23rd September 2024
QUARTERLY SECTOR ACCOUNTS (BASE 2021)
Second Quarter 2024

EXTERNAL BALANCE OF THE PORTUGUESE ECONOMY INCREASED TO 2.5% OF GDP

Portuguese economy[1] recorded a net lending of 2.5% Gross Domestic Product (GDP) in the second quarter of 2024, which represents an improvement of 0.2 percentage points compared with the previous quarter. Gross National Income (GNI) and Gross Disposable Income (GDI) increased by 1.4% and 1.5%, respectively (growths of 1.6% and 1.7%, by the same order, in the previous quarter). The increase in the economy's external balance reflected the improvement in the General Government and Households balances by 0.4 and 0.6 percentage points of GDP compared with the previous quarter.

The disposable income of Households[2] sector increased by 2.2% compared to the previous quarter, with growths of 2.2% and 1.3% in compensation of employees and Gross Value Added (GVA), respectively. Final consumption expenditure grew by 1.4% (1.1% in the previous quarter), leading to an increase in the savings rate to 9.8% (9.2% in the previous quarter), which led to a net lending of 3.4% of GDP (2.8% of GDP in the previous quarter). In real terms, the adjusted GDI per capita of Households grew by 1.0% in the second quarter of 2024 (1.4% in the previous quarter).

The net borrowing of Non-Financial Corporations increased by 0.3 percentage points to 4.1% of GDP. GVA and compensation of employees increased by 1.3% and 2.4%, while Gross Capital Formation increased by 0.5%. The positive balance of Financial Corporations stood at 2.0% of GDP (0.4 percentage points less than in the previous quarter).

The balance of the General Government (GG) sector improved by 0.4 percentage points in the year ending in the second quarter of 2024, moving from a net lending of 0.9% to 1.3% of GDP. Considering quarterly values and not the year ending in the quarter, the GG balance in the second quarter of 2024 reached 1754.0 million euros, corresponding to 2.5% of GDP, which compares with 1.0% in the same period of the previous year. Compared to the same period of the previous year, there was an increase of 11.4% in revenue and 7.5% in expenditure. In the first half of 2024 the balance of GG sector was 1.2% of GDP, which compares with 1.1% in the first half of 2023.

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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. It should also be noted that Excel files with additional information are available as an annex to this press release.

[2] Households and Non-Profit Institutions Serving Households (NPISH) (S.1M).

Introduction

The results presented correspond to the preliminary version of the Quarterly Sector Accounts (QSA) for the 2nd quarter of 2024, consistent with the 2021 base of the Portuguese National Accounts, published today. For this reason and due to the use of additional information for the compilation of the final detailed data for 2022 and preliminary data for 2023, the revisions of the results compared to the previous release are larger than usual. For more information on the change of base and the underlying revisions, see the press release on the annual results also published today on the Statistics Portugal's website.

Following the adoption of the 2021 National Accounts base, the Quarterly National Accounts series were updated, leading to revisions in quarterly GDP in nominal terms and in volume, in all three approaches of calculation (expenditure, production and income). The final part of this press release includes a box on the changes in the assessment of quarterly GDP growth compared with the figures published in August, still according to the 2016 base.

External balance of the economy presented a positive balance of 2.5% of GDP

The Portuguese economy external balance increased to 2.5% of GDP in the second quarter of 2024 (2.3% in the previous quarter). In nominal terms, GDP grew by 1.4% in the second quarter of 2024 compared with the previous quarter and 7.2% compared with the same quarter of 2023, mainly reflecting the growth of the respective implicit deflator. Gross National Income (GNI) and Gross Disposable Income (GDI) increased by 1.4% and 1.5%, respectively, when compared with the previous quarter, and 7.1% and 7.0% when compared to the same quarter of 2023.

The increase in the economy's GDI in the second quarter of 2024 was slightly higher than the 1.4% growth in final consumption expenditure (includes the final consumption expenditure by Households and GG), which determined an increase of 2.1% of the economy's gross savings. In the second quarter of 2024, gross savings represented 21.3% of GDP (0.1 percentage points more than in the previous quarter and 1.5 percentage points more than in the same quarter of the previous year).

The increase in savings was higher than the growth of 0.6% of Gross Capital Formation, which determined the improvement in the economy's net lending by 0.2 percentage points, which moved from 2.3% to 2.5% of GDP in the second quarter of 2024.

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 2021	207 411	3.9	204 569	3.9	210 510	4.0
3Q 2021	211 520	2.0	208 816	2.1	215 051	2.2
4Q 2021	216 494	2.4	214 342	2.6	220 495	2.5
1Q 2022	223 214	3.1	221 044	3.1	226 595	2.8
2Q 2022	230 652	3.3	228 111	3.2	233 039	2.8
3Q 2022	237 444	2.9	234 148	2.6	238 855	2.5
4Q 2022	243 957	2.7	239 550	2.3	244 278	2.3
1Q 2023	250 234	2.6	245 363	2.4	250 356	2.5
2Q 2023	256 406	2.5	250 954	2.3	256 063	2.3
3Q 2023	262 202	2.3	256 298	2.1	261 392	2.1
4Q 2023	267 384	2.0	260 790	1.8	265 471	1.6
1Q 2024	271 277	1.5	265 034	1.6	269 860	1.7
2Q 2024	274 982	1.4	268 740	1.4	273 983	1.5

