26 March 2021

Quarterly Sector Accounts (Base 2016)

Fourth Quarter 2020

Households' savings rate was 12.8% in 2020, up by 5.7 percentage points from 2019

- The net lending of Portuguese economy, compared to the previous quarter, remained at 0.1% of Gross Domestic Product (GDP) in the year ending in the fourth quarter of 2020 (in 2019, the net lending of the economy was 1.0% of GDP).
- Gross National Income (GNI) and Gross Disposable Income (GDI) diminished both 0.8%, while nominal GDP decreased by 1.0% in the year ending in the fourth quarter of 2020 (rates of change of -0.8% and -1.1% in the previous quarter, respectively). Compared to 2019, GNI, GDI and nominal GDP decreased by 4.4%, 4.3% and 5.4%, respectively (rates of change of 4.2% for GNI and 4.3% for GDI and nominal GDP in 2019, compared to 2018).
- In the fourth quarter 2020, the net lending of households' sector increased by 1.4 percentage points to 5.9% of GDP and the savings rate reached 12.8% (11.0% in the previous quarter and 7.1% in 2019), being necessary to go back to 2002 to find a similar savings rate. This result reflected mainly the nominal reduction by 5.0% in private consumption of households, an unprecedented negative rate of change for the series beginning in 1995, as the household's disposable income increased by 1.0%, partly reflecting the measures carried out by government in the context of the COVID-19 pandemic with a negative impact in the General Government (GG) balance.
- The balance of Non-Financial Corporations stood at -2.4% of GDP, same as in the previous quarter, but less negative than in the end of 2019 (-3.2%), with an increase in subsidies and a reduction in paid income properties (rates of change of 23.5% and -2.5%, respectively), particularly in the case of dividends.
- The net lending of Financial Corporations remained similar to the previous quarter (2.2% of GDP), but diminishing compared to 2019, when it was 2.6% of GDP.
- The balance of the GG sector decreased by 1.5 percentage points in the year ending in the fourth quarter of 2020, representing a net borrowing of 5.7% of GDP (positive balance of 0.1% in 2019). Considering quarterly figures and not the year ending in the quarter, the balance of GG in the fourth quarter of 2020 was -3 905.1 million euros (-7.4% of GDP, compared with -4.3% in the third quarter). The deterioration of the GG balance was associated to the measures carried out by government in the context of the COVID-19 pandemic and to the sensitiveness of public finances to the significant contraction in economic activity, notably in the case of fiscal revenue.

The current results correspond to the preliminary version of the Quarterly Sector Accounts (QSA) for the fourth quarter of 2020. In this quarter, new c new measures to restrict circulation were implemented, following the worsening of the pandemic situation. Note that, in the third quarter, the economic activity progressively reopened, after the application of measures to contain the spread of COVID-19, with a strong economic impact in the second quarter.

For a better understanding of the results, and unless otherwise stated, the analysis and graphs presented in this press release refer to data in the year ending in the reference quarter. Consequently, the results for the fourth quarter coincide with the annual figures. In the comparison of consecutive quarters, the rates of change between the year ending each quarter and the year ending in the previous quarter are used as a rule. Due to rounding, the sum of the components of the economic indicators presented may not coincide with the result for the total economy.

QSA aggregates are presented exclusively in nominal terms and are not seasonally and calendar adjusted. The results are available for the total economy and in detail by the following institutional sectors (see methodological notes):

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

Slightly positive external balance of the economy

The Portuguese economy's net lending stood at 0.1% of GDP in the year ending in the fourth quarter of 2020, similar to that observed in the third quarter, but 0.9 percentage points below the fourth quarter 2019. Nominal GDP decreased by 1.0% in the fourth quarter of 2020 compared to the previous quarter and by 5.4% compared to the same quarter of the previous year, while Gross National Income (GNI) and Gross Disposable Income (GDI) both diminished by 0.8% (-4.4% and -4.3% compared to the fourth quarter 2019, respectively).

The balance of property income with the Rest of the World was more negative by 0.2 percentage points (compared to the fourth quarter 2019, the reduction was by 1.0 percentage points), with income paid and received decreasing by 7.2% and 4.5%, respectively.

The decrease of GDI combined with the 0.9% reduction of final consumption expenditure (which includes the final consumption expenditure of Households and GG), determined a rate of change of -0.5% of gross savings of the economy (-5.4% in the previous quarter). Savings in the economy represented 18.1% of GDP in the fourth quarter of 2020, close to the percentage observed in the previous quarter, but 1.0 percentage points below the fourth quarter 2019.

