

PORTUGAL

LATEST KEY DEVELOPMENTS

MAY 2022

HIGHLIGHTS

The Parliament approved the [State Budget for 2022](#).

ECONOMIC ACTIVITY

Real GDP registered a y-o-y increase of 11.9% in the first quarter of 2022 (5.9% in the previous quarter), reflecting a base effect, since, in January and February 2021, several measures to mitigate the pandemic that conditioned economic activity were in place. INE's release available [here](#).

The **Consumer confidence indicator increased in April and May**, following the abrupt fall registered in March, the second largest of the series, being only surpassed by the strong decline registered in April of 2020, when the pandemic begun. Moreover, the **economic climate indicator decreased in May**, after slightly decreasing in April. Confidence indicators decreased in Manufacturing Industry, in Trade and slightly in Services, while the Construction and Public Works confidence indicators increased. INE's press release available [here](#).

LABOUR MARKET

According to INE estimates, the **unemployment rate in April stood at 5.8%**, remained unchanged both from the previous month and three months before, but less 1.1 pp comparing one year before. Furthermore, in April, the unemployed population was 300.4 thousand people in a labour force of about 5.2 million people (16 to 74 years).

TOURISM INDUSTRY

In April 2022, **tourism accommodation sector registered 2.4 million guests and 6 million overnight stays**, corresponding to y-o-y increase of 424.6% and 540.6%, respectively. Comparing April 2022 with April 2019, the number of guests and overnight stays have increased by 1.6% and 1.1%, respectively. INE's flash estimate available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In the first quarter of 2022, nominal **exports and imports of goods increased by 18.2% and 36.8%, respectively**, compared to the same period of the previous year. Compared to the first quarter of 2020, exports grew by 25.6% and imports by 29%. Vis-à-vis the first quarter of 2019, the increases were 21.5% and 25.9%, respectively. INE's press release available [here](#).

ii. Balance of Payments

From January to March, in accumulative terms, the **current account (CA)** balance stood at -€1,480.76M (-€164.93M in March 2021). As usual, the CA deficit is mainly explained by the negative **balance of goods** (-€5,226.86M). **Balance of services** have registered a surplus of €2,863.11M. At the same time, the **capital account** registered a surplus of €163.90M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The **CPI annual rate is estimated to be 8%** in May 2022, (7.2% in April 2022), with the index for energy products estimated to be 27.2% (26.7% in April 2022). In May 2022, the estimated **HICP annual rate of change was 8.1%** in Portugal (7.4% in April 2022). INE's flash estimate available [here](#).

BUDGETARY OUTTURN

At the end of the first quarter, the **general government budget on a cash basis** registered a €782M deficit, less €4,272M compared to the same period of 2021. The observed improvement is explained by an increase of 15% in revenue, along with a decrease in expenditure of 1.8%. The primary surplus reached €2,042M, €3,904M higher vis-à-vis 2021.

On the **revenue** side, the increase of tax revenue (18.8%), namely VAT revenue (26.2%), oil products tax (22.8%) and social contributions (9.5%), is mainly explained by the economic recovery.

The decrease of **expenditure** is explained by other current transfers and interest expenditure decrease (-4.8% and -11.5%, respectively). They were partially offset by the increase of the acquisition of goods and services (8.1%) and compensation of employees (1.9%). On the other hand The COVID-19 related measures amounted to €1,461M less €914M than in April 2021.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), the Portuguese **State direct debt reached** €279,120M before cambial hedging, higher €3,041M vis-à-vis March. To this result, it had contributed the increase of PGB (€3,000M) and Treasury Bills (€1,254M) partially offset by Floating Rate Notes (-€1,000M).

On May 11th, were issued €750M of PGB 0.475%18OCT2030 were **auctioned**. On May 20th, €625M and €875M (competitive tranche) of 6 and 12-month T-bills at weighted average yields of -0.179% and 0.236% were **issued**, respectively.

GENERAL GOVERNMENT DEBT

According to **BdP**, in January 2022, **general government debt amounted** to €275,977M, more €1,153M than in the previous month. **Maastricht debt net of deposits** of the general government stood at €253,758M, which represents a monthly decrease of €380M.