



18th August, 2021

MONTHLY ECONOMIC SURVEY

July 2021

INDICATORS ALREADY AVAILABLE FOR JULY POINT TO A SLOWDOWN IN ECONOMIC ACTIVITY

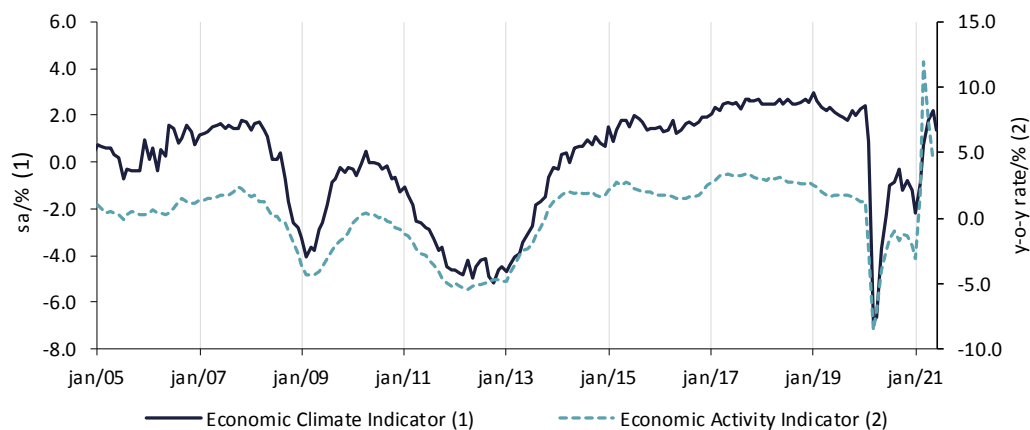
The latest quantitative information¹ available for June and July², reveals less intense year-on-year rates of growth than the previous months. This evolution is influenced by a base effect since the comparison is made over a period of easing of the restrictive measures put in place in 2020 to contain the COVID-19 pandemic.

In general, the short-term indicators have not yet reached in June the levels of the same period of 2019, (with the exception of the turnover index in industry), particularly for tourist activity. The synthesis quantitative indicators (economic activity, private consumption and investment) presented, in June 2021, less intense increases than in May. In July, the economic climate indicator decreased, remaining still above the level observed at the beginning of the pandemic (March 2020). Also for July, the indicators already available - sales of vehicles, operations carried out in the ATM network, and cement sales - point to a slow down in economic activity.

The unemployment rate stood at 6.7% in the second quarter of 2021, 0.4 percentage points below the rate observed in the previous quarter but 1.0 percentage points above the rate recorded in the same period of 2020. The labour underutilization rate stood at 12.3%. The total employment presented a year-on-year increase of 4.5%, while the volume of hours actually worked has increased by 32.1% in year-on-year terms.

The Consumer Price Index (CPI) year-on-year rate of change was 1.5% in July 2021 (0.5% in June). The manufacturing price index recorded in July a year-on-year rate of change of 8.7% (7.3% in the previous month), the highest growth rate of the series.

Figure 1. Economic Synthesis Indicators



¹ This analysis is based on series of effective data (raw or seasonally adjusted) and not on moving averages.

² Based on information available up to August 17, 2021.



External Environment of the Portuguese Economy

According to the flash estimates released by Eurostat for the second quarter of 2021, GDP in volume increased by 2.0% in the Euro Area (EA) and 1.9% in the European Union (EU), compared with the previous quarter (-0.3% and -0.1% in the first quarter, respectively). Among the main economies in the EU, the quarter-on-quarter rates of change of GDP were 2.8% in Spain, 2.7% in Italy, 1.5% in Germany and 0.9% in France. Comparing with the same period of 2020, GDP registered unprecedented increases in the second quarter (13.6% in the EA and 13.2% in the EU), since the comparison is made over the period most severely affected by the pandemic (year-on-year rates of change of -14.4% in the EA and -13.6% in the EU in the second quarter of 2020). In the UK, GDP increased by 4.8% in the second quarter comparing with the previous quarter and 22.2% in year-on-year terms, while in the USA, GDP registered a quarter-on-quarter rate of change of 1.6% and a year-on-year change of 12.2%.

Figure 2. Flash estimates of GDP in volume (rate of changes, %)

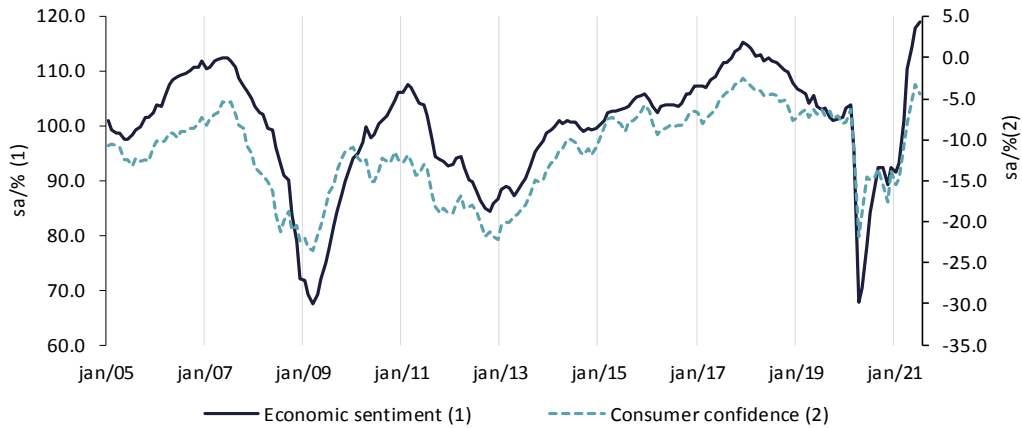
	2020		2021		2020		2021	
	year-on-year change (%)				quarter-on-quarter change (%)			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
EA	-4.0	-4.6	-1.3	13.6	12.4	-0.6	-0.3	2.0
EU 27	-3.9	-4.3	-1.3	13.2	11.6	-0.4	-0.1	1.9
Germany	-3.7	-2.9	-3.2	9.2	9.0	0.7	-2.1	1.5
Belgium	-4.3	-4.9	-0.5	14.5	11.8	-0.1	1.1	1.4
Spain	-8.6	-8.9	-4.2	19.8	17.1	0.0	-0.4	2.8
France	-3.6	-4.2	1.7	18.7	18.8	-1.0	0.0	0.9
Italy	-5.2	-6.5	-0.7	17.3	16.0	-1.8	0.2	2.7
Netherlands	-2.6	-3.1	-2.2	9.7	7.5	0.0	-0.8	3.1
Portugal	-5.6	-6.1	-5.3	15.5	13.4	0.2	-3.2	4.9
UK	-8.5	-7.3	-6.1	22.2	16.9	1.3	-1.6	4.8
USA	-2.9	-2.3	0.5	12.2	7.5	1.1	1.5	1.6

