25 March 2022
QUARTERLY SECTOR ACCOUNTS (BASE 2016)
Fourth Quarter 2021

DISPOSABLE INCOME OF HOUSEHOLDS INCREASES BY 4.0% IN 2021

The net lending of Portuguese economy[1] remained at 0.7% of Gross Domestic Product (GDP) in the year ending in the fourth quarter of 2021 (in 2020, the net borrowing was 0.2% of GDP). Gross National Income (GNI) and Gross Disposable Income (GDI) increased both by 2.0% in the year ending in the fourth quarter (after increases of 1.3% and 1.4% in the previous quarter, in the same order). Comparing with 2020, GNI, GDI and nominal GDP increased by 6.0%, 6.7% and 5.6%, respectively (rates of changes of -5.7% in GNI, -5.5% in RDB and -6.7% in nominal GDP in 2020 compared to 2019).

In the year ending in the fourth quarter of 2021, the disposable income of Households[2] sector increased by 1.4% compared to the previous quarter and 4.0% compared to 2020. This result was mainly driven by the 1.5% growth in compensation of employees compared to the previous quarter and by the 5.6% increase in annual terms. The net lending of Households decreased by 0.6 percentage points, to 4.4% of GDP, and the savings rate decreased to 10.9% (11.7% in the previous quarter and 12.6% in 2020).

The balance of Non-Financial Corporations stood at -2.4% of GDP, 0.4 percentage points less than in the previous quarter. Comparing with one year before the balance was less negative (-3.0% of GDP in 2020), due to the increase in Gross Value Added (GVA) and of the reduction in property income paid (annual rates of change of 6.6% and -3.1%, respectively).

The net lending of Financial Corporations decreased to 1.5% of GDP in the year ending in the fourth quarter of 2021 (1.7% in the previous quarter and 2.5% in 2020).

The balance of the General Government (GG) sector decreased by 1.2 p.p. year ended in the fourth quarter of 2021, representing a net borrowing of 2.8% of GDP. Considering quarterly figures and not the year ending in the quarter as a reference, the balance of GG in the fourth quarter of 2021 reached -1 806.0 million euros, corresponding to -3.2% of GDP (-8.0% in the same period of the last year).

External balance of the economy stood at 0.7% of GDP

These results correspond to the preliminary estimates for the fourth quarter 2021.

In the fourth quarter of 2021, the economy's net lending remained at 0.7% of GDP, which represented an increase of 0.9 percentage points compared to the 2020. Nominal GDP increased by 1.6% in the fourth quarter of 2021 compared to the previous quarter and by 5.6% compared to the same quarter of the previous year.

[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).

Gross National Income (GNI) and Gross Disposable Income (DGI) increased both by 2.0% (6.0% and 6.7%, respectively, compared to the fourth quarter of 2020).

The increase of GDI combined with a 1.8% increase in final consumption expenditure (which includes the final consumption expenditure by Households and GG), determined 3.3% increase in the economy's gross savings (2.0% in the previous quarter), representing 18.6% of GDP in the fourth quarter of 2021, 0.3 percentage points more than in the previous quarter and 1.1 percentage points above the rate recorded in the fourth quarter of 2020.

The increases in savings and capital income were offset by the growth of Gross Capital Formation (GGF) in the fourth quarter of 2021, determining the stabilization of the balance of the economy at 0.7% of GDP. GFC increased 4.0% compared to the previous quarter and 10.8% compared to 2020.

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 (%)
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	208 634	-0.1	213 843	0.1
2Q 2020	205 857	-3.8	201 733	-3.3	206 750	-3.3
3Q 2020	202 890	-1.4	199 389	-1.2	204 408	-1.1
4Q 2020	200 088	-1.4	196 944	-1.2	201 829	-1.3
1Q 2021	198 115	-1.0	195 040	-1.0	200 240	-0.8
2Q 2021	205 100	3.5	201 978	3.6	208 015	3.9
3Q 2021	207 945	1.4	204 699	1.3	211 023	1.4
4Q 2021	211 278	1.6	208 839	2.0	215 345	2.0

The net borrowing of Non-Financial Corporations (NFC) reached 2.4% of GDP in the fourth quarter of 2021, 0.4 percentage points more than in the previous quarter. Net lending of the Financial Corporations slightly decreased to 1.5% of GDP.

