

PORTUGAL

LATEST KEY DEVELOPMENTS

DEZ 2020

ECONOMIC ACTIVITY

Real GDP registered a y-o-y decrease of 5.7% in the third quarter of 2020 (16.4% in the previous quarter). These developments were due to a significantly less negative contribution from domestic demand (from -11.8 to -4.0 p.p.), mainly reflecting a strong recovery of private consumption, but also from a less negative contribution of net external demand (from -4.6 to -1.6 p.p.), with exports recovering more significantly than imports.

Comparing with the 2nd quarter, GDP grew by 13.3% in volume, after decreasing 13.9% in the precedent quarter. This result is largely explained by the contribution of domestic demand (10.7 p.p.), with the contribution of net external demand turned also positive (2.6 p.p.). INE's release available [here](#).

TOURISM INDUSTRY

In October, **tourism accommodation activity** recorded **2.3 million overnight stays** (a y-o-y decrease of -59.7%). 32.1% of the tourist accommodation establishments were closed or had no movement of guests (25.9% in September). Moreover, **total revenue recorded** a rate of change of -67.7% (-59.1% in September). INE's press release available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In October of 2020, nominal **exports of goods decreased 2.2% y-o-y** (2.0% in September). By its turn, **imports decreased by 11.8% y-o-y**, after decreasing 8.8% in September. INE's press release available [here](#).

ii. Balance of Payments

From January to October, in accumulative terms, the **current account (CA)** balance stood at -€1,823M; a deterioration in relation to the accumulative figure of September. As usual, the deficit of the CA is mainly explained by the negative balance of goods (-€9,622M). Balance of services have registered a surplus of €7,036M. At the same time, the capital account registered a positive balance of €1,733M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The CPI annual rate estimate in November was -0.2% (-0.1p.p. that in October). Core inflation registered the same value. Meanwhile, the HICP annual rate of change was -0.4% (-0.6% in October). INE's data available [here](#).

Also according to [INE's data](#), in November **the industrial production prices index decreased 4.7% y-o-y** (-4.6% in October). Excluding energy, the index decreased 0.7% (-0.1% in October).

BUDGETARY OUTTURN

Until the end of November of 2020, the [general government budget on a cash basis](#) registered a €8,691M deficit, which compared with a surplus of €575M in the same period of 2019. This evolution is due to an increase of 5.3% in expenditure combined with the decrease of 6.3% in revenue. The **primary deficit** reached €1,401M, when compared to the same period of the last year the surplus was €8,334M. 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 (7.3%) and social contributions (0.3%) is main due to the suspension of payment of CIT (€791M) and exemption of Single Social Fee under the layoff regime (€518M). The total impact of the revenue related measures is €1,574M. The decrease of the revenue is also due to the economic slowdown.

On the **expenditure** side, the COVID-19 measures explained 63.2% of the increase: linked to lay-off measures (€821M) and of health related expenditure like equipments and medication (€421M). The increase of pension expenditure (3.3%), the compensation of employees (3.7%, mainly explained by the unfreezing of career progressions and the hiring of new staff on health sector) and capital expenditure (9.2%) explained the remaining.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), the Portuguese **State direct debt** decreased €1,232M vis-à-vis October, [amounting](#) to €262,676M before cambial hedging. To this result, it had contributed the decrease of the treasury Bills on €1,205M. On December 2nd, IGCP performed an [exchange offer](#) on following PGB: bought €692M of the 3.85April2021 at 101,65% and €684,2M of the 2.2October2022 at 105,45% and then sold €592M of the 2.125October and €784,2M of the 1.95June2029 with the average prices at 117,87% and 117,24% respectively.

GENERAL GOVERNMENT DEBT

According to [BdP](#), **general government Maastricht debt** reached €268,146M in October, i.e. more €1,144M than in the previous month. Maastricht debt **net of deposits** of the general government stood at €243,762M, which represents a monthly increase of €2,051M.