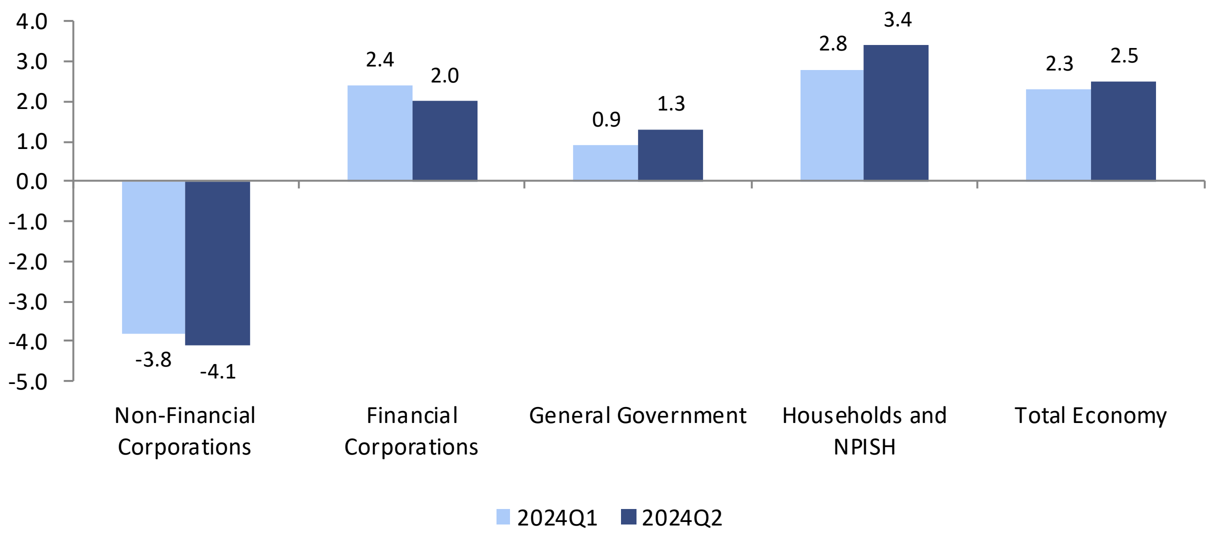
The improvement in the economy's balance reflected the increase in the balances of General Government (GG) and Households, which more than offset the reduction in the balances of Financial Corporations (FC) and Non-Financial Corporations (NFC). The GG surplus represented 1.3% of GDP, 0.4 p.p. more than in the previous quarter. The growth in the GG balance was the result of an increase in revenue (2.6%) greater than the increase in expenditure (1.7%). NFC net borrowing stood at 4.1% of GDP (0.3 p.p. more than in the previous quarter).

The Household balance has grown progressively since the 1st quarter of 2023, standing at 3.4% of GDP in the 2nd quarter of 2024, 0.6 p.p. more than in the previous quarter, reflecting the increase in Household savings, which grew by 9.7% as a result of the 2.2% increase in disposable income, higher than the 1.4% growth in private consumption.

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 2021	-1.1	2.4	-5.9	4.9	0.3
3Q 2021	-2.3	2.5	-3.9	4.6	1.0
4Q 2021	-2.8	2.5	-2.8	4.0	0.8
1Q 2022	-3.2	2.3	-1.7	2.3	-0.3
2Q 2022	-4.5	2.1	0.1	1.7	-0.6
3Q 2022	-5.3	2.0	1.0	1.3	-1.0
4Q 2022	-4.4	2.1	-0.3	1.3	-1.3
1Q 2023	-3.9	2.5	0.2	0.9	-0.4
2Q 2023	-3.4	2.7	0.0	1.3	0.6
3Q 2023	-3.7	2.7	0.4	1.9	1.4
4Q 2023	-4.0	2.5	1.2	2.0	1.6
1Q 2024	-3.8	2.4	0.9	2.8	2.3
2Q 2024	-4.1	2.0	1.3	3.4	2.5

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



Households: net lending increased to 3.4% of GDP

Net lending of Households stood at 3.4% of GDP in the year ending in the second quarter of 2024, which represented an increase of 0.6 percentage points compared with the previous quarter. This behaviour resulted from a 9.7% increase in household savings.

The Households' savings rate in the second quarter of 2024 (Figure 2) stood at 9.8% of disposable income. This evolution resulted from the 2.2% increase in the GDI (2.4% in the previous quarter), higher than the 1.4% growth in private consumption. Note that, unless otherwise indicated, the variables presented here are in nominal terms, which, in the case of private consumption, means that the evolution is marked by price growth. In real terms, private consumption increased by 0.7% in the year ending in the second quarter of 2024.

Figure 3 shows the breakdown of the growth of disposable income of households in the second quarter of 2024 compared with the previous quarter. In the year ending in the 2nd quarter of 2024, compensation of employees and gross operating surplus contributed by 1.6 and 0.3 percentage points, respectively, to that growth rate.

