

PORTUGAL

LATEST KEY DEVELOPMENTS



MAR 2021

HIGHLIGHTS

According to INE, the **net borrowing of General Government** (GG) in 2020 amounted to EUR 11 501.1 million, corresponding to 5.7% of GDP (net lending of 0.1% in 2019). **Gross debt** of GG attained 133.6 % of GDP in 2020 (116.8% of GDP in 2019). INE's release available [here](#).

Households' saving rate increased to 12.8% of disposable income, due to the increase in disposable income and to the decrease of consumption expenditure (7.1% in 2019). The Portuguese economy's net lending stood at 0.1% of GDP in the 2020, (2% of GDP in 2019). INE's release available [here](#).

ECONOMIC ACTIVITY

The **Consumer confidence indicator** increased in March, after diminishing in February. This was the the highest level attained since April 2020. Moreover, the **economic climate indicator** also increased in March, which compares with the reduction observed in the previous month. INE's press release available [here](#).

LABOUR MARKET

According to INE's [provisional estimates](#), the **unemployment rate in January was 7.2%** (0.4 pp above December), and 0.4 pp above January 2020. Furthermore, in January, estimates for the unemployed population are 361.5 thousand people in a labour force of about 5,1 million people (15 to 74 years).

TOURISM INDUSTRY

In February 2021, **tourism accommodation activity** recorded **472.9 thousand overnight stays** corresponding to a y-o-y decrease of 87.7% (-78.5% in January), becoming the third month with the biggest decrease in the number of overnight stays, since the beginning of the pandemic. In February, 61.8% of the tourist accommodation establishments were closed or had no movement of guests (57% in January). INE's press release available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In January 2021, nominal **exports of goods decreased 9.8% y-o-y** (-7.4% in December 2020). **Imports decreased 17.2% y-o-y** (-6.5% in December 2020). INE's press release available [here](#).

ii. Balance of Payments

In 2020, the **current and capital account balance** stood at €256M (€2,591M in 2019). This decrease is explained by the evolution of the current account alone (less €3198M than in 2019). Furthermore, the financial account balance decreased €2186M, staying at €780M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The **CPI** 12-month average was estimated to be nil in March 2021 (as it was in February). Moreover and in the same month, the CPI annual rate was 0.5% (likewise in February), whilst core inflation was 0.2% (0.5 p.p. lower than in February). In March, the estimated **HICP** annual rate of change in Portugal was 0.1% (0.3% in February). INE's flash estimate available [here](#).

[According to INE's data](#), in February the **industrial production prices index decreased 2%** y-o-y (-3.1% in the previous month).

BUDGETARY OUTTURN

By the end of February, the [general government budget on a cash basis](#) registered a €1,153M deficit, worsening €2,404M vis-à-vis the same period of 2020. This evolution is due to an increase of 5.8% in expenditure and a decrease of 11.8% in revenue. The **primary surplus** reached €239M, less €2,560M than February 2020. This budget execution compares with the first two months of 2020, just before the outbreak of the COVID-19 pandemic in Portugal.

On the **revenue side**, the decrease of tax revenue (-16.8%) and social contributions (-2.1%) is mainly due to the suspension of Fiscal Executions (€98M) and exemption of Single Social Fee (€22.9M). The total impact of the revenue related measures is €438.4M. The decrease of the revenue is also due to the economic slowdown.

On the **expenditure side**, there are €746M of COVID-19 measures, as lay-off measures (€134.7M) and health related expenditure like equipments and medication, vaccines and COVID-19 tests (€174.1M). The increase of pension expenditure (3.2%), the compensation of employees (4.4%, mainly explained by the unfreezing of career progressions and the hiring of new staff on health sector) explained the remaining growth.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), the Portuguese **State direct debt** decreased €4,303M vis-à-vis January, [amounting](#) to €269,969M before cambial hedging. This results from the increase in €3,000M of PGB and €1,214M of Treasury Bills. On March 10th, €625M of PGB 0.475%18OCT2030 and €625M of PGB 0.7%15OCT2027 were [auctioned](#). On February 17th, €500M and €1,000M (competitive tranche) of 6 and 12-month T-bills at weighted average yields of -0.552% and -0.527% were [issued](#), respectively.

GENERAL GOVERNMENT DEBT

According to [BdP](#), **general government Maastricht debt** reached €269,869M in January 2021, *i.e.* less €623M than in the previous month. Maastricht debt **net of deposits** of the general government stood at €246,661M, which represents a monthly increase of €74M.