



22nd December 2023
QUARTERLY SECTOR ACCOUNTS (BASE 2016)
Third Quarter 2023

EXTERNAL BALANCE OF THE PORTUGUESE ECONOMY INCREASED TO 2.7% OF GDP

The Portuguese economy¹ recorded a net lending of 2.7% of Gross Domestic Product (GDP) in the third quarter of 2023, 1.0 percentage points more than in the previous quarter. Gross National Income (GNI) and Gross Disposable Income (GDI) increased both by 2.4% (growths of 2.3% and 2.4% in the year ending in the second quarter, respectively). The improvement of the economy's external balance reflected the increases in the balances of General Government and Households² by 0.5 percentage points of GDP.

The disposable income of Households sector was up by 1.9% compared to the previous quarter, with increases of 2.3% and 0.6% in compensation of employees and Gross Added Value (GVA), respectively. Final consumption expenditure grew 1.1% (1.6% in the previous quarter), leading to an increase in the savings rate to 6.6% (5.8% in the previous quarter), which led to a net lending of 1.1% of GDP (0.6% of GDP in the previous quarter). In real terms, the adjusted GDP per capita of Households increased by 0.7% in the third quarter of 2023.

The balance of Non-Financial Corporations stood at -1.1% of GDP, improving by 0.2 percentage points compared to the second quarter of 2023. GVA recorded an increase of 2.3%, 0.9 percentage points less than in the previous quarter, while Gross Capital Formation increased by 2.7%.

Net lending of Financial Corporations reached 2.2% of GDP, with the sector's GVA growing by 9.3% in the third quarter of 2023, reflecting the growth in the financial intermediation margin obtained by banking institutions when granting loans and obtaining deposits, due to the increase in interest rates, particularly on loans.

The balance of the General Government sector increased by 0.5 percentage points in the third quarter of 2023, shifting from a zero balance in the second quarter to a net lending of 0.5% of GDP, as a result of an increase in revenue (2.9%) higher than the increase in expenditure (1.9%). Considering quarterly values and not the year ending in the quarter, the GG balance in the third quarter of 2023 reached 5,235.6 million euros, corresponding to 7.7% of GDP, which compares with 6.6% in the same period of the previous year. Compared to the same period of the previous year, there was an increase of 10.7% in revenue and 8.0% in expenditure.

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 2.7% of GDP

The Portuguese economy presented a net lending of 2.7% of GDP in the third quarter of 2023, 1.0 percentage points more than in the previous quarter. Nominal GDP increased by 2.3% compared to the previous quarter and 10.2% compared to the same quarter of the previous year. GNI and GDI both increased by 2.4% compared to the previous quarter (growths of 2.3% and 2.4% in the year ending in the second quarter, respectively).

The increase in the GDI of the economy in the third quarter of 2023 was higher than the 1.2% growth in final consumption expenditure (which includes the final consumption expenditure by Households and GG), leading to the 7.1% increase of the economy's gross savings. In the third quarter of 2023, gross savings represented 21.0% of GDP (0.9 percentage points more than in the previous quarter and 1.8 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 to 2.7% of GDP in the third quarter of 2023. Considering the quarterly values and not the year ending in the quarter, the net lending represented 5.7% of GDP in the third quarter of 2023 (2.3% in the previous quarter and 1.9% in the same quarter of the previous year).

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 (%)
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	248 484	2.5	244 849	2.4	250 986	2.5
2Q 2023	254 470	2.4	250 516	2.3	256 939	2.4
3Q 2023	260 325	2.3	256 617	2.4	263 024	2.4



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
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	-1.7	1.9	0.1	0.2	0.5
2Q 2023	-1.3	2.4	0.0	0.6	1.7
3Q 2023	-1.1	2.2	0.5	1.1	2.7

The increase of the economy's external balance mainly reflected the increase recorded in the balances of General Government and Households (more 0.5 percentage points of GDP in both sectors).

The net lending of Financial Corporations reached 2.2% of GDP in the third quarter of 2023, 0.2 percentage points less than in the previous quarter, reflecting the worsening of the negative balance of property.

