



18th January 2024

MONTHLY ECONOMIC SURVEY¹

December 2023

PRODUCER PRICES DECREASED AND CONSUMER PRICES DECELERATED IN 2023

In 2023, the Consumer Price Index (CPI) registered an average annual rate of change of 4.3% (7.8% in 2022). The average annual rate of change of the core inflation rate, which excludes energy and unprocessed food products, was 5.0% in 2023 (5.6% in the previous year). The deceleration of the CPI occurred in most product categories, reflecting the base effect associated with the price increases registered in 2022, as well as the price decreases of energy goods in the first half of 2023 and the exemption of VAT rates of essential food items in effect since May. Concerning industrial production, there was a decrease in prices, with the respective index presenting an average annual rate of change of -2.2% (after 20.5% in 2022, the highest in the series). Excluding the energy component, the average annual rate of change was 2.4%, 12.1 percentage points lower than that observed in 2022. Regarding the implicit prices of imports of goods, there was an average rate of change of -5.0% between January and November 2023 (+20.4% in 2022). Excluding petroleum products there was a decrease of 1.7% in the first eleven months of 2023 (growth of 13.5% in the previous year).

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 increase of 2.6% in December (rate of change of 2.2% in the previous month). Excluding payment of services there was an increase of 4.7% in December (4.6% in November) and an annual growth of 7.1% in 2023 (19.6% in 2022).

The short-term indicators, available for November, point to a deceleration of the construction sector, in volume, and of services, in nominal terms, and to decreases in industry. On the expenditure perspective, the composite indicators of economic activity and Gross Fixed Capital Formation (GFCF) accelerated in November, while the private consumption indicator decelerated.

According to the provisional monthly Labour Force Survey, the unemployment rate (16 to 74 years old), seasonally adjusted, stood at 6.6% in November for the third consecutive month (6.3% in August and 6.5% in November 2022). The labour underutilization rate (16 to 74 years old) was 11.6%, 0.2 percentage points below the value recorded in October (11.6% in August and 11.8% in the same period of the previous year). The employed population (16 to 74 years old), seasonally adjusted, increased by 1.8% in year-on-year terms and 0.2% compared with the previous month (year-on-year rate of change of 1.4% in October).

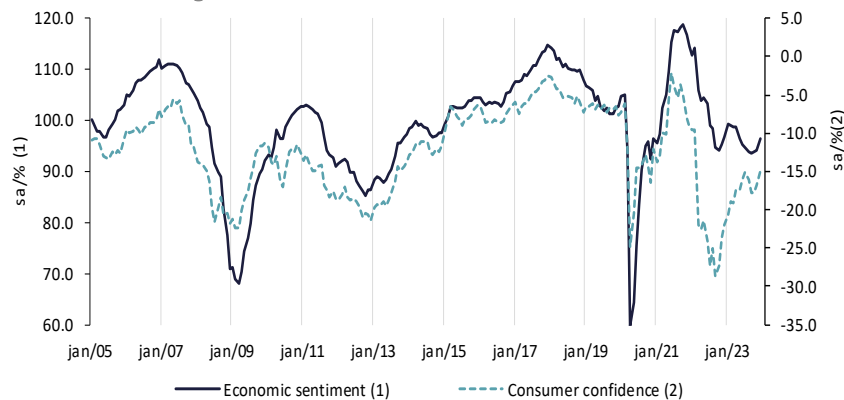
¹ Based on information available up to January 17th, 2024.



External Environment of the Portuguese Economy

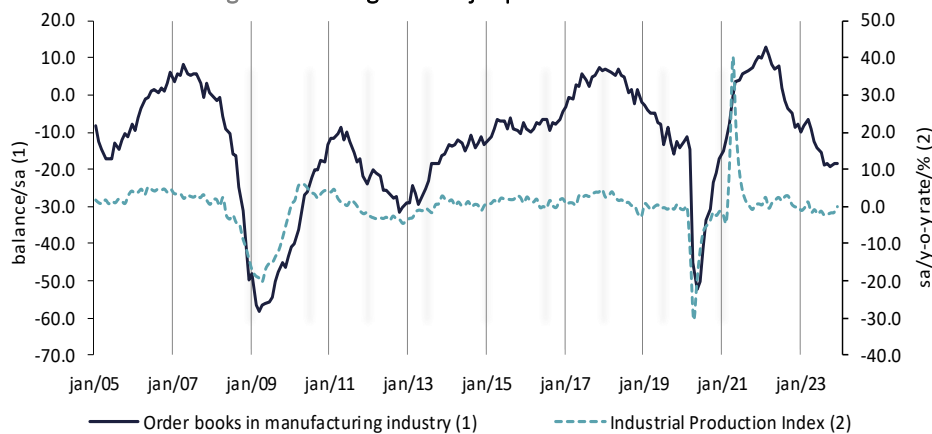
The Euro Area (EA) economic sentiment indicator (ESI) increased between October and December, slightly in the first two months. In December, there were increases in the consumer confidence indicator and in the confidence indicators of all sectors, especially in services and retail trade.

