

PORTUGAL

LATEST KEY DEVELOPMENTS

SEP 2021

NATIONAL ACCOUNTS

The net lending of Portuguese economy was 0.1% of GDP in the year ending in the 2nd quarter of 2021, (+0.1p.p. comparing with the previous quarter). The balance of the General Government sector increased by 1.8p.p. in same period, compared to the previous quarter, representing a net borrowing of 5.8% of GDP. Considering quarterly values and not the year ending in the quarter as a reference, the balance of the General Government in the second quarter of 2021 reached -€2,802.8M, corresponding to -5.3% of GDP, which compares with -10.6 % in the same period of the last year. INE's press release available [here](#).

ECONOMIC ACTIVITY

The **Consumer confidence indicator increased in August and September**, after decreasing in July, approaching the pre-pandemic values registered in the beginning of 2020. Moreover, the **economic climate indicator decreased in September**, presenting an irregular behavior since July, when the recovery observed since March was interrupted. Confidence indicators decreased in Construction and Public Works, Trade and Services and increased 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 August 2021, **tourism accommodation sector registered 2.5 million guests and 7.5 million overnight stays**, which compares with 1.6 million guests and 4.5 millions overnight stays in August 2020. Comparing August 2021 with August 2019, the number of guests and overnight stays have decreased by 23.6% and 22.1%, respectively. INE's flash estimate available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In July 2021, nominal **exports of goods increased 11.7% y-o-y** (4.1% in July 2019). **Imports increased 21.4% y-o-y** (2.0% in June 2019). Main increases were felt in exports and imports of Industrial supplies (+19.8% and +34.8%, in the same order; +9.0% and +17.3% compared to July 2019). INE's press release available [here](#).

ii. Balance of Payments

From January to July, in accumulative terms, the **current account (CA)** balance stood at -€2,152.81M; a deterioration in relation to the accumulative figure of June. As usual, the CA deficit is mainly explained by the negative **balance of goods** (- €7,054.50M). **Balance of services** have registered a surplus of €3,849.80M. At the same time, the **capital account** registered a positive balance of €2,407.84M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The **CPI annual rate is estimated to be 1.5%** in September 2021, same value as in August, with the index for energy products estimated to be 10.4% (9.3% in August). In September, the estimated **HICP annual rate of change was 1.3%** in Portugal, same value as in the previous month. INE's flash estimate available [here](#).

According to INE's data, in July the **industrial production prices index increased 11.0%** y-o-y (10.1% in the previous month). Excluding the Energy grouping, the variation was 7.0% (6.7% in previous month).

BUDGETARY OUTTURN

Until the end of August 2021, the **general government budget on a cash basis** recorded a €6,878M deficit, €550M more than in the same period of 2020. This evolution is due to a higher increase of expenditure (5.1%) than of revenue (4.7%). The **primary deficit** reached €2,308M, €1,009M 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 (€4,052M until August 2021 which compares with €2,475M in August 2020).

The increase of tax revenue (1.3%), social contributions (7.6%) and Other Current Transfers, partly justified by the transfer of European funds, explained mainly the increase of revenue.

On **expenditure side**, there are €3,571M of COVID-19 expenditures measures, namely lay-off measures (€366M) and total health related expenditure like equipments and medication, vaccines and COVID-19 tests (€977M). The increase of pension expenditure (2.8%) and compensation of employees (5%, 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** decreased €837M vis-à-vis August, **amounting** to €272,900M before cambial hedging. The Floating Rating Notes (FRN) stock decreased €1,200M. On the other hand, there were a Treasury Certificates net issuance of €31M.

On September 28th, IGCP, E.P.E. performed an **exchange offer**: €330M€ of PGB2.2%17Oct2022 and €184M of PGB5.65%15Feb2024 were bought, and €279M of PGB2.125%17Oct2028 and €235M of PGB2.25%18Apr2034 were sold.

GENERAL GOVERNMENT DEBT

According to **BdP**, **general government Maastricht debt** reached €274,585M in July, i.e. less €2,916M than in the previous month. Maastricht debt **net of deposits** of the general government stood at €254,733M, which represents a monthly decrease of €1,296M.