



19th July, 2021

MONTHLY ECONOMIC SURVEY

June 2021

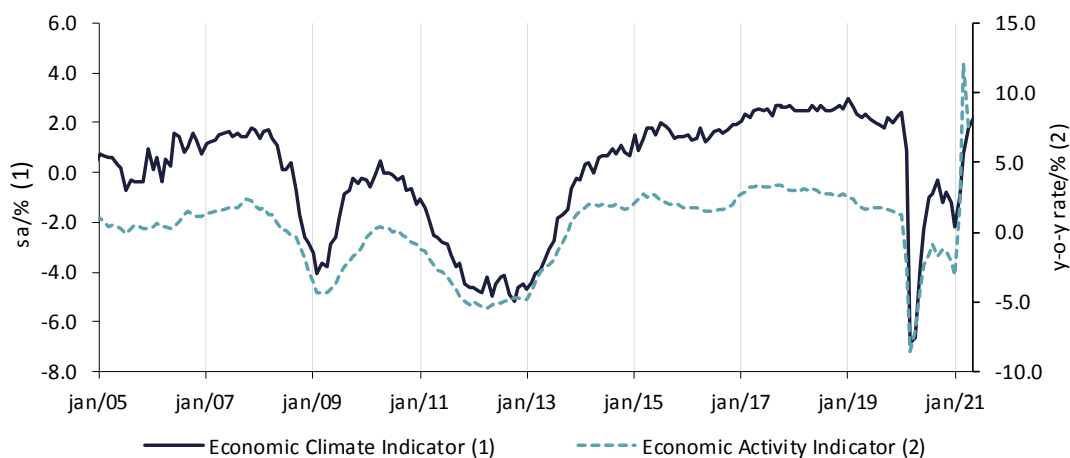
ECONOMIC ACTIVITY MAINTAINS RECOVERY TRAJECTORY

The latest quantitative information¹ available for May and June² reveals strong year-on-year rates of change, but less intense in the last month. With the exceptions of retail trade and construction, the short-term indicators have not yet reached in May the levels of the same period of 2019. In the case of tourism activity, the gap is still significant. Similarly, in the case of exports of goods in nominal terms, the level recorded in May was lower than in the same period of 2019. The synthesis quantitative indicators (economic activity, private consumption and investment) presented, in May 2021, significant increases, although less intense than in April, partially reflecting the fact that May compares with a month in the previous year where the restrictions imposed on economic activity due to the pandemic had already been relieved. In June, the economic climate indicator increased slightly, exceeding in the last two months the level observed at the beginning of the pandemic (March 2020).

According to the provisional monthly Labour Force Survey, the unemployment rate (16 to 74 years old), seasonally adjusted, was 7.2% in May, 0.2 percentage points more than in the previous month (6.8% in February and 6.0% in May 2020). The labour underutilization rate (16 to 74 years old) stood at 12.8%, (12.9% in April and 14.9% in the same period of 2020).

The Consumer Price Index (CPI) year-on-year rate of change was 0.5% in June 2021 (1.2% in May). The manufacturing price index recorded in June a year-on-year rate of change of 7.3% (6.3% in the previous month). Excluding the energy component, this index increased 5.3% in June (4.2% in May).

Figure 1. Economic Synthesis Indicators



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

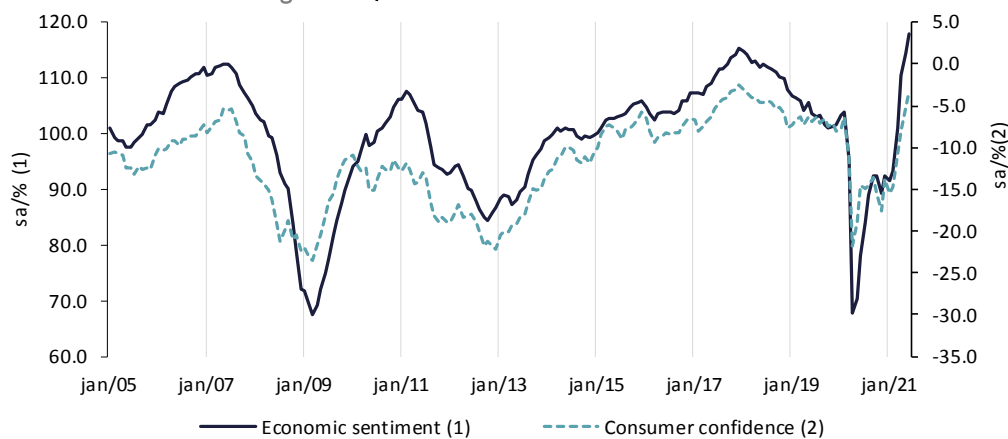
² Based on information available up to July 16, 2021.