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 stabilised in December. The industrial production index (IPI) of Portuguese major partners decreased by 1.5% in November comparing with the same period of 2022, having recorded negative year-on-year rates of change since April. Comparing to the previous month, the index increased by 0.2%, after having decreased by 0.5% in October.

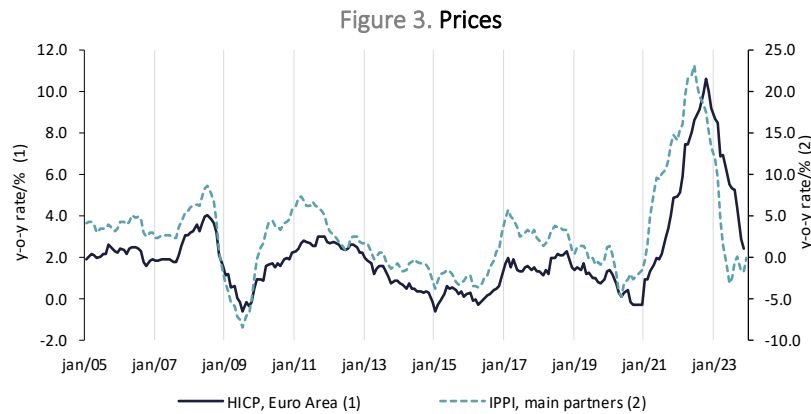
Figure 2. Portuguese major partners – Indicators



According to the Eurostat's estimate, the Euro Area Harmonised Index of Consumer Prices (HICP) accelerated in December to a year-on-year rate of change of 2.9% (2.4% in November), interrupting the slowdown trajectory started in November of 2022. This behaviour was due to the less intense decrease in energy prices, as HICP excluding energy and unprocessed food, continued to decelerate, recording a year-on-year rate of change of 3.9% in December (4.2% in the previous month). In 2023, the Euro Area HICP increased by 5.4%, on average, a rate 3.0 p.p. lower than in 2022.



In November, the industrial production prices index (IPPI) of Portuguese major partners decreased by 1.7% comparing with the same period of 2022 (the same rate as in October) and by 0.7% comparing with the previous month (-0.6% in October).



The oil price (Brent) was 71.2 euros per barrel in December, presenting, for the third consecutive month, a negative rate of change comparing with the previous month (-10.5% and -7.3% in November and December, respectively) and standing 6.8% below the price of the same period of 2022. In 2023, the average annual oil price was 76.3 euros per barrel, a value 20.3% lower than the highest annual average value of the series, registered in 2022 (95.8 euros).

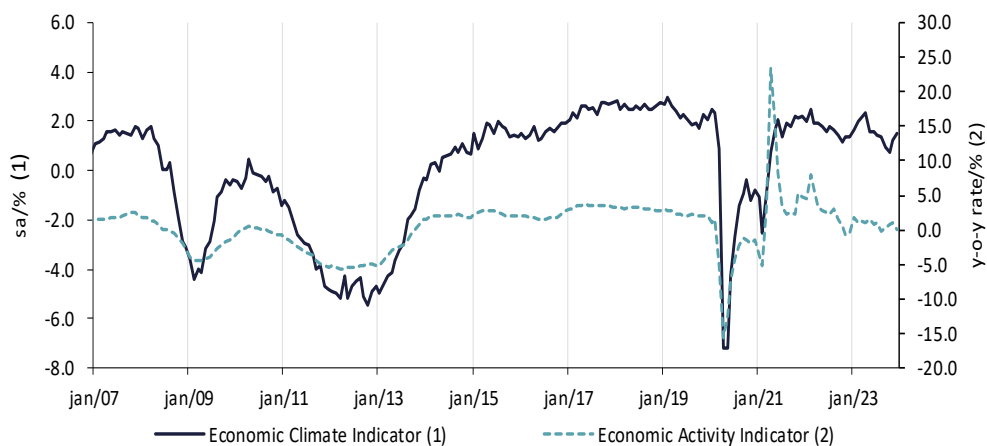


Economic Activity

The short-term indicators for economic activity from the perspective of production, available for November, point to a deceleration of the construction sector, in volume, and of services, in nominal terms, and to decreases in industry.

The economic activity indicator, which summarizes a set of quantitative indicators that reflects the evolution of the economy, increased between September and November, more intensely in the last month. The economic climate indicator, which summarizes the balances of responses to questions relating to business surveys, increased in November and December, after having decreased between July and October.