Source: Eurostat, 17/08/2021

The EA economic sentiment indicator reached in July the highest value of the series (starting in January 1985), after increasing for the sixth consecutive month, presenting however a slower pace of recovery since May. The behaviour of this indicator in July reflected the recovery of confidence in the industry and services sectors, with confidence stabilizing in retail trade and decreasing in construction. The consumer confidence indicator decreased in July, interrupting the upward movement verified since February.

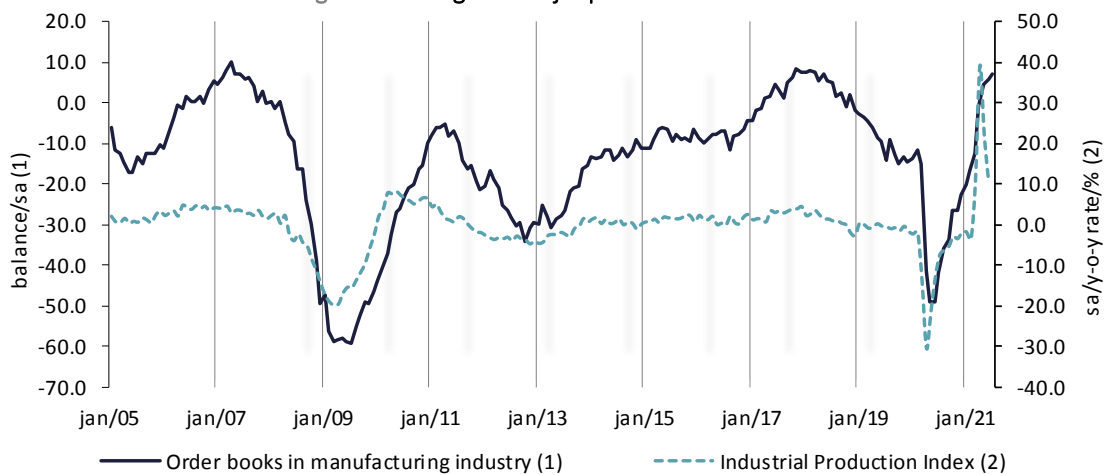


Figure 3. Qualitative indicators in the Euro Area



The balance of entrepreneur’s opinions on order-book levels in the industry sector from Portuguese major partners increased slightly in June and July, after significant improvements between December and May. In June, the industrial production index (IPI) of Portuguese major partners increased by 0.2% (rate of change of -0.5% in the previous month). Comparing with the same period of 2020, this index presented an increase of 10.3% (21.6% in May).

Figure 4. Portuguese major partners – Indicators



The oil price (Brent) was 63.6 euros in July, standing 4.7% above the price of the previous month (monthly rate of change of 7.6% in June) and 68.5% above the value registered in July 2020.

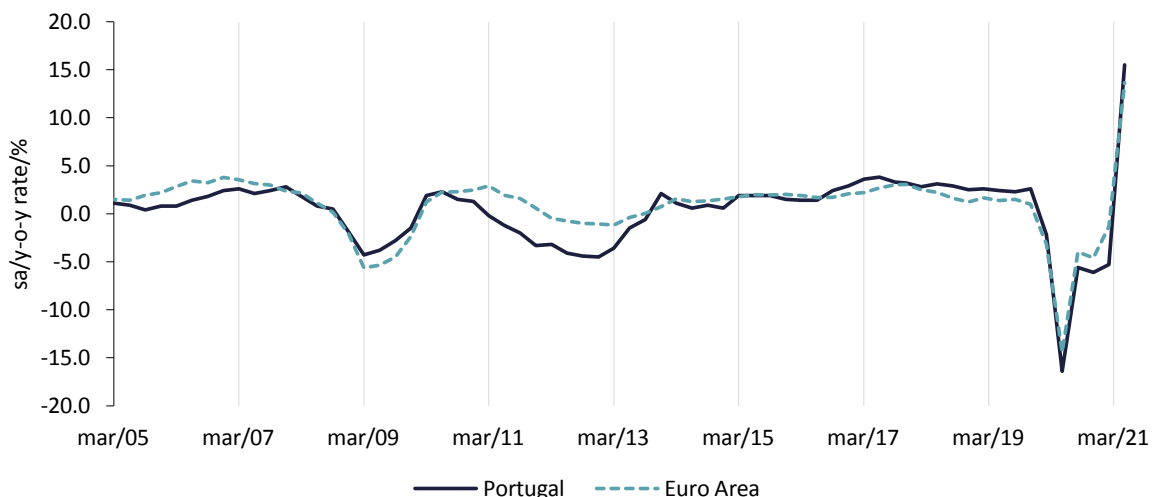


Economic Activity

According to the flash estimates of the Quarterly National Accounts, Gross Domestic Product (GDP) in real terms registered a year-on-year rate of change of 15.5% in the second quarter of 2021 (-5.3% in the previous quarter). This evolution is influenced by a base effect (rate of change of -16.4% in the second quarter of 2020), as the restrictions imposed on economic activity as a result of the pandemic were felt more intensely in the first two months of the second quarter of 2020, leading to unprecedented contraction of economic activity. In the second quarter of 2021, the contribution of domestic demand to the year-on-year rate of change of GDP was positive and the contribution of net external demand was less negative in the second quarter, reflecting mainly the more significant increase in Exports of Goods. It should be noted that in the second quarter of 2021, in year-on-year terms, there was a loss in terms of trade, with the behaviour of the import deflator being largely influenced by the pronounced increase in the prices of energy products.

