

# PORTUGAL

## LATEST KEY DEVELOPMENTS

DEC 2021

### ECONOMIC ACTIVITY

The **net lending of Portuguese economy was 0.4% of GDP** in the year ending in the 3<sup>rd</sup> quarter of 2021, (+0.3p.p. comparing with the previous quarter). The balance of the General Government sector increased by 2p.p. in same period, compared to the previous quarter, representing a net borrowing of 3.9% of GDP. Considering quarterly values and not the year ending in the quarter as a reference, the balance of the General Government in the third quarter of 2021 reached €1,904.1M, corresponding to 3.5% of GDP, which compares with -4.2% in the same period of the last year. INE's press release available [here](#).

The **Consumer confidence indicator stabilized in December**, after decreasing in October and November. Moreover, the **economic climate indicator also stabilized in December**, presenting an irregular behavior since July. Confidence indicators increased in Manufacturing Industry and in Construction and Public Works and slightly decreased in Trade 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 (16 to 74 years) of about 5.15 million people.

### TOURISM INDUSTRY

In November 2021, **tourism accommodation sector registered 1.5 million guests and 3.6 million overnight stays**, corresponding to y-o-y increase of 265.5% and 287.7%, respectively. Comparing November 2021 with November 2019, the number of guests and overnight stays have decreased by 17% and 12.4%, respectively. INE's flash estimate available [here](#).

### EXTERNAL ADJUSTMENT

#### i. International Trade

In October 2021, nominal **exports of goods increased 3% y-o-y** (0.7% in October 2019). **Imports increased 17.5% y-o-y** (4.4% in October 2019). Main increases were felt in exports and imports of Industrial supplies (+19.8% and +36.4%, in the same order; +12.1% and +25.7% compared to October 2019) and in imports of Fuels and lubricants (+113.9%; +39.6% compared to October 2019). INE's press release available [here](#).

#### ii. Balance of Payments

From January to October, in accumulative terms, the **current account (CA)** balance stood at -€1,442.64M; an increase in relation to the accumulative figure of September. As usual, the CA deficit is mainly explained by the negative **balance of goods** (-€11,850.90M). **Balance of services** have registered a surplus of €8,290.04M. At the same time, the **capital account** registered a positive balance of €2,823.37M. Bdp's data available [here](#).

### PRICE DEVELOPMENTS

The **CPI annual rate is estimated to be 2.8%** in December 2021, (2.6% in November), with the index for energy products estimated to be 11.2% (14.1% in November). In December, the estimated **HICP annual rate of change was 2.8%** in Portugal (2.6% in November). INE's flash estimate available [here](#).

According to INE's data, in November the **industrial production prices index increased 18.7%** y-o-y (16.2% in the previous month). Excluding the Energy grouping, the variation was 9.8% (8.8% in previous month).

### BUDGETARY OUTTURN

Until the end of November 2021, the **general government budget on a cash basis** recorded a €6,652M deficit, €2,219M less than in the same period of 2020. This evolution is due to a higher increase of revenue (8.6%) than of expenditure (5%). The **primary surplus** reached €60M, €1,646M better 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 (€5,159M until November 2021 which compares with €4,238M in November 2020).

The increase of tax revenue (5.1%), social contributions (7.4%) and Other Current Transfers, partly justified by the transfer of European funds, explained mainly the **revenue** increase.

**Expenditure** growth 5% due to €5,197M of COVID-19 expenditures measures. Excluding COVID-19 measures, expenditure increase 2% explained by the increase of social benefits expenditure (mainly pension expenditure - 2.7%, unemployment benefit - 7.5% and social benefits for inclusion - 29.6%), capital expenditure (22,3%) and compensation of employees (4.6%).

### TREASURY FINANCING

According to the Debt Management Agency (IGCP), at the end of November 2021 the Portuguese **State direct debt** decreased €1,087M vis-à-vis October, **amounting** to €269,129M before cambial hedging. The PGB stock increased €1,000 M. On the other hand, the stock of retail debt decrease €1,179 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 €271,216M in October, i.e. less €321M than in the previous month. Maastricht debt **net of deposits** of the general government stood at €251,191M, which represents a monthly increase of €2,252M.