23rd June 2023
QUARTERLY SECTOR ACCOUNTS (BASE 2016)
First Quarter 2023

EXTERNAL BALANCE OF THE PORTUGUESE ECONOMY IMPROVED TO 0.4% OF GDP

Portuguese economy[1] recorded a net lending of 0.4% of Gross Domestic Product (GDP) in the first quarter of 2023, which compares with a net borrowing of 0.6% in the previous quarter. Gross National Income (GNI) and Gross Disposable Income (GDI) increased by 2.7% and 2.6% (2.6% and 2.7% in the year ending in the fourth quarter). The increase of the economy's external balance mainly reflected the reduction in the deficit of Non-Financial Corporations and the surplus recorded by General Government (GG) sector, which had recorded a negative balance in the previous quarter.

The disposable income of Households sector was up by 1.9% compared to the previous quarter, with increases of 2.7% and 0.8% in compensation of employees and Gross Added Value (GVA), respectively. Final consumption expenditure increased by 2.6% (3.1% in the previous quarter), leading to a reduction in the savings rate to 5.9% (6.5% in the previous quarter), which led to a net lending of 0.4% of GDP (0.6% of GDP in the previous quarter). In real terms, the adjusted disposable income per capita of Households decreased by 0.1% in the first quarter of 2023.

The balance of Non-Financial Corporations stood at -2.0% of GDP, after a balance of -2.7% of GDP in the previous quarter. GVA recorded an increase of 3.3%, higher than the growth in compensation of employees paid (growth rate of 3.2%), while Gross Capital Formation decreased by 0.3%. The net lending of Financial Corporations remained at 1.9% of GDP in the year ending in the first quarter of 2023.

The balance of the GG sector increased by 0.5 percentage points in the year ending in the first quarter of 2023, moving from a net borrowing of 0.4% of GDP in the fourth quarter to a net lending of 0.1%. Considering the quarterly values and not the year ending in the quarter, the GG balance in the first quarter of 2023 was positive and reached 761.3 million euros, corresponding to 1.2% of GDP, which compares with -0.6% in the same period of 2022. Compared to the same period of the previous year, there was an increase of 9.3% in revenue and 4.3% in expenditure, mainly reflecting, in the latter case, the significant increase in interest payments (rate of change of 22.1% compared to the same quarter of the previous year).

[1] Unless otherwise indicated, the descriptive analysis and graphs below refer to the year ending in the reference quarter (which eliminates seasonal fluctuations and reduces the effect of irregular oscillations). In general, when comparing consecutive quarters, quarter-on-quarter rates of change between the year ending in the reference quarter and the year ending in the preceding quarter are used (see Methodological Note at the end of press release). The rates of change are in nominal terms.

External balance of the economy presented a positive balance of 0.4% of GDP

The Portuguese economy recorded an improvement in the external balance in the first quarter of 2023, shifting from -0.6% of GDP in the fourth quarter of 2022 to +0.4%. Nominal GDP increased by 2.6% compared to the previous quarter and 10.8% compared to the same quarter of the previous year, mainly reflecting the increase in the implicit deflator. GNI and GDI increased by 2.7% and 2.6% (10.7% and 10.3% compared to the same quarter of the previous year).

The increase in the GDI of the economy in the first quarter of 2023 was higher than the 2.2% growth in final consumption expenditure (which includes the final consumption expenditure by Households and GG), which determined the 4.5% increase of gross saving in the economy. In the first quarter of 2023, gross savings represented 19.5% of GDP (0.3 percentage points more than in the previous quarter and 0.4 percentage points more than in the same quarter of the previous year).

The increase in savings led to an improvement in the balance of the economy by 1.0 percentage points, which shifted from a deficit of 0.6% to a surplus of 0.4% of GDP in the first quarter of 2023.

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 (%)
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	221 416	3.1	218 762	2.9	225 067	2.7
2Q 2022	227 924	2.9	225 182	2.9	230 846	2.6
3Q 2022	233 524	2.5	229 782	2.0	235 505	2.0
4Q 2022	239 241	2.4	235 870	2.6	241 834	2.7
1Q 2023	245 366	2.6	242 137	2.7	248 224	2.6

The increase of the economy's external balance reflected the reduction in the deficit of Non-Financial Corporations and the surplus recorded in the General Government balance. This improvement in the General Government balance was the result of an increase in expenditure (0.9%) lower than the increase in revenue (1.9%).