External Environment of the Portuguese Economy

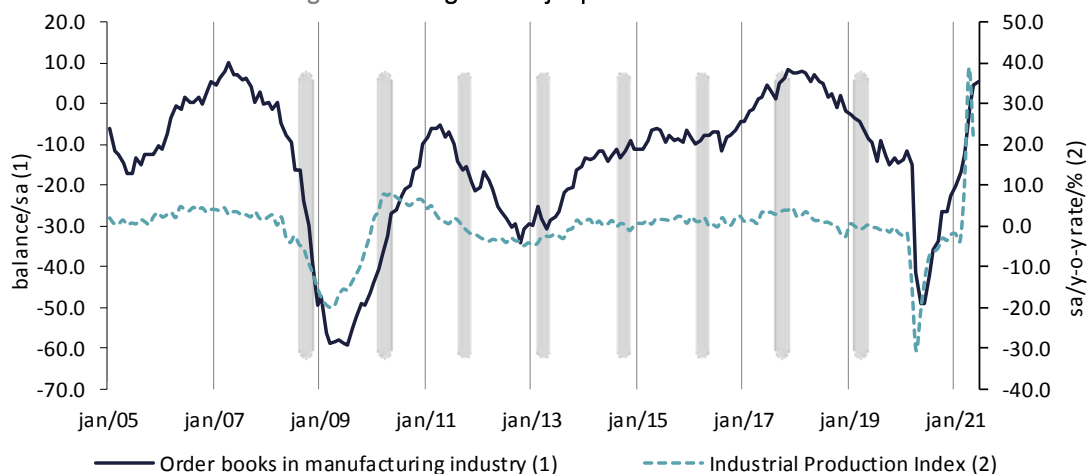
The Euro Area (EA) economic sentiment indicator extended in June its sharp upward trajectory, reaching the highest value since May 2000. The behaviour of this indicator reflected mainly the marked recovery of confidence in the services and retail trade sectors, with confidence in industry and construction also improving, even though less intensely. The consumer confidence indicator increased in June for the fifth consecutive month.

Figure 2. Qualitative indicators in the Euro Area



The balance of entrepreneur's opinions on order-book levels in the industry sector from Portuguese major partners on exports increased slightly in June, after significant improvements between December and May. In May, the industrial production index (IPI) of Portuguese major partners decreased by 0.5% (rate of change of 0.6% in the previous month). Comparing with the same period of 2020, this index presented an increase of 21.3% (38.8% in April).

Figure 3. Portuguese major partners – Indicators



The oil price (Brent) was 60.7 euros in June, standing 7.6% above the price of the previous month (monthly rate of change of 4.3% in May) and 69.8% above the value registered in June 2020.



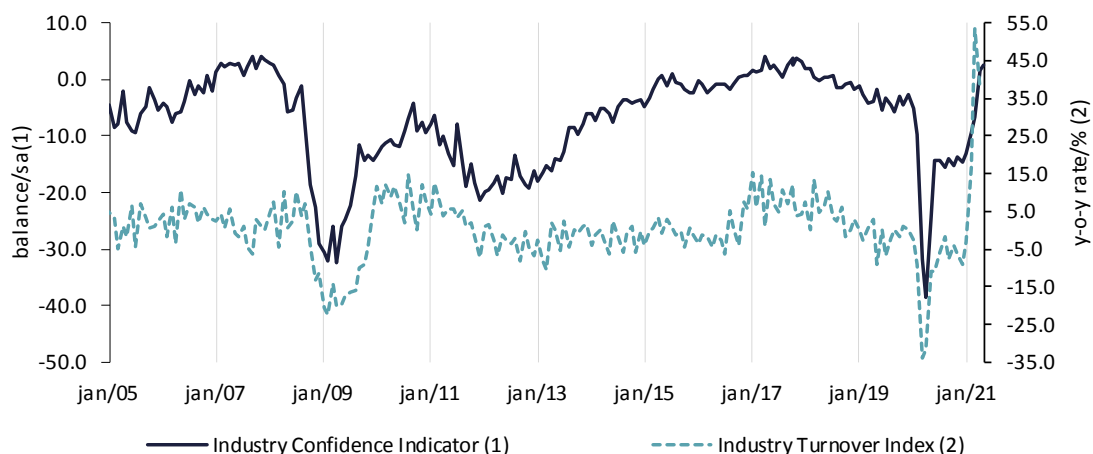
Economic Activity

The short-term indicators for economic activity from the perspective of production, available for May, revealed less pronounced year-on-year increases when compared to the previous month, mostly reflecting the less intense base effect observed in May. Relatively to May 2019, only the indexes of retail trade and construction presented increases, slightly in the latter case.

The economic activity indicator, which summarizes a set of quantitative indicators that reflect the evolution of the economy, increased in April and in May, less intensely in the last month, reflecting in May a less pronounced base effect than in April, in line with what is verified for most of the indicators available for May. Similarly, the economic climate indicator, which summarizes the balances of responses to questions relating to business surveys, increased between March and June, moderately in the last month, exceeding in the last two months the level observed at the beginning of the pandemic.

In May, the IPI presented a year-on-year rate of change of 27.1%, after registering in the last month the highest rate of change in the series (37,4%). The monthly change rate, not affected by the mentioned base effect, was -4.5% (0.5% in April). Comparing with May 2019, IPI registered a reduction of 8.2%. In nominal terms, the industry turnover index presented a year-on-year increase of 37.3%, after having increased by 53.7% in the previous month. Comparing with May 2019, the index was 6.1% lower. The indices for the domestic and foreign markets increased by 26.3% and 56.3% respectively, in comparison with May 2020 (rates of change of 35.6% and 86.4% in the previous month, in the same order). Comparing with the same month of 2019, the indexes decreased by 4.8% and 7.9%, in the same order.

