

# Portugal: Unemployment lowers 1.3 p.p. to 11.1% in 2016

February 2017

 José Miguel Cerdeira  
 +351 21 310 10 82  
 jose.miguel.cerdeira@bancobpi.pt

## ROBUST LABOUR MARKET POSTS 10.5% RATE IN Q4 2016, WITH EMPLOYMENT RISING 1.8% YOY

The last quarter of the year showed a strong performance in the labour market as the unemployment rate stood at the same level as in Q3 (10.5%): normal seasonality in the Portuguese economy would hint at an increase in the rate, something which has occurred in 8 out of the 10 previous years. In comparison with the same quarter of 2015, the unemployment rate decreased by 1.7 percentage points (p.p.), which translates into -90.7k jobless people. Employment rose 1.8% yoy, only slightly slower than in the previous quarter (+1.9%), accounting for an extra 82.1k jobs. **The unemployment rate stood at 11.1% in 2016, the lowest level since 10.8% in 2010.**

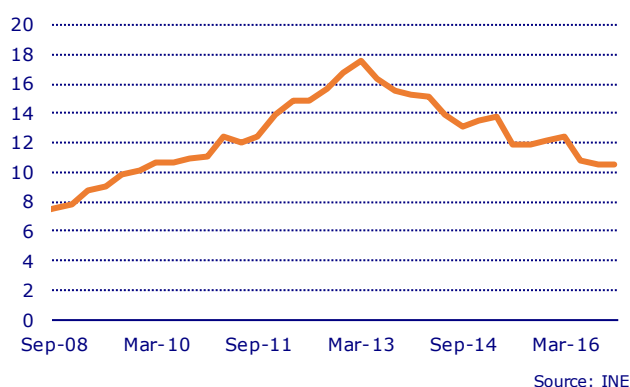
We highlight some important aspects in the employment report:

1. The services sector added 52.9k jobs in comparison with the same quarter of 2015, slightly below the average gain in the last 2 years (62k); **the most positive surprise came from the secondary sector, adding the most jobs since Q3 2014 (+45.6k)**; the primary sector, while still losing jobs on a yearly basis (it has been doing so since Q1 2013), saw a loss of 16.4k in employment, far from the average drop of 43k jobs in the previous 2 years.
2. Algarve is still one of the star performers, in terms of regions, again highlighting the importance of tourism in the Portuguese economic recovery: while it saw an increase of 2.1 p.p. in unemployment when compared to Q3, the rate declined 3.5 p.p. in year-on-year terms. **This performance was only surpassed by the Autonomous Madeira region, where the decrease was of 3.7 p.p., to 11.0%, a region also benefitting from a well-established tourism activity.**
3. More importantly, **long-term unemployment is decreasing at the same rate as the standard rate:** unemployed people for longer than 12 months decreased 14.5% yoy (general unemployment dropped 14.3%). Even unemployed for more than 2 years saw their numbers diminish, by 13.8%, making its share of the total unemployed decrease 2.6 p.p. from the previous quarter, following 4 consecutive quarters of increase. Moreover, **discouraged workers (people no longer seeking for jobs) declined 4.0% yoy, the 11<sup>th</sup> consecutive quarter of decreases.**

Thus, the current labour market dynamics are a solid indicator of a continued economic recovery, and while we still forecast an unemployment rate of 10.1% for 2017, **it is certainly possible that this year will see the rate coming down to single digits:** it will certainly drop below 10% in the second half of the year.

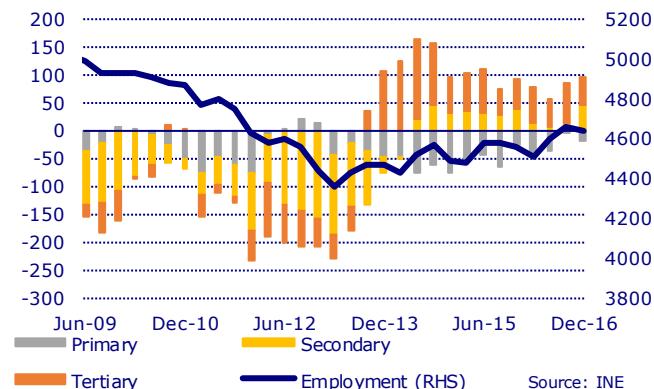
### Unemployment rate

(percentage of labour force)



