22nd September 2023
QUARTERLY SECTOR ACCOUNTS (BASE 2016)
Second Quarter 2023

EXTERNAL BALANCE OF THE PORTUGUESE ECONOMY INCREASED TO 1.6% OF GDP

The Portuguese economy[1] recorded a net lending of 1.6% Gross Domestic Product (GDP) in the second quarter of 2023, more 1.1 percentage points than in the previous quarter. Gross National Income (GNI) and Gross Disposable Income (GDI) both increased by 2.3% (growth of 2.4% for both in the year ending in the first quarter). The increase of the economy's external balance mainly reflected the increase recorded in the balance of Financial Corporations (+0.4 percentage points of GDP). The balances of Non-Financial Corporations and Households[2] both increased by 0.3 p.p. of GDP.

The disposable income of Households sector increased by 1.9% compared to the previous quarter, with increases of 2.7% and 0.4% in compensation of employees and Gross Added Value (GVA), respectively. Final consumption expenditure increased by 1.6% (2.5% in the previous quarter), leading to an increase in the savings rate to 5.7% (5.3% in the previous quarter), which led to a net lending of 0.5% of GDP (0.2% of GDP in the previous quarter). In real terms, the adjusted GDP per capita of Households increased by 0.4% in the second quarter of 2023.

The balance of Non-Financial Corporations stood at -1.3% of GDP, after a balance of -1.6% of GDP in the previous quarter. GVA recorded an increase of 3.0%, same as the growth in compensation of employees paid, while Gross Capital Formation increased by 0.4%.

Net lending of Financial Corporations reached 2.3% of GDP, with the sector's GVA growing by 9.4% in the second quarter of 2023, reflecting the increase in the financial intermediation margin obtained by banking institutions when granting loans and obtaining deposits, due to the significant rise in interest rates, particularly on loans.

In percentage of GDP, the balance of the General Government (GG) sector was nil in the second quarter of 2023, after a net lending of 0.1% in the previous quarter. Considering quarterly values and not the year ending in the quarter, the GG balance in the second quarter of 2023 was positive (689.0 million euros), corresponding to 1.0% of GDP, which compares with 1.4% in the same period of the previous year. Compared to the same period of the previous year, there was an increase of 7.8% in revenue and 8.9% in expenditure.

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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.

[2] Includes Households and Non-Profit Institutions Serving Households.

External balance of the economy presented a positive balance of 1.6% of GDP

The Portuguese economy presented a net lending of 1.6% of GDP in the second quarter of 2023, 1.1 percentage points more than in the previous quarter. Nominal GDP increased by 2.3% compared to the previous quarter and 10.5% compared to the same quarter of the previous year, mainly reflecting the growth of the implicit deflator. GNI and GDI both increased by 2.3% compared to the previous quarter (10.1% and 10.2% compared to the same quarter of the previous year).

The increase in the GDI of the economy in the second quarter of 2023 was higher than the 1.6% growth in final consumption expenditure (which includes the final consumption expenditure by Households and GG), leading to the 5.4% increase of the economy's gross savings. In the second quarter of 2023, gross savings represented 20.1% of GDP (0.6 percentage points more than in the previous quarter and 1.1 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 1.1 percentage points, which shifted from 0.5% to 1.6% of GDP in the second 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 (%)
2Q 2020	205 743	-3.8	201 608	-3.3	206 732	-3.3
3Q 2020	203 015	-1.3	199 518	-1.0	204 660	-1.0
4Q 2020	200 519	-1.2	197 398	-1.1	202 446	-1.1
1Q 2021	199 253	-0.6	196 450	-0.5	201 822	-0.3
2Q 2021	207 354	4.1	204 560	4.1	210 495	4.3
3Q 2021	211 407	2.0	208 566	2.0	214 762	2.0
4Q 2021	216 053	2.2	213 892	2.6	220 012	2.4
1Q 2022	223 151	3.3	220 542	3.1	226 474	2.9
2Q 2022	230 187	3.2	227 455	3.1	232 928	2.8
3Q 2022	236 213	2.6	232 517	2.2	238 118	2.2
4Q 2022	242 341	2.6	239 012	2.8	244 968	2.9
1Q 2023	248 441	2.5	244 806	2.4	250 953	2.4
2Q 2023	254 277	2.3	250 323	2.3	256 788	2.3

The increase of the economy's external balance mainly reflected the increase recorded in the balance of Financial Corporations (more 0.4 percentage points of GDP).

The net lending of Financial Corporations reached 2.3% of GDP in the second quarter of 2023, 0.4 percentage points more than in the previous quarter, reflecting the dynamic of GVA, which includes the financial intermediation margin obtained by banking institutions when granting loans and obtaining deposits (named Financial Intermediation Services Indirectly Measured – FISIM), due to the significant rise in interest rates, particularly on loans.

The Non-Financial Corporations net borrowing decreased to 1.3% of GDP, less 0.3 percentage points than in the previous quarter.