Figure 4. Turnover index e and confidence indicator in Industry



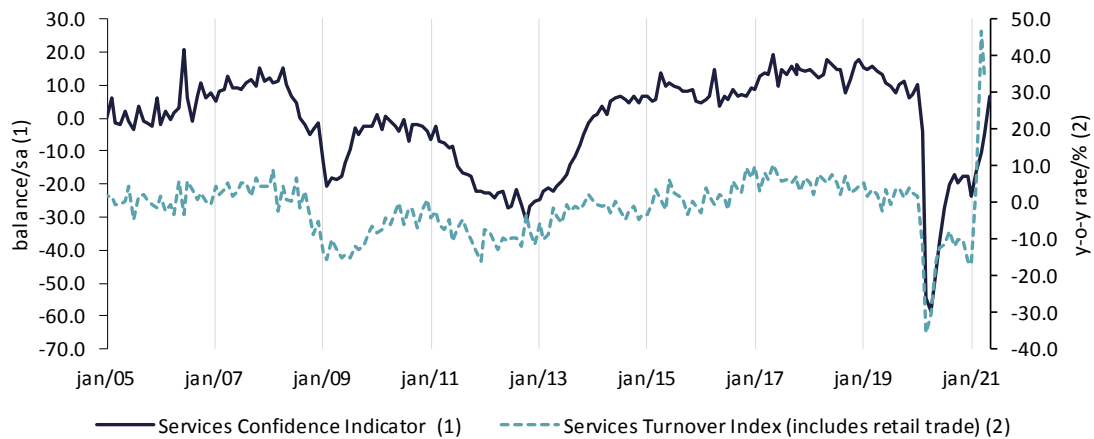
The turnover index for services (includes retail trade) presented a rate of change of 33.4%, after increasing by 46.7% in the previous month. Comparing with April 2019, this index decreased by 7.3%.

The index of turnover in trade retail (deflated) went from a year-on-year change of 28.5% in April to 16.1% in May (comparing with May 2019, there was an increase of 3.1%). The evolution of the aggregate index was mainly determined by the strong growth of non-food products component, which presented an increase of



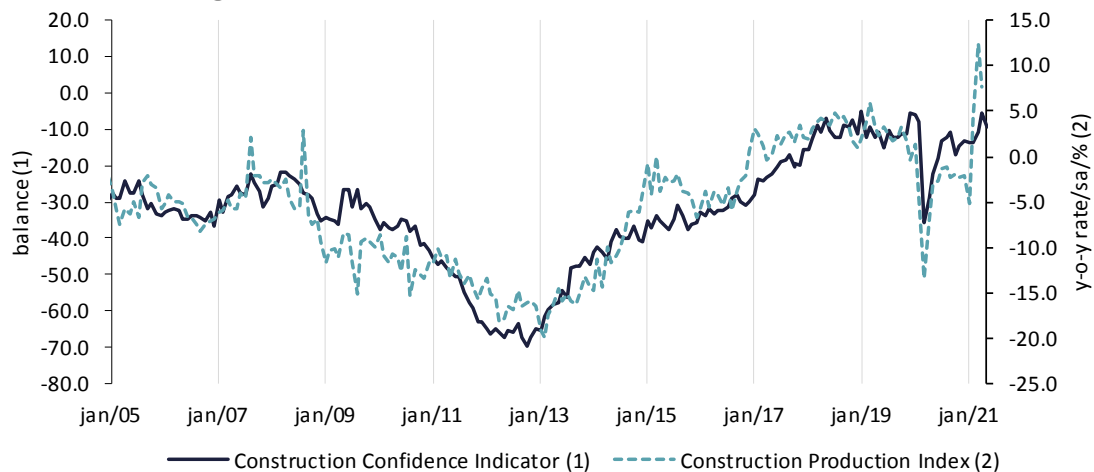
31.6% (less pronounced than the 47.4% growth registered in the previous month). The food products index increased by 0.6% in May, after increasing by 11.5% in the previous month.

Figure 5. Turnover index and confidence indicator in Services
(includes Retail Trade)



The construction production index recorded a year-on-year growth of 7.7% in May, after increasing by 12.5% in the previous month. Comparing with May 2019, this index presented a slight increase of 0.2%.

Figure 6. Production index and confidence indicator in Construction



In May, overnight stays presented an increase, but still quite distant from the results of the same period of 2019 (rate of change of -68.6% when compared with May 2019), with the number of overnight stays registering a significant rate of change compared to May 2020 (687.7% in May and 599.8% in April). Reflecting the base effect in 2020, overnight stays by residents and non-residents registered significant year-on-year increases (493.6% and 1524.7%, respectively), but remained below the levels of 2019 by 22.3% and 83.8%, in the same order.