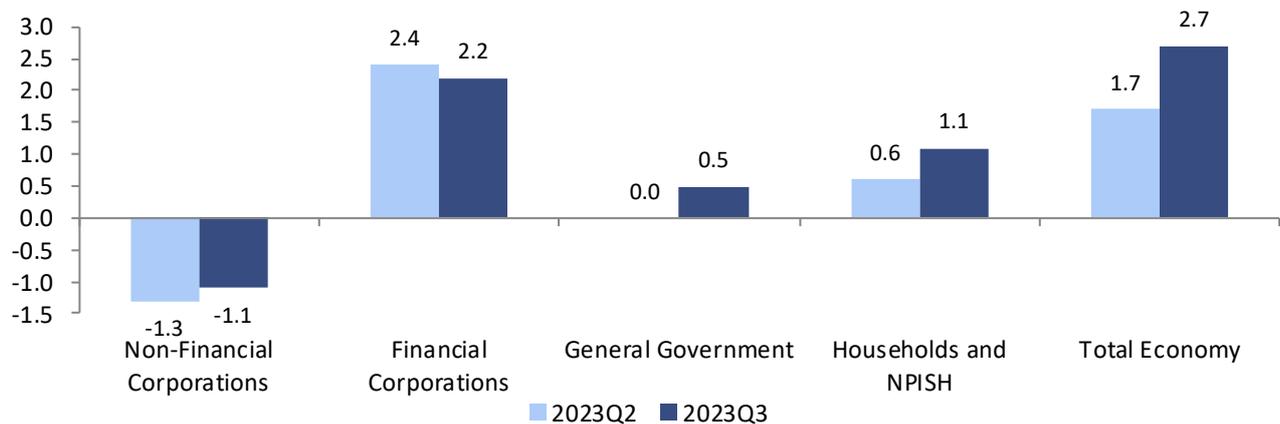
Non-Financial Corporations net borrowing decreased to 1.1% of GDP, 0.2 percentage points less than in the previous quarter, driven by the 2.3% increase in GVA in the third quarter.

Households' net lending stood at 1.1% of GDP in the third quarter of 2023, reflecting the increase in savings, which resulted from the 1.9% increase in the disposable income, higher than the 1.1% growth in private consumption.

The balance of the General Government sector increased by 0.5 percentage points in the third quarter of 2023, shifting from a nil balance in the second quarter to a net lending of 0.5% of GDP, as a result of an increase in revenue (2.9%) higher than the increase in expenditure (1.9%).



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



Households: net lending stood at 1.1% of GDP

Net lending of Households stood at 1.1% of GDP in the year ending in the third quarter of 2023, which represented an increase of 0.5 percentage points compared to the previous quarter, as a result of the 14.9% increase in savings (9.7% in previous quarter).

The Households' saving rate (Figure 2) was 6.6% of disposable income, 0.8 percentage points more compared to the previous quarter. This result was a consequence of the 1.9% increase in the disposable income (2.0% in the previous quarter), higher than the 1.1% 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 behaviour of consumer prices. In real terms, private consumption registered a nil rate of change in the year ending in the third 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 third quarter of 2023. Compensation of employees and the balance of property income contributed by 1.6 and 0.4 percentage points, respectively, to this rate of change, with emphasis also on the negative contribution of the taxes (on income and assets) by 0.3 percentage points.

Nominal adjusted GDI of Households per capita (GDla) stood at 17.0 thousand euros in the year ending in the third quarter of 2023, which represented an increase of 1.8% compared to the previous quarter. Per capita compensation of employees reached 11.9 thousand euros, 2.3% more than in the previous quarter.

It should be noted that GDla 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 0.7%, after a growth of 0.6% in the previous



quarter. On the other hand, real final consumption per capita decreased by 0.1% in the third quarter of 2023 (growth of 0.3% in the previous quarter).

Households' Gross Fixed Capital Formation (GFCF), which essentially corresponds to GFCF in dwellings, recorded a rate of change of 0.3% in the third quarter of 2023 (0.5% in the second quarter). The investment rate of Households (measured by the ratio between GFCF and disposable income) stood at 5.8%, 0.1 percentage points less than in the previous quarter.