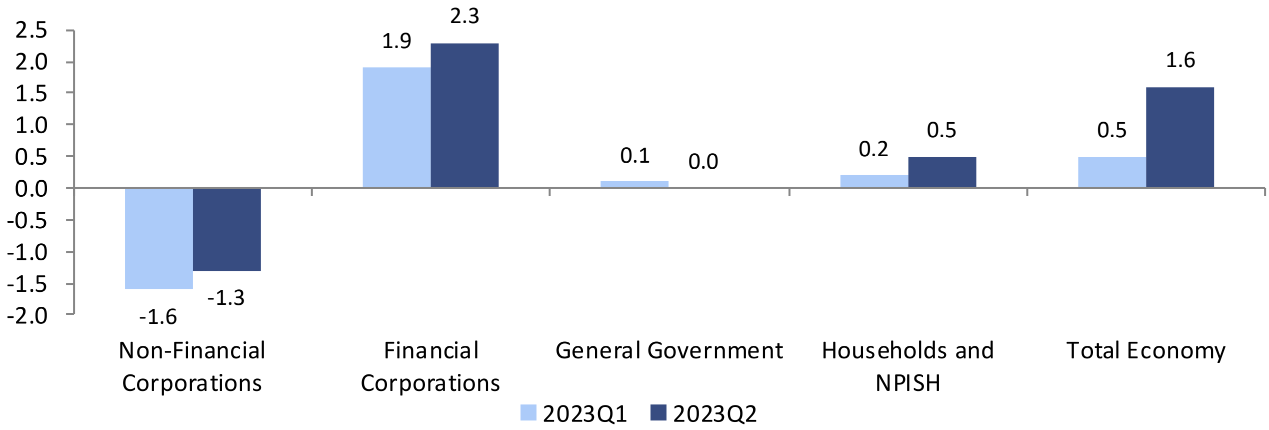
Households' net lending stood at 0.5% of GDP in the second quarter of 2023, reflecting the increase in Households savings, which resulted from the 1.9% increase in the disposable income, higher than the 1.6% growth of private consumption.

The slight decrease in the GG balance was the result of an increase in expenditure (2.0%) higher than the growth in revenue (1.8%).

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
2Q 2020	-3.8	2.4	-1.9	4.4	1.1
3Q 2020	-2.6	2.3	-4.1	4.5	0.1
4Q 2020	-2.2	2.6	-5.8	5.2	-0.2
1Q 2021	-2.2	2.7	-7.0	6.7	0.2
2Q 2021	-1.0	2.2	-5.9	4.9	0.2
3Q 2021	-2.4	2.4	-3.9	4.6	0.7
4Q 2021	-2.8	2.4	-2.9	3.9	0.6
1Q 2022	-2.9	2.2	-1.7	2.0	-0.4
2Q 2022	-3.6	1.8	0.1	1.3	-0.5
3Q 2022	-4.0	1.4	1.0	0.7	-0.8
4Q 2022	-2.5	1.7	-0.3	0.7	-0.4
1Q 2023	-1.6	1.9	0.1	0.2	0.5
2Q 2023	-1.3	2.3	0.0	0.5	1.6

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



Households: net lending stood at 0.5% of GDP

Net lending of Households stood at 0.5% of GDP in the year ending in the second quarter of 2023, which represented an increase of 0.3 percentage points compared to the previous quarter. This behaviour resulted from the 8.0% increase in households' savings, along with a 0.4% reduction in Gross Capital Formation.

The Households' saving rate (Figure 2) was 5.7% of disposable income, more 0.4 percentage points compared to the previous quarter. This result was a consequence of the 1.9% increase in the disposable income (1.3% in the previous quarter), higher than the 1.6% growth in private consumption. 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 only by 0.3% in the year ending in the second 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 second quarter of 2023. Compensation of employees and the balance of property income contributed by 1.8 and 0.2 percentage points, respectively, to this rate of change, with emphasis also on the negative contribution of the taxes (on income and assets) by 0.2 percentage points.

