

PORTUGAL

LATEST KEY DEVELOPMENTS

FEV 2020

ECONOMIC ACTIVITY

In 2019, **GDP increased by 2.2%** in real terms, (2.6% in 2018). This performance reflects a decrease in the contribution of domestic demand. The net external demand registered a negative contribution. In the **4th quarter of 2019**, real GDP registered a growth rate of 2.2% (+1.9% in the 3rd quarter), reflecting a noticeable acceleration of Exports of Goods and Services and a less intense growth of Imports. INE's release available [here](#).

The **consumer confidence** indicator decreased in quarter ended in February, interrupting the upward path initiated in April. Moreover, the **economic climate indicator stabilized in February**, after increasing in January. INE's press release available [here](#).

LABOUR MARKET

According to INE, in December 2019 the **unemployment rate** stood at 6.7% (unchanged from November). In a context where the provisional unemployment rate estimate for January 2019 was 6.9%.

TOURISM INDUSTRY

In December 2019, **tourism accommodations** recorded a y-o-y increase of 8.2% in overnight stays (+7.4% in November). Preliminary data points to a growth rate of 4.1% for the whole year of 2019 in the overnight stays. The **average revenue per room grew 5.0%**, above the 3.0% recorded in November. INE's press release available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In the 4th quarter of 2019, **nominal exports of goods** increased **7.5%** y-o-y (7.3% in the quarter ended in November). **Imports** increased **3%** y-o-y, less 3.5 p.p. than in the quarter ended in November. INE's press release available [here](#).

ii. Balance of Payments

In 2019, the **current and capital account balance stood at €1871M** (€2,832M in 2018). This decrease is explained by the evolution of the current account alone (less €974M than in 2018). Furthermore, the financial account balance decreased €771M, staying at €2,394M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The **CPI 12-month average** was estimated at **0.3% in February 2020** (0.4% in January). In the same month, the CPI annual rate was 0.4% (0.4 percentage points lower than in January), whilst core inflation stood at 0.1% (0.3 p.p. lower than in the previous month). In February, the estimated HICP annual rate of change in Portugal was 0.6% (0.8% in January). INE's data available [here](#).

According to INE's data, in January the industrial production prices index decreased 1.9% y-o-y (-2.3% in the previous month). Excluding energy, the index registered a -2.2% growth rate (-2.1% in December).

BUDGETARY OUTTURN

In the first month of 2020, the **general government budget on a cash basis** stood at a surplus of €1,287.5M, €238M lower than in the same period of 2019. This evolution is due to an increase of 11.5% in expenditure than more than offset the increase of 5.5% in revenue. The **primary surplus** reached €1,513.9M, decreasing €218.1M vis-à-vis the same period of 2019.

The **revenue** increases is mainly explained by the economic performance as social contributions grow (9.9%), other current revenue (18.5%), due to the increase of rents paid by public services and entities by the use of public spaces, and of European Union transfers to Social Security for vocational training (43.5%). The tax revenue increases 2% fueled by PIT and VAT revenues.

On the **expenditure** side, the increase of pension expenditure (10.6%), of current transfers to European Union (that almost double) and of capital expenditure (+64.8%) explained more than 70% of the growth. Additionally, compensation of employees growth 4.2%¹, mainly explained by the unfreezing of career progressions and the hiring of new staff on health sector.

TREASURY FINANCING

According to the Debt Management Agency (IGCP), in January the Portuguese **State direct debt amounted** to €250,238M, decreasing €774M vis-à-vis December (-0.3%) before cambial hedging. The evolution is mainly explained by net amortization of CEDIC (-€3,201M), of Treasury Bills (-€1,045M) and Treasury Certificates (-€691M), partially offset by net issuance of PGB (+€4,000M).

On February 12th, €676.4M of PGB 2.875%Jul2026 and €795.1M of PGB 2.25%Apr2034 were **auctioned**. The yields settled in -0.057% and 0.555%, respectively. Moreover, on February 19th, €950M and €300M of 12 and 3-month T-bills at weighted average yields of -0.484% and -0.5% were **issued**, respectively.

GENERAL GOVERNMENT DEBT

According to **BdP**, **general government Maastricht debt** reached €249,740M in December (117.7% of GDP), i.e. +€597M and -4.3p.p. of GDP than in the previous year. Maastricht debt **net of deposits** of the general government stood at €235,250M (110.8% of GDP), which represents an increase of +2,731M and -3p.p. of GDP regarding 2018.

¹ This was adjusted by the end of PPP of Braga hospital. Without this correction per-nominal expenditure increase 6.7%.