



INSTITUTO NACIONAL DE ESTATÍSTICA  
STATISTICS PORTUGAL

# **Revision Policy of the Portuguese System of National Accounts**

## **Benchmark-year 2011**

National Accounts Department

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## 1. Introduction

Statistical data are a key asset in today's society, and an essential tool in supporting the most relevant decision-making processes, both at the public and private level, and in carrying out analyses and research.

Statistical data are therefore of interest to public and decision-makers, policy-makers, economic agents, analysts and researchers, paving the way for all individuals to gain more awareness of their citizenship.

Statistical data is only truly useful if it is credible and of high quality particularly as regards accuracy and timeliness.

In order to ensure quality dimensions, statistical producers are required to establish a commitment between rigor and swiftness as regards data released.

This commitment often gives rise to the need to conduct data revisions.

The need for revisions may also stem from the introduction of methodological improvements or the updating of statistical standards often decided on at international level.

Transparency, which must underlie the production and dissemination of official statistics, thus requires a detailed clarification of the [Revision Policy](#), which is available in the Portuguese National Statistical Institute (INE) website. That document presents the determinant factors of each revision, the typology of revisions that may occur and the dimensions that should determine the analysis of each revision, as well as the general and the operational principles of the INE's Revision Policy.

Specific revision policy in the field of National Accounts is obviously consistent with INE's general Revision Policy, being overall consistent with European current revision policy as well.

In [INE / National Accounts](#), INE makes available relevant methodological information in the National Accounts domain. The correspondent releases calendar is also accessible in the [Press releases Calendar](#) area. The idea is to inform, in this way, the users of the first releases of each statistic and their respective subsequent versions. This is in conformity with the respective general calendar foreseen by Eurostat within ESA 2010 National Accounts System transmission programme.

Besides current press releases calendar of Portuguese National Accounts System, this document refers also to issues related to the transition from NA benchmark-year 2006 to benchmark-year 2011, which was concomitant with the introduction of the ESA 2010, as well as the need of improving the comparability of NA within European Union in the context of Gross National Income (GNI) Regulation.

## **2. Revision Policy of the Portuguese National Accounts System in Benchmark-year 2011 (ESA 2010)**

### **2.1. Current revision policy**

In general, Portuguese National Accounts (PNA) data releases proceed according to the following qualifiers, in the different versions:

- Flash estimate
- Preliminary
- Provisional
- Final

The different PNA versions are mostly dependent of the availability of the database statistics and of their suitability for the national accounts aims.

#### **2.1.1. Current revisions in the Portuguese National Accounts – annual data**

In general, annual PNA are compiled and released in their preliminary, provisional and final versions.

Those outputs are transmitted to Eurostat with the aim of accomplishing what is foreseen within ESA 2010 transmission programme, according to Regulation (EU) N. 549/2013. In the case of the final annual accounts for latest years it was observed that transmission has occurred in advance to the deadline transmission and release date. Indeed, currently, PNA final annual outputs, including supply and uses tables, are available in t+21 months. Provisional outputs, related with table 3 of the transmission programme, are available in t+9 months and reflected in the results of the Quarterly National Accounts. Preliminary annual accounts, resulting from the compilation process of Quarterly National Accounts, are published and transmitted to Eurostat in t+60 days.

There has been a process of reducing the compilation and transmission deadlines of the PNA, within ESA 2010 transmission programme, which was necessary after the benchmark-year revision process. Indeed, the new 2011 benchmark-year implementation process was particularly resources demanding, leading to extending the calendars for the compilation of final annual PNA. The current situation shows that all relevant tables are being published and released before the legal transmission deadlines imposed by the ESA 2010 transmission programme.

## 2.1.2. Current revisions in PNA – quarterly data

In general terms, quarterly accounts revise the annual preliminary values, in each quarter, as a consequence of being available updated versions of source data. In practice, it is generally followed the recommendations on revision policy proposed by the *Committee on Monetary, Financial and Balance of Payments Statistics* (CMFB), namely in what refers to the number of revised years/quarters in each compilation time (revision window or depth of revisions), which is enlarged in the releases occurring in March and in September, each year. It should be noted that this procedure is to be applied for raw data (not adjusted for seasonal or calendar effects); in the case of seasonal and calendar adjusted data, which are obtained using probabilistic models, the revisions coming out from estimated models may imply revisions of enlarged depth and frequency on the available series.

