

PORTUGAL

LATEST KEY DEVELOPMENTS

JUN 2024

ECONOMIC ACTIVITY

According to INE, the **General Government (GG) balance decreased by 0.3pp** in the year ending in the first quarter of 2024, to a surplus of 0.9% of GDP. This dynamic resulted from a deceleration in revenue (9.3%) and an acceleration in expenditure (2.3%). **Net lending of households increased from 1.2% to 2.2% of GDP** in the year ending in the first quarter of 2024 and reflected the 24.6% increase in household savings.

Consumer confidence increased in June, after having decreased in May, recording the highest value since February 2022. The balance of Consumer **opinions on the past evolution of the price level** has decreased in the last two months, significantly in May, after the increase recorded in April. The **economic climate indicator** decreased in June, contrary to the increase observed in the previous month. **Confidence indicators** decreased in Trade and Services, having increased moderately in Manufacturing Industry and Construction and Public Works. INE's press release is available [here](#).

LABOUR MARKET

According to INE estimates, the **unemployment rate in May stood at 6.5%**, up 0.1 pp both from April 2024 and May 2023 and down 0.1 pp from February 2024. The unemployed population was 351 thousand people in a labour force of about 5.4 million people (16 to 74 years).

TOURISM INDUSTRY

In May 2024, the **tourism accommodation sector** registered **3.1 million guests and 7.7 million overnight stays**, resulting in y-o-y increases of 9.4% and 7.5%, respectively. Overnight stays by residents grew by 7.6% to 1.9 million, while those by non-residents increased by 7.5%, totalling 5.8 million. INE's flash estimate is available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In April 2024, **exports and imports of goods** increased y-o-y by 15.5% and 13.5%, respectively. The increases in exports and imports of Fuels and lubricants (+56.0% and +22.1%, respectively) are noteworthy. In the case of imports, the variation was essentially due to increases in volume (+58.9%) and prices (+8.1%) of Crude oil. INE's press release is available [here](#).

ii. Balance of Payments

In April 2024, in cumulative terms, the **current account (CA) balance** stood at €2,445.56M (-€272.51M in 2023). CA balance is negatively influenced by the **balance of goods** (-€6,989.62M) and positively by the **balance of services** which registered a surplus of €8,106.50M. The **capital account** registered a surplus of €935.19M. BdP's data is available [here](#).

PRICE DEVELOPMENTS

The **CPI annual rate** is estimated at 2.8% in June (3.1% in May). The annual rate of change of the index for energy products increased to 9.4% (7.8% in May) while the estimated rate for unprocessed food decreased to 2.0% (2.5% in the previous month). This deceleration is mainly due to a decrease in hotel prices, for which the acceleration recorded in May was essentially due to a major cultural event that occurred in Lisbon. In May, the estimated **HICP annual rate** of change was 3.1% in Portugal (3.8% in June). INE's flash estimate is available [here](#).

According to INE's data, the **industrial production prices index** registered a y-o-y growth of 0.7% in May, compared to a decrease of 0.9% observed in April. Excluding the Energy grouping, the index variation was null.

BUDGETARY OUTTURN

In May 2024, the **general government budget on a cash basis** registered a deficit of €2,553M, compared to a surplus of €780M in the same period of 2023 (excluding the transfer from CGD Pensions Fund to the civil servants' Pension Scheme (CGA)). The primary surplus reached €523M, less €3,177M vis-à-vis 2023. The observed behaviour is a result of an increase of 12.7% in expenditure, along with an increase of 3.7% in revenue.

Social contributions (9.9%) and transfers (13.8%) contributed the most to the **revenue's** dynamic. Tax revenue decreased 1.2% due to the effect of the payments concerning the CIT deferred tax assets regime and of the extension of VAT payments.

The increase in **expenditure** is mainly driven by the increase in the transfers (15.2%), in the compensation of employees (7.9%) and in the acquisition of goods and services (8.2%).

The measures aimed at mitigating the geopolitical shock reached €1,319M, more €135M compared to previous month.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), in May, the Portuguese **State direct debt** [reached](#) €290,847M before cambial hedging, more €4,064M comparing to April. To this result, it had contributed the increase in the PGB stock (€4,013M) and in Treasury Bills (€1,573M).

On June 19th, IGCP [issued](#) €850M and €650M of 3-month and 11-month T-Bills at the weighted average of 3.646% and 3.420%, respectively.

GENERAL GOVERNMENT DEBT

According to BdP, in May, **general government debt** [amounted](#) to €277,078M, more €3,745M compared to the previous month. **Maastricht debt net of deposits** of the general government stood at €261,519M, which represents a monthly decrease of €146M.