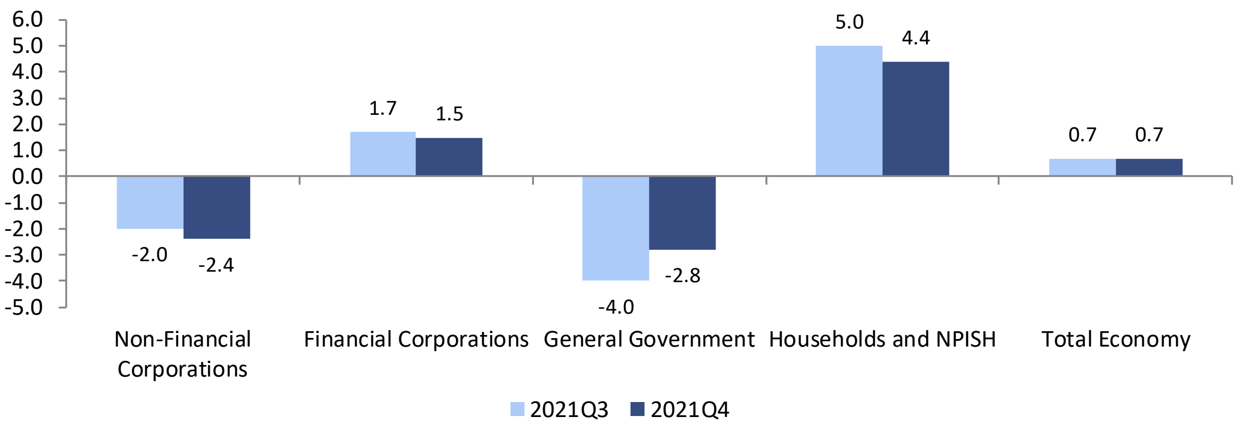
The balance of the GG sector stood at -2.8% of GDP at the end of 2021, improving by 1.2 percentage points compared to the previous quarter (at the end of 2020 it had been -5.8%). The deficit reduction was the combined result of an increase in revenue (2.3%) and a decrease in expenditure (-0.2%).

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
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	-3.4	2.3	-0.1	2.3	1.1
2Q 2020	-4.2	2.3	-1.9	4.9	1.1
3Q 2020	-3.2	2.3	-4.2	5.2	0.2
4Q 2020	-3.0	2.5	-5.8	6.2	-0.2
1Q 2021	-2.7	2.4	-7.1	7.5	0.2
2Q 2021	-1.0	1.8	-5.9	5.4	0.3
3Q 2021	-2.0	1.7	-4.0	5.0	0.7
4Q 2021	-2.4	1.5	-2.8	4.4	0.7

Net lending of Households' sector progressively decreased throughout 2021, standing at 4.4% of GDP at the end of the year, 0.6 percentage points less than in the previous quarter, reflecting the decrease in gross savings.

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



Households: disposable income increased by 4.0% in 2021

Net lending of Households stood at 4.4% of GDP in the year ending in the fourth quarter of 2021, 0.6 percentage points less than in the previous quarter and 1.8 percentage points less than in 2020.

Households' saving rate reached 10.9% of disposable income, which corresponded to a reduction of 0.8 percentage points compared to the previous quarter. This performance was a consequence of the 2.3% increase in in consumption expenditure (rate of change of 1.1% in the previous quarter), which more than offset the 1.4% increase in disposable income.

Compared to 2020, GDI increased by 4.0% in 2021. Even so, this GDI growth was not enough to offset the increase in Final Consumption Expenditure, which stood at 5.8% (after the strong reduction of 6,4% in 2020 in the context of the COVID-19 pandemic), which led to a reduction in the savings rate to 10.9% (12.6% in 2020).

Figure 5 shows the breakdown of the rate of change of disposable income of households. Compensation of employees and Operating surplus contributed 1.0 and 0.4 percentage points, respectively, to the rate of change of disposable income of households (0.3 and -0.4 percentage points in 2020, respectively). It also should be noted, the contribution of other current transfers, which include support paid by GG in the context of the COVID-19.

Households' Investment, which essentially corresponds to Gross Fixed Capital Formation (GFCF) in dwellings, recorded a rate of change of 3.5% in the fourth quarter of 2021. Compared to 2020, the increase in investment by Households was 13.6% in 2021.