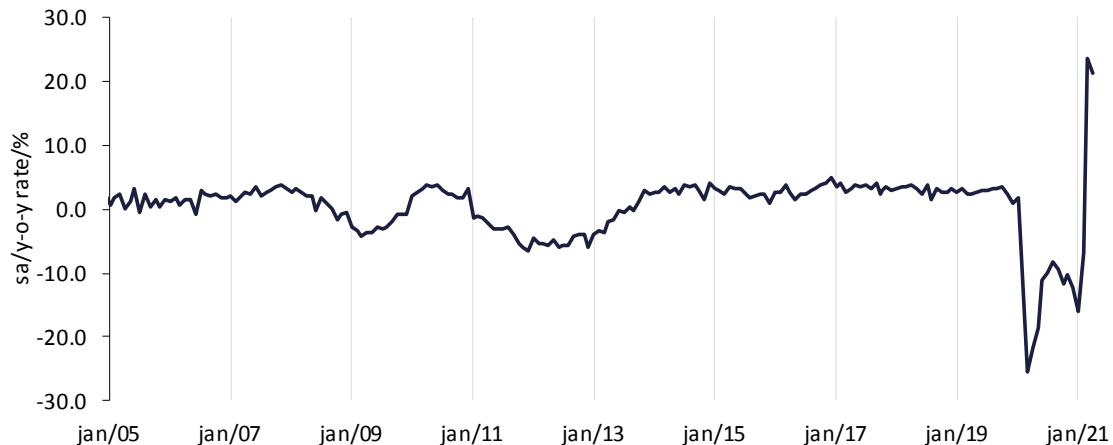
The average consumption of electricity on working days recorded a year-on-year change of 7.1% in June, which compares with rates of 10.5% and 12.0% in April and May, respectively. Comparing with June 2019, the average consumption of electricity on working days is still lower by 2.2%.



Private Consumption

The quantitative indicator of private consumption registered in May a less intense increase than in the previous month, still reflecting a strong base effect caused by the small values registered in May 2020.

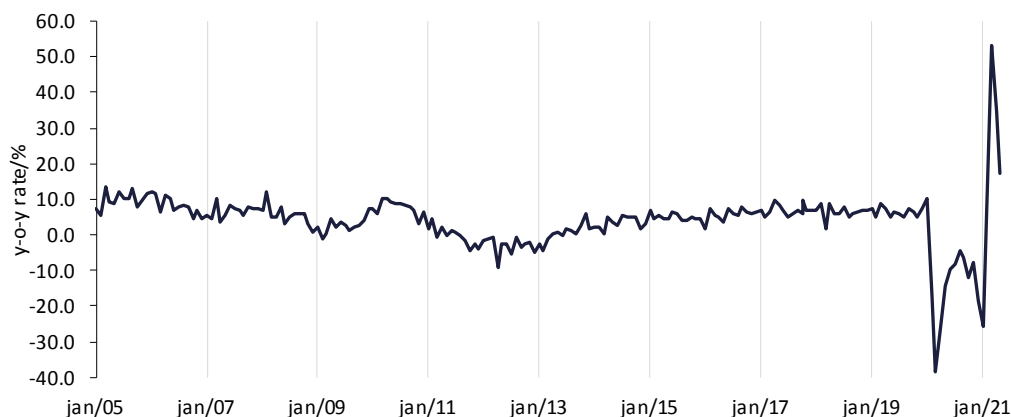
Figure 7. Quantitative indicator of private consumption



In May, there was a positive contribution from both components, current consumption component and durable consumption component, less intense in the latter case. In June, the sales of passenger cars presented a year-on-year growth of 71.3%, after increasing by 190.9% in the previous month. Comparing with the same period of 2019, sales of passenger cars decreased by 25.2% in June 2021.

According to information on operations carried out in the ATM network, available for June, 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 17.4%, after the 36.4% recovery of the previous month. The amount of these operations presented already in the last two months a level similar to that observed before the pandemic.

Figure 8. Operations carried out on ATM (nominal)



The Consumer confidence indicator increased between March and June, slightly in the reference month, reaching its highest value since the last survey not affected by the pandemic in February of 2020.



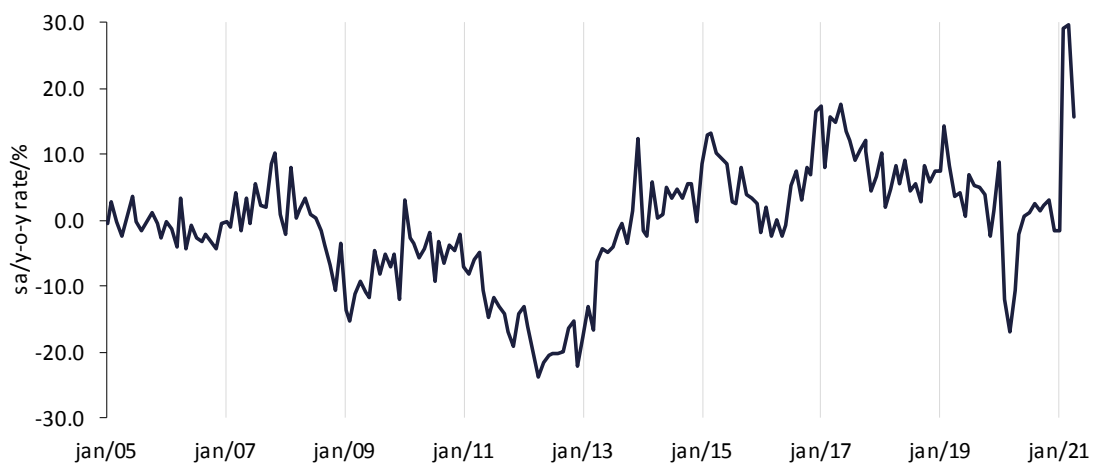
According to the information of the Quarterly Sector National Accounts (QSNA), net lending of Households (includes Non-Profit Institutions Serving Households – NPISH) stood at 7.0% of GDP in the year ending in the first quarter of 2021, 1.0 percentage points more than in the previous quarter, as a result of the 11.1% increase in savings. Households' saving rate reached 14.2% of disposable income, which corresponded to the maximum rate recorded in the current quarterly series of national accounts. This result was a consequence of the 1.7% reduction in consumption expenditure (rate of change of -1.5% in the previous quarter), which more than offset the slight decrease of 0.1% in disposable income.



