



23 September 2022
QUARTERLY SECTOR ACCOUNTS (BASE 2016)
Second Quarter 2022

EXTERNAL BALANCE OF THE PORTUGUESE ECONOMY DECREASES TO -0.8% OF GDP

The net borrowing of the Portuguese economy¹ increased in the year ending in the second quarter of 2022, moving from 0.5% of Gross Domestic Product (GDP) in the first quarter to 0.8%. Gross National Income (GNI) and Gross Disposable Income (GDI) increased by 2.7% and 2.3%, respectively, in the year ending in the second quarter, after quarter-on-quarter growth rates of 2.9% and 2.8% in the previous quarter, respectively. The reduction in the economy's external balance reflected the decrease of all domestic sectors balances, except General Government (GG).

The disposable income of Households sector increased by 1.2% compared to the previous quarter, with rates of change of 1.9% in compensation of employees and 1.4% in Gross Value Added (GVA). The final consumption expenditure of Households increased by 2.7% (4.0% in the previous quarter), leading to a reduction in the savings rate to 5.9% (7.3% in the previous quarter), which, together with the increase in investment, determined the reduction in the net lending of Households by 1.0 percentage points, to 0.4% of GDP.

The balance of Non-Financial Corporations stood at -2.7% of GDP, 0.7 percentage points less than in the previous quarter. The sector's GVA increased by 3.8%, at a higher pace than compensation of employees paid (growth rate of 2.4%), while Gross Fixed Capital Formation (GFCF) increased by 2.1%.

The net lending of Financial Corporations decreased to 1.4% of GDP in the year ending in the second quarter of 2022.

The balance of the General Government (GG) sector increased by 1.8 percentage points in the year ended in the second quarter of 2022, moving from a net borrowing of 1.6% of GDP to a net lending of 0.2% 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 2022 reached 1104.6 million euros, corresponding to 1.9% of GDP, which compares with -5.6% in the same period of the last year. Considering values for the first half of 2022, the balance of GG was also positive (0.8% of GDP), improving in comparison with the first halves of 2020 and 2021, years influenced by the adverse impacts of the COVID-19 pandemic, but also in comparison with 2019.

¹ Unless otherwise indicated, the descriptive analysis and graphs below refer to the **year ending in the reference quarter** (for additional information. When comparing consecutive quarters are used, in general, **quarter-on-quarter rates of change** between the year ending in the reference quarter and the year ending in the preceding quarter (see Methodological Note at the end of press release). The rates of change are based in nominal terms.



External balance of the economy stood at -0.8% of GDP

These results correspond to the preliminary estimates for the second quarter of 2022. It should be noticed that the comparison of the first quarter 2022 with the same quarter of the previous year must be made with cautious due to a base effect, since, in the first quarter of 2021, several measures to mitigate the pandemic were in place that strongly conditioned economic activity.

The net borrowing of the Portuguese economy increased in the year ending in the second quarter of 2022, moving from 0.5% of GDP in the first quarter to 0.8%. Nominal GDP increased by 2.8% in the second quarter of 2022 compared to the previous quarter and by 10.0% compared to the same quarter of the previous year. Gross National Income (GNI) and Gross Disposable Income (DGI) increased by 2.7% and 2.3%, respectively (10.0% and 9.5%, respectively, compared to the second quarter of 2021).

The increase of GDI above the 2.4% increase in final consumption expenditure (which includes the final consumption expenditure by Households and GG), determined an increase of 2.2% in the economy's gross savings to 18.8% of GDP (0.1 percentage points less than in the previous quarter and 0.2 percentage points less than in the second quarter of 2021).

The increase in savings was not sufficient to finance the growth of GFCF, resulting in a decrease in the economy's external balance to -0.8% of GDP. GFCF increased by 2.2% compared to the previous quarter and 11.5% compared to the same quarter of the previous year.

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 2019 | 212 112 | 1.0 | 206 864 | 0.9 | 211 518 | 0.9 |
| 4Q 2019 | 214 375 | 1.1 | 208 806 | 0.9 | 213 689 | 1.0 |
| 1Q 2020 | 213 935 | -0.2 | 208 571 | -0.1 | 213 780 | 0.0 |
| 2Q 2020 | 205 828 | -3.8 | 201 693 | -3.3 | 206 817 | -3.3 |
| 3Q 2020 | 203 071 | -1.3 | 199 574 | -1.1 | 204 716 | -1.0 |
| 4Q 2020 | 200 519 | -1.3 | 197 398 | -1.1 | 202 446 | -1.1 |
| 1Q 2021 | 199 118 | -0.7 | 196 049 | -0.7 | 201 440 | -0.5 |
| 2Q 2021 | 206 751 | 3.8 | 203 625 | 3.9 | 209 747 | 4.1 |
| 3Q 2021 | 210 308 | 1.7 | 206 943 | 1.6 | 213 406 | 1.7 |
| 4Q 2021 | 214 471 | 2.0 | 211 875 | 2.4 | 218 358 | 2.3 |
| 1Q 2022 | 221 162 | 3.1 | 218 120 | 2.9 | 224 455 | 2.8 |
| 2Q 2022 | 227 440 | 2.8 | 223 945 | 2.7 | 229 707 | 2.3 |



In terms of domestic sectors, the worsening of the balance of the economy reflected the reduction of the net lending of all sectors, except GG sector, which went from a deficit of 0.5% of GDP in the first quarter of 2022 to a surplus of 0.2% in the second quarter.

The net borrowing of NFC reached 2.7% of GDP in the second quarter of 2022, 0.7 percentage points more than in the previous quarter. Net lending of the Financial Corporations decreased 0.3 percentage points to 1.4% of GDP.

