

PORTUGAL

LATEST KEY DEVELOPMENTS

JUN 2020

GPEARI

Gabinete de Planeamento, Estratégia,
Avaliação e Relações Internacionais
MINISTÉRIO DAS FINANÇAS

Office for Economic Policy
and International Affairs
MINISTRY OF FINANCE

ECONOMIC ACTIVITY

According to INE's latest, in June, the consumer confidence indicator continued to recover partially, after having presented in April the greatest reduction compared to the previous month and the minimum value since May 2013. By its turn, the economic climate indicator increased in May and June, after reaching the minimum value of the series in April, recovering in all sectors, with emphasis on the Manufacturing Industry.

According to the latest COVID-19 effects survey, there was a slight improvement in the enterprises situation. The percentage of enterprises in operation increased from 92% in the 2nd fortnight of May to 95% in the 1st fortnight of June. Given the situation that could be expected without the pandemic, 68% of the enterprises reported a negative impact on turnover (compared to 73% in the previous fortnight) while 39% of the enterprises reported reductions in the number of persons employed effectively working (45% in the previous fortnight).

LABOUR MARKET

According to INE's latest data, the unemployment rate in March stood at 6.2%, having decreased 0.2p.p. from the previous month and by 0.3 p.p. from March 2019. In the same period, the unemployed population has decreased by 14.4 thousand people (-4.3%) and the employed population has decreased by 26.2 thousand people (-0.5%). The provisional unemployment estimate for April was 6.3%.

TOURISM INDUSTRY

In May, according with the flash estimate, tourism accommodation activity recorded a y-o-y decreased of -95.0% (-97.0% in March). Overnight stays from residents decreased by 85.6%, representing 72.0% of the total, while those from non-residents fell by 98.1%. INE's press release available [here](#).

EXTERNAL ADJUSTMENT

INTERNATIONAL TRADE

In April, nominal exports of goods decreased 39.8% y-o-y (-12.7% in March) while imports of goods decreased by 39.1% y-o-y (-11.6% in March). INE's press release available [here](#).

BALANCE OF PAYMENTS

In 2020, from January until April, the current and capital account balance stood at -€864M (a deterioration when compared to the -€ 201M in the same period of 2019). This deterioration is in major part due to the behaviour of the Balance of Services that registered a decline of €1371M (from €4270M in Jan-Apr 2018 to €2899M). BdP's data available [here](#).

PRICE DEVELOPMENTS

The CPI annual rate in June was estimated at 0.2% (-0.7% in May), while the core inflation annual rate was 0.3% (+0.7p.p.

than in May). By its turn, the CPI 12-month average is estimated at 0.1% in June (the same rate as in the previous month). In the same month, the HICP annual rate of change in Portugal was 0.3% (-0.6% in May). INE's data available [here](#).

In May, according to INE's data, the industrial production prices index decreased 6.7% (-5.4% in the previous month). Excluding energy grouping, the index decreased 1.7% (-1.0% in April).

BUDGETARY OUTTURN

Until the end of 2020, the general government budget on a cash basis registered a €3,203M deficit, more €2,550M than in the same period of 2019. This evolution is due to an increase of 7.4% in expenditure combined with the decrease of 0.4% in revenue. The primary surplus reached €241M, decreasing €2,742M vis-à-vis the same period of 2019. The budget execution already highlights the effects of the Covid-19 pandemic on the economic performance as well as the mitigation policy measures.

On the revenue side, the residual growth of tax revenue (0.3%) and social contributions (0.6%) is due to the extension of payment period (quantified in €869M for PIT, CIT and VAT) and to the economic slowdown.

On the expenditure side, the COVID-19 measures explained 40% of the increase: linked to lay-off measures (€453M), acquisition of health equipment (€169M) and other social support paid by Social Security (€144M). The increase of pension expenditure (4.4%), the compensation of employees (4.8%, mainly explained by the unfreezing of career progressions and the hiring of new staff on health sector) and capital expenditure explained the remaining.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), in May the Portuguese State direct debt increased €1,287MM vis-à-vis April, amounting to €260,569M before cambial hedging. The PGB stock and Saving and Treasury Certificates increased €1,758M and €109M, respectively. On the other hand, the net amortization of Treasury Bills was €209M. On June 10th, €585M of PGB 2.875%Jul2026 and €920M of PGB 4.75%Oct2030 were auctioned. The yields settled in 0.137% and 0.595%, respectively. Moreover, on June 17th, €250M and €1,000M (competitive tranche) of 3 and 12-month T-bills at weighted average yields of -0.480% and -0.438% were issued, respectively.

GENERAL GOVERNMENT DEBT

According to BdP, general government Maastricht debt reached €262,056M in April, i.e. more €7,280M than in the previous month. Maastricht debt net of deposits of the general government stood at €237,074M, which represents a monthly increase of €1,947M.

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