



20th April 2023

MONTHLY ECONOMIC SURVEY¹

March 2023

ECONOMIC ACTIVITY INDICATOR DECELERATED IN FEBRUARY

In March, the Euro Area (EA) economic sentiment indicator registered a slight decrease, as in the previous month. The prices of raw-materials and oil presented monthly rates of change of -1.8% and -5.0%, respectively (0.4% and 0.7% in February).

In Portugal, the manufacturing price index decelerated in the last eight months, significantly in February and March, recording a year-on-year rate of change of 7.1% (12.4% in the previous month). Excluding the energy component, this index increased by 8.3% year-on-year (10.8% in February). The index for consumer goods recorded a year-on-year change of 11.5% (14.8% in the previous month), decelerating for the fourth consecutive month, after reaching in November the highest growth of the current series (16.2%).

The year-on-year rate of change in the Consumer Price Index (CPI) decelerated to 7.4% in March, 0.8 percentage points less than in the previous month. The index for unprocessed decelerated, from 20.1% in February, the highest growth rate since May 1990, to 19.3% in March. On the external side, the implicit prices of exports and imports of goods, in February, decelerated for the sixth consecutive month, to year-on-year growths of 7.1% in exports and 4.4% in imports (8.1% and 7.0%, respectively, in January).

The short-term indicators for economic activity from the perspective of production, available for February, point to a slowdown in Industry and in Services in nominal terms, and in Construction in real terms.

From the expenditure side, the economic activity and the private consumption indicators decelerated in February, while the Gross Fixed Capital Formation indicator increased in year-on-year terms, following the decrease observed in the previous month. The economic climate indicator, which summarizes the balances of responses to questions relating to business surveys, increased between January and March, after having stabilized in the previous month.

According to the provisional monthly Labour Force Survey, the unemployment rate (16 to 74 years old), seasonally adjusted, was 6.8% in February, 0.2 percentage points less than in the previous month (6.5% in November and 5.6% February 2022). The labour underutilization rate (16 to 74 years old) stood at 12.0%, 0.2 percentage points below the value recorded in January (11.8% in November and 11.1% in the same period of the previous year). The employed population (16 to 74 years old), seasonally adjusted, increased by 0.6% in year-on-year terms and 0.5% compared with the previous month (year-on-year rate of change of 0.2% in January).

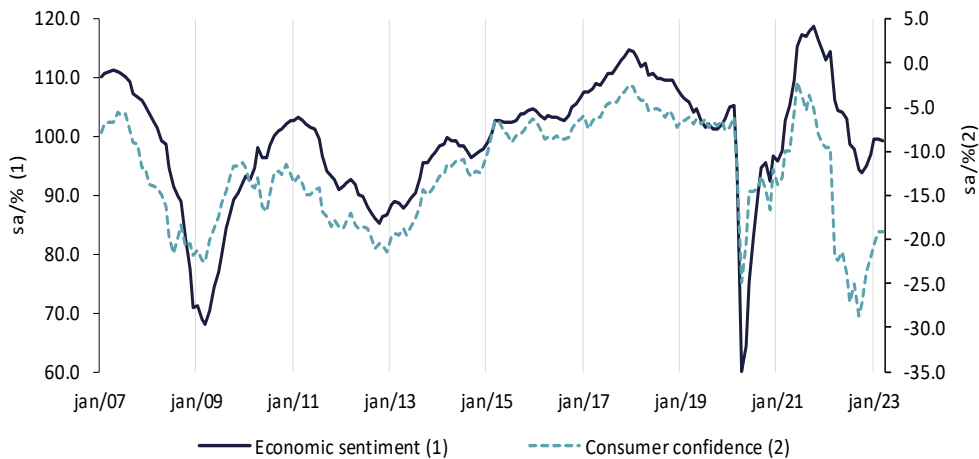
¹ Based on information available up to April 19th, 2023.



External Environment of the Portuguese Economy

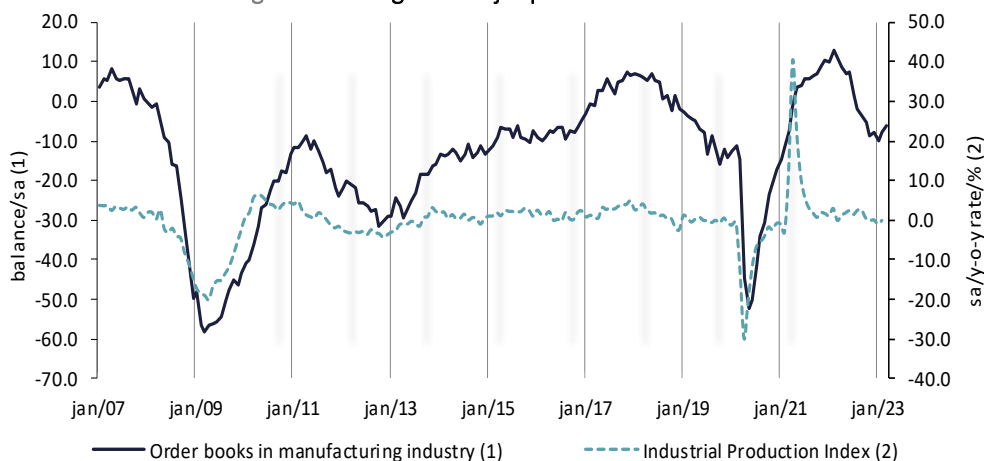
The EA economic sentiment indicator (ESI) decreased marginally in March, as in the previous month. This evolution reflected the decrease of the confidence indicators in retail trade, construction, industry and, at a lesser extent, in services. The confidence indicators of consumers also declined marginally, interrupting the upward profile registered in the last five months.

