ENTERPRISES REVISE DOWNWARDS THE FORECAST FOR THEIR EXPORTS IN 2023

Exporting enterprises expect a nominal increase of 0.5% in their exports of goods in 2023, revising downwards by 0.6 percentage points (p.p.) the 1st forecast made in December 2022. This revision results from the updating of enterprises' expectations for both Intra-EU (-0.5 p.p., to +1.2%) and Extra-EU (-0.9 p.p., to -1.2%) exports.

By Broad Economic Categories (BEC), the most positive perspectives of enterprises for the expected evolution of exports of *Capital goods (except transport equipment), and parts and accessories thereof* (+9.3%, +1.1 p.p. compared the previous forecast) and *Industrial supplies* (+0.4%, +1.5 p.p.) and less positive in *Transport equipment and parts and accessories thereof* (-2.3 p.p., to +3, 9%) stand out, vis-à-vis the 1st forecast.

A less positive performance than expected in the destination markets of their exports is the main reason pointed out by enterprises for this downward revision, impacting more than half of the responding enterprises (56.4%).

In this Press release, Statistics Portugal disseminates the main statistical findings from the survey on the Perspectives of the Exports of Goods (IPEB), corresponding to the 2nd forecast of enterprises for the expected evolution of exports of goods in 2023. In this survey, enterprises were asked to update the forecast indicated in December 2022.

Enterprises expect a 0.5% nominal increase in exports of goods in 2023, -0.6 p.p. compared to the 1st forecast

Exporting enterprises expect a nominal year-on-year 0.5% increase in their exports of goods in 2023. Enterprises expect a 1.2% decrease in exports to Extra-EU countries and a 1.2% increase to Intra-EU markets. Compared to the 1st forecast, made in December 2022, this estimate corresponds to a downward revision of 0.6 p.p. of the expected variation in exports in 2023, more pronounced in Extra-EU exports (-0.9 p.p.) than in Intra-EU (-0.5 p.p.).

Figure 1 - Perspectives of Enterprises on the Exports of Goods, 1st and 2nd Forecasts

Year-on-year rate of change (%) – International Trade in Goods Total, 2014-2023
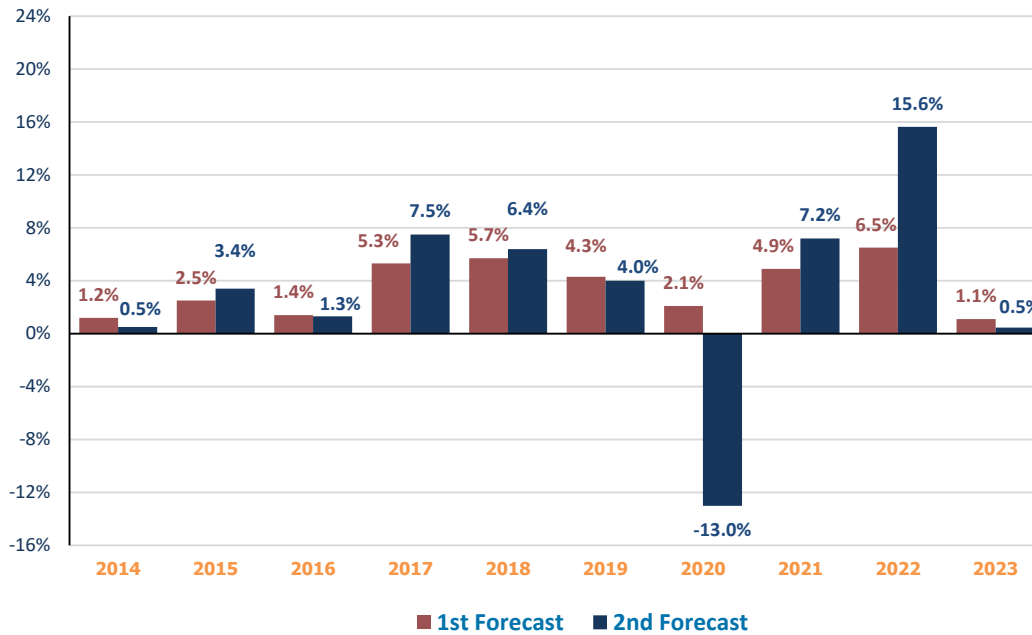
Source: Statistics Portugal, Survey on the Perspectives of the Exports of Goods