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

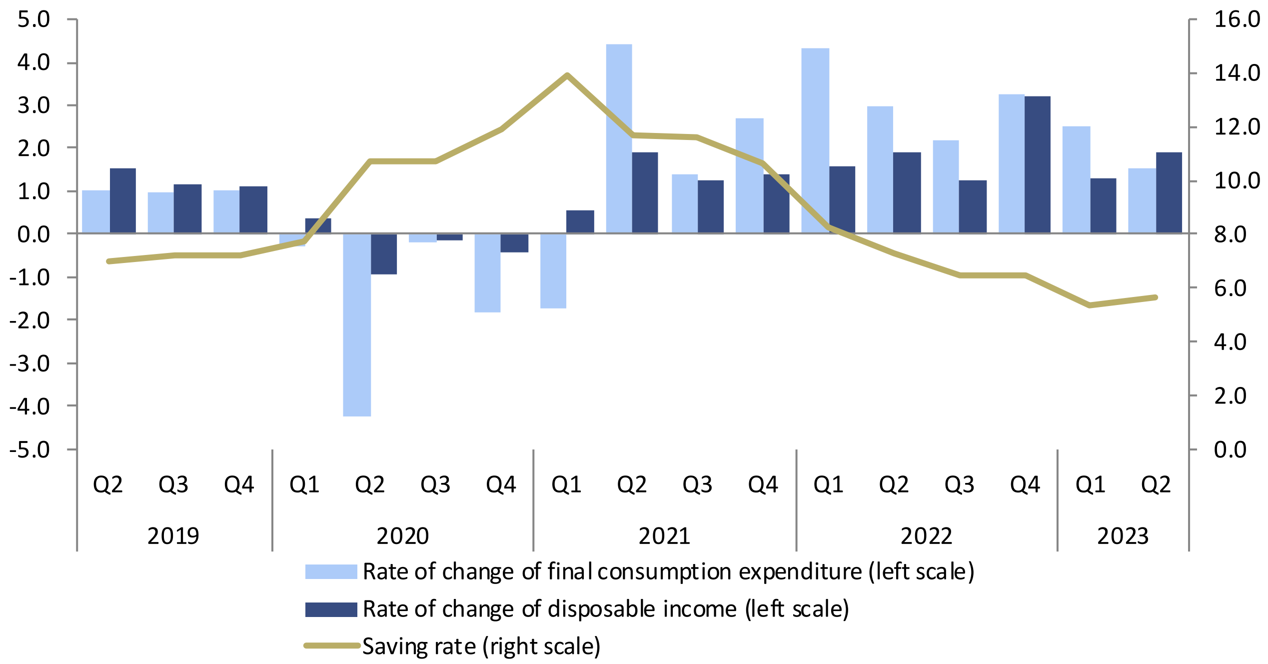
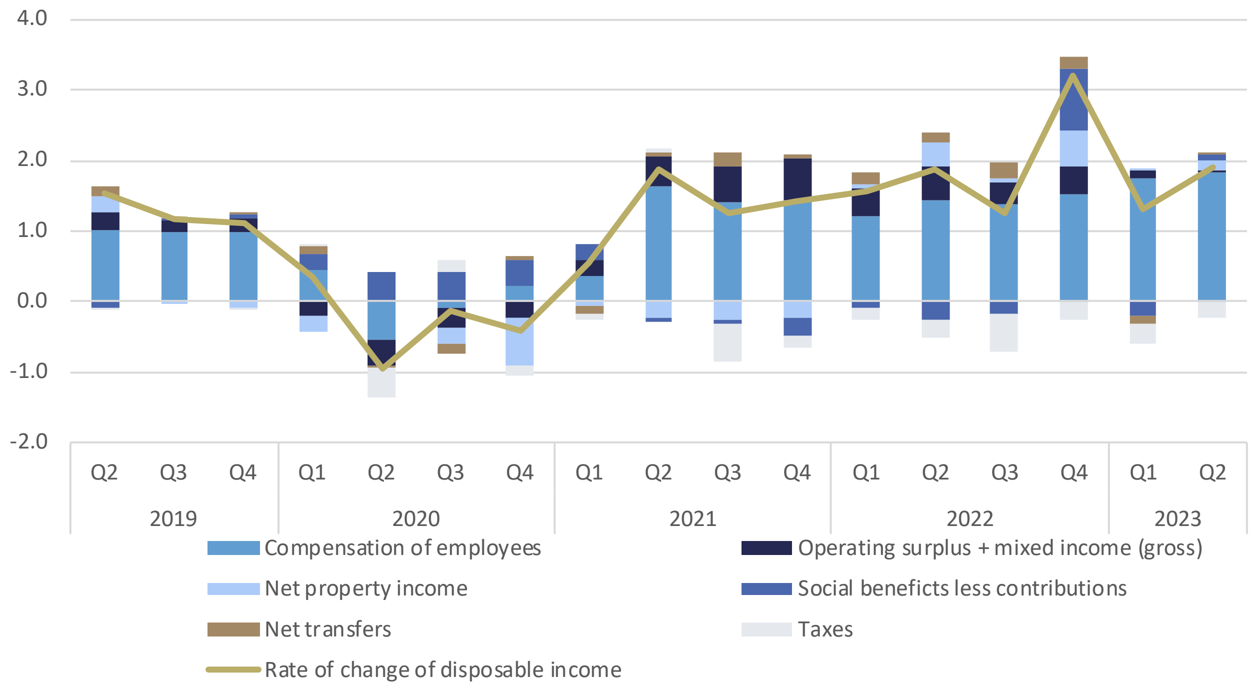


Figure 3. Contributions to the rate of change of disposable income of Households and NPISH (percentage points, year ending in the reference quarter)



Nominal adjusted GDI of Households per capita (GDIa) stood at 16.7 thousand euros in the year ending in the second quarter of 2023, which represented an increase of 1.8% compared to the previous quarter. Per capita compensation of employees reached 11.6 thousand euros, 2.6% more than in the previous quarter.

