

PORTUGAL

LATEST KEY DEVELOPMENTS

OCT 2021

ECONOMIC ACTIVITY

Real GDP registered a y-o-y change of 4.2% in the third quarter of 2021 (16.1% in the previous quarter). Compared to the second quarter of 2021, GDP increased by 2.9% in volume, with a positive contribution of net external demand to the quarter on quarter rate of change of GDP, after the negative contribution in the second quarter, and by the less positive contribution of domestic demand in the third quarter of 2021. INE's press release available [here](#).

The **Consumer confidence indicator decreased in October**, after increasing in the previous two months. Moreover, the **economic climate indicator increased in October**, after presenting an irregular behavior since July, attaining the level observed in February 2020. Confidence indicators increased in Construction and Public Works, in Trade and in Services and decreased in Manufacturing Industry. INE's press release available [here](#).

LABOUR MARKET

According to INE estimates, the unemployment rate in August stood at 6.4% (down 0.2 p.p. from July), and down 1.8 p.p. from August 2020. Furthermore, in August, the unemployed population was 326 thousand people in a labour force of about 5.1 million people (16 to 74 years).

TOURISM INDUSTRY

In September 2021, **tourism accommodation sector registered 2.1 million guests and 5.6 million overnight stays**, corresponding to y-o-y increase of 52.3% and 58.4%, respectively. Comparing September 2021 with September 2019, the number of guests and overnight stays have decreased by 28.9% and 26.6%, respectively. INE's flash estimate available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In August 2021, nominal **exports of goods increased 16.6% y-o-y** (14.1% in August 2019). **Imports increased 21.9% y-o-y** (12.3% in August 2019). Main increases were felt in exports and imports of Industrial supplies (+37.8% and +45%, in the same order; +26.1% and +36.4% compared to August 2019). INE's press release available [here](#).

ii. Balance of Payments

From January to August, in accumulative terms, the **current account (CA)** balance stood at -€1,702.98M; an increase in relation to the accumulative figure of July. As usual, the CA deficit is mainly explained by the negative **balance of goods** (-€8,599.66M). **Balance of services** have registered a surplus of €5,745.55M. At the same time, the **capital account** registered a positive balance of €2,553.61M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The **CPI annual rate is estimated to be 1.8%** in October 2021, (1.5% in September), with the index for energy products estimated to be 13.3% (10.5% in September). In October, the estimated **HICP annual rate of change was 1.8%** in Portugal (1.3% in September). INE's flash estimate available [here](#).

According to INE's data, in September the **industrial production prices index increased 13.3%** y-o-y (11% in the previous month). Excluding the Energy grouping, the variation was 7.7% (7.0% in previous month).

BUDGETARY OUTTURN

Until the end of September 2021, the **general government budget on a cash basis** recorded a €4,634M deficit, €677M less than in the same period of 2020. This evolution is due to a higher increase of revenue (6.9%) than of expenditure (5.3%). The **primary surplus** reached €73M, €70M more than in the same period of the last year. The budget execution already highlights the effects of the Covid-19 pandemic on the economic performance as well as the mitigation policy measures (€4,268M until September 2021 which compares with €3,005M in September 2020).

The increase of tax revenue (4.5%), social contributions (7.5%) and Other Current Transfers, partly justified by the transfer of European funds, explained mainly the **revenue** increase.

Expenditure growth 5.3% due to €3,883M of COVID-19 expenditures measures. Excluding COVID-19 measures, expenditure increase 4% explained by the increase of social benefits expenditure (mainly pension expenditure - 2.7%, unemployment benefit - 13.4% and social benefits for inclusion - 34.3%), capital expenditure (22.1%) and compensation of employees (3%).

TREASURY FINANCING

According to the Debt Management Agency (IGCP), at the end of September 2021 the Portuguese **State direct debt** decreased €2,402M vis-à-vis August, **amounting** to €270,498M before cambial hedging. The Treasury Bill stock decreased €2,594M. On the other hand, the stock of retail debt increase €75M.

On October 27th, IGCP, E.P.E. performed a bond **exchange offer**: €205M€ of PGB4.95%Oct2023 and €742M of PGB5.65%Feb2024 were bought, and €681M of PGB0.3%Oct2031 and €266M of PGB1%Apr2052 were sold.

On October 20th, IGCP, E.P.E. bought \$268M of PORTUG 5.125%Oct2024 USD in a reverse bond auction.

GENERAL GOVERNMENT DEBT

According to **BdP**, **general government Maastricht debt** reached €273,585M in August, i.e. less €1,007M than in the previous month. Maastricht debt **net of deposits** of the general government stood at €251,528M, which represents a monthly decrease of €3,200M.