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As in overall exports, the revisions to the 1st forecast were more pronounced for the Extra-EU market than for the Intra-EU, in all Broad Economic Categories. The most significant revision, compared to the 1st IPEB forecast, occurred in *Transport equipment and parts and accessories thereof*, corresponding to -2.3 p.p., resulting mainly from the revision for Extra-EU countries (-11.4 p.p.; - 1.7 p.p. for Intra-EU markets).

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Table 1 - Perspectives of Enterprises on the Exports of Goods
Annual nominal rates of change 2023/2022
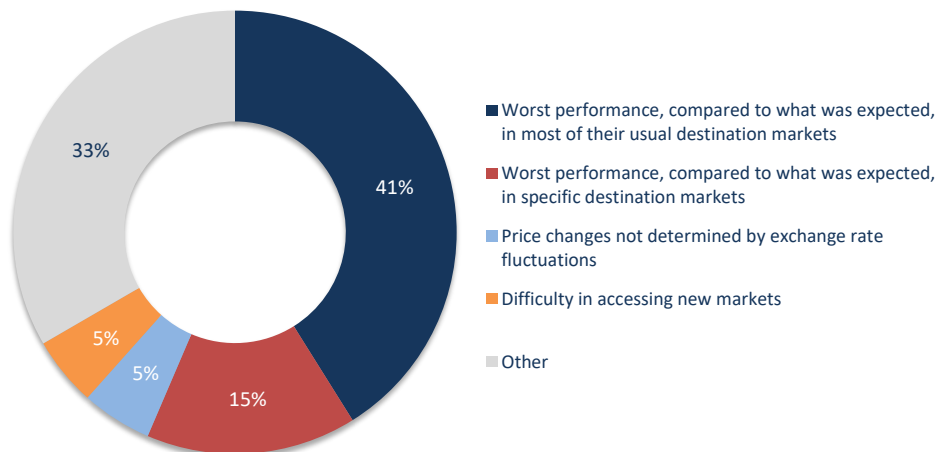
	EXTRA-EU	INTRA-EU	INTERNATIONAL
	-1.2%	1.2%	0.5%
Of which (BEC):			
Food and beverages	5.6%	4.9%	5.1%
Industrial supplies not elsewhere specified	2.3%	-0.4%	0.4%
Capital goods (except transport equipment), and parts and accessories thereof	10.6%	8.8%	9.3%
Transport equipment and parts and accessories thereof	10.0%	2.2%	3.9%

Note: For statistical confidentiality reasons, only disaggregated results for some of the main product categories are disclosed.
Source: Statistics Portugal, Survey on the Perspectives of the Exports of Goods

Enterprises indicated as the main reasons for the downward revision, compared to the 1st IPEB forecast, a less positive market performance than expected, either in most of the destination markets already clients (41.1%) or in specific markets (15.3%).

Figure 2 - Perspectives of Enterprises on the Exports of Goods

### Main reasons for the expected revision compared to the 1st Forecast 2023

Source: Statistics Portugal, Survey on the Perspectives of the Exports of Goods

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Enterprises' expectations for the evolution of their exports of goods in 2023 differ across activity sectors, with increases expected in some cases, as a result of price raises. There are also situations where a reduction is expected, stemming from the expected contraction in demand and planned stoppages or discontinuity of production lines, in response to market conditions, potential disruptions in global value chains and increases in input costs.