Figure 1. 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 in February and March. The industrial production index (IPI) of Portuguese major partners increased in February by 1.0% compared with the previous month, following a decrease of 0.7% in January. Comparing with the same period of 2022, IPI decreased for the fourth consecutive month, recording a rate of change of -0.2% in February (-1.1% in the previous month).

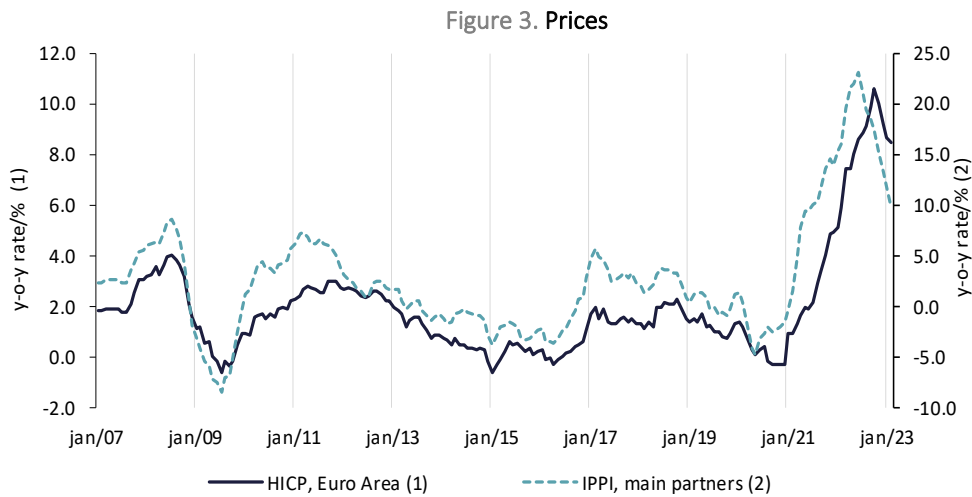
Figure 2. Portuguese major partners – Indicators



According to Eurostat, the Euro Area Harmonised Index of Consumer Prices (HICP) decelerated significantly in March, shifting from a year-on-year rate of change of 8.5% in February to 6.9% (7.4% in March of 2022). However, excluding energy and unprocessed food, the HIPC continued to accelerate, although slightly, reaching a year-on-year increase of 7.5% in March (7.4% in the previous month).



In February, the industrial production prices index (IPPI) of Portuguese major partners maintained the slowdown pattern observed since July of 2022, although prices' growth rates remained high, registering a year-on-year rate of change of 9.7% in February (11.9% in the previous month).



The oil price (Brent) was at 73.3 euros per barrel in March, decreasing by 5.0% compared with the previous month and by 31.1% vis-à-vis the price registered in the same period of 2022.

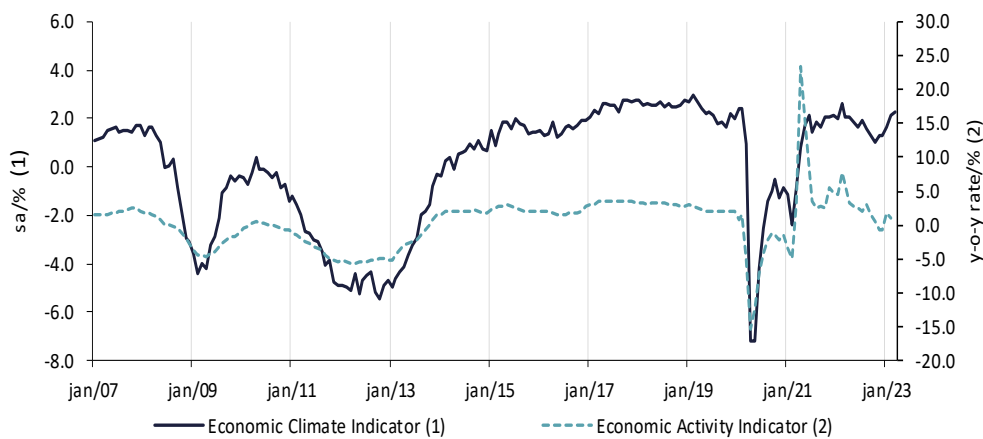


Economic Activity

The short-term indicators for economic activity from the perspective of production, available for February, point to a slowdown in Industry, in nominal terms in Services and, in real terms, in Construction.

The economic activity indicator, which summarizes a set of quantitative indicators that reflects the evolution of the economy, decelerated in February, after the significant acceleration observed in January. It should be mentioned that this indicator diminished in November and December. The economic climate indicator, which summarizes the balances of responses to questions relating to business surveys, increased between January and March, after having stabilized in the previous month.