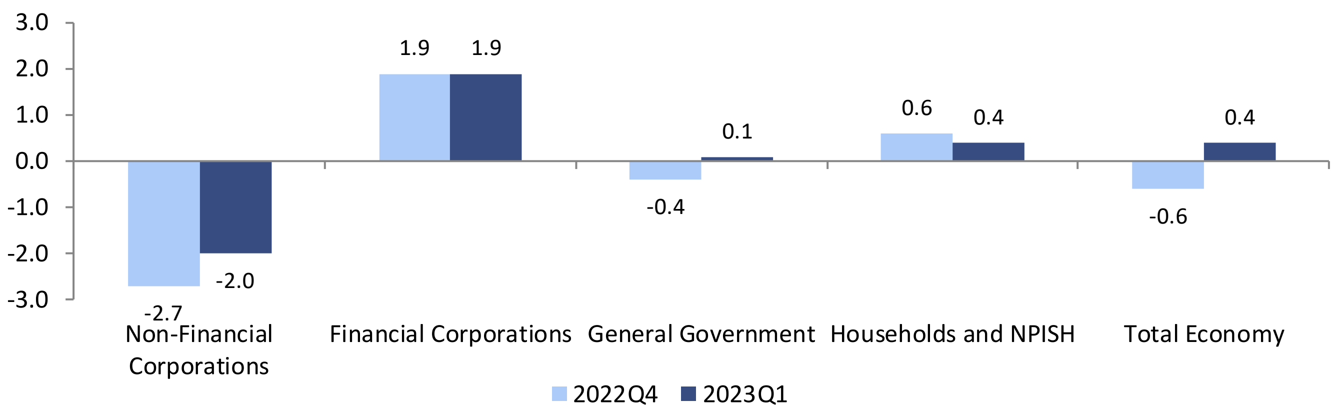
Non-Financial Corporations net borrowing reached 2.0% of GDP in the first quarter of 2023, less 0.7 percentage points than in the previous quarter, while the net lending of Financial Corporations remained at 1.9% of GDP.

The positive balance of Households progressively reduced from the second quarter of 2021, standing at 0.4% of GDP in the first quarter of 2023, as a consequence of the reduction in household savings, which resulted from the 2.6% increase in private consumption, higher than the 1.9% growth of disposable income.

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
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	-2.1	2.2	-1.7	1.4	-0.2
2Q 2022	-3.1	1.9	0.1	0.7	-0.4
3Q 2022	-3.7	1.6	1.0	0.3	-0.8
4Q 2022	-2.7	1.9	-0.4	0.6	-0.6
1Q 2023	-2.0	1.9	0.1	0.4	0.4

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



Households: net lending stood at 0.4% of GDP

Net lending of Households stood at 0.4% of GDP in the year ending in the first quarter of 2023, which represented a decrease of 0.2 percentage points compared to the previous. This behaviour resulted from the 8.4% decrease in household savings.

The Households' saving rate (Figure 2) was 5.9% of disposable income, less 0.6 percentage points compared to the previous quarter. This result was a consequence of the 2.6% increase in private consumption (rate of change of 3.1% in the previous quarter), higher than the growth of disposable income (1.9%). 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 of consumer prices. In real terms, private consumption increased by 0.7% in the year ending in the first quarter of 2023.

Figure 3 shows the breakdown of the rate of change (1.9%) of disposable income of households in the year ending in the first quarter of 2023. Compensation of employees and the balance of property income contributed by 1.9 and 0.4 percentage points, respectively, to this rate of change, with emphasis also on the negative contributions of the balance of social benefits net of contributions and taxes (on income and assets) of 0.2 and 0.3 percentage points, respectively.

