23rd December 2022
QUARTERLY SECTOR ACCOUNTS (BASE 2016)
Third Quarter 2022

THE EXTERNAL BALANCE OF THE PORTUGUESE ECONOMY DECREASED TO -1.2% OF GDP. THE BALANCE OF GENERAL GOVERNMENT IMPROVED TO 1.1% OF GDP

The net borrowing of the Portuguese economy[1] increased in the year ending in the third quarter of 2022, moving from 0.8% of Gross Domestic Product (GDP) in the second quarter to 1.2%. Gross National Income (GNI) and Gross Disposable Income (GDI) increased by 2.1% and 2.0%, respectively, in the year ending in the third quarter (quarter-on-quarter growth rates of 2.7% and 2.4% in the previous quarter, by the same order). 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 1.0% compared to the previous quarter, with rates of change of 1.8% in compensation of employees and 1.0% in Gross Value Added (GVA). The final consumption expenditure of Households increased by 2.0% (2.7% in the previous quarter), leading to a reduction in the savings rate to 5.1% (6.1% in the previous quarter), which led to a net borrowing of Households by 0.2 percentage points of GDP (net lending of 0.4% of GDP in the previous quarter). In real terms, the adjusted GDP per capita of Households decreased by 0.4% in the third quarter of 2022.

The balance of Non-Financial Corporations stood at -3.4% of GDP, 0.5 percentage points less than in the previous quarter. GVA increased by 3.4%, at a higher pace than compensation of employees paid (growth rate of 2.3%), while Gross Fixed Capital Formation (GFCF) increased by 2.9%.

The net lending of Financial Corporations decreased by 0.2 percentage points to 1.2% of GDP in the year ending in the third quarter of 2022.

The balance of the General Government sector increased by 0.9 percentage points in the year ended in the third quarter of 2022, moving from a net lending of 0.2% of GDP to 1.1% 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 2022 reached 4147.2 million euros, corresponding to 6.8% of GDP, which compares with 3.5% in the same period of 2021. Considering the sum of the three quarters of 2022, the GG balance was 4980 million euros (2.8% of GDP, which compares with -2.5% of GDP in the same period of 2021).

[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 -1.2% of GDP

The net borrowing of the Portuguese economy deteriorated in the year ending in the third quarter of 2022, moving from 0.8% of GDP in the second quarter to 1.2%. Nominal GDP increased by 2.5% in the third quarter of 2022 compared to the previous quarter and by 10.8% compared to the same quarter of the previous year. Gross National Income (GNI) and Gross Disposable Income (DGI) increased by 2.1% and 2.0%, respectively (10.5% and 9.8%, respectively, compared to the third quarter of 2021).

The increase of GDI above the 1.7% increase in final consumption expenditure (which includes the final consumption expenditure by Households and GG), determined an increase of 3.1% in the economy's gross savings to 18.9% of GDP (0.1 percentage points more than in the previous quarter and 0.4 percentage points less than in the third quarter of 2021).

However, the increase in savings was not sufficient to finance the growth of GFCF and the reduction of the balance of capital transfers, resulting in a decrease in the economy's external balance to -1.2% of GDP. GFCF increased by 2.2% compared to the previous quarter and 11.6% 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	221 149	3.1	218 158	3.0	224 435	2.8
2Q 2022	227 438	2.8	224 060	2.7	229 715	2.4
3Q 2022	233 015	2.5	228 704	2.1	234 307	2.0

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 reached a surplus of 1.1% of GDP, more 0.9 percentage points than in the previous quarter. The improvement of the GG balance was determined by an increase in revenue (2.9%) much higher than the growth of expenditure (0.7%).