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

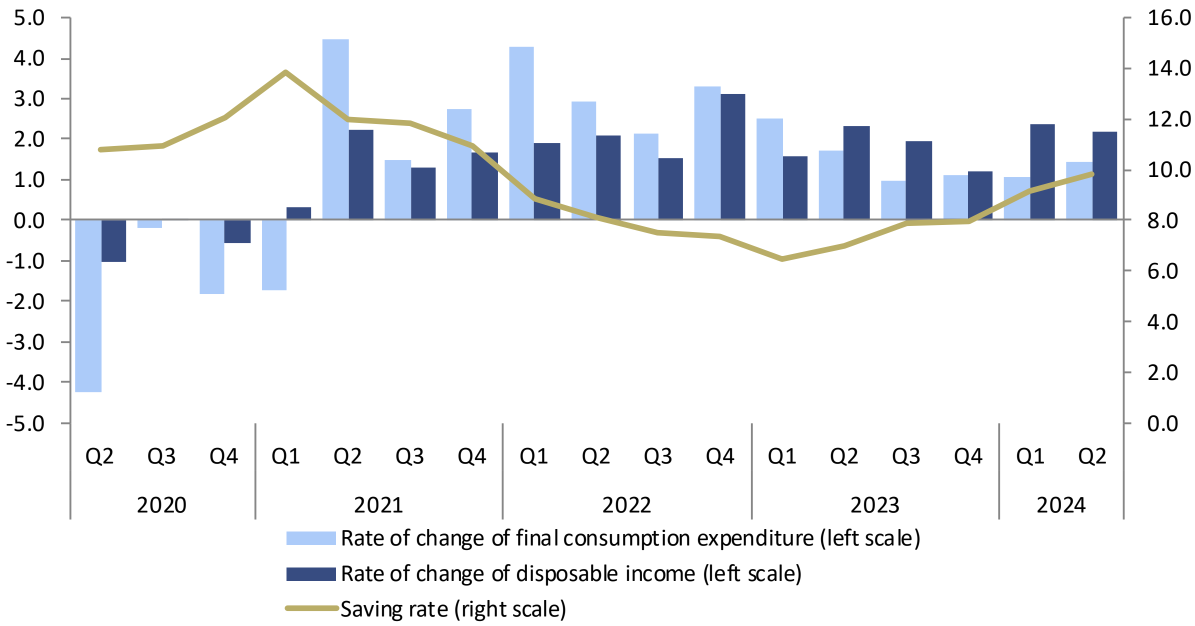
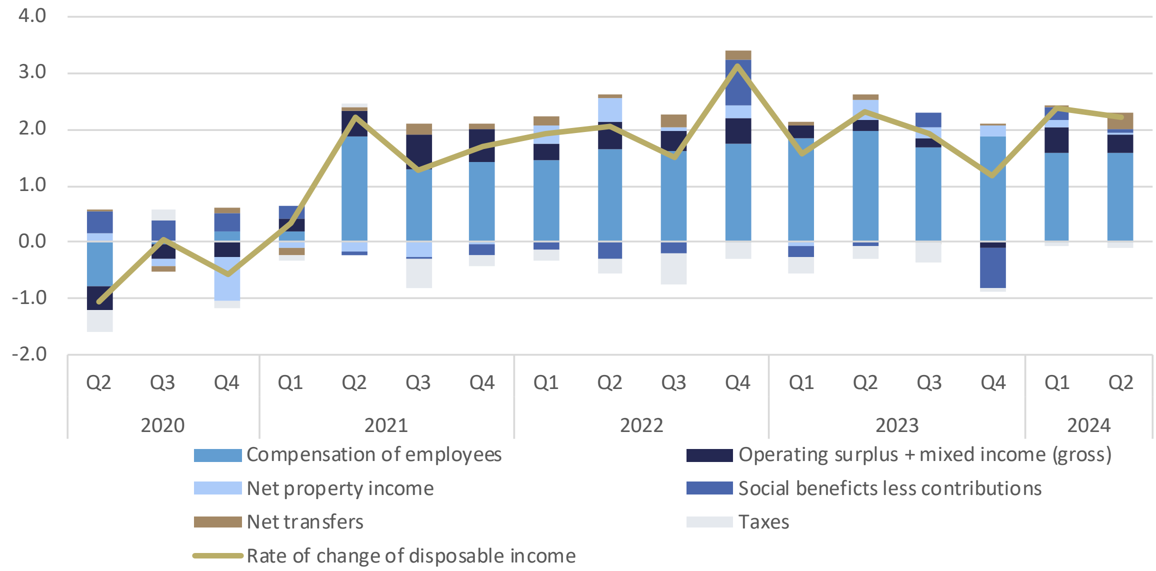


Figure 3. **Contributions to the rate of change of disposable income of Households and NPISH (percentage points, year ending in the reference quarter)**



The nominal GDI per capita of Households reached 17.7 thousand euros in the second quarter of 2024, which represented an increase of 1.9% compared with the previous quarter. Per capita compensation of employees reached 12.5 thousand euros, 2.0% more than 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, and which considers the implicit price index of final consumption expenditure as a deflator, increased by 1.0% compared with the previous quarter, after growth of 1.4% in the previous quarter. Real final consumption per capita increased by 0.5% in the second quarter of 2024 (0.2% in the previous quarter).