Investment

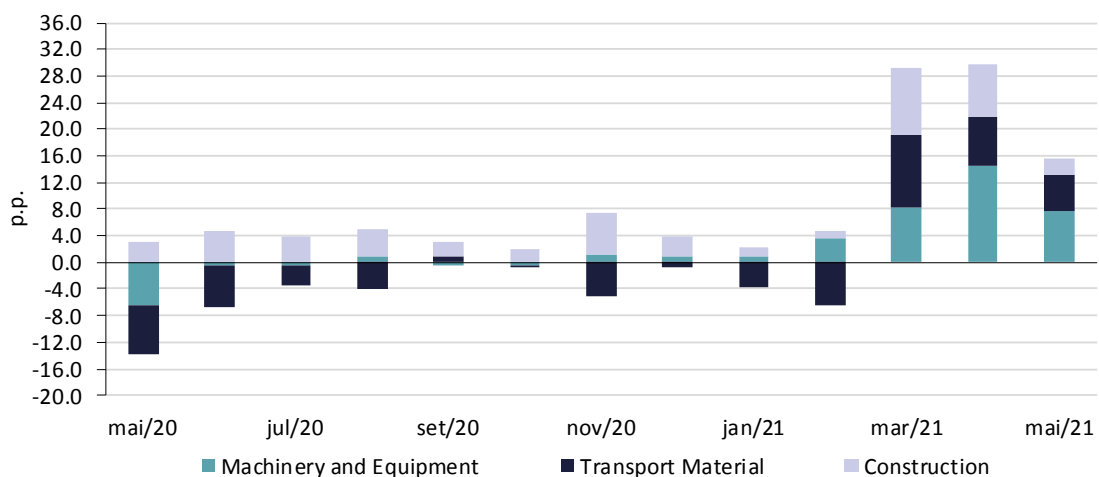
The GFCF indicator registered significant year-on-year growth rates between March and May, less markedly in the last month, following the negative year-on-year rates recorded in the first two months of 2021. These significant growth rates are influenced by a base effect, since in March and particularly in April of 2020 the indicator fell abruptly, in the transport material and in the machinery and equipment components. Several indicators for investment are already above the levels observed in the same period of 2019.

Figure 9. 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, construction and transport material.

Figure 10. Contributions to the GFCF indicator



Sales of cement produced in national territory (not adjusted for seasonal and working days effects), already available for June, registered a year-on-year reduction of 1.3% (rates of 31.0%, 15.4% e 7.0% between March and May), which had not happened since September of 2018.



Sales of heavy-duty vehicles as well as light commercial vehicles, also available for June, slowed down last month, but still registering significant year-on-year growth rates (rates of 302.8%, 193.9% and 96.1% for heavy-duty vehicles and 203.4%, 52.3% and 19.1% for light commercial vehicles between April and June). These high figures are largely due to a base effect, as a result of the significant decreases registered in the same period of 2020. In comparison with 2019, sales of heavy-duty vehicles and light commercial vehicles decreased by 35.2% and 23.7%, respectively.

According to the April 2021 Investment Survey results, the entrepreneurial investment is expected to present a nominal increase of 4.9% in 2021, which compares with the initial estimate of a 3.5% increase in the October 2020 survey regarding investment intentions for 2021. The results of this survey also point to a nominal decrease in investment of 13.6% in 2020, which also represents an upward revision comparing with the perspectives revealed in the previous survey (rate of change of -16.3%).

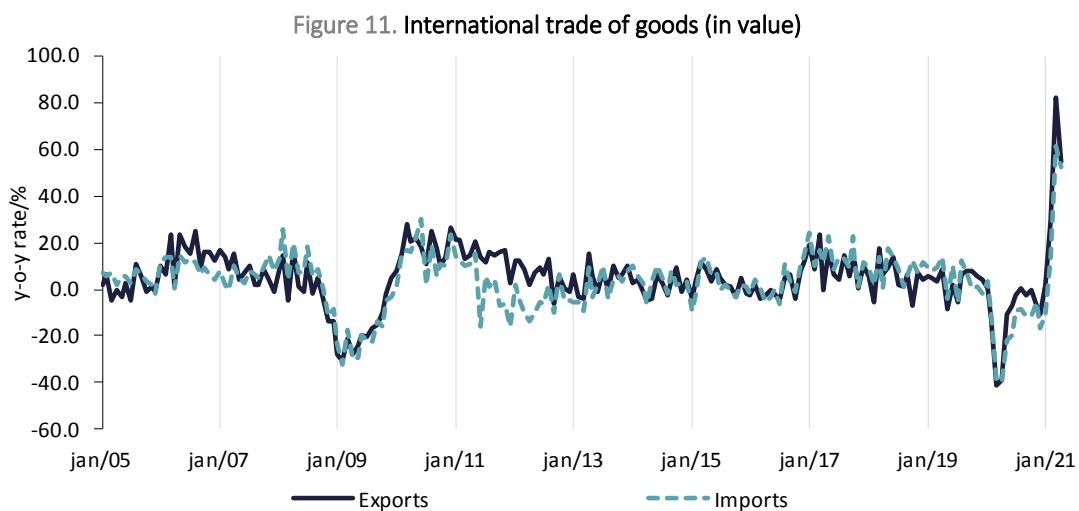
The main limiting factor for business investment identified by firms for 2020 and 2021 was the deterioration of sales perspectives. Between 2020 and 2021, the relative weight of the shortage of qualified labour force is expected to increase, while the relative weight of insufficient production capacity will decrease.