It should be noted that 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, increased by 0.4%, after a decrease of 0.5% in the previous quarter. On the other hand, real final consumption per capita increased by 0.3% in the second quarter of 2023 (0.6% in the previous quarter).

Households' Gross Fixed Capital Formation (GFCF), which essentially corresponds to GFCF in dwellings, recorded a rate of change of -0.1% in the second quarter of 2023 (-0.6% in the second quarter). 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 1.3% of GDP

Non-financial corporations' net borrowing stood at 1.3% of GDP in the second quarter of 2023, 0.3 percentage points less than in the previous quarter (3.6% in the same quarter of the previous year).

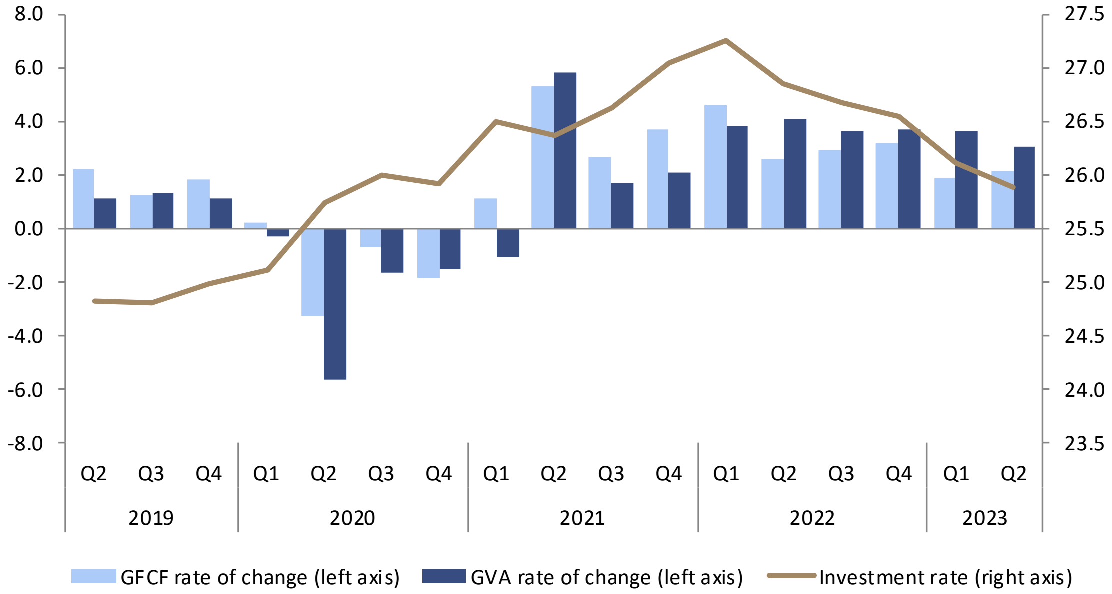
The sector's GVA recorded an increase of 3.0%, 0.6 percentage points less than in the previous quarter. This increase along with a 3.0% growth in compensation of employees paid, led to a 3.2% growth in the Gross Operating Surplus, which continued to grow at a high pace (4.3% growth in the previous quarter).

The sector's net operating margin rate stood at 24.3% (0.2 percentage points more than in the previous quarter). This rate is obtained by the ratio between Net Operating Surplus and Net Value Added[3] and corresponds to the percentage of value created that is intended for compensation of the financial resources invested in corporations.

The aforementioned growth in GVA, together with the 8.3% increase in capital transfers, contributed mainly to the reduction in the net borrowing. GFCF increased by 2.2% in the second quarter of 2023 and maintained the series of positive quarter-on-quarter rates of change initiated in the first quarter of 2021. The investment rate (measured through the ratio between GFCF and GVA) stood at 25.9%, which represents a decrease of 0.2 percentage points compared to the previous quarter, determined by the higher growth in GVA compared to GFCF.

[3] 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 increased to 2.3% of GDP

The net lending of Financial Corporations increased to 2.3% of GDP. The main contribution to this result was the increase in the sector's GVA by 9.4%, which includes the financial intermediation margin obtained by banking institutions when granting loans and obtaining deposits (named Financial Intermediation Services Indirectly Measured – FISIM), due to the significant rise in interest rates, particularly on loans[4]. In addition, there was an improvement in the negative balance of property income, with income paid and received registering quarter-on-quarter rates of change of 13.7% and 16.1%.

In terms of GVA distribution, compensation of employees paid increased by 1.1%, while the Gross Operating Surplus registered an increase of 13.8% in the second quarter of 2023 (13.5% in the previous quarter and 46.1% compared to the same quarter).

[4] It should be highlighted that, in National Accounts, the financial intermediation margin obtained by banking institutions when granting loans and obtaining deposits (named FISIM) 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.

General Government: net balance decreased 0.1 percentage points to 0.0% of GDP

The net balance of the GG sector decreased by 0.1 percentage points in the year ending in the second quarter of 2023 compared with the year ending in the previous quarter, attaining 0.0% of GDP. This decrease was due to a higher increase in expenditure (2.0%) than in revenue (1.8%).