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

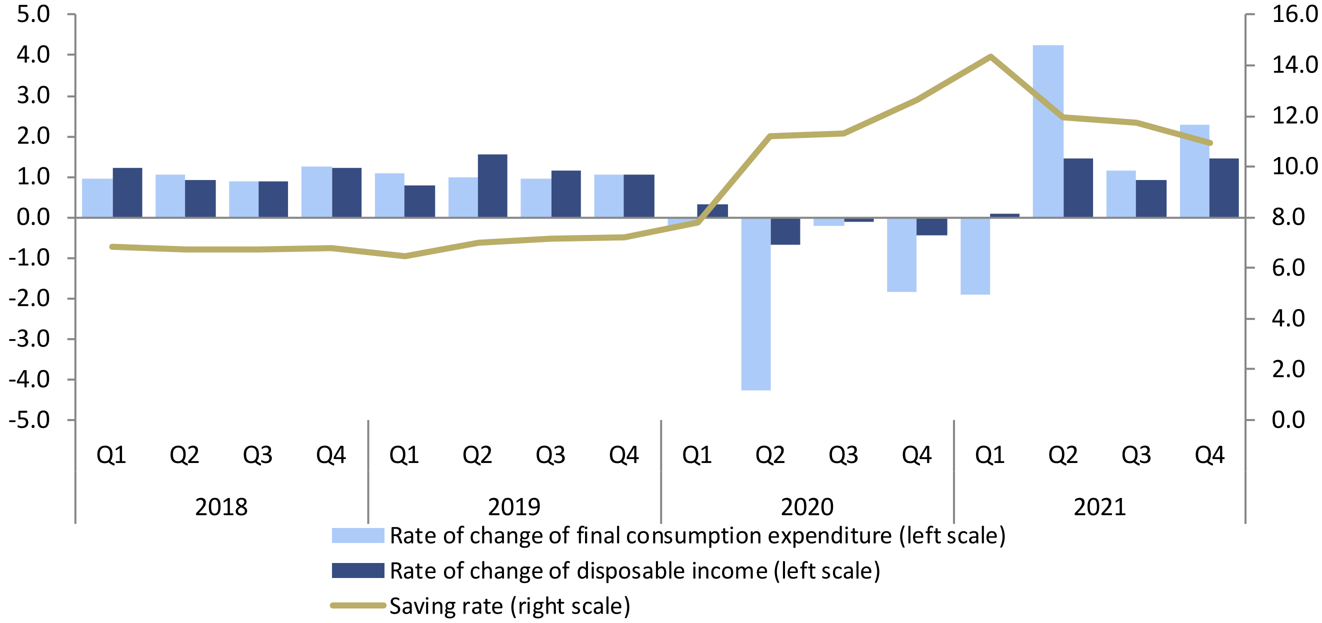
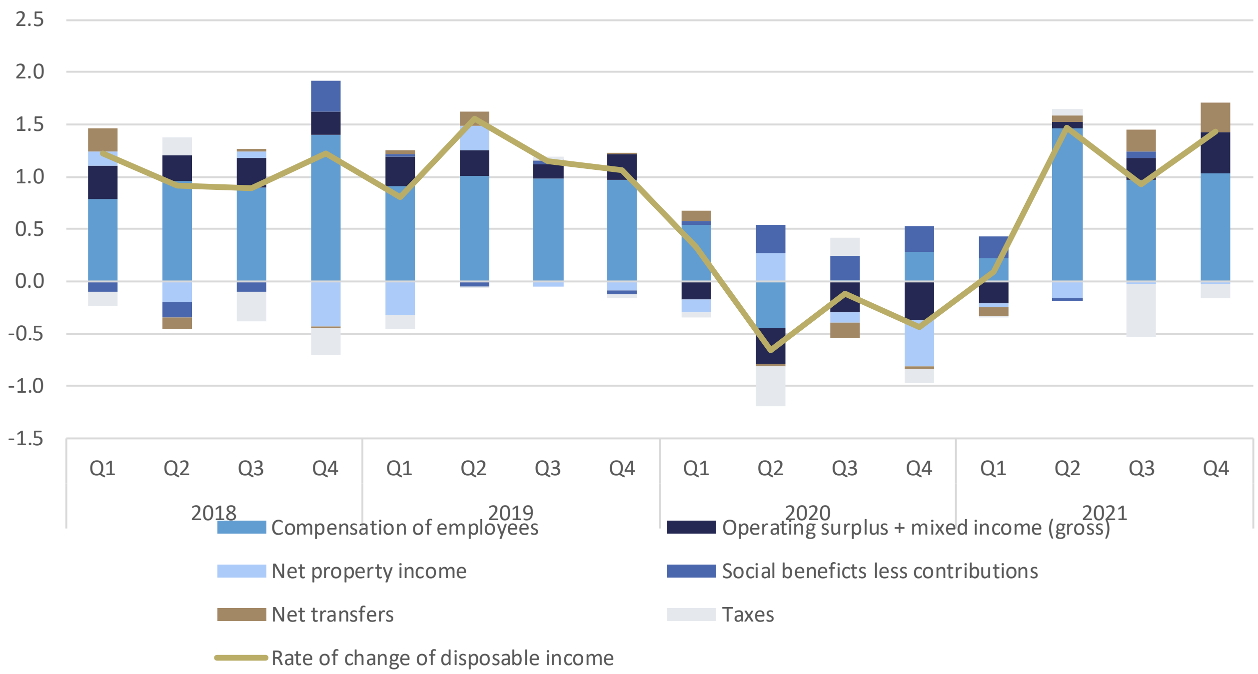


