

PORTUGAL

LATEST KEY DEVELOPMENTS

AUGUST 2022

ECONOMIC ACTIVITY

Real GDP registered a y-o-y change of 7.1% in the second quarter of 2022 (11.8% in the previous quarter), partly reflecting 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 registered a nil rate of change in volume, after a quarter-on-quarter growth rate of 2.5% in the previous quarter. INE's flash estimate available [here](#).

The **Consumer confidence indicator stabilized in August**, after increasing in the previous month, remaining at a relatively stable level since the pronounced decline registered in March. The balance of Consumer opinions on the past evolution of the price level remained in August at the series' highest level, following the markedly ascending trajectory initiated in March of 2021. INE's press release available [here](#).

LABOUR MARKET

According to INE estimates, the unemployment rate in July stood at 5.9%, less 0.1 pp than in the previous month, down 0.7 pp from a year before, but remained unchanged from three months before. Furthermore, in July, the unemployed population was 306.2 thousand people in a labour force of about 5.2 million people (16 to 74 years).

TOURISM

In July 2022, **tourism accommodation sector registered 3 million guests and 8.6 million overnight stays**, corresponding to y-o-y increase of 85.4% and 90.1%, respectively. Comparing July 2022 with July 2019, the number of guests and overnight stays have increased by 6.3% and 4.8%, respectively. INE's flash estimate available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In June 2022, nominal **exports and imports of goods increased by 37.1% and 41.6%, respectively**, compared to the same period of the previous year. Should be noted that the unit value indices (prices) registered year-on-year increases of 18.6% in exports and 26% in imports. Main increases were felt in exports and imports of Industrial supplies (29% and 21.2%, respectively), fuels and lubricants (159.9% and 220.3%, in the same order) and transport equipment (60.6% and 46,1%, in the same order). INE's flash estimate available [here](#).

ii. Balance of Payments

From January to June, in accumulative terms, the **current account (CA) balance stood at -€4,080.44M (-€1,922.83 from January to June 2021)**. As usual, the CA deficit is mainly explained by the negative **balance of goods (-€12,197.52M)**. **Balance of services** have registered a surplus of €8,427.06M. At the same time, the **capital account** registered a surplus of €865.18M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The **CPI annual rate is estimated to be 9%** in August 2022, (9.1% in July 2022), with the index for energy products estimated to be 27.0% (31.2% in July 2022). In July 2022, the estimated **HICP annual rate of change was 9.4%** in Portugal (same value in the previous month). INE's flash estimate available [here](#).

According to INE's data, in July the **industrial production prices index increased 24.8%** y-o-y (25.6% in the previous month) strongly influenced by the evolution of prices of energy and raw materials, without those industrial goods, the variation was 10.9% (10.6% in previous month).

BUDGETARY OUTTURN

By the end of July 2022, the **general government budget on a cash basis** recorded a €432M surplus, €7,589M higher than in the same period of 2021. This evolution is due to a higher increase of revenue (16%) than of expenditure (0.3%). The **primary deficit** reached €4,397M, an improvement of €7,326M year-on-year.

The budget execution reflects the dynamism of the economy (tax and social contribution revenue increased 21.1% and 9.6%) and a lower COVID-19 expenditure (€2,127M until July 2022 which compares with €3,133M in July 2021).

Excluding the COVID-19 measures, expenditure increased 2.2% due to the increase of the acquisition of goods and services (11%), the current transfers (2.5%) and compensation of employees (2.8%).

TREASURY FINANCING

According to the Debt Management Agency (IGCP), the Portuguese **state direct debt** decreased €1,159M vis-à-vis July, amounting to €280,114M before cambial hedging. The Treasury Bills stock decreased €2,199M and CEDIC stock increased €800M.

On August 26th, **DBRS** upgraded the Portuguese Republic rating to A (low) and the outlook from positive to stable. It was the first rating agency to improve to A level in the last eleven years. DBRS justify the change "*considering that credit vulnerabilities to Portugal linked to external shocks are receding and macroeconomic prospects are improving*".

GENERAL GOVERNMENT DEBT

According to **BdP**, **general government Maastricht debt** reached €280,563M in June, *i.e.* more €209M than in the previous month and more €11,331M than in the end of 2021. Maastricht debt **net of deposits** of the general government stood at €252,487M, which represents a monthly decrease of €2,168M and less €1,230M than in the end of last year.