

# PORTUGAL

## LATEST KEY DEVELOPMENTS

NOV 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 a less intense positive contribution of domestic demand in the third quarter of 2021. INE's press release available [here](#).

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

### LABOUR MARKET

According to INE estimates, **the unemployment rate in October stood at 6.4%** (same value as the previous month), and less 1.2 p.p. regarding October 2020. Furthermore, in October, the unemployed population was 331.6 thousand people in a labour force of about 5.15 million people (16 to 74 years).

### TOURISM INDUSTRY

In October 2021, **tourism accommodation sector registered 2.1 million guests and 5.5 million overnight stays**, corresponding to y-o-y increase of 115.5% and 139%, respectively. Comparing October 2021 with October 2019, the number of guests and overnight stays decreased by 14.6% and 13.5%, respectively. INE's flash estimate available [here](#).

### EXTERNAL ADJUSTMENT

#### i. International Trade

In September 2021, nominal **exports of goods increased 10.3% y-o-y** (+10.8% compared to September 2019). **Imports increased 17.5% y-o-y** (+7.8% against September 2019). Main increases were felt in exports and imports of Industrial supplies (+28.1% and +33.7%, in the same order; +25% and +31.3% compared to September 2019) and in imports of Fuels and lubricants (+102.1%; +21.3% compared to September 2019). INE's press release available [here](#).

#### ii. Balance of Payments

From January to September, in accumulative terms, the **current account (CA)** balance stood at -€1,721.69M; an decrease in relation to the accumulative figure of August. As usual, the CA deficit is mainly explained by the negative **balance of goods** (-€10,095.05M). **Balance of services** have registered a surplus of €6,951.89M. At the same time, the **capital account** registered a positive balance of €2,649.98M. BdP's data available [here](#).

### PRICE DEVELOPMENTS

The **CPI annual rate is estimated to be 2.6%** in November 2021, (1.8% in October), with the index for energy products estimated to be 14.2% (13.4% in October). In November, the estimated **HICP annual rate of change was 2.7%** in Portugal (1.8% in October). INE's flash estimate available [here](#).

According to INE's data, in October the **industrial production prices index increased 15.9%** y-o-y (13.4% in the previous month). Excluding the Energy grouping, the variation was 8.5% (7.7% in previous month).

### BUDGETARY OUTTURN

Until the end of October 2021, the **general government budget on a cash basis** recorded a €6,673M deficit, €650M less than in the same period of 2020. This evolution is due to a higher increase of revenue (7.3%) than of expenditure (5.7%). The **primary deficit** reached €117M, €104M less 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 (€5,126M until October 2021 which compares with €3,865M in October 2020).

The increase of tax revenue (4.7%), social contributions (7.5%) and Other Current Transfers, partly justified by the transfer of European funds, explained mainly the **revenue** increase.

**Expenditure** growth 5.7% due to €4,154M of COVID-19 expenditures measures. Excluding COVID-19 measures, expenditure increase 3.4% explained by the increase of social benefits expenditure (mainly pension expenditure - 2.7%, unemployment benefit - 10.3% and social benefits for inclusion - 31.6%), capital expenditure (25.9%) and compensation of employees (4.8%).

### TREASURY FINANCING

According to the Debt Management Agency (IGCP), at the end of October 2021 the Portuguese **State direct debt** decreased €282M vis-à-vis September, **amounting** to €270,216M before cambial hedging. The PGB stock increased €100 M. On the other hand, the stock of retail debt decrease €283 M.

On November 10<sup>th</sup>, €686M€ of PGB0.3%Oct2031 and €314M of PGB4.1%Apr2037 were auctioned.

### GENERAL GOVERNMENT DEBT

According to **BdP**, **general government Maastricht debt** reached €271,509M in September, i.e. less €2,076M than in the previous month. Maastricht debt **net of deposits** of the general government stood at €248,951M, which represents a monthly decrease of €2,576M.