24th March 2023
QUARTERLY SECTOR ACCOUNTS (BASE 2016)
Fourth Quarter 2022

EXTERNAL BALANCE OF THE PORTUGUESE ECONOMY WAS -0.6% OF GDP IN 2022

The net borrowing of the Portuguese economy[1] diminished in the fourth quarter of 2022, moving from 0.9% of Gross Domestic Product (GDP) in the third quarter to 0.6% (in 2021, the Portuguese economy presented a net lending of 0.6%). Gross National Income (GNI) and Gross Disposable Income (GDI) increased by 2.6% and 2.7% in the year ending in the fourth quarter (11.0% and 10.4%, by the same order, compared to 2021). The reduction of the economy's external balance in 2022 mainly reflected the decrease in Households sector balance, from a net lending of 3.4% in 2021 to 0.5% in 2022.

The disposable income of Households sector increased by 3.3% compared to the previous quarter and grew by 7.8% compared to 2021. This evolution was mainly driven by the increase in compensation of employees, with a growth of 2.5% compared to the previous quarter and 9.6% compared to 2021. The savings rate stood at 6.1% in the year ending in the fourth quarter of 2022 (5.8% compared with the previous quarter and 9.9% savings rate in 2021). In real terms, per capita adjusted GDP of Households increased by 0.6% in the fourth quarter of 2022 and by 1.1% in annual terms.

The balance of Non-Financial Corporations stood at -2.1% of GDP, after a balance of -3.5% of GDP in the previous quarter. Compared to 2021, the balance slightly deteriorated (-1.8% of GDP) as a result of the increase in compensation of employees and gross capital formation (12.4% and 13.5%, respectively), which more than offset the rise of 15.3% in Gross Value Added (GVA). The net lending of Financial Corporations decreased to 1.4% of GDP in the year ending in the fourth quarter of 2022 (1.5% in the previous quarter and 2.3% in 2021).

The balance of the General Government (GG) sector decreased by 1.4 percentage points in the year ending in the fourth quarter of 2022, standing at -0.4% of GDP (-2.9% in 2021). Considering quarterly figures and not the year ending in the quarter as a reference, the balance of GG in the fourth quarter of 2022 reached -5671 million euros, corresponding to -9.1% of GDP, which compares with -4.1% in the same period of the last year, reflecting the significant increase in expenditure with social benefits (17.6%) and subsidies paid (88.6%).

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[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 -0.6% of GDP

The net borrowing of the Portuguese economy was 0.6% of GDP in the fourth quarter of 2022, improving by 0.3 percentage points compared to the previous quarter. However, in 2021, the Portuguese economy presented a net lending of 0.9% of GDP. Nominal GDP increased by 2.4% in the fourth quarter of 2022 compared to the previous quarter and 11.4% compared to the same quarter of the previous year. Gross National Income (GNI) and Gross Disposable Income (RDB) increased by 2.6% and 2.7%, respectively (11.0% and 10.4%, compared to the fourth quarter of 2021).

The GDP and final consumption expenditure, which includes the final consumption expenditure by Households and GG, recorded identical rates of change (2.7%) in the fourth quarter of 2022, which determined the 2.5% growth in the economy gross savings (3.0% in the previous quarter). In the last two quarters of 2022, gross savings represented 19.2% of GDP (0.6 percentage points less than in the same quarter of 2021).

The aforementioned increase in savings, higher than the increase in Gross Fixed Capital Formation (GFCF), led to less negative external balance of the economy (-0.6% of GDP) when compared with the previous quarter (-0.9% of GDP). GFCF increased by 2.3% compared to the previous quarter and 11.3% compared to 2021.

Table 1. GDP, GNI and GDI (year ending in the reference quarter)

Year ending in the reference quarter	GDP		GNI		GDI	
	million euros	quarter-on-quarter rate of change (%)	million euros	quarter-on-quarter rate of change (%)	million euros	quarter-on-quarter rate of change (%)
4Q 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	199 188	-0.7	196 388	-0.5	201 793	-0.3
2Q 2021	206 903	3.9	204 114	3.9	210 265	4.2
3Q 2021	210 544	1.8	207 708	1.8	214 202	1.9
4Q 2021	214 741	2.0	212 572	2.3	219 091	2.3
1Q 2022	221 429	3.1	218 775	2.9	225 079	2.7
2Q 2022	227 945	2.9	225 203	2.9	230 867	2.6
3Q 2022	233 536	2.5	229 794	2.0	235 517	2.0
4Q 2022	239 253	2.4	235 883	2.6	241 847	2.7

The reduction in the economy's net borrowing reflected the improvement in the balance of Non-Financial Corporations (NFC), which stood at -2.1% of GDP in the fourth quarter of 2022 (-3.5% in the previous quarter), while net lending of Financial Corporations decreased by 0.1 percentage points, to 1.4% of GDP.