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

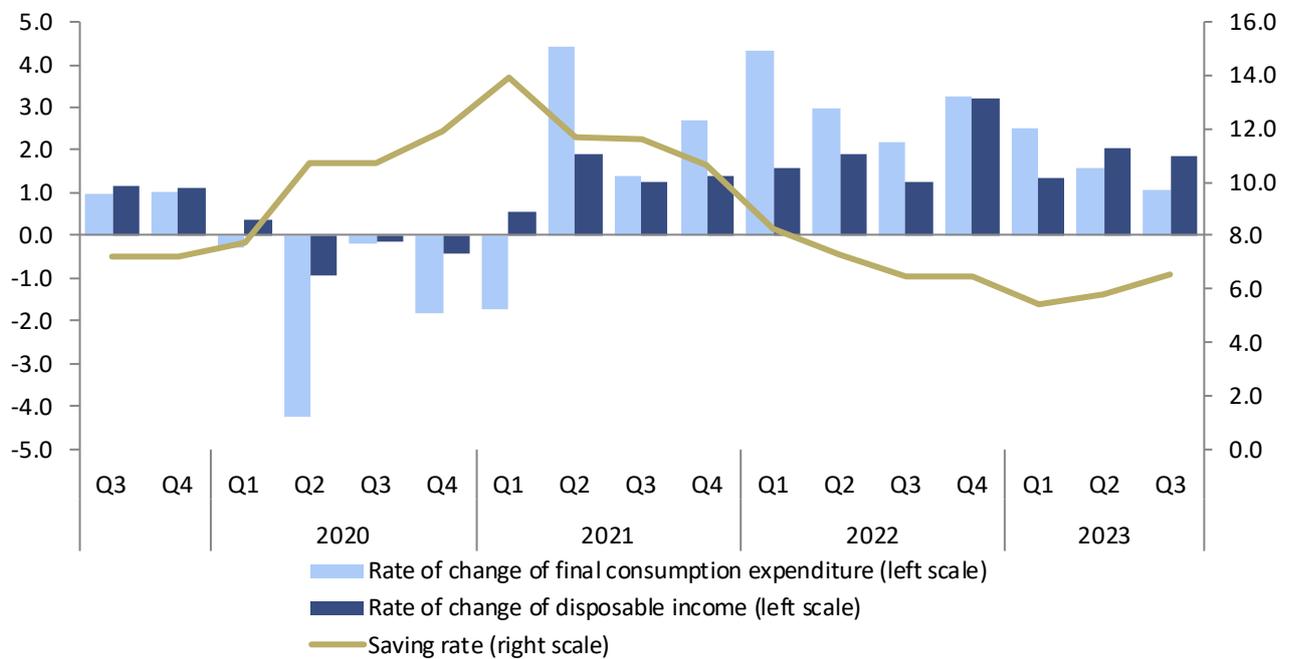
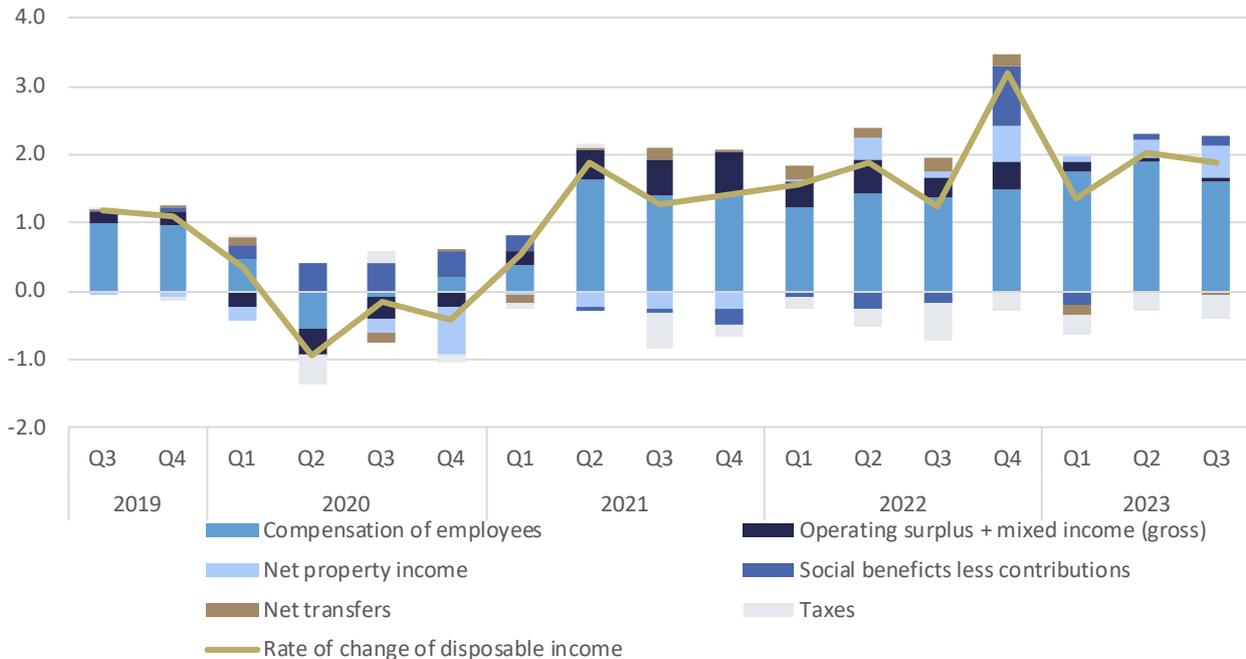




