

# PORTUGAL

## LATEST KEY DEVELOPMENTS

MAY 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). The contribution of domestic demand was null (2.3pp in the previous quarter), reflecting the deceleration of private consumption and the decrease investment, due to the negative contribution of the changes in inventories. Net external demand contributed 2.6pp to growth (0.9pp in the previous quarter) as exports accelerated and imports decelerated. INE's release available [here](#).

**Consumer confidence** increased between December and May. The balance of Consumer **opinions on the past evolution of the price level** decreased significantly in May, moving away from the high level it was at. The **economic climate indicator** decreased in May, after having increased between January and April. **Confidence indicators** decreased in all sectors. INE's press release available [here](#).

### LABOUR MARKET

According to INE estimates, **the unemployment rate in April decreased to 6.8%**, 0.2pp down from March, but 0.9pp from April 2022. The unemployed population was 357 thousand people in a labour force of about 5.3 million people (16 to 74 years).

### TOURISM INDUSTRY

In April 2023, the **tourism accommodation sector** registered **2.7 million guests and 6.8 million overnight stays**, resulting in y-o-y increases of 16.5% and 13.8%, respectively. Compared to April 2019, there were increases of 17.5% and 14.3%, respectively. INE's flash estimate available [here](#).

### EXTERNAL ADJUSTMENT

#### i. International Trade

**In March 2023, exports and imports of goods grew y-o-y by 18.7% and 9.3%**, respectively. The increase in exports and imports of *Industrial supplies* (19% and 12.5%, respectively) and the decrease in imports of *Fuels and lubricants* (-12.7%) stand out. INE's press release available [here](#).

#### ii. Balance of Payments

In March 2023, in cumulative terms, the **current account (CA) balance** stood at €380.12M (-€1,755.50M in 2022). The result of the **CA** was negatively influenced by the **balance of goods** (-€5,435.91M€) and positively by the **balance of services**, which recorded a surplus of 5,189.11M€. The **capital account** registered a surplus of €616.24M. BdP's data available [here](#).

### PRICE DEVELOPMENTS

The **CPI annual rate is estimated at 4%** in May (5.7% in April), decreasing for the seventh consecutive month, with the index for energy products estimated at -15.5% (-12.7% in April) and for unprocessed food at 8.9% (14.1% in the previous month). This deceleration mainly reflects the base effect related to the

price increases in electricity, gas and food products, registered in May 2022 and the VAT exemption on several essential food items. In May, the estimated **HICP annual rate of change was 5.4%** in Portugal (6.9% in April). INE's flash estimate available [here](#).

According to INE's data, in April, the **industrial production prices index kept slowing down and decreased 0.9% y-o-y** (increased 0.1% in March). *Energy* and *Intermediate Goods* were the main contributors to this evolution. Excluding *Energy*, industrial production prices increased by 4.7% (8.1% in March).

### BUDGETARY OUTTURN

In April 2023, the **general government budget on a cash basis** registered a €3,979M surplus, more €4,675M compared to the same period in 2022. The observed improvement is explained by an increase of 20% in revenue, despite the increase in expenditure of 3.6%. The primary surplus reached €6,549M, higher €4,420M vis-à-vis 2022.

On the **revenue** side, the increase in tax revenue (10%), mainly of VAT revenue (12.3%) and personal income tax (16.1%), and social contributions (11.9%) resulted from the favourable developments in the labour market. The increase in transfers (199.1%) was due to the transfer of responsibilities of the CGD Pensions Fund to the civil servants' Pension Scheme (CGA).

The increase in **expenditure** is explained by other current transfers, compensation of employees and acquisition of goods and services (4.5%, 6.4% and 7.7%, respectively). On the other hand, it was registered a decrease in subsidies (-28.1%) and interest expenditure (-9%).

The measures concerning the geopolitical shock reached €603,8M while the COVID-19 related measures amounted to €681,7M, less €779,3M than in April 2022.

### TREASURY FINANCING

According to the Debt Management Agency (IGCP), the Portuguese **State direct debt reached** €289,995M before cambial hedging, higher €1,393M vis-à-vis March. To this result, it had contributed the increase of retail debt stock in €1,303M and of the CEDIC stock in €228M.

On May 10<sup>th</sup>, IGCP performed an **exchange offer**: €353M of PGB 5.65%17Feb2024 and €522M of PGB 4.125%Apr2027 were bought and €466M of PGB 1.65%16Jul2032 and €409M of PGB 1.15Apr2042 were sold.

### GENERAL GOVERNMENT DEBT

According to **BdP**, in April 2023, **general government debt** amounted to €279,967M, more €670M than in the previous month. **Maastricht debt net of deposits** of the general government stood at €256,877M, which represents a monthly increase of €915M.