

PORTUGAL

LATEST KEY DEVELOPMENTS

FEB 2023

ECONOMIC ACTIVITY

Real GDP registered a y-o-y change of 3.2% in the fourth quarter of 2022 (4.8% in the previous quarter). Compared to the third quarter of 2022, GDP increased by 0.3% in volume, similar to the rate observed in the previous quarter, with a decline of the positive contribution of both domestic and net external demand. In 2022, GDP grew by 6.7%, in volume, the highest growth since 1987, after the 5.5% increase in 2021 that followed the historical decrease of 8.3% in 2020. INE's press release available [here](#).

The **consumer confidence increased between December and February**, interrupting the negative profile of the previous three months which resulted, in November, in the lowest value since April 2020 when the pandemic began. The balance of consumer opinions on the past evolution of the price level decreased in February, remaining below the maximum value of the series recorded in October. INE's press release available [here](#).

TOURISM INDUSTRY

In January 2023, the **tourism accommodation sector registered 1.5 million guests and 3.5 million overnight stays**, corresponding to y-o-y increase of 72.5% and 74.5%, respectively. Comparing January 2023 with January 2020, there were increases of 3.2% and 6.5%, respectively. INE's flash estimate available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In December 2022, exports and imports of goods grew by 9.5% and 9.1%, respectively, compared to the same period of the last year, with emphasis on the increase in exports of capital goods and parts thereof and fuels and lubricants (24.5% and 50.7%, respectively) and in imports of transport equipment (48.1%), as well as the decrease in imports of industrial supplies (-7.5%). INE's press release available [here](#).

ii. Balance of Payments

In 2022, in cumulative terms, the **current account (CA)** balance stood at -€3,218.56M (-€1,635.88M in 2021). As usual, the CA deficit is mainly explained by the negative **balance of goods** (-€26,457.55M). The **balance of services** registered a surplus of €21,519.13M. At the same time, the **capital account** registered a surplus of €2,147.53M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The **CPI annual rate is estimated to be 8.2%** in February 2023 (8.4% in January), decreasing for the fourth consecutive month, with the index for energy products estimated to be 2% (7.1% in January) and for unprocessed food to be 20.1% (18.5% in the previous month). In February 2023, the estimated **HICP annual rate of change was 8.6%** in Portugal (the same value as in the previous month). INE's flash estimate available [here](#).

In January the **industrial production prices index decelerated for the seventh consecutive month, to 9.9% y-o-y**. The slowdown was fundamentally due to a lower growth in the price of intermediate goods. Excluding the energy grouping, prices in industry recorded an 11.6% growth rate (12.9% in the previous month). INE's data available [here](#).

BUDGETARY OUTTURN

At the end of January, the **general government budget on a cash basis** recorded a €2,013M surplus, €184M more than in the end of January 2021. This evolution is due to a higher increase of revenue (6.2%) than of expenditure (5%). The **primary surplus** reached €2,130M, €214M better than in the same period of the last year. Excluding COVID-19 and energy crisis measures, the budget balance improved €469M reaching €2,586M.

Excluding COVID-19 and energy crisis measures, revenue increased 12% and expenditure increased 8.2% y-o-y. The increase of tax revenue (21.4%) and social contributions (10.6%) explained the revenue behaviour. On the expenditure side, current transfers (6.1%), purchase of goods and services (19.4%) and compensation of employees (7.1%) were the main items that contributed to the increase.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), at the end of January the Portuguese **State direct debt** decreased €8,489M vis-à-vis December, **amounting** to €278,531M before cambial hedging. The CEDIC stock decreased €12,965M and was partially offset by the increase of PGB (€3,000M) and retail debt stock (€2,277M).

On February 15th, €450M and €300M (competitive tranche) of 3 and 12-month T-bills at weighted average yields of 2.53% and 2.899% were **issued**, respectively.

On February 8th, €1,000M of PGB 1.65%16Jul2032 were **auctioned**.

GENERAL GOVERNMENT DEBT

According to **BdP**, **general government Maastricht debt** reached €272,592M in December, *i.e.* less €730M than in the previous month and more €3,342M than in the previous year. The debt to GDP ratio declined y-o-y 11.6p.p. to 113.8%. Maastricht debt **net of deposits** of the general government stood at €258,685M, which represents a monthly increase of €4,374M and a annual increase of €4,949M.