

OCTOBER 2022

ECONOMIC ACTIVITY

Real GDP registered a y-o-y change of 4.9% in the third quarter (7.4% in the previous quarter), with the contribution of domestic decelerating, as both private consumption and investment decelerated. However, compared to the previous quarter, real GDP increased 0.4%, 0.3 p.p. higher than in previous quarter, as the contribution of domestic demand turned positive, reflecting the growth of private consumption despite the acceleration of consumer prices, while the contribution of net external demand was lower. INE's flash estimate available [here](#).

The **consumer confidence indicator decreased in September and October**, almost reaching the April 2020 value (beginning of the pandemic). The balance of consumer opinions on the past evolution of the price level increased in the last two months, achieving new maximum values, following the upward trajectory since March 2021. INE's press release available [here](#).

TOURISM INDUSTRY

In September, **tourism accommodation sector registered 2.9 million guests and 7.7 million overnight stays**, corresponding to y-o-y increase of 41.3% and 37.4%, respectively. Comparing with September 2019, the number of guests and overnight stays increased 0.2% and 0.7%, respectively. INE's flash estimate available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In the third quarter, exports and imports of goods increased 28% and 35.3% y-o-y, respectively. Compared to the third quarter of 2020, exports grew 43.2% and imports 63.6%. Vis-à-vis the third quarter of 2019, the increases were 38.9% and 38.3%, respectively. INE's press release available [here](#).

ii. Balance of Payments

From January to August, in accumulative terms, the **current account (CA)** balance stood at -€3,591.54M (-€1,591.90 from January to August 2021), what is mainly explained by the negative **balance of goods** (-€17,017.17M), while the **balance of services** registered a €14,321.82M surplus. **Capital account** registered a surplus of €1,152.66M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The **CPI annual rate is estimated to be 10.2%** in October, (9.3% in September), with the index for energy products estimated to be 27.6% (22.2% in September). The estimated **HICP annual rate of change is 10.7 %** (9.8% in September). INE's flash estimate available [here](#).

[According to INE](#), in September the **industrial production prices index increased 19.6%** y-o-y (22.4% in the previous month), what is strongly influenced by the evolution of energy and raw materials prices. Excluding Energy, prices in industry rose 15.3% (the same growth observed in the last two months).

2023 STATE BUDGET

The proposal of [State Budget for 2023](#) (SB2023) was submitted to Parliament in October 10th. In October 17th, the [Draft Budgetary Plan](#) was also submitted to the European Commission.

The SB20232 projected the following targets: a reduction of the general government deficit to 0.9% of GDP in 2023 (down from 1.9% in 2022); a primary surplus of 1.6% of GDP, -1.4 p.p. vis-à-vis 2022; a debt-to-GDP ratio of 110.8% GDP, -4.3 p.p. than in 2022. The macroeconomic scenario projected points to an economic growth of 1.3% in 2023 (6.5% in 2022), fueled by investment and public consumption.

BUDGETARY OUTTURN

Until the end of September, the [general government budget on a cash basis](#) recorded a €5,253M surplus, €9,945M more than one year before, as revenue increased 15.5% and expenditure 0.3%. The **primary surplus** reached €9,517M, €9,502M more than one year before. The budget execution reflects the economic dynamism (tax and social contribution revenues increased 20% and 9.6%, respectively) and a lower COVID-19 expenditure (€2,826M until September, less €1,442M y-o-y), with increases in the acquisition of goods and services (9.5%), current transfers (2.8%) and compensation of employees (3.7%).

TREASURY FINANCING

According to IGCP, by the end of September 2022 the Portuguese **State direct debt** increased €547M vis-à-vis August, [amounting](#) to €279,911M before cambial hedging. The PGB, the Treasury Bill stock and Saving Certificates increased €1,250M, € 351M and €702M, respectively. On the other hand, the stock of CEDIC and Treasury Certificates decrease €1,648M and €310M.

On October 26th, IGCP performed a bond [exchange offer](#): €316M€ of PGB4.95%Oct2023 and €1,416M of PGB5.65%Feb2024 were bought, and €1,023M of PGB0.7%Oct2027, €384M of PGB1.65%Jul2032 and €325M of PGB1%Apr2052 were sold.

On October 19th, €750M (competitive tranche) of 11 months T-bill were issued at weighted average yield of 2,104%.

On October 12th, [were issued](#) on the competitive phase €349M of PGB 2.875%Oct2025, at a yield of 2.087%, and €651M of PGB 0.3%Oct2031, at a yield of 3.23%.

On 28th October, the rating agency Fitch increased the Portuguese sovereign debt risk to BBB+, the highest since March 24th 2011.

GENERAL GOVERNMENT DEBT

According to [BdP](#), **general government (GG) Maastricht debt** reached €278,216M in August, less €926M than in the previous month and more €8,966M than in the end of 2021. Maastricht debt **net of deposits** of the GG stood at €252,487M, which represents a monthly decrease of €1,565M and less €1,248M compared to end of 2021.