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

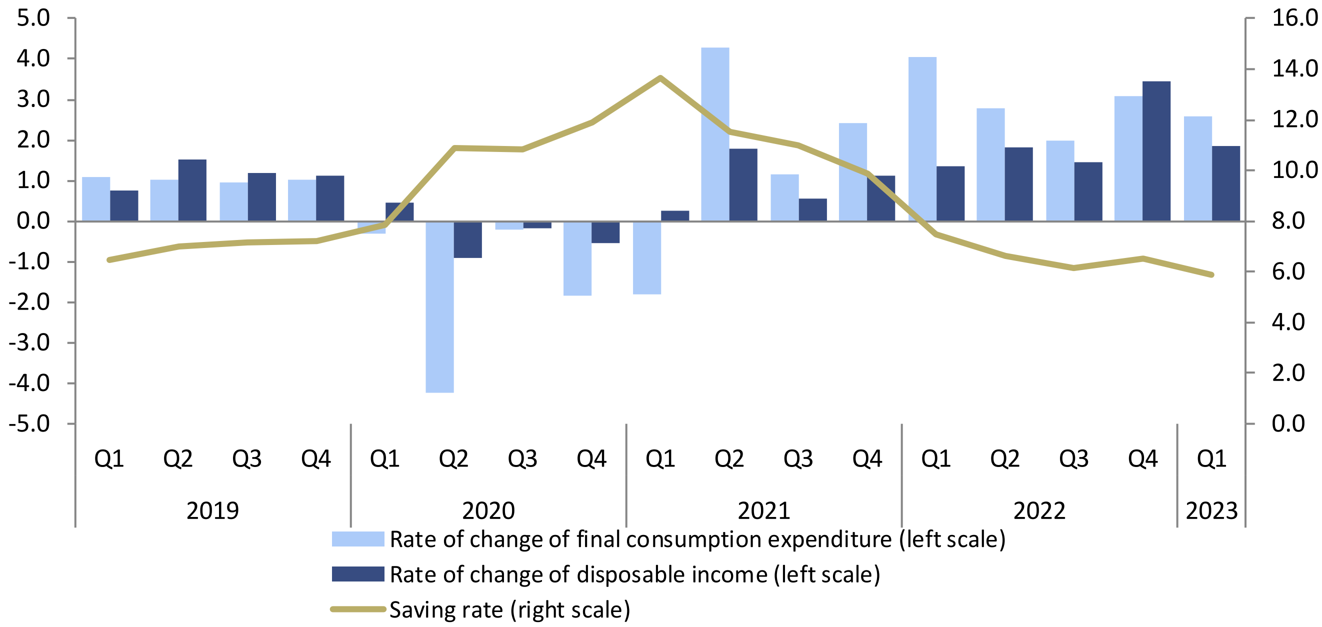
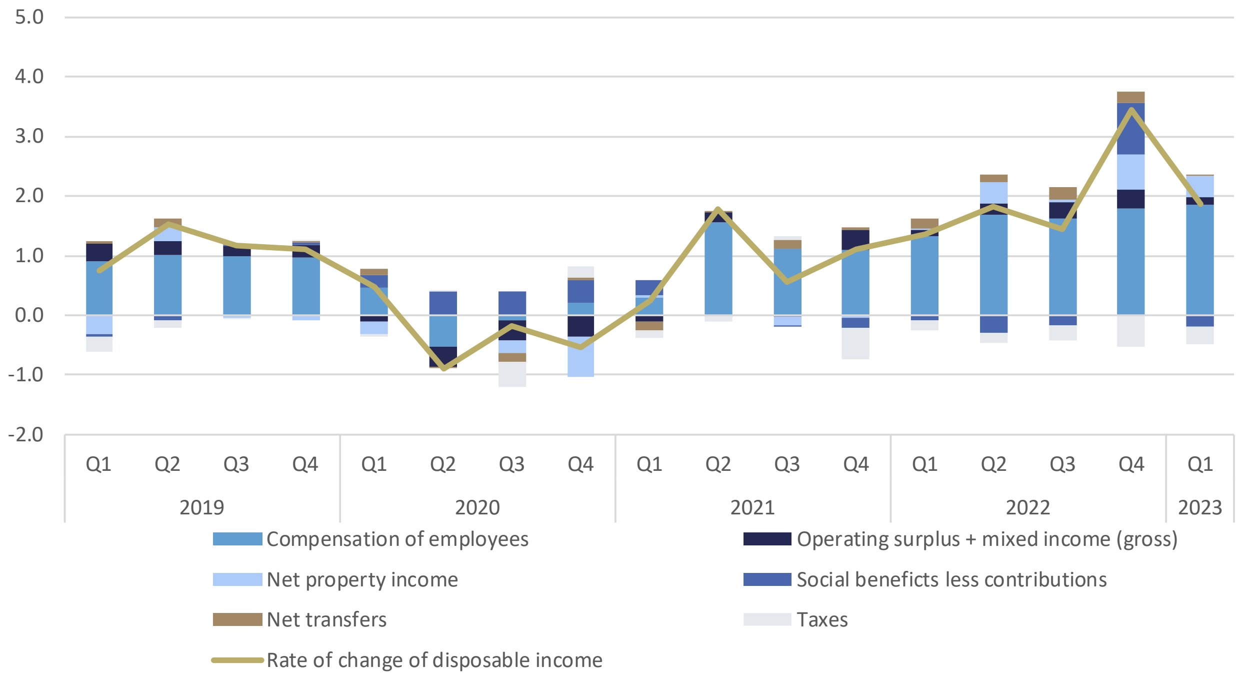


