23 December 2021
QUARTERLY SECTOR ACCOUNTS (BASE 2016)
Third Quarter 2021

NET LENDING OF ECONOMY INCREASED TO 0.4% OF GDP

The net lending of Portuguese economy[1] was 0.4% of Gross Domestic Product (GDP) in the year ending in the third quarter of 2021 (0.1% in the previous quarter). Gross National Income (GNI) and Gross Disposable Income (GDI) increased by 1.4% and 1.5%, respectively, in the year ending in the third quarter (after increases of 3.7% and 4.0% in the previous quarter), with GDP increasing by 1.5% in nominal terms (quarter-on-quarter rate of change of 3.6% in the year ending in the second quarter of 2021).

In the third quarter of 2021, the net lending of households[2] sector decreased by 0.5 percentage points to 4.9% of GDP and the savings rate stood at 11.3% (11.7% in the previous quarter), mainly reflecting the 1.2% growth in private consumption, above the increase in disposable income.

The balance of Non-Financial Corporations stood at -2.1% of GDP, 1.1 percentage points less than in the previous quarter, reflecting both the 3.4% increase in Gross Capital Formation and the 1.7% increase in compensation of employees. The net lending of Financial Corporations decreased by 0.1 percentage points to 1.5% of GDP.

The net borrowing of the General Government (GG) sector decreased by 2.0 percentage points in the year ending in the third quarter of 2021, to 3.9% of GDP. Considering quarterly figures and not the year ending in the quarter as a reference, the balance of GG in the third quarter of 2021 reached the positive value of 1 904.1 million euros, corresponding to 3.5% of GDP, which compares with -4.2 % in the same period of the last year. It should be noted, however, that this result is influenced by the recording in the third quarter, as a transfer of capital received, the reimbursement of the prepaid margin and respective application interest, in the amount of 1 114.2 million euros retained upon granting of the loan, by the European Financial Stabilization Fund to the Portuguese State.

External balance of the economy stood at 0.4% of GDP

These results correspond to the preliminary estimates for the third quarter 2021, a period characterized by the progressive reduction of restrictive measures associated with the COVID-19 pandemic, after the general confinement in the first quarter. Indeed, the analysis of the series temporal dynamics that are presented is strongly influenced by the irregularity of the intensity of the pandemic and, consequently, of the economic activity.

[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).

In the third quarter of 2021, the Portuguese economy's net lending reached a positive balance (0.4% of GDP), which represented an increase of 0.3 percentage points of GDP compared to the previous quarter. Nominal GDP, Gross National Income (GNI) and Gross Disposable Income (DGI) increased by 1.5%, 1.4% and 1.5%, respectively (figure 1).

The balance of property income with the Rest of the World remained at -2.4% of GDP, with income paid and received registering rates of change of 1.5% and -0.4%, respectively.

The increase of GDI combined with a 1.3% increase in final consumption expenditure (which includes the final consumption expenditure by Households and GG), determined a 2.8% increase in the economy's gross savings (+5.2% in the previous quarter), attaining 18.1% of GDP in the third quarter of 2021, 0.2 percentage points more than in the previous quarter.

The increase in capital transfers, combined with the aforementioned increase in savings, more than offset the 3.5% increase in Gross Capital Formation (GGF), resulting in an increase in the balance of the Portuguese economy to 0.4% of the GDP. It should be mentioned that capital transfers from abroad included the reimbursement of prepaid margins on loans granted to the Portuguese State under the Economic and Financial Assistance Program (EFAP; see specific section on GG sector).

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 (%)
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	197 848	-1.1	194 630	-1.2	199 811	-1.0
2Q 2021	204 944	3.6	201 833	3.7	207 837	4.0
3Q 2021	208 021	1.5	204 713	1.4	211 048	1.5

The net borrowing of Non-Financial Corporations (NFC) reached 2.1% of GDP in the third quarter of 2021, 1.1 percentage points less than in the previous quarter. Net lending of the Financial Corporations slightly decreased to 1.5% of GDP.