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

	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2
Total revenue	**101 316.3**	**104 350.5**	**106 094.4**	**108 108.8**	**110 079.4**
Current revenue	98 935.5	103 042.3	104 614.8	106 426.3	108 088.3
Current taxes on income and wealth	22 540.6	24 935.0	25 689.5	26 201.7	27 058.8
Taxes on production and imports	35 288.6	36 136.9	36 329.8	36 682.5	36 956.5
Social contributions	28 335.2	28 965.5	29 641.5	30 430.1	31 223.3
Sales	7 176.0	7 506.5	7 746.5	7 735.4	7 821.8
Other current revenue	5 595.1	5 498.4	5 207.5	5 376.6	5 027.8
Capital revenue	2 380.8	1 308.2	1 479.6	1 682.5	1 991.1
Total expenditure	**101 183.1**	**101 913.4**	**106 873.6**	**107 812.0**	**109 969.1**
Current expenditure	93 851.0	94 513.0	97 656.3	98 409.8	100 160.0
Social benefits	42 403.0	42 747.0	44 841.3	45 041.0	45 898.7
Compensation of employees	25 407.9	25 591.9	25 825.1	26 172.1	26 691.9
Interest	4 841.9	4 751.7	4 664.2	4 867.5	5 149.4
Intermediate consumption	12 938.1	13 104.6	13 370.0	13 521.7	13 706.5
Subsidies	2 158.3	2 007.2	2 685.1	2 648.0	2 686.1
Other current expenditure	6 101.9	6 310.6	6 270.6	6 159.3	6 027.3
Capital expenditure	7 332.1	7 400.4	9 217.2	9 402.3	9 809.2
Investment (1)	5 681.7	5 676.6	5 804.1	5 895.5	5 960.2
Other capital expenditure	1 650.4	1 723.8	3 413.1	3 506.8	3 848.9
Current Balance	**5 084.5**	**8 529.3**	**6 958.5**	**8 016.6**	**7 928.3**
Balance	**133.2**	**2 437.1**	**-779.1**	**296.8**	**110.2**
Memorandum items:					
Primary current expenditure	89 009.2	89 761.3	92 992.1	93 542.2	95 010.5
Gross Domestic Product at current market prices	230 186.9	236 213.4	242 340.8	248 441.4	254 276.7
Balance in % of GDP	**0.1**	**1.0**	**-0.3**	**0.1**	**0.0**

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

The expenditure behaviour reflected the increase of 1.8% in current expenditure and 4.3% in capital expenditure. The growth of current expenditure was determined by the increase in social benefits (1.9%), compensation of employees (2.0%), interest (5.8%), intermediate consumption (1.4%) and subsidies paid (1.4%). On the other hand, other current expenditure decreased by 2.1%. The primary current expenditure, that excludes interest paid, increased 1.6% in the year ending in the second quarter of 2023.

The 4.3% increase in capital expenditure was a result of an increase in investment (1.1%) and in other capital expenditure (9.8%).

Table 4. **Revenue and Expenditure of General Government**

(%; year ending in the reference quarter)

Unit: %

	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2
Total revenue	**2.8**	**3.0**	**1.7**	**1.9**	**1.8**
Current revenue	3.1	4.2	1.5	1.7	1.6
Current taxes on income and wealth	6.5	10.6	3.0	2.0	3.3
Taxes on production and imports	3.3	2.4	0.5	1.0	0.7
Social contributions	2.1	2.2	2.3	2.7	2.6
Sales	2.5	4.6	3.2	-0.1	1.1
Other current revenue	-5.1	-1.7	-5.3	3.2	-6.5
Capital revenue	-5.8	-45.1	13.1	13.7	18.3
Total expenditure	**-1.1**	**0.7**	**4.9**	**0.9**	**2.0**
Current expenditure	-0.1	0.7	3.3	0.8	1.8
Social benefits	0.5	0.8	4.9	0.4	1.9
Compensation of employees	0.7	0.7	0.9	1.3	2.0
Interest	-3.2	-1.9	-1.8	4.4	5.8
Intermediate consumption	2.7	1.3	2.0	1.1	1.4
Subsidies	-29.9	-7.0	33.8	-1.4	1.4
Other current expenditure	4.4	3.4	-0.6	-1.8	-2.1
Capital expenditure	-12.1	0.9	24.6	2.0	4.3
Investment [1]	1.7	-0.1	2.2	1.6	1.1
Other capital expenditure	-40.0	4.4	98.0	2.7	9.8
Memorandum items:					
Primary current expenditure	0.1	0.8	3.6	0.6	1.6

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

Total revenue increased by 1.8% due to the increase of current revenue by 1.6% and capital revenue by 18.3%. Except for other current revenue (that decreased 6.5%), all items of current revenue increased, with revenue from social contributions standing out with an increase of 2.6% and taxes on income and wealth 3.3%, in line with the year ending in the previous quarter. 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 (RRF).