Figure 3. Contributions to the rate of change of disposable income of Households and NPISH (percentage points, year ending in the reference quarter)



Nominal GDI of Households per capita stood at 16.3 thousand euros in the year ending in the first quarter of 2023, which represented an increase of 1.9% compared to the previous quarter. Compensation of employees per capita reached 11.4 thousand euros, 2.7% more than in the previous quarter.

Adjusted disposable income (GDIa) differs from GDI by including the value of goods and services that are purchased or produced by GG or NPISH and intended for household consumption, such as, for example, co-payments in the purchase of medicines by households. Households' adjusted GDI per capita in real terms, which is a more appropriate indicator in a context of high inflation, decreased by 0.1%, after an increase of 0.8% in the previous quarter. On the other hand, real final consumption per capita increased by 0.7% in the first quarter of 2023 (0.8% in the previous quarter).

Households' Gross Fixed Capital Formation (GFCF), which essentially corresponds to GFCF in dwellings, recorded a rate of change of -1.1% in the first quarter of 2023. The investment rate of Households (measured by the ratio between GFCF and disposable income) stood at 5.9%, less 0.1 percentage points than in the previous quarter.

Non-Financial Corporations: net borrowing stood at 2.0% of GDP

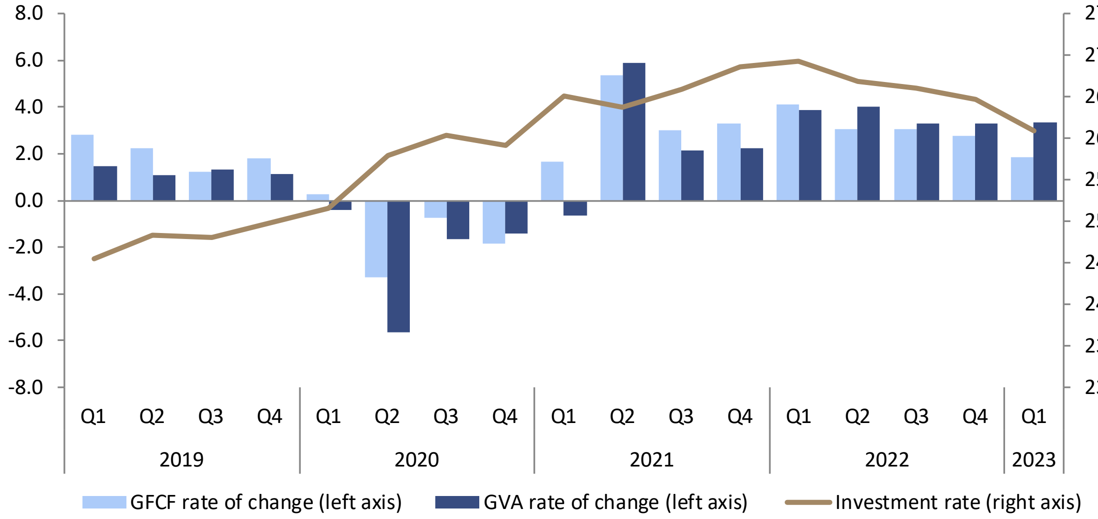
Non-financial corporations' net borrowing improved by 0.7 percentage points, standing at -2.0% of GDP in the year ending in the first quarter of 2023 (balances of -2.7% and -2.1% in the previous quarter and in the same quarter of the previous year, respectively).