Gross Capital Formation (GCF) decreased by 0.3%, partially offsetting the decrease in savings, resulting in a net lending of the economy of 0.1% of GDP (same as in the previous quarter). Compared to the previous year, GCF diminished 4.3% in 2020.

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 (%)
2017Q1	188 448	1.1	183 891	1.1	188 036	1.3
2017Q2	190 780	1.2	186 011	1.2	190 070	1.1
2017Q3	193 087	1.2	188 348	1.3	192 706	1.4
2017Q4	195 947	1.5	191 348	1.6	195 931	1.7
2018Q1	198 034	1.1	193 939	1.4	198 368	1.2
2018Q2	200 057	1.0	195 487	0.8	200 050	0.8
2018Q3	202 488	1.2	197 801	1.2	202 425	1.2
2018Q4	205 184	1.3	200 173	1.2	204 752	1.1
2019Q1	207 479	1.1	201 790	0.8	206 315	0.8
2019Q2	209 625	1.0	204 713	1.4	209 352	1.5
2019Q3	211 641	1.0	206 610	0.9	211 276	0.9
2019Q4	213 949	1.1	208 565	0.9	213 462	1.0
2020Q1	213 799	-0.1	208 602	0.0	213 816	0.2
2020Q2	206 796	-3.3	202 600	-2.9	207 619	-2.9
2020Q3	204 590	-1.1	200 993	-0.8	205 952	-0.8
2020Q4	202 466	-1.0	199 434	-0.8	204 302	-0.8

Table 2: Gross Saving and Net Lending(+)/ Borrowing(-) unit: % of GDP

Year ending in the reference quarter	Gross Saving	Balance of Capital Transfers with the Rest of the World	Gross Capital Formation	Net Lending (+)/ Borrowing(-)
2017Q1	16.8	0.9	15.9	1.9
2017Q2	17.0	0.9	16.3	1.6
2017Q3	17.6	0.8	16.8	1.8
2017Q4	18.2	0.8	17.2	1.8
2018Q1	18.7	0.8	17.6	1.8
2018Q2	18.6	0.8	17.7	1.7
2018Q3	18.9	0.8	18.1	1.7
2018Q4	18.5	0.8	18.3	1.2
2019Q1	18.5	0.9	18.7	0.7
2019Q2	19.0	0.8	19.0	0.9
2019Q3	19.0	0.8	19.2	0.7
2019Q4	19.1	0.8	18.9	1.0
2020Q1	19.1	0.9	18.9	1.2
2020Q2	18.8	1.1	19.0	1.0
2020Q3	18.0	1.1	19.0	0.1
2020Q4	18.1	1.1	19.1	0.1

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

The net borrowing of Non-Financial Corporations (NFC) remained at 2.4% of GDP in the fourth quarter of 2020, while Financial Corporations registered a net lending of 2.2% of GDP in the fourth quarter of 2020, same as in the previous quarter. One year before, the net borrowing of NFC was 3.2% of GDP and the Financial Corporations presented a net lending of 2.6% of GDP.

The GG sector presented a negative balance of 5.7% of GDP in the year ending in the fourth quarter of 2020, which represents an increase of 1.5 percentage points compared to the previous quarter, reflecting the increase in expenditure by 2.8% and the reduction by 0.3% in revenue. In 2019 this sector presented a slightly positive balance of 0.1% of GDP.

The net lending of households' sector increased 1.4 percentage points, to 5.9% of GDP in the year ending in the fourth quarter of 2020. One year before, the net lending was lower (1.5% of GDP). This increase was determined by the significant growth of gross savings by around 8.6 billion Euro (4.2% of GDP).

The external balance of goods and services (see Figure 2) decreased to -2.0% of GDP in the fourth quarter of 2020 (-1.7% of GDP in the third quarter), due to the more intense decrease of exports than of imports (rates of change of -4.1% and -3.2%, respectively). In 2019, this balance was positive, corresponding to 0.4% of GDP. The significant decrease in exports was determined, to a great extent, by the strong reduction in the services component, particularly in tourism exports.