Price changes not determined by exchange rate fluctuations were mentioned by 5.1% of enterprises as one of the main reasons for revising the 1st IPEB forecast.

The following figure illustrates the evolution of prices in international trade transactions, as well as average monthly crude oil prices (Brent), with successive decreases since the second half of 2022.

Figure 3 - Monthly Unit Value Indices of Exports and Average Monthly Crude Oil Prices – Brent (EUR/barrel)

Year-on-year rate of change (%) – price, 2018-2023
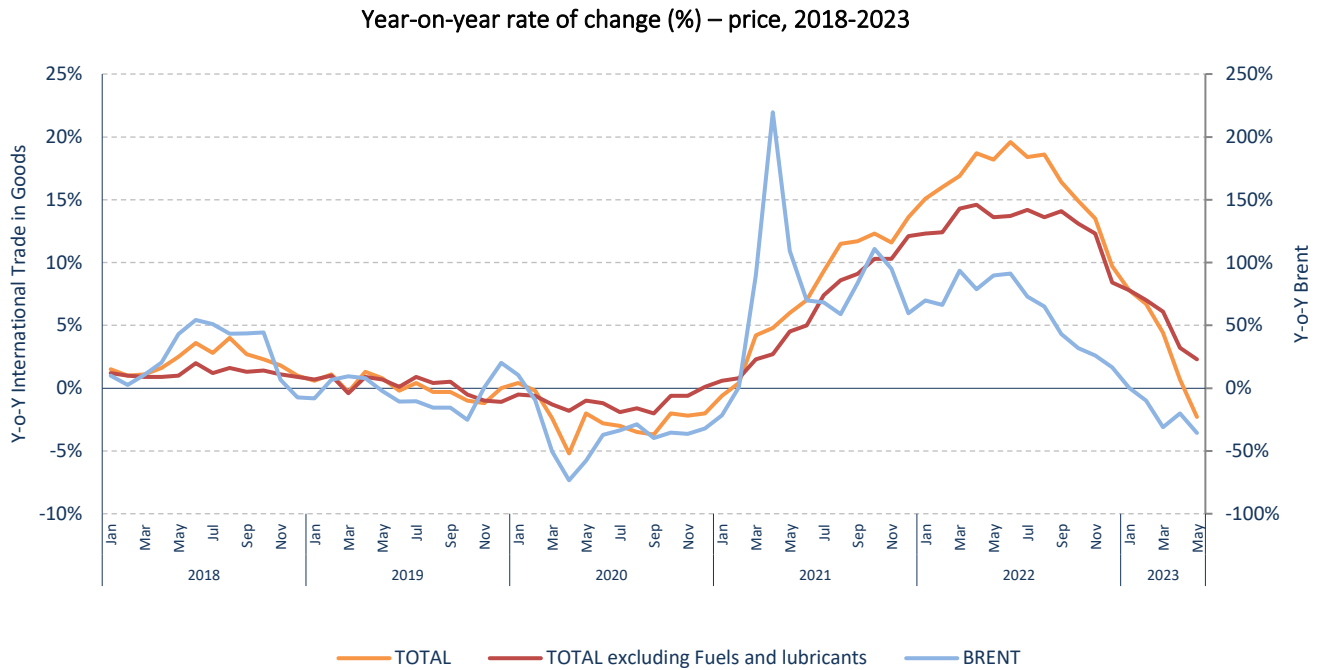
Source: Statistics Portugal, Survey on the Perspectives of the Exports of Goods, DGEG, Directorate General for Energy and Geology

Perspectives for the evolution of exports by enterprises main characteristics

Analysing the perspectives of exports of goods based on some of the main characteristics of the responding enterprises (which are simultaneously included in the Integrated Business Accounts System (SCIE)), large enterprises (with 250 or more persons employed, representing 14% of the enterprises analysed) are the only ones that foresee a decrease in their exports of goods in 2023 (-1.7%), an expectation contrary to that of the total enterprises that responded to the IPEB (+0 .5%). The remaining enterprises expect higher increases than that of the total enterprises, +3.5% in medium-sized enterprises (51% of the enterprises analysed), +3.7% in small (28%) and +3.2% in micro (7%).