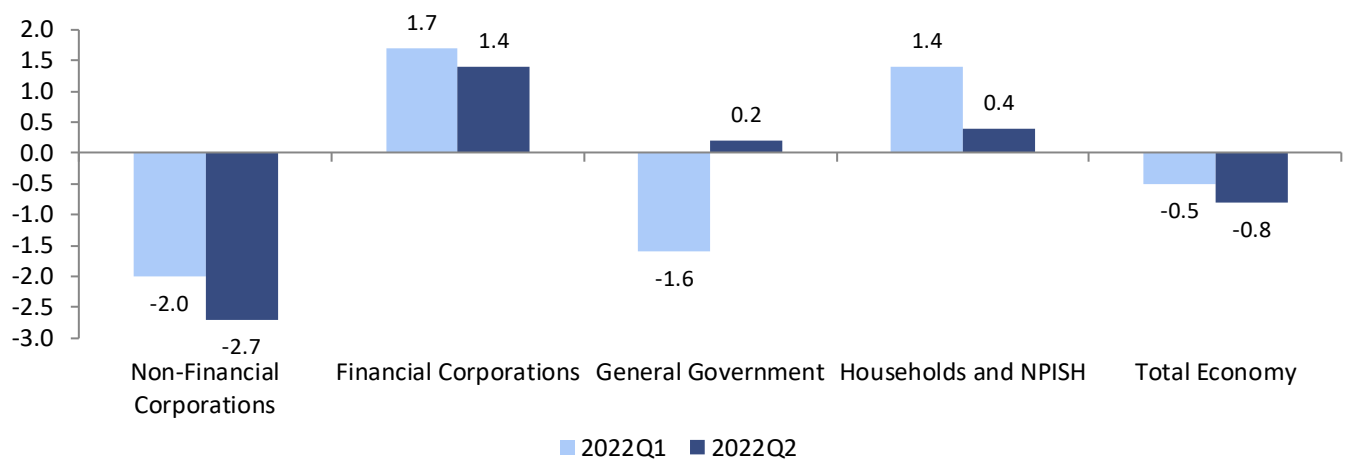
Net lending of Households' sector extended the downward path initiated in the second quarter of 2021, decreasing by 1.0 percentage points, to 0.4% of GDP in the year ending in the second quarter of 2022, and reflected the decrease in gross savings.

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 |
|--------------------------------------|----------------------------|------------------------|--------------------|----------------------|---------------|
| 2Q 2019 | -3.4 | 2.5 | 0.1 | 1.7 | 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 | -3.9 | 2.4 | -1.9 | 4.5 | 1.1 |
| 3Q 2020 | -2.6 | 2.3 | -4.1 | 4.6 | 0.1 |
| 4Q 2020 | -2.2 | 2.6 | -5.8 | 5.2 | -0.2 |
| 1Q 2021 | -1.8 | 2.6 | -7.0 | 6.2 | 0.0 |
| 2Q 2021 | -0.4 | 2.1 | -5.9 | 4.3 | 0.1 |
| 3Q 2021 | -1.5 | 2.1 | -3.9 | 3.8 | 0.6 |
| 4Q 2021 | -1.7 | 2.0 | -2.9 | 3.2 | 0.5 |
| 1Q 2022 | -2.0 | 1.7 | -1.6 | 1.4 | -0.5 |
| 2Q 2022 | -2.7 | 1.4 | 0.2 | 0.4 | -0.8 |



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



Households: saving rate savings rate decreased 1.4 percentage points to 5.9%

Net lending of Households stood at 0.4% of GDP in the year ending in the second quarter of 2022, 1.0 percentage points less than in the previous quarter.

The Households' saving rate savings rate (Figure 4) was 5.9% of disposable income, which corresponded to a reduction of 1.4 percentage points compared to the previous quarter. This result was a consequence of the 2.7% increase in private consumption (quarter-on-quarter rate of change of 4.0% in the previous quarter), higher than the increase in disposable income (rate of change of 1.2%). It should be reminded that all variables presented in this press release are in nominal terms, which, in the case of private consumption, implies that it reflects the acceleration in consumer prices as depicted by the Consumer Price Index in the second quarter 2022 including the Value Added Tax paid by households.

Figure 5 shows the breakdown of the rate of change (1.2%) of disposable income of households in the year ending in the second quarter of 2022. Compensation of employees and gross operating surplus contributed with 1.3 and 0.2 percentage points, respectively, to this rate of change (1.2 and 0.1 percentage points in the previous quarter, in the same order), with a negative contribution of 0.2 percentage points of taxes paid by households.

Households' Gross Fixed Capital Formation (GFCF), which essentially corresponds to GFCF in dwellings, recorded a rate of change of 1.6% in the second quarter of 2022. Compared to the same quarter of the previous year, the increase of GFCF by Households was 4.7%. The investment rate of Households (measured by the ratio between GFCF and disposable income) remained at 6.0%.