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

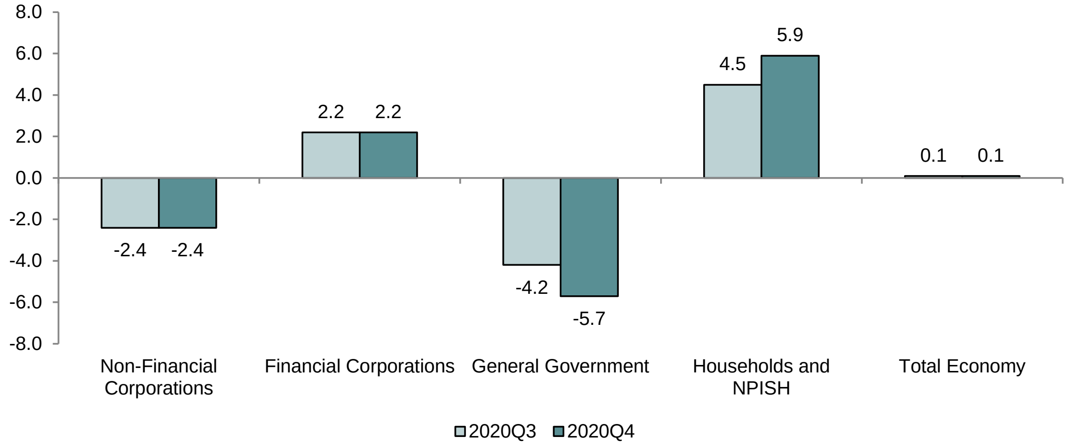
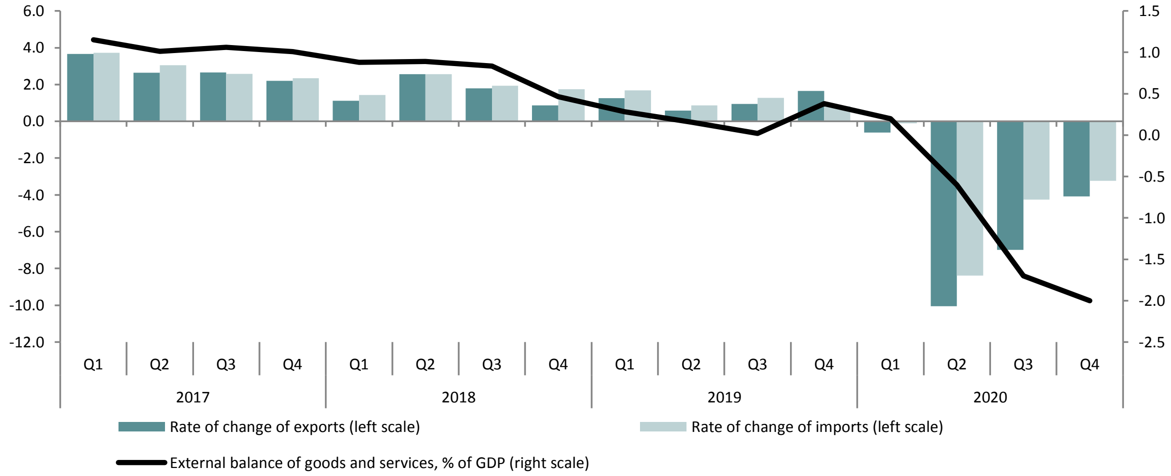


Figure 2 - External balance of goods and services (%, accumulated sum of four quarters)



Households: net lending stood at 5.9% of GDP

Net lending of households (includes Non-Profit Institutions Serving Households – NPISH) stood at 5.9% of GDP in the year ending in the fourth quarter of 2020, 1.4 percentage points more than in the previous quarter, as a result of the 16.4% increase in savings.