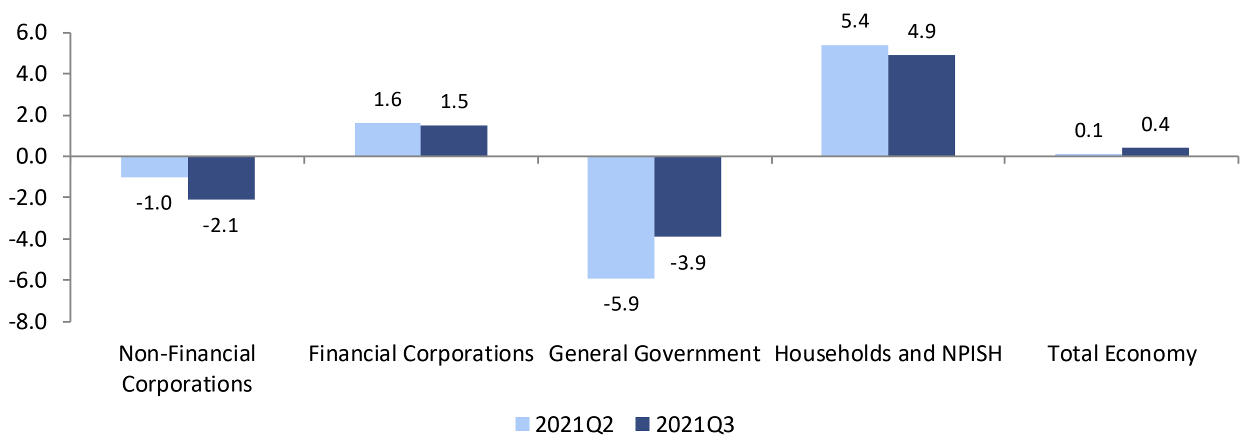
The net borrowing of the GG sector diminished by 2.0 percentage points in the year ending in the third quarter of 2021, to 3.9% of GDP. This reduction was the combined result of an increase in revenue (4.1%), particularly in capital revenue, reflecting the mentioned reimbursement of prepaid margins on loans granted to the Portuguese State under EFAP, and a decrease in expenditure (-0.4%).

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
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	-2.7	2.1	-7.1	7.6	0.0
2Q 2021	-1.0	1.6	-5.9	5.4	0.1
3Q 2021	-2.1	1.5	-3.9	4.9	0.4

Net lending of Households' sector decreased by 05 percentage points, to 4.9% of GDP in the year ending in the third 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 4.9% of GDP

Net lending of Households stood at 4.9% of GDP in the year ending in the third quarter of 2021, 0.5 percentage points less than in the previous quarter, mainly reflecting the 2.8% decrease in gross savings.

Indeed, Households' saving rate savings rate reached 11.3% of disposable income, which corresponded to a reduction of 0.4 percentage points compared to the previous quarter. This result was a consequence of the 1.2% increase in consumption expenditure (rate of change of +4.5% in the previous quarter), higher than the 0.8% growth 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 1.0 and 0.2 percentage points, respectively, to the rate of change of disposable income of households. The positive balance of property income registered a reduction, with a contribution of -0.1 percentage points to the rate of change of disposable income. Income tax paid by Households contributed -0.5 p.p. in the third quarter 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 when 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 1.4% in the third quarter of 2021 (2.1% in the previous quarter).