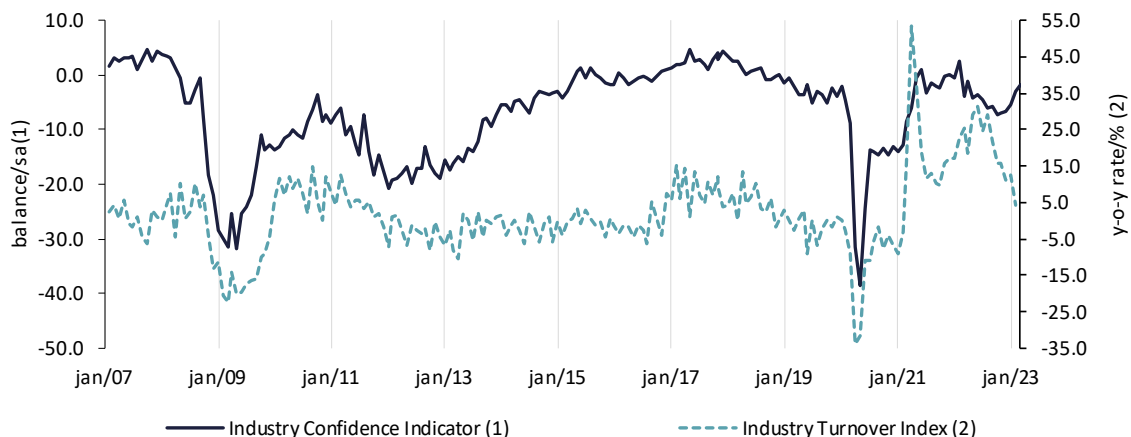
Figure 4. Economic Synthesis Indicators



In February, IPI presented a year-on-year rate of change of 1.8% (rates of change of 1.5% and 4.7% in December and January). Excluding Energy, the rate of change was -1.5% (2.0% in the previous month).

In nominal terms, the industry turnover index decelerated in February to a rate of change of 4.7% in year-on-year terms (rates of change of 11.2% and 12.6% in December and January). Excluding the Energy grouping, sales in industry slowed down to a rate of change of 7.4% (13.6% in January). The indices for the domestic and foreign markets increased by 1.2% and 8.4%, respectively (rate of change of 12.6% for both in the previous month).

Figure 5. Turnover index and confidence indicator in Industry

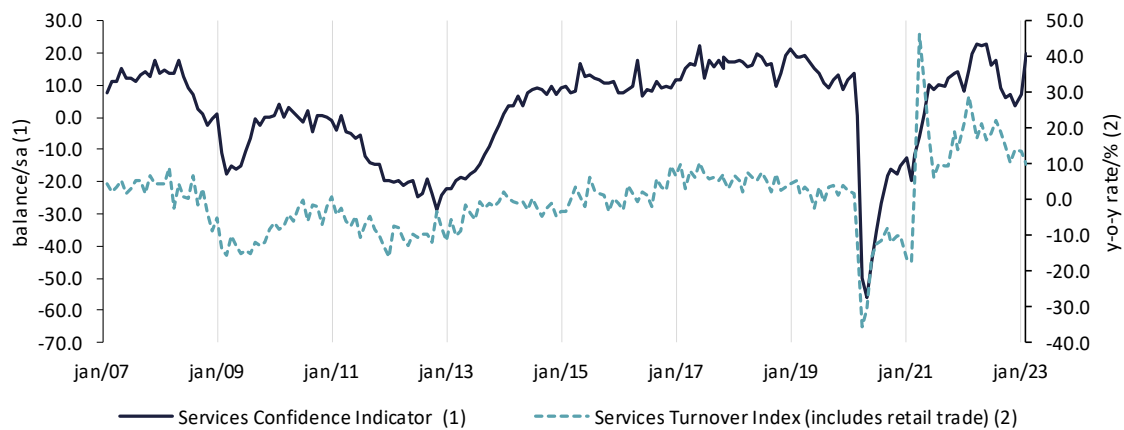




The turnover index for services (includes retail trade) presented a rate of change of 9.9% in February, after increasing by 13.8% in the previous month.

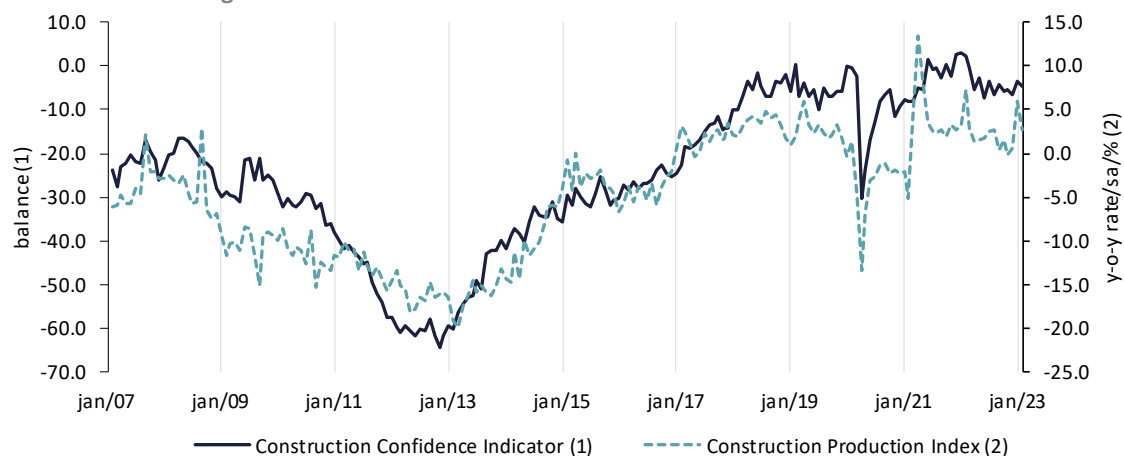
The index of turnover in trade retail (deflated) presented a year-on-year rate of change of 0.4% in February, decelerating from the 3.7% rate of change of the previous month. The behaviour of the aggregate index reflects the deceleration to 1.8% of non-food products index (7.2% in the previous month), and the more intense decrease of the food products index (decreases of 0.6% and 1.4% in January and February).

Figure 6. Turnover index and confidence indicator in Services (includes Retail Trade)



The construction production index decelerated in February to a rate of change of 2.6% in February, after increasing by 6.0% in the previous month.

