

PORTUGAL

LATEST KEY DEVELOPMENTS

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GPEARI

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ECONOMIC ACTIVITY

GDP, in real terms, registered a y-o-y growth rate of 2.2% in the fourth quarter of 2023 (1.9% in the previous quarter). The contribution of domestic demand remained high in the fourth quarter, with an acceleration in private consumption and a slowdown in investment. The contribution of net external demand became positive. Compared to the third quarter of 2023, GDP increased by 0.8% in volume (-0.2% in the previous quarter). In 2023, GDP grew by 2.3%, in volume, after 6.8% in 2022, the highest growth since 1987. INE's flash estimate available [here](#).

The **consumer confidence indicator increased in December and January**, after decreasing in the four previous months. The balance of consumer opinions on the past evolution of prices increased in January after decreasing in the previous two months. The balance of perspectives on future price developments increased significantly in January, resuming the ascending trajectory initiated in August. INE's press release available [here](#).

LABOUR MARKET

According to INE estimates, the unemployment rate in December 2023 stood at 6.6%, unchanged from the previous month and from three months before but decreasing from December 2022 (-0.1 pp). Furthermore, in December, the unemployed population was 347.4 thousand people in a labour force of about 5.3 million people (16 to 74 years).

TOURISM INDUSTRY

The **tourist accommodation sector registered 1.8 million guests and 4 million overnight stays** in December 2023, corresponding to y-o-y increases of 10.9% and 8.2%, respectively. Comparing the preliminary data from 2023 with that from 2019, the number of guests has increased by 35.4% and overnight stays by 23.4%. INE's flash estimate available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

The flash estimate of international trade in goods points to **decreases in exports and imports in the fourth quarter of 2023 of, respectively, 1.9% and 5.4%**, in nominal terms and compared to the same period of 2022. The decrease in the transaction of goods occurred for the third consecutive quarter, although being less pronounced compared to the previous one, when there were year-on-year variations of -8.7% in exports and -12.4% in imports. INE's press release available [here](#).

ii. Balance of Payments

From January to November, in cumulative terms, the **current account recorded a surplus of €3,970.3M in 2023**, (-€3,666.8M in the first eleven months of 2022). This result was mainly due to the positive contribution of the balance of services (€26,272.6M), which more than offset the deficit of the balance of goods (-€22,302.2M). At the same time, the **capital account** registered a surplus of €2,868.0M. BdP's data available [here](#).

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PRICE DEVELOPMENTS

The **CPI annual rate is estimated to have increased to 2.3%** in January 2024 (1.4% in December 2023), with the index for energy products and the rate for unprocessed food products estimated to be 0.2% and 3.2%, respectively (-10.5% and 2% in December 2023, accordingly). In January 2024, the estimated HICP annual rate of change was 2.6% (1.9% in the previous month). INE's flash estimate available [here](#).

According to INE's data, in December, a year-on-year decrease of 4.4% was observed in the industrial production prices index (IPPI) (-6.1% in the previous month). Excluding *energy*, the change was -2.0% (-2.1% in November 2023).

BUDGETARY OUTTURN

At the end of 2023, the general government budget on a cash basis recorded a **surplus** of €7,348M, more €10,785M compared to the end of 2022. Excluding the transfer from the public bank pensions' fund (FPCGD) of €3,018M, the budget balance reached €4,330M, while the **primary balance** reached €11,119M. Revenue, excluding the mentioned transfer, grew by 12.1% and expenditure increased by 4.4%.

The **revenue's** behaviour reflects the evolution of the tax revenue (11.8%), especially personal income tax (13.6%) and VAT (10%), and social contributions (10.7%), revealing the positive developments of the labour market. The compensation of employees (7.5%), the acquisition of goods and services (6.3%), the transfers (1.5%) and the investment (10.6%) contributed the most to the growth of the **expenditure**.

The measures aimed at mitigating the **geopolitical shock** had a monthly increase of €174M, reaching €2,835M, less €2,887M compared to the end of 2022. The **COVID-19** related measures reached €1,257M, less €2,942M compared to the end of 2022.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), at the end of the 2023, the Portuguese **State direct debt** registered a monthly increase of €16,026M, amounting to €296,037M before cambial hedging, more €9,018M compared to the end of 2022. The annual increase reflects the increase in the retail debt (€10,222M) and in the CEDIC stock (€8,481M).

On the 17th of January, IGCP, E.P.E. issued €270M, €565M and €1,065M of 3, 6 and 12-month T-bills at the weighted average yields of 3.663% and 3.660%, 3,279%, respectively. On the 24th of January, IGCP auctioned €345M of PGB17Oct2028, €675M of PGB11Apr2042 and €679M of PGB15Feb2045.

GENERAL GOVERNMENT DEBT

According to BdP, **general government Maastricht debt** reached €263,044M in December, less €4,834M than in the previous month and less €9,392M compared to 2022. Maastricht debt **net of deposits** of the general government stood at €251,676M, less €6,849M than in 2022.