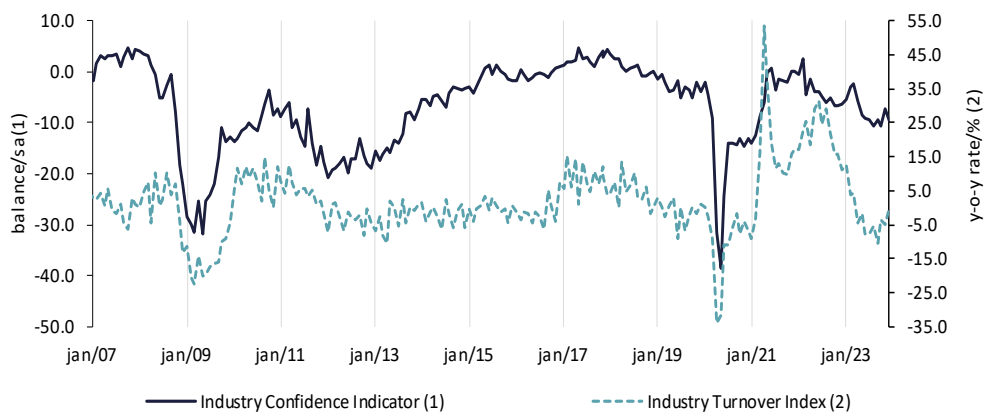
Figure 4. Economic Synthesis Indicators



In November, the IPI presented a year-on-year rate of change of -1.1%, unchanged from the previous month. Excluding Energy, the rate of change was -2.9% (-3.2% in the previous month).

In nominal terms, the industry turnover index decreased by 4.9% in November (-3.4% in the previous month). Excluding the Energy sector, sales in industry decreased 5.2% (rate of change of -2.4% in October). The indices for the domestic and foreign markets presented rates of change of -0.2% and -10.9%, respectively (-1.3% and -6.5% in the previous month).

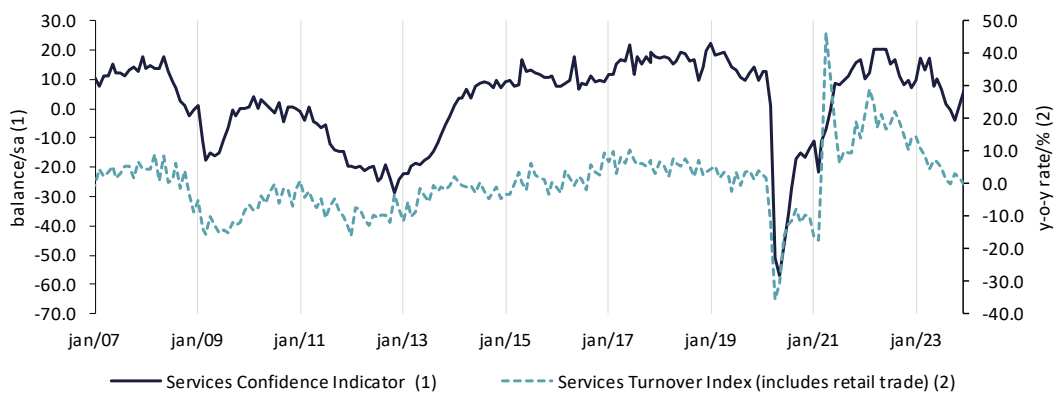
Figure 5. Turnover index and confidence indicator in Industry





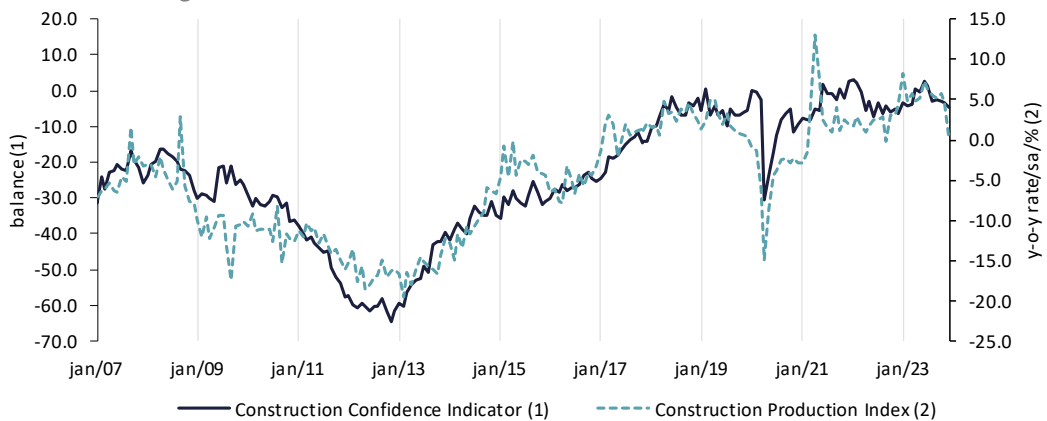
The turnover index for services (includes retail trade) presented a rate of change of 1.5% in November (3.0% in the previous month). The index of turnover in trade retail (deflated) increased 2.1% in November (0.5% in the previous month). The behaviour of the aggregate index resulted of similar dynamics of both groups, with an acceleration in the index for food products (from an increase of 0.9% in October to 2.7%) and for non-food products (rates of change 0.2% and 1.7% in the last two months).

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



The construction production index decelerated in November to a rate of change of 4.6%, after increasing by 5.7% in year-on-year terms in the previous month.