Figure 7. Production index and confidence indicator in Construction





Regarding tourism activity, in February, the number of overnight stays increased in year-on-year terms by 38.5% (rate of change of 74.1% in January), with the tourism activity increasing 5.9% when compared with February 2020. Overnight stays by residents increased by 19.0% in year-on-year terms, while by non-residents grew by 51.0%. Comparing with February 2020, overnight stays by residents increased 4.9% and by non-residents increased 6.5%.

The average consumption of electricity on working days recorded a year-on-year change of -1.1% in March, which compares with rates of 3.7% and 1.0% in January and February, respectively.

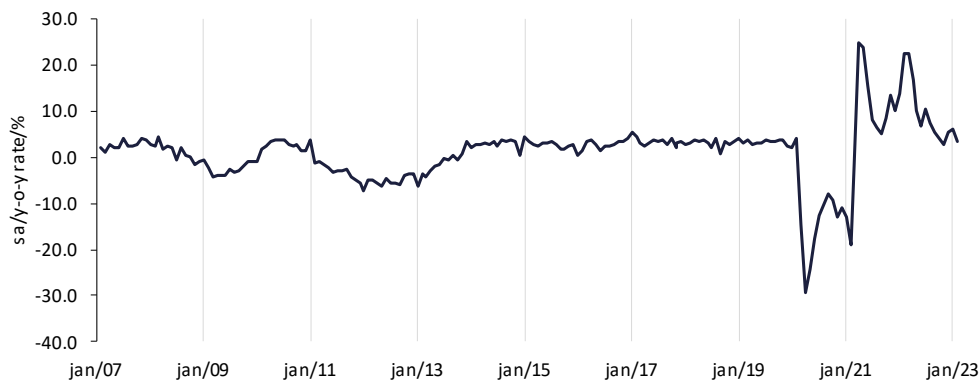


Private Consumption

According with the latest information from the Quarterly Sector Accounts, net lending of Households stood at 0.5% of Gross Domestic Product (GDP) in the year ending in the fourth quarter of 2022, which represented an improvement of 0.3 percentage points compared to the previous quarter and a deterioration of 2.9 percentage points compared to the fourth quarter of 2021. The savings rate was 6.1% of disposable income, more 0.3 percentage points when compared to the previous quarter. This outcome resulted from the 3.3% increase in disposable income (rate of change of 1.4% in the previous quarter), higher than the growth of private consumption (3.0%). It should be reminded that the variables mentioned here are in nominal terms, which, in the case of private consumption, implies that it reflects the significant increase in consumer prices as depicted by the Consumer Price Index throughout 2022.

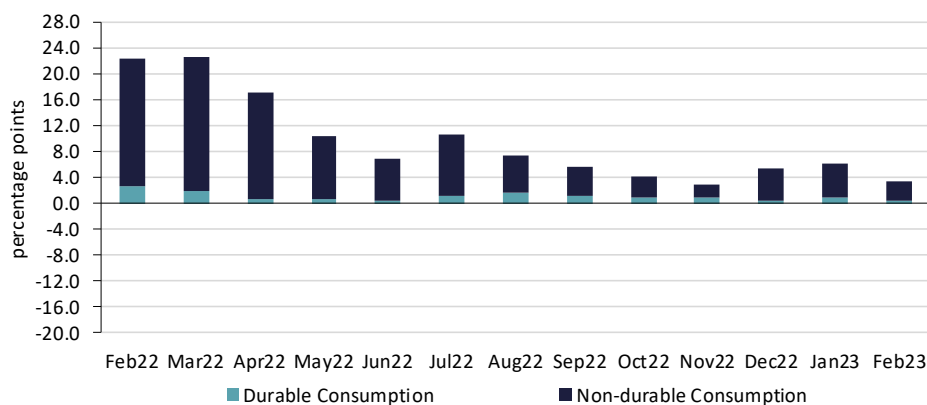
The quantitative indicator of private consumption decelerated in February, after having accelerated in December and January, less intensely in the last month.

Figure 8. Quantitative indicator of private consumption



In February, there was a less intense positive contribution of both components: the non-durable consumption and durable consumption. In March, the sales of passenger cars presented a year-on-year increase of 61.0%, accelerating from the increase of 39.0% verified in the previous month.

Figure 9. Contributions to the private consumption indicator



According to information on operations carried out in the ATM network, available for March, the overall amount of national withdrawals, payment of services and purchases at automatic payment terminals carried out on the



INSTITUTO NACIONAL DE ESTATÍSTICA
STATISTICS PORTUGAL

press release

DIÁSTAKE

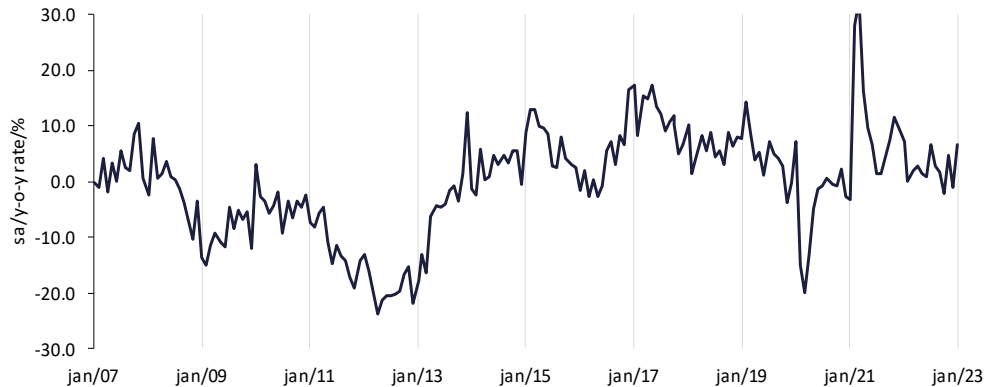
automatic teller machines of the *Multibanco* network presented a year-on-year growth of 12.5% (14.4% in the previous month). Excluding payment of services, there was an increase of 10.1% (12.6% in February). The Consumer confidence indicator increased between December and March, after decreasing between September and November.



