

Renewed buoyancy in the Portuguese economy

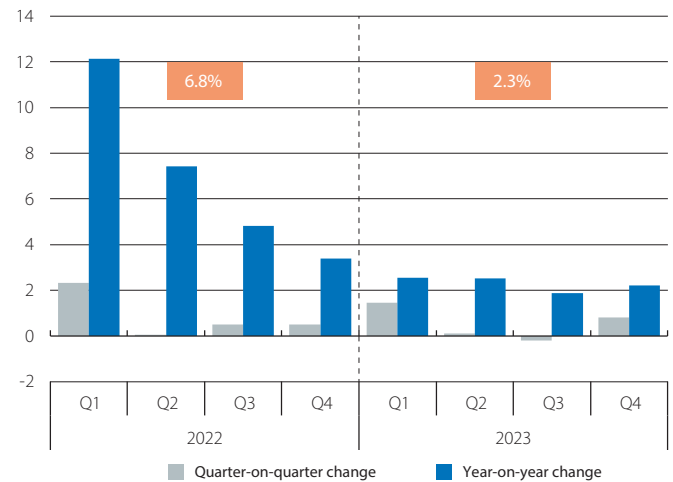
The Portuguese economy grew by 2.3% in 2023. Preliminary GDP data published by the National Statistics Institute indicate a notable acceleration in growth in the final quarter of 2023, with an increase of 0.8% quarter-on-quarter and 2.2% year-on-year in Q4. Thus, growth for 2023 as a whole stood at 2.3%, 0.1 pp below CaixaBank Research’s forecast. The buoyancy of the quarterly growth was supported by an acceleration in domestic demand, especially private consumption, with spending on durable goods standing out, as deduced from the surge in car sales in the final months of the year. Foreign demand, meanwhile, reduced its negative contribution to GDP growth, thanks to the good performance of services exports, especially tourism, which performed better than expected during the low season. The first known indicators for January show encouraging signs, both in the synthetic economic activity indicators and in those related to confidence.

Rebound in inflation in January. Headline inflation rebounded in January to 2.3% from 1.4% in December. This increase was explained by the spike in electricity inflation, compared to the decrease in January last year, as well as by the end of the VAT exemption on some basic food items. However, core inflation continued to decline and stood at 2.5% (vs. 2.6% the previous month). In 2024 we do not expect inflation for the year as a whole to fall below 2%. Energy prices, which were a major factor in the moderation of inflation in 2023, will have a more residual contribution.

Excellent year for tourism in 2023. For the first time, the number of visitors surpassed the milestone of 30 million, exceeding CaixaBank Research’s estimate by around 2.5%. This figure places the number of tourists at 12% above the year before the pandemic. The United Kingdom remained the main source market in 2023 (18.4% of overnight stays by non-residents), although the biggest growth was in tourists from Canada and the US. For 2024, we expect to see new growth in the sector, albeit a more moderate one taking into account the slowdown both in economic activity in the main source countries and in domestic tourism by residents.

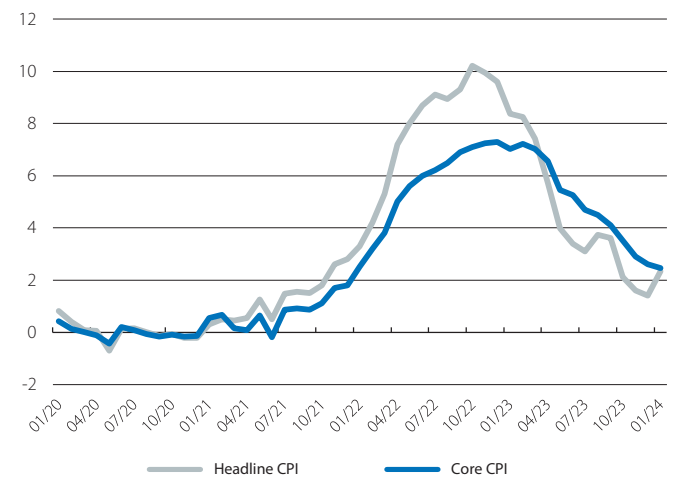
Significant improvement in the public accounts. The monthly execution data in the public accounts point to a surplus of 1.6% of GDP in 2023 (excluding the exceptional item related to the pension fund of CGD), in contrast to the 1.4% deficit in 2022. This performance is explained by the significant growth in income (+12.1%) compared to a more contained increase in expenditure (+4.4%). The public debt ratio, meanwhile, stood at 98.7% of GDP (112.2% in 2022), its lowest since 2010.

Portugal: GDP
Change (%)



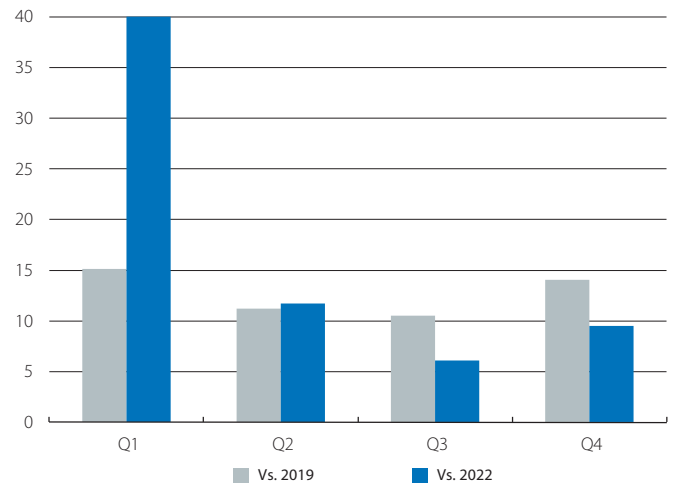
Source: CaixaBank Research, based on data from the National Statistics Institute of Portugal.

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



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

Portugal: number of guests per quarter
Change in the quarters of 2023 with respect to the same period (%)



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