

## Portugal kicks off the last quarter of the year with encouraging signals

GDP maintained a quarter-on-quarter growth rate of 0.2% in Q3, in line with CaixaBank Research’s forecast. According to preliminary information from Portugal’s National Statistics Institute, this growth corresponds to a positive contribution from domestic demand, with growth recorded in investment and private consumption, while foreign demand made a negative contribution. In annual terms, the Portuguese economy accelerated its growth rate to 1.9% year-on-year, 0.3 pps more than in the previous quarter.

Q3 was marked by a pattern of steady growth, and this trend is expected to continue through to the end of the year, in view of the signals coming from daily economic activity indicator. In October, the economic climate and sentiment indicators improved thanks to increased confidence in the services and construction sectors. However, households showed greater caution, due to less favourable expectations regarding the country’s economic outlook for the next 12 months, although they remain optimistic about their own financial situation. This perspective is supported by the resilience of the labour market, which in September recorded jobs growth of 1.6% and a stabilisation of the unemployment rate at 6.4%.

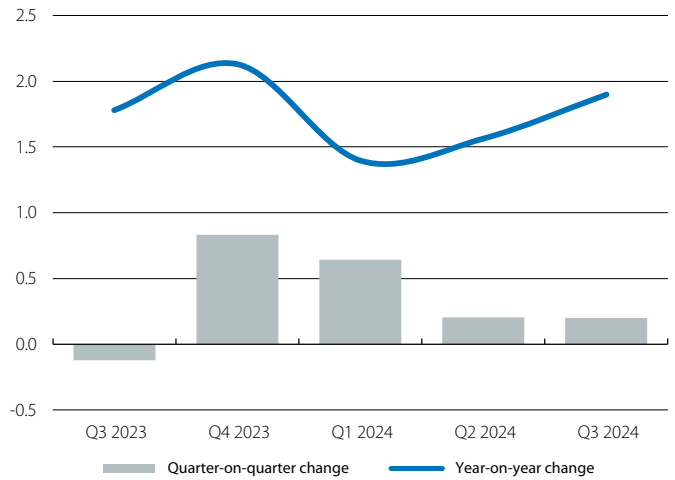
Headline inflation rebounds in October, but core inflation moderates. The preliminary data point to an increase in the headline CPI of 2.3% (2.1% in September), while the core index has resumed the downward path following the rebound recorded in September and stands at 2.6%, compared to 2.8% in the previous month. This pattern is essentially explained by the monthly increase in the prices of the most volatile components, including both energy (+1.3%) and unprocessed food (+0.9%). Despite the upturn in headline inflation, we do not consider this to be a bad omen, since the monthly change was just 0.06%, well below the average for the month of October recorded during the five years prior to the pandemic (0.14%).

Tourism continues to perform well. In September, tourist accommodation establishments received 3.3 million guests and recorded 8.4 million overnight stays, representing an annual growth of 2.9% and 2.6%, respectively. This performance is supported by the growth of non-resident tourism, while the number of resident tourists and their overnight stays decreased slightly (-0.5% and -0.2% in year-on-year terms, respectively).

The general government balance in the first nine months of the year registered a surplus of 2.8% of GDP, versus a surplus of 3.6% of GDP in the same period last year. This reduction is due to sharper growth in expenditure than in revenues: in the case of the former, the increase of 11.1% year-on-year reflects a significant rise in fixed expenditure, driven by updates to pensions and public-sector wages. Revenues, meanwhile, climbed 8.2%, with tax collections recording particularly strong growth.

### Portugal: trend in GDP

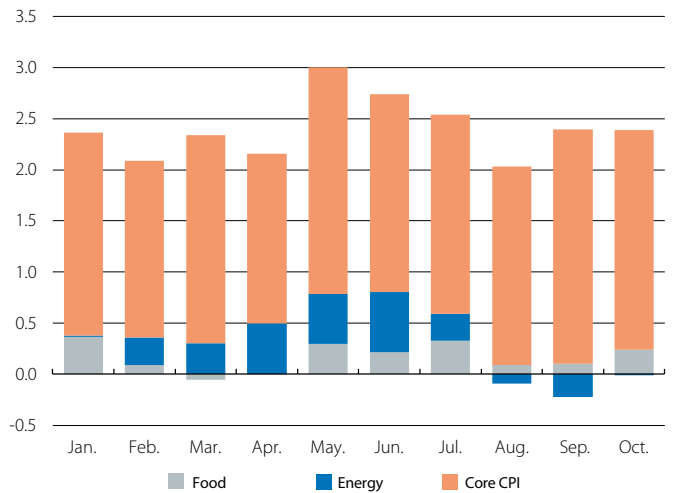
Change (%)



Source: CaixaBank Research, based on data from the National Statistics Institute of Portugal.

### Portugal: CPI

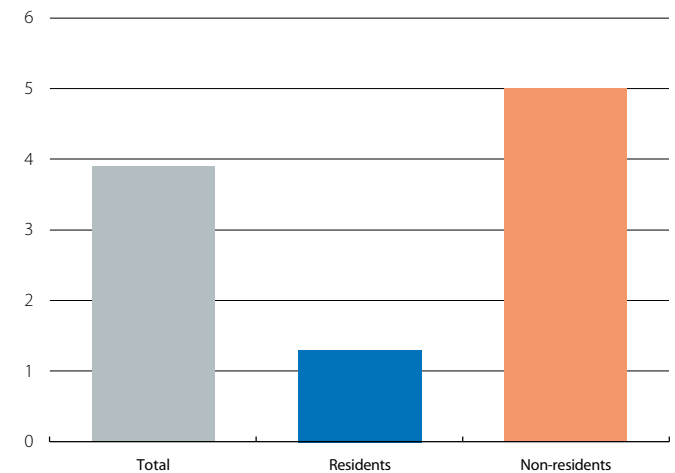
Contribution to year-on-year change (pps)



Source: CaixaBank Research, based on data from the National Statistics Institute of Portugal.

### Portugal: tourist overnight stays

Year-on-year change in the cumulative total to September 2024 (%)



Source: CaixaBank Research, based on data from the National Statistics Institute of Portugal.