

PORTUGAL

LATEST KEY DEVELOPMENTS

DECEMBER 2022

ECONOMIC ACTIVITY

According to INE, the **net borrowing of the Portuguese economy** increased in the year ending in the third quarter of 2022, moving from 0.8% of Gross Domestic Product (GDP) in the second quarter to 1.2%. 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 0.9 percentage points in the year ended in the third quarter of 2022, moving from a net lending of 0.2% of GDP to 1.1% of GDP.

The **Consumer confidence indicator increased in December**, interrupting the negative profile of the previous three months. The balance of Consumer opinions on the past evolution of the price level decreased in December for the second consecutive month, after reaching the series maximum value in October, following the markedly ascending trajectory initiated in March 2021. INE's press release available [here](#).

TOURISM INDUSTRY

In November 2022, **tourism accommodation sector** registered **1.7 million guests and 4.2 million overnight stays**, corresponding to y-o-y increase of 19.7% and 219.4%, respectively. Comparing November 2022 with November 2019, the number of guests have decreased by 0.1% and overnight stays have increased by 4.3%. INE's flash estimate available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In October 2022, **exports and imports of goods increased by 21.1% and 26.2%, respectively**, compared to the same period of the previous year, with the emphasis on the increases in exports and imports of Capital goods and parts thereof (+43.6% and 34.0%, respectively) and industrial supplies (+14.0% and 19.1%, in the same order). INE's press release available [here](#).

ii. Balance of Payments

From January to October, in accumulative terms, the **current account (CA)** balance stood at -€2,871.34M (-€1,421.25M from January to October 2021). As usual, the CA deficit is mainly explained by the negative **balance of goods** (-€21,732.44M). **Balance of services** have registered a surplus of €18,647.86M. At the same time, the **capital account** registered a surplus of €1,554.47M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The **CPI annual rate is estimated to be 9.6%** in December 2022, (9.9% in November 2022), with the index for energy products estimated to be 20.9% (24.7% in November 2022). In 2022, the CPI annual rate was 7.8%.

In December 2022, the estimated **HICP annual rate of change was 9.8 %** in Portugal (10.2% in the previous month). INE's flash estimate available [here](#).

According to INE's data, in November the **industrial production prices index increased 14.1%** y-o-y (16.2% in the previous month). The deceleration in Energy prices largely contributed to this result. Excluding the Energy grouping, prices in industry grew 13.7% (14.6% in the previous month).

BUDGETARY OUTTURN

Until the end of November 2022, the **general government budget on a cash basis** recorded a €1,855M surplus, €8,435M more than in the same period of 2021. This evolution is affected by COVID-19 measures and by measures taken this year to support families and enterprises to mitigate the effect of price rises (energy crisis). Excluding the impact of COVID-19 measures (€5,159M in 2021 and €3,361M in 2022), the budget balance improved €6,637M. Excluding additionally the energy crisis measures (€3,850M), the budget surplus improved €10,487M.

Excluding COVID-19 measures, revenue increased 13.2% and expenditure increased 5% y-o-y. The increase of tax revenue (18%), social contributions (8.2%) and other current revenue (10.3%) explained the revenue behaviour. On the expenditure side, current transfers (6.3%, 1.2% excluding the effect of the energy crisis measures), purchase of goods and services (10.6%) and compensation of employees (3.8%) were the main items that contribute to the increase.

The **primary surplus** reached €8,201M, €8,071M more than in the same period of the last year. Excluding COVID-19 measures it improved €6,273M and excluding additionally the effect of energy crisis measures it raised €10,123M.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), at the end of November 2022 the Portuguese **State direct debt** decreased €242M vis-à-vis October and €4,411M vis-à-vis the end of 2021, amounting to €274,078M before cambial hedging. The TB and CEDIC stock decreased monthly €711M and €617M, respectively. On the other hand, the retail debt stock increased €1,414M.

GENERAL GOVERNMENT DEBT

According to [BdP](#), **general government Maastricht debt** reached €273,788M in October, less €6,086M than in the previous month and more €4,538M than in the end of 2021. Maastricht debt **net of deposits** of the general government stood at €254,144M, which represents a monthly increase of €3,638M.