

PORTUGAL

LATEST KEY DEVELOPMENTS

DEC 2023

ECONOMIC ACTIVITY

According to INE, the **net lending of the Portuguese economy** increased in the year ending in the third quarter of 2023, moving from 1.7% of GDP in the first semester to 2.7%. This improvement reflected the increase in the General Government Balance and in the Household Balance (+0.5pp of GDP each), while the balance of Non-Financial Corporations improved 0.2pp of GDP and the balance of Financial Corporations deteriorated 0.2pp. The **balance of the General Government (GG)** sector was 0.5% of GDP in the year ending in the third quarter of 2023, increasing from the null balance of the first semester.

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

TOURISM INDUSTRY

In November, the **tourism accommodation sector** registered **1.9 million guests and 4.6 million overnight stays**, with y-o-y increases of 9.2% and 7.5%, respectively (8.9% and 8.6% in the previous month). Overnight stays from residents grew by 2.3% (totalling 1.3 million), while those from non-residents grew by 9.9% (totalling 3.2 million). INE's flash estimate [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In October, **exports and imports of goods decreased y-o-y by 3.1% and 2%**, respectively, with Fuels and lubricants standing out (-22.2% in exports and -23.0% in imports), due to both volume and price decreases. INE's press release [here](#).

ii. Balance of Payments

In October, cumulatively, the **current account (CA) balance** stood at €4,287.51M (-€1,824.61M in 2022), negatively impacted by the **balance of goods** (-€20,505.24M) and positively by the **balance of services** (€24,418.49M), which more than compensated the balance of goods deficit. The **capital account** recorded a surplus of €2,614.56. BdP's data [here](#).

PRICE DEVELOPMENTS

CPI annual rate is estimated at 1.4% in December (1.5% in November), with the index for energy products and for unprocessed foods estimated at -10.5% and 2%, respectively (-12.4% and 3.5% in November). The main contribution for this deceleration comes from the behaviour food products prices, which decreased 0.6% compared to November. **HICP annual rate was 1.8%** (2.2% in November). The CPI annual inflation

rate in 2023 is estimated at 4.3% (7.8% in 2022) and the HICP annual inflation rate at 5.3% (8.1% in 2022). INE's flash estimate available [here](#).

According to INE, in November, the **industrial production prices decreased 6.2% y-o-y** (-4.9% in October). Excluding *Energy*, industrial prices decreased 2.3% (-1.8% in October).

BUDGETARY OUTTURN

Until the end of November 2023, the **general government budget on a cash basis** recorded a €9,406M surplus, €7,325M 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 €6,387M, while the primary balance reached €12,824M. Revenue grew by 10.4%, excluding the transfer, and expenditure increased by 5.8%.

The revenue's behaviour is explained by tax revenue (9.6%), especially personal income tax (14.7%) and VAT (6.7%), and social contributions (10.7%), reflecting the positive developments of the labour market.

The transfers (5.9%), the compensation of employees (7.7%), the acquisition of goods and services (6.4%) contributed the most to the growth of the expenditure. The investment grew 8.6% boosted by ongoing investments in the Local Administration sub-sector and by the expansion works on the metro networks and on the railroad.

The measures aimed at mitigating the geopolitical shock increased by €404M, mounting to €2,661M while the COVID-19 related measures reached €518M.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), at the end of November the Portuguese **State direct debt** decreased €1.675M vis-à-vis October and €7,008M vis-à-vis the end of 2022, **amounting** to €280,011M before cambial hedging. This behaviour was associated with the repayment of €1,500M to the European Financial Stability Mechanism under the Economic and Financial Assistance Programme.

On the 7th of December, IGCP **performed** a reverse auction, buying USD51M of PORTUG5.125%Oct2024.

GENERAL GOVERNMENT DEBT

According to **BdP**, **general government Maastricht debt** reached €267,878M in November, less €2,528M than in the previous month and more €4,557M than in the end of 2022. Maastricht debt **net of deposits** of the general government stood at €252,610M, which represents a monthly increase of €11M.