

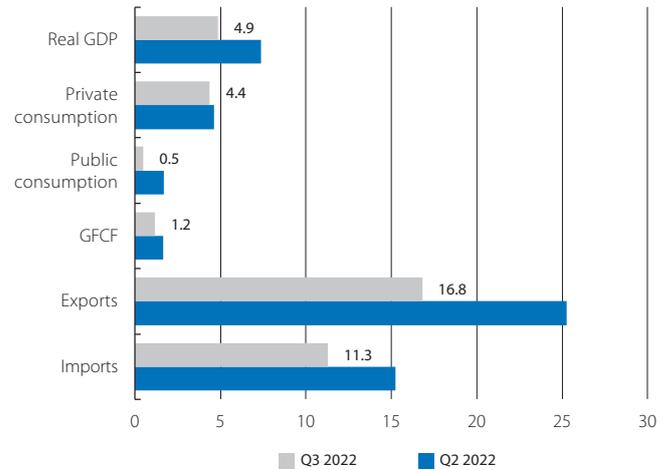
## Portugal, mixed signals at the end to the year

The strength of economic activity in Q3 is confirmed, but there are growing signs of a slowdown. It has been confirmed that in Q3 2022 GDP grew by 4.9%, with positive contributions from both domestic and foreign demand of 2.9 and 2.0 pps, respectively. In the short term, we expect to see a slowdown in economic activity, especially over the winter months, due to the impact of the higher energy prices and higher financing costs. This slowdown is already evident in some indicators, such as the daily economic activity indicator calculated by the Bank of Portugal, which in mid-Q4 2022 was suggesting a stagnation in year-on-year terms. The confidence indicators for November, meanwhile, suggest that households will continue to exercise caution in their consumption decisions. However, the deterioration in expectations appears to have bottomed and there are no signs of any further deterioration, as reflected by the 3-percentage-point improvement in the economic climate indicator in November versus the previous month.

**Inflation fell in November to 9.9%.** Portugal's inflation followed the trend of the euro area and moderated in November, according to the National Statistics Institute's preliminary estimate, falling to 9.9% from 10.1%. This was driven by a correction in the energy component (-1.49% monthly), which in turn was the result of movements in international oil prices – the price of Brent slid to 89 euros on average, 6.5% less than in October. However, prices in the rest of the components of the CPI basket are picking up, as rising production costs gradually spread to final prices, as reflected in the rise in core inflation. While we are comfortable with our forecast for average inflation in 2022 (7.9%), we believe it is still too early to declare that the peak of this inflationary cycle is behind us.

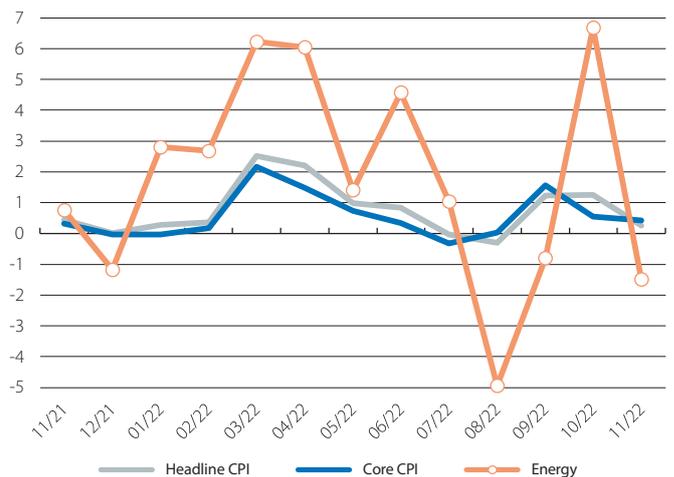
**Labour market: first signs of a setback?** According to the National Statistics Institute data for October, the employed population declined slightly in monthly terms (-0.2%; -8,000 people), although it is still up in year-on-year terms (+0.7%; +36,200 people); the unemployment rate, meanwhile, remained at 6.1% for the second consecutive month. Other statistics, however, invite more caution: registered unemployment for October rose by 0.7% on a monthly basis, the third increase in as many months. Of particular note is the monthly rise in unemployment in construction (+1.5%), as this differs from the trend observed in the years prior to the pandemic: unemployment in this sector normally rises in December and January, possibly due to weather conditions, whereas this year it has increased in September and October; moreover, in the four years prior to the pandemic, unemployment in the sector registered an average decline of 2.7% per month in October. A similar pattern is apparent in the real estate sector and in administrative and auxiliary services (+1% vs. -0.9% on average in the four years prior to the pandemic). These patterns appear to reflect the first signs of economic slowdown, driven by the energy crisis, the tightening of financial conditions and the high uncertainty.

**Portugal: GDP and components of demand**  
Year-on-year change (%)



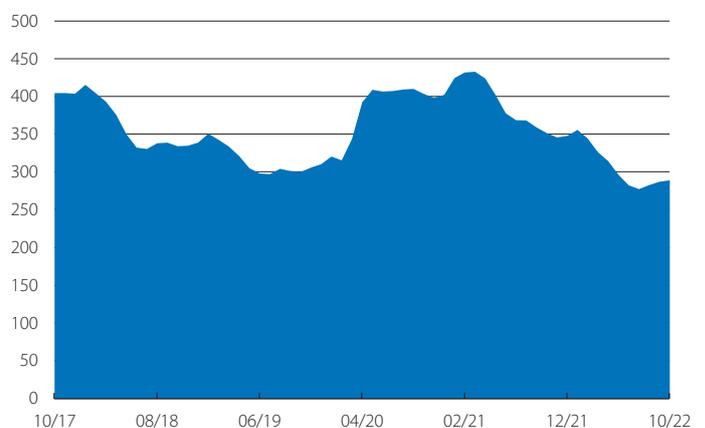
Source: CaixaBank Research, based on data from the National Statistics Institute of Portugal.

**Portugal: CPI**  
Monthly change (%)



Source: CaixaBank Research, based on data from the National Statistics Institute of Portugal.

**Portugal: registered unemployment at job centres \***  
(Thousands of people)



Note: \* Data not seasonally adjusted.

Source: CaixaBank Research, based on data from the Portuguese Institute for Employment and Vocational Training (IEFP).