Figure 7. Production index and confidence indicator in Construction



Regarding tourism activity, in November, the number of overnight stays increased in year-on-year terms by 7.5% (rate of change of 8.6% in November). Overnight stays by residents increased by 2.3% in year-on-year terms, while by non-residents grew by 9.9% (rates of change of 0.3% and 11.7% in October).

The average consumption of electricity on working days recorded a year-on-year growth rate of 5.5% in December, which compares with rates of 2.1% and 3.3% in October and November, respectively. In 2023, there was a rate of change of 0.5% (2.4% in 2022).

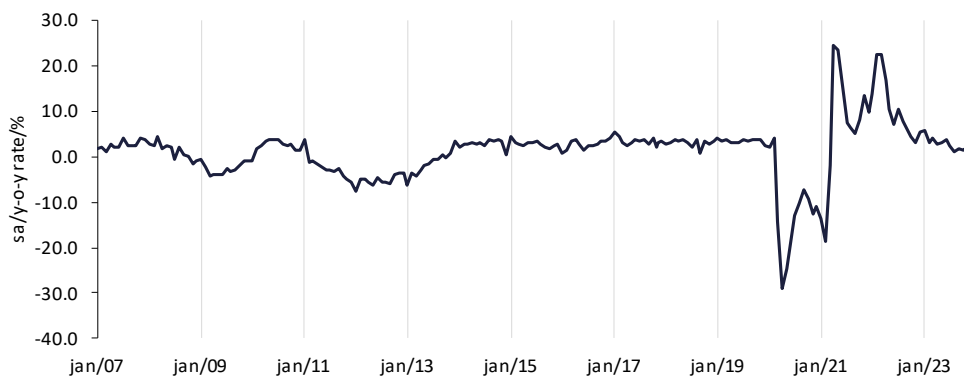


Private Consumption

According to the information of the Quarterly Sector Accounts, Net lending of Households stood at 1.1% of GDP in the year ending in the third quarter of 2023, which represented a 0.5 percentage points increase from the previous quarter. Households' savings rate increased 0.8 percentage points from the previous quarter to 6.6% of disposable income. This result was a consequence of the 1.9% increase in the disposable income (2.0% in the previous quarter), higher than the 1.1% growth in private consumption. It should be noted that the variables mentioned previously are in nominal terms, which, in the case of private consumption, implies that it reflects the behaviour of consumer prices. In real terms, private consumption registered a null rate of change in the year ending in the third quarter of 2023.

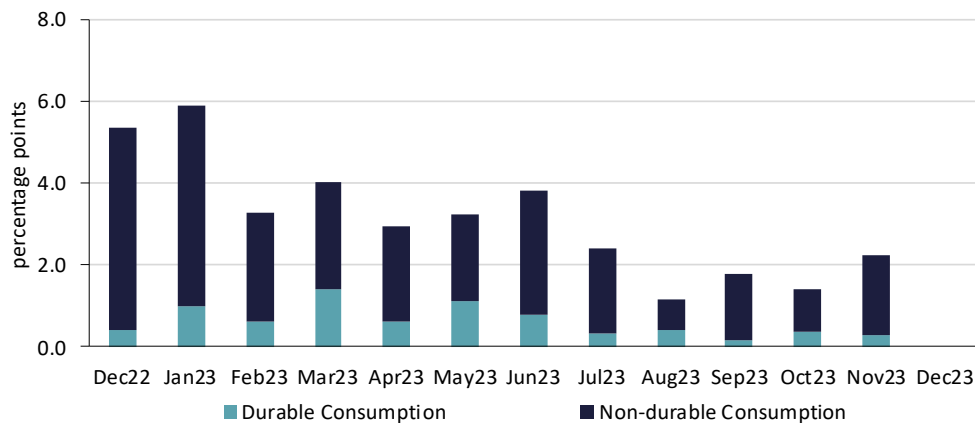
The quantitative indicator of private consumption accelerated in November, after having decelerated in the previous month.

Figure 8. Quantitative indicator of private consumption



In November, there was an increase in the positive contribution of non-durable consumption, while durable consumption presented a less intense positive contribution. In December, the sales of passenger cars presented a year-on-year increase of 12.9%, accelerating significantly from a growth of 3.5% in the previous month. In the fourth quarter of 2023, sales increased by 8.8% (12.7% in the previous quarter). In 2023, there was an increase of 27.7% from the previous year (rate of change of 6.7% in 2022).

Figure 9. Contributions to the private consumption indicator





According to information on operations carried out in the ATM network, available for December, 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 increase of 2.6% (rate of change of 2.2% in the previous month). In the fourth quarter of 2023, the overall amount increased by 1.4% (4.4% in the previous quarter). Excluding payment of services there was an increase of 4.7% (4.6% in November) and in 2023, there was a growth of 7.1% (19.6% in 2022).