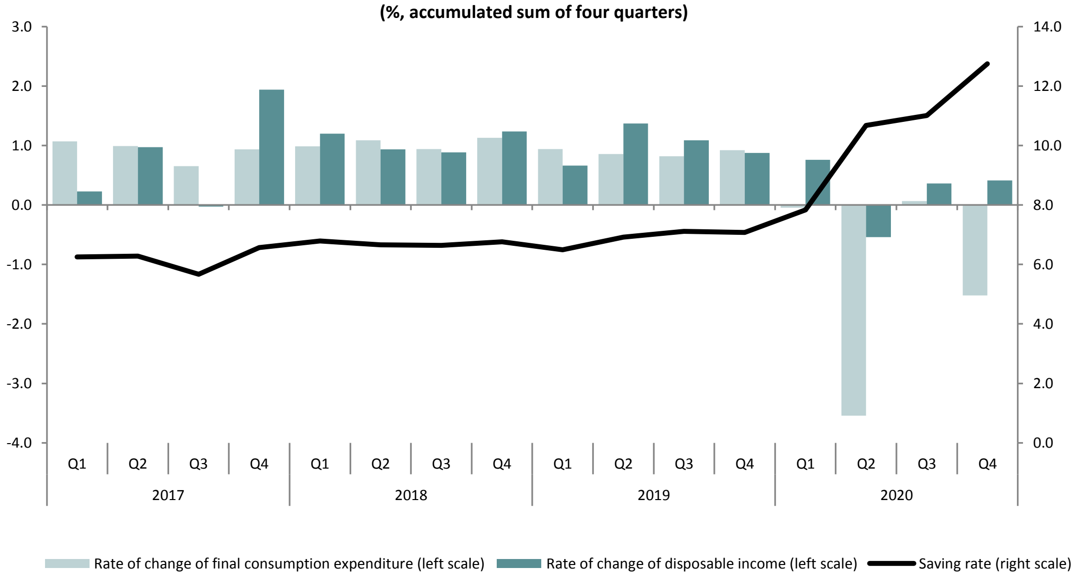
Households' saving rate increased 1.8 percentage points to 12.8% of disposable income, due to the increase in disposable income and to the decrease of consumption expenditure (rates of change of 0.4% and -1.5% in the previous quarter, respectively).

In Table 3 that shows the breakdown of the rate of change of disposable income, social benefits and income taxes contributed 0.4 and 0.3 percentage points, respectively. Gross Operatin Surplus (GOS) contributed -0.2 percentage points to the rate of change of disposable income. The positive balance of property income decreased, with and a contribution of -0.1 percentage points to the rate of change of GDI.

It should be mentioned that, in National Accounts, the deferral of interest payments on loans granted by the banking sector do not have a positive impact on the balance of property income as ESA 2010 determines the recording of these flows if they are due, even if not actually paid.

Households' Investment (represented by the Gross Fixed Capital Formation - GFCF) recorded a rate of change of 0.6% in the fourth quarter of 2020 (1.0% in the previous quarter).

Figure 3 - Saving rate of Households and NPISH
(%, accumulated sum of four quarters)



The adjusted household GDI (GDIa) per capita was 16.5 thousand euros in the fourth quarter of 2020, which represented a slight increase of 0.4% compared to the previous quarter, while nominal GDP per capita decreased by 1.1%.

It should be noted that adjusted GDI 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.

Table 3: Contributions to the rate of change of disposable income of Households and NPISH (percentage points, accumulated sum of four 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)
2018Q4	1.4	0.2	-0.4	0.3	0.0	0.3	1.2
2019Q1	0.7	0.3	-0.4	0.0	0.1	0.1	0.7
2019Q2	0.8	0.3	0.1	0.0	0.2	0.0	1.4
2019Q3	0.8	0.3	-0.1	0.1	0.0	0.0	1.1
2019Q4	0.8	0.3	-0.2	0.0	0.1	0.1	0.9
2020Q1	0.6	0.1	-0.1	0.1	0.2	0.1	0.8
2020Q2	-0.4	-0.2	0.2	0.2	0.0	0.4	-0.5
2020Q3	0.1	-0.1	0.0	0.2	-0.1	-0.2	0.4
2020Q4	0.4	-0.2	-0.1	0.3	0.1	0.1	0.4

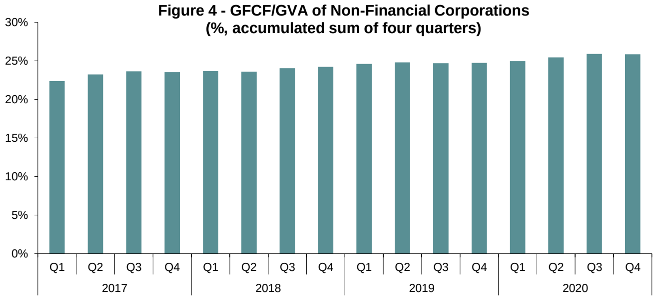
Non-Financial Corporations: net borrowing stood at 2.2% of GDP

The net borrowing of Non-Financial Corporations reached 2.4% of GDP in the year ending in the fourth quarter of 2020.