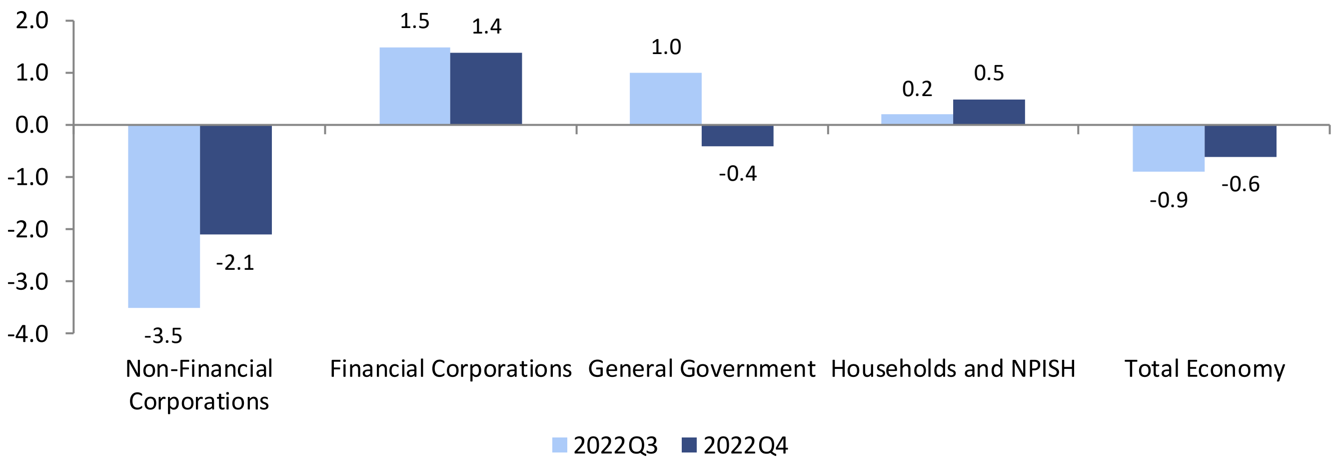
GG sector balance stood at -0.4% of GDP in 2022, after a balance of +1.0% in the previous quarter and +2.9% in 2021.

The net lending of Households progressively reduced from the second quarter of 2021 to the third quarter of 2022, when it reached 0.2% of GDP, increasing in the fourth quarter of 2022 to 0.5% of GDP (3.4% in the same quarter of the previous year).

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

Year ending in the reference quarter	Non-Financial Corporations	Financial Corporations	General Government	Households and NPISH	Total Economy
4Q 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	-1.9	2.6	-7.0	6.6	0.2
2Q 2021	-0.7	2.2	-5.9	4.7	0.3
3Q 2021	-1.7	2.3	-3.9	4.1	0.9
4Q 2021	-1.8	2.3	-2.9	3.4	0.9
1Q 2022	-2.0	2.1	-1.7	1.4	-0.2
2Q 2022	-2.9	1.8	0.1	0.5	-0.4
3Q 2022	-3.5	1.5	1.0	0.2	-0.9
4Q 2022	-2.1	1.4	-0.4	0.5	-0.6

Figure 1. Net lending (+) / borrowing (-) by institutional sector (in % of GDP, year ending in the reference quarter)



Households: net lending of Households stood at 0.5% of GDP

Net lending of Households stood at 0.5% of GDP in the year ending in the fourth quarter of 2022, which represented an improvement of 0.3 percentage points compared to the previous quarter and a deterioration of 2.9 percentage points compared to the fourth quarter of 2021.

The Households' saving rate savings rate (Figure 2) was 6.1% of disposable income, more 0.3 percentage points compared to the previous quarter. This outcome resulted from the 3.3% increase in disposable income (rate of change of 1.4% in the previous quarter), higher than the growth of private consumption (3.0%). 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 significant increase in consumer prices as depicted by the Consumer Price Index throughout 2022.

Compared to 2021, disposable income increased by 7.8% in 2022. This growth was not enough to offset the increase in Final Consumption Expenditure, which stood at 12.5%, leading to a reduction in the savings rate to 6.1% (9.9% in 2021).

Figure 3 shows the breakdown of the rate of change (3.3%) of disposable income of households in the year ending in the fourth quarter of 2022. Compensation of employees and gross operating surplus contributed with 1.8 and 0.6 percentage points, respectively (1.1 and 0.3 percentage points in 2021, in the same order). It is also worth mentioning the contribution of social benefits net of contributions (+0.9 percentage points in 2022 and -0.2 percentage points in 2021).