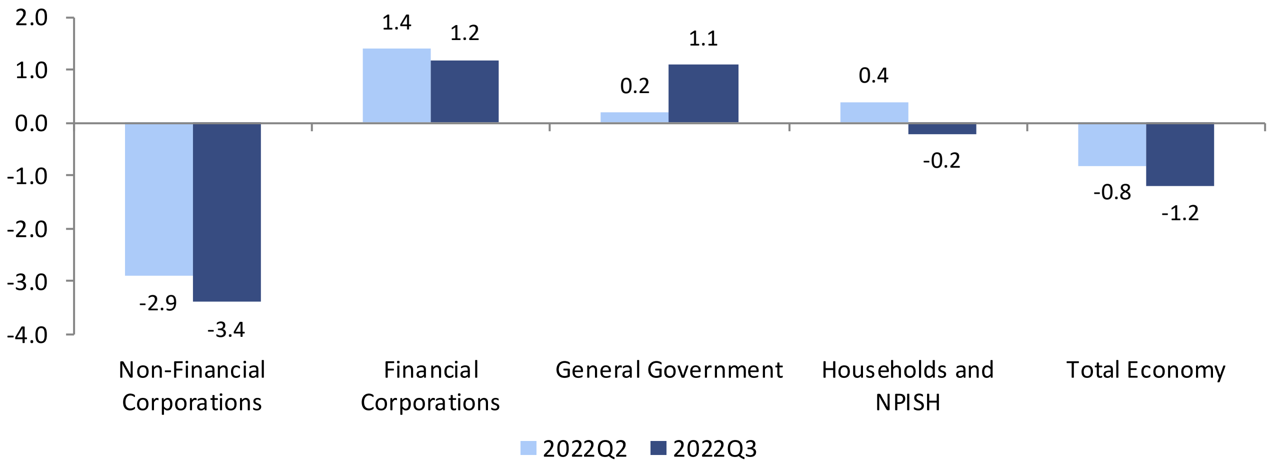
The net borrowing of NFC reached 3.4% of GDP in the third quarter of 2022, 0.5 percentage points more than in the previous quarter. Net lending of the Financial Corporations decreased 0.2 percentage points to 1.2% of GDP.

Net lending of Households' sector progressively reduced since the second quarter of 2021 and reached a net borrowing of 0.2% of GDP in the third quarter of 2022, reflecting the continued decline in gross savings. This result was due to the increase of 2.0% in private consumption, above the growth of 1.0% in disposable income.

Figure 2. Net lending (+) / borrowing (-) by institutional sector (in % of GDP, year ending in the reference quarter)

Year ending in the reference quarter	Non-Financial Corporations	Financial Corporations	General Government	Households and NPISH	Total Economy
3Q 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	-1.9	1.7	-1.6	1.4	-0.5
2Q 2022	-2.9	1.4	0.2	0.4	-0.8
3Q 2022	-3.4	1.2	1.1	-0.2	-1.2

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



Households: net borrowing of Households stood at 0.2% of GDP

Net borrowing of Households stood at 0.2% of GDP in the year ending in the third quarter of 2022, after a net lending of 0.4% of GDP in the previous quarter.

The Households' saving rate savings rate (Figure 4) was 5.1% of disposable income, which corresponded to a reduction of 1.0 percentage points compared to the previous quarter. This result was a consequence of the 2.0% increase in private consumption (quarter-on-quarter rate of change of 2.7% in the previous quarter), higher than the increase in disposable income (rate of change of 1.0%). 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 third quarter 2022.

Figure 5 shows the breakdown of the rate of change (1.0%) of disposable income of households in the year ending in the third 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 (same rates as in the previous quarter), with negative contributions of social benefits less contributions and taxes (on income and wealth) paid by households by 0.2 and 0.5 percentage points, respectively.

Households' Gross Fixed Capital Formation (GFCF), which essentially corresponds to GFCF in dwellings, recorded a rate of change of 0.8% in the third quarter of 2022. Compared to the same quarter of the previous year, the increase of GFCF by Households was 3.0%. The investment rate of Households (measured by the ratio between GFCF and disposable income) remained at 6.0% in the second and third quarters of 2022.

