

PORTUGAL

LATEST KEY DEVELOPMENTS

AUG 2023

ECONOMIC ACTIVITY

Real GDP registered a y-o-y increase of 2.3% in the second quarter of 2023 (2.5% in the previous quarter). The positive contribution of net external demand decreased to 1.4pp (2.4pp in the previous quarter), with a more pronounced deceleration in exports than in imports. The positive contribution of domestic demand increased to 1pp (0.1pp in the previous quarter), with a less pronounced reduction in investment and a slight slowdown of private consumption. INE's release available [here](#).

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

LABOUR MARKET

According to INE estimates, the **unemployment rate in July stood at 6.3%**, the same as in June, but 0.3pp up from July 2022. The unemployed population was 330 thousand people in a labour force of about 5.3 million people (16 to 74 years).

TOURISM INDUSTRY

In July 2023, the **tourism accommodation sector** registered **3.2 million guests and 8.8 million overnight stays**, resulting in y-o-y increases of 4.1% and 1.3%, respectively. Compared to July 2019, there were increases of 10.7% and 6.7%, respectively. INE's flash estimate available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In June 2023, exports and imports of goods decreased y-o-y by 3.4% and 7.6%, respectively, for the third month in a row. The drop in exports and imports of *Fuels and lubricant* (-41% and -47.4%, respectively) stands out, reflecting decreases in prices and a base effect. INE's press release available [here](#).

ii. Balance of Payments

In June 2023, in cumulative terms, the **current account (CA) balance** stood at €578.10M (-€3,731.77M in 2022). The CA balance is negatively influenced by the **balance of goods** (-€11,723.29M) and positively by the **balance of services** which registered a surplus of €12,308.30M. The **capital account** registered a surplus of €1,537.16M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The **CPI annual rate is estimated at 3.7%** in August (3.1% in July), increasing for the first time since October 2022, with the index for energy products estimated at -6.5% (-14.9% in July) and for unprocessed food at 6.5% (6.8% in the previous month).

This acceleration reflects mainly the increase in Fuel prices. In August, the estimated **HICP annual rate of change was 5.3%** in Portugal (4.3% in July). INE's flash estimate available [here](#).

According to INE's data, in July, the **industrial production prices index kept slowing down and decreased 6.7% y-o-y** (decreased 5.9% in June). The *Energy* group was the main contributor to this evolution. Excluding *Energy*, industrial production prices had a null variation (0.7% in June).

BUDGETARY OUTTURN

By the end of July 2023, the general government budget on a cash basis had an increase of €4,564M compared to last year, reaching a surplus of €5,135M. The **primary surplus** reached €9,305M, a year-on-year improvement of €4,768M. This trend is influenced by the transfer of responsibilities from CGD Pensions Fund to the civil servant's Pension Scheme (CGA) of €3,018M. Excluding the transfer, the budget reached a surplus of €2,118M, more €1,546M than in July 2022.

This evolution is due to an increase in revenue by 8.6% higher than the increase in expenditure by 5.9%, excluding the effect of the transfer.

Looking at the **revenue**, the tax revenue increased 8.9%, positively impacted by personal income tax revenue (13.1%) and VAT revenue (8.1%) and negatively impacted by oil and energy products tax revenue (-0.5%), and social contributions grew 11.6%, reflecting the positive trend in the labour market.

Considering the **expenditure**, its behaviour is mainly explained by the increase in compensation of employees (7.5%), acquisition of goods and services (6.2%) and current transfers (5.1%).

The COVID-19 related measures had a monthly decrease of €25M, reaching €219M. The measures aimed at mitigating the geopolitical shock amounted to €1,516M, increasing €391M compared to June.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), the Portuguese state direct debt had a monthly increase of €1,451M, totalling €292,411M before cambial hedging. This behaviour was due to an increase in the stock of Treasury Bills and PGB of €556M and €899M, respectively.

GENERAL GOVERNMENT DEBT

According to BdP, **general government Maastricht debt** reached €281,085M in June, i.e. more €980M than in the previous month and more €8,500M than in the end of 2022. Maastricht debt **net of deposits** of the general government stood at €255,865M, which represents a monthly increase of €467M and less €2811M than in the end of last year.