Investment

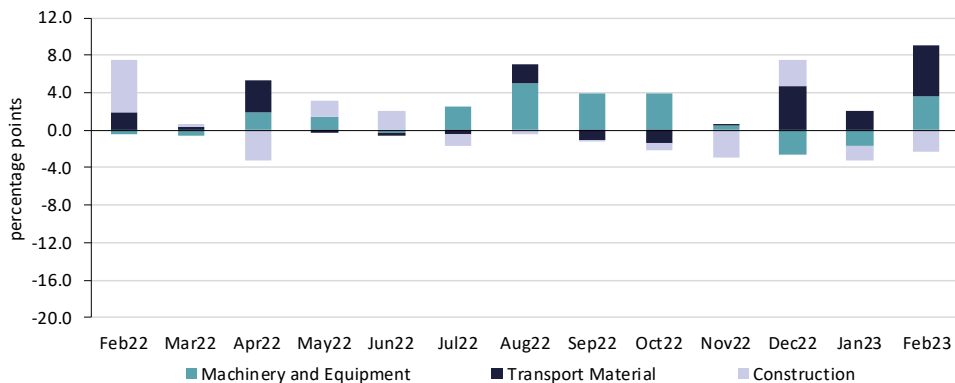
The Gross Fixed Capital Formation (GFCF) indicator increased in year-on-year terms in February, following the decrease observed in the previous month.

Figure 10. GFCF indicator



The evolution observed in February was driven by the positive contribution of the machinery and equipment component, which had been negative in the previous month, and by the more positive contribution of the transport material component. In the opposite direction, the contribution of the construction component was more negative than in the precedent month.

Figure 11. Contributions to the GFCF indicator



Sales of cement produced in national territory (not adjusted for seasonal and working days effects), already available for March, registered year-on-year decreases in the first three months of the year, less markedly in the last month, following the increase registered in December (rates of +7.3%, -8.2%, -12.1% and -2.6% between December and March). Also available for March, sales of light commercial vehicles registered a positive year-on-year variation of 3.8%, following the 7.2% decline observed in February. Sales of heavy-duty vehicles, also available for March, increased in year-on-year terms for the fifth consecutive month (rates of 2.4%, 36.5%, 50.7%, 12.6% and 37.3% between November and March).

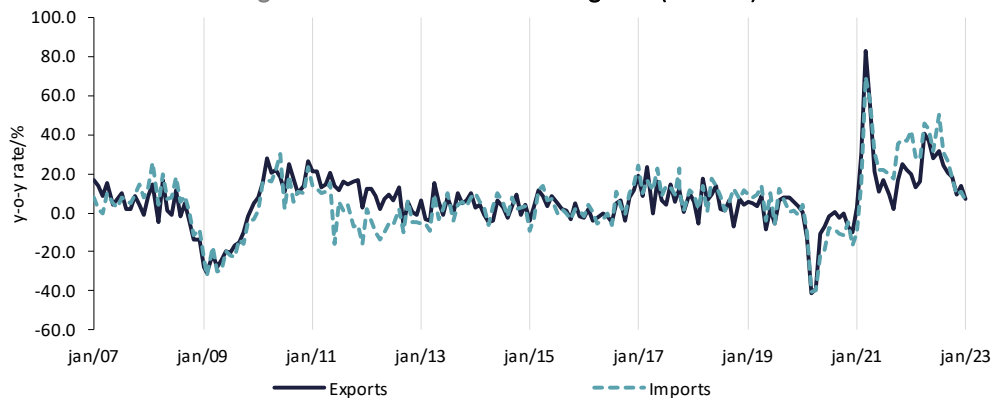


External Demand

In February 2023, exports and imports of goods recorded nominal year-on-year rates of change of 7.0% and 6.7%, respectively (13.8% and 10.8%, in the same order, in January 2023). It should be noted that February 2023 had one less working day than the same month of 2022 and three less working days than the previous month, which may have influenced the rates of change observed in February. Excluding Fuels and lubricants, there were increases of 10.0% in exports and 14.3% in imports (13.7% and 11.4%, respectively, in January 2023).

The unit value indices (prices) recorded rates of change of 7.1% in exports and 4.4% in imports (8.1% and 7.0%, respectively, in January 2023). Excluding petroleum products, the rates of change were 7.4% in exports and 4.6% in imports (8.1% and 5.9%, in the same order, in January 2023). As a result, implicit exports and imports in volume registered year-on-year changes of -0.1% and 2.2%, respectively (5.9% and 3.1% in January, in the same order). Excluding petroleum products, the rates of change were 3.3% in exports and 6.0% in imports (5.6% and 1.9% in January, in the same order).

Figure 12. International trade of goods (in value)



Nominal exports of goods destined for EA increased by 5.1% year-on-year in February (9.4% in January). In turn, nominal exports of non-EU goods increased from a year-on-year rate of change of 29.1% in January to 9.2% in February.