The sector's GVA increased by 3.3% in the first quarter of 2023 (same rate as in the previous quarter). This increase occurred along with a 3.2% increase in compensation of employees paid and a 1.0% decrease in operating subsidies. Despite the increase in compensation of employees paid, Gross Operating Surplus continued to grow at a high pace (rate of change of 3.3%).

The net operating margin rate for the sector stood at 24.0% (0.1 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.

To the improve of the net borrowing sector contributed the already mentioned growth in GVA, together with the slight reduction of 0.3% in Gross Capital Formation. GFCF increased by 1.9% in the first quarter of 2023 and maintained the series of positive quarter-on-quarter rates of change started in the first quarter of 2021.The investment rate (measured by the ratio between GFCF and GVA) stood at 26.1%, which represents a decrease of 0.4 percentage points compared to the previous quarter, determined by the higher growth of GVA compared to GFCF.

Figure 4. **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.

Financial Corporations: net lending stood at 1.9% of GDP

The net lending of Financial Corporations remained at 1.9% of GDP. To this result contributed the worsening of the negative balance of property income, with income paid and received registering growth rates of 18.0% and 16.5%, respectively, compared to the previous quarter. The reduction in that balance partially offset the increase in the sector's GVA, which grew 7.8% in the year ending in the first quarter of 2023[3].

In terms of sectoral GVA distribution, compensation of employees paid increased by 1.0% while Gross Operating Surplus increased by 12.9% in the first quarter of 2023 (11.5% in the previous quarter).

General Government: net balance of GG increased 0.5 percentage points to 0.1% of GDP

The net balance of the GG sector increased by 0.5 percentage points in the year ending in the first quarter of 2023 compared with the year ending in the previous quarter, attaining 0.1% of GDP. This increase was due to an increase in revenue (1.9%) at a faster pace than in expenditure (0.9%).

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

[3] It should be highlighted that, in National Accounts, the financial intermediation margin obtained by banking institutions when granting loans and obtaining deposits (named Financial Intermediation Services Indirectly Measured – SIFIM) is recorded as production, influencing GVA, and not as interest paid and received. Analogously, the cost incurred by other institutional sector in those operations is recorded as intermediate or final consumption. Thus, reflecting the significant rise in interest rates, FISIM is increasing significantly in nominal terms, determining the increase in GVA of the financial sector and negatively influencing the GVA of the other sectors, notably the households' sector in their capacity as owners of dwellings acquired using banking loans. The increase in FISIM bore by the households' sector influences positively the final consumption expenditure.

Table 3. **Revenue and expenditure of general government**

(year ending in the reference quarter)