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

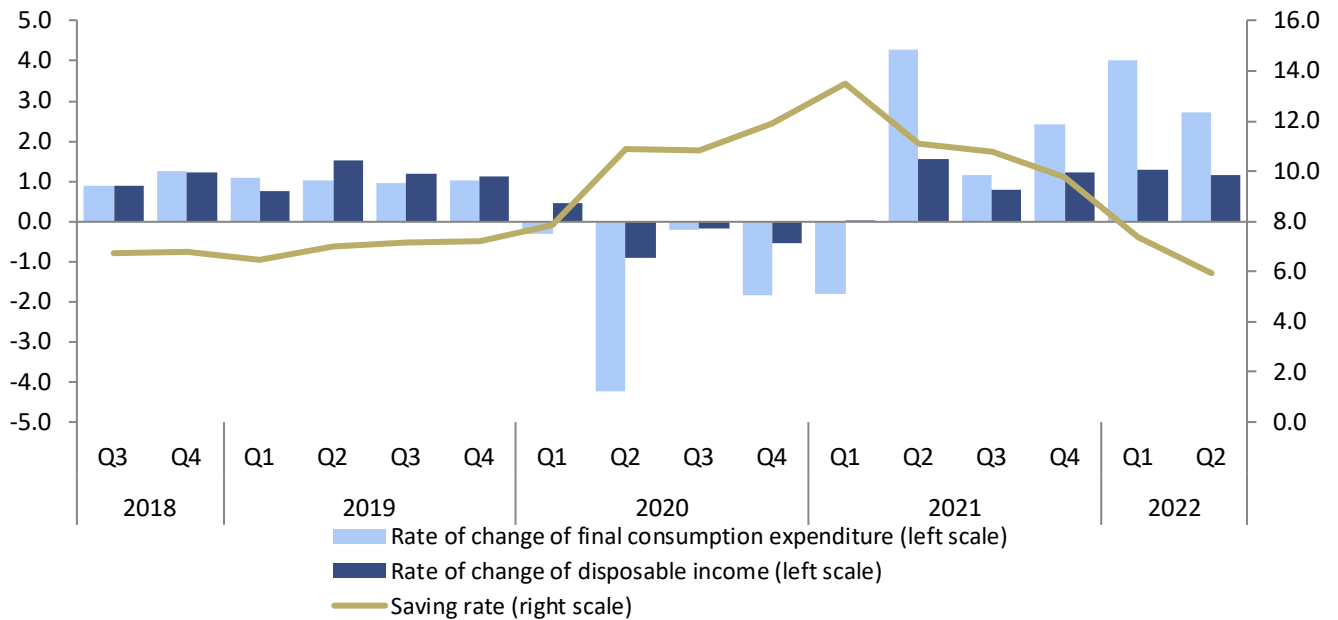
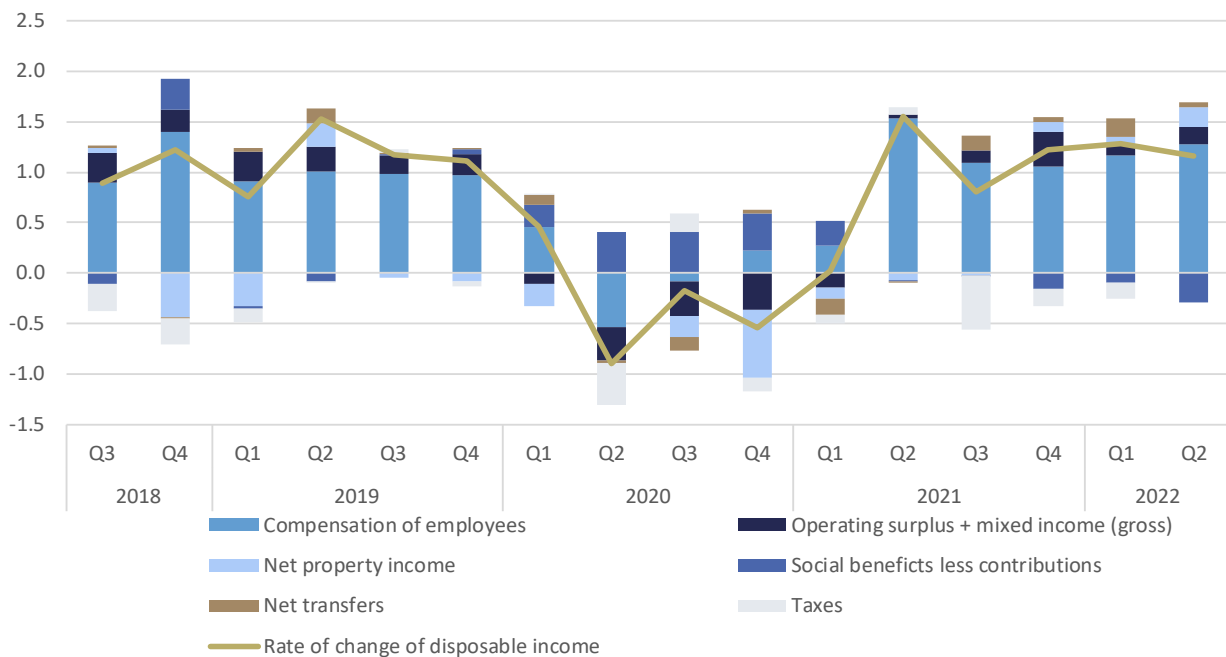


Figure 5. Contributions to the rate of change of disposable income of Households and NPISH (percentage points, year ending in the reference quarter)



The Households adjusted GDI (GDIa) per capita stood at 17,400 euros in the year ending in the second quarter of 2022, which represented an increase of 1.2% over the previous quarter. The rate of change in GDP per capita was 2.9%, 1.7 percentage points above the growth rate of adjusted GDI.



It should be noted that GDla 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.

