Instituto Nacional de Estatística
Statistics Portugal

press release

DESTAQUE

23rd September 2021
QUARTERLY SECTOR ACCOUNTS (BASE 2016)
Second Quarter 2021

GROSS DISPOSABLE INCOME RETURNS TO A POSITIVE RATE OF CHANGE

The net lending of Portuguese economy[1] was 0.1% of Gross Domestic Product (GDP) in the year ending in the second quarter of 2021. Gross National Income (GNI) and Gross Disposable Income (GDI) increased by 3.7% and 4.0%, respectively, in the year ending in the second quarter (after reductions of 1.1% and 1.0% in the previous quarter), with GDP increasing by 3.6% in nominal terms (quarter-on-quarter rate of change of -1.1% in the year ending in the first quarter of 2021).

In the second quarter of 2021, the net lending of households[2] sector decreased by 2.3 percentage points to 5.2% of GDP and the savings rate stood at 11.5% (14.2% in the previous quarter), mainly reflecting the 4.4% growth in private consumption (-1.8% in the previous quarter).

The balance of Non-Financial Corporations stood at -0.9% of GDP, 1.7 percentage points more than in the previous quarter, reflecting the 5.6% increase in Gross Value Added (GVA). The net lending of Financial Corporations decreased by 0.6 percentage points to 1.6% of GDP.

The balance of the General Government (GG) sector increased by 1.2 percentage points in the year ending in the second quarter of 2021, representing a net borrowing of 5.8% of GDP. Considering quarterly figures and not the year ending in the quarter as a reference, the balance of GG in the second quarter of 2021 reached -2 802.8 million euros, corresponding to -5.3% of GDP, which compares with -10.6 % in the same period of the last year.

The incorporation of the final annual results for 2019 and, to a greater extent, the provisional results for 2020 of the National Accounts in the estimation of the Quarterly National Accounts determined significant revisions (see the press release also published today with the annual results), notably the upward revision (+0.7 percentage points) of the year-on-year rate of change in volume of GDP in the second quarter of 2021, to +16.2%, and the downward revision (-0.4 percentage points) of the quarter-on-quarter rate of change, to 4.5%.

External balance of the economy stood at 0.1% of GDP

These results correspond to the preliminary estimates for the second quarter 2021, a period in which there was a progressive reduction in the restrictive measures on mobility in consequence of the COVID-19

[1] Unless otherwise indicated, the descriptive analysis and graphs below refer to the year ending in the reference quarter (for additional information, see Methodological Note at the end of press release).

[2] Includes Non-Profit Institutions Serving Households (NPISH).

pandemic, after the general confinement in the previous quarter. It is important to mention that these results are entirely consistent with the final annual results for 2019 and the provisional results for 2020.

In the second quarter of 2021, the Portuguese economy's net lending reached a slightly positive balance (0.1% of GDP), which represented a slight increase of 0.1 percentage points of GDP compared to the previous quarter. Nominal GDP, Gross National Income (GNI) and Gross Disposable Income (DGI) increased by 3.6%, 3.7% and 4.0%, respectively (figure 1).

The balance of property income with the Rest of the World reached -2.4% of GDP (-2.5% in the previous quarter), with income paid and received increasing by 0.4% and 2.3%, respectively.

The increase of GDI combined with a 3.6% increase in final consumption expenditure (which includes the final consumption expenditure by Households and GG), determined a 6.0% increase in the economy's gross savings (-0.5% in the previous quarter). The economy's gross savings represented 18.1% of GDP in the second quarter of 2021, 0.4 percentage points more than in the previous quarter.

Gross Capital Formation (GCF) increased by 4.8%, less than the growth of savings, which led to an increase in the balance of the Portuguese economy.

Figure 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 (%)
3Q 2017	193 087	1.2	188 348	1.3	192 706	1.4
4Q 2017	195 947	1.5	191 348	1.6	195 931	1.7
1Q 2018	197 911	1.0	193 816	1.3	198 245	1.2
2Q 2018	199 934	1.0	195 363	0.8	199 927	0.8
3Q 2018	202 337	1.2	197 650	1.2	202 275	1.2
4Q 2018	205 184	1.4	200 173	1.3	204 752	1.2
1Q 2019	207 651	1.2	201 909	0.9	206 430	0.8
2Q 2019	210 016	1.1	204 985	1.5	209 614	1.5
3Q 2019	212 118	1.0	206 870	0.9	211 524	0.9
4Q 2019	214 375	1.1	208 806	0.9	213 689	1.0
1Q 2020	213 981	-0.2	208 638	-0.1	213 867	0.1
2Q 2020	205 857	-3.8	201 561	-3.4	206 614	-3.4
3Q 2020	202 890	-1.4	199 269	-1.1	204 339	-1.1
4Q 2020	200 088	-1.4	196 928	-1.2	201 906	-1.2
1Q 2021	197 881	-1.1	194 687	-1.1	199 872	-1.0
2Q 2021	204 958	3.6	201 898	3.7	207 918	4.0

The net borrowing of Non-Financial Corporations (NFC) reached 0.9% of GDP in the second quarter of 2021, 1.8 percentage points less than in the previous quarter. Net lending of the Financial Corporations decreased from 2,2% of GDP to 1.6% of GDP.