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

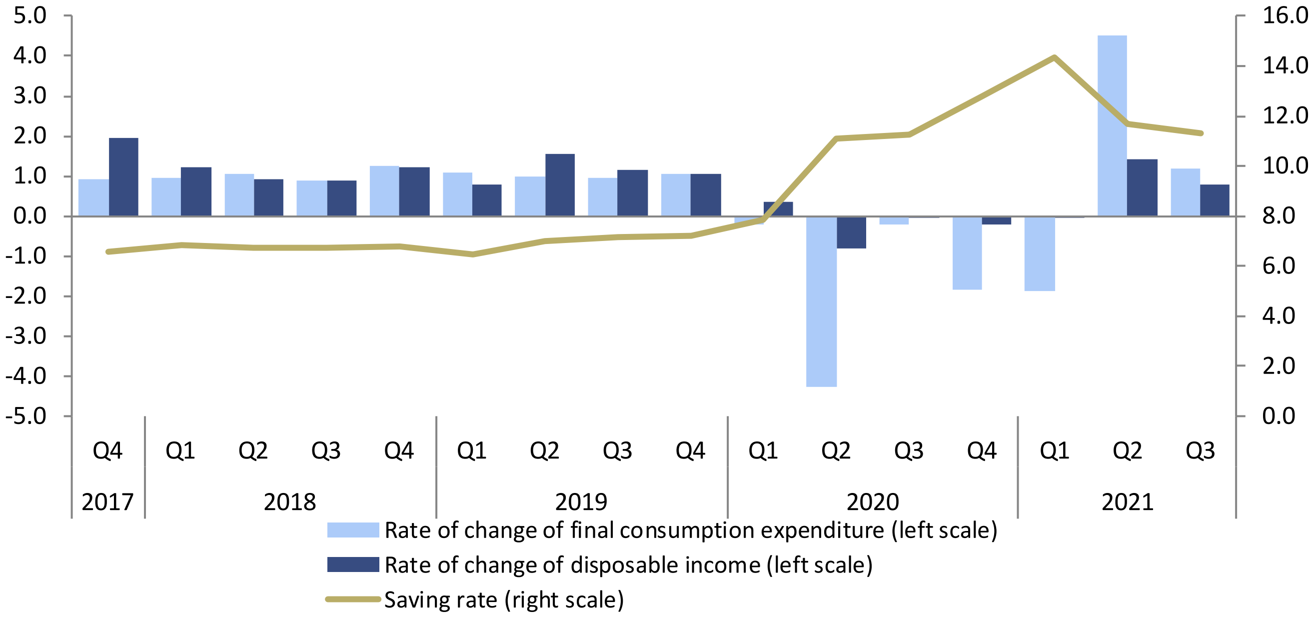
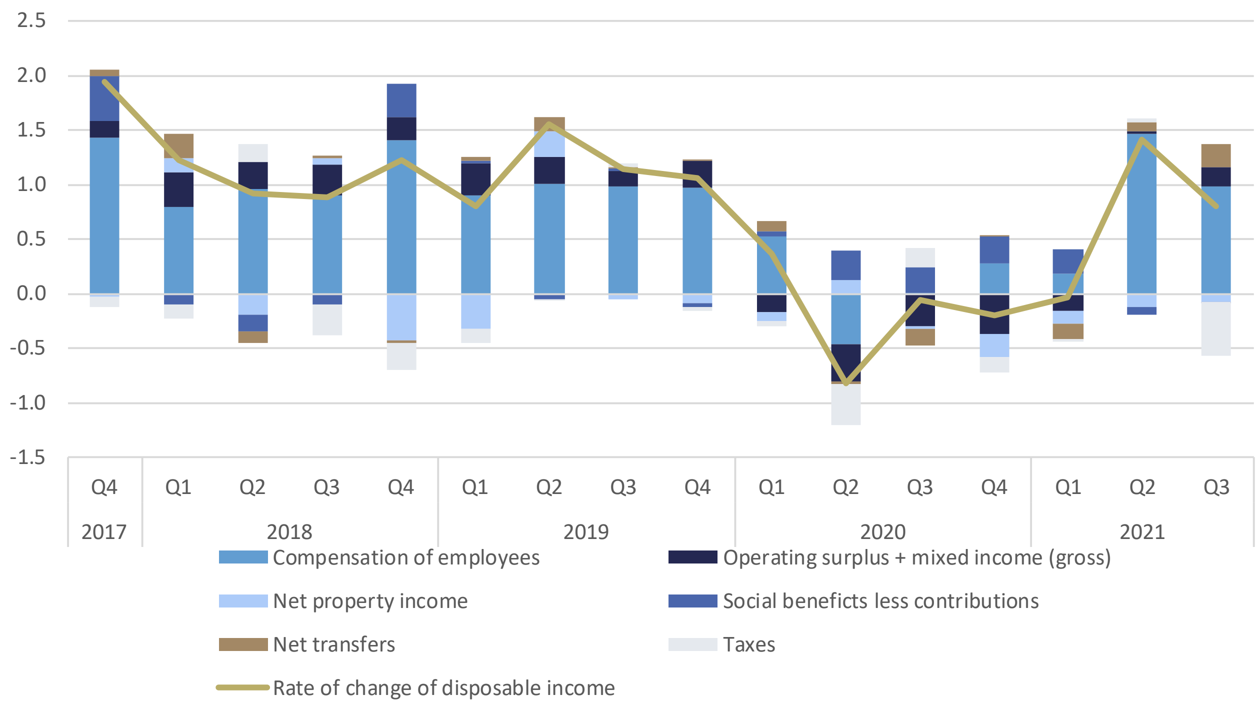