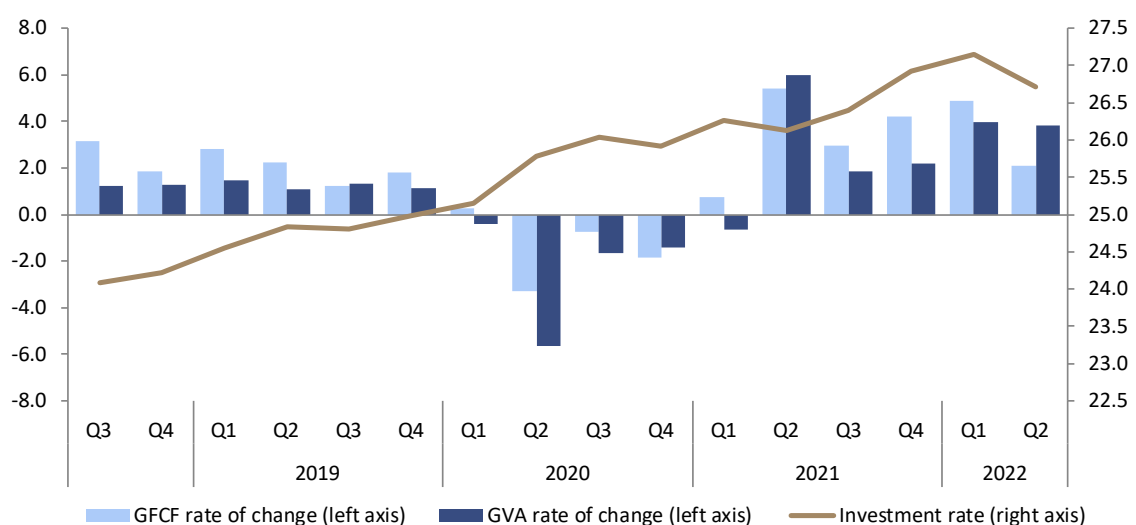
Non-Financial Corporations: net borrowing stood at 2.7% of GDP

Non-financial corporations' net borrowing decreased by 0.7 percentage points, standing at 2.7% of GDP in the year ending in the second quarter of 2022 (balances of -2.0% and -0.4% in the previous quarter and in the same quarter of the previous year, respectively).

The sector's GVA increased by 3.8% in the second quarter of 2022 and by 12.4% comparing with the same quarter of the previous year. This increase occurred together with by the 2.4% growth in compensation of employees paid and by the 25.6% decrease in operating subsidies, resulting in a 4.1% increase in the Gross Operating Surplus. The operating subsidies received presented a downward trend starting in the second quarter of 2021, remaining, however, at a high level, due to the use of four quarters accumulated figures, reflecting the impact of measures to support companies in the context of the COVID-19 pandemic.

The net operating margin rate for the sector stood at 23.8% (0.4 percentage points less than in the previous quarter). This rate is obtained by the ratio between Net Operating Surplus and Net Value Added² 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)



² The Net Operating Surplus and Net Value Added correspond to the GOS and GVA deducting the consumption of fixed capital.



The 2.1% increase in GFCF, lower than the growth of the sector's GVA by 1.7 percentage points, led to reduction in the investment rate (measured by the ratio between GFCF and GVA) by 0.5 percentage points compared to the previous quarter, standing at 26.7%. GFCF at current prices by Non-Financial Corporations presented positive rates of change since the second quarter of 2021.

Financial Corporations: net lending decreased 0.3 percentage points of GDP

The net lending of Financial Corporations reached 1.4% of GDP, less 0.3 percentage points compared to the previous quarter. The balance of property income recorded a slight improvement, with income paid and received recording rates of change of 8.9% and 4.4%, respectively, compared to the previous quarter.



General Government: net balance of GG decreased 1.8 percentage points of GDP

The net balance of the GG sector improved by 1.8 percentage points in the year ending in the second quarter 2022 compared with the year ending in the previous quarter, attaining 0.2% of GDP. This increase was due to the combined effects of increase in revenue (3.0%) and decrease in expenditure (-1.1%).

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: 10⁶ EUR

| | 2021Q2 | 2021Q3 | 2021Q4 | 2022Q1 | 2022Q2 |
|---|------------------|------------------|------------------|------------------|------------------|
| Total revenue | 90 169.0 | 94 056.0 | 96 321.5 | 98 612.0 | 101 559.8 |
| Current revenue | 88 859.8 | 91 664.0 | 93 741.0 | 96 025.2 | 99 028.7 |
| Current taxes on income and wealth | 19 866.5 | 20 799.0 | 20 707.7 | 21 098.6 | 22 470.0 |
| Taxes on production and imports | 30 030.9 | 31 107.4 | 32 346.6 | 34 045.9 | 35 118.8 |
| Social contributions | 26 381.0 | 26 771.1 | 27 266.6 | 27 712.4 | 28 287.9 |
| Sales | 6 556.7 | 6 657.9 | 6 686.0 | 6 922.8 | 7 200.1 |
| Other current revenue | 6 024.8 | 6 328.6 | 6 734.1 | 6 245.5 | 5 951.9 |
| Capital revenue | 1 309.2 | 2 392.0 | 2 580.5 | 2 586.9 | 2 531.1 |
| Total expenditure | 102 368.2 | 102 206.3 | 102 536.9 | 102 193.2 | 101 078.1 |
| Current expenditure | 92 991.8 | 93 856.3 | 94 287.8 | 93 817.9 | 93 515.3 |
| Social benefits | 41 006.8 | 41 381.2 | 41 608.5 | 42 049.7 | 42 222.9 |
| Compensation of employees | 24 527.7 | 24 789.8 | 24 974.8 | 25 184.5 | 25 378.2 |
| Interest | 5 565.3 | 5 405.4 | 5 170.5 | 5 005.1 | 4 867.4 |
| Intermediate consumption | 11 557.3 | 12 034.9 | 12 434.5 | 12 684.3 | 12 878.9 |
| Subsidies | 5 012.7 | 4 674.4 | 4 275.9 | 3 052.3 | 2 132.1 |
| Other current expenditure | 5 322.1 | 5 570.7 | 5 823.7 | 5 842.0 | 6 035.9 |
| Capital expenditure | 9 376.4 | 8 350.0 | 8 249.2 | 8 375.3 | 7 562.8 |
| Investment ⁽¹⁾ | 5 325.7 | 5 448.6 | 5 618.6 | 5 720.9 | 5 900.3 |
| Other capital expenditure | 4 050.7 | 2 901.4 | 2 630.6 | 2 654.3 | 1 662.5 |
| Current Balance | -4 132.0 | -2 192.3 | -546.8 | 2 207.3 | 5 513.4 |
| Balance | -12 199.2 | -8 150.3 | -6 215.5 | -3 581.1 | 481.7 |
| <i>Memorandum items:</i> | | | | | |
| Primary current expenditure | 87 426.5 | 88 450.9 | 89 117.3 | 88 812.8 | 88 647.9 |
| Gross Domestic Product at current market prices | 206 751.0 | 210 308.0 | 214 470.7 | 221 161.8 | 227 440.1 |
| Balance in % of GDP | -5.9 | -3.9 | -2.9 | -1.6 | 0.2 |