Unit: 10^6 EUR

	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1
Total revenue	**98 550.2**	**101 342.2**	**104 393.2**	**106 139.3**	**108 195.5**
Current revenue	95 982.1	98 796.1	102 838.9	104 302.5	106 223.3
Current taxes on income and wealth	21 103.8	22 471.4	24 896.0	25 701.2	26 209.0
Taxes on production and imports	34 028.6	35 111.4	35 930.6	36 178.1	36 656.9
Social contributions	27 706.8	28 289.9	28 931.4	29 597.9	30 389.6
Sales	6 889.0	7 045.4	7 316.5	7 460.1	7 588.5
Other current revenue	6 254.0	5 878.0	5 764.5	5 365.2	5 379.4
Capital revenue	2 568.0	2 546.1	1 554.3	1 836.8	1 972.2
Total expenditure	**102 255.1**	**101 138.6**	**101 990.7**	**107 083.6**	**108 044.3**
Current expenditure	93 945.6	93 799.4	94 489.2	97 600.0	98 426.1
Social benefits	42 083.1	42 281.2	42 650.7	44 693.8	44 948.1
Compensation of employees	25 177.7	25 363.4	25 557.7	25 841.2	26 215.0
Interest	4 991.5	4 837.5	4 768.2	4 686.7	4 938.3
Intermediate consumption	12 769.6	13 050.2	13 198.1	13 535.5	13 561.4
Subsidies	3 074.6	2 122.1	1 940.7	2 547.4	2 535.6
Other current expenditure	5 849.1	6 145.0	6 373.7	6 295.4	6 227.7
Capital expenditure	8 309.5	7 339.1	7 501.5	9 483.6	9 618.2
Investment (1)	5 671.4	5 741.6	5 842.3	6 051.9	6 095.1
Other capital expenditure	2 638.1	1 597.6	1 659.2	3 431.7	3 523.1
Current Balance	**2 036.5**	**4 996.7**	**8 349.7**	**6 702.5**	**7 797.2**
Balance	**-3 704.9**	**203.6**	**2 402.5**	**-944.4**	**151.2**
Memorandum items:					
Primary current expenditure	88 954.1	88 962.0	89 721.0	92 913.3	93 487.8
Gross Domestic Product at current market prices	221 416.2	227 924.3	233 524.0	239 240.7	245 366.3
Balance in % of GDP	**-1.7**	**0.1**	**1.0**	**-0.4**	**0.1**

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

The expenditure behaviour reflected the increase of 0.8% in current expenditure and 1.4% in capital expenditure. The growth of current expenditure was determined by the increase in social benefits (0.6%), compensation of employees (1.4%), interest (5.4%) and intermediate consumption (0.2%). It should be noted that expenditure on interest recorded the first increase since the first quarter of 2015. On the other hand, subsidies and other current expenditure decreased by 0.5% and 1.1%, respectively. The primary current expenditure, that excludes interest paid, increased only 0.6% in the year ending in the first quarter of 2023.

Capital expenditure increased by 1.4% due to an increase in investment (0.7%) and in other capital expenditure (2.7%).

Table 4. **Revenue and expenditure of general government**

(%; year ending in the reference quarter)

Unit: %

	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1
Total revenue	**2.3**	**2.8**	**3.0**	**1.7**	**1.9**
Current revenue	2.4	2.9	4.1	1.4	1.8
Current taxes on income and wealth	1.9	6.5	10.8	3.2	2.0
Taxes on production and imports	5.2	3.2	2.3	0.7	1.3
Social contributions	1.6	2.1	2.3	2.3	2.7
Sales	3.0	2.3	3.8	2.0	1.7
Other current revenue	-7.1	-6.0	-1.9	-6.9	0.3
Capital revenue	-0.5	-0.9	-39.0	18.2	7.4
Total expenditure	**-0.3**	**-1.1**	**0.8**	**5.0**	**0.9**
Current expenditure	-0.4	-0.2	0.7	3.3	0.8
Social benefits	1.1	0.5	0.9	4.8	0.6
Compensation of employees	0.8	0.7	0.8	1.1	1.4
Interest	-3.5	-3.1	-1.4	-1.7	5.4
Intermediate consumption	2.7	2.2	1.1	2.6	0.2
Subsidies	-28.1	-31.0	-8.5	31.3	-0.5
Other current expenditure	0.4	5.1	3.7	-1.2	-1.1
Capital expenditure	0.7	-11.7	2.2	26.4	1.4
Investment [1]	0.9	1.2	1.8	3.6	0.7
Other capital expenditure	0.3	-39.4	3.9	106.8	2.7
Memorandum items:					
Primary current expenditure	-0.2	0.0	0.9	3.6	0.6

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

Total revenue increased by 1.9% due to the increase of current revenue by 1.8% and capital revenue by 7.4%. All items of current revenue increased, with revenue from social contributions standing out with an increase of 2.7% and taxes on income and wealth 2.0%, showing the recovery of economic activity and the labour market compared to the same period of 2022 still impacted by the COVID-19 pandemic. 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 first quarters of 2022 and 2023.