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

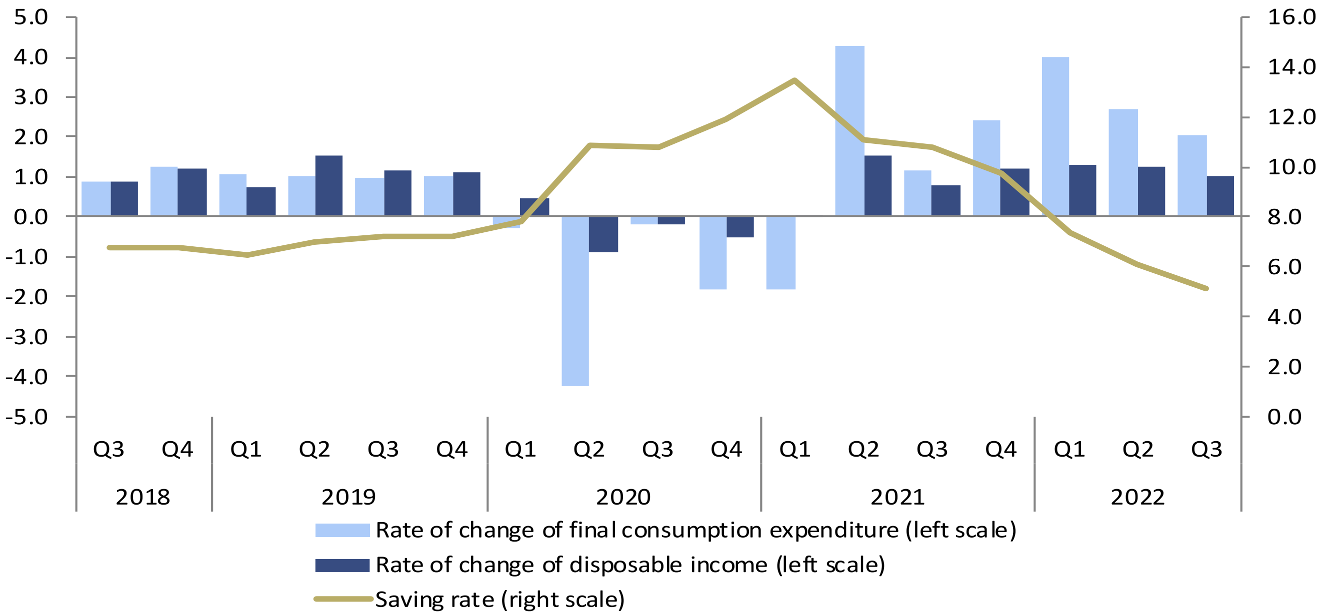
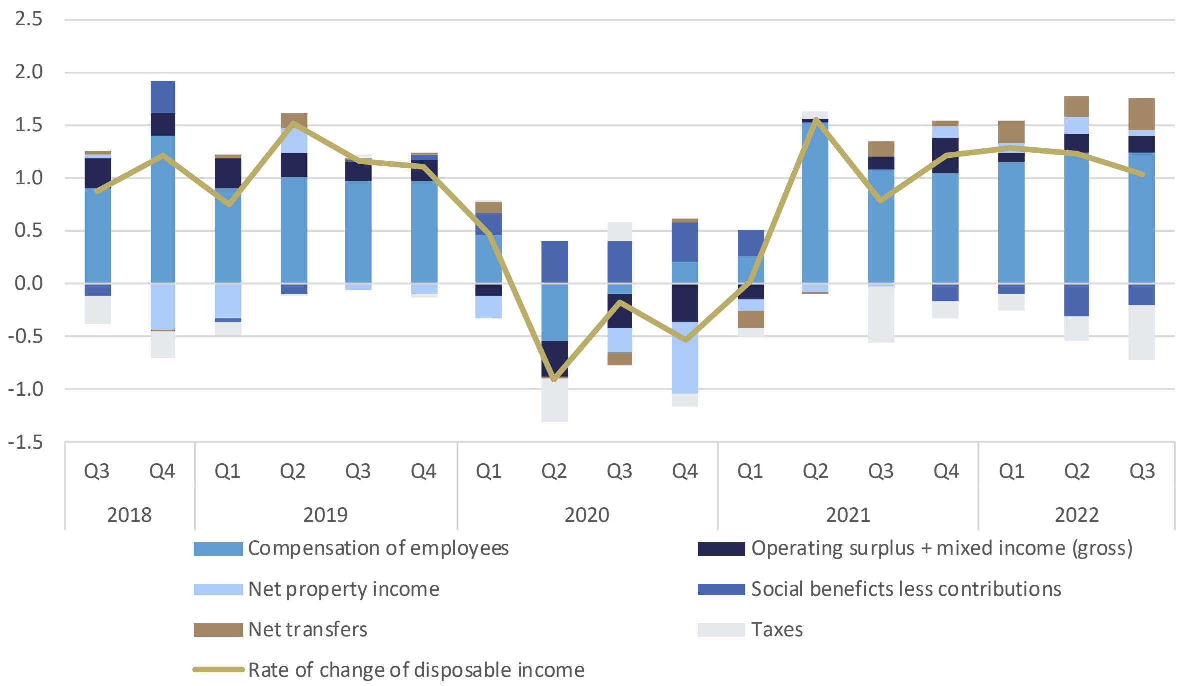


