

JUL 2021

ECONOMIC ACTIVITY

Real GDP registered a y-o-y change of 15.5% in the second quarter of 2021 (-5,3% in the previous quarter), reflecting the base effect, as the restrictions imposed on economic activity as a result of the COVID-19 pandemic were felt more intensely in the first two months of the second quarter of 2020, leading to unprecedented contraction of economic activity. INE's flash estimate available [here](#).

The **economic climate indicator decreased in July**, after increasing between March and June, still remaining at a level above that observed in March 2020. All the confidence indicators in all activities (i.e. Manufacturing Industry, Construction and Public Works, Trade and Services) had diminished in July. INE's press release available [here](#).

LABOUR MARKET

According to INE estimates, the **unemployment rate in June stood at 6.9%** (down 0.1 p.p. from May), and down 0.6 p.p. from June 2020. Furthermore, in June, the unemployed population was 356.1 thousand people in a labour force of about 5,2 million people (16 to 74 years).

TOURISM INDUSTRY

In June 2021, **tourism accommodation sector registered 1.4 million guests and 3.4 million overnight stays**, which compares with 476.7 thousand guests and 1 million overnight stays in June 2020. Comparing June 2021 with June 2019, the number of guests and overnight stays have decreased by 50.1% and 52.6%, respectively. INE's flash estimate available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

According to the flash estimate of INE, in 2nd quarter 2021, **exports and imports of goods recorded a nominal y-o-y growth rates of 49,1% and 46,3%, respectively** (+6% and -4,9% in 1st quarter, respectively. INE's press release available [here](#).

ii. Balance of Payments

From January to May, in accumulative terms, the **current account (CA)** balance stood at -€2 023.90M; a deterioration in relation to the accumulative figure of April. As usual, the CA deficit is mainly explained by the negative **balance of goods** (- €4 191.31M). **Balance of services** have registered a surplus of €1 975.14M. At the same time, the **capital account** registered a positive balance of €1 038.37M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The **CPI annual rate is estimated to be 1.5%** in July 2021 (0.5% in June), with the index for energy products estimated to be 8.7% (9.0% in June). In July, the estimated **HICP annual rate of change was 1.1%** in Portugal (-0.6% in June). INE's flash estimate available [here](#).

According to INE's data, in June the **industrial production prices index increased 8.9%** y-o-y (7.7% in the previous month). Excluding the Energy grouping, the variation was 5.6% (4.4% in previous month).

BUDGETARY OUTTURN

By the end of the first semester, the general government budget on a cash basis registered a €7,060M deficit, worsening €150M vis-a-vis the same period of 2020. This evolution is due to an increase of 4.2% in expenditure and a decrease of 4,6% in revenue. The **primary deficit** reached €3,119M, a worsening compared to the €2,559M deficit verified in June 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**, their increase is mainly due to the tax revenue (2.5%) and social contributions (6.7%). The main revenue measure to support the COVID-19 impact was the exemption of social security contributions (€196.2M). The total impact of the revenue related measures is €384M.

On **expenditure side**, there are €2,749M of COVID-19 expenditures measures, namely lay-off measures (€363.5M) and total health related expenditure. The increase of pension expenditure (2.8%) and compensation of employees (4.2%, 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** increased €3,482M vis-à-vis May, amounting to €275,842M before cambial hedging. To this result, contributed the increase of €1,000M on PGB and €1.255M on Treasury Bills. On July 14th, €622M of PGB 4.475%18OCT2030, and €292M of PGB 4.1%15APR2037 were auctioned. On July 21st, €1,000M of 12-month T-bills at weighted average yields of -0.594% were issued.

GENERAL GOVERNMENT DEBT

According to BdP, **general government Maastricht debt** reached €274,811M in May 2021, i.e. more €2,064M than in the previous month. Maastricht debt **net of deposits** of the general government stood at €254,154M, which represents a monthly increase of €805M.