Figure 3. Contributions to the rate of change of disposable income of Households and NPISH (percentage points, year ending in the reference quarter)



Non-Financial Corporations: net borrowing stood at 1.1% of GDP

Non-financial corporations' net borrowing stood at 1.1% of GDP in the third quarter of 2023, 0.2 percentage points less than in the previous quarter and 2.9 percentage points less than in the same quarter of the previous year.

The sector's GVA recorded an increase of 2.3%, 0.9 percentage points less than in the previous quarter. This increase along with a 2.6% growth in compensation of employees paid, led to a slowdown of the Gross Operating Surplus to 1.7% (3.4% growth in the previous quarter).

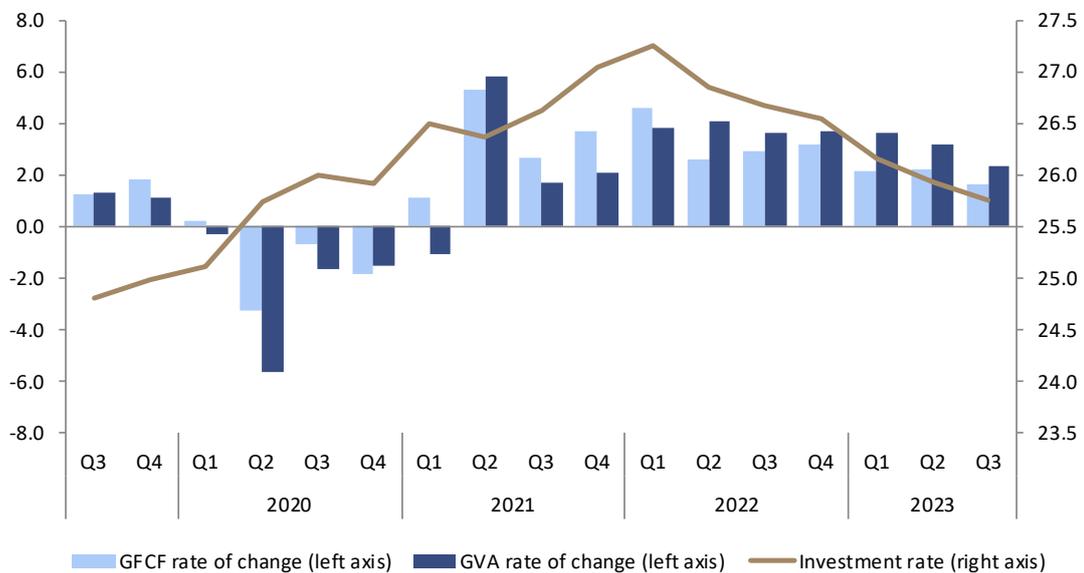
The sector's net operating margin rate stood at 24.2% (0.2 percentage points less than in the previous quarter). This rate is obtained by the ratio between Net Operating Surplus and Net Value Added³ and corresponds to the percentage of value created that is intended for compensation of the financial resources invested in corporations.