Figure 5. Contributions to the rate of change of disposable income of Households and NPISH (percentage points, year ending in the reference quarter)



The nominal Households adjusted GDI per capita stood at 17,600 euros in the year ending in the third quarter of 2022, which represented an increase of 1.0% over the previous quarter. It should be noted that adjusted GDI differs from GDI by including the value of goods and services that are purchased or produced by GG or NPISH and intended for household consumption, such as, for example, co-payments in the purchase of medicines by households. The adjusted GDI per capita in real terms, which is calculated using the deflator of private consumption and constitutes a more appropriate indicator in a context of high inflation, diminished 0.4% in the third quarter of 2022.

Non-Financial Corporations: net borrowing stood at 3.4% of GDP

Non-financial corporations' net borrowing increased by 0.5 percentage points, standing at -3.4% of GDP in the year ending in the third quarter of 2022 (balances of -2.9% and -1.5% in the previous quarter and in the same quarter of the previous year, respectively).

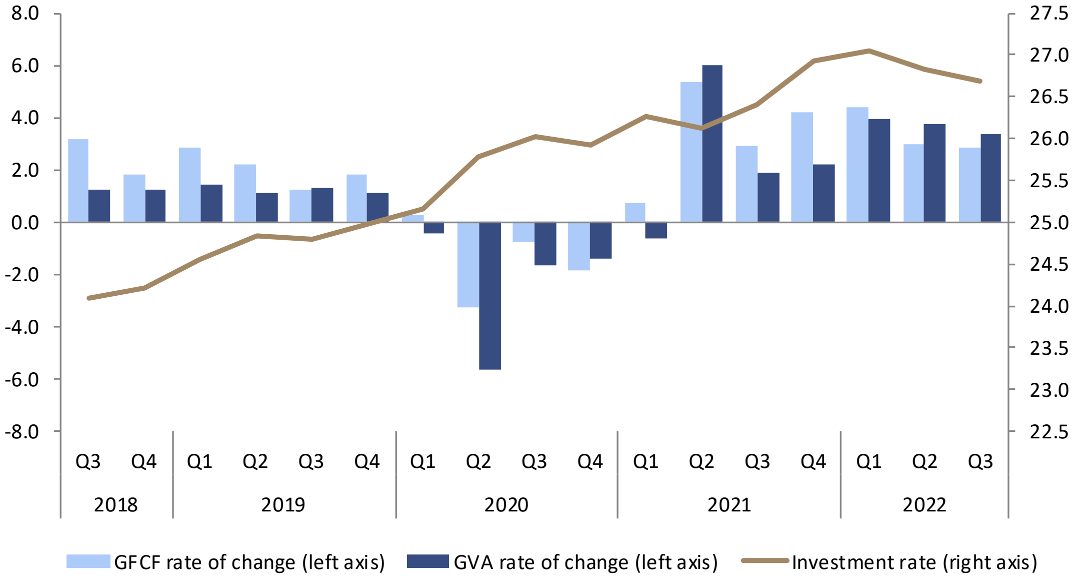
The sector's GVA increased by 3.4% in the third quarter of 2022 and by 14.0% comparing with the same quarter of the previous year. This increase occurred together with by the 2.3% growth in compensation of employees paid and by the 11.4% decrease in operating subsidies, resulting in a 4.3% increase in the Gross Operating Surplus. The operating subsidies received presented a downward trend starting in the second quarter of 2021, reflecting the impact of the reduction in the measures to support companies in the context of the COVID-19 pandemic. Additionally, it should also be noted the considerable increase in income taxes paid by Non-financial corporations, with a rate of change of 26.8% in the third quarter of 2022.