Figure 5. Contributions to the rate of change of disposable income of Households and NPISH (percentage points, year ending in the reference quarter)



The adjusted Households GDI (GDIa) per capita stood at 17,000 euros in the year ending in the fourth quarter of 2021, which represented an increase of 1.3% over the previous quarter, 0.3 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.

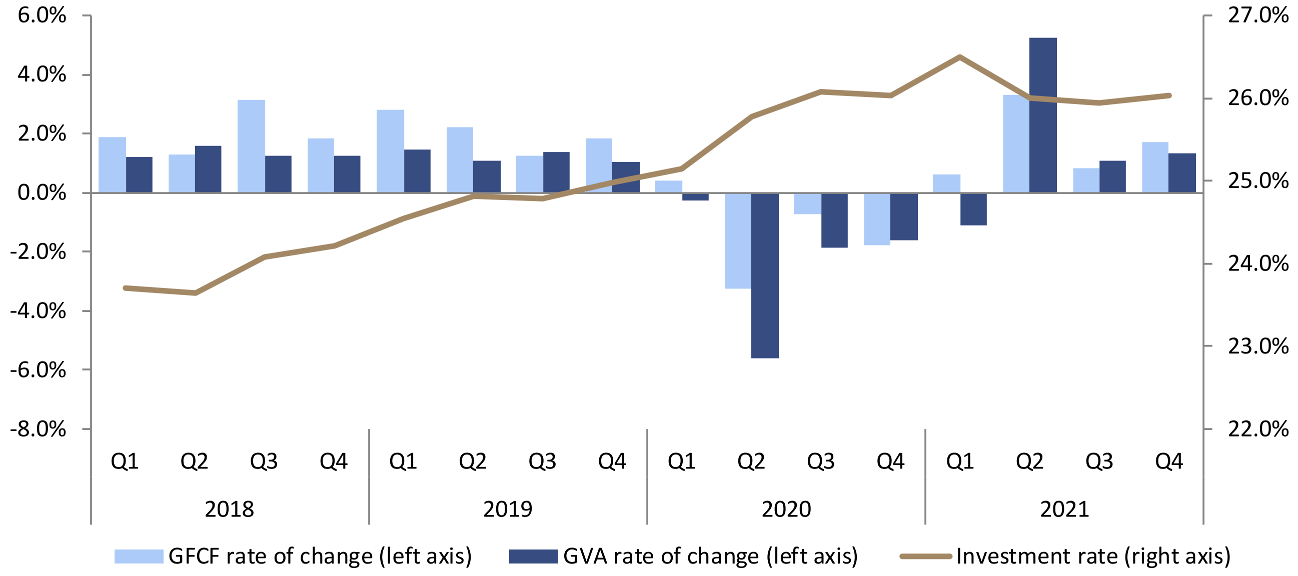
Non-Financial Corporations: net borrowing stood at 2.4% of GDP

Non-financial corporations' net borrowing increased by 0.4 percentage points, standing at 2.4% of GDP in the year ending in the fourth quarter of 2021 (balances of -2.0% and -3.0% in the previous quarter and in 2020, respectively).

The sector's GVA increased by 1.3% in the fourth quarter of 2021 (1.1% in the previous quarter), while compensation of employees paid grew by 2.0%, which resulted in a 0.7% decrease in the Gross Operating Surplus. The operating subsidies received presented a downwards trend in the last quarters of 2021, diminishing by 6.8% in the year ending in the fourth quarter, remaining, however, at a very high level in the context of the available series reflecting the impact of business support measures in the context of the COVID-19 pandemic.

The operating margin rate for the sector stood at 20.5% (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 1.7% increase in GFCF, that offset the increase in GVA (1.3%), determined an increase of the investment rate (measured by the ratio between GFCF and GVA) of 0.1 percentage points more than in the quarter previous, standing at 26.0%. Compared to 2020, the increase in investment by Non-Financial Corporations was 6.7% in 2021 (decrease of 5.3% in 2020)

Financial Corporations: net lending stood at 1.5% of GDP

The net lending of Financial Corporations reached 1.5% of GDP (0.2 percentage points less than in the previous quarter), mainly reflecting the 7.3% reduction in savings. In turn, the behaviour of savings was mainly determined by the decrease in the balance of property income, with income paid and received recording rates of change of 1.7% and -1.5%, respectively, compared to the previous quarter.

