Portugal

February 2021

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since September 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

In addition to higher input prices, environmental issues and subdued sales prices, the sector has been affected by the consequences of the lockdowns (e.g. transport issues and lack of foreign seasonal workers). Despite the fact that agriculture is less affected by the pandemic compared to other industries, the sector continues to face the uncertainties already existing before the crisis (e.g. price volatility and weather conditions). Agriculture value added is forecast to increase 1.5% in 2021 after an estimated 4% contraction in 2020.

Automotive/Transport

Remains Bleak

Automotive suppliers and car dealers have suffered from sharply deteriorating sales for passenger cars and commercial vehicles, which has led to an overall decrease in margins, therefore causing severe liquidity strains for many businesses. Automotive value added is forecast to rebound only 1.5% in 2021 after an estimated 26.5% contraction in 2020.

Regarding transport, the sector has been severely affected by the pandemic and subsequent containment measures, especially in the passenger transportation segment. Value added is forecast to rebound by 5.5% in 2021 after a 7.5% contraction in 2020.

Chemicals/Pharmaceuticals

Remains Fair

Many chemical businesses have suffered from the deteriorated demand from key buyer sectors domestically and globally. However, in 2021, chemicals value added is forecast to rebound by 4.5% after an estimated 6.5% contraction in 2020. Pharmaceuticals value added is estimated to have increased 7% in 2020, due to higher health expenses.

Construction/ Construction Materials

Remains Bleak

The industry was already performing poorly before the coronavirus outbreak, with increased credit risk mainly to smaller players. Due to the sharp recession in 2020, businesses have been additionally affected by supply chain problems, postponement of projects and reduced order volumes. Payment delays and insolvencies have increased in H2 of 2020 but could decrease again in coming months, depending on a gradual recovery of activity. Construction value added is forecast to rebound by 3.5% in 2021.

Consumer Durables

Remains Bleak

Retail value added is estimated to have decreased by 14% in 2020, with just a 6% rebound forecast in 2021. Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed during the lockdowns. Although there was some rebound of sales in Q3 of 2020, a serious second wave of infections has led to a new set of restrictive measures by the Portuguese government, which could compromise recovery prospects. Additionally, deteriorated consumer sentiment and sharply rising unemployment could hamper a rebound in the short-term. The financial strength of many businesses has seriously deteriorated, and payment delays and insolvencies are expected to increase in coming months.

Electronics/ICT

Remains Poor

Sales have deteriorated due to the closure of businesses resulting from the lockdowns. Deteriorated consumer sentiment, decreasing household consumption and sharply rising unemployment could hamper a strong rebound in the short-term. While increasing e-commerce and sales of equipment for telecommunication have partly compensated for the decline in sales, ICT value added nonetheless is estimated to have decreased by 11% in 2020. In 2021, a 6% rebound is expected. Payment delays and insolvencies were lower in H2 of 2020 than in H1, and they are not expected to increase significantly in the coming months.

Financial Services

Remains Poor

The sector has been severely impacted by the general economic downturn, with increased financial troubles for businesses and consumers alike leading to deteriorating profits. The credit moratoria implemented by the Portuguese government as a support measure has allowed for a payment postponement of thousands of millions of EUR until September 2021. However, there are already some signs of an inversion of the reduction trend in non-performing loans.

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Food

Remains Fair

In general, profit margins are tight in the industry, as price pressure from large distributors forces food producers and processors to adjust. Many food businesses show high short-term gearing. Businesses delivering to hotels and restaurants have been severely impacted by the coronavirus pandemic, particularly beverage companies. Value added is forecast to increase by about 4% in 2021, while payment delays and insolvencies are not expected to increase sharply in H1 of 2021.

Machines/Engineering

Remains Poor

After increasing in Q2 and Q3 of 2020, payment delays and insolvencies of machinery businesses have decreased again in the last quarter of 2020, and this trend is expected to continue in H1 of 2021. However, the business outlook remains muted, as orders on hand and production have sharply decreased. Demand from key buyer sectors like automotive and construction remains subdued for the time being.

Metals

Remain Bleak

Metal producers and traders have suffered due to deteriorating demand from key buyer sectors (automotive, construction and machines). Metals value added is estimated to have contracted by more than 15% in 2020, with just a modest 7% rebound forecast this year. The financial strength of businesses has seriously deteriorated with additional pressure on margins, while many companies had already shown low profitability over the previous years. That said, both payment delays and insolvencies improved in H2 of 2020 after a deterioration in H1, and this improving trend should continue in the first months of 2021.

Paper

Remains Poor

In 2019 the industry was severely hit by a persistent price increase for pulp in international markets, coupled with a very competitive market environment. This has led to a deterioration of business margins, while even some of the sector's leading companies suffered substantial losses. Further deteriorating demand due the 2020 economic downturn and lockdown measures led to an estimated value added contraction of almost 9% in 2020.

Services

Remains Bleak

Due to the comprehensive lockdown measures, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Hotel and catering value added is estimated to have shrunk 32% in 2020. The second wave of the pandemic led to a new set of restrictive measures imposed by the Portuguese government, particularly enforced early closing times and mandatory work from home measures (where applicable). This and the extent of the measures could further complicate the sector's prospects in 2021. Payment delays and insolvencies increased sharply in the first nine months of 2020. Although in Q4 of 2020 they decreased again, another surge in 2021 cannot be ruled out, depending on the further evolution of the pandemic and the duration of lockdown measures in H1 of 2021.

Steel

Remains Bleak

Steel producers and traders have suffered due to deteriorating demand from key buyer sectors (automotive, construction and machines). Steel value added is estimated to have contracted by more than 15% in 2020, with just a 8%rebound forecast this year. The financial strength of businesses has seriously deteriorated with additional pressure on margins, while many companies had already shown low profitability over the previous years. That said, both payment delays and insolvencies improved in H2 of 2020 after a deterioration in H1.

Textiles

Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins. They have been additionally affected by deteriorating sales domestically and abroad. After shrinking 4.6% in 2019, textile value added is estimated to have contracted again in 2020, by 15%, with only an 5.5% rebound forecast in 2021. Small retailers are particularly affected by the negative effects of the lockdown and subdued consumer sentiment. Payment delays have increased sharply in 2020. The number of insolvencies is high and expected to remain elevated in coming months.