

# PORTUGAL

## LATEST KEY DEVELOPMENTS

JAN 2020

### ECONOMIC ACTIVITY

The **economic climate indicator**, already available up to the quarter ended in January, increased, due the improvement in Manufacturing Industry, in Construction and Public Works. Meanwhile, Services showed a decrease. INE's release available [here](#).

The **retail trade turnover index** registered a year-on-year change rate of 3.5% in the 4<sup>th</sup> quarter of 2019 (4.7% in the 3<sup>rd</sup> quarter). INE's release available [here](#). In the same period, the **industrial production index**, in y-o-y terms, **increased by 0.5%** (compared with a reduction of 3.3% in the previous quarter). Also according to [INE](#), the **services turnover index** increased by 2.8% in November, up by 1.1pp from the previous month.

### LABOUR MARKET

According to INE's [estimate](#), the **unemployment rate in November was 6.7%** (an increase of 0.2pp from October). Furthermore, in November, the estimation for the unemployed population is 348.9 thousand people in a labour force of about 5,2 million people (15 to 74 years).

### TOURISM INDUSTRY

In November, **tourism accommodation activity** recorded **4.1 million overnight stays** (a y-o-y increase of 7.2%), and the **average revenue per room** grew 2.7% when compared with the same month of 2019. INE's press release available [here](#).

### EXTERNAL ADJUSTMENT

#### i. International Trade

In November of 2019, y-o-y terms, nominal **exports of goods increased 8.6%** (8.4% in October). By its turn, **imports increased by 1.3%**, after increasing 6.9% in previous month. INE's press release available [here](#).

#### ii. Balance of Payments

From January to November, in accumulative terms, the **Current plus Capital account** balance stood at €1,209M; an improvement in relation to the accumulative figure of October 2019. The Current Account registered a deficit of €406.4M, mainly due to the marginal deficit of the Trade Balance, which stood at around -€10M million euros in that month. At the same time, the Capital Account registered a positive balance of €1,616M. BdP's data available [here](#).

### PRICE DEVELOPMENTS

In January 2020, the **Consumer Price Index** annual rate was 0.8% (+0.4pp from December), whilst core inflation stood at 0.4% (the same value of the previous month).

Concerning the **HICP** annual rate of change in Portugal was 0.8% (0.4% in December). INE's data available [here](#).

Also according to [INE's data](#), in December **the industrial production prices index decreased 1.6%** y-o-y (-1.9% in November). Excluding energy, the index also decreased 1.4% (-1.1% in November).

### BUDGETARY OUTTURN

In 2019, the **General Government budget balance on a cash basis** recorded a deficit of €598.6M, reflecting an improvement of €1,642.9M compared to 2018. This outcome is due to an increase of 4.3% in **revenue** that more than offset the increase of 2.3% in **expenditure**. The **primary surplus** reached €7,486.6M, standing €1300,2M greater than same period of 2019. More information [here](#).

It was also driven by factors without impact on national accounts, namely the extension of the tax on oil and energy and tax on tobacco payment deadline to January 2<sup>nd</sup> and the regularization of the swaps coupons payments in 2018.<sup>1</sup>

The revenue increase is mainly explained by the performance of the **tax revenue** (3.8%), namely VAT, tax on oil and energy products and PIT, and **social security contributions** (6.8%).

On the expenditure side, the **compensation of employee's** increase 4%, reflecting the salary promotion measures and the **social security pensions** increase 5.5%. Also investment increase 8.1%. On the other hand, there was a decrease in the interest and other chargers expenditure (-4.1%).

### TREASURY FINANCING

According to [IGCP](#), the **State direct debt** in November amounted to €251,012M, an increase year-on-year of €5,454M.

This is mainly due to the CEDIC instruments which had increased 4,310M face November and 2,125 year-on-year.

On January 8<sup>th</sup>, [IGCP](#) issued a syndicated transaction of €4B at 0,499% and with maturity in 18<sup>th</sup> October of 2030.

On January 15<sup>th</sup>, IGCP issued Treasury Bills of €500M 17Jul2020 at -0.487%, and 1,250M 15Jan2021 at -0,482%.

For 2020, the funding programme forecasts a net issue of €8.7B on PGB's and €1.3B on Treasury Bills.

### GENERAL GOVERNMENT DEBT

According to [BdP](#), the **General Government Maastricht debt** amounted to €251,126M in November, less €4,559M than in the November of 2018.

Additionally, **public debt net of general government deposits** stood at €234,276M, more €32M than October.

<sup>1</sup> Base effect, influenced by the regularization in 2018, of the payments made by Metropolitan de Lisboa and by Metro do Porto related to swaps under judicial court decision.