General Government: net borrowing of GG decreased 1.2 percentage points to 2.8% of GDP

The net borrowing of the GG sector improved by 1.2 percentage points in the year ending in the fourth quarter 2021 compared with the year ending in the previous quarter, attaining 2.8% of GDP. The reduction in the deficit was due to the combined effects of increase in revenue (2.3%) and decrease in expenditure (-0.2%).

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

	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
Total revenue	**87 040.8**	**86 915.7**	**90 015.0**	**93 591.1**	**95 750.2**
Current revenue	86 356.3	86 153.5	88 895.2	91 301.5	93 329.9
Current taxes on income and wealth	20 110.1	20 064.3	19 812.6	20 686.2	20 550.8
Taxes on production and imports	29 184.6	28 557.9	30 034.8	31 094.2	32 283.1
Social contributions	25 605.7	25 809.9	26 371.8	26 725.6	27 148.8
Sales	6 630.0	6 358.7	6 669.9	6 598.3	6 734.2
Other current revenue	4 825.8	5 362.7	6 006.0	6 197.2	6 613.0
Capital revenue	684.5	762.2	1 119.8	2 289.6	2 420.4
Total expenditure	**98 725.0**	**100 964.7**	**102 215.2**	**101 938.0**	**101 727.4**
Current expenditure	89 982.3	92 262.1	93 105.9	93 856.3	93 715.7
Social benefits	40 316.9	40 711.5	41 109.3	41 471.7	41 434.9
Compensation of employees	23 925.3	24 179.3	24 528.6	24 765.1	24 881.8
Interest	5 791.5	5 684.1	5 561.6	5 393.8	5 168.8
Intermediate consumption	11 315.4	11 533.6	11 735.7	12 177.2	12 230.0
Subsidies	3 663.9	5 043.4	4 992.4	4 606.6	4 219.5
Other current expenditure	4 969.2	5 110.3	5 178.4	5 441.9	5 780.6
Capital expenditure	8 742.7	8 702.6	9 109.3	8 081.8	8 011.7
Investment (1)	4 580.0	4 674.0	5 129.0	5 263.6	5 354.6
Other capital expenditure	4 162.7	4 028.6	3 980.3	2 818.2	2 657.0
Current Balance	**-3 626.0**	**-6 108.6**	**-4 210.7**	**-2 554.8**	**-385.8**
Balance	**-11 684.2**	**-14 049.0**	**-12 200.1**	**-8 346.9**	**-5 977.1**
Memorandum items:					
Primary current expenditure	84 190.8	86 578.0	87 544.4	88 462.5	88 546.9
Gross Domestic Product at current market prices	200 087.6	198 115.1	205 099.6	207 945.3	211 277.5
Balance in % of GDP	**-5.8**	**-7.1**	**-5.9**	**-4.0**	**-2.8**

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

The behaviour of expenditure reflected the decreases of 0.1% in current expenditure and 0.9% in capital expenditure. Except for social benefits, interest paid and subsidies, that decreased by 0.1%, 4.2% and 8.4%, all items of current expenditure increased, with the larger percentage variation in other current expenditure (6.2%). Capital expenditure decreased as a result of a decrease of 5.7% in other capital expenditure and an increase of 1.7% in investment.

Figure 8. **Revenue and expenditure of general government (%; year ending in the reference quarter)**

Unit: %

	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
Total revenue	**-0.1**	**-0.1**	**3.6**	**4.0**	**2.3**
Current revenue	-0.0	-0.2	3.2	2.7	2.2
Current taxes on income and wealth	1.5	-0.2	-1.3	4.4	-0.7
Taxes on production and imports	-2.2	-2.1	5.2	3.5	3.8
Social contributions	0.4	0.8	2.2	1.3	1.6
Sales	-0.6	-4.1	4.9	-1.1	2.1
Other current revenue	5.8	11.1	12.0	3.2	6.7
Capital revenue	-4.4	11.3	46.9	104.5	5.7
Total expenditure	**3.3**	**2.3**	**1.2**	**-0.3**	**-0.2**
Current expenditure	2.3	2.5	0.9	0.8	-0.1
Social benefits	1.3	1.0	1.0	0.9	-0.1
Compensation of employees	0.9	1.1	1.4	1.0	0.5
Interest	-2.0	-1.9	-2.2	-3.0	-4.2
Intermediate consumption	2.1	1.9	1.8	3.8	0.4
Subsidies	26.6	37.7	-1.0	-7.7	-8.4
Other current expenditure	10.1	2.8	1.3	5.1	6.2
Capital expenditure	14.3	-0.5	4.7	-11.3	-0.9
Investment (1)	11.6	2.1	9.7	2.6	1.7
Other capital expenditure	17.4	-3.2	-1.2	-29.2	-5.7