External Demand

In May 2021, exports and imports of goods recorded nominal year-on-year growth rates of 54.8% and 52.6%, respectively (82.1% and 61.3% in April 2021, in the same order). It should be noted that these year-on-year rates of change, in May, compare with a month in 2020 when the impact of the COVID-19 pandemic was felt quite intensely. Compared to May 2019, there were rates of change of -5.2% and -7.5%, in the same order, with the decrease in exports and imports of Transport equipment being noteworthy.

Excluding Fuels and lubricants, exports and imports grew by 48.9% and 42.3% respectively (81.8% and 61.1%, in the same order, in April 2021). Vis-à-vis May 2019, exports and imports decreased by 3.1% and 6.2%, respectively.



Nominal exports of goods destined for EA increased by 52.0% year-on-year in May (93.6% in April). In turn, nominal exports of non-EU goods increased from a year-on-year rate of change of 59.0% in April to 62.6% in May.

Nominal imports of goods originating in the EA recorded a year-on-year change of +47.7% in May (71.3% in April). Extra-Community imports increased, in year-on-year terms, by 61.2% in May (38.1% change in the previous month).

According to the results of the Perspectives on Exports of Goods carried out last June, corresponding to the 2nd forecast for the expected evolution in 2021, the perspectives of the enterprises point to a nominal increase of 7.2% in their exports of goods in 2021, corresponding to an upward revision of 2.3 percentage points (p.p.) compared to the 1st forecast made in November 2020. This revision results from the upward update of expectations for Intra-EU (+1.9 p.p., to 7.0%) and Extra-EU exports (+3.2 p.p., to 7.5%).

If these perspectives are confirmed, exports of goods in 2021 will be 10.6% below the values registered in the International Trade in 2019. Excluding Fuels and lubricants, enterprises are expecting a 5.8% increase in 2021 (+1.3 p.p. in comparison to the first forecast).

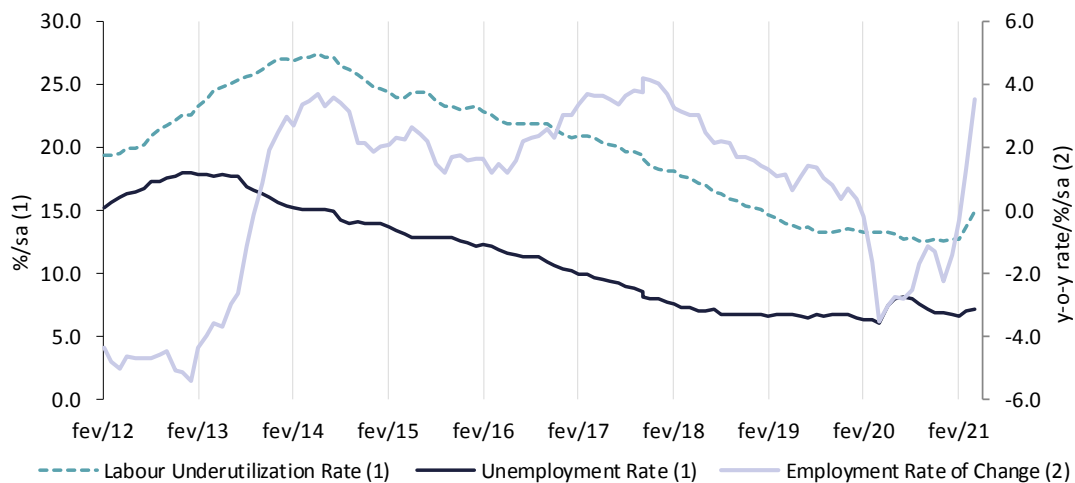


Labour Market

According to the provisional monthly Labour Force Survey, the unemployment rate (16 to 74 years old), seasonally adjusted, was 7.2% in May, 0.2 percentage points more than in April (6.8% in February and 6.0% in May 2020). The labour underutilization rate (16 to 74 years old) stood at 12.8% (12.9% in April and 14.9% in the same period of 2020).

In May, the employed population (16 to 74 years old), seasonally adjusted, increased by 0.3% compared with the previous month and by 1.2% in year-on-year terms (year-on-year rate of change of 1.3% in April).

