

PORTUGAL

LATEST KEY DEVELOPMENTS

NOV 2023

ECONOMIC ACTIVITY

Real GDP grew 1.9% in the third quarter of 2023 (2.6% in the previous quarter). The positive contribution of net external demand decreased significantly to 0.2pp (1.7pp in the previous quarter), with a marked slowdown in exports of goods and services (the goods component decreased y-o-y) and a decrease in imports of goods and services. However, domestic demand contribution increased to 1.7pp (0.9 pp in the previous quarter), with investment increasing and private consumption decelerating. Compared to the previous quarter, real GDP decreased 0.2% (increased 0.1% in the second quarter). INE's release [here](#).

Consumer confidence decreased between August and November. The Balance of Consumer **opinions on the past evolution of the price level** declined in November, after a significant increase in October that suspended the downward path of the previous five months. The **economic climate indicator** increased in November, after declining between July and October. **Confidence indicators** increased in *Manufacturing Industry*, *Trade* and *Services*, and slightly decreased in *Construction and Public Works*. INE's press release [here](#).

LABOUR MARKET

According to INE, unemployment rate in October increased to 6.7%, 0.1pp up from September and 0.6pp up from October 2022. The unemployed population was 353.4 thousand people in a labour force of about 5.3 million people (16 to 74 years).

TOURISM INDUSTRY

In October, the **tourism accommodation sector** registered **2.9 million guests and 7.4 million overnight stays**, with y-o-y increases of 8.7% and 8.5%, respectively (9.3% and 6.9% in the previous month). External markets continued to ensure the growth in overnight stays. INE's flash estimate [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In September, exports and imports of goods decreased y-o-y by 8.2% and 13%, respectively. The drops in exports and imports of *Industrial supplies* (-9.3% and -14.9%, respectively) are noteworthy, as well as in imports of *Fuels and lubricants* (-27%). INE's press release [here](#).

ii. Balance of Payments

In September, cumulatively, the **current account (CA) balance** stood at €4,079.83M (-€2,946.77M in 2022), negatively impacted by the **balance of goods** (-€18,055.87M) and positively by the **balance of services** (€22,033.44M). The **capital account** recorded a surplus of €2,276.29M. BdP's data [here](#).

PRICE DEVELOPMENTS

CPI annual rate is estimated at 1.6% in November (2.1% in October), with the index for energy products and for unprocessed

foods estimated at -12.4% and 3.5%, respectively (-12% and 4% in October). The base effect associated with the significant food price increase in November 2022 is the main contributor to the CPI deceleration. **HICP annual rate was 2.3%** (3.2% in October). INE's flash estimate available [here](#).

According to INE, in October, the **industrial production prices decreased 5% y-o-y** (-5.2% in September). Excluding *Energy*, industrial prices decreased 1.9% (the same as in September).

BUDGETARY OUTTURN

Until the end of October 2023, the **general government budget on a cash basis** recorded a **€9,234M surplus**, €6,513M more than in the same period of 2022. Excluding the transfer from the public bank pensions' fund (FPCGD) of €3,018M, the budget balance reached **€6,215M**, while the primary balance reached €12,381M. **Revenue grew by 8.9%**, excluding the transfer, and **expenditure increased by 5.4%**.

The revenue's behaviour is explained by tax revenue (9.1%), especially personal income tax (15.1%) and VAT (6.7%), and social contributions (11%), reflecting the positive developments of the labour market.

The compensation of employees (7.7%), acquisition of goods and services (6%) and current transfers (4.4%) contributed the most to the growth of the expenditure.

The measures aimed at mitigating the geopolitical shock increased by €203M, mounting to €2,257M while the COVID-19 related measures reached €517M, representing a monthly decrease of €84M.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), at the end of October 2023 the Portuguese **State direct debt** decreased €9,891M vis-à-vis September, **amounting** to €281,070M before cambial hedging. The stock of PGB and of retail debt decreased €9,364M and €206M, respectively.

On November 30th, IGCP bought a reverse bond auction €50M of PGB5.65%Feb2024, €198M of PGB2.875%Oct2025, €249M of PGB2.875%Jul2026 and €150M of PGB4.125%Apr2027.

IGCP cancelled the TB auctions scheduled for November 15th.

GENERAL GOVERNMENT DEBT

According to **BdP**, **general government Maastricht debt** reached €270,422M in October, i.e. less €9,504M than in the previous month. Maastricht debt **net of deposits** of the general government stood at €252,649M, which represents a monthly increase of €1,410M.