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

	1st quarter 2022		1st quarter 2023		Nominal rate of change (%)
	10^6 EUR	% GDP	10^6 EUR	% GDP	
Total revenue	**22 187.3**	**39.6**	**24 243.6**	**39.0**	**9.3**
Current revenue	21 994.1	39.3	23 914.9	38.5	8.7
Current taxes on income and wealth	4 354.5	7.8	4 862.3	7.8	11.7
Taxes on production and imports	8 440.4	15.1	8 919.1	14.4	5.7
Social contributions	6 463.3	11.5	7 254.9	11.7	12.2
Sales	1 706.2	3.0	1 834.5	3.0	7.5
Other current revenue	1 029.8	1.8	1 044.0	1.7	1.4
Capital revenue	193.3	0.3	328.7	0.5	70.1
Total expenditure	**22 521.6**	**40.2**	**23 482.3**	**37.8**	**4.3**
Current expenditure	21 346.8	38.1	22 172.9	35.7	3.9
Social benefits	9 755.5	17.4	10 009.8	16.1	2.6
Compensation of employees	5 744.4	10.3	6 118.2	9.8	6.5
Interest	1 139.5	2.0	1 391.2	2.2	22.1
Intermediate consumption	2 928.2	5.2	2 954.2	4.8	0.9
Subsidies	371.9	0.7	360.1	0.6	-3.2
Other current expenditure	1 407.2	2.5	1 339.5	2.2	-4.8
Capital expenditure	1 174.8	2.1	1 309.4	2.1	11.5
Investment (1)	953.8	1.7	996.9	1.6	4.5
Other capital expenditure	221.0	0.4	312.5	0.5	41.4
Current Balance	**647.3**	**1.2**	**1 742.0**	**2.8**	
Balance	**-334.3**	**-0.6**	**761.3**	**1.2**	
Memorandum items:					
Primary current expenditure	20 207.3	36.1	20 781.7	33.5	2.8

(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 first quarter of 2023, attaining 761.3 million euros (1.2% of GDP), which compares with -0.6% of GDP for the same period of the previous year. The increase in the net balance resulted from an increase in total revenue higher than in total expenditure, 9.3% and 4.3%, respectively.

Within total expenditure, current expenditure increased by 3.9%, due to increases in the social benefits (2.6%), the compensation of employees (6.5%), interest (22.1%) and the intermediate consumption (0.9%). Subsidies decreased by 3.2% and other current expenditure by 4.8%. The primary current expenditure, that excludes interest paid, increased only 2.8% in the first quarter of 2023. Capital expenditure increased 11.5%, as a result of a 4.5% increase in investment and 41.4% in other capital expenditure, the latter due to the larger uses of Recovery and Resilience Facility for investment grants paid.

The increase by 8.7% of current revenue was due to increases in all its components. The positive evolution of tax revenue (7.7%) and contributory revenue (12.2%) shows the recovery of economic activity and the labour market compared to the same period of 2022 still impacted by the COVID-19 pandemic. Capital revenue increased by 70.1%, for the reason stated in the analysis of the year ending in the fourth quarter.

The following table compares the main adjustments[4] implemented between the balance in public accounting to the balance in national accounts for the first quarters of 2022 and 2023.

Table 6. **Public to National Accounting Adjustments**

Unit: 10^6 EUR

	2022Q1	2023Q1
Balance in Public Accounting:	**383.0**	**4 556.9**
Accrual adjustment and sector delimitation in National Accounts	-231.0	-3 062.6
Difference between paid and due interest	360.3	-101.2
Other receivables:	-407.2	-387.8
Time adjustment of taxes and social contributions	-347.2	-369.3
Others	-60.0	-18.5
Other payables:	241.8	130.6
Expenditure already incurred but not yet paid	-142.2	-146.5
Others	384.0	277.1
Other adjustments:	-681.2	-372.4
of which:		
Capital injections and debt assumptions	-601.5	-515.9
Balance in National Accounting:	**-334.3**	**763.5**
GDP (1)	55 992.8	62 118.4
Balance in National Accounting in % of GDP	**-0.6**	**1.2**

