

PORTUGAL

LATEST KEY DEVELOPMENTS

JUL 2024

ECONOMIC ACTIVITY

Real GDP registered a y-o-y change of 1.5% in the second quarter of 2023 (same rate in the previous quarter). The positive contribution of domestic demand to the y-0-y growth rate of GDP increased in the second quarter, with an acceleration of investment and private consumption. The contribution of net external demand to the y-o-y rate of change of GDP was negative, after being positive in the previous two quarters, with imports of goods and services accelerating in volume more intensely than exports of goods and services. INE's flash estimate available [here](#).

Consumer confidence increased in June and July, after decreasing in May, surpassing for the first time the value observed in February 2022, before the abrupt decline of March 2022. Balance of Consumer **opinions on the past evolution of the price level** increased slightly in the last month, after decreasing in the previous two months. The **economic climate indicator** decreased in June and July, contrary to the increase observed in the previous month. **Confidence indicators** decreased in Manufacturing Industry, and in Construction and Public Works, and increased in Services and, moderately, in Trade. INE's press release available [here](#).

LABOUR MARKET

According to INE estimates, the **unemployment rate in June stood at 6.7%**, up 0.2 pp both from March and May of 2024 and up 0.4 pp from June 2023. The unemployed population was 361 thousand people in a labour force of about 5.4 million people (16 to 74 years).

TOURISM INDUSTRY

In June 2024, the **tourism accommodation sector** registered 3.0 million guests and 7.8 million overnight stays in June 2024, corresponding to variations of +6.7% and +4.8%, respectively (+9.5% and +7.6% in May 2024, in the same order). Residents' overnight stays grew by 3.2% to 2.2 million, while those spent by non-residents increased by 5.5%, totaling 5.6 million. INE's flash estimate available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In May 2024, exports and imports of goods recorded nominal y-o-y rates of change of, respectively, -1.5% and -3.4% (+15.2% and +13.3%, in the same order, in April 2024). The drop in exports of Transport Equipment (-10%), especially Passenger motor cars, and in imports of Industrial supplies, mainly Base metals (-8.6%) are noteworthy. INE's press release available [here](#).

ii. Balance of Payments

In May 2024, in cumulative terms, the **current account (CA) balance** stood at €1,489.04M (-€520.37M in 2023). CA balance is negatively influenced by the **balance of goods** (-€9,092.65M) and positively by the **balance of services** which registered a

surplus of €10,715.86M. The **capital account** registered a surplus of €1,194.17M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The **CPI annual rate** is estimated to have decreased to 2.5% in July 2024 (2.8% in June), with the index for energy products estimated at 4.2% (9.4% in June) and for unprocessed food at 2.8% (1.8% in the previous month). The estimate of the **HICP annual rate of change** was 2.7% (3.1% in the previous month). INE's flash estimate available [here](#).

According to INE's data, in June, the **industrial production prices index** registered a y-o-y growth of 2.0%, representing an acceleration of 1.4 p.p. compared to May. Excluding the Energy grouping, the index variation was 0.9% (-0.1% in the previous month).

BUDGETARY OUTTURN

In June 2024, the general government budget on a cash basis registered a deficit of €2,731M, compared to a surplus of €1,825M in the same period of 2023 (excluding the transfer from CGD Pensions Fund to the civil servants' Pension Scheme (CGA)). The primary surplus reached €958M, less €4,253M vis-à-vis 2023. The observed behaviour is a result of an increase of 11.2% in expenditure, along with an increase of 1.7% in revenue.

The increase in **revenue** is mainly driven by the increase of Social contributions (9.9%). Tax revenue decreased 8% due to the effect of the payments concerning the CIT deferred tax assets regime.

On the **expenditure** side, the increase is mainly driven by the increase in transfers (15.6%), in the compensation of employees (7.2%) and in the acquisition of goods and services (10.8%).

The measures aimed at mitigating the geopolitical shock amounted to €1,514M, more €195M compared to previous month.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), the Portuguese **State direct debt** reached €293,685M before cambial hedging, more €2,838M than in May. To this result, it had contributed the increase in the Treasury Bills (€1,552M) and in CEDIC stocks (€1,276M).

On July 17th, IGCP issued €1,000M of 4-month T-Bills at the weighted average of 3.560%.

GENERAL GOVERNMENT DEBT

According to BdP, in June 2024, **general government debt** amounted to €278,029M, more €950M compared to the previous month. **Maastricht debt net of deposits** of the general government stood at €264,071M, which represents a monthly increase of €2,553M.