Figure 5. Contributions to the rate of change of disposable income of Households and NPISH (percentage points, year ending in the reference quarter)



The adjusted Households GDI (GDIa) per capita stood at 16,800 euros in the year ending in the third quarter of 2021, which represented an increase of 1.0% over the previous quarter, 0.5 percentage points less 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.

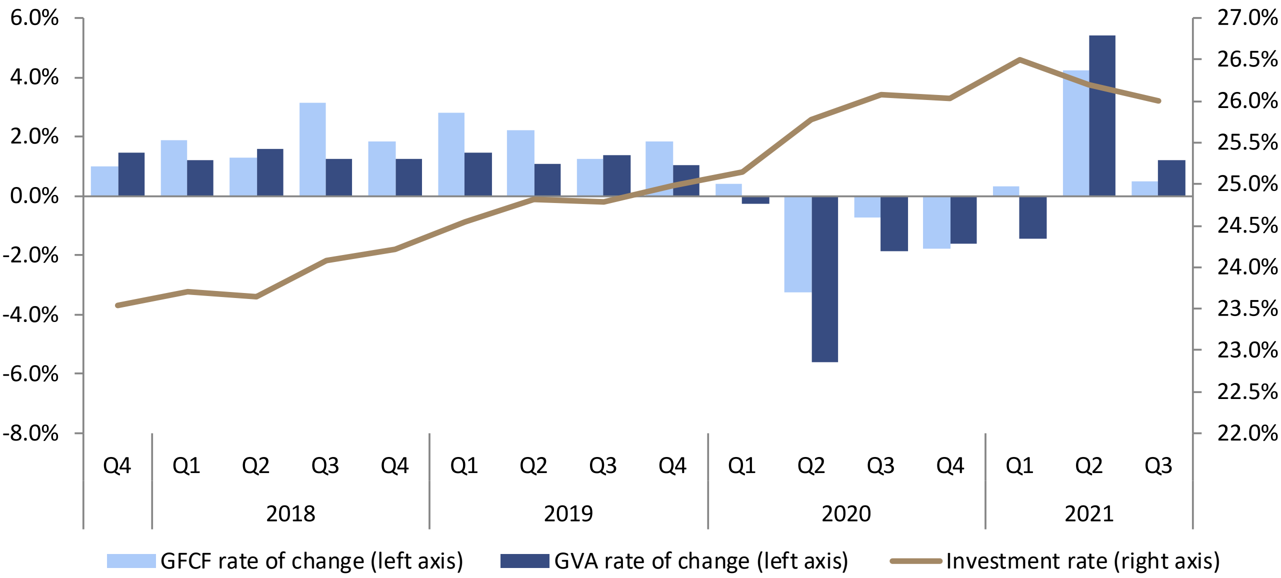
Non-Financial Corporations: net borrowing stood at 2.1% of GDP

Non-financial corporations' net borrowing increased by 1.1 percentage points, standing at 2.1% of GDP in the year ending in the third quarter of 2021.