The net operating margin rate for the sector stood at 24.2% (0.5 percentage points more than in the previous quarter). This rate is obtained by the ratio between Net Operating Surplus and Net Value Added[2] and corresponds to the percentage of value created that is intended for compensation of the financial resources invested in corporations.

The 2.9% increase in GFCF, lower than the growth of the sector's GVA by 0.5 percentage points, led to reduction in the investment rate (measured by the ratio between GFCF and GVA) standing at 26.7%. GFCF at current prices by Non-Financial Corporations presented positive rates of change since the first quarter of 2021.

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

Figure 6. GFCF/GVA of Non-Financial Corporations (%, year ending in the reference quarter)



Financial Corporations: net lending decreased 0.2 percentage points to 1.2% of GDP

The net lending of Financial Corporations reached 1.2% of GDP, less 0.2 percentage points compared to the previous quarter. The reduction in the balance of property income contributed mainly to this result, with income paid and received recording rates of change of 12.3% and 8.7%, respectively, compared to the previous quarter. The reduction of that balance more than compensated the increase in GVA, which increased by 0.9% in the second and third quarters.

General Government: net balance improved by 0.9 percentage points of GDP

The net balance of the GG sector improved by 0.9 percentage points in the year ending in the third quarter 2022 compared with the year ending in the previous quarter, attaining 1.1% of GDP. This increase was due to an increase in revenue (2.9%) higher than in expenditure (0.7%).

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

Figure 7. **Revenue and expenditure of general government (year ending in the reference quarter)**

Unit: 10^6 EUR

	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3
Total revenue	**94 056.0**	**96 321.5**	**98 573.4**	**101 437.2**	**104 350.7**
Current revenue	91 664.0	93 741.0	95 989.0	98 907.6	102 811.4
Current taxes on income and wealth	20 799.0	20 707.7	21 103.5	22 473.6	24 867.6
Taxes on production and imports	31 107.4	32 346.6	34 063.4	35 193.6	36 015.6
Social contributions	26 771.1	27 266.6	27 714.9	28 308.2	28 949.6
Sales	6 657.9	6 686.0	6 928.8	7 182.6	7 464.9
Other current revenue	6 328.6	6 734.1	6 178.5	5 749.5	5 513.8
Capital revenue	2 392.0	2 580.5	2 584.3	2 529.6	1 539.3
Total expenditure	**102 206.3**	**102 536.9**	**102 175.9**	**101 016.7**	**101 694.8**
Current expenditure	93 856.3	94 287.8	93 770.1	93 482.6	94 019.7
Social benefits	41 381.2	41 608.5	42 047.6	42 228.9	42 532.1
Compensation of employees	24 789.8	24 974.8	25 174.2	25 360.5	25 535.2
Interest	5 405.4	5 170.5	4 992.4	4 842.0	4 779.7
Intermediate consumption	12 034.9	12 434.5	12 643.5	12 792.2	12 874.4
Subsidies	4 674.4	4 275.9	3 015.8	2 012.1	1 709.4
Other current expenditure	5 570.7	5 823.7	5 896.5	6 246.9	6 589.0
Capital expenditure	8 350.0	8 249.2	8 405.8	7 534.0	7 675.0
Investment (1)	5 448.6	5 618.6	5 730.3	5 872.1	5 966.4
Other capital expenditure	2 901.4	2 630.6	2 675.5	1 662.0	1 708.7
Current Balance	**-2 192.3**	**-546.8**	**2 218.9**	**5 425.0**	**8 791.7**
Balance	**-8 150.3**	**-6 215.5**	**-3 602.6**	**420.6**	**2 656.0**
Memorandum items:					
Primary current expenditure	88 450.9	89 117.3	88 777.7	88 640.7	89 240.1
Gross Domestic Product at current market prices	210 308.0	214 470.7	221 148.6	227 438.3	233 015.3
Balance in % of GDP	**-3.9**	**-2.9**	**-1.6**	**0.2**	**1.1**

