

# PORTUGAL

## LATEST KEY DEVELOPMENTS

OCT 2023

### ECONOMIC ACTIVITY

**Real GDP grew 1.9% y-o-y in the third quarter** (2.6% in the previous one). Domestic demand contribution increased, with an acceleration of investment and a private consumption slowdown, while external demand decelerated. Compared to the second quarter, GDP decreased 0.2%, 0.3pp lower than in the previous quarter. Net external demand contribution turned negative, reflecting the drop in exports, while the contribution of domestic demand turned positive. INE's flash estimate available [here](#).

**Consumer confidence** decreased between August and October. The Balance of Consumer **opinions on the past evolution of the price level** increased in October, after decreasing in the previous months. The **economic climate indicator** decreased between July and October. **Confidence indicators** decreased in *Manufacturing Industry, Construction and Public Works and Services*, and increased in *Trade*. INE's press release [here](#).

### LABOUR MARKET

According to INE, **unemployment rate in September stood at 6.5%**, 0.1pp up from August and 0.4pp up from September 2022. The unemployed population was 343.6 thousand people in a labour force of about 5.3 million people (16 to 74 years).

### TOURISM INDUSTRY

In September 2023, the **tourism accommodation sector** registered **3.2 million guests and 8.2 million overnight stays**, resulting in y-o-y increases of 9% and 6.7%, respectively. This growth was due to the increase in non-residents' overnight stays, as the ones from residents fell. INE's flash estimate [here](#).

### EXTERNAL ADJUSTMENT

#### i. International Trade

In the third quarter, in nominal terms **exports and imports of goods decreased y-o-y by 8.8% and 12.3%**, respectively (-4.7% and -6.4% in the 2<sup>nd</sup> quarter). INE's press release [here](#).

#### ii. Balance of Payments

In August, cumulatively, the **current account (CA) balance** stood at €3,094.58M (-€2,951.67M in 2022), negatively impacted by the **balance of goods** (-€15.920,02M) and positively by the **balance of services** (€19.141,58M). The **capital account** recorded a surplus of €2,047.61M. BdP's data [here](#).

### PRICE DEVELOPMENTS

**CPI annual rate is estimated at 2.1%** in October (3.6% in September), with the index for energy products and for unprocessed foods estimated at -12% and 4%, respectively (-4.1% and 6% in September). **HICP annual rate was 3.3%** (4.8% in September). INE's flash estimate available [here](#).

According to INE, in September, the **industrial production prices decreased 5.2% y-o-y** (-5.5% in August). Excluding *Energy*, industrial it decreased 1.8% (-0.6% in August).

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### STATE BUDGET for 2024

The State Budget for 2024 (SB2024) was submitted to Parliament on October 10<sup>th</sup>. The Budget Report is available [here](#) (in Portuguese). On October 16<sup>th</sup>, the Draft Budgetary Plan was also submitted to the European Commission (English version [here](#)).

The SB2024 projected the following targets: a general government surplus to 0.2% of GDP in 2024 (0.8% in 2023); a primary surplus of 2.5% of GDP, -0.5 p.p. vis-à-vis 2022; a debt-to-GDP ratio of 98.9% of GDP, -4.1 p.p. than in 2023. The macroeconomic scenario projected in the SB2024 points to an economic growth of 1.5% in 2024 (2.2% in 2023), fueled by domestic demand.

### BUDGETARY OUTTURN

Until the end of September 2023, the **general government budget on a cash basis** recorded a €10,295M surplus, €4,675M more than in the same period of 2022. Excluding the transfer from the public bank pensions' fund (FPCGD), the surplus reached €7,277M, more €1,657M than in 2022. This evolution reflects a higher increase of revenue (12.5%) compared to expenditure (6.8%).

Regarding **revenue**, social contributions grew 11.1% and tax revenue increased by 7.8%, mainly due to personal income tax (14.9%) and VAT (7.9%), reflecting the positive developments in the labour market.

Concerning **expenditure**, its behaviour was due to transfers (8%), compensation of employees (7.7%), and acquisition of goods and services (4.8%).

The COVID-19 related measures reached €601M, more €35M than in August mainly due to health expenditure, while the measures aimed at mitigating the geopolitical shock amounted to €2,054M, more €176M comparing to the previous month.

### TREASURY FINANCING

According to the Debt Management Agency (IGCP), at the end of September 2023 the Portuguese **State direct debt** decreased €996M vis-à-vis August, **amounting** to €291,583M before cambial hedging. The stock of Treasury Bills decreased by €2,326M, while the stock of PGB and of retail debt increased by €1,110M and €254M, respectively.

On October 10<sup>th</sup>, IGCP, E.P.E. performed an **exchange offer**: €250M of PGB 5.65%Feb2024, €295M of PGB 2.875%Nov2025 and €96M of PGB 4.125%Apr2027 were bought, and €280M of PGB 0.7%Oct2027 and €361M of PGB 3.875%Feb2030 were sold.

### GENERAL GOVERNMENT DEBT

According to [BdP](#), **general government Maastricht debt** reached €279,926M in September, less €531M than in the previous month and more €7,491M than in the end of 2022. Maastricht debt **net of deposits** of the general government stood at €251,239M, which represents a monthly decrease of €4,045M and less €7,287M compared to end of 2022.