Households' Gross Fixed Capital Formation (GFCF), which essentially corresponds to GFCF in dwellings, increased by 0.4% in the second quarter of 2024 (the same rate of change in the previous quarter). The investment rate of Households (measured by the ratio between GFCF and disposable income) stood at 5.6%, 0.1 percentage points less than in the previous quarter.

Non-Financial Corporations: net borrowing increased by 0.3 percentage points of GDP

Non-financial corporations' net borrowing was 4.1% of GDP in the second quarter of 2024, 0.3 percentage points more than in the previous quarter.

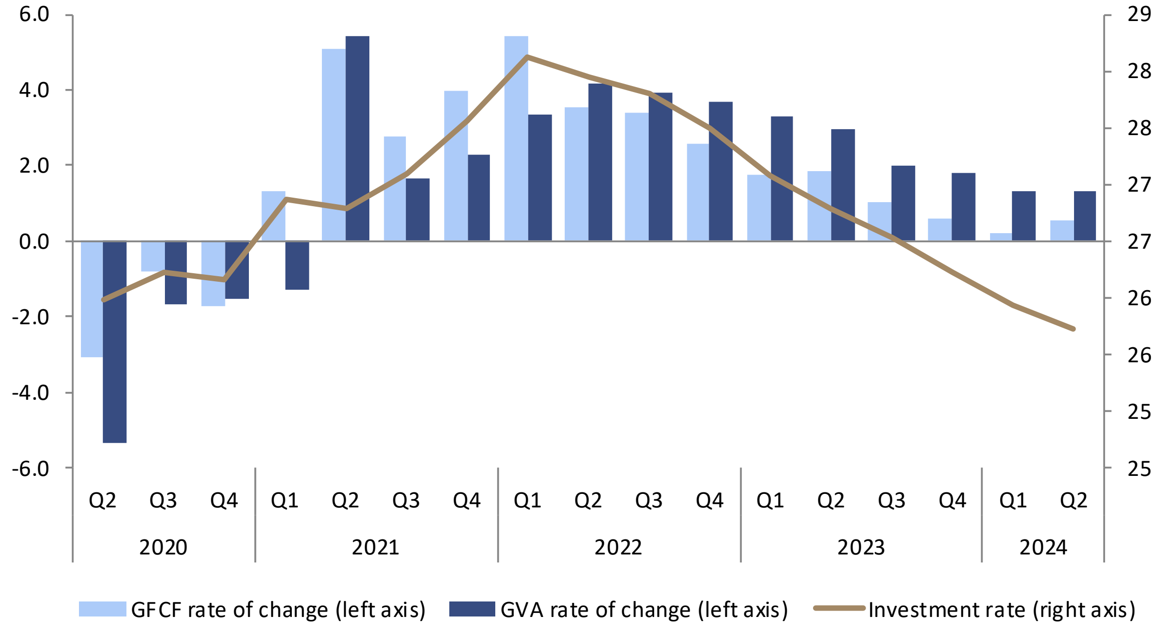
GVA rose by 1.3%, the same rate as in the previous quarter. This increase was accompanied by a 2.4% and -7.5% variation in compensation of employees and subsidies, respectively, which led to a 1.4% reduction in the Gross Operating Surplus.

The sector's net operating margin rate stood at 18.1% (1.1 percentage points less than in the previous quarter). This rate is obtained from the ratio between Net Operating Surplus and Net Value Added and corresponds to the percentage of value created in companies that is used to remunerate financial resources.

The increase in net borrowing by 0.3 percentage points of GDP resulted from the combined effect of the aforementioned reduction in the Gross Operating Surplus and the 0.5% increase in Gross Capital Formation, partially offset by the improvement in the balance of property income, which includes interest and dividends. Property income received and paid fell by 1.9% and 3.4%, respectively, compared with the previous quarter.

GFCF increased by 0.5% in the 2nd quarter of 2024 and maintained the series of positive quarter-on-quarter rates of change that began in the 1st quarter of 2021. The investment rate (measured by the ratio between GFCF and GVA) stood at 26.2%, which represents a decrease of 0.2 percentage points compared with the previous quarter, determined by the higher growth of GVA compared with GFCF.

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



Financial Corporations: net lending decreased to 2.0% of GDP

The net lending of Financial Corporations decreased by 0.4 percentage points, reaching 2.0% of GDP. This result was mainly driven by the worsening of the negative balance of property income, with income paid increasing by 4.8% while income received remained stable. The reduction in that balance more than offset the increase in the sector's GVA (which includes the financial intermediation margin obtained by banking institutions when granting loans and obtaining deposits (Financial Intermediation Service Indirectly Measured– FISIM) [3]), which grew 0.6% in the year ending in the second quarter of 2024.

In terms of distribution of GVA by production factors, compensation of employees paid increased by 1.7%, while the Gross Operating Surplus registered an increase of 1.2% in the second quarter of 2024 (1.4% and 3.6% in the previous quarter).

[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.

General Government: net balance increased 0.4 percentage points to 1.3% of GDP

The net balance of the GG sector increased by 0.4 percentage points in the year ending in the second quarter of 2024 compared with the previous quarter, attaining 1.3% of GDP. This increase was due to a higher increase in revenue (2.6%) than in expenditure (1.7%).