The following table summarizes the depth of regular revisions, usually applied in the PNA quarterly and annual releases, for the different moments in each year:

	1 <sup>st</sup> quarter			2 <sup>nd</sup> quarter			3 <sup>rd</sup> quarter			4 <sup>th</sup> quarter		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Depth of annual revisions, excluding the first reported year (number of years)			1			1			2			0
Depth of quarter revisions, excluding the first reported quarter (number of quarters)			7			4			9			2

The first PNA version for a complete year (preliminary data) corresponds to the sum of the quarters of a certain year. It must be referred also that, when the release of the flash estimate of the 4th quarter of each year occurs, the GDP volume annual change rate is also published. Quarterly accounts by institutional sectors also contribute for those revisions, on a regular basis.

### 2.1.3. Revision calendars and finishing of accounts

The sequence of press releases of the results set up for a year t is as follows:

**Table 1. Revisions schedule and finalisation of accounts**

February	→ t+45 days	<b>Flash estimate</b> First estimate of year t	→ Sum of four quarters from quarterly accounts GDP
February	→ t+60 days	<b>Preliminary version</b> Second estimate of year t	→ Sum of four quarters from quarterly accounts Revised version with new/updated information Main macro-economic aggregates for the total economy: main components of GDP from the expenditure and production approach (A8) and total employment
March	→ t+85 days	<b>Preliminary version</b> Third estimate of year t	→ Sum of four quarters from quarterly accounts Revised version with new/updated information Main macro-economic aggregates for the total economy: main components of GDP from the expenditure and production approach (A8) and total employment Sector Accounts Sequence of balances up to (net) lending / borrowing capacity of the total economy
September/ December	→ t+9 months → t+12 months	<b>Provisional version</b>	→ GVA, Employment and Compensation of employees (A21); GFCF (A10) → Sector accounts
September/ December	→ t+21 months	<b>Final version</b>	→ Supply and Uses Table (SUT) (A82) → Integrated Business Accounts Table (SCIE) → Complementary data

Indeed, the first estimate of year t corresponds to the flash estimate of the quarterly accounts for the four quarters of a certain year in t+45 days, although the data made available in this phase is just the GDP volume change rate.

Preliminary version of annual NA data result also from quarterly accounts, that means, the estimate for year t corresponds to the sum of the aggregates, more updated, of the four quarters of the very same year in t+60 days.

This preliminary version uses infra-annual frequency information. Consequently overall data transmitted corresponds to the requirements met in table 1 of the ESA 2010 transmission programme.

When quarterly accounts by institutional sectors are compiled, in t+85 days, the new information made available and the integration of the revised data may imply revisions to the preliminary NA estimates, which then includes the sequence of accounts, main aggregates and balances by institutional sector.

## **2.2. Revisions related with the new 2011 benchmark-year of the Portuguese National Accounts, in ESA 2010**

In September 2014, National Statistics Institute proceeded with the implementation of the 2011 benchmark-year of the PNA. The implemented revisions resulted, on the one hand, from the methodological changes came out from the implementation of the 2010 European System of Accounts – ESA 2010 (as compared with precedent system, ESA 1995) and, on the other hand, from the introduction of new structural information, namely from the outputs of 2011 Census, which enabled a more accurate representation of the real economic situation of the country and draws up a new anchor for the regular compilation of national accounts, with annual or quarterly frequency.

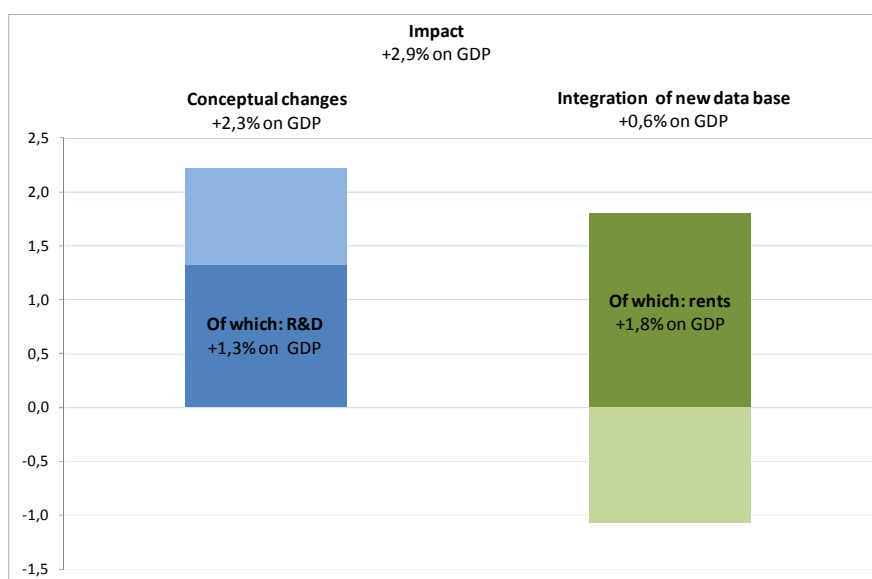
ESA 2010 has revised principles, classifications and rules of the national accounting which were addressed to Member States for the establishment of national accounts and for the data transmission to European Commission (Eurostat). That revision became necessary because big changes could be observed in the society and in the economy all along the last twenty years, in particular in the fields of the Information and Communication Technologies, of the increasing relevance of tangible assets related with Research and Development issues, of the Intellectual property of goods and services and of the issues linked to globalization.

