

PORTUGAL

LATEST KEY DEVELOPMENTS

MAR 2022

HIGHLIGHTS

According to INE, the **General Government (GG) net borrowing** in 2021 amounted to EUR 5,971.1M, corresponding to 2.8% of GDP (5.8% in 2020). GG Gross debt attained 127.4 % of GDP in 2021 (135.2% in 2020). INE's release available [here](#).

Households' saving rate reached 10.9% of disposable income (12.6% in 2020). This performance was a consequence of the 5.8% increase in consumption expenditure (reduction of 6.4% in 2020), which more than offset the 4% increase in disposable income. The Portuguese economy's net lending stood at 0.7% of GDP in the 2021 (in 2020, the net borrowing was 0.2% of GDP). INE's release available [here](#).

ECONOMIC ACTIVITY

In the context of the invasion of Ukraine, the **Consumer confidence indicator decreased abruptly in March**, after the increases of the previous months, a decline only surpassed by the fall registered in April of 2020. Moreover, the **economic climate indicator decreased moderately in March**, after reaching in February the level observed on February 2020. Confidence indicators decreased in Manufacturing Industry and in Construction and Public Works and increased Trade and Services. INE's press release available [here](#).

LABOUR MARKET

According to INE estimates, the **unemployment rate in February stood at 5.8%**, the same value of January and less 1 p.p. regarding February 2021. Furthermore, in February, the unemployed population was 297.5 thousand people in a labour force of about 5.165 million people (16 to 74 years).

TOURISM INDUSTRY

In February 2022, **tourism accommodation sector** registered **1.2 million guests and 2.9 million overnight stays**, corresponding to y-o-y increase of 507% and 527.1%, respectively. Comparing with February 2020, the number of guests and overnight stays have decreased by 21.2% and 23.1%, respectively. INE's flash estimate available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In January 2022, nominal **exports and imports of goods increased y-o-y by 22.2% and 37.5%, respectively** (9.7% and 13.3%, in the same order, compared with January 2021). Main increases were felt in exports and imports of Industrial supplies (33.7% and 48.7%, in the same order; 27.7% and 41.4% compared to January 2020) and in imports of Fuels and lubricants (115.7%; 16.2% compared to January 2020). INE's press release available [here](#).

ii. Balance of Payments

In January 2022, the **current account (CA)** balance stood at -€522.01M (less €123.08 regarding January 2021). The CA deficit

is mainly explained by the **balance of goods** (-€1,364,89M). **Balance of services** have registered a surplus of €709.12M. At the same time, the **capital account** registered a balance of -€118.32M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The **CPI annual rate is estimated to be 5.3%** in March 2022, (4.2% in February 2022), with the index for energy products estimated to be 19.8% (15% in February 2022). In March 2022, the estimated **HICP annual rate of change was 5.5%** in Portugal (4.4% in February). INE's flash estimate available [here](#).

According to INE's data, in February the **industrial production prices index increased 20.7%** y-o-y (17.8% in January). Excluding the Energy group, the variation was 5.9% (5.3% in previous month).

BUDGETARY OUTTURN

At the end February, the **general government budget on a cash basis** registered a €1,161M surplus, which compares with a deficit of €1,254M at same period of 2021. The observed improvement is explained by an increase of 18.9% in revenue, along with a smaller increase in expenditure of 0.3%. The primary surplus reached €2,453M, higher €2,415M vis-à-vis 2021.

On the **revenue** side, the increase of tax revenue (12.6%), mainly of VAT revenue (40.1%) and social contributions (2.1%) is mainly explained by the economic recovery.

The increase of **expenditure** is explained by the acquisition of goods and services (7,2%), investment (10,3%) and compensation of employees (1.8%).

TREASURY FINANCING

According to the Debt Management Agency (IGCP), the Portuguese **State direct debt** **reached** €273,426M before cambial hedging, higher €847M vis-à-vis January. To this result, it had contributed the increase of PGB (€1,250M) and Treasury Bills (€1,255M), partially compensated by the decrease of CEDIC stock €1,811M). On March 9th, were issued €500M of both PGB 4.125%14Apr2027 and PGB 2.25%18Apr2034 were **auctioned**. On March 16th, €500M and €1,250M (competitive tranche) of 6 and 12-month T-bills at weighted average yields of -0.571% and -0.467% were **issued**, respectively. On 29th March, IGCP, E.P.E. performed a **reverse bond auction** of PGB 2.2%17Oct2022, **boughting** €431M at 101.52%.

GENERAL GOVERNMENT DEBT

According to **BdP**, **GG debt (Maastricht debt)** reached €269,232M (127.4% of GDP) in the end of 2021, less 1,249M (7.8p.p. of GDP) than in 2020. The **GG deposits** decreased €8,330M in 2021. In January 2022, **GG debt** **amounted** to €272,069M, more €2,837M than in the previous month. **Maastricht debt net of deposits** of the GG stood at €253,178M, which represents a monthly decrease of €460M.