Figure 2. Saving rate of Households and NPISH (%, year ending in the reference quarter)

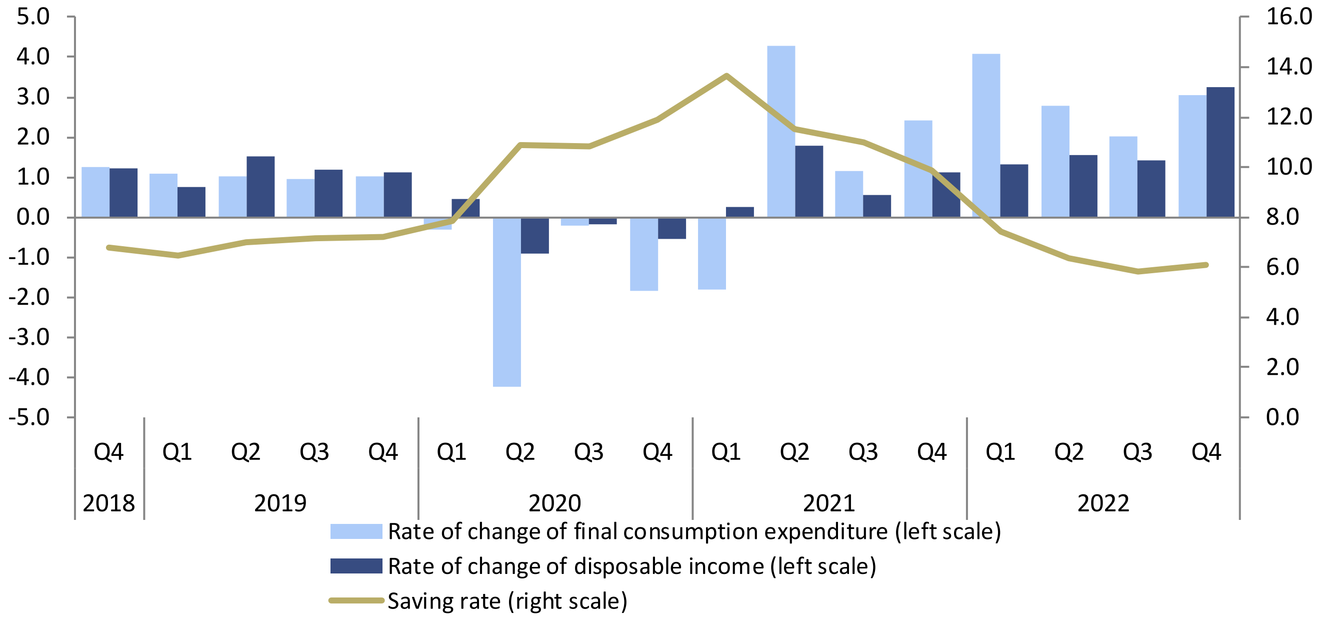
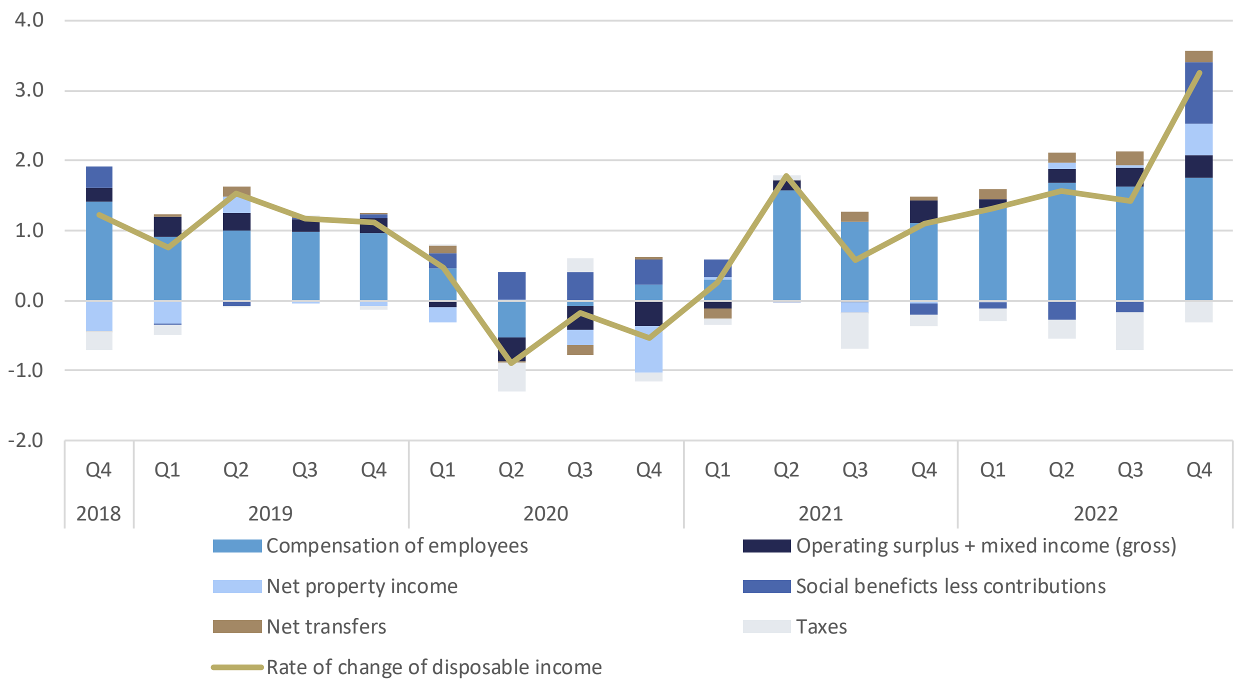


