

PORTUGAL

LATEST KEY DEVELOPMENTS

SEPTEMBER 2022

HIGHLIGHTS

In September, [INE published National Accounts](#) data revising real GDP upwards for 2020, 2021 and the first half of 2022 to, respectively, -8.3%; +5.5% and +9.7% (compared to -8.4%; +4.9% and +9.5%, respectively).

According to INE, the **net borrowing of the Portuguese economy** increased in the year ended in the second quarter of 2022, moving from 0.5% of GDP in the first quarter to 0.8%. The reduction in the economy's external balance reflected the decrease of all domestic sectors balances, except General Government (GG). INE's flash estimate available [here](#).

The **balance of the General Government (GG)** sector increased by 1.8 p. p. in the year ended in the second quarter of 2022, moving from a net borrowing of 1.6% of GDP to a net lending of 0.2% of GDP).

ECONOMIC ACTIVITY

The **Consumer confidence indicator decreased in September**, attaining the lowest value since the beginning of the pandemic, in April 2020, which is lower than the level observed in March, when there was the second most intense drop in the series. The balance of Consumer opinions on the past evolution of the price level increased slightly in September, renewing the maximum value of the series that had been recorded in the previous two months, following the markedly upward trajectory that began in March 2021. INE's press release available [here](#).

LABOUR MARKET

[According to INE estimates](#), the **unemployment rate in August stood at 6%**, as in July, June and May of 2022, but less 0.3 pp than one year before. Furthermore, in August, the unemployed population was 312.5 thousand people in a labour force of about 5,2 million people (16 to 74 years).

TOURISM INDUSTRY

In August 2022, **tourism accommodation sector** registered **3.4 million guests and 9.9 million overnight stays**, corresponding to year-on-year increase of 33% and 31.9%, respectively. Comparing August 2022 with August 2019, the number of guests and overnight stays increased by 1.2% and 2.8%, respectively. INE's flash estimate available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In July 2022, nominal **exports and imports of goods increased by 28.3% and 29.2%, 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 18.3% in exports and 22.8% in imports. Main increases were felt in exports and imports of Industrial supplies (27.8% and 21.1%,

respectively), and fuels and lubricants (124% and 93.3%, in the same order). INE's flash estimate available [here](#).

ii. Balance of Payments

From January to July, in accumulative terms, the **current account (CA)** balance stood at -€3,711.90M (-€2,218.00 from January to July 2021). As usual, the CA deficit is mainly explained by the negative **balance of goods** (-€13,868.52M). **Balance of services** have registered a surplus of €11,086.68M. At the same time, the **capital account** registered a surplus of €934.13M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The **CPI annual rate is estimated to be 9.3%** in September 2022, (8.9% in August 2022), with the index for energy products estimated to be 22.2% (24% in August 2022). In September 2022, the estimated **HICP annual rate of change was 9.8%** in Portugal (9.3% in the previous month). INE's flash estimate available [here](#).

[According to INE's data](#), in August the **industrial production prices index increased 22.4%** year-on-year (24.6% in the previous month) strongly influenced by the evolution of prices of energy and raw materials, without those industrial goods, the variation was 11.3% (10.8% in previous month).

BUDGETARY OUTTURN

By the end of August 2022, the [general government budget on a cash basis](#) recorded a €2,303M surplus, €9,211M higher than in the same period of 2021, due to a higher increase in revenue (16.6%) than in expenditure (0.1%). The **primary surplus** reached €6,444M, an improvement of €8,769M year-on-year.

The budget execution reflects the dynamism of the economy (tax and social contribution revenue increased 21.9% and 9.5%) and a lower COVID-19 expenditure (€2,800M until August 2022 which compares with €4,052M in August 2021).

Excluding the COVID-19 measures, expenditure increased 2.2% due to the increase of the acquisition of goods and services (7.8%) and compensation of employees (2.5%).

TREASURY FINANCING

According to the Debt Management Agency (IGCP), the Portuguese **state direct debt** decreased €750M vis-à-vis August, amounting to €279,364M before cambial hedging. The Floating rate notes decreased €1,200M partially offset by the increase of Saving Certificates by €627M.

GENERAL GOVERNMENT DEBT

According to [BdP](#), **general government Maastricht debt** reached €279,142M in July, i.e. less €1,468M than in the previous month and more €9,893M than in the end of 2021. Maastricht debt **net of deposits** of the general government stood at €254,052M, which represents a monthly increase of €1,503M and more €317M than in the end of last year.