

PORTUGAL

LATEST KEY DEVELOPMENTS

JULY 2022

ECONOMIC ACTIVITY

Real GDP registered a y-o-y change of 6.9% in the second quarter of 2022 (11.8% in the previous quarter), reflecting partly a base effect, as several measures to mitigate the pandemic were in place in the first quarter of 2021, partially restricting economic activity. Compared to the first quarter of 2022, GDP decreased by 0.2% in volume, after increasing by 2.5% in the previous quarter, driven by the negative contribution of domestic demand. INE's flash estimate available [here](#).

The **Consumer confidence indicator increased in July**, following the decrease of the previous month, remaining at a relatively stable level. The balance of Consumers opinions on the past evolution of the price level increased in the last ten months, extending the markedly ascending trajectory initiated in March of 2021 and reaching the series' maximum value. INE's press release available [here](#).

LABOUR MARKET

According to INE estimates, the unemployment rate in June stood at 6.1%, up 0.1 pp from the previous month, up 0.2 pp from three months before, but down 0.6 pp from a year before. Furthermore, in June, the unemployed population was 313.7 thousand people in a labour force of about 5,2 million people (16 to 74 years).

TOURISM INDUSTRY

In June 2022, **tourism accommodation sector registered 2.7 million guests and 7.2 million overnight stays**, corresponding to y-o-y increase of 97.3% and 110.2%, respectively. Comparing June 2022 with June 2019, the number of guests and overnight stays have decreased by 2.6% and 0.4%, respectively. INE's flash estimate available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In May 2022, nominal **exports and imports of goods increased by 40.6% and 46.4%, respectively**, compared to the same period of the previous year. About half of these variations reflect increases in prices: the unit value indices (prices) recorded year-on-year variations of +17.2% in exports and +24.3% in imports. Main increases were felt in exports and imports of Industrial supplies (+60.3% and +38.6%, respectively) and imports of fuels and lubricants (+147.8%). INE's flash estimate available [here](#).

ii. Balance of Payments

From January to May, in accumulative terms, the **current account (CA)** balance stood at -€3,996.16M (-€2,224.64M from January to May 2021). As usual, the CA deficit is mainly explained by the negative **balance of goods** (-€9,308.43M). **Balance of services** have registered a surplus of €5,675.80M. At the same time, the **capital account** registered a surplus of €454.23M. BdP's data available [here](#).

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PRICE DEVELOPMENTS

The **CPI annual rate is estimated to be 9.1%** in July 2022, (8.7% in June 2022), with the index for energy products estimated to be 31.2% (31.7% in June 2022). In June 2022, the estimated **HICP annual rate of change was 9.4%** in Portugal (9.0% in June 2022). INE's flash estimate available [here](#).

According to INE's data, in June the **industrial production prices index increased 25.7%** y-o-y (24.5% in the previous month) strongly influenced by the evolution of prices of energy and raw materials, without which the variation was 10.9% (10.3% in previous month).

BUDGETARY OUTTURN

At the end of the first semester, the general government budget on a cash basis registered a €1,113M surplus, an improvement of €8,429M compared to €7,316M deficit in the same period of 2021. The observed improvement is explained by an increase of 19.7% in revenue, along with a decrease in expenditure of 1.7%. The primary surplus reached €4,449M, higher €7,828M vis-à-vis 2021.

On the **revenue** side, the increase of tax revenue (28.1%), mainly of VAT revenue (26.9%), Oil ProductsTax (5.6%) and social contributions (9.7%) is mainly explained by the economic recovery.

The decrease of **expenditure** is explained by other current transfers and interest expenditure decrease (3.5% and 15.3%, respectively). They were partially offset by the increase of the acquisition of goods and services (10.7%) and compensation of employees (2.1%). On the other hand The COVID-19 related measures amounted to €2,272M less €860M than in June 2021.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), the Portuguese **State direct debt reached** €281,272M before cambial hedging, higher €1,614M vis-à-vis May. To this result, it had contributed the increase of PGB (€760M) and Treasury Bills (€511M).

On July 6th, IGCP, E.P.E. performed an exchange offer: €538M€ of PGB2.2%17Oct2022 and €225M of PGB4.95%25Oct2023 were bought, and €531M of PGB2.125%17Oct2028 and €232M of PGB0.9%12Oct2035 were sold.

GENERAL GOVERNMENT DEBT

According to BdP, in April 2022, **general government debt amounted** to €280,354M, more €1,334M than in the previous month. **Maastricht debt net of deposits** of the general government stood at €254,656M, which represents a monthly decrease of €1,320M.