Figure 3. Contributions to the rate of change of disposable income of Households and NPISH (percentage points, year ending in the reference quarter)



Households' Gross Fixed Capital Formation (GFCF), which essentially corresponds to GFCF in dwellings, recorded a rate of change of 0.5% in the fourth quarter of 2022. Compared to the same quarter of the previous year, the increase of GFCF by Households was 7.8%. The investment rate of Households (measured by the ratio between GFCF and disposable income) stood at 6.1%, less 0.1 percentage points than in the previous quarter and the same rate as registered in 2021).

Nominal adjusted GDI of Households per capita stood at 18.3 thousand euros in the year ending in the fourth quarter of 2022, representing an increase of 3.0% compared to the previous quarter and 7.7% compared to the same quarter of the previous year. It should be noted that the adjusted GDI differs from GDI by including the value of goods and services purchased or produced by GG or NPISH and intended for household consumption, such as co-payments in the purchase of medicines by households.

Households' adjusted GDI per capita in real terms, which is a more appropriate indicator in the context of high inflation and considers as deflator the price index implicit in final consumption expenditure, increased by 0.6% compared to the previous quarter and 1.1% in annual terms. Individual consumption, which corresponds to the sum of private consumption and expenditure of GG sector intended for household consumption, also deflated and per capita, increased by 0.5% compared to the previous quarter and 5.0% compared to 2021.

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

Non-financial corporations' net borrowing deteriorated by 1.4 percentage points, standing at -2.1% of GDP in the year ending in the fourth quarter of 2022 (balances of -3.5% and -1.8% in the previous quarter and in the same quarter of the previous year, respectively).

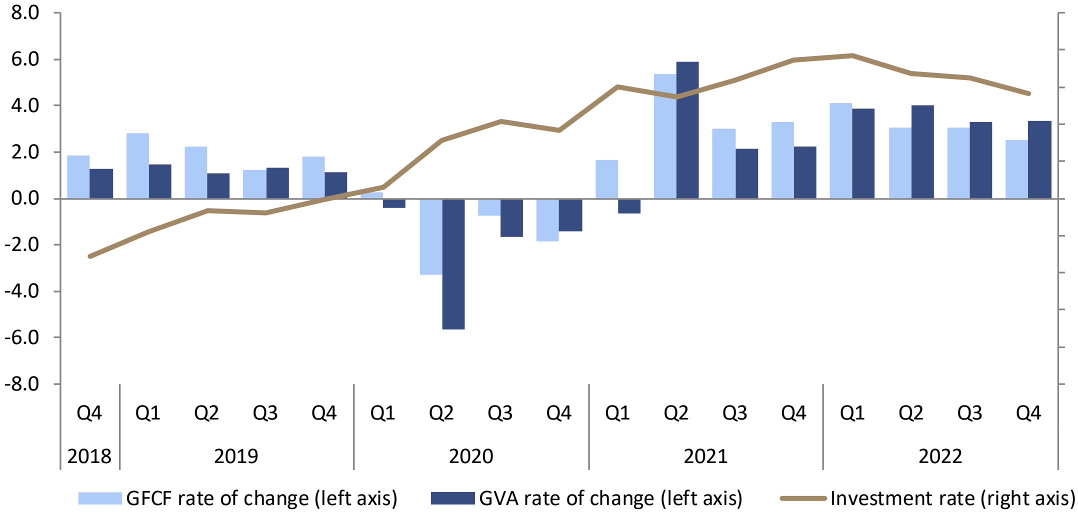
The sector's GVA increased by 3.3% in the fourth quarter of 2022 and by 15.3% compared with the same quarter of the previous year. The quarter-on-quarter increase of GVA and the growth in compensation of employees and taxes on production by 3.1% and 4.6%, respectively, and also the 28.1% increase in operating subsidies (explained by measures to mitigate high energy prices), determined a 4.8% increase in the Gross Operating Surplus.

The net operating margin rate for the sector stood at 24.0% (0.7 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 intended for compensation of the financial resources invested in corporations.

The sector's GFCF registered a deceleration, to a growth rate of 2.5%, lower than the increase of the sector's GVA by 0.8 percentage points, determining a slight decrease in the investment rate (measured by the ratio between GFCF and GVA) by 0.2 percentage points compared to the previous quarter, standing at 26.4%. Comparing with 2021, GFCF of Non-Financial Corporations increased by 13.4% in 2022.

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

Figure 4. GFCF/GVA of Non-Financial Corporations (%, year ending in the reference quarter)



Financial Corporations: net lending stood at 1.4% of GDP

The net lending of Financial Corporations reached 1.4% of GDP (1.5% in the previous quarter and 2.3% in 2021). In annual terms, the reduction in the balance was mainly due to the worsening in the balance of property income, with income paid and received registering rates of change of 39.7% and 17.3%, respectively, which more than offset the increase of 11.6% in the sector's GVA (6.5% compared to the previous quarter).