The sector's GVA increased by 1.2% in the third quarter of 2021 (5.4% in the previous quarter), while compensation of employees paid grew by 1.7%, which resulted in a 0.8% decrease in the Gross Operating Surplus. Operating subsidies paid by GG diminished by 6.4% in the year ending in the third quarter of 2021, but remained at a high level, reflecting the impact of business support measures in the context of the COVID-19 pandemic as the simplified layoff.

The operating margin rate for the sector stood at 21.2% (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 6. **GFCF/GVA of Non-Financial Corporations (%, year ending in the reference quarter)**



The 0.5% increase in GFCF, lower than the increase in GVA, determined a reduction of the investment rate (measured by the ratio between GFCF and GVA) by 0.2 percentage points compared to the quarter previous, attaining 26.0%.

Financial Corporations: net lending stood at 1.5% of GDP

The net lending of Financial Corporations reached 1.5% of GDP (0.1 percentage points less than in the previous quarter), mainly reflecting the 5.4% reduction in savings. The behaviour of savings was mainly determined by the decrease in property income balance, with income received diminishing by 2.5%.

General Government: net lending of GG decreased 2.0 percentage points to 3.9% of GDP

The net balance of the GG recorded an increase of 2.0 percentage points in the year ending in the third quarter 2021 compared with the year ending in the previous quarter, attaining -3.9% of GDP. The reduction in the deficit resulted from the 4.1% increase in revenue and the 0.4% decrease in expenditure.

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

	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3
Total revenue	**87 088.7**	**87 040.8**	**86 933.8**	**89 969.5**	**93 653.5**
Current revenue	86 372.8	86 356.3	86 183.0	88 901.9	91 483.3
Current taxes on income and wealth	19 809.3	20 110.1	20 099.4	19 888.5	20 724.1
Taxes on production and imports	29 833.0	29 184.6	28 570.2	30 114.7	31 264.3
Social contributions	25 495.6	25 605.7	25 764.7	26 372.2	26 773.4
Sales	6 671.8	6 630.0	6 412.8	6 630.8	6 624.7
Other current revenue	4 563.1	4 825.8	5 335.9	5 895.7	6 096.8
Capital revenue	715.8	684.5	750.8	1 067.5	2 170.2
Total expenditure	**95 568.4**	**98 725.0**	**100 962.7**	**102 037.1**	**101 675.2**
Current expenditure	87 919.4	89 982.3	92 157.2	92 954.9	93 460.8
Social benefits	39 797.5	40 316.9	40 725.3	41 180.5	41 510.2
Compensation of employees	23 722.5	23 925.3	24 171.7	24 522.5	24 777.3
Interest	5 907.0	5 791.5	5 683.8	5 553.0	5 391.1
Intermediate consumption	11 084.9	11 315.4	11 391.3	11 614.0	11 835.3
Subsidies	2 893.5	3 663.9	5 024.4	4 866.4	4 475.9
Other current expenditure	4 514.0	4 969.2	5 160.7	5 218.5	5 471.0
Capital expenditure	7 649.1	8 742.7	8 805.5	9 082.2	8 214.5
Investment (1)	4 104.2	4 580.0	4 773.2	5 128.8	5 434.6
Other capital expenditure	3 544.9	4 162.7	4 032.3	3 953.4	2 779.8
Current Balance	**-1 546.5**	**-3 626.0**	**-5 974.2**	**-4 053.0**	**-1 977.5**
Balance	**-8 479.8**	**-11 684.2**	**-14 028.9**	**-12 067.6**	**-8 021.8**
Memorandum items:					
Primary current expenditure	82 012.3	84 190.8	86 473.5	87 401.9	88 069.6
Gross Domestic Product at current market prices	202 889.8	200 087.6	197 848.1	204 943.8	208 021.4
Balance in % of GDP	**-4.2**	**-5.8**	**-7.1**	**-5.9**	**-3.9**

