

PORTUGAL

LATEST KEY DEVELOPMENTS

JUL 2023

ECONOMIC ACTIVITY

Real GDP registered a y-o-y change of 2.3% in the second quarter of 2023 (2.5% in the previous quarter). The positive contribution of net external demand was lower than in the previous quarter, while the positive contribution of domestic demand increased, with a less pronounced reduction in investment, despite the private consumption slowdown. Compared to the first quarter of 2023, GDP recorded a nil quarter-on-quarter rate of change in volume, after a growth of 1.6% in the previous quarter. INE's flash estimate available [here](#).

Consumer confidence increased between December and July. Balance of Consumer **opinions on the past evolution of the price level** decreased in the last three months, moving away from the high level it was at. The **economic climate indicator** decreased in July, after stabilizing in the previous month. **Confidence indicators** increased in *Manufacturing Industry, Construction and Public Works* and *Services*, and decreased in and *Trade*. INE's press release available [here](#).

LABOUR MARKET

According to INE estimates, **the unemployment rate in June stood at 6.4%**, the same as in May, but 0.4pp up from June 2022. The unemployed population was 337 thousand people in a labour force of about 5.3 million people (16 to 74 years).

TOURISM INDUSTRY

In June 2023, the **tourism accommodation sector** registered **2.9 million guests and 7.4 million overnight stays**, resulting in y-o-y increases of 7.1% and 3.7%, respectively. Compared to June 2019, there were increases of 4.3% and 3.8%, respectively. INE's flash estimate available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In May 2023, exports and imports of goods decreased y-o-y by 6.9% and 4.1%, respectively. The drop in exports of *Industrial supplies* (-25.1%), especially pharmaceutical products, and in imports of *Fuels and lubricants* (-41.3%) are noteworthy, the latter case reflecting the fall in prices in international markets, and also a base effect. INE's press release available [here](#).

ii. Balance of Payments

In May 2023, in cumulative terms, the **current account (CA) balance** stood at -€283.39M (-€4,166.78M in 2022). CA balance is negatively influenced by the **balance of goods** (-€9,645.25M) and positively by the **balance of services** which registered a surplus of €9,433.16M. The **capital account** registered a surplus of €987.58M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The **CPI annual rate is estimated at 3.1%** in July (3.4% in June), decreasing for the ninth consecutive month, with the index

for energy products estimated at -15% (-18.8% in June) and for unprocessed food at 6.9% (8.5% in the previous month). In July, the estimated **HICP annual rate of change was 4.3%** in Portugal (4.7% in June). INE's flash estimate available [here](#).

According to INE's data, in June, the **industrial production prices index kept slowing down and decreased 5.8% y-o-y** (decreased 3.5% in May). The *Energy* group was the main contributor to this evolution. Excluding *Energy*, industrial production prices increased by 0.8% (2.2% in May).

BUDGETARY OUTTURN

At the end of the first semester, the **general government budget on a cash basis** registered a €4,828M surplus, an improvement of €3,617M compared to the same period of 2022. The observed improvement is explained by an increase of 14.1% in revenue, despite the increase in expenditure of 6.5%. The primary surplus reached €8,213M, higher €3,665M vis-à-vis 2022.

On the **revenue** side, the increase of tax revenue (8.4%), mainly of VAT revenue (9.1%) and personal income tax (14.9%), and of social contributions (11.3%) is mainly explained by the recent improvements in the labour market. Additionally, it has contributed the increase in transfers (124.3%), due to a transfer of responsibilities from CGD Pensions Fund to the civil servants' Pension Scheme (CGA) of €3,018M. Excluding this transfer, the budget reached a surplus of €1.810M.

The increase of **expenditure** is explained by compensation of employees (7.7%), acquisition of goods and services (7.6%) and current transfers (6.2%).

The COVID-19 related measures amounted to €173M less €42M compared to the previous month. The measures aimed at mitigating the geopolitical shock reached €1.124M, more €334M than in May.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), the Portuguese **State direct debt** increased €302M compared to May, **amounting** to €290,960M before cambial hedging. This behaviour was associated with the increase of retail debt in €448M.

On July 12th, IGCP, E.P.E. **auctioned** €467M of PGB 1.95%15Jun2029 and €282M of PGB 0.9%12Oct2035. On July 19th, €350M and €900M (competitive tranche) of 6 and 12-month T-bills at weighted average yields of 3.284% and 3.533% were **issued**, respectively.

GENERAL GOVERNMENT DEBT

According to BdP, in June, **general government debt amounted** to €280,105M, more €101M than in the previous month. **Maastricht debt net of deposits** of the general government stood at €255,397M, which represents a monthly decrease of €1,028M.