Tables 3 and 4 show the revenue and expenditure in the year ending the reference quarter, in nominal values and in rates of change, respectively.

Table 3. **Revenue and Expenditure of General Government**

(year ending in the reference quarter)

Unit: 10^6 EUR

	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2
Total revenue	**110 475.4**	**113 689.4**	**116 608.5**	**118 344.2**	**121 450.3**
Current revenue	108 321.3	111 200.7	113 508.9	115 233.1	118 424.9
Current taxes on income and wealth	27 146.1	27 876.8	28 454.1	28 770.1	29 688.3
Taxes on production and imports	37 028.3	38 017.7	38 712.2	39 284.8	40 020.3
Social contributions	31 253.0	31 975.2	32 819.3	33 501.8	34 327.2
Sales	8 124.8	8 177.5	8 370.7	8 399.1	8 567.6
Other current revenue	4 769.0	5 153.5	5 152.5	5 277.5	5 821.6
Capital revenue	2 154.1	2 488.8	3 099.6	3 111.1	3 025.3
Total expenditure	**110 382.9**	**112 564.6**	**113 361.7**	**115 952.4**	**117 943.4**
Current expenditure	100 597.6	102 523.0	102 871.2	105 286.3	107 298.5
Social benefits	46 106.7	47 294.3	46 905.6	47 970.0	48 957.4
Compensation of employees	26 863.9	27 299.7	27 919.0	28 532.7	29 085.7
Interest	4 988.5	5 246.5	5 526.1	5 643.5	5 685.0
Intermediate consumption	13 424.5	13 610.2	13 908.2	14 068.7	14 200.1
Subsidies	2 831.9	2 713.6	2 156.1	2 557.9	2 425.2
Other current expenditure	6 382.1	6 358.8	6 456.2	6 513.5	6 945.2
Capital expenditure	9 785.3	10 041.5	10 490.5	10 666.1	10 645.0
Investment (1)	6 185.3	6 375.3	7 031.4	7 109.8	7 195.6
Other capital expenditure	3 600.0	3 666.3	3 459.1	3 556.4	3 449.4
Current Balance	**7 723.8**	**8 677.6**	**10 637.7**	**9 946.8**	**11 126.5**
Balance	**92.5**	**1 124.9**	**3 246.8**	**2 391.8**	**3 506.8**
Memorandum items:					
Primary current expenditure	95 609.1	97 276.6	97 345.1	99 642.8	101 613.5
Gross Domestic Product at current market prices	256 405.9	262 202.4	267 384.3	271 276.6	274 981.7
Balance in % of GDP	**0.0**	**0.4**	**1.2**	**0.9**	**1.3**

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

The expenditure behaviour reflected the increase of 1.9% in current expenditure and a decrease of 0.2% in capital expenditure. All items of current expenditure, except subsidies (-5.2%), increased, standing out other current expenditure (6.6%), social benefits (2.1%) and compensation of employees (1.9%). The primary current expenditure, that excludes interest paid, increased 2.0% in the year ending in the second quarter of 2024.

The decrease in capital expenditure was a result of an increase in investment (1.2%) and a decrease in other capital expenditure (-3.0%).

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

(%; year ending in the reference quarter)

Unit: %

	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2
Total revenue	**1.8**	**2.9**	**2.6**	**1.5**	**2.6**
Current revenue	1.6	2.7	2.1	1.5	2.8
Current taxes on income and wealth	3.4	2.7	2.1	1.1	3.2
Taxes on production and imports	0.5	2.7	1.8	1.5	1.9
Social contributions	2.6	2.3	2.6	2.1	2.5
Sales	2.7	0.6	2.4	0.3	2.0
Other current revenue	-7.6	8.1	-0.0	2.4	10.3
Capital revenue	17.3	15.5	24.5	0.4	-2.8
Total expenditure	**2.2**	**2.0**	**0.7**	**2.3**	**1.7**
Current expenditure	1.8	1.9	0.3	2.3	1.9
Social benefits	1.7	2.6	-0.8	2.3	2.1
Compensation of employees	2.1	1.6	2.3	2.2	1.9
Interest	4.0	5.2	5.3	2.1	0.7
Intermediate consumption	2.1	1.4	2.2	1.2	0.9
Subsidies	4.8	-4.2	-20.5	18.6	-5.2
Other current expenditure	-1.6	-0.4	1.5	0.9	6.6
Capital expenditure	6.1	2.6	4.5	1.7	-0.2
Investment (1)	3.7	3.1	10.3	1.1	1.2
Other capital expenditure	10.4	1.8	-5.7	2.8	-3.0
Memorandum items:					
Primary current expenditure	1.7	1.7	0.1	2.4	2.0

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

Total revenue increased by 2.6% due to the increase of current revenue by 2.8% and a decrease in capital revenue by 2.8%. All items of current revenue increased, with revenue from taxes on income and wealth standing out with an increase of 3.2%, social contributions 2.5%, taxes on production and imports 1.9%, sales 2.0% and other current revenue 10.3%.

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 2023 and 2024.