General Government: net balance of GG decreased 1.4 percentage points to -0.4% of GDP

The net balance of the GG sector decreased by 1.4 percentage points in the year ending in the fourth quarter of 2022 compared with the year ending in the previous quarter, attaining -0.4% of GDP. This decrease was due to an increase in expenditure (5.0%) greater than in revenue (1.7%).

Tables 3 and 4 show the revenue and expenditure in the year ending the reference quarter, in value and rate of change, respectively.

Table 3. **Revenue and expenditure of general government (year ending in the reference quarter)**

Unit: 10^6 EUR

	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4
Total revenue	**96 321.5**	**98 550.2**	**101 342.2**	**104 393.2**	**106 139.3**
Current revenue	93 741.0	95 982.1	98 796.1	102 838.9	104 302.5
Current taxes on income and wealth	20 707.7	21 103.8	22 471.4	24 896.0	25 701.2
Taxes on production and imports	32 346.6	34 028.6	35 111.4	35 930.6	36 178.1
Social contributions	27 266.6	27 706.8	28 289.9	28 931.4	29 597.9
Sales	6 686.0	6 889.0	7 045.4	7 316.5	7 460.1
Other current revenue	6 734.1	6 254.0	5 878.0	5 764.5	5 365.2
Capital revenue	2 580.5	2 568.0	2 546.1	1 554.3	1 836.8
Total expenditure	**102 536.9**	**102 255.1**	**101 138.6**	**101 990.7**	**107 083.6**
Current expenditure	94 287.8	93 945.6	93 799.4	94 489.2	97 600.0
Social benefits	41 608.5	42 083.1	42 281.2	42 650.7	44 693.8
Compensation of employees	24 974.8	25 177.7	25 363.4	25 557.7	25 841.2
Interest	5 170.5	4 991.5	4 837.5	4 768.2	4 686.7
Intermediate consumption	12 434.5	12 769.6	13 050.2	13 198.1	13 535.5
Subsidies	4 275.9	3 074.6	2 122.1	1 940.7	2 547.4
Other current expenditure	5 823.7	5 849.1	6 145.0	6 373.7	6 295.4
Capital expenditure	8 249.2	8 309.5	7 339.1	7 501.5	9 483.6
Investment (1)	5 618.6	5 671.4	5 741.6	5 842.3	6 051.9
Other capital expenditure	2 630.6	2 638.1	1 597.6	1 659.2	3 431.7
Current Balance	**-546.8**	**2 036.5**	**4 996.7**	**8 349.7**	**6 702.5**
Balance	**-6 215.5**	**-3 704.9**	**203.6**	**2 402.5**	**-944.4**
Memorandum items:					
Primary current expenditure	89 117.3	88 954.1	88 962.0	89 721.0	92 913.3
Gross Domestic Product at current market prices	214 741.0	221 429.0	227 945.3	233 536.3	239 253.3
Balance in % of GDP	**-2.9**	**-1.7**	**0.1**	**1.0**	**-0.4**

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

The expenditure behaviour reflected the increase of 3.3% in current expenditure and 26.4% in capital expenditure. The growth of current expenditure was determined by the increase in social benefits (4.8%), compensation of employees (1.1%), intermediate consumption (2.6%) and subsidies paid (31.3%), reflecting, in the latter case, subsidies paid to corporations in the context of the geopolitical conflict, namely additional allocation of funds to the National Electric System (SEN) for tariff reduction in electricity (650 million euros). On the other hand, interest and other current expenditure decreased by 1.7% and 1.2%. Capital expenditure increased by 26.4% due to an increase in investment (3.6%) and in other capital expenditure (106.8%). The main reasons for this increase in the other capital expenditure were the support granted to TAP Group (990 million euro), to Efacec Power Solutions, SGPS, S.A. (159 million euro) and to SATA Air Açores (197 million euros, of which 135 million euros of a guarantee) and the conversion of deferred tax assets (DTA) in tax credits in the amount of 245 million euros.

Table 4. **Revenue and expenditure of general government (%; year ending in the reference quarter)**

Unit: %

	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4
Total revenue	**2.4**	**2.3**	**2.8**	**3.0**	**1.7**
Current revenue	2.3	2.4	2.9	4.1	1.4
Current taxes on income and wealth	-0.4	1.9	6.5	10.8	3.2
Taxes on production and imports	4.0	5.2	3.2	2.3	0.7
Social contributions	1.9	1.6	2.1	2.3	2.3
Sales	0.4	3.0	2.3	3.8	2.0
Other current revenue	6.4	-7.1	-6.0	-1.9	-6.9
Capital revenue	7.9	-0.5	-0.9	-39.0	18.2
Total expenditure	**0.3**	**-0.3**	**-1.1**	**0.8**	**5.0**
Current expenditure	0.5	-0.4	-0.2	0.7	3.3
Social benefits	0.5	1.1	0.5	0.9	4.8
Compensation of employees	0.7	0.8	0.7	0.8	1.1
Interest	-4.3	-3.5	-3.1	-1.4	-1.7
Intermediate consumption	3.3	2.7	2.2	1.1	2.6
Subsidies	-8.5	-28.1	-31.0	-8.5	31.3
Other current expenditure	4.5	0.4	5.1	3.7	-1.2
Capital expenditure	-1.2	0.7	-11.7	2.2	26.4
Investment (1)	3.1	0.9	1.2	1.8	3.6
Other capital expenditure	-9.3	0.3	-39.4	3.9	106.8