Enterprises belonging to economic groups, supposedly more exposed to the instability of the global economy, foresee a decrease in their exports in 2023 (-0.5%), while enterprises not belonging to an economic group expect an increase (+3.1%).

The age of enterprises also seems to be an important factor in consolidating their presence in international markets. Senior and young enterprises expect decreases in their exports of goods in 2023 (-1.1% and -7.4%, respectively), while adult enterprises expect an increase of 8.7%.

Enterprises in which workers with higher education (bachelor's, master's or doctoral degree) predominate, expect a significant growth in their exports of goods in 2023 (+6.5%), unlike the remaining ones, which expect a decrease (-0.8%).

With regard to enterprises by type of technology, those classified in low and medium low technology sectors anticipate a more significant growth (+1.2%) than those of high and medium high technology (+0.5%), which will not be unrelated to the negative impact of the increase in prices of raw materials and energy products, especially in the most technology-intensive sectors.

Table 2 - Perspectives on the Export of Goods, by enterprises main characteristics

	Annual nominal rates of change 2023/2022
	0.5%
DIMENSION	
LARGE	-1.7%
MEDIUM	3.5%
SMALL	3.7%
MICRO	3.2%
ENTERPRISES GROUPS	
BELONGING TO A GROUP	-0.5%
NOT BELONGING TO A GROUP	3.1%
AGE	
YOUNG (LESS OR EQUAL 5 YEARS)	-7.4%
ADULTS (BETWEEN 6 AND 19 YEARS)	8.7%
SENIORS (EQUAL TO OR OVER 20 YEARS)	-1.1%
TECHNOLOGY TYPE	
HIGH AND MEDIUM HIGH TECHNOLOGY	0.5%
LOW AND MEDIUM LOW TECHNOLOGY	1.2%
PROPORTION OF WORKERS WITH HIGHER EDUCATION	
OVER 50%	6.5%
LESS OR EQUAL TO 50%	-0.8%
INNOVATION	
INNOVATIVE ENTERPRISES - 2018-2020	-0.6%
NON-INNOVATIVE ENTERPRISES - 2018-2020	-7.2%
DIGITAL INTENSITY INDEX	
ENTERPRISES WITH VERY LOW DIGITAL INTENSITY INDEX	-6.5%
ENTERPRISES WITH LOW DIGITAL INTENSITY INDEX	0.4%
ENTERPRISES WITH HIGH DIGITAL INTENSITY INDEX	2.1%
ENTERPRISES WITH VERY HIGH DIGITAL INTENSITY INDEX	-2.7%

Source: Statistics Portugal, IPEB, SCIE, CIS and IUTICE; Single Report from the Social Security

Enterprises that responded to the IPEB and that simultaneously indicated that they had developed innovation activities within the scope of the CIS - Community Innovation Survey 2018-2020, foresee a slight decrease in their exports of goods in 2023 (-0.6%), while enterprises considered as non-innovative expect a decrease of 7.2%[1]. It should be noted that innovation activities include product and/or process innovation and, therefore, with an impact that can be significant in the differentiation of enterprises in international markets.

According to the Survey on Information and Communication Technologies Usage in Enterprises (IUTICE) - 2022, enterprises were classified according to their degree of digital intensity. Based on the enterprises that responded simultaneously to IPEB and IUTICE, those with a very low or very high digital intensity index expect decreases in their exports in 2023 (-6.5% and -2.7%, respectively), while those with a low or high digital intensity index foresee increases (+0.4% and +2.1%, respectively).

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[1] Considered only the common enterprises between IPEB and CIS samples, which correspond to about 33% of the enterprises responding to IPEB.