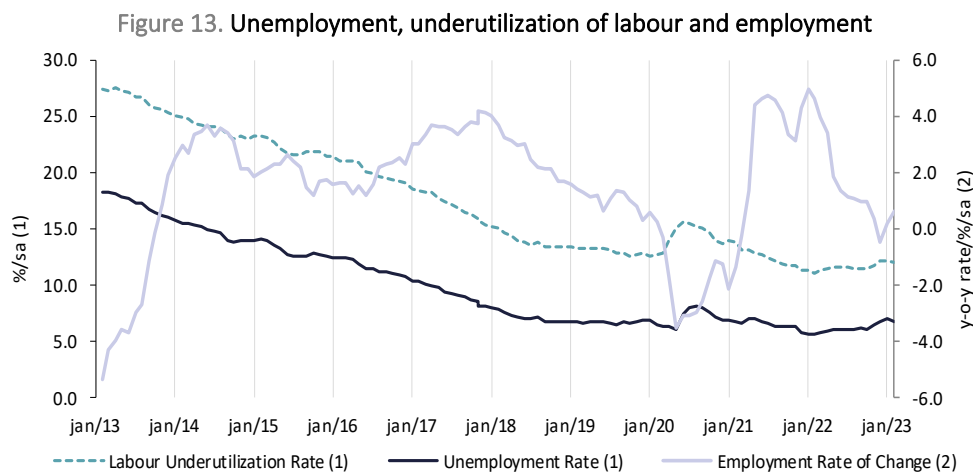
Nominal imports of goods originating in the EA recorded a year-on-year change of 13.8% in February (15.0% in January). Extra-EU imports increased by -12.7% in February, in year-on-year terms (-0.8% in the previous month).



Labour Market

In February, according to the provisional monthly Labour Force Survey, the unemployment rate (16 to 74 years old), seasonally adjusted, was 6.8%, 0.2 percentage points less than in the previous month (6.5% in November and 5.6% February 2022). The labour underutilization rate (16 to 74 years old) stood at 12.0%, 0.2 percentage points below the value recorded in January (11.8% in November and 11.1% in the same period of the previous year).

The employed population (16 to 74 years old), seasonally adjusted, increased by 0.6% in year-on-year terms and 0.5% compared with the previous month (year-on-year rate of change of 0.2% in January).



The employment indexes of the turnover surveys presented, in February, year-on-year rates of change of 1.4% in industry, 2.1% in retail trade, 4.3% in services and 3.1% in construction (1.6%, 2.0%, 5.0% and 2.6% % in January, in the same order). The hours worked indexes, adjusted for calendar effects, registered rates of change of -0.8% in industry, 3.8% in retail trade, 3.4% in services and 2.3% in construction (6.9%, 7.4%, 7.9% and 5.8% in the previous month, in the same order).

According with the Ministry of Labour, Solidarity and Social Security, the average monthly compensation of employees declared per worker to Social Security in February grew by 7.0% in year-on-year terms (variation of 9.3% in January and 3.1% in February 2022).

The Unit Labour Costs (ULC) increased by 1.5%, in year-on-year terms, in the year ended in the fourth quarter of 2022, compared with a decrease of 0.2% in the previous quarter. This result was due to the 6.1% growth in average compensation of employees, which surpassed the 4.6% increase in productivity.



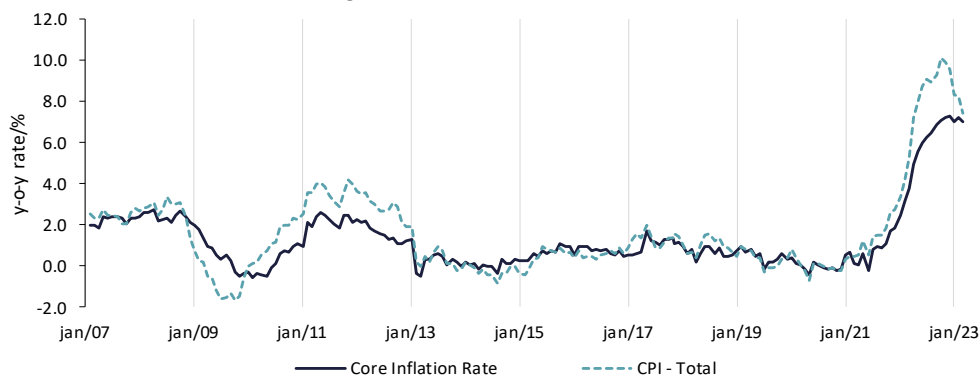
Prices

The CPI year-on-year rate of change decreased to 7.4% in March, 0.8 percentage points lower than in the previous month. This deceleration partially reflects the base effect related to the price increases registered in March 2022.

The analysis of price behaviour throughout 2023 must consider the impact of base effects to be able to correctly interpret the evolution of the year-on-year rates of change. In the case of the Total CPI, there was an intense acceleration in the first half of 2022, followed by a relative stabilization in the second half. From January 2023 onwards, the impact of the base effect on the behaviour of the year-on-year rate of change became evident, particularly in the months of February and March, with an increase in the absolute level of prices (0.3% and 1.7%, respectively) which, as they were less intense than in February and March 2022 (0.4% and 2.5%, in the same order), resulted in a reduction in the CPI year-on-year rate of change. Generically, whenever the monthly change in a month is lower than the monthly change in the same month, the year-on-year rate of change will inevitably decrease, and vice-versa. Even so, despite a slowdown in inflation (reduction in the CPI year-on-year rate of change), the average price level has maintained an upward trajectory, reaching the highest value in the series in March 2023, 12.5% higher than the average level for the year 2021. For the price level to return to values comparable to those of 2021, there would have to be a period with negative year-on-year rates of change. Consequently, the behaviour of prices in 2022 will have a relevant influence on the evolution of inflation in 2023. Without a new shock implying significant increases in prices, the extension of the 2022 series of indices makes it possible to anticipate a progressive reduction in the CPI year-on-year rate of change in the coming months, as a result of the strong acceleration registered in the second quarter of 2022 (monthly variations of 2.2%, 1.0% and 0.8% in the months from April to June).