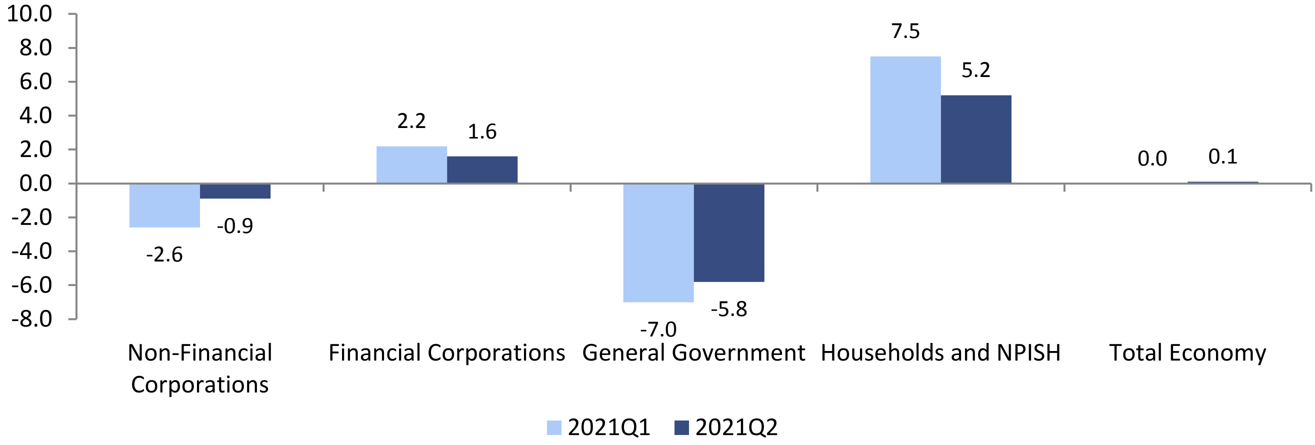
The net borrowing of the GG sector diminished by 1.2 percentage points in the year ending in the second quarter of 2021, to 5.8% of GDP. This reduction in the deficit was determined by an increase in revenue (3.2%) above that in expenditure (0.7%).

Figure 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
3Q 2017	-1.2	4.3	-2.5	1.2	1.8
4Q 2017	-1.2	4.1	-3.0	1.9	1.8
1Q 2018	-1.5	2.0	-0.7	2.1	1.8
2Q 2018	-1.6	2.3	-0.9	2.0	1.7
3Q 2018	-2.5	2.3	0.0	1.9	1.7
4Q 2018	-2.4	2.2	-0.3	1.8	1.2
1Q 2019	-2.9	2.2	-0.1	1.5	0.7
2Q 2019	-3.4	2.5	0.1	1.8	0.9
3Q 2019	-3.3	2.4	-0.2	1.8	0.7
4Q 2019	-3.3	2.4	0.1	1.8	1.0
1Q 2020	-3.3	2.3	-0.1	2.3	1.2
2Q 2020	-4.1	2.2	-1.9	4.9	1.1
3Q 2020	-3.0	2.1	-4.2	5.2	0.1
4Q 2020	-2.8	2.2	-5.8	6.3	-0.1
1Q 2021	-2.6	2.2	-7.0	7.5	0.0
2Q 2021	-0.9	1.6	-5.8	5.2	0.1

Net lending of Households' sector decreased by 2.3 percentage points, to 5.2% of GDP in the year ending in the second quarter of 2021, reflecting the decrease in gross savings.

Figure 3. Net lending(+) / borrowing(-) by institutional sector (in % of GDP, year ending in the reference quarter)



Households: net lending stood at 5.2% of GDP

Net lending of Households stood at 5.2% of GDP in the year ending in the second quarter of 2021, 2.3 percentage points less than in the previous quarter, mainly reflecting the 18.1% decrease in gross savings.

In fact, Households' saving rate savings rate reached 11.5% of disposable income, which corresponded to a reduction of 2.7 percentage points compared to the previous quarter. This result was a consequence of the 4.4% increase in in consumption expenditure (rate of change of -1.8% in the previous quarter), which more than offset the 1.3% increase in disposable income.

