

PORTUGAL

LATEST KEY DEVELOPMENTS

APR 2023

ECONOMIC ACTIVITY

Real GDP registered a y-o-y increase of 2.5% in the first quarter of 2023 (3.2% in the previous quarter). This reflects the positive, but lower, contribution of domestic demand, as well as the increase in net exports. INE's release available [here](#).

Consumer confidence increased between December and April, after decreasing in 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 increased in March and April, 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 March remained at 6.9%**, the same rate as the previous month, but 1.1pp up from March 2022. Furthermore, in March, the unemployed population was 362.5 thousand people in a labour force of about 5.3 million people (16 to 74 years).

TOURISM INDUSTRY

In March 2023, the **tourism accommodation sector** registered **2.1 million guests and 5.1 million overnight stays**, resulting in y-o-y increases of 30.8% and 26.7%, respectively. Comparing March 2023 with March 2019, there were increases of 10.4% and 10.2%, respectively. INE's flash estimate available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In the first quarter of 2023, according to [INE's flash estimate](#), **exports and imports grew y-o-y by 13.3% and 8.7%**, respectively, the third quarter in a row with a slowdown in the growth of the trade in goods.

In February 2023, **exports and imports of goods grew y-o-y by 7% and 6.7%**, respectively. Excluding Fuels and lubricants, which decreased 24.2%, all other economic categories recorded increases in exports. In imports, Transport equipment stood out with a 42.1% growth. INE's press release available [here](#).

ii. Balance of Payments

In February 2023, in cumulative terms, the **current account (CA) balance** stood at -€63.57M (-€942.39M in 2022). The CA deficit is negatively influenced by the **balance of goods** (-€3,388.18M) and positively by the **balance of services** which registered a surplus of €2,864.71M. The **capital account** registered a surplus of €408.30M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The **CPI annual rate is estimated at 5.7%** in April 2023 (7.4% in March), decreasing for the sixth consecutive month, with the index for energy products estimated at -12.7% (-4.4% in March)

and for unprocessed food at 14.1% (19.3% in the previous month). While this deceleration mainly reflects the base effect related to the price increases in electricity, gas and food products in April 2022, it is worth noticing that it still does not account for the impacts of the VAT exemption legislative measure. In March 2023, the estimated **HICP annual rate of change was 6.9%** in Portugal (8.0% in March). INE's flash estimate available [here](#).

According to INE's data, in March, the **industrial production prices index kept slowing down and grew 0.2% y-o-y**, registering the most significant deceleration (-8.7pp) since November 2008. This was fundamentally due to the 21.2% reduction in Energy prices. Excluding the energy group, industrial producer prices grew 8.1% (10.6% in the previous month).

BUDGETARY OUTTURN

At the end of the first quarter, the [general government budget on a cash basis](#) registered a €4,899M surplus, comparing to the surplus of €751M in the same period of 2022. The observed improvement was due to an increase of 20.9% in revenue, even though expenditure had increased 2.4%. The primary surplus reached €6,222M, €3,783M higher compared to 2022.

On the **revenue** side, the increase in other capital transfers (31.1%) is due to an inflow of €3,018M from CGD Pensions Fund to Public servants' Pensions Scheme (CGA). The increase of tax revenue (6.5%), mainly of VAT revenue (6.1%), and social contributions (11.7%) is mainly explained by the economic recovery.

The increase in **expenditure** is explained by compensation of employees (6%), acquisition of goods and services (8%) and capital transfers (31.1%). On the other hand, interest expenditure and subsidies have registered a decrease (21.6% and 22%, respectively).

Additionally, the COVID-19 related measures amounted to €356M compared to €1,217M in 2022. The measures related to the geopolitical shock reached €487M.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), the Portuguese **State direct debt reached** €288,602M before cambial hedging in March, €1,975M higher compared to the previous month. To this result, it had contributed the increase in the retail debt stock (€2,915M) and in the CEDIC stock (€1,663M) despite the decrease of Treasury Bills (€1,630M) and of PGB (€908M).

GENERAL GOVERNMENT DEBT

According to [BdP](#), in March, **general government debt** amounted to €279,296M, more 340M than in the previous month. **Maastricht debt net of deposits** of the general government stood at €255,962M, which represents a monthly decrease of €2,130M.