The aforementioned growth in GVA and consequently in savings, mainly contributed to the reduction in the need borrowing, which more than offset the increase in GFCF. GFCF increased by 1.6% in the third quarter of 2023 (2.2% in the previous quarter). The investment rate (measured through the ratio between GFCF and GVA) stood at 25.7%, 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 2.2% of GDP

The net lending of Financial Corporations increased to 2.2% of GDP, 0.2 percentage points less than in the previous quarter. The GVA of the sector, which includes the financial intermediation margin obtained by banking institutions when granting loans and obtaining deposits (Indirectly Measured Financial Intermediation Service – FISIM)⁴, registered a pronounced growth of 9.3% (9.2% in the previous quarter). This result was offset by the worsening of the negative balance of property income, with income paid and received registering growth rates of 20.2% and 10.8%, respectively, compared to the previous quarter.

In terms of GVA distribution, compensation of employees paid increased by 1.1%, while the Gross Operating Surplus registered an increase of 16.7% in the third quarter of 2023 (13.3% in the previous quarter and 67.3% compared to the same quarter of the previous year).

⁴ 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 0.5 percentage points to 0.5% of GDP

The net balance of the GG sector increased by 0.5 percentage points in the year ending in the third quarter of 2023 compared with the year ending in the previous quarter, attaining 0.5% of GDP. This increase was due to a higher increase in revenue (2.9%) than in expenditure (1.9%).

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: 10⁶ EUR

	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3
Total revenue	104 350.5	106 094.4	108 125.3	110 090.1	113 296.0
Current revenue	103 042.3	104 614.8	106 441.9	108 105.7	110 988.8
Current taxes on income and wealth	24 935.0	25 689.5	26 207.4	27 105.1	27 838.6
Taxes on production and imports	36 136.9	36 329.8	36 684.5	36 867.8	37 790.3
Social contributions	28 965.5	29 641.5	30 416.3	31 187.9	31 884.3
Sales	7 506.5	7 746.5	7 747.6	7 841.5	7 835.5
Other current revenue	5 498.4	5 207.5	5 386.2	5 103.5	5 640.2
Capital revenue	1 308.2	1 479.6	1 683.4	1 984.4	2 307.1
Total expenditure	101 913.4	106 873.6	107 820.3	110 024.2	112 099.5
Current expenditure	94 513.0	97 656.3	98 425.8	100 111.4	101 862.2
Social benefits	42 747.0	44 841.3	45 037.4	45 874.0	46 811.3
Compensation of employees	25 591.9	25 825.1	26 186.1	26 707.9	27 166.3
Interest	4 751.7	4 664.2	4 863.5	5 118.1	5 452.2
Intermediate consumption	13 104.6	13 370.0	13 531.6	13 662.3	13 817.3
Subsidies	2 007.2	2 685.1	2 661.4	2 729.6	2 585.9
Other current expenditure	6 310.6	6 270.6	6 145.9	6 019.5	6 029.3
Capital expenditure	7 400.4	9 217.2	9 394.4	9 912.7	10 237.3
Investment ⁽¹⁾	5 676.6	5 804.1	5 890.9	6 068.8	6 341.6
Other capital expenditure	1 723.8	3 413.1	3 503.5	3 843.9	3 895.7
Current Balance	8 529.3	6 958.5	8 016.1	7 994.3	9 126.6
Balance	2 437.1	-779.1	305.0	66.0	1 196.4
<i>Memorandum items:</i>					
Primary current expenditure	89 761.3	92 992.1	93 562.4	94 993.3	96 410.0
Gross Domestic Product at current market prices	236 213.4	242 340.8	248 483.9	254 469.6	260 324.8
Balance in % of GDP	1.0	-0.3	0.1	0.0	0.5

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

The expenditure behaviour reflected the increase of 1.7% in current expenditure and 3.3% in capital expenditure. The growth of current expenditure was determined by the increase in social benefits (2.0%), compensation of employees (1.7%), interest (6.5%), intermediate consumption (1.1%) and other current expenditure (0.2%). On the other hand, subsidies paid decreased by 5.3%. The primary current expenditure, that excludes interest paid, increased 1.5% in the year ending in the third quarter of 2023.



The 3.3% increase in capital expenditure was a result of an increase in investment (4.5%) and in other capital expenditure (1.3%).