Figure 5 shows the breakdown of the rate of change of disposable income of households. Compensation of employees and other current transfers contributed 1.5 and 0.1 percentage points respectively. The positive balance of property income registered a reduction, with a contribution of -0.2 percentage points to the rate of change of disposable income. It should be mentioned that, in National Accounts, the deferral of interest payments on loans granted by the financial corporations 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, which essentially corresponds to Gross Fixed Capital Formation (GFCF) in construction, recorded a rate of change of 2.1% in the second quarter of 2021 (0.8% in the previous quarter).

Figure 4. Saving rate of Households and NPISH (%, year ending in the reference quarter)

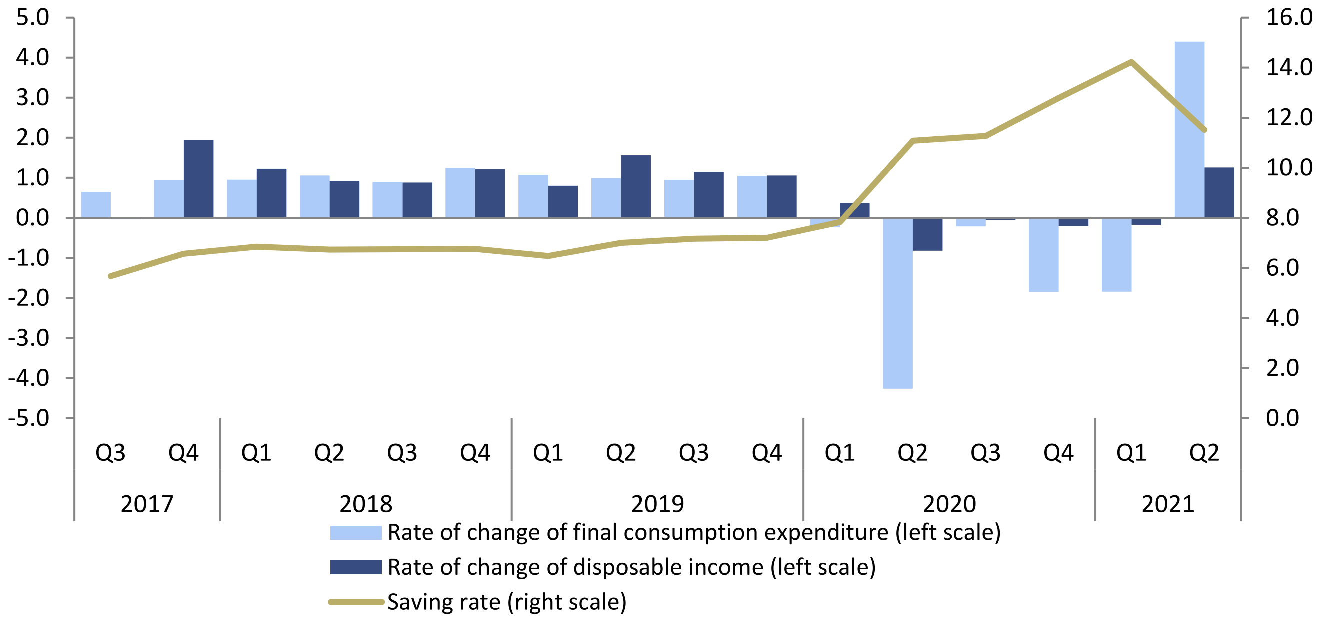
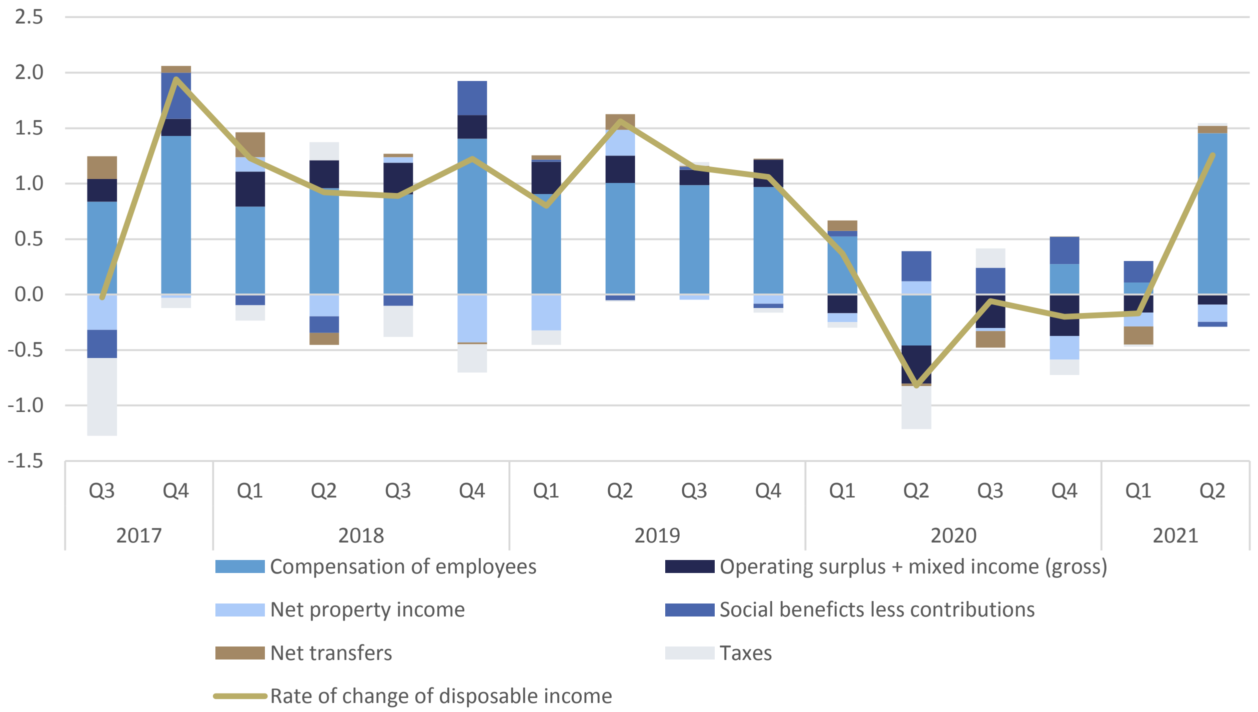