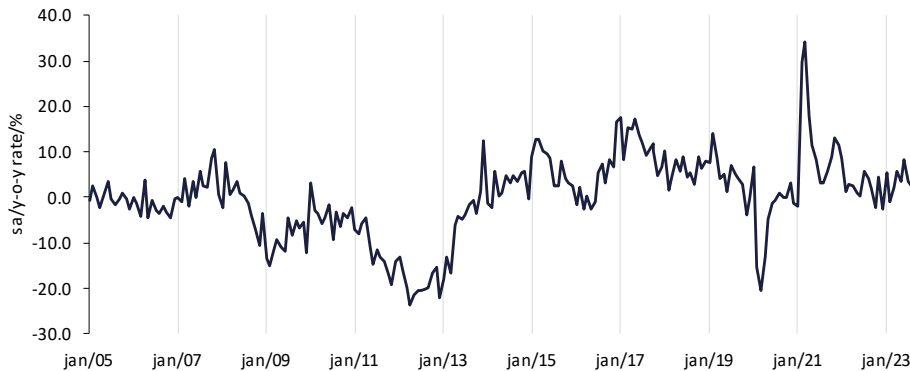
The Consumer confidence indicator increased in December, after having decreased in the four previous months.



Investment

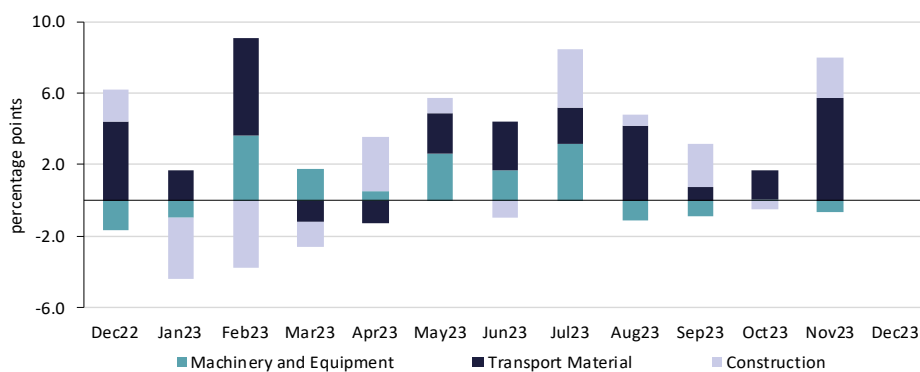
The Gross Fixed Capital Formation (GFCF) indicator accelerated in November, increasing in year-on-year terms for the eighth consecutive month.

Figure 10. GFCF indicator



In November, the positive contribution of the transport material component increased, mainly as a result of the evolution of the other transport material component (airplane import). In the same direction, there was a positive contribution of the construction component, after having been negative in the previous month. In the opposite direction, the contribution of the machinery and equipment component was negative, following the null contribution of the preceding 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 December, registered a year-on-year decrease last month, after the increases of the previous eight months (rates of +7.3%, +10.7% and -7.4% between October and December). Also available for December, sales of light commercial vehicles increased in year-on-year terms in the last eight months (29.3%, 55.7% and 8.3% in the last three months) while sales of heavy-duty vehicles continue to register high growth rates (60.5%, 180.7% and 47.4% between October and December). In 2023, sales of light commercial vehicles increased 21.1%, after having decreased 18.3% in the previous year. Sales of heavy-duty vehicles increased 43.8% (13.4% in 2022).



External Demand

In November 2023, exports and imports of goods recorded nominal year-on-year rates of change of -1.5% and -7.6%, respectively (-3.3% and -1.8%, in the same order, in October 2023). In exports, the emphasis was on the year-on-year decrease of Industrial supplies (-5.4%) and Fuels and lubricants (-13.3%), in the latter case reflecting the decrease of the implicit prices of these products (-14.4%), given that there was a 1.3% increase in volume. Concerning imports, and also reflecting the implicit price reduction of these products (-18.6%), the most notable decrease was in Fuels and lubricants (-36.8%), mainly Crude oil and Natural gas. Also noteworthy was the decrease in Industrial supplies (-12.2%), mostly Chemical products and the increase in Transport equipment (+13.7%), namely Airplanes.

Excluding Fuels and lubricants, decreases of 0.6% in exports and 2.9% in imports were recorded (-2.0% and +1.4% respectively, in October 2023).

The unit value indices (prices) registered rates of change of -3.5% in exports and -6.6% in imports (-4.6% and -5.9%, respectively, in October 2023; in November 2022, the rates of change had been +13.5% and +13.7%). Excluding petroleum products, decreases of 2.4% in exports and 4.5% in imports were recorded (-2.9% and -4.7%, respectively, in October 2023; in November 2022, the rates of change had been +12.3% and +9.4%).

Nominal exports of goods destined for EA increased by 1.3% year-on-year in November (-2.8% in October). In turn, nominal exports of non-EU goods went from a year-on-year rate of change of -6.5% in October to -7.5% in November.

Nominal imports of goods originating in the EA recorded a year-on-year growth of 2.5% in November (-2.6% in October). Extra-EU imports decreased by -30.3% in November in year-on-year terms (-10.5% in the previous month).