Figure 12. Unemployment, underutilization of labour and employment



The employment indexes of the turnover surveys presented, in May, year-on-year rates of change of 0.7% in industry, 1.5% in retail trade, -0.9% in services and 2.9% in construction (0.1%, -0.5%, -3.4% e 3.1% in April, in the same order). The hours worked indexes, adjusted for calendar effects, registered rates of 22.1% in industry, 24.0% in retail trade, 24.0% in services and 5.8% in construction (31.0%, 29.5%, 19.8% and 13.8% in the previous month, in the same order). Comparing with May 2019, these indexes decreased by 3.8% in industry, 2.7% in retail trade, 11.3% in services and 0.8% in construction.

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 6.2% in May (variation of 7.2% in April and -0.3% in May 2020).

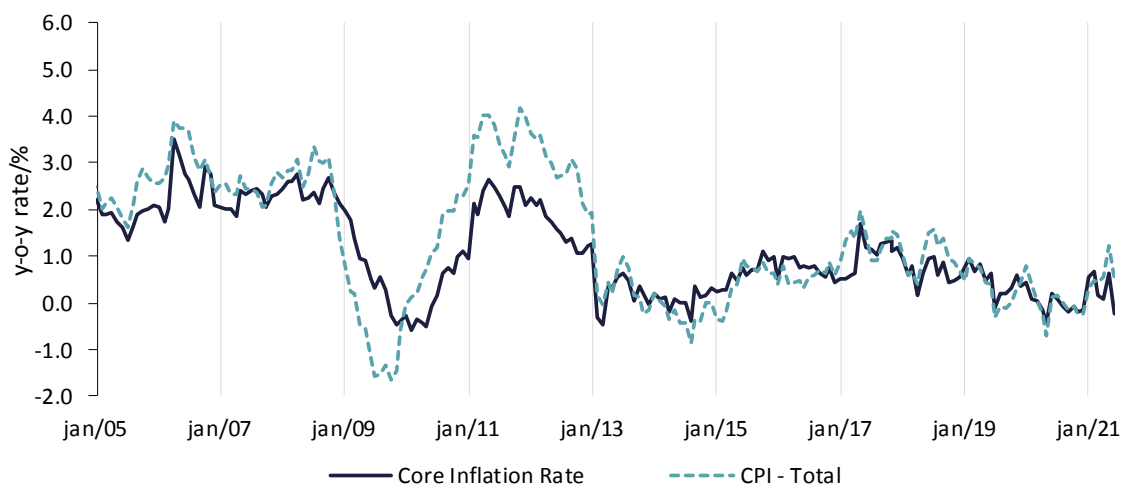
Unit labour costs (ULC) registered an increase of 10.0% in year-on-year terms, in the year ending in the first quarter of 2021, which compares with the growth of 9.4% in the previous quarter. The acceleration of ULC in the first quarter was due to the combined effect of the increase in average compensation of employees and the decrease in productivity measured by the ratio between GDP and total employment measured by the number of persons. It should be noted that this evolution does not reflect the exact measure of the behaviour of these costs from the perspective of firms, since part of the wages paid were financed by the General Government sector within the scope of public policies aimed to supporting employment and income in the pandemic context.



Prices

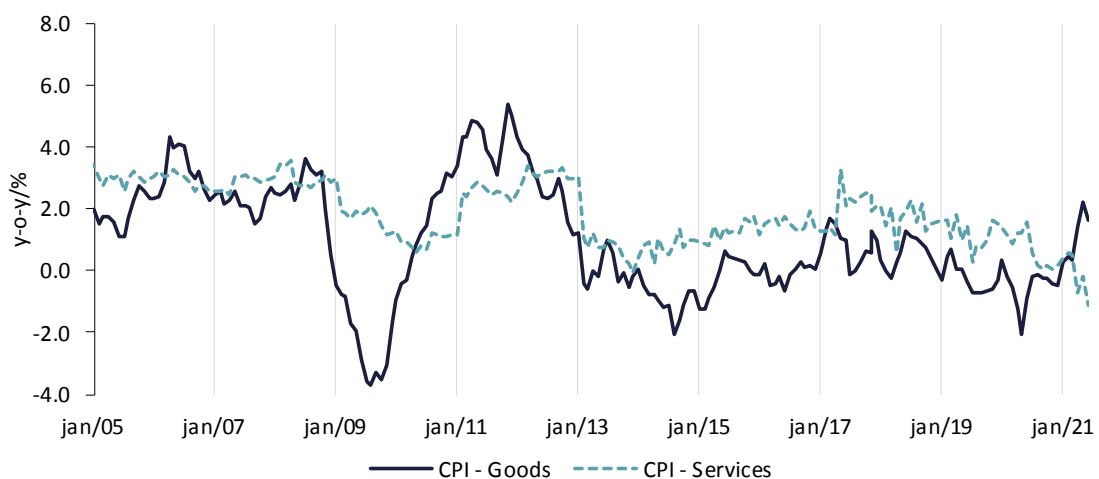
The Consumer Price Index (CPI) annual rate was 0.5% in June 2021 (1.2% in May). This deceleration mainly reflects the base effect related to the price increases registered in June 2020. The largest upward contribution to the annual rate of change came from changes in the prices of “Transports”. Conversely, 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 -0.3% in June (0.6% in May).

Figure 13. Consumer Price Index



In June, the goods component of the CPI recorded a year-on-year change of 1.6% (2.2% in May). The services component declined by 1.1%, after decreasing by 0.2% in the previous month.