Figure 5. Contributions to the rate of change of disposable income of Households and NPISH (percentage points, year ending in the reference quarter)



The adjusted Households GDI (GDIa) per capita stood at 16,600 euros in the year ending in the second quarter of 2021, which represented an increase of 1.4% over the previous quarter, 2.2 percentage points lower than the rate of change of nominal GDP per capita.

It should be noted that adjusted 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.

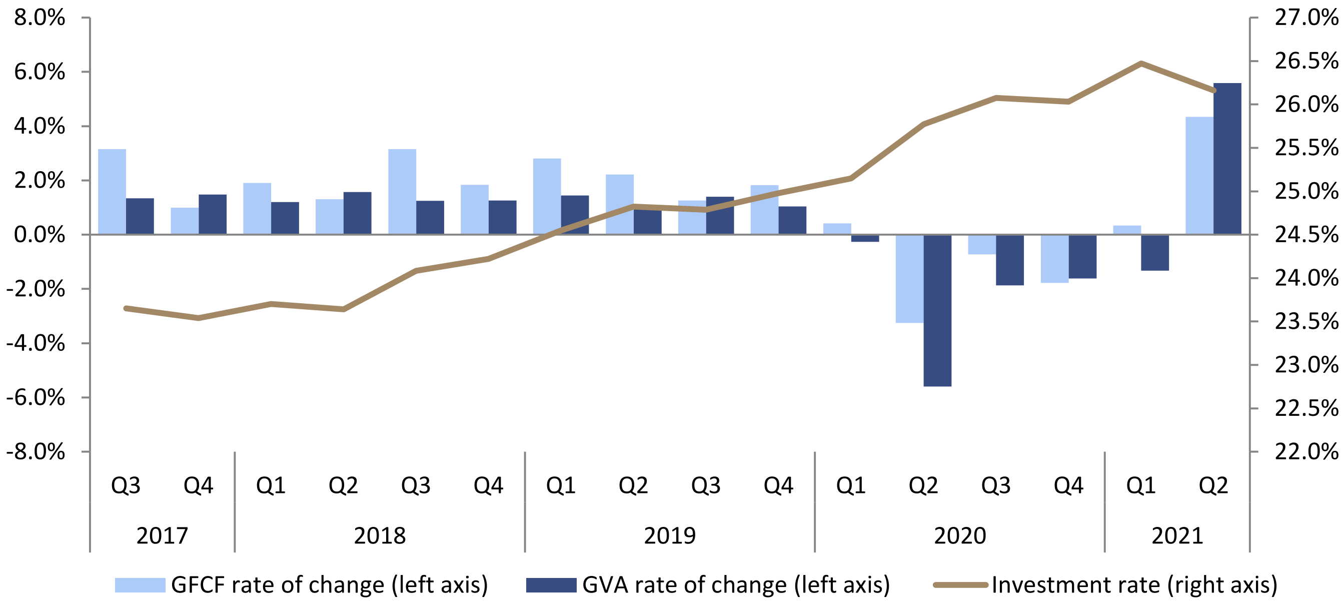
Non-Financial Corporations: net borrowing stood at 0.9% of GDP

Non-financial corporations' net borrowing decreased by 1.7 percentage points, standing at 0.9% of GDP in the year ending in the second quarter of 2021.

The sector's GVA increased by 5.6% in the second quarter of 2021, while compensation of employees paid grew by 2.6%, which resulted in a 10.7% increase in the Gross Operating Surplus. Operating subsidies paid by GG remained at a high level, reflecting the impact of business support measures in the context of the COVID-19 pandemic as the simplified layoff, having recorded a rate of change of 1.3% in the year ending in the second quarter of 2021.