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

Total revenue increased by 1.7% due to the increase of current revenue by 1.4% and capital revenue by 18.2%. All items of current revenue increased, except for other current revenue, with revenue from taxes on income and wealth standing out with an increase of 3.2%. The other current revenue decreased by 6.9%, 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 increase in capital revenue is related to the larger use of European Funds for capital expenditure, namely in the context of the Recovery and Resilience Facility.

To allow a comparison between quarters, table 5 presents the detail of revenue and expenditure of GG and its GDP percentage for the fourth quarters of 2021 and 2022.

Table 5. **Revenue and expenditure of general government**
(quarterly figures)

	4th quarter 2021		4th quarter 2022		Nominal rate of change (%)
	10^6 EUR	% GDP	10^6 EUR	% GDP	
Total revenue	**26 908.9**	**47.4**	**28 655.0**	**45.9**	**6.5**
Current revenue	26 339.2	46.4	27 802.7	44.5	5.6
Current taxes on income and wealth	6 020.9	10.6	6 826.1	10.9	13.4
Taxes on production and imports	8 990.4	15.8	9 237.9	14.8	2.8
Social contributions	7 731.5	13.6	8 398.0	13.4	8.6
Sales	1 848.7	3.3	1 992.4	3.2	7.8
Other current revenue	1 747.6	3.1	1 348.3	2.2	-22.8
Capital revenue	569.8	1.0	852.2	1.4	49.6
Total expenditure	**29 233.1**	**51.5**	**34 326.0**	**54.9**	**17.4**
Current expenditure	26 254.3	46.2	29 365.1	47.0	11.8
Social benefits	11 641.8	20.5	13 684.9	21.9	17.6
Compensation of employees	7 098.4	12.5	7 381.9	11.8	4.0
Interest	1 191.9	2.1	1 110.4	1.8	-6.8
Intermediate consumption	3 734.3	6.6	4 071.6	6.5	9.0
Subsidies	684.6	1.2	1 291.3	2.1	88.6
Other current expenditure	1 903.3	3.4	1 824.9	2.9	-4.1
Capital expenditure	2 978.8	5.2	4 960.9	7.9	66.5
Investment (1)	2 071.3	3.6	2 280.9	3.7	10.1
Other capital expenditure	907.6	1.6	2 680.0	4.3	195.3
Current Balance	**84.9**	**0.1**	**-1 562.3**	**-2.5**	
Balance	**-2 324.2**	**-4.1**	**-5 671.0**	**-9.1**	

(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 negative in the fourth quarter of 2022, attaining -5 671 million euros (-9.1% of GDP), which compares with -4.1% of GDP for the same period of the previous year. The decrease in the net balance resulted from an increase in total revenue of 6.5%, and an increase of 17.4% in total expenditure.

Within total expenditure, current expenditure increased by 11.8%, due to increases in the social benefits (17.6%), the compensation of employees (4.0%), the intermediate consumption (9.0%), and subsidies (88.6%), the latter due to subsidies paid to corporations in the context of the geopolitical conflict, with high energy prices, as previously mentioned. The social benefits increased as a result of the support granted to mitigate the effects of rising prices, namely exceptional supplement to pensioners (around 990 million euros), extraordinary support to holders of income and social benefits (around 640 million euros) and support to needy households (around 370 million euros). Interest paid decreased by 6.8% and other current expenditure by 4.1%. Capital expenditure increased 66.5%, as a result of a 10.1% increase in investment and 195.3% in other capital expenditure, the latter due to the reason stated in the analysis of the year ending in the fourth quarter.

The increase by 5.6% of current revenue was due to increases in all its components, except for other current revenue. The positive evolution of tax revenue (7.0%) and contributory revenue (8.6%) shows the recovery of economic activity and the labour market compared to the same period of 2021 still impacted by the COVID-19 pandemic. Capital revenue decreased by49.6%, for the reason stated in the analysis of the year ending in the fourth quarter.