Table 5. **Revenue and Expenditure of General Government**

(quarterly figures)

	2nd quarter 2023		2nd quarter 2024		Nominal rate of change (%)
	10^6 EUR	% GDP	10^6 EUR	% GDP	
Total revenue	**27 209.8**	**40.5**	**30 315.8**	**42.7**	**11.4**
Current revenue	26 508.2	39.4	29 700.0	41.9	12.0
Current taxes on income and wealth	5 680.6	8.5	6 598.8	9.3	16.2
Taxes on production and imports	9 145.9	13.6	9 881.5	13.9	8.0
Social contributions	8 259.4	12.3	9 084.8	12.8	10.0
Sales	2 042.9	3.0	2 211.3	3.1	8.2
Other current revenue	1 379.4	2.1	1 923.5	2.7	39.4
Capital revenue	701.6	1.0	615.8	0.9	-12.2
Total expenditure	**26 570.9**	**39.5**	**28 561.8**	**40.3**	**7.5**
Current expenditure	24 560.8	36.5	26 573.0	37.5	8.2
Social benefits	10 386.4	15.5	11 373.8	16.0	9.5
Compensation of employees	7 301.9	10.9	7 854.9	11.1	7.6
Interest	1 363.2	2.0	1 404.6	2.0	3.0
Intermediate consumption	3 462.3	5.2	3 593.6	5.1	3.8
Subsidies	580.8	0.9	448.2	0.6	-22.8
Other current expenditure	1 466.3	2.2	1 897.9	2.7	29.4
Capital expenditure	2 010.0	3.0	1 988.9	2.8	-1.1
Investment (1)	1 480.9	2.2	1 566.7	2.2	5.8
Other capital expenditure	529.2	0.8	422.2	0.6	-20.2
Current Balance	**1 947.4**	**2.9**	**3 127.0**	**4.4**	
Balance	**638.9**	**1.0**	**1 754.0**	**2.5**	
Memorandum items:					
Primary current expenditure	23 197.7	34.5	25 168.4	35.5	8.5

(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 2024, attaining 1 754.0 million euros (2.5% of GDP), which compares with 1.0% of GDP for the same period of the previous year. This variation reflects the increases in both total expenditure and total revenue, by 11.4% and 7.5%, respectively.

Within total expenditure, current expenditure increased by 8.2%, due to increases in social benefits (9.5%), compensation of employees (7.6%), interests paid (3.0%), intermediate consumption (3.8%) and other current expenditure (29.4%), as subsidies decreased by 22.8% after increasing significantly in the previous quarter. The primary current expenditure, that excludes interest paid, increased 8.5% in the second quarter of 2024. Capital expenditure decreased 1.1%, given the 5.8% increase in investment and the 10.2% decrease in other capital expenditure.

The increase by 12.0% of current revenue was due to increases in all its components. Capital revenue decreased by 12.2%.

Table 6 presents the main adjustments carried out for moving from Public Accounts to National Accounts balances in the first semesters of 2023 and 2024.

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

Unit: 10^6 EUR

	2023S1	2024S1
Balance in Public Accounting:	**4 841.8**	**-2 954.6**
Accrual adjustment and sector delimitation in National Accounts	-2 683.0	30.8
Difference between paid and due interest	471.0	535.4
Other receivables:	-54.4	4 262.8
Time adjustment of taxes and social contributions	-269.2	796.5
Others	214.9	3 466.4
Other payables:	-412.6	145.3
Expenditure already incurred but not yet paid	-242.6	-237.6
Others	-170.0	382.9
Other adjustments:	-715.4	-312.2
of which:		
Capital injections and debt assumptions	-1 066.2	-895.7
Balance in National Accounting:	**1 447.3**	**1 707.4**
GDP (1)	129 552.9	137 150.3
Balance in National Accounting in % of GDP	**1.1**	**1.2**

(1) Non seasonally and calendar effects adjusted data

Comparing the first half of 2024 with the same period of 2023, an increase is noticeable in national accounts balance, despite of a decrease in public accounts balance. 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, with a negative impact of 3 018 million euros in the transition from public accounting to national accounting[4].

In national accounts, the GG net balance changed to 1.2% of GDP in the first semester of 2024 from 1.1% in the same period of 2023. The entirety of the expenditure in capital injections and debt assumptions was granted to public corporations classified inside GG, with a neutral impact in the balance.

As mentioned in previous press releases, 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. Additionally, in the first half of 2024, an

[4] 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.

