

PORTUGAL

LATEST KEY DEVELOPMENTS

FEB 2024

ECONOMIC ACTIVITY

In **2023, GDP grew by 2.3% in volume**, after the 6.8% increase in 2022, the highest since 1987. Real GDP, registered a year-on-year change of 2.2% in the fourth quarter of 2023 (1.9% in the previous quarter). Comparing with the third quarter of 2023, GDP increased by 0.8% in volume, after decreasing by 0.2% quarter-on-quarter in the previous quarter, with a higher contribution of the domestic demand and a less negative contribution of the external demand. INE's press release available [here](#).

The **Consumer confidence indicator increased between December and February**, after decreasing in the four previous months. The balance of Consumer opinions on the past evolution of prices decreased in February, after increasing in January. INE's press release available [here](#).

LABOUR MARKET

According to INE estimates, **the unemployment rate in January 2024 stood at 6.5%**, unchanged from the previous month, down 0.1 pp from three months before and down 0.5 pp from a year earlier. Furthermore, in January, the unemployed population was 347 thousand people in a labour force of about 5.3 million people (16 to 74 years).

TOURISM INDUSTRY

In January 2023, the **tourism accommodation sector registered 1.5 million guests and 3.5 million overnight stays**, corresponding to y-o-y changes of 1.8% and -0.1%, respectively. Overnight stays reversed the growth trajectory of the last three months and decreased by 2.6%, totaling 1.1 million, while those from non-residents slowed down for the third consecutive month, registering a growth of 1.2%, corresponding to 2.3 million. INE's flash estimate available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In **December 2023, exports and imports of goods recorded nominal year-on-year rates of change of +0.3% and -5.9%, respectively** (-1.9% and -7.9%, in the same order, in November 2023). Should be emphasized the increase in exports of industrial supplies (+5.2%), especially medicaments, and the decreases in imports of industrial supplies (-12.8%) and fuels and lubricants (-16.5%), in the latter case due to decreases in volume (-21.9%) and value (-60.7%) in natural gas, mainly reflecting the fall in the price of this product (-49.7%). INE's press release available [here](#).

ii. Balance of Payments

In 2023, in cumulative terms, the **current account (CA) balance recorded a surplus of €3,647.21M** (-€2,781.88M in 2022). This result was mainly due to the positive contribution of the balance of services (€28,017.13M), which more than offset the deficit of the balance of goods (-€24,741.24M). At the same time, the

capital account registered a surplus of €3,595.88M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The **CPI annual rate is estimated to have decreased to 2.1% in February 2024** (2.3% in January), with the index for energy products estimated to be 4.3% (0.2% in January) and for unprocessed food to be 0.8% (3.1% in the previous month). The Portuguese HICP annual rate of change was 2.3% (2.5% in the previous month). INE's flash estimate available [here](#).

According to INE's data, in January, a **year-on-year decrease of 4.3% was observed in the Industrial Production Prices Index (IPPI)** (-4.5% in the previous month). Excluding energy, this variation was -2.8% (-2.1% in December).

BUDGETARY OUTTURN

At the end of January, the **general government budget on a cash basis** recorded a €1,177M **surplus**, €934M less than in the end of January 2023. This evolution is justified by a higher increase in the expenditure (15.7%) compared to the revenue (0.4%). The **primary surplus** reached €1,409M, more €819M compared to the same period of last year.

The **revenue's** performance is associated with a decrease in the tax revenue (-8%), mainly stemming from a lower VAT revenue (-35.1%), despite the increase in the social contributions (10.0%). The transfers (20.7%) and the compensation of employees (7.2%) were the main contributors to the **expenditure's** behaviour.

The measures aimed at mitigating the geopolitical shock reached €112M, more €58M compared to last January.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), at the end of January the Portuguese **State direct debt** decreased €8,382M compared to December 2023, **amounting** to €287,579M before cambial hedging. This behaviour is justified by the decrease in the retail debt stock and in the CEDIC stock, €214M and €15,444M, respectively, partially offset by the increase of PGB (€5,699M).

On February 14th, it was **auctioned** €453M, €800M and €531M of PGB 2.66%15Jun2029, 3.15%20Oct2034 and 3.57%12Apr2052.

On February 21st, €788M and €500M (competitive tranche) of 6 and 9-month T-bills at weighted average yields of 3.65% and 3.44% were **issued**, respectively.

GENERAL GOVERNMENT DEBT

According to **BdP**, **general government Maastricht debt** reached €270,649M in January, more €7,606M than in 2023 and less €4,942M compared to last January. Maastricht debt **net of deposits** of the general government stood at €252,456M, more €779M than in 2023. The debt to GDP ratio reduced 13.4 p.p. y-o-y to 99%.