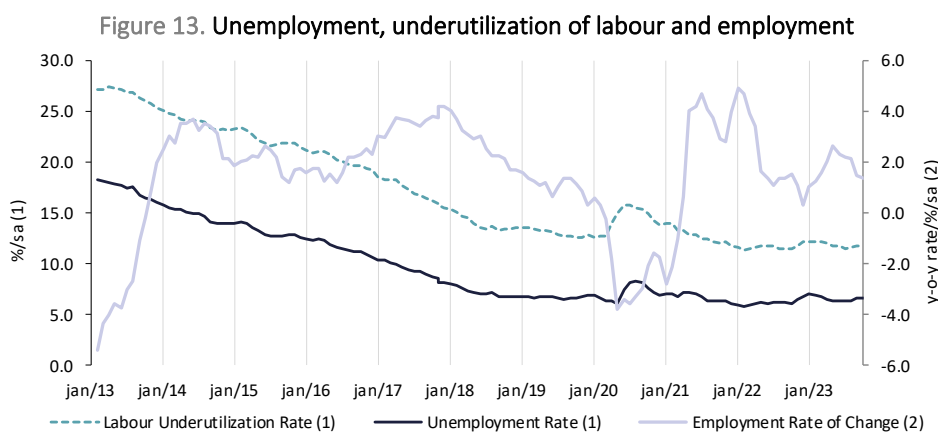




Labour Market

In November, according to the provisional monthly Labour Force Survey, the unemployment rate (16 to 74 years old), seasonally adjusted, stood at 6.6% for the third consecutive month (6.3% in August and 6.5% in November 2022). The labour underutilization rate (16 to 74 years old) was 11.6%, 0.2 percentage points below the value recorded in October (11.6% in August and 11.8% in the same period of the previous year).

The employed population (16 to 74 years old), seasonally adjusted, increased by 1.8% in year-on-year terms and 0.2% compared with the previous month (year-on-year rate of change of 1.4% in October).



The employment indexes of the turnover surveys presented, in November, year-on-year rates of change of 0.4% in industry, -0.4% in retail trade, 3.4% in services and 4.2% in construction (0.2%, 1.0%, 3.3% and 4.4% in October, in the same order). The hours worked indexes, adjusted for calendar effects, registered rates of change of 0.6% in industry, 1.1% in retail trade, 1.4% in services and 4.0% in construction (0.6%, 1.9%, 2.1% and 4.5% 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 November grew by 6.4% in year-on-year terms (variation of 5.6% in October and 5.3% in November 2022).

The Unit Labour Costs (ULC) increased by 6.0%, in year-on-year terms, in the year ended in the third quarter of 2023, which compares with a growth rate of 4.8% in the previous quarter. This result was due to the 7.8% increase in average compensation of employees, which surpassed the 1.7% increase in productivity.

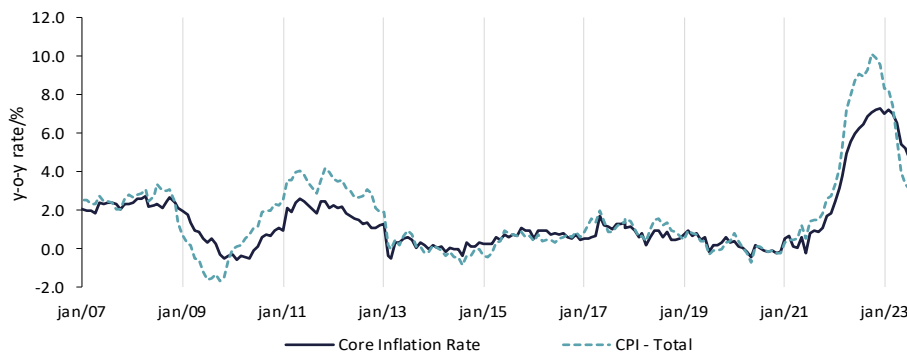


Prices

In 2023, CPI registered an average annual rate of change of 4.3% (7.8% in 2022). The deceleration in the rate of change of CPI occurred in most product categories, reflecting the base effect associated with the price increases registered in 2022, as well as the price decreases of energy goods in the first half of 2023 and the exemption of VAT rates of essential food items in effect since May.

The CPI year-on-year rate of change was 1.4% in December, 0.1 percentage points lower than in the previous month. In the divisions with positive contributions to the year-on-year rate of change of CPI, “Restaurants and hotels” and “Food and non-alcoholic beverages” stood out, with rates of 6.9% and 1.7%, respectively (7.0% and 3.0% in November), while “Housing, water, electricity, gas and other fuels” stood out in the divisions with a negative variation (rate of change of -6.1% in November and in December).