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

The behaviour of expenditure reflected the increase of 0.6% in current expenditure and 1.9% in capital expenditure. The growth of current expenditure was determined by the increase in social benefits (0.7%), compensation of employees (0.7%), intermediate consumption (0.6%) and other current expenditure (5.5%). On the other hand, interest and subsidies paid decreased by 1.3% and 15.0%, reflecting, in the latter case, the strong reduction in subsidies paid to corporations in the context of the COVID-19 pandemic. Capital expenditure increased by 1.9% as a result of an increase in other capital expenditure (2.8%) and in investment (1.6%).

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

Unit: %

	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3
Total revenue	**4.3**	**2.4**	**2.3**	**2.9**	**2.9**
Current revenue	3.2	2.3	2.4	3.0	3.9
Current taxes on income and wealth	4.7	-0.4	1.9	6.5	10.7
Taxes on production and imports	3.6	4.0	5.3	3.3	2.3
Social contributions	1.5	1.9	1.6	2.1	2.3
Sales	1.5	0.4	3.6	3.7	3.9
Other current revenue	5.0	6.4	-8.3	-6.9	-4.1
Capital revenue	82.7	7.9	0.2	-2.1	-39.1
Total expenditure	**-0.2**	**0.3**	**-0.4**	**-1.1**	**0.7**
Current expenditure	0.9	0.5	-0.5	-0.3	0.6
Social benefits	0.9	0.5	1.1	0.4	0.7
Compensation of employees	1.1	0.7	0.8	0.7	0.7
Interest	-2.9	-4.3	-3.4	-3.0	-1.3
Intermediate consumption	4.1	3.3	1.7	1.2	0.6
Subsidies	-6.7	-8.5	-29.5	-33.3	-15.0
Other current expenditure	4.7	4.5	1.3	5.9	5.5
Capital expenditure	-10.9	-1.2	1.9	-10.4	1.9
Investment (1)	2.3	3.1	2.0	2.5	1.6
Other capital expenditure	-28.4	-9.3	1.7	-37.9	2.8

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

Total revenue increased by 2.9% due to the increases of current revenue by 3.9% while capital revenue decreased by 39.1%. 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 10.7% mainly due to the increase in revenue from corporate income tax (24.6%) and, to a lesser extent, personal income tax (5.3%). The increase in corporate income tax revenue reflects a base effect as it compares with 2021 which was mainly influenced by the net income of corporations in 2020. The other current revenue decreased by 4.1%, associated to a large extend 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 related to the reimbursement of the prepaid margin and accrued income occurred in the third quarter of 2021, 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]

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 2021 and 2022.

[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 returned to GG at the maturity of the loans, in 2016 for the 5 years loan, and in 2021 for the 10 years loan.

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

	3rd quarter 2021		3rd quarter 2022		Nominal rate of change (%)
	10^6 EUR	% GDP	10^6 EUR	% GDP	
Total revenue	**27 020.8**	**48.9**	**29 934.3**	**49.2**	**10.8**
Current revenue	25 694.5	46.5	29 598.3	48.7	15.2
Current taxes on income and wealth	7 323.9	13.3	9 717.8	16.0	32.7
Taxes on production and imports	8 783.0	15.9	9 605.0	15.8	9.4
Social contributions	6 643.6	12.0	7 285.0	12.0	9.7
Sales	1 717.7	3.1	2 000.1	3.3	16.4
Other current revenue	1 226.3	2.2	990.6	1.6	-19.2
Capital revenue	1 326.3	2.4	336.0	0.6	-74.7
Total expenditure	**25 109.1**	**45.5**	**25 787.2**	**42.4**	**2.7**
Current expenditure	23 540.2	42.6	24 077.3	39.6	2.3
Social benefits	11 330.0	20.5	11 633.2	19.1	2.7
Compensation of employees	5 802.9	10.5	5 977.6	9.8	3.0
Interest	1 313.4	2.4	1 251.1	2.1	-4.7
Intermediate consumption	3 160.2	5.7	3 242.4	5.3	2.6
Subsidies	646.8	1.2	344.1	0.6	-46.8
Other current expenditure	1 286.8	2.3	1 628.8	2.7	26.6
Capital expenditure	1 568.9	2.8	1 709.9	2.8	9.0
Investment (1)	1 320.5	2.4	1 414.8	2.3	7.1
Other capital expenditure	248.4	0.4	295.1	0.5	18.8
Current Balance	**2 154.4**	**3.9**	**5 521.1**	**9.1**	
Balance	**1 911.8**	**3.5**	**4 147.2**	**6.8**	

