

# PORTUGAL

## LATEST KEY DEVELOPMENTS

MAR 2023

### HIGHLIGHTS

According to INE, the **net borrowing of general government** (GG) in 2022 amounted to 944 million euros in 2022, which corresponds to -0.4% of GDP (-2.9% in 2021). **Gross debt of GG attained 113.9 % of GDP in 2022** (125.4 % of GDP in 2021).

The **disposable income of Households increased 7.8%** compared to 2021, this evolution was mainly driven by the increase in compensation of employees, with a growth of 9.6% compared to 2021. The **savings rate** stood at 6.1% in 2022 (9.9% in 2021). The Portuguese economy's **net borrowing stood at 0.6% of GDP in 2022** (in 2021, net lending was 0.9% of GDP). INE's release available [here](#).

### ECONOMIC ACTIVITY

**Consumer confidence increased slightly between December and March**, interrupting the negative profile of the previous three months. The balance of consumer opinions on the past evolution of the price level increased in March, after declining in the previous four months from the maximum value of the series recorded in October. INE's press release available [here](#).

### LABOUR MARKET

According to INE estimates, the **unemployment rate in February decreased to 6.8%**, down 0.2 pp from January, but 1.2 pp up from February 2022. Furthermore, in February, the unemployed population was 359.6 thousand people in a labour force of about 5.3 million people (16 to 74 years).

### TOURISM INDUSTRY

In February the **tourism accommodation sector registered 1.7 million guests and 4 million overnight stays**, corresponding to a y-o-y increase of 33% and 38.5%, respectively. Comparing February 2023 with January 2020, there were increases of 4.3% and 5.9%, respectively. INE's flash estimate available [here](#).

### EXTERNAL ADJUSTMENT

#### i. International Trade

**In January exports and imports of goods grew by 14.5% and 10.3%**, respectively, compared to the same period of the last year, with emphasis on the increase in exports of capital goods and parts thereof (27.6%) and in imports of transport equipment (40.5%), as well as the decrease in imports of industrial supplies (-3.9%). INE's press release available [here](#).

#### ii. Balance of Payments

In January the **current account (CA) balance turned positive** in €513.04M (-€500.42M in 2021). The CA surplus is negatively influenced by the **balance of goods** (-€1,600.13M) and positively by the **balance of services** which registered a surplus of €1,502.79M. At the same time, the **capital account** registered a surplus of €226.73M. BdP's data available [here](#).

### PRICE DEVELOPMENTS

The **CPI annual rate is estimated to be 7.4%** in March (8.2% in February), decreasing for the 5<sup>th</sup> consecutive month, with the rate for energy products being -4.4% (1.9% in February) and for unprocessed food being 19.3% (20.1% in January). In March, the estimated **HICP annual rate of change was 8%** in Portugal (8.6% in February). INE's flash estimate available [here](#).

According to INE's data, in February, the **industrial production prices index kept slowing down and grew 8.8% y-o-y**. This was due to a lower growth of intermediate goods prices. Excluding the energy group, prices grew 10.5% (12.2% in January).

### BUDGETARY OUTTURN

At the end of February, the **general government budget on a cash basis** recorded a €2,300M surplus, €1,159M more than in the same period of 2022. This evolution is due to a higher increase of revenue (6.2%) than of expenditure (5%). The **primary surplus** reached €3,471M, more €1,038M than in the same period of 2022. Excluding COVID-19 and energy crisis measures, the budget balance improved €888M, reaching €2,994M, as revenue increased 7.2% and expenditure increased 1.8% y-o-y. The increase of tax revenue (9%) and social contributions (11.4%) explained the revenue behaviour. On the expenditure side, current transfers (7.4%), purchase of goods and services (12%) and compensation of employees (6%) were the main contributing to the increase. On the other hand, capital expenditures decreased 43.1%, mainly due to different time profile of payments, and interest expenditure decreased 9.4%.

### TREASURY FINANCING

According to IGCP, the Portuguese **State direct debt reached** €286,627M before cambial hedging, higher €8,097M vis-à-vis January. To this result, contributed the increase of PGB stock (due to a private placement issuance to Caixa Geral de Aposentações as investment of Caixa Geral de Depósitos Employees' Pension Fund liabilities amounting to €3,672M and an auction of €1,000M), of retail debt stock (€1,989) and T-Bill stock (€888M). On March 8<sup>th</sup>, were **auctioned** €397M and €518M of PGB 1.65%16Jul2032 and PGB 0.9%12Oct2035. On March 15<sup>th</sup>, €423M and €300M (competitive tranche) of 6 and 12-month T-bills at weighted average yields of 2.893% and 2.975% were **issued**, respectively. On 1<sup>st</sup> and 29<sup>th</sup> March, IGCP performed **reverse bond auctions** of PGB 4.95%25Oct2023, buying €662M, and of PGB 5.65%15Feb2024, buying €1,292M.

### GENERAL GOVERNMENT DEBT

According to BdP, **GG debt (Maastricht debt)** reached €272,586M (113.9% of GDP) in the end of 2022, more 3,338M but less 11.6p.p. than in 2021. The **GG deposits** decreased €1,605M in the same period. In January, **GG debt amounted** to €275,769M, more €3,184M than in the previous month. **Maastricht debt net of deposits** of the GG stood at €259,096M, which represents a monthly increase of €419M.