In the divisions with positive contributions to the year-on-year rate of change of CPI, “Food and non-alcoholic beverages” stood out, with a rate of 19.6% (21.5% in February). The only divisions with negative contributions were “Transports” and “Health”, with year-on-year changes of -0.9% and -0.3%, respectively (2.6% and -0.9% in the previous month).

Figure 14. Consumer Price Index



The year-on-year rate of change of the core inflation rate, which excludes energy and unprocessed food products, was 7.0% (7.2% in February). The year-on-year rate of change of the index for energy products decelerated to -4.4% (1.9% in the previous month), the first negative value since February 2021. The rate for

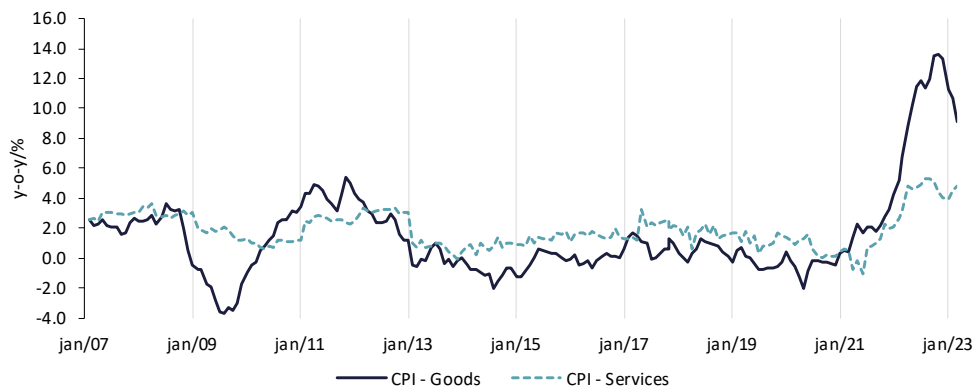


unprocessed food decelerated, from 20.1% in February, the highest growth rate since May 1990, to 19.3% in March.

The Portuguese Harmonised Index of Consumer Prices (HICP) continued to present a year-on-year rate of change above that of the CPI, attaining 8.0% in March (8.6% in January and February). This rate was 1.1 percentage points higher than the figure for the Euro area (0.1 percentage points higher in the previous month). Excluding energy and unprocessed food products, the Portuguese HICP increased by 8.1% in March (8.0% in February), above the corresponding rate estimated for the Euro Area (7.5%).

In the last month, the goods component of the CPI recorded a year-on-year rate of change of 9.1% (10.7% in February), decelerating for the fourth consecutive month, after reaching 13.6% in November, the maximum since January 1986. The services component increased by 4.8% in March (4.5% in the previous month).

Figure 15. Consumer Price Index of Goods and Services



The manufacturing price index decelerated in the last eight months, significantly in February and March, recording a year-on-year rate of change of 7.1% (12.4% in the previous month). Excluding the energy component, this index increased by 8.3% year-on-year (10.8% in February). The index for consumer goods recorded a year-on-year change of 11.5% (14.8% in the previous month), decelerating for the fourth consecutive month, after reaching in November the highest growth of the current series (16.2%).



Table 2. Summary information (continuation)

