

# PORTUGAL

## LATEST KEY DEVELOPMENTS

JAN 2022

### HIGHLIGHTS

General elections were held on 30<sup>th</sup> January. The results can be found [here](#).

In 2021, **real GDP grew by 4.9%**, in volume, the highest growth since 1990. In the fourth quarter of 2021, **real GDP registered a y-o-y change of 5.8%** (4.5% in the previous quarter). Compared to the third quarter of 2021, GDP increased by 1.6% in volume, reflecting a decline of the positive contribution of net external demand to the quarter on quarter rate of change of GDP. INE's press release available [here](#).

### ECONOMIC ACTIVITY

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

### LABOUR MARKET

[According to INE estimates](#), the **unemployment rate in November stood at 6.3%** (down 0.1 p.p. from October), and down 0.9 p.p. from November 2020. Furthermore, in November, the unemployed population was 325.5 thousand people in a labour force of about 5.18 million people (16 to 74 years).

### TOURISM INDUSTRY

In December 2021, **tourism accommodation sector registered 1.1 million guests and 2.6 million overnight stays**, corresponding to y-o-y increase of 150% and 170.4%, respectively. Comparing December 2021 with December 2019, the number of guests and overnight stays have decreased by 28.9% and 26.7%, respectively. INE's flash estimate available [here](#).

### EXTERNAL ADJUSTMENT

#### i. International Trade

In November 2021, nominal **exports and imports of goods increased y-o-y by 15.7% and 32.3%**, respectively (+15.1% and +176%, in the same order, compared with November 2019). Main increases were felt in exports and imports of Industrial supplies (+32.8% and +39.7%, in the same order; +40.9% and +47.3% compared to November 2019) and in imports of Fuels and lubricants (+167.4%; +44.9% compared to November 2019). INE's press release available [here](#).

#### ii. Balance of Payments

From January to November, in accumulative terms, the **current account (CA)** balance stood at -€2,090.82M; a decrease in relation to the accumulative figure of October. As usual, the CA deficit is mainly explained by the negative **balance of goods** (-€13,666.76M). **Balance of services** have registered a surplus of €9,2873.30M. At the same time, the **capital account**

registered a positive balance of €3,004.90M. BdP's data available [here](#).

### PRICE DEVELOPMENTS

The **CPI annual rate is estimated to be 3.3%** in January 2022, (2.7% in December 2021), with the index for energy products estimated to be 12% (11.2% in December 2021). In January 2022, the estimated **HICP annual rate of change was 3.4%** in Portugal (2.8% in December). INE's flash estimate available [here](#).

[According to INE's data](#), in December the **industrial production prices index increased 19.9%** y-o-y (18.7% in the previous month). Excluding the Energy grouping, the variation was 10.5% (10% in previous month).

### BUDGETARY OUTTURN

At the end of 2021, the [general government budget on a cash basis](#) recorded a €8,794M deficit, €2,862M less than in the end of 2020. This evolution is due to a higher increase of revenue (9.3%) than of expenditure (5.2%). The **primary deficit** reached €1,838M, €2,222M better than in the same period of the last year. The budget execution reflects the continuous effects of the COVID-19 pandemic on the economic performance as well as the mitigation policy measures (€5,564M during 2021 which compares with €4,532M in 2020).

The increase of tax revenue (5.6%), social contributions (8%) and other current transfers, partly justified by the transfer of European funds, explained mainly the **revenue** increase.

**Expenditure** grew 5.2% due to €5,257M of COVID-19 expenditures measures. Excluding COVID-19 measures, expenditure increased 4.6% explained by the increase of social benefits expenditure, namely pension expenditure (2.7%), unemployment benefit (4.9%) and social benefits for inclusion (27.8%); capital expenditure (7.8%) and compensation of employees (4.5%) also had significant increases.

### TREASURY FINANCING

According to the Debt Management Agency (IGCP), at the end of the 2021 the Portuguese **State direct debt** increased €9,361M vis-à-vis November, [amounting](#) to €278,490M before cambial hedging. The CEDIC stock increased €9,212 M.

### GENERAL GOVERNMENT DEBT

According to [BdP](#), **general government Maastricht debt** reached €269,772M in November, i.e. less €1,444M than in the previous month. Maastricht debt **net of deposits** of the general government stood at €251,483M, which represents a monthly increase of €292M.