EXPLANATORY NOTES

In view of the growing importance of the evolution of exports of goods in portraying the economy, Statistics Portugal promotes this survey (IPEB) by using a representative sample of exporting enterprises. The IPEB allows gathering and summarizing the perspectives of the nominal variation of exports for each enterprise and provides prospective data. This new statistical operation started after the end of the New Orders in Industry Index (Total, Internal market and Foreign market), based on a monthly survey. The figures correspond to the 2nd forecast for the nominal variation of exports expected by the enterprises in 2023.

The survey was based on a sample of operating exporting enterprises, located in Portugal, with export values declared in International Trade in Goods statistics (ITGS) above EUR 250 000 in 2021 (sum of Intra-EU Trade (via Intrastat System) and Extra-EU Trade (via Customs declarations)) or in 2022 for new exporting enterprises. The total number of enterprises surveyed was 3 340, which represented around 90% of the total exports of goods.

The enterprises were selected according to the following parameters:

Non sampling component:

1. Enterprises with a total of exports ≥ EUR 3 million in value (based on values declared in 2021/2022 ITGS);
2. Enterprises belonging to NACE Rev. 2 - three digits classification (group) – with a sampling representativeness ≤ 3 enterprises.

Sampling component:

1. By sorting the remaining enterprises in a descending order of the total of exports, a selection was made in each NACE group:
    a. Enterprises able to reach 15% of the total of exports, if the non-sampling weight is ≥ 80%;
    b. Enterprises able to reach 35% of the total of exports, if the non-sampling weight is ≥ 60% and < 80%;
    c. Enterprises able to reach 55% of the total of exports, if the non-sampling weight is < 60%.
2. By including relevant enterprises in terms of representativeness within the Broad Economic Categories Classification (BEC) with single digit classification.

The response rate was 97%, corresponding to 98% of the exported value of the sampled enterprises.

Data broken down by BEC was based on the distribution of data declared by the respective enterprises within the scope of ITGS in the year 2021 or in the year 2022 for new exporting enterprises.

The results of this survey, as they are based on growth perspectives, may differ from the observed values in ITGS and should be seen as indicating trends, which depend on the information available in the enterprises during the time of response to IPEB.

For methodological reasons, the scope of IPEB could not be the same as for ITGS, because IPEB does not include exports of specific goods and movements (of which electricity), estimates, and does not comprise, in the reference population, special (foreign) enterprises acting as "traders" in Portugal. These "traders" are natural or legal persons not registered for VAT in Portugal, however they are responsible for presenting customs declarations lodged in Portuguese Customs. These movements

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are included in ITGS, however it's not possible to survey these enterprises, because they are not registered for VAT in Portugal. To allow better coverage of the results, this difference concerning foreign enterprises belonging to national economic groups was minimized with special treatment in order to include their exports in IPEB.

In the 2nd forecast, enterprises were requested to indicate the main reasons for the revision in their perspectives vis-à-vis the 1st forecast, and the following list of options was presented:

- Better/worst performance, compared to what was expected, in most of their usual destination markets;
- Better/worst performance, compared to what was expected, in specific destination markets;
- Facility/Difficulty in accessing new markets;
- Enlargement/Contraction on the enterprise productive capacity;
- Exchange rate fluctuations;
- Simplification/Difficulty in customs procedures;
- Price changes not determined by exchange rate fluctuations;
- Facility/Difficulty accessing credit;
- Error in the report;
- Others.

Enterprises main characteristics:

The statistical data presented were obtained from the Integrated Business Accounts System (SCIE), which results from a process of integrating statistical information on enterprises, based on administrative data, with particular emphasis on Simplified Business Information (SBI). This information is complemented, on the one hand, with data for sole proprietors and self-employed workers (referred to as individual enterprises), received through the Protocol established between Statistics Portugal and various bodies of the Ministry of Finance and, on the other hand, with information from the Statistical Business Register of Statistics Portugal.