(1) Non seasonally and calendar effects adjusted data

Comparing the first quarter of the year 2023 with the same period of 2022, an increase is noticeable in both national accounts and public accounts balances. In the first quarter of 2023, the “Accrual adjustment and sector delimitation in National Accounts” includes an adjustment related to the transfer of assets and liabilities held by the Pension Fund from Caixa Geral de Depósitos (CGD) to Caixa Geral de Aposentações (CGA), as in public accounting the transfer of the assets is recorded as revenue. In National Accounts, according to the European System of Accounts (ESA 2010), to the extent that the assets of the transferred funds cover the commitments assumed with the future payment of pensions, the transfer of a pension fund is considered a financial transaction at the time it occurs, with no impact on GG net balance. In the future, the payment of pensions will be offset by a current transfer received, neutralizing the impact on the GG net balance, until the amount initially received with the transfer from the pension fund is spent. The referred adjustment had a negative impact of 3 018 million euros in the transition from public accounting to national accounting. In national accounts, the GG net balance changed to 1.2% of GDP in the first quarter of 2023 from -0.6% in 2022. The totality of the

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

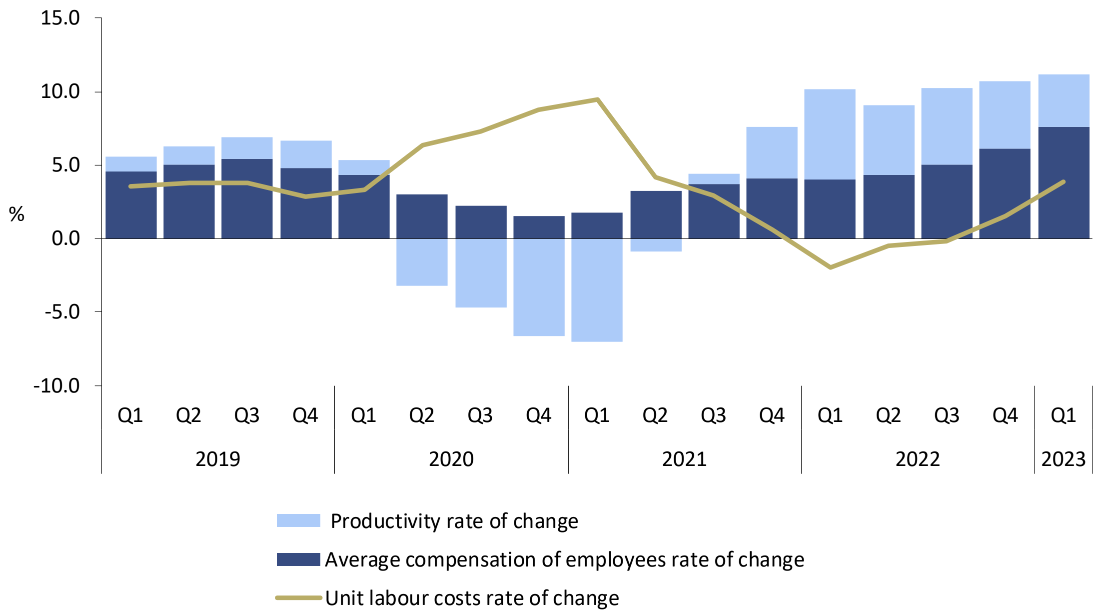
expenditure in capital injections and debt assumptions was granted to public corporations classified inside GG, being neutral in the balance.

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 first quarter of 2023, this temporary adjustment implied a decrease in revenue when compared to Public Accounting, by around 230 million euro, related to the deferral payment measures for the Social Contributions and Value Added Tax.

Unit labour costs (ULC) increased by 3.9%

In the year ending in the first quarter of 2023, UCL increased by 3.9% in year-on-year terms, which compares with a growth rate of 1.5% in the previous quarter. This result was due to the 7.6% increase in average compensation of employees, which surpassed the 3.6% increase in productivity.

Figure 5. **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 first quarter of 2023.

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). In general, when comparing consecutive quarters, quarter-on-quarter change rates between the year ending in the reference quarter and the year ending in the preceding quarter are used. 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 May 31, 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 – 22nd September 2023