Encouraging signs from the Portuguese economy in the final stretch of 2023

In the final stages of 2023, the economic activity indicators showed a trend of recovery following the loss of buoyancy suffered during Q3. The daily economic activity indicator recorded increasing buoyancy throughout December, such that for Q4 as a whole year-on-year growth exceeded 6%, compared to 2% in Q3. The consumption indicators also gained momentum at the end of the year: retail sales, excluding fuel, rose 2.3% in November and car sales accelerated in December, contributing to a 7.9% year-on-year increase for Q4 as a whole This performance was accompanied by an improvement in household sentiment thanks to the impact on purchasing power of the sharp correction of inflation, which in December fell to 1.4%.

The tourism sector also performed well in the last quarter of the year, according to the number of flights and purchases made with non-resident cards. The number of flights grew by 7.2% year-on-year in Q4, while card spending accelerated in October and November compared to Q3, suggesting that the sector will continue to help strengthen the economy's external funding capacity, which in Q3 reached 2.7% of GDP, the highest level since 2013.

These statistics suggest that in Q4 GDP may have grown by around 0.3% quarter-on-quarter.

The national accounts are showing good health and budget execution to November recorded a surplus of 2.7% of GDP (excluding the transfer of the Pension Fund from the CGD to the CGA), thanks to the significant increase in revenues (+10.4% year-on-year), which far exceeded that of expenditure (+5.8%). Public debt, meanwhile, fell in November for the fourth consecutive month and reached its lowest level since November 2020, at 102% of GDP, below the government's expectations for year end (103%).

The housing market remains strong and the data for Q3 2023 show a continuation of the appreciation of the home price index, with an increase of 1.8% quarter-on-quarter and 7.8% year-on-year, albeit at a more moderate pace than in the previous quarter. The number of sales also rose (+2%), driven by growth in sales of new properties (+12%), while sales of existing homes recorded a slight decrease (−1%).

Despite the buoyancy of economic activity, the labour market is steadily weakening. Unemployment registered in job centres increased in November for the fifth consecutive month (+5.3% year-on-year) and reached its highest level since February 2023. This monthly increase in unemployment was mainly due to two sectors, accommodation and catering, on the one hand, and real estate, administrative and support services, on the other hand. Similarly, the figures for layoffs continue to be worse than expected: +51% in November, and although the level is not significant (it represents around 0.3% of the employed population), it is still cause for concern. In the same vein, the number of people on unemployment benefits increased by 3.9% in November (+8.1% year-on-year).

Portugal: daily economic activity indicator *
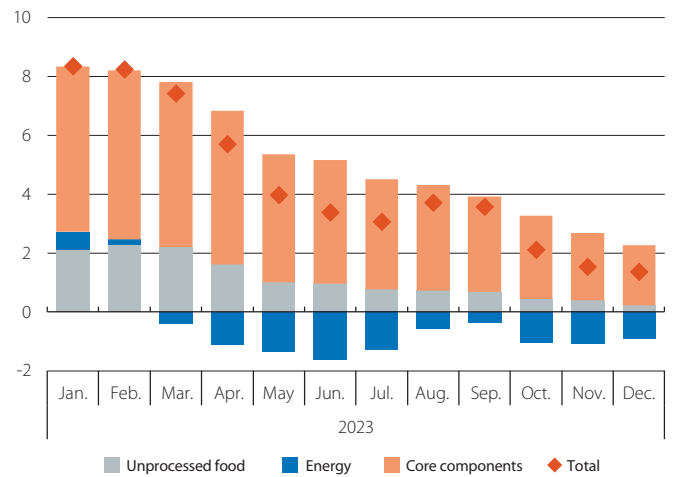*Year-on-year change (%)*

Note: * Monthly moving average.
Source: CaixaBank Research, based on data from the Bank of Portugal.
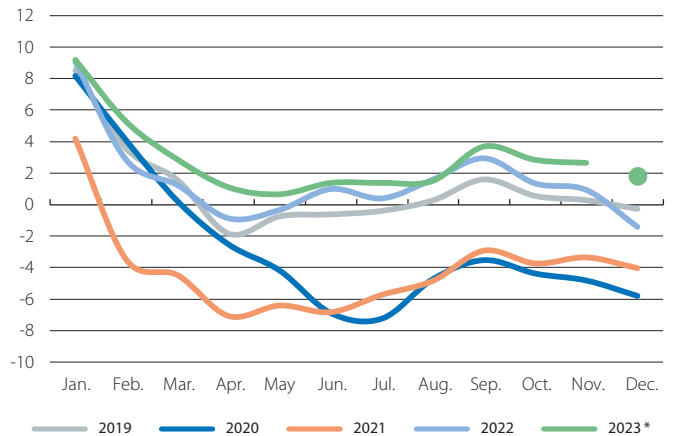
Portugal: CPI
Contribution to year-on-year change (%)

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

Portugal: budget balance *
(% of GDP)

Notes: * Corrected for the transfer of the Pension Fund from Caixa Geral de Depósitos (CGD) to Caixa Geral de Aposentares (CGA). The point represents the government's estimate for the year end.
Source: CaixaBank Research, based on data from the National Statistics Institute of Portugal.