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

Current expenditure increased 0.5% and capital expenditure decreased 9.6%. Except for interest paid and subsidies, that decreased by 8.0%, reflecting the impact of business support measures in the context of the COVID-19 pandemic, all items of current expenditure increased in the period, with the larger positive percentage variation in other current expenditure (4.8%). Capital expenditure decreased as a result of an increase of 6.0% in investment and a decrease of 29.7% in other capital expenditure. It should be mentioned that the reduction in capital transfers paid reflects a base effect due to the recording, in the third quarter of 2020, of the financial support by the State to TAP S.A..

Figure 8. **Revenue and expenditure of general government**

(%; year ending in the reference quarter)

Unit: %

	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3
Total revenue	**-2.7**	**-0.1**	**-0.1**	**3.5**	**4.1**
Current revenue	-2.7	-0.0	-0.2	3.2	2.9
Current taxes on income and wealth	-7.1	1.5	-0.1	-1.0	4.2
Taxes on production and imports	-2.3	-2.2	-2.1	5.4	3.8
Social contributions	0.3	0.4	0.6	2.4	1.5
Sales	-2.2	-0.6	-3.3	3.4	-0.1
Other current revenue	-2.1	5.8	10.6	10.5	3.4
Capital revenue	-3.0	-4.4	9.7	42.2	103.3
Total expenditure	**2.3**	**3.3**	**2.3**	**1.1**	**-0.4**
Current expenditure	1.0	2.3	2.4	0.9	0.5
Social benefits	1.0	1.3	1.0	1.1	0.8
Compensation of employees	0.9	0.9	1.0	1.5	1.0
Interest	-2.3	-2.0	-1.9	-2.3	-2.9
Intermediate consumption	-1.0	2.1	0.7	2.0	1.9
Subsidies	34.6	26.6	37.1	-3.1	-8.0
Other current expenditure	-4.1	10.1	3.9	1.1	4.8
Capital expenditure	18.8	14.3	0.7	3.1	-9.6
Investment (1)	3.8	11.6	4.2	7.4	6.0
Other capital expenditure	42.5	17.4	-3.1	-2.0	-29.7

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

Total revenue increased by 4.1% due to the increases of current revenue and capital revenue, by 2.9% and 103.3%, respectively. All items of current revenue increased, but in particular fiscal revenue, with the exception for sales that decreased by 0.1%. The other current revenue increased by 3.4%, 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 significant increase in capital revenue is related to the reimbursement of the prepaid margin and accrued income, that amount to 1 114.2 million euro, to the GG by the European Financial Stability Facility, within the scope of the Economic and Financial Assistance Programme.[3]

[3] The two loans provided by the European Financial Stability Fund received under the Economic and Financial Assistance Programme included margins that had to be paid in advance (prepaid margins). These margins were reimbursed to GG at the maturity of the loans, in 2016 for the 5 years loan, and in 2021 for the 10 years loan.

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

Figure 9. **Revenue and expenditure of general government**

(quarterly figures)

