

PORTUGAL

LATEST KEY DEVELOPMENTS

MAY 2024

ECONOMIC ACTIVITY

Real GDP registered a y-o-y increase of 1.5% in the first quarter of 2024 (2.1% in the previous quarter). The contribution of domestic demand was 1pp (1.9pp in the previous quarter), with a slowdown of private consumption and investment. Net external demand contributed 0.5pp to growth (0.9pp in the previous quarter) with imports of goods and services in volume slowing down more intensely than exports. INE's release available [here](#).

Consumer confidence decreased in May, after having increased in the previous five months and having registered the highest value in April since February 2022. The balance of Consumer **opinions on the past evolution of the price level** decreased significantly in May, after the increase recorded in April. The **economic climate indicator** increased in May, after decreasing in the previous month. **Confidence indicators** increases in all surveyed sectors, except in Services. INE's press release available [here](#).

LABOUR MARKET

According to INE estimates, the **unemployment rate in April decreased to 6.3%**, 0.1pp down from March, but 0.2pp from April 2023. The unemployed population was 337 thousand people in a labour force of about 5.3 million people (16 to 74 years).

TOURISM INDUSTRY

In April 2024, the **tourism accommodation sector** registered **2.6 million guests and 6.5 million overnight stays**, resulting in y-o-y decreases of 3.7% and 4.3%, respectively. It should be noted that these results were influenced by the effect of the Easter holiday period. INE's flash estimate available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In March 2024, exports and imports of goods fell y-o-y by 13.6% and 15.5%, respectively. The decrease in exports and imports of *Industrial supplies* (-16.9% and -26.9%, respectively) and the decrease in exports of *Transport equipment* (-16%) stand out. INE's press release available [here](#).

ii. Balance of Payments

In March 2024, in cumulative terms, the **current account (CA) balance** stood at €1,568.01M (-€33.9M in March 2023). The CA surplus is negatively influenced by the **balance of goods** (- €4,972.49M) and positively by the **balance of services** which registered a surplus of €6,049.51M. The **capital account** registered a surplus of €723.77M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The **CPI annual rate is estimated at 3.1%** in May (2.2% in April), with the index for energy products estimated at 7.8% (7.9% in April) and for unprocessed food at 2.6% (nil in the previous month). This acceleration mainly reflects the base effect

related to the monthly decrease registered in May 2023 (-0.7%), as a consequence of the VAT exemption for several essential food items. In May, the estimated **HICP annual rate of change was 3.9%** in Portugal (2.3% in April). INE's flash estimate available [here](#).

According to INE's data, in April, the **industrial production prices index increased 0.8% y-o-y** (decreased 1.5% in March). Excluding *Energy*, industrial production prices decreased 1.2% (-1.8% in the previous month).

BUDGETARY OUTTURN

In April 2024, the general government budget on a cash basis registered a deficit of €1,939M, less €6,027M compared to the same period in 2023 (less €3,009M, excluding the effect of the transfer of responsibilities of the CGD Pensions Fund to the civil servants' Pension Scheme (CGA)). This evolution is the result of an increase in the expenditure of 14.7% combined with a decrease in the revenue of 4.5% (excluding the transfer's effect, revenue grew 4.7%). The primary surplus reached €919M, less €2,719M than in 2023, not considering the transfer's effect.

On the **revenue** side, the social contributions contributed positively (9.9%). In terms of tax revenue, VAT revenue decreased (-3.8%), partially offset by personal income tax and tax on oil and energy products (1.7% and 12.6%, respectively).

The increase in **expenditure** is explained by transfers (16.7%), mainly related to pensions and social benefits, compensation of employees (8.6%) and acquisition of goods and services (10.3%).

The measures concerning the geopolitical shock reached €1,184M, representing a monthly increase of €261M.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), the Portuguese **State direct debt** reached €286,783M before cambial hedging, less €422M compared to March. To this result, it had contributed the decrease in the CEDIC stock by €5,339M, partially offset by the increase in the PGB and CEDIM stocks by €1,687M and € 1,050M, respectively.

On May 10th, IGCP, E.P.E. auctioned €405M of PGB 2.875%20Oct2034 and €608M PGB 3.5%18Jun2038.

On the May 17th, it was issued €500M and €750M of 6-month and 12-month T-bills at the weighted average yield of 3.63% and 3.45%, respectively.

GENERAL GOVERNMENT DEBT

According to BdP, in April 2024, **general government debt** amounted to €273,388M, more €2,515M than in the previous month. **Maastricht debt net of deposits** of the general government stood at €261,395M, which represents a monthly increase of €4,276M.