

PORTUGAL

LATEST KEY DEVELOPMENTS



MAY 2021

ECONOMIC ACTIVITY

Real GDP registered a y-o-y reduction of 5.4% in the first quarter of 2021 (-6.1% in the previous quarter), reflecting the effects of the general confinement enacted in the beginning of the year due to the deterioration of the COVID-19 pandemic. INE's press release available [here](#).

The **Consumer confidence indicator** increased significantly between March and May, reaching the highest value since the last survey not affected by the pandemic in February of 2020. Moreover, the **economic climate indicator** also increased considerably in the last three months, exceeding the level observed at the beginning of the pandemic (March 2020). INE's press release available [here](#).

LABOUR MARKET

According to INE estimates, **the unemployment rate in April stood at 6.9%** (up 0.3 p.p. from March), and up 0.5 p.p. from the April 2020. Furthermore, in April, the unemployed population was 348.7 thousand people in a labour force of about 5,1 million people (16 to 74 years).

TOURISM INDUSTRY

In April 2021, **tourism accommodation activity** recorded **946.8 thousand overnight stays** corresponding to a y-o-y increase of 510.8% (-67.1% in March). In April, 47.6% of the tourist accommodation establishments were closed or had no movement of guests (60.4% in March). INE's press release available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In March 2021, nominal **exports of goods increased 28.8 % y-o-y** (2.6% in February 2020). **Imports increased 12.2% y-o-y** (-10.4% in February 2020). Main increases were felt in exports of Transport equipment (+61.0%) and imports of Industrial supplies (+15.1%) and Capital goods and parts thereof (+27.3%). Please notice that these growth rates compare with March 2020 in which the impact of the COVID-19 pandemic was already visible. INE's press release available [here](#).

ii. Balance of Payments

From January to March, in accumulative terms, the **current account (CA)** balance stood at -€472.51M; an improvement in relation to the accumulative figure of February. As usual, the CA deficit is mainly explained by the negative balance of goods (-€2056.24M). Balance of services have registered a surplus of €1118.70M. At the same time, the capital account registered a positive balance of €653.57M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The **CPI** 12-month average rate was estimated to be 0.2% in May 2021 (0.1% in the previous month). Moreover and in the same month, the CPI annual rate was 1.2% (0.6 p.p. higher than in April), whilst core inflation was 0.6% (0.1% in March). In May, the estimated **HICP** annual rate of change in Portugal was 0.4% (-0.1% in April). INE's flash estimate available [here](#).

According to INE's data, in April the **industrial production prices index increased 4.9%** y-o-y (0.5% in the previous month).

BUDGETARY OUTTURN

By the end of April, the **general government budget on a cash basis** registered a €4,845M deficit, worsening €3,148M vis-a-vis the same period of 2020. This evolution is due to an increase of 5.2% in expenditure and a decrease of 6,3% in revenue. The **primary deficit** reached €1,651M, a worsening compared to the €1,526M surplus verified in April 2020. The budget execution highlights the effects of the COVID-19 pandemic on the economic performance as well as the mitigation and economic relaunch policy measures.

On the **revenue side**, the decrease of tax revenue (-9.9%) is mainly due to the suspension of Fiscal Executions (€179M) and exemption of Single Social Fee (€119M). The total impact of the revenue related measures is €479.5M. The decrease of the revenue is also due to the economic slowdown.

On **expenditure site**, there are €1,895M of COVID-19 expenditures measures, namely lay-off measures (€336.7M) and total health related expenditure like equipments and medication, vaccines and COVID-19 tests (€359.3M). The increase of pension expenditure (2.9%) and compensation of employees (4.6%, 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 €4,328M vis-à-vis March, **amounting** to €270,038M before cambial hedging. To this result, contributed the decrease of €4,035M on PGB. On May 12th, €551M of PGB 0.3%17OCT2031, and €699M of PGB 0.9%12OCT2035 were **auctioned**. On May 19th, €750M and €1,000M (competitive tranche) of 6 and 12-month T-bills at weighted average yields of -0.571% and -0.536% were **issued**, respectively.

GENERAL GOVERNMENT DEBT

According to **BdP**, **general government Maastricht debt** reached €275,268M in March 2021, *i.e.* more €1,179M than in the previous month. Maastricht debt **net of deposits** of the general government stood at €250,467M, which represents a monthly increase of €1,625M.