Compared to the first quarter of 2021, GDP increased by 4.9% in volume, more than offsetting the negative rate of change (-3.2%) observed in the previous quarter. This result is explained, to a large extent, by highly positive contribution of domestic demand to the quarter-on-quarter rate of change of GDP, after the negative contribution in the first quarter. To a less extent, it is also explained by the less negative contribution of net external demand in the second quarter of 2021. It should be noted that at the beginning of this year, there was a general confinement due to the worsening of the pandemic, followed by a plan to gradually reopen the economy as of mid-March.

Figure 5. Gross Domestic Product, in volume



The short-term indicators for economic activity from the perspective of production, available for June, revealed a slowdown in year-on-year terms, mostly reflecting the less intense base effect in June when compared to the previous month. Relatively to June 2019, only the index of turnover in industry presented an increase.

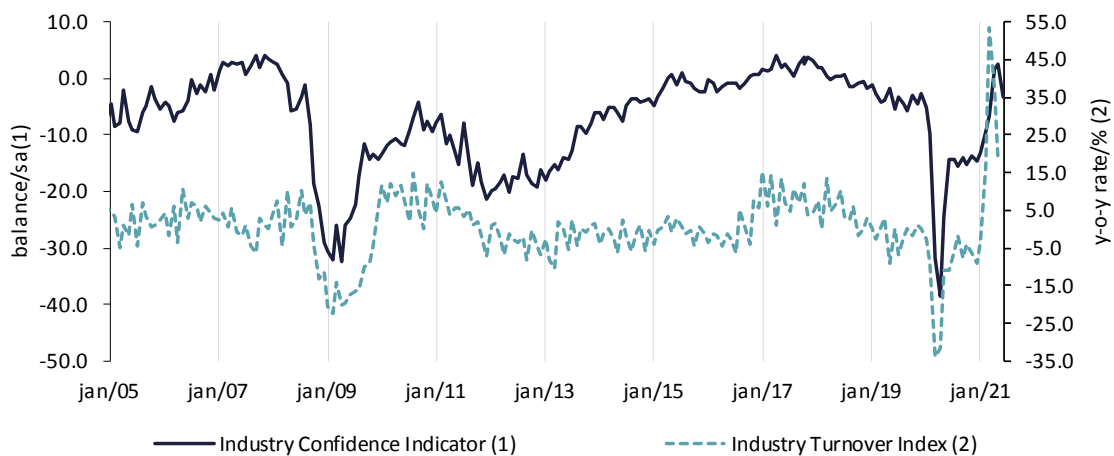
Similarly, the economic activity indicator, which summarizes a set of quantitative indicators that reflect the evolution of the economy, increased in the last three months, progressively less so. The economic climate indicator, which summarizes the balances of responses to questions relating to business surveys, decreased in



July, after having increased between March and June, remaining in a level higher than the one observed at the beginning of the pandemic.

In June, the IPI presented a year-on-year rate of change of 10.4%, after increasing 26.6% in the previous month. Comparing with June 2019, IPI registered a reduction of 5.9%. In the second quarter of 2021, this index presented a year-on-year growth of 24.1% (rate of change of -1.1% in the previous quarter). In nominal terms, the industry turnover index presented a year-on-year increase of 18.5%, after having increased by 37.5% in the previous month. Comparing with June 2019, the index was 5.3% higher. In the second quarter of 2021, the rate of change was 35.0% (1.1% in the first quarter). The indices for the domestic and foreign markets increased by 14.0% and 25.7% respectively, in comparison with June 2020 (rates of change of 26.8% and 56.2% in the previous month, in the same order).

Figure 6. Turnover index e and confidence indicator in Industry

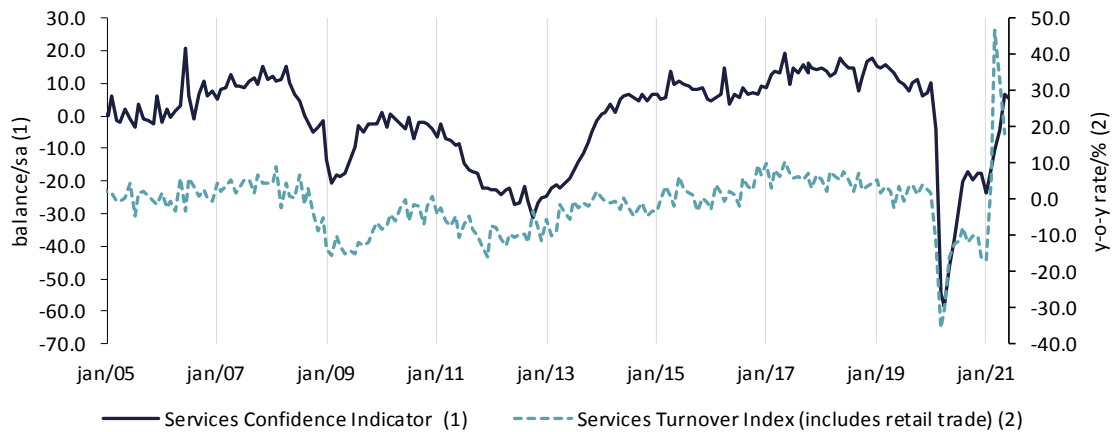


The turnover index for services (includes retail trade) presented a rate of change of 18.1%, after increasing by 33.1% in the previous month. Comparing with June 2019, this index decreased by 0.8%. In the second quarter of 2021, there was an increase of 31.2%, after a decrease of 9.4% in the previous quarter.