To allow a comparison between quarters, table 5 presents the detail of revenue and expenditure of GG and its GDP percentage for the second quarters of 2022 and 2023.

Table 5. **Revenue and Expenditure of General Government (quarterly figures)**

	2nd quarter 2022		2nd quarter 2023		Nominal rate of change (%)
	10^6 EUR	% GDP	10^6 EUR	% GDP	
Total revenue	**25 161.3**	**41.4**	**27 131.9**	**40.8**	**7.8**
Current revenue	24 799.6	40.8	26 461.6	39.8	6.7
Current taxes on income and wealth	4 779.5	7.9	5 636.7	8.5	17.9
Taxes on production and imports	8 951.1	14.7	9 225.1	13.9	3.1
Social contributions	7 455.7	12.3	8 248.9	12.4	10.6
Sales	1 824.8	3.0	1 911.2	2.9	4.7
Other current revenue	1 788.5	2.9	1 439.7	2.2	-19.5
Capital revenue	361.7	0.6	670.3	1.0	85.3
Total expenditure	**24 285.7**	**40.0**	**26 442.8**	**39.7**	**8.9**
Current expenditure	22 690.1	37.4	24 440.3	36.7	7.7
Social benefits	9 591.0	15.8	10 448.7	15.7	8.9
Compensation of employees	6 725.4	11.1	7 245.2	10.9	7.7
Interest	1 186.3	2.0	1 468.2	2.2	23.8
Intermediate consumption	3 223.8	5.3	3 408.5	5.1	5.7
Subsidies	447.2	0.7	485.3	0.7	8.5
Other current expenditure	1 516.4	2.5	1 384.3	2.1	-8.7
Capital expenditure	1 595.6	2.6	2 002.5	3.0	25.5
Investment (1)	1 371.6	2.3	1 436.3	2.2	4.7
Other capital expenditure	224.1	0.4	566.2	0.9	152.7
Current Balance	**2 109.5**	**3.5**	**2 021.3**	**3.0**	
Balance	**875.6**	**1.4**	**689.0**	**1.0**	
Memorandum items:					
Primary current expenditure	21 503.8	35.4	22 972.1	34.5	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 second quarter of 2023, attaining 689.0 million euros (1.0% of GDP), which compares with 1.4% of GDP for the same period of the previous year. This variation reflects the increases in both total expenditure and total revenue, by, 8.9% and 7.8%, respectively.

Within total expenditure, current expenditure increased by 7.7%, due to increases in social benefits (8.9%), compensation of employees (7.7%), interests paid (23.8%), intermediate consumption (5.7%) and subsidies (8.5%). Only other current expenditure decreased, by 8.7%. The primary current expenditure, that excludes interest paid, increased 6.8% in the second quarter of 2023. Capital expenditure increased 25.5%, given the 4.7% increase in investment and 152.7% in other capital expenditure, the latter due to the larger amounts of investment grants paid under the RRF.

The increase by 6.7% of current revenue was due to increases in all its components, apart from other current revenue (variation of -19.5%). The positive evolution of tax revenue (8.2%) and contributory revenue (10.6%)

reflecting the growth of economic activity and the behaviour of labour market and the increase in prices. Capital revenue increased by 85.3%, as a consequence of the implementation of the RRF.

Table 6 shows the semester values for revenue and expenditure of GG and its percentage in GDP, from 2020 to the first semester of 2023.