Table 4. Revenue and Expenditure of General Government
(%; year ending in the reference quarter)

	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3
	Unit: %				
Total revenue	3.0	1.7	1.9	1.8	2.9
Current revenue	4.2	1.5	1.7	1.6	2.7
Current taxes on income and wealth	10.6	3.0	2.0	3.4	2.7
Taxes on production and imports	2.4	0.5	1.0	0.5	2.5
Social contributions	2.2	2.3	2.6	2.5	2.2
Sales	4.6	3.2	0.0	1.2	-0.1
Other current revenue	-1.7	-5.3	3.4	-5.2	10.5
Capital revenue	-45.1	13.1	13.8	17.9	16.3
Total expenditure	0.7	4.9	0.9	2.0	1.9
Current expenditure	0.7	3.3	0.8	1.7	1.7
Social benefits	0.8	4.9	0.4	1.9	2.0
Compensation of employees	0.7	0.9	1.4	2.0	1.7
Interest	-1.9	-1.8	4.3	5.2	6.5
Intermediate consumption	1.3	2.0	1.2	1.0	1.1
Subsidies	-7.0	33.8	-0.9	2.6	-5.3
Other current expenditure	3.4	-0.6	-2.0	-2.1	0.2
Capital expenditure	0.9	24.6	1.9	5.5	3.3
Investment ⁽¹⁾	-0.1	2.2	1.5	3.0	4.5
Other capital expenditure	4.4	98.0	2.6	9.7	1.3
<i>Memorandum items:</i>					
Primary current expenditure	0.8	3.6	0.6	1.5	1.5

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

Total revenue increased by 2.9% due to the increase of current revenue by 2.7% and capital revenue by 16.3%. Except for sales (that decreased 0.1%), all items of current revenue increased, with revenue from social contributions standing out with an increase of 2.2% and taxes on income and wealth 2.7%, in line with the year ending in the previous quarter. The increase in capital revenue is related to the higher 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 third quarters of 2022 and 2023.



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

	3 rd quarter 2022		3 rd quarter 2023		Nominal rate of change (%)
	10 ⁶ EUR	% GDP	10 ⁶ EUR	% GDP	
Total revenue	30 010.2	48.6	33 216.0	49.1	10.7
Current revenue	29 758.6	48.2	32 641.7	48.3	9.7
Current taxes on income and wealth	9 722.0	15.7	10 455.5	15.5	7.5
Taxes on production and imports	9 633.8	15.6	10 556.3	15.6	9.6
Social contributions	7 289.5	11.8	7 985.9	11.8	9.6
Sales	2 053.3	3.3	2 047.4	3.0	-0.3
Other current revenue	1 060.0	1.7	1 596.7	2.4	50.6
Capital revenue	251.6	0.4	574.3	0.8	128.3
Total expenditure	25 904.8	41.9	27 980.2	41.4	8.0
Current expenditure	24 218.0	39.2	25 968.8	38.4	7.2
Social benefits	11 702.0	18.9	12 639.3	18.7	8.0
Compensation of employees	6 000.2	9.7	6 458.6	9.5	7.6
Interest	1 237.4	2.0	1 571.4	2.3	27.0
Intermediate consumption	3 266.5	5.3	3 421.5	5.1	4.7
Subsidies	495.7	0.8	352.1	0.5	-29.0
Other current expenditure	1 516.2	2.5	1 525.9	2.3	0.6
Capital expenditure	1 686.8	2.7	2 011.4	3.0	19.2
Investment ⁽¹⁾	1 373.8	2.2	1 646.6	2.4	19.9
Other capital expenditure	313.0	0.5	364.8	0.5	16.5
Current Balance	5 540.7	9.0	6 672.9	9.9	
Balance	4 105.4	6.6	5 235.9	7.7	
<i>Memorandum items:</i>					
Primary current expenditure	22 980.6	37.2	24 397.4	36.1	6.2

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

Considering quarterly figures rather than the sum of four quarters, the net balance of the GG was positive in the third quarter of 2023, attaining 5 235.9 million euros (7.7% of GDP), which compares with 6.6% of GDP for the same period of the previous year. This variation reflects the increases in both total expenditure and total revenue, by, 8.0% and 10.7%, respectively.