The index of turnover in trade retail (deflated) went from a year-on-year change of 16.0% in May to 7.8% in June (comparing with June 2019, there was an increase of 3.0%). The evolution of the aggregate index was mainly determined by the strong growth of non-food products component, which presented an increase of 10.3% (less pronounced than the 31.4% growth registered in the previous month). The food products index increased by 4.8% in June, after increasing by 0.6% in the previous month. In the second quarter of 2021, the turnover in retail trade increased by 16.8% in year-on-year terms, after having decreased 7.7% in the first quarter.

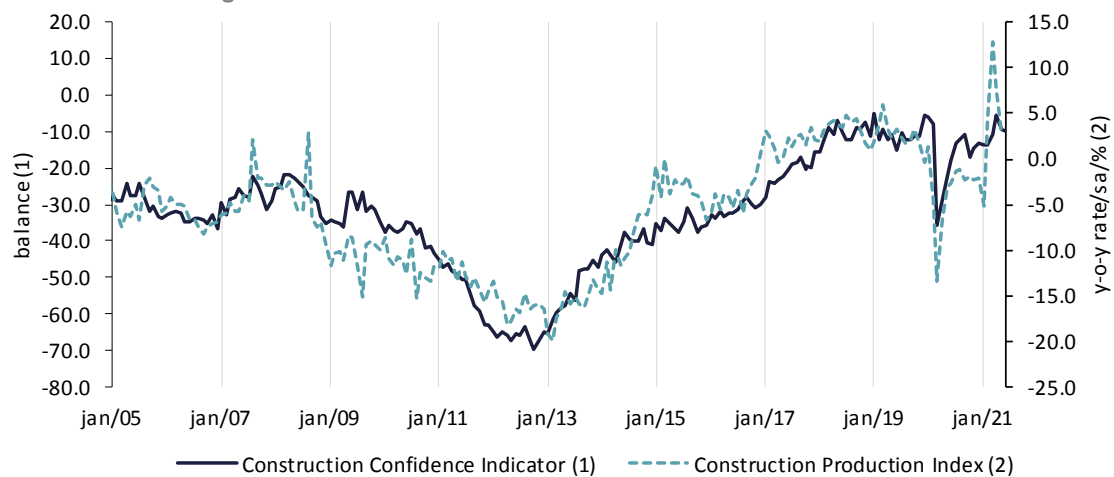


Figure 7. Turnover index and confidence indicator in Services
(includes Retail Trade)



The construction production index recorded a year-on-year growth of 2.9% in June, after increasing by 7.7% in the previous month. Comparing with June 2019, it presented a slight decrease of 0.3%. This index grew by 7.7% in the second quarter of 2021, after the decrease of 1.1% verified in the previous quarter.

Figure 8. Production index and confidence indicator in Construction



In June, tourism activity presented an increase, but still quite distant from the results of the same period of 2019 (rate of change of -52.6% of overnight stays when compared with June 2019), with the number of overnight stays registering a rate of change of 230.1% compared to June 2020 (681.2% in May). Overnight stays by residents increased by 125.9% (483.1% in May) and non-residents grew by 862.0% (1535.3% in the previous month).

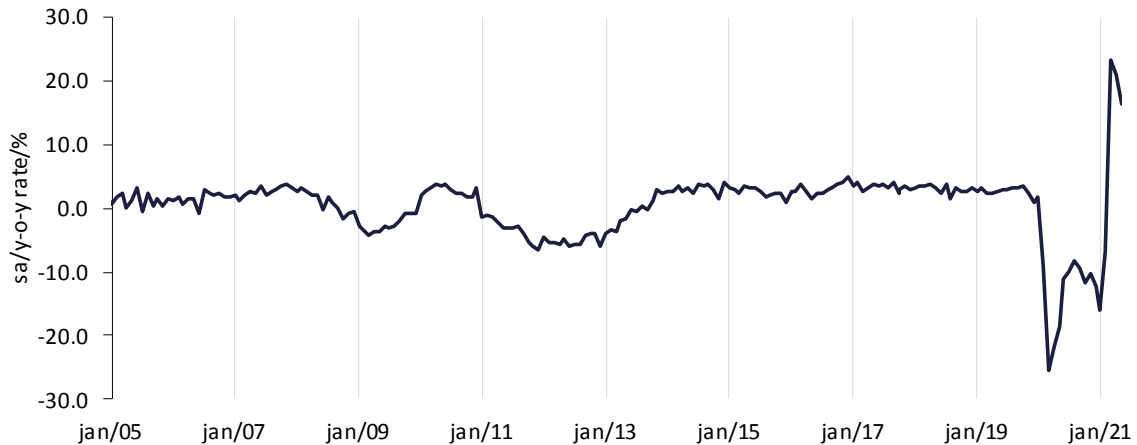
The average consumption of electricity on working days recorded a year-on-year change of 0.6% in July, which compares with rates of 12.0% and 7.1% in May and June, respectively.



Private Consumption

The quantitative indicator of private consumption registered in June a less intense increase than in the previous month, reflecting a base effect less pronounced than in the previous month.