Figure 14. Consumer Price Index of Goods and Services



The manufacturing price index recorded in June a year-on-year rate of change of 7.3% (6.3% in the previous month), the highest growth of the current series. Excluding the energy component, this index increased 5.3% in year-on-year terms, after presenting a 4.2% growth in May.



Figure 16. 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	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
External Demand																											
Nominal exports of goods - International trade	y.r./%	Jan-96	-41.3	Apr-20	29.1	Apr-21	5.1	3.5	-10.2	-30.9	-3.1	-3.2	6.0	-	-10.7	-6.9	-2.3	0.3	-2.2	-0.5	-7.3	-10.5	2.1	29.1	82.1	54.8	-
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	-4.9	-	-22.1	-19.8	-9.2	-8.4	-11.4	-11.7	-5.3	-16.8	-10.5	13.9	61.3	52.6	-
Coverage rate	%	Jan-95	49.9	Aug-01	87.8	Jun-12	76.7	74.9	79.2	77.7	81.4	81.6	84.8	-	82.2	86.4	75.6	81.3	84.6	85.0	74.6	83.7	86.7	84.2	80.4	79.5	-
External demand indicator	s.a./y.r./%	Jan-91	-30.6	May-20	27.6	Apr-21	5.3	1.5	-4.2	-25.4	-11.3	-5.8	0.8	-	-30.1	-25.0	-18.5	-14.5	-12.5	-6.0	-1.2	-2.4	-4.5	15.2	46.8	-	-
Labour Market																											
Unemployment rate (16 to 74 years)	s.a./%	Feb-11	6.0	May-20	18.0	Dec-12	7.2	6.7	7.0	6.0	8.1	7.2	6.8	7.2	7.5	8.0	8.1	8.0	7.6	7.2	6.9	6.9	6.8	6.6	7.0	7.2	-
Number of unemployed (16 to 74 years)	s.a./y.r./%	Feb-12	-24.9	Jun-18	25.7	Aug-12	-20.9	-7.2	2.9	-15.3	23.8	5.8	3.4	25.4	9.2	20.7	23.8	19.2	14.0	5.8	-0.7	-0.7	3.4	5.0	10.7	25.4	-
Employment (16 to 74 years)	y.r./%	Feb-12	-5.4	Jan-13	4.2	Nov-17	2.6	1.2	-1.8	-3.5	-2.8	-1.1	-1.4	3.5	-3.0	-2.8	-2.8	-2.5	-1.7	-1.1	-1.3	-2.2	-1.4	-0.3	1.3	3.5	-
Labour underutilisation rate (16 to 74 years)	s.a./%	Feb-11	12.6	Jan-20	27.4	May-13	14.0	13.0	14.3	14.9	15.4	14.0	13.8	12.8	15.7	15.7	15.4	15.4	14.8	14.0	13.7	13.8	13.8	12.9	12.9	12.8	-
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	-	-5.4	-5.8	-5.3	-5.3	-5.4	-5.5	-5.6	-5.7	-6.3	-5.6	-1.4	0.3	-
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	-	27.0	10.9	13.9	7.4	5.1	2.0	8.4	-4.8	6.1	-18.7	-43.2	-27.6	-
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	-	-4.2	-16.9	-2.2	-3.9	4.0	-6.7	9.0	-18.6	-22.3	58.1	310.8	151.9	-
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	-9.6	-7.3	-1.8	-3.7	-2.4	-5.8	-5.4	-5.7	-6.2	-1.3	-0.2	2.1	2.3
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	65.3	67.5	63.4	67.3	62.4	71.7	60.3	57.3	65.0	51.0	41.1	21.1	19.9
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	3.3	-	2.1	2.7	2.9	3.5	3.8	5.1	2.2	1.8	3.5	4.6	7.2	6.2	-
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	0.1	0.0	-0.1	-0.1	-0.2	-0.2	0.3	0.5	0.5	0.6	1.2	0.5
- 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	-0.9	-0.2	-0.1	-0.3	-0.3	-0.4	-0.5	0.3	0.5	0.4	1.4	2.2	1.6
- 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	1.6	0.6	0.1	0.0	0.2	0.1	0.2	0.4	0.6	0.5	-0.7	-0.2	-1.1
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	0.2	0.1	-0.1	-0.2	-0.1	-0.2	-0.1	0.6	0.7	0.1	0.1	0.6	-0.3
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	0.2	-0.1	-0.2	-0.8	-0.6	-0.4	-0.3	0.2	0.3	0.1	-0.1	0.5	-0.6
Manufacturing industry production price index	y.r./%	Jan-11	-6.0	May-20	7.3	Jun-21	2.7	0.7	-3.9	-5.3	-5.0	-4.9	-2.1	5.6	-5.5	-5.2	-4.9	-4.8	-4.6	-5.2	-4.9	-3.9	-2.0	-0.5	3.3	6.3	7.3
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	24.4	25.4	20.5	19.4	16.9	12.7	8.4	-2.2	2.6	6.8	10.8	11.8	17.2
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	7.1	8.2	9.9	-2.1	-0.1	2.0	0.8	4.6	8.1	11.5	13.0	17.2	18.4
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	0.3	0.7	0.8	1.1	1.1	1.1	1.6	1.5	1.5	0.3	0.8	0.7	0.0



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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