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

Total revenue increased by 2.3% due to the increases of current revenue and capital revenue, by 2.2% and 5.7%, respectively. All items of current revenue increased, except for current taxes on income and wealth (reduction by 0.7%), standing out the behaviour of taxes on production and imports. The other current revenue increased by 6.7%, associated to a large extent with the use of European Funds in the financing of the COVID-19 measures and therefore ensuring the neutrality in the GG balance. The increase of capital revenue is due to European Funds revenue.

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

Figure 9. Revenue and expenditure of general government

(quarterly figures)

	4th quarter 2020		4th quarter 2021		Nominal rate of change (%)
	10^6 EUR	% GDP	10^6 EUR	% GDP	
Total revenue	**24 686.8**	**47.2**	**26 845.9**	**48.2**	**8.7**
Current revenue	24 383.4	46.6	26 411.8	47.5	8.3
Current taxes on income and wealth	6 116.4	11.7	5 981.0	10.7	-2.2
Taxes on production and imports	7 765.2	14.8	8 954.0	16.1	15.3
Social contributions	7 238.5	13.8	7 661.7	13.8	5.8
Sales	1 903.5	3.6	2 039.3	3.7	7.1
Other current revenue	1 359.9	2.6	1 775.7	3.2	30.6
Capital revenue	303.4	0.6	434.1	0.8	43.1
Total expenditure	**28 862.6**	**55.2**	**28 651.9**	**51.5**	**-0.7**
Current expenditure	25 848.4	49.4	25 707.8	46.2	-0.5
Social benefits	11 451.3	21.9	11 414.6	20.5	-0.3
Compensation of employees	6 904.3	13.2	7 021.0	12.6	1.7
Interest	1 428.6	2.7	1 203.7	2.2	-15.7
Intermediate consumption	3 421.0	6.5	3 473.8	6.2	1.5
Subsidies	1 072.0	2.0	685.0	1.2	-36.1
Other current expenditure	1 571.0	3.0	1 909.7	3.4	21.6
Capital expenditure	3 014.2	5.8	2 944.1	5.3	-2.3
Investment (1)	1 844.7	3.5	1 935.8	3.5	4.9
Other capital expenditure	1 169.4	2.2	1 008.3	1.8	-13.8
Current Balance	**-1 465.0**	**-2.8**	**703.9**	**1.3**	
Balance	**-4 175.8**	**-8.0**	**-1 806.0**	**-3.2**	

(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 negative in the fourth quarter 2021, attaining -1 806.0 million euro (-3.2% of GDP), that compares with -8.0% of GDP for the same period of the previous year. The increase of the net balance was a result of an increase in total revenue of 8.7%, and a decrease of 0.7% in total expenditure.

Within total expenditure, current expenditure decreased by 0.5%, due to decreases in social benefits (-0.3%), in interest paid (-15.7%) and in subsidies paid (-36.1%), the latter due to a lower amount of COVID-19 related measures. The compensation of employees increased by 1.7% in, the intermediate consumption by 1.5%, and other current expenditure by 21.6%. Capital expenditure decreased 2.3%, as a combined effect of a 13.8% decrease in other capital expenditure and a 4.9% increase in investment. The increase in investment is mostly due to Central Government measures, whereas the reduction of other capital expenditure reflects the base effect of the financial support granted by the Regional Government of Açores to SATA, S.A. in the fourth quarter 2020 (132 million euro).

The increase by 8.3% 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 43.1%, for the reason stated in the analysis of the year ending in the fourth quarter.

Figure 10 presents the main adjustments carried out for moving from Public Accounts to National Accounts balances in the fourth quarters of 2020 and 2021.

