

# PORTUGAL

## LATEST KEY DEVELOPMENTS

FEB 2022

### ECONOMIC ACTIVITY

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% (4.4% in the previous quarter). Compared to the third quarter of 2021, GDP increased by 1.6% in volume (2.8% in the previous quarter), with 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](#).

The **Consumer confidence indicator increased in January and February**, after stabilizing in December and decreasing in the previous two months. Moreover, the **economic climate indicator increased in February**, reaching a level identical to that observed in February 2020, after presenting an irregular behavior between July and January. Confidence indicators increased in Manufacturing Industry and in Services and decreased in Construction and Public Works and in Trade. INE's press release available [here](#).

### LABOUR MARKET

According to INE estimates, **the unemployment rate in January 2022 stood at 6%** (up 0.2 p.p. from December), and down 1 p.p. from one year before. Furthermore, in January, the unemployed population was 308.6 thousand people in a labour force of about 5.18 million people (16 to 74 years).

### TOURISM ACTIVITY

In January 2022, **tourism accommodation sector registered 853.2 thousand guests and 2 million overnight stays**, corresponding to y-o-y increase of 183.7% and 185.9%, respectively. Comparing January 2022 with January 2020, the number of guests and overnight stays have decreased by 39.9% and 38.8%, respectively. INE's flash estimate available [here](#).

### EXTERNAL ADJUSTMENT

#### i. International Trade

In December 2021, nominal **exports and imports of goods increased y-o-y by 23.4% and 34.7%, respectively** (+14.5% and +27.7%, in the same order, compared with December 2019). Main increases were felt in exports and imports of Industrial supplies (+35.3% and +49.6%, in the same order; +41% and +58.6% compared to December 2019) and in imports of Fuels and lubricants (+111.8%; +40% compared to December 2019). INE's press release available [here](#).

#### ii. Balance of Payments

In 2021, in accumulative terms, the **current account (CA) balance stood at -€2,574.09M**; an decrease in relation to the accumulative figure of November. As usual, the CA deficit is mainly explained by the negative **balance of goods** (- €15,340.91M). **Balance of services** have registered a surplus

of €9.884.73M. At the same time, the **capital account** registered a positive balance of €3,601.68M. BdP's data available [here](#).

### PRICE DEVELOPMENTS

The **CPI annual rate is estimated to be 4.2%** in February 2022, (3.3% in January 2022), with the index for energy products estimated to be 14.9% (12.1% in January 2022). In February 2022, the estimated **HICP annual rate of change was 4.4%** in Portugal (3.4% in January). INE's flash estimate available [here](#).

According to INE's data, in December the **industrial production prices index increased 17.9%** y-o-y (20% in the previous month). Excluding the Energy grouping, the variation was 11.5% (10.6% in previous month).

### BUDGETARY OUTTURN

At the end of January, the **general government budget on a cash basis** recorded a €1,834M surplus, €1,085M more than in the end of January 2021. This evolution is due to a higher increase of revenue (17.3%) than of expenditure (1.1%). The **primary surplus** reached €1,921M, €1,069M better than in the same period of the last year. The budget execution still highlights the effects of the COVID-19 pandemic on the economic performance as well as the mitigation policy measures (€288M on the first month of 2022 which compares with €258M in same period of 2021).

The **revenue** increase is mainly explained by the increase of tax revenue (19.2%), namely the indirect taxes (26.4%), and social contributions (5.5%).

**Expenditure** growth 1.1% due to €221M of COVID-19 expenditures measures. Excluding COVID-19 measures, expenditure increase 0.8% explained by the increase of social benefits expenditure (mainly pension expenditure, 2.9%, and social benefits for inclusion, 27.8%), and acquisition of goods and services (1.9%).

### TREASURY FINANCING

According to the Debt Management Agency (IGCP), at the end of the 2021, the Portuguese **State direct debt** decreased €5,910M vis-à-vis December, **amounting** to €272,579M before cambial hedging. The CEDIC stock decreased €9,184 M and was partially offset by the increase of PGB in €3,000M.

### GENERAL GOVERNMENT DEBT

According to **BdP**, **general government Maastricht debt** reached €269,600M in December, i.e. less €172M than in the previous month. Maastricht debt **net of deposits** of the general government stood at €253,939M, which represents a monthly increase of €2,456M.