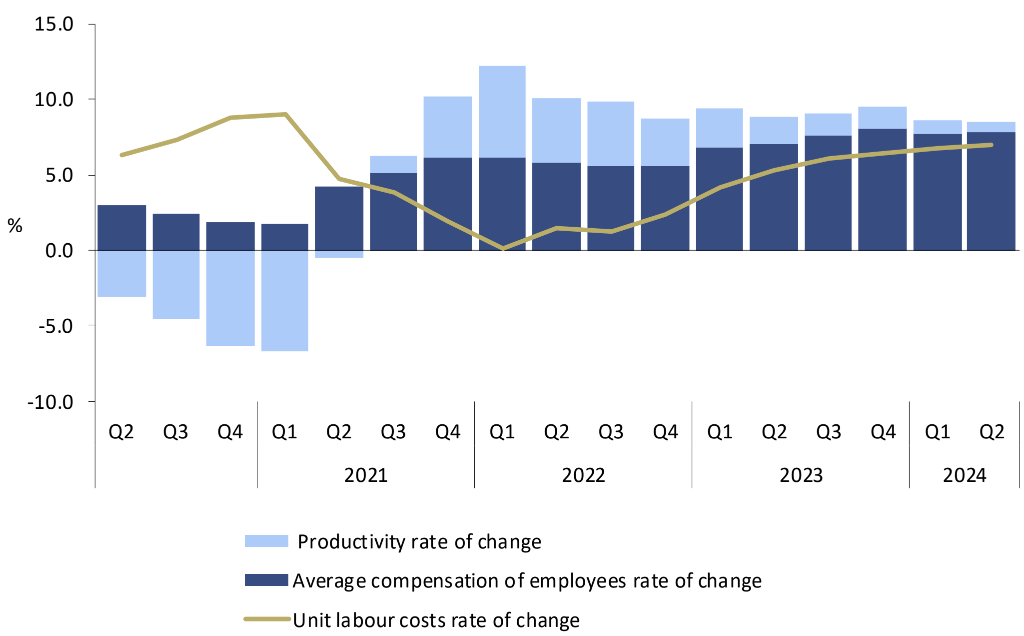
adjustment was made regarding the extension of the deadline until 15th of July, for delivery and respective payment of the declaration of the Corporate Income Tax, with a positive impact of 3 199 million euro on the balance of the 2nd quarter of 2024, which will have the opposite effect in the following quarter.

For a more detailed analysis see the press release Main Aggregates of General Government and Excessive Deficit Procedure simultaneously published with this press release.

Unit labour costs (ULC) increased by 7.0%

In the year ending in the second quarter of 2024, UCL increased by 7.0% in year-on-year terms, which compares with a growth rate of 6.8% in the previous quarter. This result was due to the 7.8% increase in average compensation of employees, which surpassed the 0.7% increase in productivity.

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



Revisions compared to the previous estimates

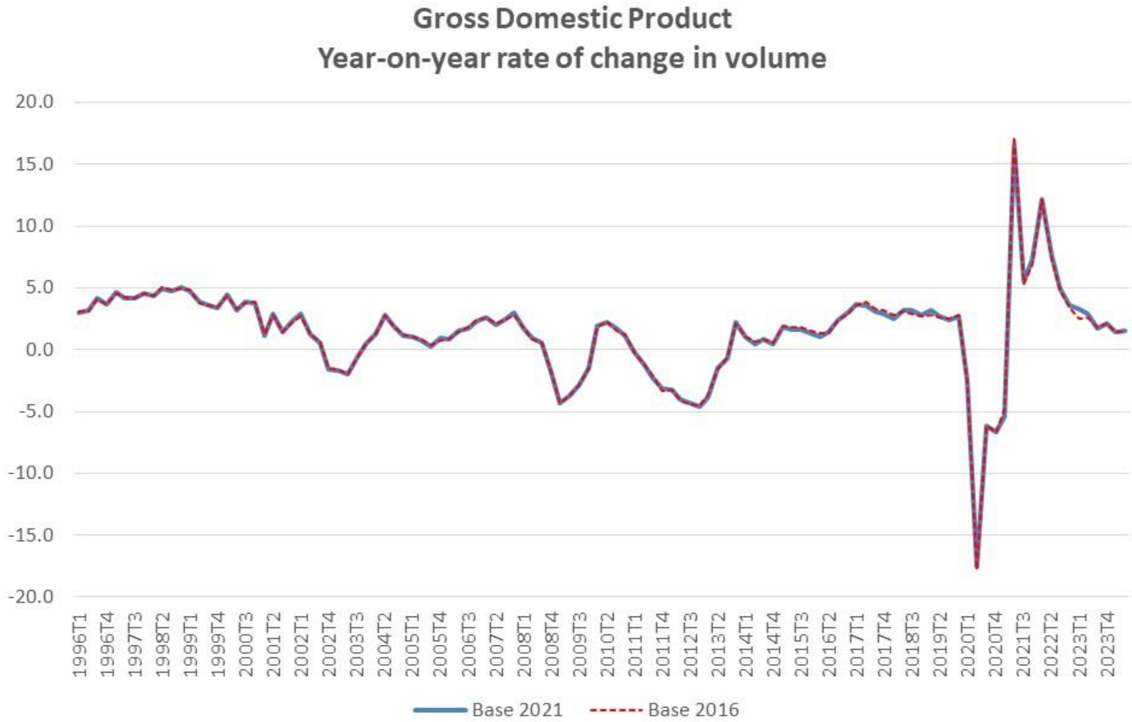
The Quarterly Sector Accounts presented here are the first quarterly results of the new National Accounts base (base 2021) and replace the previous results published according to the 2016 base. The main differences result from: i) the structural changes underlying the annual results of the 2021 base of the Portuguese National Accounts also released today (see press release 'Annual National Accounts - base 2021'); ii) the incorporation of new statistical information, namely in transactions originating in the Balance of Payments; iii) and the integration of improvements in calculation methods and procedures, including recommendations arising from the ongoing dialogue with Eurostat.

