

# PORTUGAL

## LATEST KEY DEVELOPMENTS

JUNE 2022

### HIGHLIGHTS

According to INE, the **net borrowing in General Government (GG)** decreased by 1.3 percentage points in the year ending in the first quarter of 2022, to 1.5% of GDP. This reduction in the deficit was the combined result of an increase in revenue (2.5%) and a decrease in expenditure (-0.3%). INE's release available [here](#).

**Net lending of Households' sector** extended the downward path initiated in the second quarter of 2021, decreasing by 1.9 percentage points, to 2.4% of GDP in the year ending in the first quarter of 2022, and reflected the decrease in gross savings. INE's release available [here](#).

### ECONOMIC ACTIVITY

The **Consumer confidence indicator decreased in June**, following the increases of the previous two months and the abrupt fall registered in March. The balance of Consumers expectations regarding the future evolution of the price level increased in June, after decreasing in the previous two months and registering in March the largest increase of the series, which largely surpassed the previous maximum value. INE's release available [here](#).

### LABOUR MARKET

According to INE estimates, the **unemployment rate in May stood at 6.1%**, 0.2 pp higher than in the previous month, 0.3 pp higher than three months before, but 0.8 pp lower than a year before. Furthermore, in May, the unemployed population was 314.1 thousand people in a labour force of about 5,2 million people (16 to 74 years).

### TOURISM INDUSTRY

In May 2022, **tourism accommodation sector registered 2.5 million guests and 6.5 million overnight stays**, corresponding to y-o-y increase of 162.1% and 221.8%, respectively. Comparing May 2022 with May 2019, the number of guests and overnight stays have decreased by 3.2% and 0.7%, respectively. INE's flash estimate available [here](#).

### EXTERNAL ADJUSTMENT

#### i. International Trade

In April 2022, nominal **exports and imports of goods increased by 17.3% and 29.2%, respectively**, compared to the same period of the previous year. Main increases were felt in exports and imports of industrial supplies (26.7% and 29.7%, respectively) and in fuels and lubricants (95.5% and 128.4%, in the same order). INE's flash estimate available [here](#).

#### ii. Balance of Payments

From January to April, in cumulative terms, the **current account (CA)** balance stood at -€2,141.91M (-€1,771.52M from January to April 2021). As usual, the CA deficit is mainly explained by the

negative **balance of goods** (-€7,201.48M), as the **balance of services** have registered a surplus of €4,072.33M. At the same time, the **capital account** registered a surplus of €355.39M. BdP's data available [here](#).

### PRICE DEVELOPMENTS

The **CPI annual rate is estimated to be 8.7%** in June 2022, (8% in May 2022), with the index for energy products estimated to be 31.7% (27.3% in May 2022). In June 2022, the estimated **HICP annual rate of change was 9%** in Portugal (8.1% in May 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 €411M deficit, less €5,183M compared to the same period of 2021. The observed improvement is explained by an increase of 15.9% in revenue, along with a decrease in expenditure of 0.5%. The primary surplus reached €2,497M, €4,733M higher vis-à-vis 2021.

On the **revenue** side, the increase of tax revenue (21.1%), mainly of VAT revenue (25.2%), oil products tax (12.3%) and social contributions (10.1%) is mainly explained by the economic recovery.

The decrease of **expenditure** is explained by other current transfers and interest expenditure decrease (3.7% and 13.4%, respectively). They were partially offset by the increase of the acquisition of goods and services (12%) and compensation of employees (2.2%). On the other hand The COVID-19 related measures amounted to €2,034M, less €674M than in May 2021.

### TREASURY FINANCING

According to the Debt Management Agency (IGCP), the Portuguese **State direct debt reached** €279,568M before cambial hedging, higher €448M vis-à-vis April. To this result, it had contributed the increase of PGB (€891M) partially offset by the decrease of Treasury Bills (€338M).

On June 8<sup>th</sup>, were issued €750M of PGB 0.3%17OCT2031 were **auctioned**. On June 15<sup>th</sup>, €500M (competitive tranche) of 3 T-bills at weighted average yields of -0.302% **issued**.

### GENERAL GOVERNMENT DEBT

According to **BdP**, in April 2022, **general government debt amounted** to €279,019M, more €3,024M than in the previous month. **Maastricht debt net of deposits** of the general government stood at €255,976M, which represents a monthly decrease of €2,130M.