

## **COVID-19 CONSEQUENCES FOR PORTUGUESE ECONOMY, BUSINESS AND CONSUME**

### **ECONOMY**

- During the second trimester of 2020, the GDP register a contraction of 14,1%. In comparison to the same trimester of 2019, the decrease is of 16,5%. These are the worst numbers registered in Portugal since 1977.
- The decrease was similar in different GDP indicators: private consumption, investment, exports and imports.
- Estimates of 9,8% in GDP reduction in 2020.
- End of May: unemployment growth of 34% compared to the correspondent period in 2019. Between April and May there was a growth of 4,2%.
- Between February and May, Portugal registered more 93 000 unemployed people.
- The region of Algarve was the most affected by unemployment, due to the impacts on the tourism sector.
- Between May and June, unemployment continued to grow. However, in July there was a small decrease (0,2%) due to seasonal employment.

### **IMPORTS AND EXPORTS**

#### **Exports**

- Decrease of almost 40% in the second trimester of 2020.
- Exports for Spain, Germany and France, the three main national partners, fell with a percentage of around 44%.
- Big contraction in the tourism sector.



- In June, the situation improved in a positive way, but some sectors were still affected: automotive components – fall of 8% (26% in March, 57% in May, 76% in April).
- In June, there was a drop of 80% in the tourism sector. Now, the situation is starting to improve in a positive way, especially with the end of mandatory quarantine for british tourists imposed by the UK government.

### **Imports**

- Decrease of almost 40% in the second trimester of 2020.
- The main imported products were protection materials against COVID-19, especially coming from China.
- The most affected sector: transport materials
- Sector that registered a growth: food and beverage

### **BUSINESS**

#### **6-10 April:**

- 82% of Portuguese companies were still active (in some cases partially); 16% were temporarily closed and 2% closed permanently.
- 37% of the active or temporarily closed companies saw their business volume decrease in 50%; 26% had a reduction of more than 50% of people effectively working.
- The housing/hotel and restaurant sectors were the most affected ones.

#### **13-17 April:**

- Increase of companies in lay-off (from 48% to 51%).
- 30% changed or diversified their production.

#### **20-24 April:**



- 54% of the companies in lay-off.
- 88% of export companies active vs. 82% of import companies active.

**27 April-1 May:**

- 58% of the companies had their employees in telework (20% with more than 50% of the employees in this work situation). Teleworking was more common in big companies (93% of the employees).

**First half of May:**

- The proportion of companies actively working rose in 90% (vs. 84% in the previous week). The commerce sector rose in 92%.
- The business volume remained approximately the same.

**Second half of May:**

- The proportion of companies actively working rose in 92%.
- The housing/hotel and restaurant sector continued to be the most affected one, with reductions of 90% in the business volumes.
- In other sectors, and comparing to the first half of May, the business volume in 40%.
- The percentage of people working in the companies remained the same.

**First half of June:**

- Percentage of companies actively working rose to 95%.
- Housing/hotel and restaurant sector rose from 59% to 77%.
- 38% of the companies refer a stabilization of the business volume.
- Small decrease in teleworking.
- 25% of the companies admit to invest more in information technologies in the future.

**Second half of June:**

- Percentage of companies actively working rose to 96%.



- Housing/hotel and restaurant sector: increase of 82% (+5% in two weeks) in the activities.

#### **First half of July:**

- 99% of the companies were actively working.
- 93% in hotel/restaurant sectors.
- 23% to 31% of the companies had already received financial support from the state.
- 59% of the companies reported that there was no need of additional measures to support liquidity.
- 17% of the companies reduced the number of employees since the beginning of the pandemic.

#### **August:**

- The situation remains stable compared to July.

### **CONSUMERS' BEHAVIOUR**

#### **Consumers' reaction**

- In February/March, when the first news of COVID in Europe appeared, canned food and fruits with vitamin C were the most brought products.
- The consumption in supermarkets rose in 14%, especially in Lisbon, Setúbal, Leiria and Santarém.
- During the quarantine, the consumption in supermarkets decreased, but consumers bought more products at one time, to avoid shopping more than once a week.
- After the quarantine, consumers shop more in supermarkets, but they seem to prefer healthier products.



- Supermarkets with home delivery are in greater demand. Buying groceries online is also more common among Portuguese consumers.

### **Online sales**

- Portuguese people spend more time on the internet since the beginning of the pandemic.
- During the month of March, the online search for online sales grew up in 513%.
- 29% of the Portuguese people continued to buy more online, even after the de-confinement. 1/3 of the population started to buy more online with the pandemic, especially young people between 18 and 34 years old.
- With the end of the state of emergency, 35% says that they will not continue to buy online. One of the reasons might be the cost of the shipping fees and the delivery time.
- ¼ of the Portuguese people say they will use the online services from companies and institutions more often.
- In the end of May, masks and disinfection products were the most bought online products.

### **Buying in local businesses**

- 27% of the consumers buy more in local and small businesses.
- Only 16% started to buy more in big stores.
- 89% of elderly people (more than 65 years old) support the local and regional economy.
- With the end of the quarantine, the population continues to support local businesses. 75% says that they will continue to buy more local and regional products.



## Holidays

- Portuguese people are spending their holidays in Portugal, with 97% saying they would prefer to stay in the country then travelling outside.
- 74% say they prefer to spend the holidays in rented houses; only 26% thinks of spending it in Hotels.

## EMERGENCY STATE

- The end of the state of emergency happened on the 3<sup>rd</sup> of May 2020, with the beginning of the state of calamity.
- The state of calamity ended on the 1<sup>st</sup> of July 2020, with the beginning of the state of alert. However, 19 parishes (freguesias) in Lisbon stayed in state of calamity, with more strict measures.
- On the 30<sup>th</sup> of July 2020, the state of calamity ended in Lisbon, with the beginning of the state of contingency in that area. These measures will continue until the end of August.
- Thus, Portugal is currently in two different states: state of contingency in the Metropolitan Area of Lisbon (due to the higher number of cases) and state of alert in the rest of the country.
- On the 27<sup>th</sup> of August, the Government announced that the whole country will be in State of contingency from the 15<sup>th</sup> of September. This measure has the goal of preparing for a possible increase of cases during autumn and winter. The new rules will be announced around the 7<sup>th</sup> of September.