The operating margin rate for the sector stood at 22.7% (3.0 percentage points more 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 6. **GFCF/GVA of Non-Financial Corporations (%, year ending in the reference quarter)**



The 4.3% increase in GFCF, together with the aforementioned reduction in GVA, determined an investment rate (measured by the ratio between GFCF and GVA) of 26.2%, 0.3 percentage points less than in the quarter previous. In the opposite direction, changes in inventories decreased, contributing to the reduction of the net borrowing of this sector in the second quarter of 2021.

Financial Corporations: net lending stood at 1.6% of GDP

The net lending of Financial Corporations decreased to 1.6% of GDP in the second quarter of 2021 (2.2% in the previous quarter), mainly reflecting the reduction in the balance of capital transfers as a result of the base effect of the amount paid by the GG to Novo Banco, which occurred in the second quarter of 2020.

Sector savings decreased by 6.0% in the second quarter of 2021, mainly due to the 2.5% reduction in property income received.

General Government: net lending of GG decreased 1.2 percentage points to 5.8% of GDP

The net balance of the GG recorded an increase of 1.2 percentage points in the year ending in the second quarter 2021 compared with the year ending in the previous quarter, attaining -5.8% of GDP. The reduction in the deficit was due to a higher increase in revenue (3.2%) than in expenditure (0.7%).

Figures 7 and 8 show the revenue and expenditure in the year ending the reference quarter, in value and rate of change, respectively.

Figure 7. Revenue and expenditure of general government

(year ending in the reference quarter)

Unit: 10^6 EUR

	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2
Total revenue	**89 496.1**	**87 088.7**	**87 040.8**	**86 986.5**	**89 749.2**
Current revenue	88 758.4	86 372.8	86 356.3	86 229.8	88 815.7
Current taxes on income and wealth	21 315.6	19 809.3	20 110.1	20 090.1	19 894.7
Taxes on production and imports	30 536.5	29 833.0	29 184.6	28 568.2	30 009.8
Social contributions	25 423.0	25 495.6	25 605.7	25 760.7	26 304.5
Sales	6 824.1	6 671.8	6 630.0	6 436.3	6 615.5
Other current revenue	4 659.4	4 563.1	4 825.8	5 374.6	5 991.1
Capital revenue	737.6	715.8	684.5	756.7	933.5
Total expenditure	**93 456.7**	**95 568.4**	**98 725.0**	**100 895.1**	**101 638.4**
Current expenditure	87 016.4	87 919.4	89 982.3	92 042.9	92 724.5
Social benefits	39 416.6	39 797.5	40 316.9	40 661.4	41 011.0
Compensation of employees	23 503.1	23 722.5	23 925.3	24 115.5	24 436.2
Interest	6 044.8	5 907.0	5 791.5	5 688.1	5 566.3
Intermediate consumption	11 193.7	11 084.9	11 315.4	11 423.0	11 636.9
Subsidies	2 149.9	2 893.5	3 663.9	5 005.8	4 866.5
Other current expenditure	4 708.2	4 514.0	4 969.2	5 149.1	5 207.5
Capital expenditure	6 440.3	7 649.1	8 742.7	8 852.1	8 913.9
Investment (1)	3 952.8	4 104.2	4 580.0	4 820.0	5 070.7
Other capital expenditure	2 487.5	3 544.9	4 162.7	4 032.2	3 843.3
Current Balance	**1 742.1**	**-1 546.5**	**-3 626.0**	**-5 813.2**	**-3 908.8**
Balance	**-3 960.6**	**-8 479.8**	**-11 684.2**	**-13 908.6**	**-11 889.3**
Memorandum items:					
Primary current expenditure	80 971.6	82 012.3	84 190.8	86 354.9	87 158.2
Gross Domestic Product at current market prices	205 857.1	202 889.8	200 087.6	197 881.1	204 958.3
Balance in % of GDP	**-1.9**	**-4.2**	**-5.8**	**-7.0**	**-5.8**

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

Both current and capital expenditure increased by 0.7%. Except for interest paid and subsidies, that decreased by 2.1% and 2.8%, all items of current expenditure increased, with the larger percentage variation in intermediate consumption (1.9%). Capital expenditure increased, given the increase of 5.2% in investment and the decrease of 4.7% in other capital expenditure.

