PORTUGAL

LATEST KEY DEVELOPMENTS

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GPEARI MINISTÉRIO DAS FINANÇAS • MINISTRY OF FINANCE

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ECONOMIC ACTIVITY

In November, the economic activity indicator recorded a level close to that observed in the previous month, interrupting the recovery profile observed between April and September, after recording the series' minimum in April. The **private consumption indicator** also interrupted in November the upward profile recorded in the previous six months. Meanwhile, the **GFCF indicator** decelerated due to a more intense negative contribution of the transportation material component and machinery and equipment and the less intense positive contribution of the construction component. The **economic climate indicator**, already available up to January, decreased slightly, interrupting the recovery profile observed since May. INE's release available here.

The **retail trade turnover index** registered a year-on-year change rate of -3.4% in the 4th quarter of 2020 (-2.1% in the 3rd quarter). The annual change rate of the retail trade turnover index was -4.1% (4.3% in 2019). INE's release available here. Also according to INE, the **services turnover index** presented a yoy change of rate of -15.3% in November, down by 3.2pp from the previous month.

LABOUR MARKET

According to INE's estimate, **the unemployment rate in November was 7.1%** (a decrease of 0.4pp from October)**,** and the provisional figure for December is 6.5%. Furthermore, in November, the estimation for the unemployed population is 368.9 thousand people in a labour force of about 4,8 million people (15 to 74 years).

TOURISM INDUSTRY

In November, **tourism accommodation activity** recorded **940.2 thousand overnight stays** (a y-o-y decrease of 76.9%). Total revenue recorded a rate of change of -79.5% (-68.2% in October) amounting to EUR 47.1 million. Revenue from accommodation was EUR 32.8 million, decreasing by 80.2% (- 69.2% in the previous month). In November, 46.9% of the tourist accommodation establishments were closed or had no movement of guests (33.4% in October). INE's press release available here.

EXTERNAL ADJUSTMENT

i. International Trade

In November of 2020, nominal **exports of goods decreased 0.4% y-o-y** (-2.3% in October). By its turn, **imports decreased by 12.1% y-o-y**, after decreasing 11.4% in October 2020. INE's press release available here.

ii. Balance of Payments

From January to November, in accumulative terms, the **current account (CA)** balance stood at -€1,926M; a deterioration in relation to the accumulative figure of October 2020. The deficit of the CA is mainly explained by the negative balance of goods (- €10,341M). Balance of services have registered a surplus of €7,586M, leading to a significant trade balance deficit. At the same time, the capital account registered a positive balance of €1,931M. BdP's data available here.

PRICE DEVELOPMENTS

In January 2021, the **CPI** 12-month average rate was estimated at 0.3% (+0.5pp from December), whilst core inflation stood at 0.5% (-0.1% in December).

Concerning the **HICP** annual rate of change in Portugal was 0.2% (-0.3% in December). INE's data available here.

Also according to INE's data, in December **the industrial production prices index decreased 4.0%** y-o-y (-4.7% in November). Excluding energy, the index also decreased 0.7% (same rate as in November).

BUDGETARY OUTTURN

At the end of 2020, the general government budget on a cash basis registered a €10,320M deficit, which compared with a defict of €616M at the end of 2019. This evolution is due to an increase of 5.3% in expenditure combined with the decrease of 5.6% in revenue. The **primary deficit** reached €2,718M, when compared to the surplus of €7,470M of the end of 2019.

On the revenue side, the decrease of tax revenue (6.1%) and social contributions (0.1%) is main due to the suspension of payment of CIT (695M) and exemption of Single Social Fee under the layoff regime (509M). The total impact of the revenue related measures is 1,426M. The decrease of the revenue is also due to the economic slowdown.

On the **expenditure** side, the COVID-19 measures explained 65.5% of the increase: linked to lay-off measures (€823M) and of health related expenditure like equipments and medication (€550M). The increase of pension expenditure (3.3%), the compensation of employees (3.7%, mainly explained by the unfreezing of career progressions and the hiring of new staff on health sector) and capital expendidure (7.1%) explained the remaining.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), the Portuguese **State direct debt** decreased €1 232M vis-à-vis November, amounting to €265,316M before cambial hedging. To this result, it had contributed the increase of the €2,803M of the CEDIC and CEDIM. On January 13th, €500M of PGB 0.475%18OCT2030 and €750M of PGB 0.9%12OCT2035 were auctioned. The yields settled in -0.012% and 0.319%, respectively. Moreover, on January 20th, €750M (competitive tranche) of 6 and 12-month T-bills at weighted average yields of -0.554% and -0.552% were issued, respectively.

GENERAL GOVERNMENT DEBT

According to BdP, **general government Maastricht debt** reached €267,083M in November, i.e. less €1 068M than in the previous month. Maastricht debt **net of deposits** of the general government stood at €244,680M, which represents a monthly increase of €947M.