Mention should also be made of the use of the most recent versions of the Monetary and Financial Statistics produced by Banco de Portugal, as well as the most recent information from the international trade in goods statistics and the data on the GG sector also published today.

Quarterly National Accounts

As a result of the change to the 2021 base, the Quarterly National Accounts (QNA) for the economy as a whole have also been revised, thus ensuring the total consistency of the national accounting aggregates now available. The chain-linked QNA volume data now has 2021 as the reference year for the chain-linking and is available in the National Accounts area of the Statistics Portugal website.

As it can be seen in the following picture, there were no significant changes in the time profile of the behaviour of the previously published GDP rates of change in volume.



Although minor, the changes are greater in the rates of change for 2022, mainly due to the impact of revisions of the annual results, which were previously provisional and are now final, incorporating information that was not available at the time. This impact resulted in a reassessment of the real GDP growth rate from 6.8% to 7.0% in 2022, and from 2.3% to 2.5% of GDP in 2023.

In addition, in accordance with the QNA basic methodology, the econometric models for the various GDP aggregates from the expenditure and supply sides were re-estimated, which also contributed to the changes in the quarterly estimates released last August.

Finally, the updating of the basic information and the incorporation of the new quarterly series from the Balance of Payments statistics was an additional factor in revisions with an impact on the behaviour of imports and exports of services.

According to the new information, the year-on-year rate of change in GDP in the 2nd quarter of 2024 stood at 1.6% (it was 1.5% in the previous publication, based on 2016 benchmark), compared to 1.4% in the previous quarter. The quarter-on-quarter rate of change of GDP was 0.2% in the 2nd quarter of 2024 (0.1% in the previous publication), compared to 0.6% in the previous quarter.

METHODOLOGICAL NOTE

The results presented correspond to the preliminary version of the Quarterly Sector Accounts (QSA) for the second quarter of 2024.

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 rates 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 percentage points with opposite sign to the net borrowing or lending of the rest of the world.

Final consumption: Final consumption expenditure is expenditure on goods and services used by institutional units to satisfy individual and collective needs.

Unit Labour Costs (ULC): Measure the average cost of labour per unit of output and are calculated as the ratio of average worker compensation to real GDP by employee.

Gross Fixed Capital Formation (GFCF): Gross Fixed Capital Formation (P.51g) consists of resident producers' acquisitions, less disposals, of fixed assets during a given period plus certain additions to the value of non-produced assets realised by the productive activity of producer or institutional units. Fixed assets are produced assets used in production for more than one year.

Gross Capital Formation (Investment): The Gross Capital Formation (or Investment) (P.5) includes (GFCF) changes in inventories (P.52) and acquisitions less disposals of valuables (P.53).

Disposable income: Disposable income refers to the value that each institutional sector has available to affect to final consumption expenditure or saving.

Adjusted Gross Disposable Income of Households: Corresponds to the sum of gross disposable income of Households and social transfers in kind, that is, it includes value of goods and services that are purchased or produced by GG or NPISH and intended for household consumption, such as, for example, co-payments in the purchase of medicines by households.

Gross National Income (GNI): Gross National Income (at market prices) represents total primary income receivable by resident institutional units: compensation of employees, taxes on production and imports less subsidies, property income (receivable less payable), operating surplus and mixed income.

Property income: Property income accrues when the owners of financial assets and natural resources put them at the disposal of other institutional units. It corresponds to the income receivable by the owner of a financial asset or an asset not produced tangible to remunerate the fact of making funds or assets not produced tangible at the disposal of another institutional unit.

Saving: These aggregate measures the portion of disposable income that is not used for final consumption expenditure. If saving is positive, the remaining income is used in the acquisition of assets or in the reduction of liabilities. If saving is negative, some assets are reduced or some liabilities are increased.

Gross Domestic Product (GDP): Gross Domestic Product (at market prices) is the final result of the production activity of resident producer units. It can be defined in three ways: 1) production approach: GDP is the sum of gross value added of the various institutional sectors or the various industries plus taxes and less subsidies on products (which are not allocated to sectors and industries); 2) expenditure approach: GDP is the sum of final uses of goods and services by resident institutional units (final consumption and gross capital formation), plus exports and minus imports of goods and services; 3) income approach: GDP is the sum of uses in the total economy generation of income account (compensation of employees, taxes on production and imports less subsidies, gross operating surplus and mixed income of the total economy).

Institutional sector: The institutional sector aggregates institutional units with similar economic behaviour. The institutional units are grouped into sectors on the basis of the type of producer they are and depending on their principal activity and function, which are considered to be indicative of their economic behaviour. The institutional sectors are as follows: Non-Financial Corporations (S.11); Financial Corporations (S.12); General Government (S.13); Households and Non-Profit Institutions Serving Households (NPISH)(S.1M); Rest of the World (S.2).

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

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

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

Households saving rate: The households saving rate measures the part of de disposable income which is not spent as final consumption expenditure, and it is calculated as the ratio between gross saving and disposable income (includes the adjustment for the change in pension entitlements).

Next release of Quarterly Sector Accounts – 23rd December 2024