Figure 14. Consumer Price Index



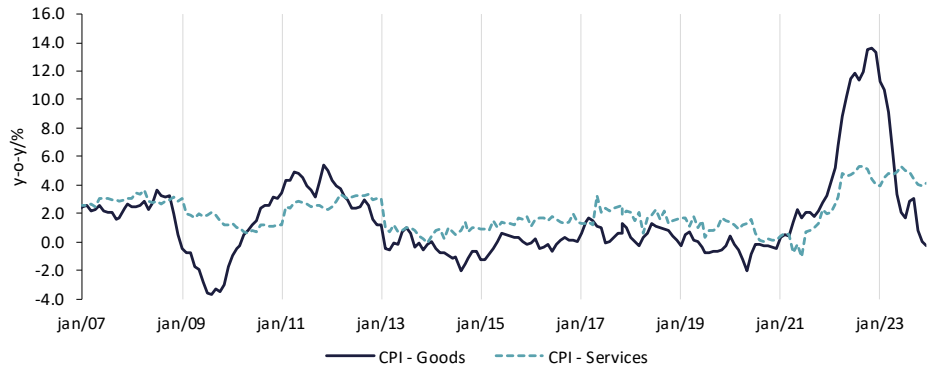
The average annual rate of change of the core inflation rate, which excludes energy and unprocessed food products, was 5.0% in 2023 (5.6% in the previous year). The year-on-year rate of change of the core inflation rate was 2.6% (2.9% in November). The year-on-year rate of change of the index for energy products was -10.5% (-12.4% in the previous month), and the rate for unprocessed food decelerated from 3.5%, in November, to 2.0% in December.

The Portuguese Harmonised Index of Consumer Prices (HICP) continued to present a year-on-year rate of change above that of the CPI, decelerating to 1.9% (2.2% in November), 1.0 percentage points lower than the figure for the Euro Area (0.2 percentage points lower in the previous month). Excluding energy and unprocessed food products, the Portuguese HICP increased by 3.1% in December (3.6% in November), also below to the corresponding rate for the Euro Area (3.9%).

In the last month, the goods component of the CPI recorded a year-on-year change rate of -0.3% (null change rate in November), reaching the minimum since December 2020, while the services component increased by 4.1% (3.9% in the previous month).