Within total expenditure, current expenditure increased by 7.2%, due to increases in social benefits (8.0%), compensation of employees (7.6%), interests paid (27.0%), intermediate consumption (4.7%) and other current expenditure (0.6%). Only subsidies decreased, by 29.0%. The primary current expenditure, that excludes interest paid, increased 6.2% in the third quarter of 2023. Capital expenditure increased 19.2%, given the 19.9% increase in investment and 16.5% in other capital expenditure, the latter due to the larger amounts of investment grants paid under the RRF.

The increase by 9.7% of current revenue was due to increases in all its components, apart from sales (variation of -0.3%). Capital revenue increased by 128.3%, as a consequence of the implementation of the RRF.



Table 6 shows the values for revenue and expenditure of GG and its percentage in GDP, for the sum of three quarters of 2022 and 2023.

Table 6. Revenue and expenditure of general government
(sum of 3 quarters)

	1 st - 3 rd quarter 2022		1 st - 3 rd quarter 2023		Nominal rate of change (%)
	10 ⁶ EUR	% GDP	10 ⁶ EUR	% GDP	
Total revenue	77 368.5	43.2	84 570.1	42.9	9.3
Current revenue	76 611.6	42.8	82 985.7	42.1	8.3
Current taxes on income and wealth	18 862.6	10.5	21 011.7	10.7	11.4
Taxes on production and imports	27 080.1	15.1	28 540.6	14.5	5.4
Social contributions	21 214.6	11.9	23 457.4	11.9	10.6
Sales	5 645.9	3.2	5 734.9	2.9	1.6
Other current revenue	3 808.4	2.1	4 241.1	2.2	11.4
Capital revenue	756.9	0.4	1 584.4	0.8	109.3
Total expenditure	72 749.9	40.7	77 975.8	39.6	7.2
Current expenditure	68 345.4	38.2	72 551.3	36.8	6.2
Social benefits	31 084.1	17.4	33 054.1	16.8	6.3
Compensation of employees	18 471.1	10.3	19 812.3	10.1	7.3
Interest	3 558.0	2.0	4 346.0	2.2	22.1
Intermediate consumption	9 465.7	5.3	9 912.9	5.0	4.7
Subsidies	1 321.0	0.7	1 221.8	0.6	-7.5
Other current expenditure	4 445.4	2.5	4 204.2	2.1	-5.4
Capital expenditure	4 404.5	2.5	5 424.5	2.8	23.2
Investment ⁽¹⁾	3 642.2	2.0	4 179.7	2.1	14.8
Other capital expenditure	762.3	0.4	1 244.8	0.6	63.3
Current Balance	8 266.2	4.6	10 434.4	5.3	
Balance	4 618.7	2.6	6 594.2	3.3	

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

Considering figures for the sum of three quarters, the net balance of GG sector attained 3.3% of GDP, with an improvement compared to the same period of 2022.

Comparing with the same period of 2022, the total revenue rose 9.3%, whereas total expenditure increased 7.2%. In the revenue components, account for the increases in tax revenue (7.9%), social contributions (10.6%) and other current revenue (11.4%). In the expenditure side it should be mentioned the high rates of change in interest paid (22.1%) and capital expenditure (23.2%), while social benefits and compensation of employees presented a high contribution to the growth of total expenditure.

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



Table 7. Public to National Accounting Adjustments

	Unit: 10 ⁶ EUR	
	2022Q3	2023Q3
Balance in Public Accounting:	4 462.4	5 271.1
Accrual adjustment and sector delimitation in National Accounts	496.7	-31.7
Difference between paid and due interest	-381.9	-375.4
Other receivables:	-48.6	106.6
Time adjustment of taxes and social contributions	-114.8	6.7
Others	66.2	99.9
Other payables:	-8.2	80.3
Expenditure already incurred but not yet paid	-32.3	-42.0
Others	24.2	122.3
Other adjustments:	-415.1	184.9
of which:		
Capital injections and debt assumptions	-325.5	-274.6
Balance in National Accounting:	4 105.4	5 235.9
GDP ⁽¹⁾	61 775.7	67 630.9
Balance in National Accounting in % of GDP	6.6	7.7

⁽¹⁾ Non seasonally and calendar effects adjusted data

Comparing the third quarter of 2023 with the same period of 2022, an increase is noticeable in both national accounts and public accounts balances. In national accounts, the GG net balance changed to 7.7% of GDP in the third quarter of 2023 from 6.6% in 2022. 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.