In short, the differences between the present and the precedent PNA series resulted from two kinds of changes:

- a) Statistical changes – these are those that may be observed in any benchmark revision and that have by origin the integration and adjustments of new statistical sources plus the introduction of new methods and estimation procedures, or their revisions;
- b) Methodological and conceptual changes – these are due to the application of new valuation methods and to concepts got from the new benchmark, which come out not only from the implementation of new manuals, but also from changes deriving from working groups at EU scope, as well as from revisions related with work within Gross National Income (GNI) Regulation.

The new National Accounts benchmark implied the GDP re-evaluation in +2.9% in 2011, as compared with the precedent 2006 base, to the level of 176.2 thousand million Euros, approximately. In average, the GDP revision in the period of 1995-2011 was 2.2%. However, the relevance of revisions is different in the periods before and after 2001, with the average of revisions being 1.0% in the first period and of 3.1% in the second one. The re-evaluation of dwelling rents, deriving from 2011 Census outputs, was residual in the period 1995-2001 but quite remarkable in the inter-Census period, being, in average, 1.1% of GDP.

Having by reference the year 2011, the following graphic represents the splitting of the GDP re-evaluation in its main causes:



### 2.2.1. Revisions related with new data sources

In what concerns the incorporation and adaptation of new statistical sources, the following came out as the most relevant ones:

- a) Population and Housing Census – Census 2011;
- b) Agriculture Census – RA 2009;
- c) Household budget survey – HBS 2010/2011;
- d) International Tourism expenditure survey – 2013, incorporation of its results;
- e) Balance of Payments – it must be emphasized the incorporation of their statistics, which were revised with the implementation of the 6<sup>th</sup> version of the respective Manual and by the changes sequent to the implementation of a new information collection system introduced by the Bank of Portugal.

## 2.2.2. Methodological revisions

Methodological revisions that have been introduced in the transition from 2006 benchmark to 2011 benchmark in the Portuguese National Accounts derived mostly from:

- implementation of the European National Accounts System of 2010 (ESA 2010);
- need of increasing the comparability of National Accounts data within the European union, within the Gross National Income (GNI) Regulation.

Comparing with ESA 95, ESA 2010 has introduced a lot of methodological changes, with relevant impact in some PNA key macroeconomic indicators, like GDP, from which the most relevant are:

- Research and development expenditures (R&D) registered as investment;
- New rules of analysis for the sector classification of institutional units;
- Registration of purchases of military equipment expenditures as investment;
- New rules for the registration of processing.

Moreover, due to the work in GNI Regulation context, the following changes stand out by their impact in the GDP:

- New rules in the registration of the *Special Purpose Entities* – SPE, units with little physical presence;
- Inclusion of illegal industries in the NA.

## 2.2.3. Main results

The re-evaluation of GDP level in more than 5 040 million Euros in the year 2011 came out from a set of changes with impact of different relevance, inclusively of opposite signal.

The most relevant changes with positive impact were:

- a) Imputed rents which, with re-evaluation of 3 083 million Euros, are the most relevant contribution. In average terms for the period 1995-2011, this aggregate was responsible for 33% of GDP revision;
- b) Capitalization of R&D expenditures, with 2 270 million Euros, shows the second most important contribution. That value changed between a minimum of 320 million Euros in 1995 and 2 270 million in 2011 (0,4% and 1,3% of GDP in the respective years),
- c) The explicit inclusion of illegal industries, which was estimated in 629 million Euros;
- d) The recording in the goods and services account of the construction activity developed out of the Portuguese economic territory by resident corporations (exports) and in the Portuguese economic territory by non-resident corporations (imports), whose net exporting balance was 469 million Euros in 2011. It stands out that this registration as a null effect in GNI, resulting from the fact that external activity of construction services was registered in the income accounts in benchmark-year



2006 and, in the benchmark-year 2011, is included in the goods and service account, with convergence with the registration adopted in the Balance of Payments (BoP).

On the other hand, it must be mentioned the change in the calculation of the activities of SPE, which had a negative impact, of 676 million Euros in GDP in 2011, mainly attributed to the Autonomous Region of Madeira.