Table 6. **Revenue and expenditure of general government – annual**

	2019		2020		2021		2022	
	10^6 EUR	% GDP	10^6 EUR	% GDP	10^6 EUR	% GDP	10^6 EUR	% GDP
Total revenue	**91 251.4**	**42.6**	**87 074.3**	**43.4**	**96 321.5**	**44.9**	**106 139.3**	**44.4**
Current revenue	90 437.3	42.2	86 091.4	42.9	93 741.0	43.7	104 302.5	43.6
Current taxes on income and wealth	20 884.5	9.7	20 092.6	10.0	20 707.7	9.6	25 701.2	10.7
Taxes on production and imports	32 115.8	15.0	29 143.2	14.5	32 346.6	15.1	36 178.1	15.1
Social contributions	25 359.7	11.8	25 599.4	12.8	27 266.6	12.7	29 597.9	12.4
Sales	7 262.2	3.4	6 395.8	3.2	6 686.0	3.1	7 460.1	3.1
Other current revenue	4 815.1	2.2	4 860.4	2.4	6 734.1	3.1	5 365.2	2.2
Capital revenue	814.1	0.4	982.8	0.5	2 580.5	1.2	1 836.8	0.8
Total expenditure	**91 004.2**	**42.5**	**98 743.3**	**49.2**	**102 536.9**	**47.7**	**107 083.6**	**44.8**
Current expenditure	84 911.2	39.6	89 749.0	44.8	94 287.8	43.9	97 600.0	40.8
Social benefits	38 825.9	18.1	40 196.1	20.0	41 608.5	19.4	44 693.8	18.7
Compensation of employees	23 146.7	10.8	23 933.8	11.9	24 974.8	11.6	25 841.2	10.8
Interest	6 324.2	3.0	5 786.9	2.9	5 170.5	2.4	4 686.7	2.0
Intermediate consumption	11 025.6	5.1	11 068.5	5.5	12 434.5	5.8	13 535.5	5.7
Subsidies	919.1	0.4	3 642.5	1.8	4 275.9	2.0	2 547.4	1.1
Other current expenditure	4 669.7	2.2	5 121.3	2.6	5 823.7	2.7	6 295.4	2.6
Capital expenditure	6 092.9	2.8	8 994.2	4.5	8 249.2	3.8	9 483.6	4.0
Investment (1)	3 726.7	1.7	4 782.9	2.4	5 618.6	2.6	6 051.9	2.5
Other capital expenditure	2 366.2	1.1	4 211.4	2.1	2 630.6	1.2	3 431.7	1.4
Current Balance	**5 526.0**	**2.6**	**-3 657.6**	**-1.8**	**-546.8**	**-0.3**	**6 702.5**	**2.8**
Balance	**247.2**	**0.1**	**-11 669.0**	**-5.8**	**-6 215.5**	**-2.9**	**-944.4**	**-0.4**

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

Considering figures for the year, the net balance of GG sector attained -0.4% of GDP, with a significant improvement compared to the years of 2020 and 2021, marked by the COVID-19 pandemic.

Comparing with 2021, the total revenue rises 10.2%, and total expenditure increased by 4.4%. 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 (16.6%), social contributions (8.5%) and sales (11.6%). In the expenditure side it should be mentioned the decreases in subsidies (-40.4%) and interest (-9.4%).

The following table compares the main adjustments[3] implemented between the balance in public accounting to the balance in national accounts for the fourth quarters of 2021 and 2022.

[3] Details on the main adjustments implemented are available in the section "Methodological Note".

Table 7. **Public to National Accounting Adjustments**

Unit: 10^6 EUR

	2021Q4	2022Q4
Balance in Public Accounting:	**-4 215.8**	**-8 810.9**
Accrual adjustment and sector delimitation in National Accounts	2 668.7	2 730.5
Difference between paid and due interest	741.4	854.1
Other receivables:	287.4	288.8
Time adjustment of taxes and social contributions	720.1	420.1
Others	-432.7	-131.3
Other payables:	67.5	73.7
Expenditure already incurred but not yet paid	189.6	99.6
Others	-122.0	-25.9
Other adjustments:	-1 873.4	-807.2
of which:		
Capital injections and debt assumptions	-1 751.2	-2 632.9
Balance in National Accounting:	**-2 324.2**	**-5 671.0**
GDP (1)	56 732.0	62 483.3
Balance in National Accounting in % of GDP	**-4.1**	**-9.1**

(1) Non seasonally and calendar effects adjusted data

Comparing the fourth quarter of the year 2022 with the same period of 2021, a decrease is noticeable in both national accounts and public accounts balances. In national accounts, the GG net balance changed to -9.1% of GDP in the fourth quarter of 2022 from -4.1% in 2021. Apart from the capital injection in Group TAP, S.A., classified as a capital transfer, with an impact of 990 million euro in the net balance of GG, the majority of the expenditure in capital injections and debt assumptions was granted to public corporations classified inside GG.