	3rd quarter 2020		3rd quarter 2021		Nominal rate of change (%)
	10^6 EUR	% GDP	10^6 EUR	% GDP	
Total revenue	**23 134.8**	**44.9**	**26 818.8**	**52.1**	**15.9**
Current revenue	22 983.6	44.6	25 564.9	49.7	11.2
Current taxes on income and wealth	6 395.4	12.4	7 231.0	14.0	13.1
Taxes on production and imports	7 717.5	15.0	8 867.1	17.2	14.9
Social contributions	6 254.5	12.1	6 655.7	12.9	6.4
Sales	1 679.8	3.3	1 673.7	3.3	-0.4
Other current revenue	936.3	1.8	1 137.4	2.2	21.5
Capital revenue	151.2	0.3	1 253.9	2.4	729.1
Total expenditure	**25 276.5**	**49.1**	**24 914.7**	**48.4**	**-1.4**
Current expenditure	22 744.4	44.2	23 250.3	45.2	2.2
Social benefits	10 981.4	21.3	11 311.0	22.0	3.0
Compensation of employees	5 542.9	10.8	5 797.7	11.3	4.6
Interest	1 474.2	2.9	1 312.3	2.5	-11.0
Intermediate consumption	2 737.3	5.3	2 958.6	5.7	8.1
Subsidies	999.3	1.9	608.8	1.2	-39.1
Other current expenditure	1 009.4	2.0	1 261.9	2.5	25.0
Capital expenditure	2 532.1	4.9	1 664.4	3.2	-34.3
Investment [1]	1 148.8	2.2	1 454.7	2.8	26.6
Other capital expenditure	1 383.3	2.7	209.7	0.4	-84.8
Current Balance	**239.1**	**0.5**	**2 314.6**	**4.5**	
Balance	**-2 141.7**	**-4.2**	**1 904.1**	**3.5**	

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

Thus, considering quarterly figures rather than the sum of four quarters, the net balance of the GG was positive in the third quarter 2021, attaining 1 904.1 million euro (3.5% of GDP), that compares with -4.2% of GDP for the same period of the previous year. The increase of the net balance was the result of an increase in total revenue, of 15.9%, and a decrease of 1.4% in total expenditure.

Within total expenditure, current expenditure increased by 2.2%, due to increases in social benefits (3.0%), compensation of employees (4.6%), intermediate consumption (8.1%), and other current expenditure (25.0%) and decreases of 11.0% in interest paid and of 39.1% in subsidies paid, the latter due to a lower amount of COVID-19 related measures. Capital expenditure decreased 34.3%, as a combined effect of a 26.6% increase in investment and an 84.8% decrease in other capital expenditure. The increase in investment is mostly due to Local Government measures, whereas the reduction of other capital expenditure reflects the base effect of the financial support granted by the State to TAP, S.A. in 2020.

With the exception of sales, the increase by 11.2% of current revenue was due to increases in all components, except for sales. Taxes on income and wealth, taxes on production and imports, social contributions and other current revenue grew by 13.1%, 14.9%, 6.4% and 21.5%, respectively, while sales decreased by 0.4%. Capital revenue recorded an extraordinary increase of 729.1%, for the reasons already mentioned in the analysis of the year ending in the second quarter.

Figure 10 presents the main adjustments carried out for moving from Public Accounts to National Accounts balances in the third quarters 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 10. **Public to National Accounting Adjustments**

Unit: 10^6 EUR

	2020Q3	2021Q3
Balance in Public Accounting:	**1 652.7**	**2 331.5**
Accrual adjustment and sector delimitation in National Accounts	558.2	720.1
Difference between paid and due interest	-613.7	-652.3
Other receivables:	-527.2	744.9
Time adjustment of taxes and social contributions	-525.3	-448.3
Others	-1.9	1 193.2
Other payables:	7.3	312.8
Expenditure already incurred but not yet paid	6.9	31.8
Others	0.4	281.0
Other adjustments:	-3 219.0	-1 553.0
of which:	0.0	0.0
Capital injections and debt assumptions	-308.2	-576.3
Balance in National Accounting:	**-2 141.7**	**1 904.1**
GDP (1)	51 483.8	54 561.4
Balance in National Accounting in % of GDP	**-4.2**	**3.5**