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

Considering quarterly figures rather than the sum of four quarters, the net balance of the GG was positive in the third quarter 2022, attaining 4 147.2 million euro (6.8% of GDP), that compares with 3.5% 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 10.8%, and an increase of 2.7% in total expenditure.

Within total expenditure, current expenditure increased by 2.3%, due to increases in the social benefits (2.7%), the compensation of employees (3.0%), the intermediate consumption (2.6%), and other current expenditure (26.6%). Interest paid decreased by 4.7% and subsidies paid by 46.8%, the latter due to a lower amount of COVID-19 related measures, as previously mentioned. Capital expenditure increased 9.0%, as a result of a 18.8% increase in other capital expenditure and 7.1% in investment.

The increase by 15.2% of current revenue was due to increases in all its components, except for other current revenue. The positive evolution of tax revenue (20.0%) and contributory revenue (9.7%) 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 74.7%, for the reason stated in the analysis of the year ending in the third quarter.

Figure 10. Revenue and expenditure of general government
(sum of 3 quarters)

	1st - 3rd quarter 2021		1st - 3rd quarter 2022		Nominal rate of change (%)
	10^6 EUR	% GDP	10^6 EUR	% GDP	
Total revenue	**69 412.6**	**44.0**	**77 441.8**	**43.9**	**11.6**
Current revenue	67 401.9	42.7	76 472.3	43.4	13.5
Current taxes on income and wealth	14 686.8	9.3	18 846.7	10.7	28.3
Taxes on production and imports	23 356.2	14.8	27 025.1	15.3	15.7
Social contributions	19 535.1	12.4	21 218.0	12.0	8.6
Sales	4 837.3	3.1	5 616.2	3.2	16.1
Other current revenue	4 986.5	3.2	3 766.2	2.1	-24.5
Capital revenue	2 010.7	1.3	969.6	0.5	-51.8
Total expenditure	**73 303.9**	**46.5**	**72 461.7**	**41.1**	**-1.1**
Current expenditure	68 033.5	43.1	67 765.5	38.4	-0.4
Social benefits	29 966.7	19.0	30 890.3	17.5	3.1
Compensation of employees	17 876.4	11.3	18 436.7	10.5	3.1
Interest	3 978.5	2.5	3 587.8	2.0	-9.8
Intermediate consumption	8 700.2	5.5	9 140.2	5.2	5.1
Subsidies	3 591.3	2.3	1 024.7	0.6	-71.5
Other current expenditure	3 920.4	2.5	4 685.7	2.7	19.5
Capital expenditure	5 270.3	3.3	4 696.2	2.7	-10.9
Investment (1)	3 547.3	2.2	3 895.1	2.2	9.8
Other capital expenditure	1 723.0	1.1	801.1	0.5	-53.5
Current Balance	**-631.7**	**-0.4**	**8 706.8**	**4.9**	
Balance	**-3 891.3**	**-2.5**	**4 980.2**	**2.8**	

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

Considering the sum of the three quarters of 2022, the GG balance was 4980 million euros, corresponding to 2.8% of GDP. In the same period of 2021, the balance was -3891 million euros (-2.5% of GDP).

The following table compares the main adjustments[4] implemented between the balance in public accounting to the balance in national accounts for the third quarters of 2021 and 2022.

