of the 25 Portuguese NUTS 3 level regions.

On the basis of a 65 statistical indicators matrix, for the 25 Portuguese NUTS 3 level regions, properly normalized (statistical standardization and *minmax* rescaling, with the minimum and maximum reference values extracted from the set of 65 standardized indicators for the time span available), distributed by three dimensions – *competitiveness*, *cohesion* and *environmental quality* – subsequently aggregated by a non-weighted average, for the dimensions level as well as from the dimensions level to the overall index level, four composite indicators are produced – *competitiveness*, *cohesion*, *environmental quality* and *overall index of regional development*. The four composite indicators are referenced to the national value (Portugal = 100), with the national value estimated by the NUTS level 3 regions indexes average, weighted by the resident population, and not directly obtained from the model which is exclusively applied to the NUTS 3 level regions. In the same way, the values for the NUTS 2 level regions are estimated by the corresponding NUTS 3 level regions average, weighted by the resident population, as a way to ensure that national values computed from each of the two geographical levels are the same.

Comparing with the results released in 2015 for the 2011-2013 period, the minimum and maximum reference values change due to the 2014 database updating, but match the same region and the same individual indicator – the maximum value corresponds to the *final energy intensity* observed in 2014 in Alentejo Litoral and the minimum corresponds to the *lodging capacity in hotel establishments with 3 or more stars per 1 000 inhabitants* observed in 2014 in Algarve.

At the same time, this ISDR's edition benefits from the updating of the Regional Accounts data, given the previous adoption, in 2015 for the 2011-2013 period, of data computed for the first time for the NUTS-2013 regions on the basis of a simplified methodology. In December, 2015 new data were released using the usual methodology, allowing for the revision of the four individual indicators computed using Regional Accounts data, impacting the three components of regional development for the 2011-2013 period. In addition, the availability of the 2013 Personal Income Tax data enabled the revision of the 2013 data of the three *cohesion* individual indicators computed on the basis of these data (one of which also uses Regional Accounts data).

The conceptual and computational methodological options are presented in the methodological document *Índice Sintético de Desenvolvimento Regional, código 127 / versão 2.0, INE* (available at [www.ine.pt](http://www.ine.pt), in Metadata, Metadata System, Methodological documentation).

Therefore, the data now released are not comparable with previously published results. Annual figures for the 2004-2011 period, in accordance with the 2.0 version of the methodological document, are available at [www.ine.pt](http://www.ine.pt), in Statistical information, Statistical data, Database.