Table 6. **Revenue and expenditure of general government (semester figures)**

Unit: 10^6 EUR

	1st semester 2020	2nd semester 2020	1st semester 2021	2nd semester 2021	1st semester 2022	2nd semester 2022	1st semester 2023
Total revenue	**39 297.0**	**47 777.3**	**42 360.6**	**53 958.0**	**47 358.3**	**58 736.1**	**51 343.3**
Current revenue	38 938.9	47 152.5	41 636.1	52 082.6	46 853.0	57 761.8	50 326.5
Current taxes on income and wealth	7 589.1	12 503.6	7 371.2	13 400.0	9 140.6	16 548.9	10 510.0
Taxes on production and imports	13 685.5	15 457.7	14 559.3	17 842.3	17 446.3	18 883.5	18 073.0
Social contributions	12 109.8	13 489.6	12 923.6	14 410.1	13 925.1	15 716.4	15 506.9
Sales	2 958.6	3 437.1	3 194.9	3 583.4	3 592.6	4 153.9	3 667.9
Other current revenue	2 595.9	2 264.6	3 587.1	2 846.7	2 748.4	2 459.1	2 568.7
Capital revenue	358.0	624.8	724.6	1 875.4	505.4	974.3	1 016.8
Total expenditure	**44 569.8**	**54 173.5**	**48 195.9**	**54 338.1**	**46 845.1**	**60 028.5**	**49 940.6**
Current expenditure	41 250.6	48 498.5	44 493.3	49 723.7	44 127.4	53 528.9	46 631.0
Social benefits	17 826.0	22 370.1	18 686.7	23 020.9	19 382.1	25 459.2	20 439.5
Compensation of employees	11 479.6	12 454.2	12 101.6	12 937.0	12 470.9	13 354.3	13 337.7
Interest	2 886.7	2 900.2	2 669.7	2 521.2	2 320.7	2 343.5	2 805.9
Intermediate consumption	5 051.2	6 017.3	5 450.2	6 738.9	6 199.2	7 170.8	6 535.7
Subsidies	1 574.3	2 068.3	2 928.2	1 333.0	825.3	1 859.8	826.3
Other current expenditure	2 432.8	2 688.4	2 656.8	3 172.6	2 929.3	3 341.3	2 685.9
Capital expenditure	3 319.2	5 675.0	3 702.6	4 614.4	2 717.7	6 499.6	3 309.6
Investment (1)	1 683.9	3 098.9	2 200.6	3 413.3	2 268.4	3 535.7	2 424.5
Other capital expenditure	1 635.3	2 576.1	1 502.0	1 201.1	449.3	2 963.9	885.1
Current Balance	**-2 311.6**	**-1 346.0**	**-2 857.2**	**2 358.9**	**2 725.6**	**4 232.9**	**3 695.4**
Balance	**-5 272.8**	**-6 396.2**	**-5 835.2**	**-380.1**	**513.3**	**-1 292.4**	**1 402.6**
% GDP:							
Total revenue	40.8	45.8	41.1	47.7	40.4	46.9	39.8
Total expenditure	46.3	51.9	46.8	48.1	40.0	48.0	38.7
Current Balance	-2.4	-1.3	-2.8	2.1	2.3	3.4	2.9
Balance	**-5.5**	**-6.1**	**-5.7**	**-0.3**	**0.4**	**-1.0**	**1.1**

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

Considering figures for the first half of the year, the net balance of GG sector attained 1.1% of GDP, with a clear improvement compared to the semesters of 2020 and 2021, marked by the impact of COVID-19 pandemic.

Comparing with the same period of 2022, the total revenue rose 8.4%, whereas total expenditure increased 6.6%. In the revenue components, the recovery of economic activity and the labour market, boosted by the effect of rising prices, account for the increases in tax revenue (7.5%), social contributions (11.4%) and sales

(2.1%). In the expenditure side it should be mentioned the increase in interest paid (20.9%) and capital expenditure (21.8%).

Table 7 presents the main adjustments carried out for moving from Public Accounts to National Accounts balances in the first semesters of 2022 and 2023.

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

Unit: 10^6 EUR

	1st semester 2022	1st semester 2023
Balance in Public Accounting:	**916.1**	**4 590.4**
Accrual adjustment and sector delimitation in National Accounts	-178.6	-2 617.6
Difference between paid and due interest	664.1	462.8
Other receivables:	352.1	144.5
Time adjustment of taxes and social contributions	351.1	20.9
Others	1.0	123.6
Other payables:	-300.3	-415.4
Expenditure already incurred but not yet paid	-171.1	-234.7
Others	-129.2	-180.6
Other adjustments:	-940.1	-762.1
of which:		
Capital injections and debt assumptions	-944.1	-952.9
Balance in National Accounting:	**513.3**	**1 402.6**
GDP (1)	117 166.9	129 102.8
Balance in National Accounting in % of GDP	**0.4**	**1.1**

(1) Non seasonally and calendar effects adjusted data

Comparing the first semester of 2023 with the same period of 2022, an increase is noticeable in both national accounts and public accounts balances. In the first semester 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), that is recorded as revenue in public accounting. In National Accounts, according to the European System of Accounts (ESA 2010), as 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.

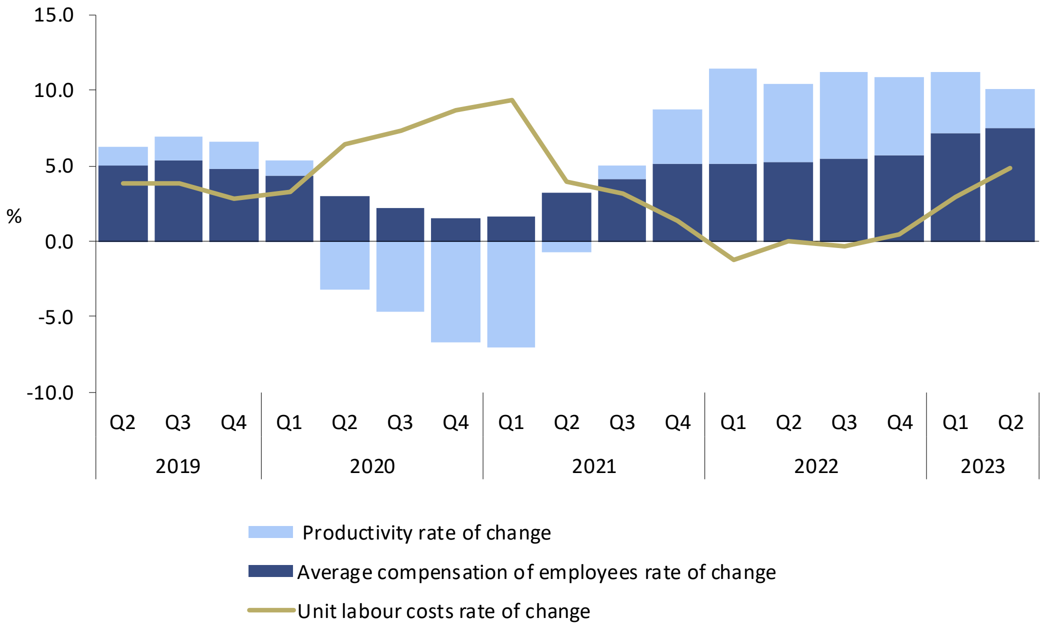
In national accounts, the GG net balance changed to 1.1% of GDP in the first semester of 2023 from 0.4% in 2022. The totality of the expenditure in capital injections and debt assumptions was granted to public corporations classified inside GG, with a neutral impact in the balance.