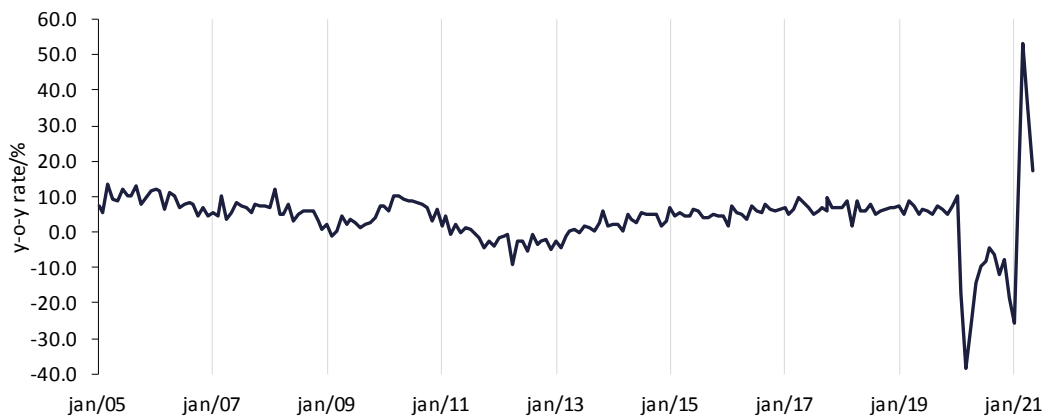
Figure 9. Quantitative indicator of private consumption



In June, there was a positive contribution from both components, current consumption component and durable consumption component, less intense than in the previous month, particularly in the latter case. In July, the sales of passenger cars presented a year-on-year decrease of 19.0%, after increasing by 71.3% in the previous month.

According to information on operations carried out in the ATM network, available for July, the overall amount of national withdrawals, payment of services and purchases at automatic payment terminals carried out on the automatic teller machines of the Multibanco network presented a year-on-year growth of 11.6%, after the 17.4% recovery of the previous month. In the second quarter of the year, there was an increase of 32.8%, after the decrease of 13.8% in the previous quarter.

Figure 10. Operations carried out on ATM (nominal)



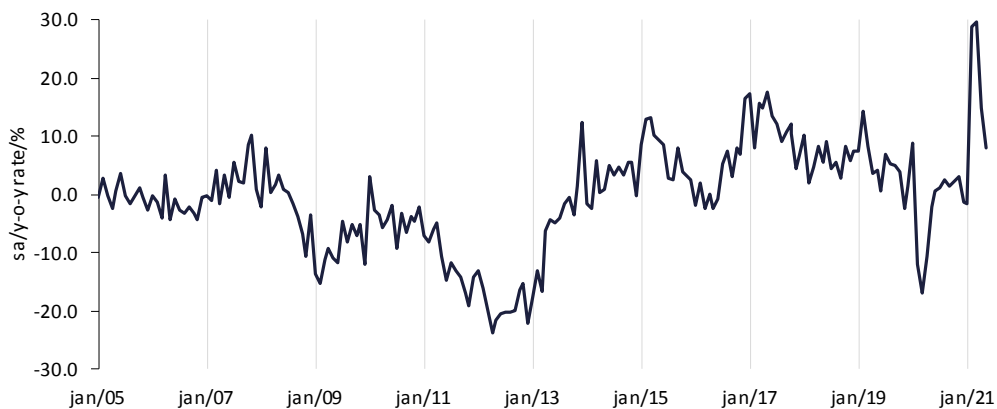
The Consumer confidence indicator decreased in July, receding to a level lower than the one verified in the beginning of the pandemic (March 2020), after having increased significantly between March and May and slightly in June.



Investment

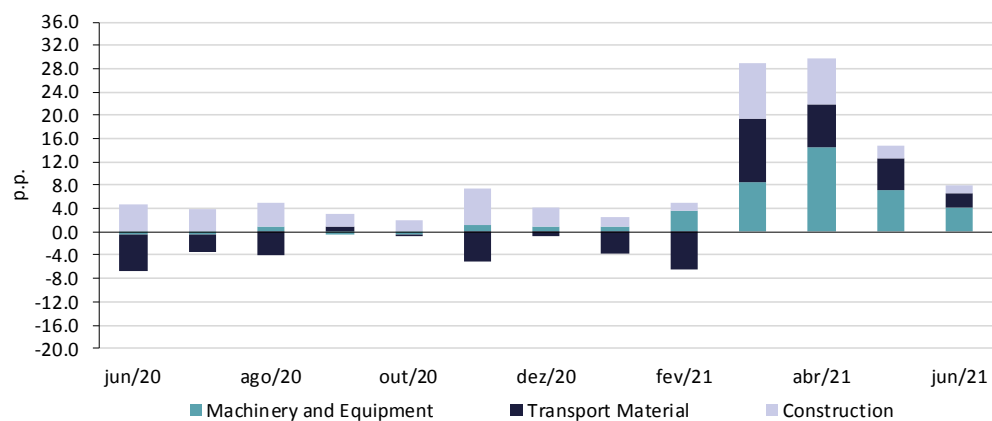
The GFCF indicator slowed down in May and June, following the record year-on-year growth rates of the previous two months. These historical growth rates are influenced by a base effect, since in March and particularly in April of 2020 the indicator fell abruptly, in the transport material and in the machinery and equipment components.

Figure 11. GFCF indicator



The evolution observed in the last month was the result of the decrease of the positive contributions of all components, machinery and equipment, transport material and construction.

Figure 12. Contributions to the GFCF indicator



Sales of cement produced in national territory (not adjusted for seasonal and working days effects), already available for July, registered a negative year-on-year rate of change in the last two months (rates of 15.4%, 7.0%, -1.3% and -0.8% between April and July). Sales of heavy-duty vehicles as well as light commercial vehicles, also available for July, dropped significantly, following the historical year-on-year growth rates of the previous months which were largely due to a base effect, as a result of the significant decreases registered in the same period of 2020 (rates of 302.8%, 193.9%, 96.1% and -24.5 for heavy-duty vehicles and 203.4%, 52.3%, 19.1% and -35.9% for light commercial vehicles between April and July).



External Demand

In June 2021, exports and imports of goods recorded nominal year-on-year growth rates of 21.4% and 29.4%, respectively (55.0% and 52.9% in May 2021, in the same order). Compared to June 2019, there were rates of change of 8.4% and 0.8%, in the same order.

Excluding Fuels and lubricants, exports and imports grew by 17.6% and 24.0% respectively (49.1% and 42.2%, in the same order, in May 2021). Vis-à-vis June 2019, exports and imports increased by 8.0% and 4.1%, respectively.

