

Positive surprise from Portuguese GDP in Q1

GDP performed better than expected in Q1 2023, rallying 1.6% quarter-on-quarter and 2.5% year-on-year thanks to the buoyancy of the foreign sector, especially tourism. With these results, GDP now exceeds the pre-pandemic level by 4.3%. This also makes an upward revision of our current growth forecast for 2023 (1%) inevitable, which we will present in the next edition of the *Monthly Report*. Even if the economy were to stagnate in the next three quarters, growth in 2023 as a whole would still exceed 2.1%. Moreover, the latest data remain positive.

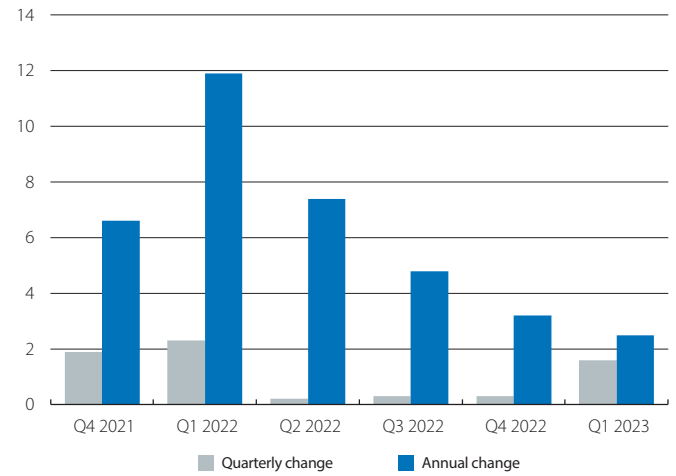
Inflation moderates in April. The National Statistics Institute's flash indicator revealed a sharp slowdown in inflation to 5.7% (7.4% in March); again, energy products, with a year-on-year rate of -12.7%, account for more than 60% of the decline in the CPI. The core inflation rate also moderated, albeit more timidly, to 6.6%. This dynamic will persist over the coming months due to the base effects in the energy component when compared with months which were marked by sharp price rallies last year.

The employed population has reached a new all-time high. In seasonally adjusted terms, it rose to 4,911,800 people in March, with year-on-year growth of 0.4% (+21,800 people). At the same time, the number of unemployed fell for the second consecutive month, to 362,500 people, and the unemployment rate stood at 6.9%.

Excellent performance of tourism in Q1 2023. In March, 2.1 million visitors and 5.1 million overnight stays were recorded, meaning that for Q1 2023 as a whole, the number of overnight stays exceeded those of the same period in 2019 by 14.1%. In April, the data from ForwardKeys highlight Portugal as one of the countries with the highest growth compared to 2019 in terms of installed air capacity (intra-European flights). If we add to this other exceptional factors (World Youth Day and the growth of tourism originating in the US), 2023 could prove to be a record year, in terms of both visitors and revenues.

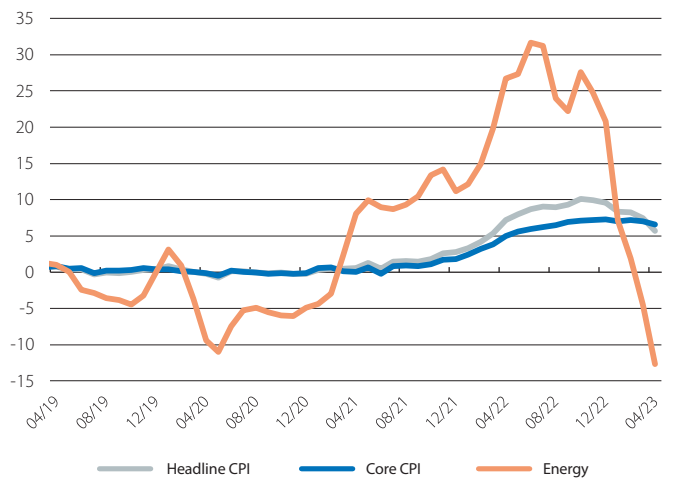
The government has presented its fiscal consolidation strategy for the coming years. Following the positive surprise of 2022 (deficit of 0.4% of GDP, versus the 1.9% initially forecast), in the 2023-2027 Stability Programme the deficit forecast for 2023 has been reduced from 0.9% of GDP to 0.4%, with further reductions foreseen in subsequent years before finally achieving a small surplus in 2027. Public debt will also continue to fall, reaching below 100% of GDP by 2025. For the time being, budget execution remains quite favourable: in Q1 there was a surplus of 3.0% of GDP, with revenue growing far in excess of expenditure (7.4% year-on-year vs. 2.4%). As a result, our 2023 budget balance forecast (currently at -0.9% of GDP) is likely to be too cautious.

Portugal: GDP Change (%)



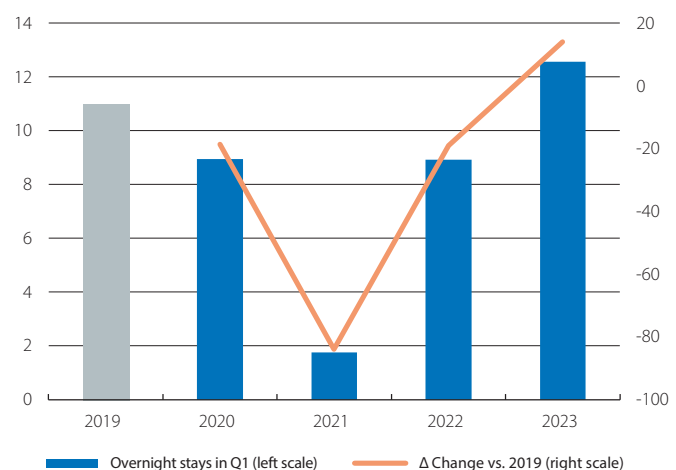
Source: CaixaBank Research, based on data from the National Statistics Institute of Portugal.

Portugal: CPI Year-on-year change (%)



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

Tourism: overnight stays in Q1 (Millions)



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