Figure 11. **Public to National Accounting Adjustments**

Unit: 10^6 EUR

	2021Q3	2022Q3
Balance in Public Accounting:	**2 721.3**	**4 225.6**
Accrual adjustment and sector delimitation in National Accounts	719.8	530.3
Difference between paid and due interest	-663.9	-385.2
Other receivables:	-309.8	-16.9
Time adjustment of taxes and social contributions	-390.1	-85.1
Others	80.3	68.2
Other payables:	112.2	102.5
Expenditure already incurred but not yet paid	23.1	-48.8
Others	89.1	151.3
Other adjustments:	-667.8	-309.2
of which:		
Capital injections and debt assumptions	-576.3	-325.5
Balance in National Accounting:	**1 911.8**	**4 147.2**
GDP	55 223.1	60 800.1
Balance in National Accounting in % of GDP	**3.5**	**6.8**

Comparing the third quarter 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 6.8% of GDP in the third quarter of 2022 from 3.5% in 2021. Most of the expenditure in capital injections and debt assumptions was destined to public corporations classified inside GG.

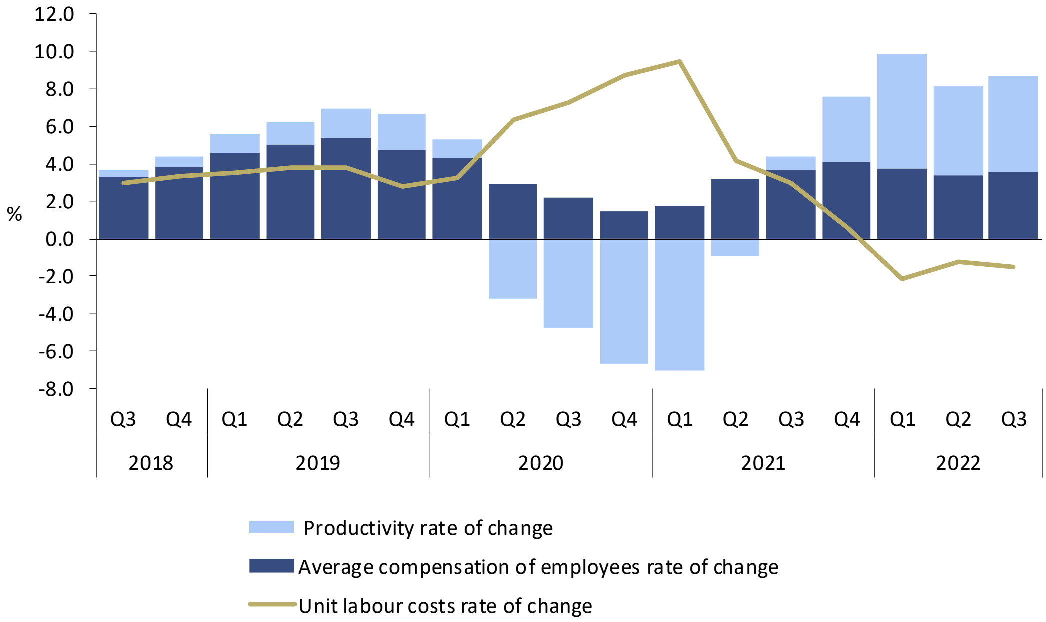
Additionally, due to the policy measures for fractional future payment of taxes and social contributions implemented in the context of the COVID 19 pandemic, a supplementary adjustment was made to include the future payments as revenue of the period when the activity took place. For the third quarter of 2022, this temporary adjustment implied an increase in revenue when compared to Public Accounting, by around 449.5 million euro, related to the deferral payment measures for the Social Contributions, Value Added Tax, Individual Income Tax and Corporate Income Tax.

[4] Details on the main adjustments implemented are available in the section “Methodological Note”.

Unit labour costs (ULC) decreased by 1.5%

In the year ending in the third quarter of 2022, ULC registered a decrease of 1.5% in year-on-year terms, which compares with the rate of change of -1.2% in the previous quarter. This result was due to the 5.1% increase in productivity, which surpassed the 3.6% increase in average compensation of employees.

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



METHODOLOGICAL NOTE

The results presented correspond to the preliminary version of the Quarterly Sector Accounts (QSA) for the third 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 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. Compared to previous estimates, the new results did not determined revisions in the rate of change of GDP.

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 – 24th March 2023