

PORTUGAL

LATEST KEY DEVELOPMENTS

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Avaliação e Relações Internacionais
MINISTÉRIO DAS FINANÇAS

Office for Economic Policy
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MINISTRY OF FINANCE

HIGHLIGHTS AND ECONOMIC ACTIVITY

The net lending of Portuguese economy stood at 1.0% of GDP in the year ending in the 2nd quarter of 2020, (+0.1p.p. comparing with the previous quarter). The balance of the **General Government** sector decreased by 1.8p.p. in same period, compared to the previous quarter. Considering the first half of 2020, the balance of the General Government stood at -5.4% of GDP, which compares with -1.2% in the same period of 2019. Considering quarterly values and not the year ending in the quarter, it should be highlighted the significant increase in the household's savings rate by 12 p.p. in the 2nd quarter 2020 compared to the same quarter of the previous year. INE's press release available [here](#).

According to INE's [latest information](#), in September, the consumer confidence indicator decreased, remaining at a level relatively close in the last three months, after the partial recovery observed in May and June. By its turn, the economic climate indicator increased between May and September, after reaching the minimum value of the series in April. Confidence indicators increased in Construction and Public Works in Services, while in Manufacturing Industry and Trade decreased.

LABOUR MARKET

According to INE's [latest data](#), the **unemployment rate in July stood at 7.9%**, 0.6 p.p. above the previous month rate and 1.4 p.p. more than in July 2019. In the same period, and considering the previous month, the unemployed population has increased by 9% (more 33.4 thousand people) and the employed population has increased by 0.5% (more 24.9 thousand people). The **provisional unemployment rate estimate for August stood at 8.1%**.

TOURISM INDUSTRY

In July, **tourism accommodation activity recorded 2.6 million overnight stays**, corresponding to a y-o-y rate of change of -68.1% (-85.5% in June). Overnight stays from residents decreased by 30.8%, while those from non-residents declined by 84.5%. INE's press release available [here](#).

EXTERNAL ADJUSTMENT

INTERNATIONAL TRADE

In July, on a y-o-y basis, **nominal exports of goods** decreased by 7.3% (-9.8% in June) while **imports of goods** decreased by 21.2% (-22.6% in June). INE's press release available [here](#).

BALANCE OF PAYMENTS

In 2020, from January until July, **the current and capital account balance stood at -€1698M** (a deterioration of -€1093M when compared to the same period of 2019). Although, there was an improvement of both the balance of goods account and the balance of primary income account, the Balance of Services account registered a significant decline, which determined the deterioration of the current and capital account. BdP's data available [here](#).

PRICE DEVELOPMENTS

The estimated **CPI annual rate in September** was -0.1% (-0.1p.p. than in August), while the core inflation annual rate was -0.1% (the same value as in August). By its turn, the CPI 12-month average remained at 0.1%. In the same month, the HICP annual rate of change in Portugal was -0.7% (-0.2% in August). INE's data available [here](#).

BUDGETARY OUTTURN

Until the end of August of 2020, the [general government budget on a cash basis](#) registered a €6,147M deficit, which compared with a surplus of 405M in the same period of 2019. This evolution is due to an increase of 4.9% in expenditure combined with the decrease of 6.6% in revenue. The **primary deficit** reached €1,115M, when compared to the same period of the last year there was a surplus of 5,950M. 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 decrease of tax revenue (7.8%) and social contributions (2.1%) is due to the extension of payment period until sixth months, namely the PIT, VAT and CIT, which has an impact on the revenue of 579M, and to the economic slowdown.

On the **expenditure** side, the COVID-19 measures explained 69.8% of the increase: linked to lay-off measures (€822M) and of health related expenditure like equipment's and medication (€292M). The increase of pension expenditure (3.5%), the compensation of employees (4.1%, mainly explained by the unfreezing of career progressions and the hiring of new staff on health sector) and capital expenditure (10.4%) explained the remaining.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), the Portuguese **State direct debt** increased €4,402M vis-à-vis July, [amounting](#) to €262,341M before cambial hedging. The Treasury Bills stock increased €1,255M. Furthermore, the net issuing of PGB was €1,493M. On September 9th, €964M of PGB 0.475%18Oct2030 and €247M of PGB 4.1%15Feb2045 were [auctioned](#). The yields settled in 0.329% and 1.045%, respectively. Moreover, on September 16th, €500M and €1,250M (competitive tranche) of 6 and 12-month T-bills at weighted average yields of -0.520% and -0.497% were [issued](#), respectively.

GENERAL GOVERNMENT DEBT

According to [BdP](#), **general government Maastricht debt** reached €264,670M in July, i.e. more €4,911M than in the previous month. Maastricht debt **net of deposits** of the general government stood at €245,370M, which represents a monthly increase of €2,539M.