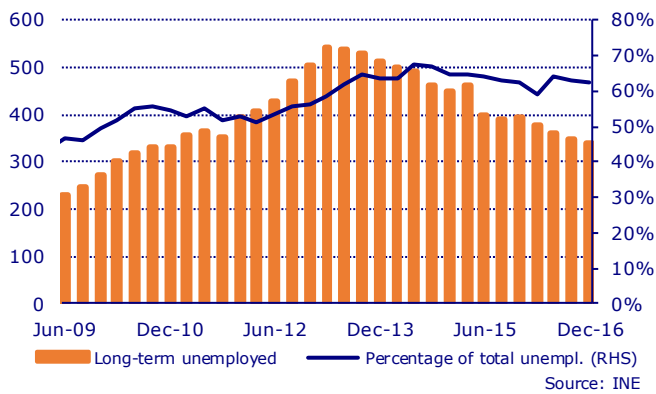
### Employment by economic activity

(annual change in thousands; thousands of jobs)



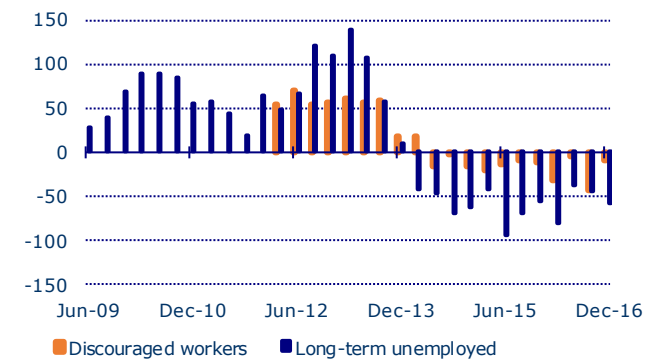
### Long-term unemployment

(thousands; percentage of total unemployment)



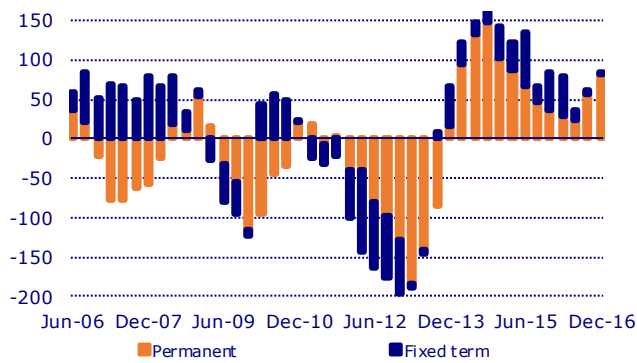
### Long-term unemployment and discouraged workers

(annual change in thousands)



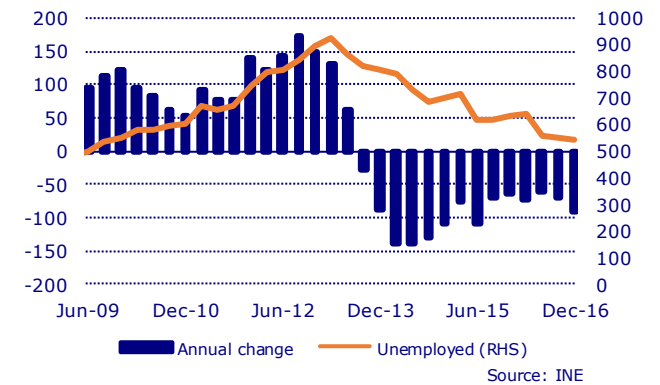
### Employment by type of contract

(annual change in thousands)



### Unemployment

(thousands)



This document is only for private circulation and only partial reproduction is allowed, subject to mentioning the source. This research is based on information obtained from sources which we believe to be reliable, but is not guaranteed as to accuracy or completeness. At any time BPI or any affiliated companies (or employees) may have a position, subject to change, in these markets. Unless otherwise stated, all views (including estimates or forecasts) herein contained are solely expression of BPI Economic and Financial Research and subject to change without notice.

BANCO BPI S.A.

Rua Tenente Valadim, 284 4100 – 476 PORTO  
Telef.: (351) 22 207 50 00 Telefax: (351) 22 207 58 88

Largo Jean Monnet, 1 – 9º 1269-067 LISBOA  
Telef.: (351) 21 724 17 00 Telefax: (351) 21 353 56 94