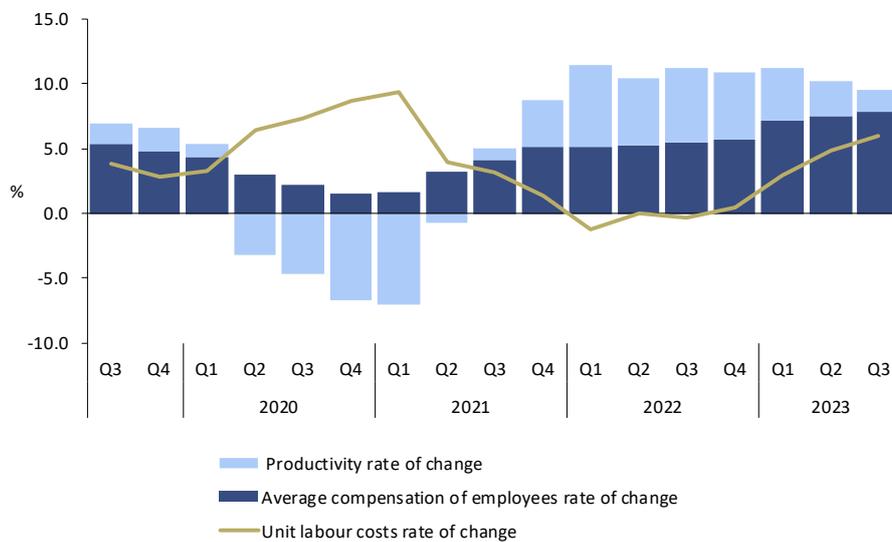
Additionally, due to the policy measures for fractional future payment of taxes and social contributions implemented in the context of the COVID 19 pandemic, that have been prolonged in the current context of the geopolitical conflict, a supplementary adjustment was made to include the future payments as revenue of the period when the activity took place.



Unit labour costs (ULC) increased by 6.0%

In the year ending in the third quarter of 2023, UCL increased by 6.0% in year-on-year terms, which compares with a growth rate of 4.8% in the previous quarter. This result was due to the 7.8% increase in average compensation of employees, which surpassed the 1.7% 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 third 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 November 30, the quarterly accounts for the economy as a whole were also revised, thus ensuring the total consistency of the national accounts aggregates available on Statistics Portugal website. Compared to previous estimates, the new results did not determined revisions in the rate of change of GDP.

Concerning the balance of General Government in National Accounting and in Public Accounting, it should be clarified that:

In the compilation of the budget deficit in National Accounts it is necessary to perform several adjustments to the Public Accounting data. Indeed, Public Accounting data is on a cash basis, meaning that expenditures and revenues are recorded in the accounting period in which they are paid and received. On the contrary, in National Accounts, expenditure and revenue are recorded on an accrual basis, that is, in the accounting period to which they refer to, regardless of whether their payment is made or their revenue is received in a different period. Another important adjustment is related to sector delimitation of General Government. In National Accounts, the general government



sector includes entities which are not considered in Public Accounting. Similarly, entities which are not part of General Government sector from a National Accounts perspective but are included in Public Accounting should be excluded.

Finally, there are transactions that, according to the framework of National Accounts, have a specific classification. Notably, there are cases of entities belonging to the General Government sector that acquire shares from other entities, which should be recorded as capital transfers rather than financial transactions, thus leading to the introduction of the corresponding adjustments.

MAIN CONCEPTS AND DEFINITIONS

The estimated aggregates are compiled based on the European System of National and Regional Accounts (ESA 2010), with emphasis on the following concepts:

Net lending (+) / borrowing (-): The net lending (+) or borrowing (-) (B.9) represents the net resources that one institutional sector makes available to the other sectors (if it is positive) or receives from the other sectors (if it is negative). The net lending or borrowing of the total economy is equal but of opposite sign to the net borrowing or lending of the rest of the world.

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

Next release of Quarterly Sector Accounts – 25th March 2024
