

# PORTUGAL

## LATEST KEY DEVELOPMENTS

JANUARY 2023

### HIGHLIGHTS

In 2022, **GDP grew by 6.7%**, in volume, the highest growth since 1987, after the 5.5% growth in 2021 which followed the historic decrease of 8.3% in 2020. **In the 4<sup>th</sup> quarter of 2022 real GDP registered a y-o-y change of 3.1%**, (4.9% in the previous quarter). The contribution of domestic demand to the y- o-y growth rate of GDP decreased in the fourth quarter, with a deceleration in private consumption and a decline in investment. The positive contribution of net external demand also decreased. Compared to the third quarter of 2022, GDP increased by 0.2% in volume, (+0.2% in the previous quarter). INE's flash estimate available [here](#).

### ECONOMIC ACTIVITY

The **consumer confidence increased in December and January**, interrupting the negative profile of the previous three months. The balance of consumer opinions on the past evolution of the price level increased in January, after decreasing in November and December and registering the series' maximum value in October, following the markedly ascending trajectory initiated in March of 2021. INE's press release available [here](#).

### LABOUR MARKET

According to [INE's estimates](#), **the unemployment rate in December stood at 6.7%**, up from November (+0.2 p.p.) and September (+0.6 p.p.), and also from December 2021 (+0.8 p.p.). Furthermore, the unemployed population was 347.6 thousand people in a labour force of about 5.2 million people (16- 74 years).

### TOURISM INDUSTRY

In December 2022, the **tourism accommodation sector registered 1.6 million guests and 3.7 million overnight stays**, corresponding to a y-o-y increase of 44.2% and 44.6%, respectively. Comparing December 2022 with December 2019, the number of guests have increased by 1.9% and overnight stays by 5.5% INE's flash estimate available [here](#).

### EXTERNAL ADJUSTMENT

#### i. International Trade

In the fourth quarter of 2022, **exports and imports of goods increased by 16% and 17.1%, respectively**, compared to the same period of the previous year. Vis-à-vis the fourth quarter of 2019, the increases were 27.8% and 37.5%, respectively. INE's press release available [here](#).

#### ii. Balance of Payments

Until November, in cumulative terms, the **current account balance stood at -€3,403.90M** (-€1,858.57M until November 2021). As usual, this deficit is mainly explained by the negative **balance of goods** (-€23,907.26M). **Balance of services** has registered a €20,021.77M surplus. At the same time, the **capital account** registered a surplus of €1,831.09M. BdP's data available [here](#).

### PRICE DEVELOPMENTS

The **CPI annual rate is estimated to be 8.3%** in January, (9.6% in December), with the index for energy products estimated to be 6.8% (20.8% in December). In January, the estimated **HICP annual rate of change was 8.6%** in Portugal (9.8% in December). INE's flash estimate available [here](#).

According to [INE's data](#), in December the **industrial production prices index increased 10.6%** y-o-y (14% in the previous month). The deceleration in Energy prices largely contributed to this result. Excluding the Energy grouping, prices in industry grew 12.8% (13.6% in the previous month). The annual change rate was 20.5% (8.9% in 2021).

### BUDGETARY OUTTURN

At the end of 2022, the [general government budget on a cash basis](#) recorded a €3,591M deficit, €5,018M less than in the end of 2021. This evolution is affected by COVID-19 measures and by measures taken that year to support families and enterprises to mitigate the effect of price rises. Excluding the impact of COVID-19 measures (€3,815M in 2022), the budget presents a surplus of €225M. Additionally, excluding the energy crisis measures (€5,722M), the budget surplus improved €5,947M.

Excluding COVID-19 measures, revenue increased 11.2%, mainly due to taxes (14.7%), social contributions (8.2%) and other current revenue (6.7%) increases. On the other side, expenditure increased 7.4% y-o-y, mainly due to current transfers (10.5%, 5.4% excluding the energy crisis measures), purchase of goods and services (11.4%) and compensation of employees (4.4%).

The **primary surplus** reached €2,981M, €4,637M more than one year ago. Excluding COVID-19 measures it reached a €6,796M surplus, and additionally excluding energy crisis measures a €12,518M surplus.

### TREASURY FINANCING

According to the Debt Management Agency (IGCP), at the end of the 2022 the Portuguese **State direct debt** increased €12,911M vis-à-vis November and €8,500M vis-à-vis the end of 2021, [amounting](#) to €286,989M before cambial hedging. The annual increase is mainly explained by increase of the retail debt (€4,551M) and of the CEDIC and CEDIM stock (€3,479M).

### GENERAL GOVERNMENT DEBT

According to [BdP](#), **general government Maastricht debt** reached €273,322M in November, i.e. less €465M than in the previous month and more €4,073M than in the end of 2021. Maastricht debt **net of deposits** of the general government stood at €254,311M, which represents a monthly increase of €137M.

On January 18<sup>th</sup>, €750M and €500M (competitive tranche) of 6 and 12-month T-bills at weighted average yields of 2.417% and 2.725%, respectively, were [issued](#).