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

The behaviour of expenditure reflected the decreases of 0.3% in current expenditure and 9.7% in capital expenditure. The reduction of current expenditure was determined by interest and subsidies paid, that decreased by 2.8% and 30.1%, reflecting, in the latter case, the strong reduction in subsidies paid to corporations in the context of the COVID-19 pandemic. All the remaining items of current expenditure increased, with the highest rate of change being recorded by other current expenditure (3.3%). Capital expenditure decreased as a result of a decrease of 37.4% in other capital expenditure and an increase of 3.1% in investment.



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

| | 2021Q2 | 2021Q3 | 2021Q4 | 2022Q1 | 2022Q2 |
|------------------------------------|------------|-------------|------------|-------------|-------------|
| | Unit: % | | | | |
| Total revenue | 3.5 | 4.3 | 2.4 | 2.4 | 3.0 |
| Current revenue | 3.2 | 3.2 | 2.3 | 2.4 | 3.1 |
| Current taxes on income and wealth | -1.1 | 4.7 | -0.4 | 1.9 | 6.5 |
| Taxes on production and imports | 5.3 | 3.6 | 4.0 | 5.3 | 3.2 |
| Social contributions | 2.2 | 1.5 | 1.9 | 1.6 | 2.1 |
| Sales | 4.7 | 1.5 | 0.4 | 3.5 | 4.0 |
| Other current revenue | 10.8 | 5.0 | 6.4 | -7.3 | -4.7 |
| Capital revenue | 33.7 | 82.7 | 7.9 | 0.2 | -2.2 |
| Total expenditure | 1.3 | -0.2 | 0.3 | -0.3 | -1.1 |
| Current expenditure | 1.1 | 0.9 | 0.5 | -0.5 | -0.3 |
| Social benefits | 1.0 | 0.9 | 0.5 | 1.1 | 0.4 |
| Compensation of employees | 1.3 | 1.1 | 0.7 | 0.8 | 0.8 |
| Interest | -2.1 | -2.9 | -4.3 | -3.2 | -2.8 |
| Intermediate consumption | 2.8 | 4.1 | 3.3 | 2.0 | 1.5 |
| Subsidies | -0.2 | -6.7 | -8.5 | -28.6 | -30.1 |
| Other current expenditure | 1.1 | 4.7 | 4.5 | 0.3 | 3.3 |
| Capital expenditure | 3.5 | -10.9 | -1.2 | 1.5 | -9.7 |
| Investment ⁽¹⁾ | 7.8 | 2.3 | 3.1 | 1.8 | 3.1 |
| Other capital expenditure | -1.6 | -28.4 | -9.3 | 0.9 | -37.4 |

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

Total revenue increased by 3.0% due to the increases of current revenue by 3.1% and the decreases of capital revenue by 2.2%. All items of current revenue increased, except for other current revenue, with revenue from taxes on income and wealth standing out with an increase by 6.5% mainly due to the increase in revenue from corporate income tax. The other current revenue decreased by 4.7%, associated to a large extent with the lower use of European Funds in the financing of the COVID-19 measures and therefore ensuring the neutrality in the GG balance. The decrease of capital revenue is due to the reduction in 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 second quarters of 2021 and 2022.