The GVA of this sector diminished 1.3% in the fourth quarter 2020, determining a reduction in GOS by 2.6%, even though partially compensated by the significant increase in the subsidies received (23.5% increase in the year ending in the fourth quarter of 2020). The increase in these operating subsidies, mainly reflected the payments made by the GG in the context of the pandemic COVID-19, namely the special layoff regime and extraordinary regimes to support the economic activity. In the year ending in the previous quarter, GVA and GOS registered rates of change of -1.4% and -1.7% respectively.

The sector's operating margin rate stood at 21.9% (0.9 percentage points 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 for compensation of the financial resources invested in corporations.

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



GFCF recorded a rate of change of -1.4% in the year ending in the fourth quarter of 2020, setting the investment rate (measured as the ratio between GFCF and GVA) at 25.9%, same as in the previous quarter.

Financial Corporations: net lending remained at 2.2% of GDP

The net lending of Financial Corporations stood at 2.2% of GDP in the fourth quarter of 2020, same as in the previous quarter.

The sector's GVA decreased by 1.4%, being offset by the improvement in the positive balance of property income, with the income received and paid registering rates of change of -5.7% and -6.5%, respectively.

The sector's gross savings recorded a decrease of 0.4% in the fourth quarter of 2020.

General Government: net balance decreased 1.5 percentage points to -5.7% of GDP

The net balance of the GG recorded a decrease of 1.5 percentage points in the year ending in the fourth quarter 2020 compared to the year ending in the previous quarter, attaining -5.7% of GDP. As shown in tables 4 and 5, this variation was due to an increase in expenditure and a decrease in revenue (+2.8% and -0.3%, respectively).

The behaviour of expenditure reflected the increases of 9.3% in capital expenditure and 2.3% in current expenditure. Except for interest paid, that decreased by 2.0%, all items of current expenditure increased. Within current expenditure, the items which presented larger percentage increases were subsidies (+26.0%) and other current expenditure (+10.8%). The variation of capital expenditure reflected the increases of 7.2% in investment and of 11.8% in other capital expenditure.

Total revenue decreased by 0.3% in the year ending in the fourth quarter, due to the reduction by 0.3% of current revenue and to the increase by 3.7% of capital revenue. The evolution of current revenue was a result of a combined effect of the decreases in taxes on production and imports (-2.1%) and sales (-2.0%) and of the increases in current taxes on income and wealth (+1.5%), social contributions (+0.2%) and other current revenue (+3.7%).

Considering quarterly figures rather than the sum of four quarters, the net balance of the GG was negative in the fourth quarter 2020, attaining -3 905.1 million euro (-7.4% of GDP), that compares with -1.8% of GDP for the same period of the previous year, as can be seen in table 6. The decrease of the net balance was a result of an increase in total expenditure, by 10.5%, and a decrease in total revenue, by 0.9%.

Regarding the components of total expenditure, current expenditure increased by 8.4%, reflecting the impact of the exceptional and temporary measures of economic activity support taken in the context of the COVID-19 pandemic. This variation was due to increases in social benefits (+4.6%), compensation of employees (+3.1%), intermediate consumption (+4.7%), subsidies (+249.2%), and other current expenditure (+44.5%). Interest paid was the only item of current expenditure to decrease (-7.6%). Capital expenditure rose by 36.3%, due to the increase of 21.7% in investment and of 73.6% in other capital expenditure. The latter includes the guarantee to SATA Air Açores granted by the Regional Government of the Azores and the recording of a court rule that determined the payment of past supplements to officers of *Polícia de Segurança Pública* and *Guarda Nacional Republicana*.

Table 4: Revenue and expenditure of general government in the year ending the quarter