In the 2nd quarter of 2021, exports of goods increased by 49.0% and imports grew by 46.7%, when compared with the same period of 2020 (51.6% and 39.3% in the same order in the quarter ended in May 2021). Compared with the 2nd quarter of 2019, exports increased by 2.9% and imports decreased by 2.9%.



Nominal exports of goods destined for EA increased by 18.0% year-on-year in June (52.1% in May). In turn, nominal exports of non-EU goods went from a year-on-year rate of change of 62.0% in May to 29.7% in June.

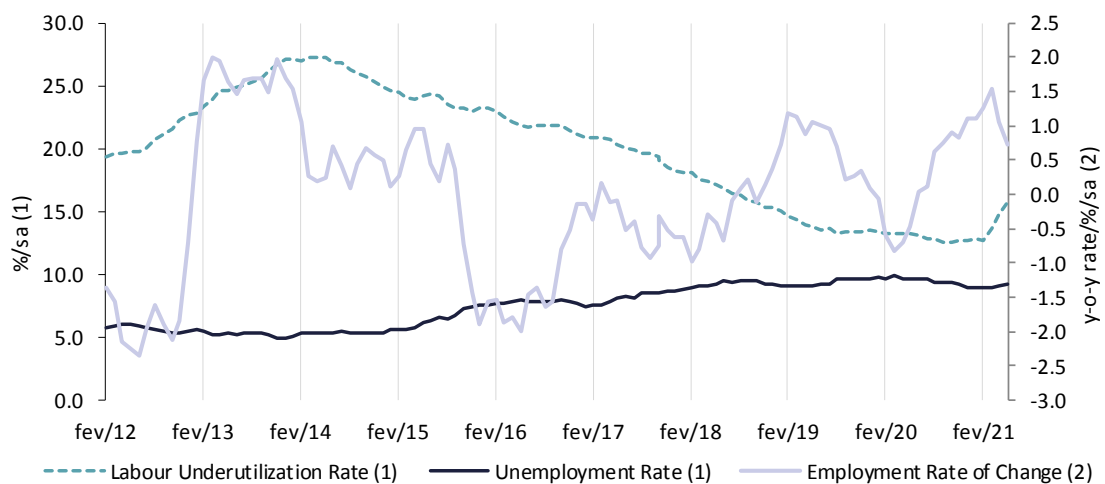
Nominal imports of goods originating in the EA recorded a year-on-year change of 24.6% in June (48.1% in May). Extra-Community imports increased, in year-on-year terms, by 46.0% in June (61.5% change in the previous month).



Labour Market

According to the Labour Force Survey, the unemployment rate stood at 6.7% in the second quarter of 2021, 0.4 p. p. below the rate observed in the previous quarter and 1.0 percentage points above the rate recorded in the same period in 2020. The number of unemployed grew by 24.2% in year-on-year terms (3.5% in the first quarter). The labour underutilization rate was 1.8 percentage points lower than in the first quarter, standing at 12.3% and 654.2 thousand people (746.4 thousand people in the previous quarter). The total employment presented a year-on-year increase of 4.5% (-1.3% in the first quarter). The inactive population had a year-on-year decrease of 6.7% and of 2.9% when compared with the previous quarter. The volume of hours actually worked has increased by 32.1% in year-on-year terms and 10.6% compared to the previous quarter.

Figure 14. Unemployment, underutilization of labour and employment



The employment indexes of the turnover surveys presented, in June, year-on-year rates of change of 0.4% in industry, 1.3% in retail trade, 0.1% in services and 2.5% in construction (0.5%, 1.4%, -0.7% e 2.9% in May, in the same order). The hours worked indexes, adjusted for calendar effects, registered rates of 6.7% in industry, 11.2% in retail trade, 9.8% in services and 3.5% in construction (22.3%, 24.2%, 23.4% and 7.8% in the previous month, in the same order).

According with the Ministry of Labour, Solidarity and Social Protection, the average monthly remuneration declared per worker to Social Security presented a year-on-year growth of 6.7% in May and 4.9% in June (-0.3% and 2.1% in 2020, in the same order). This behaviour was determined by the significant decrease in the use of the simplified layoff regime by firms and consequent wage recovery by workers.

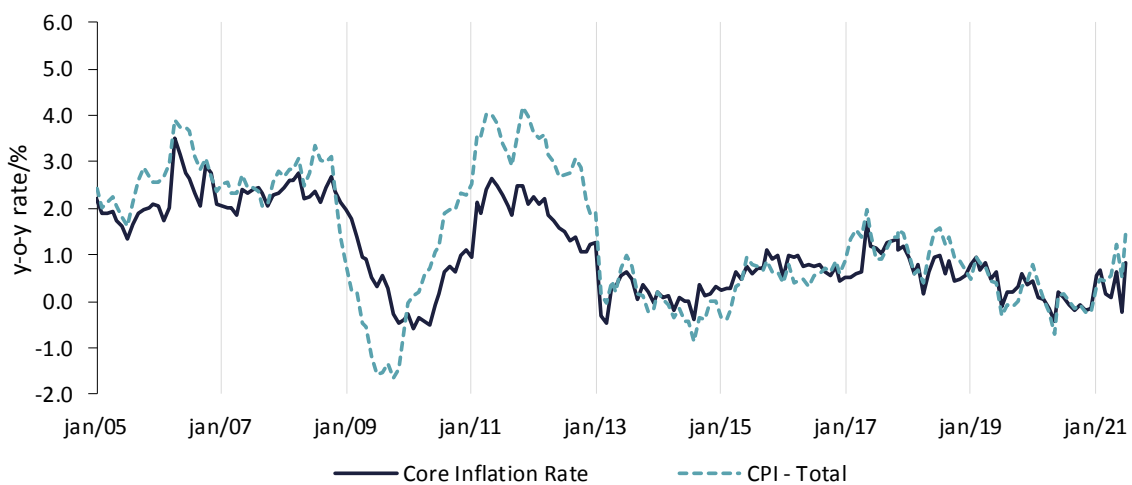
The Labour Cost Index (per hour actually worked), working days adjusted, registered a year-on-year rate of -2.4% in the second quarter of 2021 (7.1% in the previous quarter). This evolution resulted from a 7.3% increase in the average cost per employee and an expressive increase of 10.8% in the number of hours actually worked per employee. The labour cost components presented rates of change of -4.7% for wage costs and of 7.2% for other costs. For the increase of the other costs in the second quarter of 2021 contributed the growth in the employers' contributions due to the significant reduction of the enterprises that joined the simplified layoff regime.