(1) Non seasonally and calendar effects adjusted data

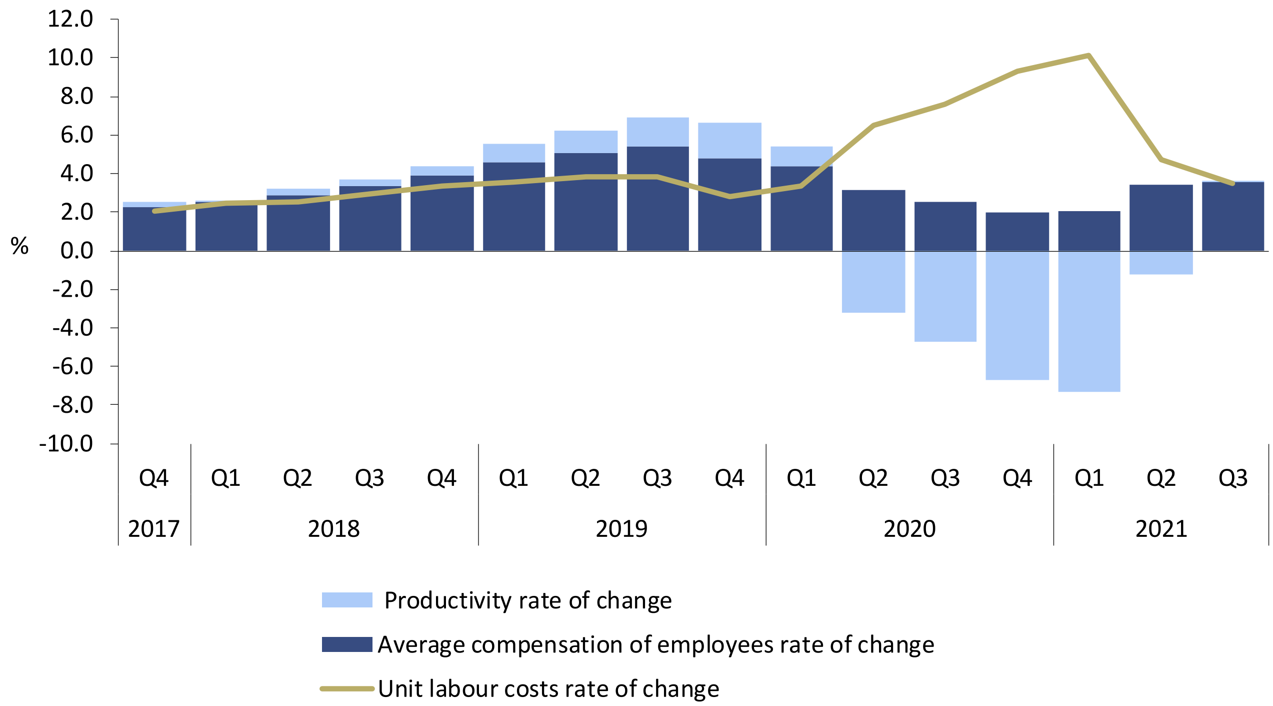
Comparing the third quarter 2021 with the same period of the previous year, it is noticeable an improvement in both balances. Considering the balance in national accounting, the GG net balance increased to 3.5% of GDP in the third quarter 2021 from -4.2% in 2020. Almost the entirety of the expenditure in capital injections and debt assumptions was targeted to public corporations classified inside GG. The item other receivables – others include the before mentioned reimbursement of the prepaid margin of the loan that was due in 2021, given by the European Financial Stability Facility, within the scope of the Economic and Financial Assistance Programme.

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 adjustment implied a decrease in revenue when compared to Public Accounting, by around 1 076 million euro in the third quarter 2021, related to the deferral payment measures for the Social Contributions, Value Added Tax, Individual Income Tax and Corporate Income Tax. 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 received only in July, which totals 1 100 million euro. In National Accounts this revenue was recorded in the 2nd quarter.

Unit labour costs (ULC) increased by 3.5%

In the year ending in the third quarter of 2021, ULC registered an increase of 3.5% in year-on-year terms, which compares with the growth of 4.7% in the previous quarter. The deceleration of ULC in the third quarter was due was due to the increase in productivity, as the average compensation of employees slightly accelerated. 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 11. **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 third quarter of 2021, a period in which there was gradual decrease of the restrictions to mobility imposed by 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.

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 as the recent information on international trade in goods statistics and the updated data on the GG sector. As a result of the incorporation of additional information after the publication on November 30, 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.

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 – 25th March 2022