Unit: 10^6 EUR

	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4
Total revenue	**91 161,4**	**91 284,6**	**89 334,7**	**86 818,4**	**86 586,6**
Current revenue	90 485,6	90 565,0	88 595,5	86 037,0	85 776,1
Current taxes on income and wealth	20 849,3	20 877,3	21 285,2	19 791,0	20 081,0
Taxes on production and imports	32 065,6	31 961,2	30 490,8	29 775,2	29 157,1
Social contributions	25 274,2	25 517,8	25 418,0	25 526,5	25 566,4
Sales	7 425,1	7 338,7	6 892,6	6 693,4	6 562,3
Other current revenue	4 871,3	4 870,1	4 509,0	4 251,0	4 409,2
Capital revenue	675,8	719,6	739,2	781,4	810,5
Total expenditure	**90 984,4**	**91 661,4**	**93 298,3**	**95 388,1**	**98 087,7**
Current expenditure	84 732,4	85 251,6	86 754,3	87 742,7	89 732,8
Social benefits	38 744,8	39 064,2	39 261,7	39 604,8	40 111,4
Compensation of employees	22 905,3	23 171,3	23 301,7	23 538,7	23 743,7
Interest	6 330,7	6 167,6	6 044,7	5 904,4	5 786,3
Intermediate consumption	11 149,1	11 302,7	11 260,8	11 156,3	11 306,5
Subsidies	852,6	872,1	2 065,1	2 854,8	3 596,4
Other current expenditure	4 749,9	4 673,7	4 820,3	4 683,7	5 188,4
Capital expenditure	6 252,0	6 409,8	6 544,0	7 645,4	8 354,9
Investment (1)	3 887,9	3 937,4	4 165,0	4 216,9	4 521,2
Other capital expenditure	2 364,1	2 472,4	2 379,0	3 428,5	3 833,7
Current Balance	5 753,2	5 313,4	1 841,3	-1 705,7	-3 956,7
Balance	**177,0**	**- 376,8**	**-3 963,6**	**-8 569,7**	**-11 501,1**
By memory:					
Primary current expenditure	78 401,7	79 084,0	80 709,6	81 838,3	83 946,5
Gross Domestic Product at current market prices	213 949,3	213 798,6	206 795,9	204 590,3	202 465,7
Balance in % of GDP	0,1%	-0,2%	-1,9%	-4,2%	-5,7%

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

Table 5: Rates of change of revenue and expenditure of general government in the year ending the quarter

Unit: %

	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4
Total revenue	0,9	0,1	-2,1	-2,8	-0,3
Current revenue	0,9	0,1	-2,2	-2,9	-0,3
Current taxes on income and wealth	0,4	0,1	2,0	-7,0	1,5
Taxes on production and imports	0,9	-0,3	-4,6	-2,3	-2,1
Social contributions	1,7	1,0	-0,4	0,4	0,2
Sales	0,9	-1,2	-6,1	-2,9	-2,0
Other current revenue	-0,7	0,0	-7,4	-5,7	3,7
Capital revenue	-3,1	6,5	2,7	5,7	3,7
Total expenditure	**0,2**	**0,7**	**1,8**	**2,2**	**2,8**
Current expenditure	0,6	0,6	1,8	1,1	2,3
Social benefits	1,1	0,8	0,5	0,9	1,3
Compensation of employees	1,3	1,2	0,6	1,0	0,9
Interest	-3,3	-2,6	-2,0	-2,3	-2,0
Intermediate consumption	1,0	1,4	-0,4	-0,9	1,3
Subsidies	3,6	2,3	136,8	38,2	26,0
Other current expenditure	-3,7	-1,6	3,1	-2,8	10,8
Capital expenditure	-4,2	2,5	2,1	16,8	9,3
Investment (1)	1,7	1,3	5,8	1,2	7,2
Other capital expenditure	-12,6	4,6	-3,8	44,1	11,8

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

The variation of current revenue was due to decreases in current taxes on production and imports (-7.4%) and sales (-6.6%), and increases in taxes on income and wealth (+5.0%), social contributions (+0.6%) and other current revenue (+14.4%). Capital revenue recorded an increase of 9.5%.

Table 7 presents the main adjustments carried out for moving from Public Accounts to National Accounts balances. Comparing the fourth quarter 2020 with the same period of the previous year it is noticeable that there is a decrease in both balances. The expenditure in capital injections and debt assumptions was in almost its entirety destined to public corporations classified inside GG, therefore not impacting the net balance of GG. 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 inside GG.

Taxes and social contributions are time-adjusted so that the time of recording and the moment when the activity took place are closer. Additionally, due to the policy measures for fractional future payment of taxes and social contributions implemented in the context of the COVID-19 pandemic, an additional adjustment was made in order to include the future payments as revenue of the period when the activity took place. This temporary adjustment implied higher revenue in National Accounting when compared to Public Accounting, by around 236 million euro, referring to the policy measures of fractional future payments of VAT due between the end of 2020 and the beginning of 2021 and that should be recorded as 2020 revenue in national accounts.