Prices

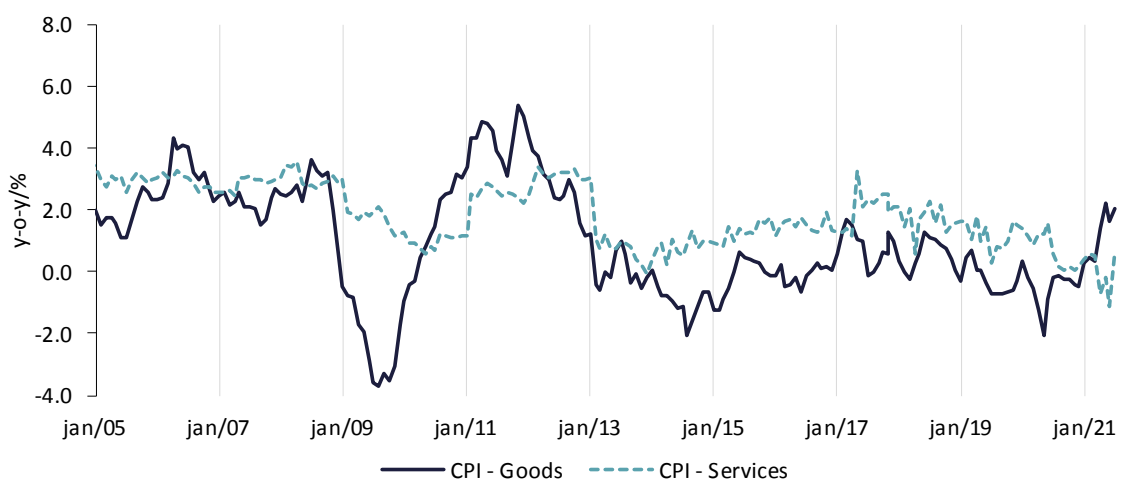
The Consumer Price Index (CPI) annual rate was 1.5% in July 2021 (0.5% in June). This acceleration mainly reflects the dissipation of base effects. The largest upward contribution to the annual rate of change came from changes in the prices of “Transports”. Conversely, the main downward contribution came from price decreases in “Restaurants and hotels”. The annual core inflation rate, which excludes energy and unprocessed food products, was 0.8% in July (-0.3% in June).

Figure 15. Consumer Price Index



In July, the goods component of the CPI recorded a year-on-year change of 2.1% (1.6% in June). The services component increased by 0.7%, after decreasing by 1.1% in the previous month.

Figure 16. Consumer Price Index of Goods and Services



The manufacturing price index recorded in July a year-on-year rate of change of 8.7% (7.3% in the previous month), the highest growth of the series. Excluding the energy component, this index increased 6.5% in year-on-year terms, after presenting a 5.3% growth in June.



Figure 18. Summary information (continuation)