Figure 8. Revenue and expenditure of general government

(%; year ending in the reference quarter)

Unit: %

	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2
Total revenue	**-2.1**	**-2.7**	**-0.1**	**-0.1**	**3.2**
Current revenue	-2.0	-2.7	-0.0	-0.1	3.0
Current taxes on income and wealth	2.0	-7.1	1.5	-0.1	-1.0
Taxes on production and imports	-4.5	-2.3	-2.2	-2.1	5.0
Social contributions	-0.4	0.3	0.4	0.6	2.1
Sales	-5.8	-2.2	-0.6	-2.9	2.8
Other current revenue	-5.4	-2.1	5.8	11.4	11.5
Capital revenue	-6.1	-3.0	-4.4	10.5	23.4
Total expenditure	**2.0**	**2.3**	**3.3**	**2.2**	**0.7**
Current expenditure	1.8	1.0	2.3	2.3	0.7
Social benefits	0.6	1.0	1.3	0.9	0.9
Compensation of employees	0.5	0.9	0.9	0.8	1.3
Interest	-1.9	-2.3	-2.0	-1.8	-2.1
Intermediate consumption	0.0	-1.0	2.1	1.0	1.9
Subsidies	127.4	34.6	26.6	36.6	-2.8
Other current expenditure	2.9	-4.1	10.1	3.6	1.1
Capital expenditure	3.7	18.8	14.3	1.3	0.7
Investment [1]	5.8	3.8	11.6	5.2	5.2
Other capital expenditure	0.5	42.5	17.4	-3.1	-4.7

[1] Includes Gross capital formation and Acquisitions less disposals of non-produced non-financial assets

Total revenue increased by 3.2% due to the increases of current revenue and capital revenue, by 3.0% and 23.4%, respectively. All items of current revenue increased, except for taxes on income and wealth, that decreased by 1.0%. The other current revenue increased by 11.5%, associated with the use of European Funds in the financing of the COVID-19 measures and therefore ensuring the neutrality in the GG net balance. The variation of capital revenue is related to increase in European Funds and to a credit recovery from *Banco Privado Português*, of 63 million euro.

To allow for a comparison between quarters, figure 9 presents the detail of revenue and expenditure of GG and its GDP percentage for the second quarters of 2020 and 2021.

Figure 9. Revenue and expenditure of general government (quarterly figures)

	2nd quarter 2020		2nd quarter 2021		Nominal rate of change (%)
	10^6 EUR	% GDP	10^6 EUR	% GDP	
Total revenue	**19 291.8**	**42.3**	**22 054.5**	**48.4**	**14.3**
Current revenue	19 187.7	42.1	21 773.6	47.7	13.5
Current taxes on income and wealth	3 626.7	8.0	3 431.3	7.5	-5.4
Taxes on production and imports	6 318.9	13.9	7 760.5	17.0	22.8
Social contributions	6 301.5	13.8	6 845.3	15.0	8.6
Sales	1 366.1	3.0	1 545.3	3.4	13.1
Other current revenue	1 574.6	3.5	2 191.1	4.8	39.2
Capital revenue	104.1	0.2	280.9	0.6	169.8
Total expenditure	**24 113.9**	**52.9**	**24 857.3**	**54.5**	**3.1**
Current expenditure	21 912.4	48.0	22 594.0	49.5	3.1
Social benefits	8 984.9	19.7	9 334.5	20.5	3.9
Compensation of employees	6 202.0	13.6	6 522.7	14.3	5.2
Interest	1 465.6	3.2	1 343.8	2.9	-8.3
Intermediate consumption	2 693.3	5.9	2 907.2	6.4	7.9
Subsidies	1 395.2	3.1	1 255.9	2.8	-10.0
Other current expenditure	1 171.4	2.6	1 229.8	2.7	5.0
Capital expenditure	2 201.5	4.8	2 263.3	5.0	2.8
Investment (1)	885.6	1.9	1 136.3	2.5	28.3
Other capital expenditure	1 315.9	2.9	1 127.0	2.5	-14.4
Current Balance	**-2 724.7**	**-6.0**	**-820.3**	**-1.8**	
Balance	**-4 822.1**	**-10.6**	**-2 802.8**	**-5.3**	

Thus, considering quarterly figures rather than the sum of four quarters, the net balance of the GG was negative in the first quarter 2021, attaining -2 802.8 million euro (-5.3% of GDP), that compares with -10.6% of GDP for the same period of the previous year. The increase of the net balance was a result of a higher increase in total revenue, of 14.3%, than in total expenditure, that increased 3.1%.

Within total expenditure, current expenditure increased by 3.1%, due to increases in social benefits (3.9%), compensation of employees (5.2%), intermediate consumption (7.9%), and other current expenditure (5.0%) and decreases of 8.3% and 10.0% in interest paid and subsidies paid. Capital expenditure increased 2.8%, as a combined effect of a 28.3% increase in investment and a 14.4% decrease in other capital expenditure. The increase in investment was mostly due to the implementation of a COVID-19 related measure – "Universalization of the digital school". This measure implies the purchase and subsequent temporary and free distribution of IT equipment to students in need.