Figure 7. Public to National Accounting Adjustments

Unit: 10^6 EUR

	2020Q4	2021Q4
Balance in Public Accounting:	**-6 583.3**	**-4 258.7**
Accrual adjustment and sector delimitation in National Accounts	2 375.3	2 816.9
Difference between paid and due interest	537.0	741.4
Other receivables:	451.9	282.0
Time adjustment of taxes and social contributions	359.8	712.4
Others	92.1	-430.4
Other payables:	78.2	289.0
Expenditure already incurred but not yet paid	122.5	190.5
Others	-44.3	98.5
Other adjustments:	-1 034.9	-1 676.5
of which:	0.0	0.0
Capital injections and debt assumptions	-1 149.5	-1 751.2
Balance in National Accounting:	**-4 175.8**	**-1 806.0**
GDP (1)	52 313.3	55 645.5
Balance in National Accounting in % of GDP	**-8.0**	**-3.2**

(1) Non seasonally and calendar effects adjusted data

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.

Comparing the fourth quarter 2021 with the same period of the previous year, an improvement is noticeable in both balances. Considering the balance in national accounting, the GG net balance changed to -3.2% of GDP in the fourth quarter 2021 from -8.0% in 2020. Almost the entirety of the expenditure in capital injections and debt assumptions was destined to public corporations classified inside GG, being the only exception, the amount relating to the capital increase carried out in TAP, S.A. of 178.4 million euros.

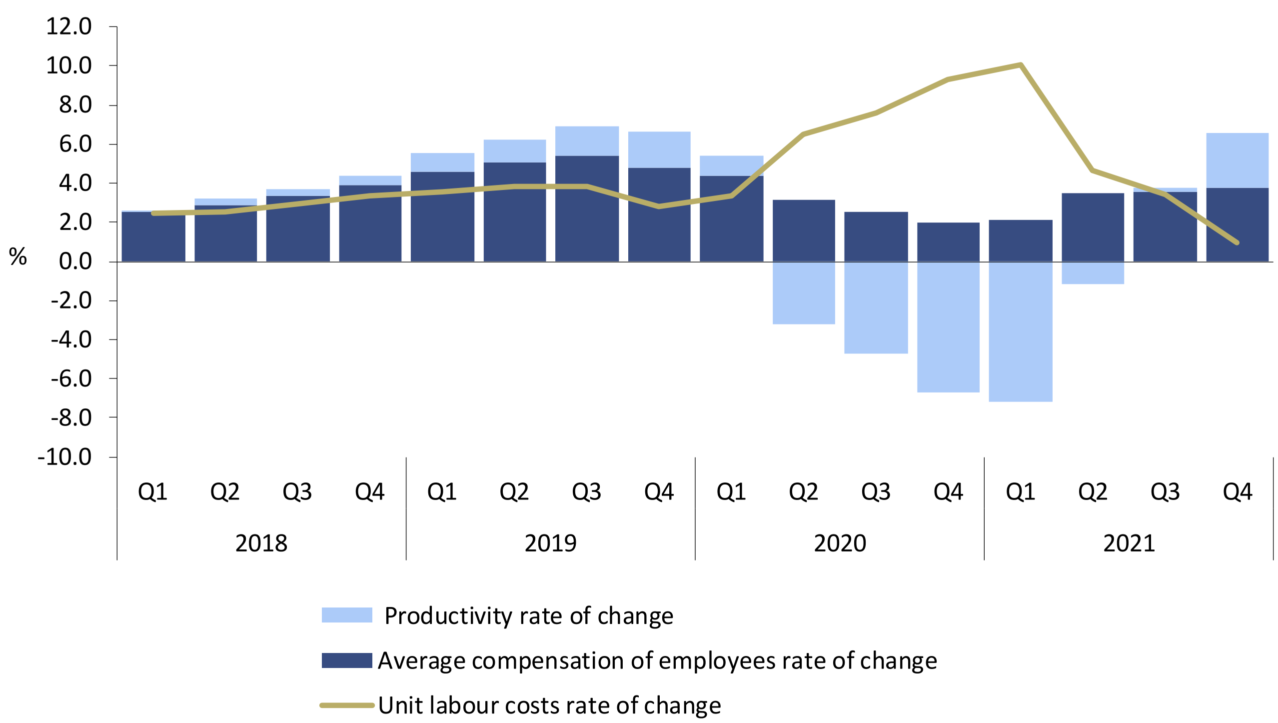
Additionally, due to the policy measures for fractional future payment of taxes and social contributions implemented in the context of the COVID 19 pandemic, a supplementary adjustment was made to include the future payments as revenue of the period when the activity took place. For the fourth quarter 2021, this temporary adjustment implied a decrease in revenue when compared to Public Accounting, by around 203 million euro, related to the deferral payment measures for the Social Contributions, Value Added Tax, Individual Income Tax and Corporate Income Tax.