	Unit	First Period	Minimum		Maximum		Year			Quarter					Month												
			Value	Date	Value	Date	2018	2019	2020	2020			2021		2020						2021						
										Q2	Q3	Q4	Q1	Q2	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
External Demand																											
Nominal exports of goods - International trade	y.r./%	Jan-96	-41.3	Apr-20	81.9	Apr-21	5.1	3.5	-10.2	-30.9	-3.1	-3.2	6.1	49.0	-6.9	-2.3	0.3	-2.2	-0.5	-7.3	-10.5	2.1	29.3	81.9	55.0	21.4	-
Nominal imports of goods - International trade	y.r./%	Jan-96	-39.4	May-20	32.0	Apr-21	8.3	6.0	-15.1	-33.8	-12.9	-9.7	-5.0	46.7	-19.8	-9.2	-8.4	-11.4	-11.7	-5.3	-16.8	-10.9	14.1	61.8	52.9	29.4	-
Coverage rate	%	Jan-95	49.9	Aug-01	87.8	Jun-12	76.7	74.9	79.2	77.7	81.4	81.6	84.9	78.9	86.4	75.6	81.3	84.6	85.0	74.6	83.7	87.0	84.2	80.0	79.4	77.1	-
External demand indicator	s.a./y.r./%	Jan-91	-30.6	May-20	27.6	Apr-21	5.3	1.5	-4.1	-25.4	-11.3	-5.8	0.8	-	-25.0	-18.5	-14.5	-12.5	-6.0	-1.2	-2.5	-4.5	15.3	46.8	39.0	-	-
Labour Market																											
Unemployment rate (16 to 74 years)	s.a./%	Feb-11	6.0	May-20	18.2	Jan-13	7.2	6.7	7.0	6.0	8.2	7.2	6.9	7.0	8.1	8.2	8.0	7.6	7.2	6.9	7.0	6.9	6.6	7.0	7.0	6.9	-
Number of unemployed (16 to 74 years)	s.a./y.r./%	Feb-12	-24.6	Apr-18	26.6	Oct-09	-20.9	-7.2	3.5	-15.1	24.2	5.8	3.5	24.3	20.6	24.2	18.9	13.9	5.8	-0.7	-0.7	3.5	5.1	10.8	24.3	-4.4	-
Employment (16 to 74 years)	y.r./%	Feb-12	-5.4	Jan-13	4.5	Jun-21	2.6	1.2	-1.9	-3.6	-3.0	-1.1	-1.4	4.5	-3.1	-3.0	-2.6	-1.8	-1.1	-1.3	-2.2	-1.4	-0.3	1.3	4.5	4.5	-
Labour underutilisation rate (16 to 74 years)	s.a./%	Feb-11	12.6	Jan-20	27.3	May-13	14.0	13.0	14.3	14.8	15.5	14.0	13.8	12.8	15.7	15.5	15.4	14.8	14.0	13.7	14.0	13.8	12.9	12.9	12.8	12.7	-
Employment indicator - Short-term statistics	y.r.	Jan-01	-8.1	Nov-12	4.0	Nov-17	2.6	1.4	-3.9	-5.2	-5.5	-5.5	-5.9	-0.2	-5.8	-5.3	-5.3	-5.4	-5.5	-5.6	-5.7	-6.3	-5.6	-1.4	0.2	0.6	-
Reg. unemp. along the month - State emp. agencies	y.r.	Jan-00	-27.6	Apr-90	74.1	Apr-20	-6.1	-3.0	14.4	41.8	10.4	4.9	-6.9	-33.9	10.9	13.9	7.4	5.1	2.0	8.4	-4.8	6.1	-18.7	-43.2	-27.6	-26.7	-
Vacancies along the month - State employment ag.	y.r.	Jan-90	-70.0	Apr-20	310.8	Apr-21	-8.7	-4.3	-17.1	-41.3	-7.9	1.7	-0.1	128.2	-16.9	-2.2	-3.9	4.0	-6.7	9.0	-18.6	-22.3	58.1	310.8	151.9	56.7	-
Employment expectations of entrepreneurs	balance/s.a.	Jan-00	-28.6	Apr-20	7.5	Jul-18	6.2	5.0	-5.3	-17.2	-4.3	-4.5	-4.4	1.4	-7.3	-1.8	-3.7	-2.4	-5.8	-5.4	-5.7	-6.2	-1.3	-0.2	2.1	2.3	1.6
Unemployment expectations of consumers	balance	Apr-01	-20.0	Jun-17	85.5	Feb-09	-10.9	-0.9	52.7	73.2	66.1	64.8	57.7	27.4	67.5	63.4	67.3	62.4	71.7	60.3	57.3	65.0	51.0	41.1	21.1	19.9	35.3
Average monthly wage declared by worker	s.a./y.r.	Mar-86	-4.0	Jun-12	8.0	May-10	3.3	3.5	2.6	0.2	3.1	3.7	3.4	6.5	2.7	2.9	3.5	3.8	5.1	2.2	1.8	3.5	4.7	7.8	6.7	4.9	-
Prices																											
Consumer price index - Total	y.r./%	Jan-49	-3.7	Sep-54	36.7	May-77	1.0	0.3	0.0	-0.3	0.0	-0.2	0.4	0.8	0.1	0.0	-0.1	-0.1	-0.2	-0.2	0.3	0.5	0.5	0.6	1.2	0.5	1.5
- Goods	y.r./%	Jan-49	-3.7	Jul-09	38.2	May-77	0.5	-0.3	-0.5	-1.4	-0.2	-0.4	0.4	1.8	-0.2	-0.1	-0.3	-0.3	-0.4	-0.5	0.3	0.5	0.4	1.4	2.2	1.6	2.1
- Services	y.r./%	Jan-49	-4.4	Sep-54	30.5	Mar-74	1.7	1.2	0.7	1.4	0.2	0.1	0.5	-0.7	0.6	0.1	0.0	0.2	0.1	0.2	0.4	0.6	0.5	-0.7	-0.2	-1.1	0.7
Core inflation indicator	y.r./%	Jan-49	-4.3	Oct-54	31.1	May-84	0.7	0.5	0.0	-0.1	-0.1	-0.1	0.5	0.2	0.1	-0.1	-0.2	-0.1	-0.2	-0.1	0.6	0.7	0.1	0.1	0.6	-0.3	0.8
Harmonised index of consumer prices	y.r./%	Jan-96	-1.8	Sep-09	5.1	Mar-01	1.2	0.3	-0.1	-0.2	-0.4	-0.4	0.2	-0.1	-0.1	-0.2	-0.8	-0.6	-0.4	-0.3	0.2	0.3	0.1	-0.1	0.5	-0.6	1.1
Manufacturing industry production price index	y.r./%	Jan-11	-6.0	May-20	8.7	Jul-21	2.7	0.7	-3.9	-5.3	-5.0	-4.9	-2.1	5.6	-5.2	-4.9	-4.8	-4.6	-5.2	-4.9	-3.9	-2.0	-0.5	3.3	6.3	7.3	8.7
Consumers expectations of prices evolution	balance	Sep-97	-6.7	Jul-09	62.8	Sep-11	14.9	11.4	20.4	33.0	21.8	12.7	2.4	13.3	25.4	20.5	19.4	16.9	12.7	8.4	-2.2	2.6	6.8	10.8	11.8	17.2	27.1
Expectations of prices in manufacturing industry	bal./s.a.	Jan-87	-28.6	Apr-20	32.1	Oct-90	2.8	-2.6	-3.3	-15.4	5.3	0.9	8.1	16.2	8.2	9.9	-2.1	-0.1	2.0	0.8	4.6	8.1	11.5	13.0	17.2	18.4	18.1
Effective exchange rate ind. for Portugal (nominal)	y.r./%	Jan-94	-9.0	Jan-94	6.0	Mar-95	0.8	-0.6	0.5	0.2	0.9	1.3	1.1	0.5	0.7	0.8	1.1	1.1	1.1	1.6	1.5	1.5	0.3	0.8	0.7	0.0	-0.4



METHODOLOGICAL NOTE

Annual information corresponds to 12-month moving average, with the exception of variables presented as y.r. on stocks, where the annual value corresponds to the variation of the balance at the end of the year.

Balances: differences between the percentage of respondents giving positive and negative replies.

ABBREVIATIONS

e.v.	Effective values
p.p.	Percentage points
s.a.	Seasonally adjusted values
y.r.	Year-on-year rate of change

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