

PORTUGAL

LATEST KEY DEVELOPMENTS



FEB 2021

ECONOMIC ACTIVITY

In 2020, GDP decreased by 7.6% in real terms, after an increase of 2.5% in 2019. This performance reflects the adverse effects of the COVID-19 pandemic on economic activity, with significant negative contributions of the domestic demand and net external demand, mainly reflecting an unprecedented reduction of tourism exports. In the 4th quarter of 2020, real GDP registered a reduction of 6.1% (-5.7% in the 3rd quarter) and a increased of 0,2% q-o-q. INE's release available [here](#).

Furthermore, the Consumer confidence indicator diminished in February, less markedly than in January, after increasing in the previous two months. Moreover, the economic climate indicator intensified in February the reduction observed in the previous month, decreasing to a level close to that observed in July 2020. INE's press release available [here](#).

LABOUR MARKET

[According to INE's estimate](#), in the 4th quarter of 2020, the unemployment rate stood at 7.1%, down 0.7 p.p. when compared with the previous quarter and an additional 0.4 pp on a y-o-y basis. Considering the previous quarter, the unemployed population has decreased by 7.7% (less 30.9 thousand people), and the employed population has increased by 1.2% (59.6 thousand people).

TOURISM INDUSTRY

In December 2020, tourism accommodation activity recorded 969.8 thousand overnight stays corresponding to a y-o-y decrease of 72.4% (-77.2% in November). Total revenue recorded a rate of change of -73.7% (-79.8% in November) amounting to EUR 54.0 million. Revenue from accommodation was EUR 36.3 million, decreasing by 74.2% (-80.5% in the previous month). In December, 50.5% of the tourist accommodation establishments were closed or had no movement of guests (49.0% in November). INE's press release available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In the 4th quarter of 2020, nominal exports of goods decreased 3.2% y- o- y, which compares with -0.8% in the quarter ended in November. Imports decreased 10.2% y-o-y, less 0.3 p.p. than in the quarter ended in November. INE's press release available [here](#).

ii. Balance of Payments

In 2020, the current and capital account balance stood at €256M (€2,591M in 2019). This decrease is explained by the evolution of the current account alone (less €3198M than in 2019). Furthermore, the financial account balance decreased €2186M, staying at €780M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The CPI 12-month average was estimated at -0.04% in February 2021 (-0.05% in January). In the same month, the CPI annual rate was 0.5% (0.2 p.p. higher than in January), whilst core inflation index was 0.7% (0.6% in January). In February, the estimated HICP annual rate of change in Portugal was 0.3% (0.2% in the previous month). INE's data available [here](#).

[According to INE's data](#), in January the industrial production prices index decreased 3% y-o-y (-4% in the previous month). Excluding energy, the index registered a null variation (-0.7% in December).

BUDGETARY OUTTURN

In January, the [general government budget on a cash basis](#) registered a €760M surplus, a decrease of €602M vis-a-vis the same period of the 2020. This evolution result from an increase of 0.5% in primary expenditure and a decrease of 9.5% in revenue. The **primary surplus** reached €864M, less €723M than January 2020. The budget execution highlights the effects of the COVID-19 pandemic on the economic performance as well as of the mitigation policy measures.

On the revenue side, the decrease of tax revenue (13.6%) and social contributions (2.8%) is main due to the suspension of Fiscal Executions (€43.5M) and exemption of Single Social Fee (€5.9M). The total impact of the revenue related measures is €60.1M. The decrease of the revenue is also due to the economic slowdown.

The increase on primary **expenditure**, were related to COVID-19 expenditures measures, namely lay-off measures (€19.7M) and total health related expenditure like equipments and medication, vaccines and COVID-19 tests (€35.3M). Also, there was an increase of pension expenditure (1.3%) and of compensation of employees (4.6%, mainly explained by the unfreezing of career progressions and the hiring of new staff on health sector).

TREASURY FINANCING

According to the Debt Management Agency (IGCP), the Portuguese **State direct debt** decreased €1,232M vis-a-vis December, [amounting](#) to €268,666M before cambial hedging. To this result contributed the increase of the €1,250M PGB and €513M of the CEDIC and CEDIM, that was partially offset by the decrease of €1,414M on Treasury Bills. On February 17th, €625M (competitive tranche) of 3 and 12-month T-bills at weighted average yields of -0.543% and -0.524% were [issued](#), respectively.

GENERAL GOVERNMENT DEBT

According to [BdP](#), **general government Maastricht debt** reached €270,408M in December 2020, i.e. more €3,325M than in the previous month. Maastricht debt **net of deposits** of the general government stood at €246,516M, which represents a monthly increase of €1,836M.