	Unit	First Period	Minimum		Maximum		Year			Quarter				Month																
			Value	Date	Value	Date	2020	2021	2022	2022				2023		2022												2023		
										Q1	Q2	Q3	Q4	Q1	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar			
External Demand																														
Nominal exports of goods - International trade	y.r./%	Jan-96	-41.5	Apr-20	82.9	Apr-21	-10.3	18.3	23.0	17.7	31.1	27.8	16.0	-	13.0	16.0	40.5	37.2	28.0	31.8	24.4	20.2	18.2	9.2	13.8	7.0	-			
Nominal imports of goods - International trade	y.r./%	Jan-96	-40.3	Apr-20	69.8	Apr-21	-14.8	22.0	31.4	35.4	38.4	36.8	17.8	-	28.7	27.0	45.5	42.9	31.4	50.2	30.8	26.5	17.5	9.7	10.8	6.7	-			
Coverage rate	%	Jan-95	49.9	Aug-01	87.8	Jun-12	78.9	76.5	71.6	73.1	73.3	69.9	70.3	-	72.7	71.1	75.5	73.0	76.1	62.6	70.8	69.8	73.5	67.3	75.9	72.9	-			
External demand indicator	s.a./y.r./%	Jan-91	-29.8	May-20	47.8	Apr-21	-3.8	20.9	30.5	33.4	36.6	36.2	17.7	-	30.7	37.2	36.2	36.4	35.8	37.9	35.0	25.2	16.4	12.0	4.4	-	-			
Labour Market																														
Unemployment rate (16 to 74 years)	s.a./%	Feb-11	5.6	Feb-22	18.3	Jan-13	7.0	6.6	6.0	5.6	6.0	6.0	6.5	6.8	5.8	5.9	6.0	6.0	6.0	6.2	6.1	6.5	6.7	7.0	6.8	-				
Number of unemployed (16 to 74 years)	s.a./y.r./%	Feb-12	-24.7	Apr-18	26.5	Oct-09	3.3	-3.4	-7.3	-15.0	-13.1	-3.9	3.7	23.1	-10.6	-13.9	-13.1	-11.8	-9.0	-3.9	-2.5	-4.2	3.7	15.7	23.8	23.1	-			
Employment (16 to 74 years)	y.r./%	Feb-12	-5.4	Jan-13	5.0	Jan-22	-1.9	2.7	2.0	4.6	1.9	1.1	0.4	0.6	4.0	3.4	1.9	1.3	1.1	1.1	1.0	1.0	0.4	-0.5	0.2	0.6	-			
Labour underutilisation rate (16 to 74 years)	s.a./%	Feb-11	11.1	Jan-20	27.5	May-13	14.2	12.6	11.5	11.1	11.6	11.5	11.8	12.0	11.3	11.4	11.6	11.6	11.6	11.5	11.4	11.4	11.8	12.2	12.2	12.0	-			
Employment indicator - Short-term statistics	y.r.	Jan-01	-8.1	Nov-12	5.4	May-22	-3.9	-0.5	4.5	4.5	5.3	4.6	3.5	-	5.3	5.4	5.4	5.1	5.0	4.8	4.0	3.9	3.3	3.5	3.4	3.1	-			
Reg. unemp. along the month - State employment agencies	y.r.	Jan-00	-43.2	Apr-21	74.1	Apr-20	14.4	-17.8	3.8	-9.4	4.2	7.0	13.9	-	-2.9	1.1	8.8	2.8	-2.2	1.9	17.8	14.5	15.3	11.5	30.8	14.0	-			
Vacancies along the month - State employment agencies	y.r.	Jan-90	-70.0	Apr-20	310.8	Apr-21	-17.1	36.0	-7.7	29.6	-16.6	-10.3	-25.2	-	21.9	-8.1	-13.3	-26.9	-8.5	-6.5	-14.6	-26.1	-24.3	-25.2	-11.7	-11.2	-			
Employment expectations of entrepreneurs	balance/s.a.	Jan-00	-24.9	Apr-20	11.2	Jul-18	-1.6	4.5	6.7	8.9	7.9	5.6	4.2	5.2	8.8	7.8	8.1	7.7	6.2	6.0	4.7	3.1	6.1	3.3	5.3	5.0	5.2			
Unemployment expectations of consumers	balance	Apr-01	-20.0	Jun-17	85.5	Feb-09	52.7	30.3	26.2	16.0	26.1	24.2	38.5	33.6	26.7	30.4	24.0	24.0	21.4	22.9	28.3	34.6	42.8	38.0	36.1	33.1	31.5			
Average monthly wage declared by worker	s.a./y.r.	Mar-86	-4.0	Jun-12	9.3	Jan-23	2.6	4.5	4.7	3.7	4.7	5.2	5.4	-	4.5	5.5	4.5	4.2	4.9	5.4	5.2	5.5	5.2	5.4	9.3	7.0	-			
Prices																														
Consumer price index - Total	y.r./%	Jan-49	-3.7	Sep-54	36.7	May-77	0.0	1.3	7.8	4.3	8.0	9.1	9.9	8.0	5.3	7.2	8.0	8.7	9.1	8.9	9.3	10.1	9.9	9.6	8.4	8.2	7.4			
- Goods	y.r./%	Jan-49	-3.7	Jul-09	38.2	May-77	-0.5	1.7	10.2	5.4	10.2	11.7	13.5	10.4	6.8	8.8	10.2	11.4	11.8	11.4	11.9	13.5	13.6	13.3	11.3	10.7	9.1			
- Services	y.r./%	Jan-49	-4.4	Sep-54	30.5	Mar-74	0.7	0.6	4.3	2.6	4.7	5.2	4.5	4.4	3.1	4.8	4.7	4.7	4.9	5.3	5.3	5.1	4.4	4.1	3.9	4.5	4.8			
Core inflation indicator	y.r./%	Jan-49	-4.3	Oct-54	31.1	May-84	0.0	0.8	5.6	3.1	5.5	6.5	7.2	7.1	3.8	5.0	5.6	6.0	6.2	6.5	6.9	7.1	7.2	7.3	7.0	7.2	7.0			
Harmonised index of consumer prices	y.r./%	Jan-96	-1.8	Sep-09	10.6	Oct-22	-0.1	0.9	8.1	4.4	8.2	9.5	10.2	8.4	5.5	7.4	8.1	9.0	9.4	9.3	9.8	10.6	10.2	9.8	8.6	8.6	8.0			
Manufacturing industry production price index	y.r./%	Jan-11	-6.0	May-20	25.9	Jul-22	-3.9	6.5	21.2	17.1	23.8	24.2	19.5	12.0	20.2	22.8	22.9	25.6	25.9	23.4	23.3	21.5	19.5	17.7	16.8	12.4	7.1			
Consumers expectations of prices evolution	balance	Sep-97	-7.6	Dec-15	81.3	Mar-22	20.3	21.2	51.4	55.8	61.6	46.2	42.2	25.9	81.3	67.2	58.0	59.4	48.9	44.5	45.2	51.7	41.7	33.3	27.2	27.9	22.6			
Expectations of prices in manufacturing industry	bal./s.a.	Jan-87	-25.4	Apr-20	42.5	Apr-22	-0.2	19.8	29.6	32.4	35.5	25.0	25.5	9.8	39.5	42.5	34.2	29.7	24.1	22.8	28.0	30.6	25.1	20.7	16.0	9.6	3.9			
Effective exchange rate index for Portugal (nominal)	y.r./%	Jan-94	-9.0	Jan-94	6.0	Mar-95	0.5	-0.1	-1.4	-1.5	-1.7	-1.9	-0.6	-	-1.5	-1.9	-1.8	-1.5	-1.9	-2.0	-1.7	-1.2	-0.5	0.0	0.3	0.3	-			



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

Next monthly press release – May 18th, 2023