Table 6: Revenue and expenditure of general government

	4th quarter 2019		4th quarter 2020		Nominal rate of change (%)
	million euro	% GDP	million euro	% GDP	
Total revenue	**24 724,5**	**44,9**	**24 492,6**	**46,3**	**- 0,9**
Current revenue	24 417,5	44,4	24 156,6	45,7	- 1,1
Current taxes on income and wealth	5 809,0	10,6	6 098,9	11,5	5,0
Taxes on production and imports	8 399,7	15,3	7 781,6	14,7	- 7,4
Social contributions	7 115,3	12,9	7 155,2	13,5	0,6
Sales	1 991,1	3,6	1 860,0	3,5	- 6,6
Other current revenue	1 102,5	2,0	1 260,8	2,4	14,4
Capital revenue	307,0	0,6	336,1	0,6	9,5
Total expenditure	**25 698,1**	**46,7**	**28 397,7**	**53,7**	**10,5**
Current expenditure	23 742,3	43,2	25 732,4	48,7	8,4
Social benefits	10 909,1	19,8	11 415,7	21,6	4,6
Compensation of employees	6 625,7	12,0	6 830,8	12,9	3,1
Interest	1 545,9	2,8	1 427,8	2,7	- 7,6
Intermediate consumption	3 228,8	5,9	3 379,0	6,4	4,7
Subsidies	297,6	0,5	1 039,2	2,0	249,2
Other current expenditure	1 135,2	2,1	1 639,9	3,1	44,5
Capital expenditure	1 955,8	3,6	2 665,3	5,0	36,3
Investment (1)	1 405,0	2,6	1 709,3	3,2	21,7
Other capital expenditure	550,8	1,0	956,0	1,8	73,6
Current Balance	675,2	1,2	-1 575,8	- 3,0	
Balance	- 973,7	- 1,8	-3 905,1	- 7,4	

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

Table 7: Public to National Accounting adjustments

Unit: 10^6 euro

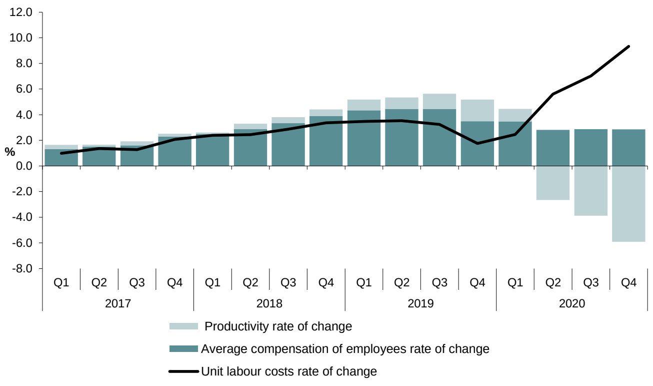
	2019Q4	2020Q4
Balance in Public Accounting:	**-3 021,9**	**-5 360,4**
Accrual adjustment and sector delimitation in National Accounts	1 910,3	1 598,7
Difference between paid and due interest	367,1	537,0
Other receivables:	707,7	466,8
Time adjustment of taxes and social contributions	*763,0*	*372,1*
Others	*- 55,4*	*94,7*
Other payables:	69,8	61,9
Expenditure already incurred but not yet paid	*166,8*	*103,9*
Others	*- 97,0*	*- 42,0*
Other adjustments:	-1 006,6	-1 209,2
of which:		
Capital injections and debt assumptions	*-1 182,8*	*-1 263,6*
Balance in National Accounting:	**- 973,7**	**-3 905,1**
GDP (1)	55 017,0	52 892,4
Balance in National Accounting in % of GDP	-1,8%	-7,4%

(1) Non seasonally and calendar effects ajusted data

Unit labour costs (ULC) increased by 9.3%

In the year ending in the fourth quarter of 2020, ULC registered an increase of 9.3%, which compares with the growth of 7.0% in the previous quarter. The acceleration of ULC was due to the more intense decrease of productivity[1].

Figure 5 - Unit labour costs rates of change (year ending in the reference quarter)



As mentioned in the publication of the previous quarter, As mentioned in previous press release, the compensation of employees paid by corporations in the context of the special layoff regime largely explains the behaviour of ULC. With adherence to this regime, corporations continued to pay the compensation to

[1] It should be mentioned that, in this indicator, productivity and average compensations are based in the number of employees and not in the number of hours actually worked (please see the specific box on the different evolution of productivity in the press release published on 26th February).

employees, even in cases where there was no effective provision of work, thus reducing the negative impact of the decrease in activity on compensation of employees.