The classification of enterprises in the manufacturing industries followed the aggregations defined by Eurostat and comprise:

– High and medium-high technology industries: includes high technology industries and medium-high technology industries;

– High technology industries: includes divisions 21 and 26, and group 303 of NACE Rev. 2

– Medium-high technology industries: includes divisions 20, 27 to 29 and groups 254, 302, 304, 309 and 325 of NACE Rev. 2

– Low and medium-low technology industries: includes divisions 10 to 19, 22 to 25 (except group 254), 31 to 33 (except group 325) and group 301 of NACE Rev. 2

The enterprises were classified by size, based on the adaptation of the European Commission Recommendation of May 6, 2003. Thus, the following were considered:

- Large enterprise: an enterprise with 250 or more people employed or an enterprise with a turnover of more than 50 million euros and net assets of more than 43 million euros.

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- Medium-sized enterprise: an enterprise employing less than 250 people and whose annual turnover does not exceed 50 million euros or annual balance sheet total does not exceed 43 million euros, and which is not classified as micro or small enterprise.
- Small enterprise: an enterprise employing fewer than 50 people and whose annual turnover or annual balance sheet total does not exceed EUR 10 million, and which is not classified as a micro-enterprise.
- Micro-enterprise: an enterprise employing less than 10 people and whose annual turnover or balance sheet annual total does not exceed 2 million euros.

Considering the information available in the Single Report (RU) and relating it to the Integrated Business Accounts System (SCIE), it was possible to detail in greater depth some of the individual characteristics of the workers, namely their education, having analyzed the IPEB results based on the proportion of workers (greater or lesser and equal to 50%) with higher education (bachelor's, master's or doctoral degree).

Based on information from the CIS – Community Innovation Survey, 2018-2020 edition, it was possible to classify 33% of the enterprises responding to the IPEB (only common enterprises between IPEB and CIS samples) according to whether or not they developed innovation activities. A company is considered to be innovative if it has carried out any type of innovation activity, generating expense, whether complete product or process innovation activities, ongoing activities until the end of 2020, abandoned or suspended innovation activities, or research and development (R&D) activities carried out internally, continuously or occasionally, or contracted R&D to other enterprises (including those belonging to its group) or to public or private research organizations.

Groups of enterprises: Association of enterprises linked by legal and financial relations and a holding enterprise which is the group head.

3 aggregations of age of enterprises were also considered, namely:
• young, aged 5 years or less;
• adults, aged between 6 and 19 years;
• seniors, aged 20 or over.

Information from IUTICE – Survey on Information and Communication Technologies Usage in Enterprises (2022) serves as the basis to produce a set of indicators in the Information Society area (Access and use of the Internet; Electronic commerce; Use, Sharing, Data Analysis and Commerce; Use of Cloud Computing Services; Artificial Intelligence; Invoicing).

This information makes it possible to classify enterprises according to their degree of digital intensity, using the digital intensity index:
• Enterprises with very low digital intensity index (0 to 3 points),

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- Enterprises with low digital intensity index (4 to 6 points),
- Enterprises with high digital intensity index (7 to 9 points),
- Enterprises with very high digital intensity index (10 to 12 points).

ACRONYMS AND DESIGNATIONS

BEC – Classification by Broad Economic Categories, third revision

CIS – Community Innovation Survey

DGEG – Directorate General for Energy and Geology

EU – European Union

INE – Statistics Portugal, I.P.

IPEB – Survey on the Perspectives of the Exports of Goods

ITGS – International Trade in Goods statistics

IUTICE – Survey on Information and Communication Technologies Usage in Enterprises

NACE – Statistical classification of economic activities, Revision 2

RU – Single Report

R&D – Research and Development

SBI – Simplified Business Information

SCIE – Integrated Business Accounts System

VAT – Value Added Tax