Considering the values for the full years of 2020 and 2021, the GG sector recorded a net borrowing of 5 977 million euros in 2021, which corresponds to 2.8% of GDP (balance of -5.8% in 2020). Total revenue increased by 10.0% (about +8 709 million euros) between 2020 and 2021, with the 8.1% increase in current revenue being decisive for this result. Among the components of current expenditure, it is important to highlight the increase in taxes on production and imports (+10.6%), but also in social contributions (+6.0%) and, to a lesser extent, in current taxes on income and wealth (+2.2%), reflecting the recovery of economic activity in 2021. For a more detailed analysis see the press release Main Aggregates of General Government and Excessive Deficit Procedure (1st Notification) simultaneously published with this press release.

Unit labour costs (ULC) increased by 1.0%

In the year ending in the fourth quarter of 2021, ULC registered an increase of 1.0% in year-on-year terms, which compares with the growth of 3.4% in the previous quarter. The deceleration of ULC in the fourth quarter was due to the 2.8% increase in productivity, which approached the growth in average compensation of employees (rate of change of 3.8%). 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 in 2020 and in 2021 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 8. Unit labour costs rates of change (%, year ending in the reference quarter)



Preliminary Annual Sector Accounts for 2021

The first version of the Annual Sector Accounts for 2021 is obtained by summing of the quarterly data estimated for the four quarters now released. Table 12 presents the annual evolution of the main economic aggregates resulting from the National Accounts by Institutional Sector.

Figure 12. Indicators for the Portuguese economy

	2017	2018	2019	2020[Po]	2021[Pe]
GDP nominal (rate of change)	5.1	4.7	4.5	-6.7	5.6
GNI (rate of change)	5.2	4.6	4.3	-5.7	6.0
GDI (rate of change)	5.6	4.5	4.4	-5.5	6.7
Gross Saving (rate of change)	16.2	6.5	4.9	-12.2	12.2
Saving Rate of Households and NPISH (% do GDI)	6.6	6.8	7.2	12.6	10.9
Final Consumption of Households and NPISH (rate of change)	3.7	4.2	4.1	-6.4	5.8
Disposable Income of Households and NPISH (rate of change)	3.1	4.3	4.6	-0.9	4.0
Gross Capital Formation (rate of change)	14.3	11.2	5.6	-5.4	10.8
Net lending (+)/Net borrowing (-)					
Non-financial Corporations (% of GDP)	-1.2	-2.4	-3.3	-3.0	-2.4
Financial Corporations (% of GDP)	4.1	2.2	2.4	2.5	1.5
General Government (% of GDP)	-3.0	-0.3	0.1	-5.8	-2.8
Households and NPISH (% of GDP)	1.9	1.8	1.8	6.2	4.4
Total Economy (% of GDP)	1.8	1.2	1.0	-0.2	0.7
External Balance of Goods and Services (% of GDP)	1.0	0.5	0.5	-2.1	-3.0
Unit Labour Costs (rate of change)	2.1	3.4	2.8	9.3	1.0

Po - Provisional value

Pe- Preliminary value

The 2020 provisional data has been revised to incorporate the new available information. Compared to previous estimates, the new results led to a revision of the balances of Non-Financial Corporations (from -2.8% of GDP to -3.0%), Financial Corporations (from 2.2% to 2.5%) and Households (from 6.3% to 6.2%).

METHODOLOGICAL NOTE

The results presented correspond to the preliminary version of the Quarterly Sector Accounts (QSA) for the fourth 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 February 28, 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. Compared to previous estimates, the new results determined a downward revision of 0.1 percentage points of the annual rate of change in nominal GDP in 2021 (5.6%), with the annual rate of change in volume remaining unchanged (4.9%).

Figure 13. **Revisions – Quarterly GDP (volume)**

	3Q 20	1Q 21	2Q 21	3Q 21	4Q 21
	Year-on-year rate of change (%)				
QNA 4Q 2021 (85 days)	-6.8	-5.4	16.5	4.4	5.9
QNA 4Q 2021 (60 days)	-6.8	-5.3	16.5	4.4	5.8
Flash 4Q 2021 (30 days)	-6.8	-5.4	16.4	4.5	
	Quarter-on-quarter rate of change (%)				
QNA 4Q 2021 (85 days)	0.3	-2.9	4.4	2.7	1.7
QNA 4Q 2021 (60 days)	0.3	-2.9	4.3	2.8	1.6
Flash 4Q 2021 (30 days)	0.3	-3.0	4.3	2.9	

Flash - Flash Estimate; QNA - Quarterly National Accounts

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 – 24th June 2022