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

| | 2 nd quarter 2021 | | 2 nd quarter 2022 | | Nominal rate of change (%) |
|------------------------------------|------------------------------|-------------|------------------------------|-------------|----------------------------|
| | 10 ⁶ EUR | % GDP | 10 ⁶ EUR | % GDP | |
| Total revenue | 22 433.1 | 42.1 | 25 380.8 | 42.6 | 13.1 |
| Current revenue | 21 954.3 | 41.2 | 24 957.9 | 41.9 | 13.7 |
| Current taxes on income and wealth | 3 404.6 | 6.4 | 4 776.0 | 8.0 | 40.3 |
| Taxes on production and imports | 7 814.8 | 14.7 | 8 887.7 | 14.9 | 13.7 |
| Social contributions | 6 868.3 | 12.9 | 7 443.8 | 12.5 | 8.4 |
| Sales | 1 616.3 | 3.0 | 1 893.5 | 3.2 | 17.2 |
| Other current revenue | 2 250.4 | 4.2 | 1 956.8 | 3.3 | -13.0 |
| Capital revenue | 478.7 | 0.9 | 422.9 | 0.7 | -11.7 |
| Total expenditure | 25 391.3 | 47.7 | 24 276.2 | 40.8 | -4.4 |
| Current expenditure | 22 804.4 | 42.8 | 22 501.8 | 37.8 | -1.3 |
| Social benefits | 9 355.8 | 17.6 | 9 528.9 | 16.0 | 1.9 |
| Compensation of employees | 6 531.9 | 12.3 | 6 725.6 | 11.3 | 3.0 |
| Interest | 1 346.7 | 2.5 | 1 208.9 | 2.0 | -10.2 |
| Intermediate consumption | 2 947.0 | 5.5 | 3 141.6 | 5.3 | 6.6 |
| Subsidies | 1 371.2 | 2.6 | 451.0 | 0.8 | -67.1 |
| Other current expenditure | 1 251.8 | 2.3 | 1 445.7 | 2.4 | 15.5 |
| Capital expenditure | 2 586.9 | 4.9 | 1 774.5 | 3.0 | -31.4 |
| Investment ⁽¹⁾ | 1 325.8 | 2.5 | 1 505.2 | 2.5 | 13.5 |
| Other capital expenditure | 1 261.1 | 2.4 | 269.3 | 0.5 | -78.6 |
| Current Balance | -850.0 | -1.6 | 2 456.1 | 4.1 | |
| Balance | -2 958.2 | -5.6 | 1 104.6 | 1.9 | |

⁽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 second quarter 2022, attaining 1 104.6 million euro (1.9% of GDP), that compares with -5.6% 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 13.1%, and a decrease of 4.4% in total expenditure.

Within total expenditure, current expenditure decreased by 1.3%, due to decreases in interest paid (-10.2%) and in subsidies paid (-67.1%), the latter due to a lower amount of COVID-19 related measures, as previously mentioned. The social benefits increased by 1.9%, the compensation of employees by 3.0%, the intermediate consumption by 6.6%, and other current expenditure by 15.5%. Capital expenditure decreased 31.4%, as a result of a 78.6% decrease in other capital expenditure and an increase of 13.5% in investment. The high reduction in other capital expenditure is largely explained by a base effect due to the recording in the second quarter of 2021, as capital transfer paid by GG sector, of the capital increase made at TAP, S.A., in the amount of 462 million euros, the capital transfer from Fundo de Resolução to Novo Banco, in the amount of 317 million euros and the capital transfer to SATA, SA, in the amount of 120 million euros.

The increase by 13.7% of current revenue was due to increases in all its components, except for other current revenue. The positive evolution of tax revenue (21.8%) and contributory revenue (8.4%) shows the recovery of



economic activity and the labour market compared to the same period of 2021 marked by containment measures in the context of the COVID-19 pandemic. Capital revenue recorded a decrease of 11.7%, for the reason stated in the analysis of the year ending in the second quarter.

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

Unit: 10⁶ EUR

| | 1 st semester 2019 | 2 nd semester 2019 | 1 st semester 2020 | 2 nd semester 2020 | 1 st semester 2021 | 2 nd semester 2021 | 1 st semester 2022 |
|------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Total revenue | 40 974.6 | 50 276.8 | 39 297.0 | 47 777.3 | 42 391.7 | 53 929.8 | 47 630.0 |
| Current revenue | 40 668.1 | 49 769.1 | 38 938.9 | 47 152.5 | 41 707.3 | 52 033.7 | 46 995.0 |
| Current taxes on income and wealth | 7 167.2 | 13 717.2 | 7 589.1 | 12 503.6 | 7 362.9 | 13 344.7 | 9 125.3 |
| Taxes on production and imports | 15 281.2 | 16 834.6 | 13 685.5 | 15 457.7 | 14 573.2 | 17 773.5 | 17 345.3 |
| Social contributions | 12 049.4 | 13 310.3 | 12 109.8 | 13 489.6 | 12 891.5 | 14 375.2 | 13 912.7 |
| Sales | 3 484.9 | 3 777.3 | 2 958.6 | 3 437.1 | 3 119.5 | 3 566.5 | 3 633.6 |
| Other current revenue | 2 685.3 | 2 129.8 | 2 595.9 | 2 264.6 | 3 760.2 | 2 973.9 | 2 978.1 |
| Capital revenue | 306.4 | 507.7 | 358.0 | 624.8 | 684.4 | 1 896.0 | 635.0 |
| Total expenditure | 42 133.4 | 48 870.8 | 44 569.8 | 54 173.5 | 48 194.8 | 54 342.2 | 46 735.9 |
| Current expenditure | 39 284.3 | 45 626.9 | 41 250.6 | 48 498.5 | 44 493.4 | 49 794.4 | 43 720.9 |
| Social benefits | 17 293.4 | 21 532.4 | 17 826.0 | 22 370.1 | 18 636.7 | 22 971.8 | 19 251.0 |
| Compensation of employees | 11 121.7 | 12 025.0 | 11 479.6 | 12 454.2 | 12 073.4 | 12 901.4 | 12 476.8 |
| Interest | 3 168.1 | 3 156.1 | 2 886.7 | 2 900.2 | 2 665.1 | 2 505.3 | 2 362.1 |
| Intermediate consumption | 4 989.0 | 6 036.6 | 5 051.2 | 6 017.3 | 5 540.0 | 6 894.4 | 5 984.4 |
| Subsidies | 361.8 | 557.4 | 1 574.3 | 2 068.3 | 2 944.5 | 1 331.5 | 800.6 |
| Other current expenditure | 2 350.3 | 2 319.4 | 2 432.8 | 2 688.4 | 2 633.6 | 3 190.1 | 2 845.9 |
| Capital expenditure | 2 849.1 | 3 243.9 | 3 319.2 | 5 675.0 | 3 701.4 | 4 547.7 | 3 015.1 |
| Investment ⁽¹⁾ | 1 360.3 | 2 366.4 | 1 683.9 | 3 098.9 | 2 226.8 | 3 391.8 | 2 508.5 |
| Other capital expenditure | 1 488.8 | 877.5 | 1 635.3 | 2 576.1 | 1 474.6 | 1 156.0 | 506.5 |
| Current Balance | 1 383.8 | 4 142.2 | -2 311.6 | -1 346.0 | -2 786.0 | 2 239.3 | 3 274.1 |
| Balance | -1 158.8 | 1 406.0 | -5 272.8 | -6 396.2 | -5 803.0 | -412.4 | 894.1 |
| % GDP: | | | | | | | |
| Total revenue | 39.1 | 45.9 | 40.8 | 45.8 | 41.4 | 48.2 | 41.2 |
| Total expenditure | 40.2 | 44.6 | 46.3 | 52.0 | 47.0 | 48.5 | 40.5 |
| Current Balance | 1.3 | 3.8 | -2.4 | -1.3 | -2.7 | 2.0 | 2.8 |
| Balance | -1.1 | 1.3 | -5.5 | -6.1 | -5.7 | -0.4 | 0.8 |