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 prolonged 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.

Unit labour costs (ULC) increased by 4.8%

In the year ending in the second quarter of 2023, UCL increased by 4.8% in year-on-year terms, which compares with a growth rate of 2.9% in the previous quarter. This result was due to the 7.5% increase in average compensation of employees, which surpassed the 2.6% increase in productivity.

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



BOX – REVISIONS OF QUARTERLY NATIONAL ACCOUNTS

With the release of the final 2021 and provisional 2022 results of the Portuguese National Accounts, the series of quarterly accounts were revised, ensuring full consistency with the new annual results.

Compared to previous estimates, the new results determined a slight upward revision of the volume rate of change of GDP (+0.2 percentage points) and a more significant revision of the deflator (+0.4 percentage points), leading to a revision of +0.6 percentage points in the growth rate in nominal terms.

Compared to the preliminary results, the provisional results for 2022 also determined a slight upward revision of the volume rate of change of GDP (+0.1 percentage points) and a more significant revision of the deflator (+0.7 percentage points), resulting in a revision of +0 .8 percentage points in nominal GDP growth. GDP in 2022 increased by 12.2%, the highest rate since 1992, after the 7.7% growth recorded in 2021 and the strong contraction (-6.5%) in 2020, due to the effects of the pandemic. The significant nominal GDP growth occurred in a context of price acceleration, with the growth of the implicit GDP deflator standing at 5.0% (1.9% in 2021) and the real growth at 6.8% (5.7% in the previous year), the highest since 1987.

Compared to the preliminary data, the provisional results for 2022 now reflect, in addition to the direct impacts arising from the compilation of the final results for 2021, more solid and exhaustive information for the General Government sector, the inclusion of revised data from international trade in goods and services and, above all, the incorporation of Simplified Business Information (IES) data for 2022, reported by firms in July 2023. Additional details on annual results for 2021 and 2022 and corresponding revisions are available in a specific press release also published today.

In quarterly terms, there were slight revisions in GDP rates of change in volume, maintaining the temporal profile of the behaviour of the previously published rates of change, as can be seen in the following table. The new results determined an upward revision of 0.2 percentage points in the year-on-year rate of change of GDP in volume in the second quarter of 2023, to a rate of 2.5%, with the quarter-on-quarter rate of change remaining unchanged (0.0%).

Table 8. Revisions of quarterly GDP rates of change, in real terms
(seasonally and calendar adjusted data)

	1Q 21	2Q 21	3Q 21	4Q 21	1Q 22	2Q 22	3Q 22	4Q 22	1Q 23	2Q 23
	Year-on-year rate of change (%)									
QNA 2Q 2023 (85 days)	-4.7	17.2	5.3	6.9	12.1	7.4	4.8	3.4	2.5	2.5
QNA 2Q 2023 (60 days)	-4.9	17.0	5.0	6.6	11.9	7.4	4.8	3.2	2.5	2.3
Revision (p.p.)	0.2	0.2	0.3	0.3	0.2	0.0	0.0	0.2	0.0	0.2

	1Q 21	2Q 21	3Q 21	4Q 21	1Q 22	2Q 22	3Q 22	4Q 22	1Q 23	2Q 23
	Quarter-on-quarter rate of change (%)									
QNA 2Q 2023 (85 days)	-2.4	4.5	3.0	1.9	2.3	0.1	0.5	0.5	1.5	0.0
QNA 2Q 2023 (60 days)	-2.6	4.4	2.8	1.9	2.3	0.2	0.3	0.3	1.6	0.0
Revision (p.p.)	0.2	0.1	0.2	0.0	0.0	-0.1	0.2	0.2	-0.1	0.0

METHODOLOGICAL NOTE

The results presented correspond to the preliminary version of the Quarterly Sector Accounts (QSA) for the second 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. 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 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 December 2023