

# PORTUGAL

## LATEST KEY DEVELOPMENTS

MAR 2024

### HIGHLIGHTS

The **2023 general government surplus stood at 1.2% of GDP** (-0.3% in 2022), reaching €3,194M. Portugal recorded a primary surplus of 3.4% of GDP (€8,945M), improving by 1.8 p.p. (€3,885M) compared to 2022. INE's press release available [here](#).

**Net lending of Households stood at 1.0% of GDP**, which represented an increase of 0.1 percentage points compared to the previous quarter, and the **Households savings rate remained at 6.3%** of disposable income. INE's press release available [here](#).

The **Consumer confidence indicator increased between December and March**, reversing the downward movement observed in the previous four months and reaching the highest value since February 2022. The balance of Consumer opinions on the past evolution of prices decreased in the last two months, after increasing in January. INE's press release available [here](#).

### LABOUR MARKET

According to INE estimates, the **unemployment rate in February remained at 6.7%**, up 0.1 pp both from the previous month and from three months before, but down 0.2 pp from a year earlier. Furthermore, in February, the unemployed population was 359.4 thousand people in a labour force of about 5.4 million people (16 to 74 years).

### TOURISM INDUSTRY

In February 2024, the **tourist accommodation sector registered 1.8 million guests and 4.3 million overnight stays**, corresponding to y-o-y variations of +7% and +6.4%, respectively (+1.9% and -0.3% in January 2024, in the same order). Overnight stays by residents grew by 3.1% to 1.4 million, while those by non-residents increased by 8.1%, bucking the slowdown trajectory of the last three months and totalling 2.9 million. INE's flash estimate available [here](#).

### EXTERNAL ADJUSTMENT

#### i. International Trade

In January 2024, **exports and imports of goods recorded nominal y-o-y rates of change of +0.4% and -4.5%**, respectively (0% and -5.5%, accordingly, in December 2023). The increase in exports of Transport equipment (+13.9%) and the decrease in imports of Fuels and lubricants (-29.8%) are noteworthy, in the latter case due to decreases in both volume (-19.0%) and price (-13.4%). INE's press release available [here](#).

#### ii. Balance of Payments

In January 2023 the **current account (CA) balance increased to € 883.37M** (€288.04M in 2021). The CA surplus is negatively influenced by the **balance of goods** (-€1,469.50M) and positively by the **balance of services** which registered a surplus of €1,829.62M. At the same time, the **capital account** registered a surplus of €187.26M. BdP's data available [here](#).

### PRICE DEVELOPMENTS

The **CPI annual rate is estimated to have increased to 2.3% in March 2024 (2.1% in February)**, with the index for energy products estimated to be 4.8% (4.3% in January) and for unprocessed food to be -0.5% (0.8% in the previous month). The Portuguese HICP annual rate of change was 2.6% (2.3% in the previous month). INE's flash estimate available [here](#).

According to INE's data, in February, a **y-o-y decrease of 2.3% was observed in the Industrial Production Prices Index (IPPI)**, 0.2 pp more negative than in January. Excluding Energy, this variation was 0.4% (0.6% in the same period of last year).

### BUDGETARY OUTTURN

At the end of February, the **general government budget on a cash basis** recorded a €785M surplus, €1,556M less than in February 2022. This evolution is due to a higher increase in expenditure (15.9%) than in revenue (4.1%). The **primary surplus** reached €2,026M, less €1,486M than in the same period of last year.

The **revenue's** behaviour reflects the positive evolution of social security contributions (10.4%), despite the decrease in the tax revenue (-2.8%), namely in the VAT. Transfers (17%), investment (98.4%) and compensation of employees (8.6%) contributed the most to the evolution of the **expenditure**. The measures to mitigate the geopolitical shock mounted to €226,8M.

### TREASURY FINANCING

According to the Debt Management Agency (IGCP), the Portuguese **State direct debt reached** €286,125M before cambial hedging, €1,457M less than in January. To this result, it had contributed the decrease in the PGB stock (less €3,523M), despite the increase in the T-Bill stock (€1,829M).

On the 15<sup>th</sup> of March, IGCP, E.P.E. **auctioned** €745M of PGB 0.3%17Oct2031 and €795M of PGB 1.15%11Apr2042. On the 20<sup>th</sup> of March, it was **issued** €500M and €1,000M (competitive tranche) of 6 and 12-month T-bills at weighted average yields of 3.736% and 3.443%, respectively.

### GENERAL GOVERNMENT DEBT

According to **BdP**, **general government debt (Maastricht debt)** reached €263,085M (99.1% of GDP) in 2023, less €9,342M and less 13.3 p.p. than in 2022. The **general government deposits** decreased €1,605M in the same period. In February 2024, **general government debt amounted** to €268,512M, less €2,178M than in the previous month. **Maastricht debt net of deposits** of the general government stood at €253,942M, which represents a monthly increase of €1453M.