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

Considering figures for the first half of the year, the net balance of GG sector attained 0.8% of GDP, with a significant improvement compared to the semesters of 2020 and 2021, marked by the COVID-19 pandemic. It is important to notice that there is also a significant improvement when is compared to the same period of 2019, year where the balance improved from the first to the second half.

Comparing with the same period of 2021, the total revenue rises 12.4%, in contrast to the 3.0% decrease in total expenditure. In the revenue components, as a result of the recovery of economic activity and the labour market, boosted by the effect of rising prices, it should be highlighted the increases in tax revenue (20.7%),



social contributions (7.9%) and sales (16.5%). In the expenditure side it should be mentioned the decreases in subsidies (-72.8%) and interest (-11.4%).

Figure 11 presents the main adjustments carried out for moving from Public Accounts to National Accounts balances in the first semesters of 2021 and 2022.

Figure 11. Public to National Accounting Adjustments

| | Unit: 10 ⁶ EUR | |
|---|---------------------------|--------------|
| | 2021S1 | 2022S1 |
| Balance in Public Accounting: | -7 373.5 | 893.0 |
| Accrual adjustment and sector delimitation in National Accounts | 430.5 | -91.2 |
| Difference between paid and due interest | 935.9 | 657.1 |
| Other receivables: | 310.2 | 369.2 |
| Time adjustment of taxes and social contributions | 458.6 | 359.4 |
| Others | -148.5 | 9.8 |
| Other payables: | -97.2 | -168.7 |
| Expenditure already incurred but not yet paid | -168.6 | -185.9 |
| Others | 71.4 | 17.2 |
| Other adjustments: | -9.0 | -765.3 |
| of which: | | |
| Capital injections and debt assumptions | -1 497.1 | -937.4 |
| Balance in National Accounting: | -5 803.0 | 894.1 |
| GDP ⁽¹⁾ | 102 515.5 | 115 485.0 |
| Balance in National Accounting in % of GDP | -5.7 | 0.8 |

⁽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 first half of the year 2022 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 0.8% of GDP in the first semester of 2022 from -5.7% in 2021. Most 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. For the first semester of 2022, this temporary adjustment implied an increase in revenue when compared to Public Accounting, by around 157.7

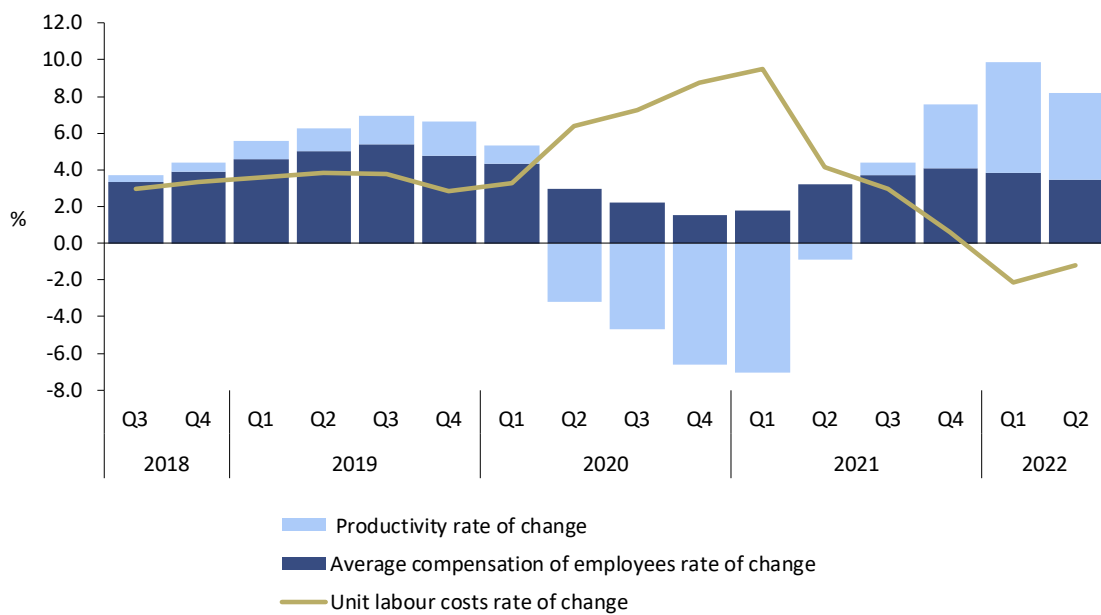


million euro, related to the deferral payment measures for the Social Contributions, Value Added Tax, Individual Income Tax and Corporate Income Tax.