Therefore, the average remuneration per employee increased, which, together with the significant reduction in productivity per employee, determined a growth of ULC.

The firms' compensation costs were partially offset by the GG through operating subsidies, which are not reflected in the calculation of the ULC.

Preliminary Annual Sector Accounts for 2020

The first version of the Annual Sector Accounts for 20209 is obtained by summing of the quarterly data estimated for the four quarters now released. Table 8 presents the annual evolution of the main economic aggregates resulting from the National Accounts by Institutional Sector.

As mentioned with the publication of the accounts for the total economy on February 26, the provisional data for 2019 were revised mainly due to the incorporation of new information from the Balance of Payments, with effect also on the accounts of the institutional sectors. Compared to previous estimates, the new results led to an upward revision of 0.3 percentage points in the growth rate of nominal GDP in 2019 (4.3%). With regard to the balances by institutional sector, and as a percentage of GDP, there were revisions in the balances of Non-Financial Corporations (from -2.5% to -3.2%), of Financial Corporations (from 2.0% to 2.6%) and Households and NPISH (from 1.4% to 1.5%).

Table 8 - Indicators for the portuguese economy

	2015	2016	2017	2018	2019^{Po}	2020^{Pe}
GDP nominal (rate of change)	3.8	3.8	5.1	4.7	4.3	-5.4
GNI (rate of change)	3.2	4.0	5.2	4.6	4.2	-4.4
GDI (rate of change)	3.4	4.0	5.6	4.5	4.3	-4.3
Gross Saving (rate of change)	8.4	7.9	16.2	6.5	7.4	-10.4
Saving Rate of Households and NPISH (% do GDI)	6.9	7.0	6.6	6.8	7.1	12.8
Final Consumption of Households and NPISH (rate of change)	2.9	3.6	3.7	4.2	3.6	-5.0
Disposable Income of Households and NPISH (rate of change)	3.4	3.8	3.1	4.3	4.1	1.0
Gross Capital Formation (rate of change)	7.5	3.6	14.3	11.2	8.0	-4.3
Net lending (+)/Net borrowing (-)						
Non-financial Corporations (% of GDP)	0.2	-0.7	-1.2	-2.4	-3.2	-2.4
Financial Corporations (% of GDP)	3.2	1.9	4.1	2.2	2.6	2.2
General Government (% of GDP)	-4.4	-1.9	-3.0	-0.3	0.1	-5.7
Households and NPISH (% of GDP)	2.4	2.3	1.9	1.8	1.5	5.9
Total Economy (% of GDP)	1.2	1.5	1.8	1.2	1.0	0.1
External Balance of Goods and Services (% of GDP)	0.7	1.1	1.0	0.5	0.4	-2.0
Unit Labour Costs (rate of change)	-0.1	0.8	2.1	3.4	1.8	9.3

Po - Provisional value; Pe - Preliminary value

Methodological notes

The Quarterly Sector Accounts differ from Quarterly National Accounts since they are based on non-seasonally adjusted data unless otherwise stated, the descriptive analysis and graphs presented in this press release refer to data in the year ending in the reference quarter (which eliminates seasonal fluctuations and reduces the effect of irregular oscillations. When comparing consecutive quarters are used, in general, quarter-on-quarter change rates between the year ending in the reference quarter and the year ending in the preceding quarter. The Quarterly Sector Accounts are expressed exclusively in nominal terms.

Revision of estimates

The Quarterly Sector Accounts now presented have a preliminary status, incorporating 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 updated data on the GG sector for the complete year 2020. As a result of the incorporation of additional information after the publication on February 26, 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.
The new information implied a downward revision of 0.1 p.p. of the nominal annual rate of change of GDP for 2020, with the annual volume rate of change remaining unchanged. In quarterly terms, the incorporation of new information also resulted in revisions on the year-on-year and quarter-on-quarter rates of change of GDP.

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 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. The institutional sectors are as follows:

- Non-Financial Corporations;
- Financial Corporations;
- General Government;
- Households and Non-Profit Institutions Serving Households (Households);
- Rest of the World.

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.