Figure 15. Consumer Price Index of Goods and Services



The Portuguese industrial production price index registered a year-on-year rate of change of -4.4 % in December (after -6.1% in November), presenting a negative rate of change for the ninth consecutive month. The grouping of Energy continued to be decisive for the reduction of the total index, with a rate of -12.9%. Excluding the energy component, this index decreased by 2.0% in December (-2.1% in November), and the index for consumer goods recorded a year-on-year growth rate of 2.0% (2.1% in the previous month), extending the deceleration profile initiated a year ago, after reaching in November 2022 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	2021	2022	2023	2022		2023			2022		2023										
										Q4	Q1	Q2	Q3	Q4	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
External Demand																											
Nominal exports of goods - International trade	y.r./%	Jan-96	-41.5	Apr-20	82.9	Apr-21	18.3	23.2	-	15.9	12.8	-4.7	-9.0	-	8.8	13.0	6.4	18.3	-4.0	-7.1	-2.9	-10.6	-7.6	-8.6	-3.3	-1.5	-
Nominal imports of goods - International trade	y.r./%	Jan-96	-40.3	Apr-20	69.8	Apr-21	22.0	31.7	-	17.7	8.6	-6.4	-12.0	-	10.0	10.8	6.4	8.7	-7.0	-4.8	-7.6	-7.7	-15.9	-12.6	-1.8	-7.6	-
Coverage rate	%	Jan-95	49.9	Aug-01	87.8	Jun-12	76.5	71.6	-	70.3	75.9	74.6	72.3	-	66.9	75.5	72.9	78.9	73.2	73.9	76.7	73.9	68.9	73.7	68.8	78.5	-
External demand indicator	s.a./y.r./%	Jan-91	-32.4	Apr-20	51.4	Apr-21	22.1	30.7	-	18.2	2.1	-7.8	-13.8	-	12.5	5.0	3.9	-2.4	-5.8	-7.4	-10.1	-11.0	-15.7	-14.7	-11.1	-	-
Labour Market																											
Unemployment rate (16 to 74 years)	s.a./%	Feb-11	5.8	Feb-22	18.2	Dec-12	6.7	6.2	6.6	6.5	6.9	6.4	6.3	6.6	6.8	7.0	6.9	6.8	6.5	6.4	6.3	6.3	6.3	6.6	6.6	6.6	-
Number of unemployed (16 to 74 years)	s.a./y.r./%	Feb-12	-24.6	Jun-18	26.6	Oct-09	-2.3	-6.8	8.5	3.2	21.7	5.8	4.3	3.4	14.3	21.7	21.7	18.3	11.7	5.8	5.5	5.5	4.3	8.1	10.9	3.4	-
Employment (16 to 74 years)	y.r./%	Feb-12	-5.4	Jan-13	4.9	Jan-22	2.2	2.2	2.0	1.1	1.3	2.6	2.2	1.8	0.3	1.0	1.3	1.6	2.0	2.6	2.3	2.2	2.2	1.5	1.4	1.8	-
Labour underutilisation rate (16 to 74 years)	s.a./%	Feb-11	11.3	Jan-20	27.4	May-13	12.9	11.6	11.8	11.8	12.1	11.8	11.6	11.6	12.2	12.1	12.1	12.1	12.0	11.8	11.7	11.5	11.6	11.7	11.8	11.6	-
Employment indicator - Short-term statistics	y.r.	Jan-01	-8.1	Nov-12	5.4	May-22	-0.5	4.5	-	3.5	3.2	3.0	2.6	-	3.5	3.4	3.1	3.2	3.0	2.9	3.0	2.8	2.6	2.4	2.3	2.1	-
Reg. unemp. along the month - State employment agencies	y.r.	Jan-00	-43.2	Apr-21	74.1	Apr-20	-17.8	3.8	-	13.9	20.2	10.0	6.7	-	11.5	30.8	14.0	14.9	-1.4	14.6	17.9	14.7	11.8	-1.7	8.1	8.4	-
Vacancies along the month - State employment agencies	y.r.	Jan-90	-70.0	Apr-20	310.8	Apr-21	36.0	-7.7	-	-25.2	-6.9	-18.3	-5.5	-	-25.2	-11.7	-11.2	0.4	-25.9	-16.2	-13.5	-13.1	-8.1	3.3	12.7	8.2	-
Employment expectations of entrepreneurs	balance/s.a.	Jan-00	-25.0	Apr-20	11.2	Jul-18	4.5	6.7	3.9	4.6	5.1	4.2	3.2	3.0	4.0	5.2	4.9	5.2	5.9	4.2	2.4	2.1	5.1	2.3	3.3	3.6	1.9
Unemployment expectations of consumers	balance	Apr-01	-20.0	Jun-17	85.5	Feb-09	30.3	26.2	28.6	38.5	33.6	22.6	23.6	34.5	38.0	36.1	33.1	31.5	26.2	24.6	16.9	17.1	23.0	30.8	30.1	36.5	36.7
Average monthly wage declared by worker	s.a./y.r.	Mar-86	-4.0	Jun-12	10.7	Jan-23	4.5	4.8	-	5.5	8.7	7.7	6.4	-	5.8	10.7	8.4	7.2	7.5	7.6	7.9	6.3	6.4	6.4	5.6	6.4	-
Prices																											
Consumer price index - Total	y.r./%	Jan-49	-3.7	Sep-54	36.7	May-77	1.3	7.8	4.3	9.9	8.0	4.4	3.5	1.7	9.6	8.4	8.2	7.4	5.7	4.0	3.4	3.1	3.7	3.6	2.1	1.5	1.4
- Goods	y.r./%	Jan-49	-3.7	Jul-09	38.2	May-77	1.7	10.2	4.1	13.5	10.4	3.9	2.5	0.2	13.3	11.3	10.7	9.1	6.3	3.3	2.1	1.7	2.8	3.0	0.8	0.0	-0.3
- Services	y.r./%	Jan-49	-4.4	Sep-54	30.5	Mar-74	0.6	4.3	4.6	4.5	4.4	5.0	4.8	4.0	4.1	3.9	4.5	4.8	4.8	4.9	5.3	5.0	4.9	4.4	4.1	3.9	4.1
Core inflation indicator	y.r./%	Jan-49	-4.3	Oct-54	31.1	May-84	0.8	5.6	5.0	7.2	7.1	5.7	4.4	3.0	7.3	7.0	7.2	7.0	6.6	5.4	5.3	4.7	4.5	4.1	3.5	2.9	2.6
Harmonised index of consumer prices	y.r./%	Jan-96	-1.8	Sep-09	10.6	Oct-22	0.9	8.1	5.3	10.2	8.4	5.7	4.8	2.4	9.8	8.6	8.6	8.0	6.9	5.4	4.7	4.3	5.3	4.8	3.2	2.2	1.9
Industrial production price index	y.r./%	Jan-11	-6.6	May-20	26.6	Mar-22	8.9	20.5	-2.2	13.6	6.3	-3.5	-5.8	-5.1	10.6	10.3	8.9	0.1	-0.9	-3.5	-5.9	-6.6	-5.5	-5.2	-5.0	-6.1	-4.4
Consumers expectations of prices evolution	balance	Sep-97	-7.6	Dec-15	81.3	Mar-22	21.2	51.4	17.5	42.2	25.9	11.1	12.7	20.2	33.3	27.2	27.9	22.6	12.5	13.4	7.3	7.0	14.7	16.4	20.2	23.6	16.9
Expectations of prices in manufacturing industry	bal./s.a.	Jan-87	-24.7	Apr-20	44.5	Apr-22	19.7	29.5	3.3	23.1	10.2	-0.4	1.3	2.3	18.2	13.8	10.2	6.5	4.1	-2.3	-3.0	-3.3	1.5	5.7	2.7	0.9	3.2
Effective exchange rate index for Portugal (nominal)	y.r./%	Jan-94	-9.3	Jan-94	5.5	Mar-95	-0.1	-1.4	1.0	-0.5	0.4	1.0	1.7	0.8	0.0	0.3	0.3	0.7	1.3	0.9	0.9	1.8	1.9	1.5	1.1	1.0	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

Next monthly press release – February 19th, 2024