Unit labour costs (ULC) decreased by 1.2%

In the year ending in the second quarter of 2022, ULC registered a decrease of 1.2% in year-on-year terms, which compares with the rate of change of -2.1% in the previous quarter. This result was due to the 4.7% increase in productivity, which surpassed the 3.5% increase in average compensation of employees.

Figure 12. Unit labour costs rates of change (% , year ending in the reference quarter)





BOX – REVISIONS OF QUARTERLY NATIONAL ACCOUNTS

With the release of the final 2020 and provisional 2021 results of the Portuguese National Accounts, the series of quarterly accounts were revised, ensuring full consistency with the new annual results.

Compared to previous estimates, the new results determined an upward revision of 0.3 percentage points and 0.1 percentage points of the year-on-year and quarter-on-quarter GDP rates of in volume, for the second quarter of 2022 (7.4% and 0.1%).

The results now released for 2020 reflect a slight upward revision of GDP by +0.2 percentage points in nominal terms and +0.1 percentage points in volume, for rates of change of -6.5% and -8.3% respectively.

Compared to the preliminary results, the provisional results for 2021 determined a more significant upward revision (+1.4 percentage points in nominal, +0.6 percentage points in volume) compared to previously released data. GDP in 2021 increased by 7.0%, with 5.5% growth in real terms.

These revisions essentially resulted from the appropriation by the Portuguese National Accounts System of the provisional results of the Simplified Business Information (BSI) for 2021, which collects a wide set of economic and financial information on around 400 thousand firms. The incorporation of BSI data revealed stronger dynamics from the business sector in 2021 than initially reflected in the infra-annual short-term indicators of a sample nature. Consistently, the final 2021 international trade data also expressed an upward revision of imports of goods. Finally, the new information on general government, namely that concerning local authorities and expenditure associated with public health domains, revealed a higher final consumption expenditure in this sector than that obtained in the previously available information.

In quarterly terms, there were significant revisions in the quarters of 2021, although maintaining the temporal profile of the behaviour of the previously published rates of change of GDP, as can be seen in the following figure. Compared to previous estimates, the new results determined an upward revision of 0.3 percentage points and 0.1 percentage points of the year-on-year and quarter-on-quarter GDP rates of in volume, for the second quarter of 2022 (7.4% and 0.1%).

**Figure 13. Revisions of quarterly GDP rates of change, in real terms
(seasonally and calendar adjusted data)**

| | 4Q 19 | 1Q 20 | 2Q 20 | 3Q 20 | 4Q 20 | 1Q 21 | 2Q 21 | 3Q 21 | 4Q 21 | 1Q 22 | 2Q 22 |
|-----------------------|---------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | Year-on-year rate of change (%) | | | | | | | | | | |
| QNA 2Q 2022 (85 days) | 2.8 | -2.6 | -17.8 | -6.2 | -6.6 | -4.9 | 17.0 | 5.0 | 6.6 | 12.0 | 7.4 |
| QNA 2Q 2022 (60 days) | 2.8 | -2.6 | -17.9 | -6.3 | -6.8 | -5.4 | 16.5 | 4.4 | 5.9 | 11.8 | 7.1 |
| Revision (p.p.) | 0.0 | 0.0 | 0.1 | 0.1 | 0.2 | 0.5 | 0.5 | 0.6 | 0.7 | 0.2 | 0.3 |
| | 4Q 19 | 1Q 20 | 2Q 20 | 3Q 20 | 4Q 20 | 1Q 21 | 2Q 21 | 3Q 21 | 4Q 21 | 1Q 22 | 2Q 22 |
| | Quarter-on-quarter rate of change (%) | | | | | | | | | | |
| QNA 2Q 2022 (85 days) | 0.8 | -4.4 | -15.1 | 14.6 | 0.4 | -2.6 | 4.4 | 2.8 | 1.9 | 2.4 | 0.1 |
| QNA 2Q 2022 (60 days) | 0.8 | -4.4 | -15.2 | 14.7 | 0.3 | -2.9 | 4.4 | 2.7 | 1.7 | 2.5 | 0.0 |
| Revision (p.p.) | 0.0 | 0.0 | 0.1 | -0.1 | 0.1 | 0.3 | 0.0 | 0.1 | 0.2 | -0.1 | 0.1 |



METHODOLOGICAL NOTE

The results presented correspond to the preliminary version of the Quarterly Sector Accounts (QSA) for the second quarter of 2022.

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.

It is important to highlight the incorporation of the final results for 2020 and provisional results for 2021 of the National Accounts, which are also disseminated today in a specific press release.

It should also be noted the use of the most recent information on statistics on international trade in goods and updated data on the GG sector, as well as the most recent data from the Balance of Payments and the Monetary and Financial Statistics from Banco de Portugal.

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.

Adjusted Gross Disposable Income of Households: Corresponds to the sum of gross disposable income of Households and social transfers in kind, that is, it includes 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.

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).

Households Investment rate: Represents the ratio between GFCF and disposable income (includes the adjustment for the change in pension entitlements).

Non-Financial Corporations Investment rate: Represents the ratio between GFCF and Gross Value Added (GVA).

Non-Financial Corporations operating margin rate: This rate is obtained by the ratio between Net Operating Surplus and Net Value Added and corresponds to the percentage of value created that is intended for compensation of the financial resources invested in corporations.

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 2022
