

PORTUGAL

LATEST KEY DEVELOPMENTS

SEP 2024

ECONOMIC ACTIVITY

According to INE, the **net lending of the Portuguese economy** was 2.5% of the GDP in the second quarter of 2024, which represents an improvement of 0.2 p.p. compared with the previous quarter. The increase in the economy's external balance reflected the improvement in the General Government and Households balances by 0.4 and 0.6 p.p. points of GDP compared with the previous quarter. The **balance of the General Government (GG)** sector in the second quarter of 2024 reached 2.5% of GDP, which compares with 1.0% in the same period of the previous year. INE's estimate available [here](#).

Consumer confidence increased in September, following the decrease of the previous month, registering since July values higher than the one observed in February of 2022. The Balance of Consumer **opinions on the past evolution of the price level** decreased in the last two months. The **economic climate indicator** increased in September, reaching a new maximum since April 2023. **Confidence indicators** increased in Manufacturing Industry, in Trade and, significantly, in Services, having decreased in Construction and Public Works. INE's press release available [here](#).

LABOUR MARKET

According to INE estimates, the **unemployment rate in August stood at 6.4%**, 0.1pp down from July. The unemployed population was 347.7 thousand people in a labour force of about 5.4 million people (16 to 74 years).

TOURISM INDUSTRY

In August 2024, the **tourism accommodation sector** registered **3.8 million guests and 10.5 million overnight stays**. After declining in July, residents' overnight stays rose by 4.6%, outpacing non-resident growth (+3.4%), which slowed for the third consecutive month. INE's flash estimate available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In July 2024, **exports and imports of goods** recorded nominal y-o-y rates of change of, respectively, +23.5% and +15.5% (-4.1% and -6.2%, in the same order, in June 2024). The dynamics of the exports and imports of Industrial supplies (+59.5% and +19.7%, respectively) and of Fuels and lubricants (+58.2% and +43.1%, respectively) stood out. INE's press release available [here](#).

ii. Balance of Payments

In July 2024, in cumulative terms, the **current account (CA) balance** stood at €3,980.76M (€1,331.58M in 2023). The CA balance is negatively influenced by the **balance of goods** (-€13,375.46M) and positively by the **balance of services** which registered a surplus of €16,921.65M. The **capital account** registered a surplus of €1,555.16M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The **CPI annual rate is estimated at 2.1%** in September (1.9% in August). The annual rate of change of the index for energy products decreased to -3.5% (-1.4% in August). The estimated rate for unprocessed food was 0.9% (0.8% in the previous month). In September, the estimated **HICP annual rate of change was 2.6%** in Portugal (1.8% in August). INE's flash estimate available [here](#).

According to INE's data, in August, the **Industrial Production Price Index** grew 2.0% in August, up by 0.1 p.p. from July. Excluding the Energy grouping, the y-o-y rate of change was 2.0% (1.7% in the previous month).

BUDGETARY OUTTURN

In August 2024, the **general government budget on a cash basis** registered a surplus of €476M, compared to a surplus of €2,621M in the same period of 2023 (excluding the transfer from CGD Pensions Fund to the civil servants' Pension Scheme (CGA)). The primary surplus reached €5,2606M, less €1,709M vis-à-vis 2023. The observed behaviour is a result of an increase of 10.9% in expenditure, along with an increase of 7.5% in revenue.

The increase in **revenue** is mainly driven by the social contributions (9.7%) and tax revenue (3.0%). The increase of tax revenue is essentially due to the performance of the CIT.

On the **expenditure** side, the increase is mainly driven by the increase in transfers (13.1%), in the compensation of employees (7.4%) and in the acquisition of goods and services (11.1%).

The measures aimed at mitigating the geopolitical shock amounted to €1,785M, more €133M compared to previous month.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), in August 2024, the Portuguese **State direct debt** **reached** €291,813M before cambial hedging, less €232M than in July. To this result, it had contributed the decrease in the non retail debt (€175M).

On September 18th, IGCP **issued** €250M and €500M of 6-month and 12-month T-Bills at the weighted average of 3.167% and 2.802%, respectively.

On September 25th, IGCP did a **reverse bond auction** buying €575M of PGB2.875%Jul2026 and €350M of PGB4.125%Apr2027 and selling €500M of PGB3.5%Jun20326, €170M of PGB1.15%Apr2042 and €255M of PGB1%Apr2052.

GENERAL GOVERNMENT DEBT

According to BdP, in July 2024, **general government debt amounted** to €274,630M, less €2,089M compared to the previous month. **Maastricht debt net of deposits** of the general government stood at €257,860M, which represents a monthly decrease of €3,594M.