The variation of current revenue was due to increases in all its components, except for current taxes on income and wealth. Capital revenue recorded an increase of 169.8%, for the reasons already stated in the analysis of the year ending in the second quarter.

Figure 10. **Revenue and expenditure of general government (semester figures)**

	1st semester 2020		1st semester 2021		Nominal rate of change (%)
	10^6 EUR	% GDP	10^6 EUR	% GDP	
Total revenue	**39 219.2**	**40.7**	**41 927.6**	**43.5**	**6.9**
Current revenue	38 989.3	40.5	41 448.7	43.0	6.3
Current taxes on income and wealth	7 598.3	7.9	7 382.9	7.7	-2.8
Taxes on production and imports	13 701.9	14.2	14 527.1	15.1	6.0
Social contributions	12 112.7	12.6	12 811.5	13.3	5.8
Sales	3 046.8	3.2	3 032.3	3.1	-0.5
Other current revenue	2 529.6	2.6	3 694.9	3.8	46.1
Capital revenue	229.9	0.2	478.9	0.5	108.3
Total expenditure	**44 585.9**	**46.3**	**47 499.3**	**49.3**	**6.5**
Current expenditure	41 389.4	43.0	44 131.6	45.8	6.6
Social benefits	17 884.2	18.6	18 578.3	19.3	3.9
Compensation of employees	11 478.1	11.9	11 989.0	12.5	4.5
Interest	2 888.7	3.0	2 663.5	2.8	-7.8
Intermediate consumption	5 157.1	5.4	5 478.6	5.7	6.2
Subsidies	1 592.5	1.7	2 795.2	2.9	75.5
Other current expenditure	2 388.8	2.5	2 627.1	2.7	10.0
Capital expenditure	3 196.4	3.3	3 367.7	3.5	5.4
Investment [(1)]	1 586.4	1.6	2 077.1	2.2	30.9
Other capital expenditure	1 610.0	1.7	1 290.6	1.3	-19.8
Current Balance	**-2 400.1**	**-2.5**	**-2 682.9**	**-2.8**	
Balance	**-5 366.6**	**-5.6**	**-5 571.7**	**-5.5**	

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

Considering figures for the first half of the year (see figure 10), the net borrowing of GG sector moved from -5.6% of GDP in the first half of 2020 to -5.5% in the similar period of 2021, with total revenue (6.9%) increasing more than expenditure (6.5%). In the revenue components it should be highlighted the increases in taxes on production and imports (6.0%), social contributions (5.8%) and other current revenue (46.1%). In the expenditure side it should be mentioned the increases in subsidies (75.5%), investment (30.9%) and other current expenditure (10.0%).

Figure 11 presents the main adjustments carried out for moving from Public Accounts to National Accounts balances in the first semesters of 2020 and 2021.

The differences between National and Public Accounting are related to different sector delimitation of GG, to the recording of revenue and expenditure in an accrual rather than a cash-basis, to the classification of some financial transactions as capital transfers and to the time adjustment of taxes and social contributions. Taxes and social contributions are time-adjusted so that the time of recording and the moment when the activity took place are closer.

Figure 11. Public to National Accounting Adjustments

Unit: 10^6 EUR

	2020S1	2021S1
Balance in Public Accounting:	**-6 885.3**	**-7 396.0**
Accrual adjustment and sector delimitation in National Accounts	-216.6	408.8
Difference between paid and due interest	1 147.5	949.5
Other receivables:	-658.6	213.9
Time adjustment of taxes and social contributions	-395.6	362.5
Others	-263.0	-148.7
Other payables:	-65.3	-201.6
Expenditure already incurred but not yet paid	-131.1	-183.5
Others	65.8	-18.1
Other adjustments:	1 311.8	453.7
of which:	0.0	0.0
Capital injections and debt assumptions	-928.3	-1 497.1
Balance in National Accounting:	**-5 366.6**	**-5 571.7**
GDP (1)	96 290.4	101 161.2
Balance in National Accounting in % of GDP	**-5.6**	**-5.5**

