

PORTUGAL

LATEST KEY DEVELOPMENTS

OCT 2024

ECONOMIC ACTIVITY

Real GDP grew 1.9% y-o-y in the third quarter (1.6% in the previous one). Domestic demand contribution increased, with an acceleration of private consumption and a decrease of investment, while the contribution of net external demand remained negative. Compared to the second quarter, GDP increased 0.2%, the same rate as observed in the previous quarter. INE's flash estimate available [here](#).

Consumer confidence decreased in October, after the increase observed in the previous month. The **Balance of Consumer opinions on the past evolution of the price level** increased significantly in October, after decreasing in the previous two months. The **economic climate indicator** increased in September and October, attaining a new maximum since April 2023. **Confidence indicators** increased sharply in Construction and Public Works and in Services, having stabilized in Trade and decreased in the Manufacturing Industry. INE's press release [here](#).

LABOUR MARKET

According to INE, unemployment rate in September stood at 6.4%, the same value from the previous month and down 0.1 pp from three months before. The unemployed population was 351.9 thousand people in a labour force of about 5.5 million people (16 to 74 years).

TOURISM INDUSTRY

In September 2024, the **tourism accommodation sector** registered 3.3 million guests and 8.4 million overnight stays, resulting in y-o-y increases of 2.8% and 2.4%, respectively. Residents' overnight stays fell slightly (-0.3%), while those from non-residents increased by 3.5%. INE's flash estimate [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In the third quarter, **exports and imports of goods** in nominal terms increased y-o-y by 9.9% and 6.6%. It should be noted, however, that these changes largely reflect significant increases in processing transactions, without change of ownership. INE's press release [here](#).

ii. Balance of Payments

In August, cumulatively, the **current account (CA) balance** stood at €5,078.73M (€2,005.12M in 2022), negatively impacted by the **balance of goods** (-€15,912.25M) and positively by the **balance of services** (€21,230.24M). The **capital account** recorded a surplus of €1,842.44M. BdP's data [here](#).

PRICE DEVELOPMENTS

The **CPI annual rate** is estimated at 2.3% in October (2.1% in September), with the index for energy products and for unprocessed foods estimated at -0.2% and 2.1%, respectively

(-3.5% and 0.9% in September). **HICP annual rate was 2.6%** (the same as in September). INE's flash estimate available [here](#).

According to INE, in September, the **industrial production prices** grew 0.9% y-o-y (2% in August). Excluding *Energy*, industrial prices increased 1.9% (2.1% in August).

STATE BUDGET for 2025

The State Budget for 2025 (SB2024) was submitted to Parliament on October 10th. The Budget Report is available [here](#) (in Portuguese). On October 15th, was also submitted to the European Commission the Draft Budgetary Plan (English version [here](#)) and the National Medium-Term Fiscal-Structural Plan (English version [here](#)).

The SB2025 projected the following targets: a general government surplus to 0.3% of GDP in 2025 (0.4% in 2024); a primary surplus of 2.5% of GDP, a debt-to-GDP ratio of 93.3% GDP, -2.6 p.p. than in 2024. The macroeconomic scenario projected in the SB2025 points to an economic growth of 2.1% in 2025 (1.8% in 2024), fueled by domestic demand.

BUDGETARY OUTTURN

Until the end of September 2024, the **general government budget on a cash basis** recorded a €5,705M surplus, compared to a surplus of €10,333M in the same period of 2023 (excluding the transfer from CGD Pensions Fund to the civil servants' Pension Scheme (CGA)). The primary surplus reached €10,755M, less €4,141M vis-à-vis 2023. The observed behaviour is a result of an increase of 11.1% in expenditure, along with an increase of 8.2% in revenue.

The increase in **revenue** is mainly driven by the social contributions (9.8%) and tax revenue (5.3%). 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 (12.9%), in the compensation of employees (7.9%) and in the acquisition of goods and services (10.8%).

The measures aimed at mitigating the geopolitical shock amounted to €1,920M, more €136M compared to previous month.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), in September 2024, the Portuguese **State direct debt reached** €290,227M before cambial hedging, less €1,585M than in July. To this result, it had contributed the decrease in the treasury bills (€1,509M).

On October 16th, IGCP **issued** €750M 11-month T-Bills at the weighted average of 2.675%.

GENERAL GOVERNMENT DEBT

According to BdP, in September 2024, **general government debt amounted** to €272,171M, less €1,484M compared to the previous month. **Maastricht debt net of deposits** of the general government stood at €252,224M, which represents a monthly decrease of €5,317M.