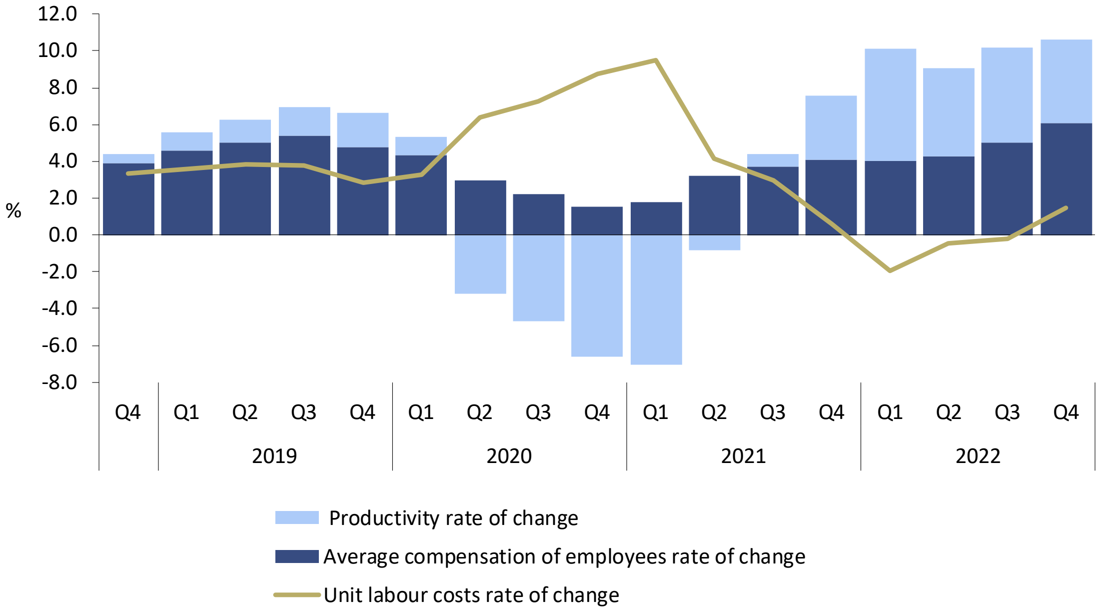
Additionally, due to the policy measures for fractional future payment of taxes and social contributions implemented in the context of the COVID 19 pandemic, that have been continued in the current context of the geopolitical conflict, a supplementary adjustment was made to include the future payments as revenue of the period when the activity took place. For the fourth quarter of 2022, this temporary adjustment implied an increase in revenue when compared to Public Accounting, by around 2.4 million euro, related to the deferral payment measures for the Social Contributions, Value Added Tax, Individual Income Tax and Corporate Income Tax.

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 1.5%

ULC increased by 1.5% in the fourth quarter of 2022, after three quarters with negative rates of change. The increase in ULC in the fourth quarter was due to the 6.1% increase in average compensation of employees, which surpassed the 4.6% increase in productivity.

Figure 5. **Unit labour costs rates of change on one year before (%, year ending in the reference quarter)**



Preliminary Annual Sector Accounts for 2022

The first version of the Annual Sector Accounts for 2022 is obtained by summing of the quarterly data estimated for the four quarters now released. Table 8 presents the annual evolution of the main economic aggregates resulting from the National Accounts by Institutional Sector.

Table 8. Indicators for the Portuguese economy

	2018	2019	2020	2021[Po]	2022[Pe]
GDP nominal (rate of change)	4.7	4.5	-6.5	7.1	11.4
GNI (rate of change)	4.6	4.3	-5.5	7.7	11.0
GDI (rate of change)	4.5	4.4	-5.3	8.2	10.4
Gross Saving (rate of change)	6.5	4.9	-9.9	18.2	7.9
Saving Rate of Households and NPISH (% do GDI)	6.8	7.2	11.9	9.9	6.1
Final Consumption of Households and NPISH (rate of change)	4.2	4.1	-6.5	6.1	12.5
Disposable Income of Households and NPISH (rate of change)	4.3	4.6	-1.1	3.7	7.8
Gross Capital Formation (rate of change)	11.2	5.6	-3.3	15.5	11.5
Net lending (+)/Net borrowing (-)					
Non-financial Corporations (% of GDP)	-2.4	-3.3	-2.2	-1.8	-2.1
Financial Corporations (% of GDP)	2.2	2.4	2.6	2.3	1.4
General Government (% of GDP)	-0.3	0.1	-5.8	-2.9	-0.4
Households and NPISH (% of GDP)	1.8	1.8	5.2	3.4	0.5
Total Economy (% of GDP)	1.2	1.0	-0.2	0.9	-0.6
External Balance of Goods and Services (% of GDP)	0.5	0.5	-2.1	-2.9	-2.5
Unit Labour Costs (rate of change)	3.4	2.8	8.7	0.6	0.6

Po - Provisional value
Pe- Preliminary value

The 2021 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 -1.7% of GDP to -1.8%), Financial Corporations (from 2.0% to 2.3%) and Households and NPISH (from 3.2% to 3.4%).

METHODOLOGICAL NOTE

The results presented correspond to the preliminary version of the Quarterly Sector Accounts (QSA) for the fourth 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 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 did not determined revisions in the rate of change of GDP in volume terms.

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 June 2023