(1) Non-seasonally and calendar effects adjusted data

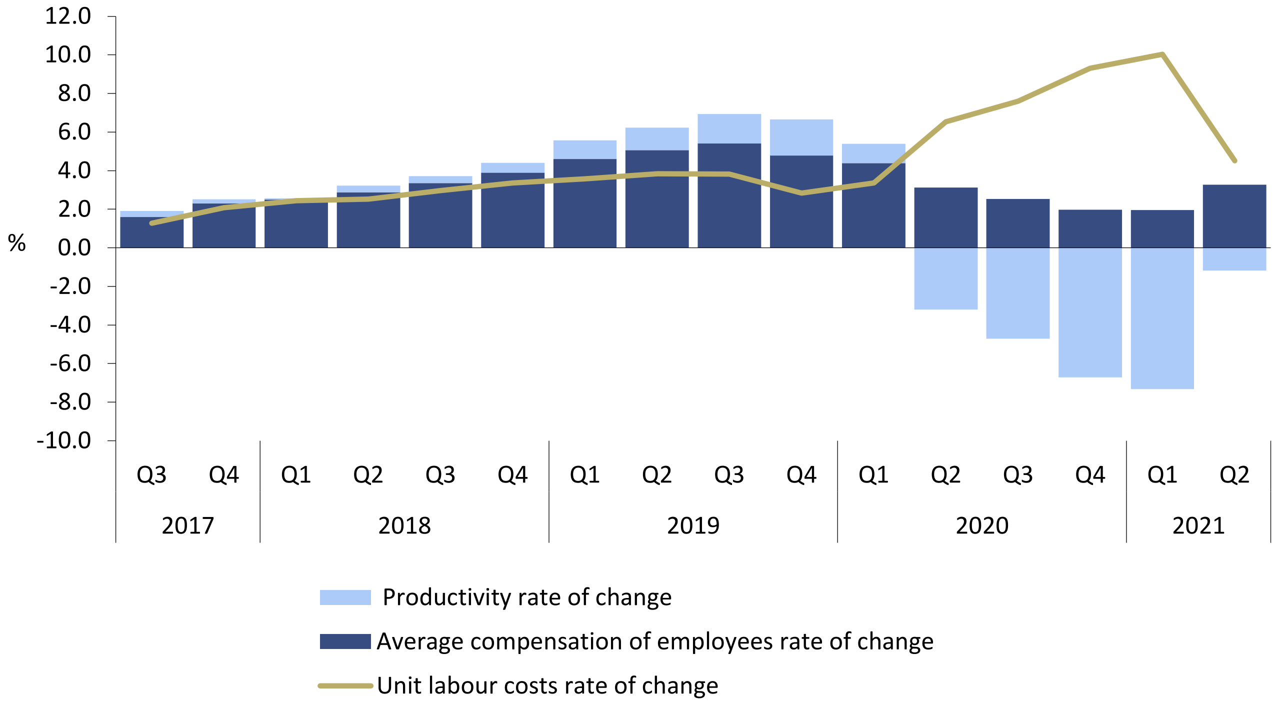
Comparing the first semester 2021 with the same period of the previous year, a slight decrease is noticeable in both balances. Considering the balance in national accounting, the GG net balance increased to -5.5% of GDP in the first two quarters 2021 from -5.6% in 2020. Apart from the capital injection in TAP, S.A., classified as a capital transfer, with an impact of 462 million euro in the net balance of GG, the majority of the expenditure in capital injections and debt assumptions was destined to public corporations classified inside GG.

Additionally, due to the policy measures for fractional future payment of taxes and social contributions implemented in the context of the COVID 19 pandemic, a supplementary adjustment was made to include the future payments as revenue of the period when the activity took place. This temporary adjustment implied an increase in revenue when compared to Public Accounting, by around 986 million euro, related to the deferral payment measures for the Social Contributions, Value Added Tax, Individual Income Tax and Corporate Income Tax, and reflecting the effect of the measures taken in 2021 and in the end of 2020. The main adjustment within this amount refers to the postponement of the delivery of *Modelo 22 of the* Corporate Income Tax usually due in June, but actually received in July, which totals 1 100 million euro.

Unit labour costs (ULC) increased by 4.5%

In the year ending in the second quarter of 2021, ULC registered an increase of 4.5% in year-on-year terms, which compares with the growth of 10.0% in the previous quarter. The deceleration of ULC in the second quarter was due to the combined effect of the increase in average compensation of employees and the more attenuated reduction in productivity, measured by the ratio between GDP and total employment measured by the number of persons. It should be noted that this evolution does not reflect the exact measure of the behaviour of these costs from the perspective of firms, since part of the wages paid were financed by the GG sector within the scope of public policies aimed to supporting employment and income in the pandemic context (namely the simplified layoff).

Figure 12. **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 second quarter of 2021, a period in which there was a gradual economic reopening plan, after a new general confinement at the beginning of the year, due to the worsening of the pandemic.

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.

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.

Its is important to highlight the incorporation of the final results for 2019 and provisional results for 2020 of the National Accounts, which are also disseminated in a specific press release at the same time as this press release.

It should also be noted, 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 most recent information on statistics on international trade in goods and updated data on the GG sector. As a result of this benchmark and the incorporation of additional information after the publication of August 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 the INE Portal.

Compared to previous estimates, the new results determined a downward revision of 1.3 percentage points and 0.8 percentage points of the annual GDP rates of change for 2020 in nominal terms and in volume, respectively, with rates of -6.7% and -8.4% (in the same order).

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 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: 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).

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).

Next release of Quarterly Sector Accounts – 23rd December 2021
