# Portugal

September 2020

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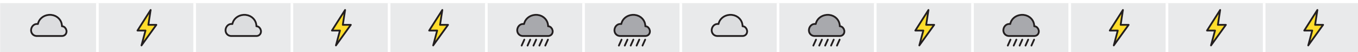

Source: Atradius

## Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

### Agriculture

**Remains fair**

The sector is affected by the consequences of the lockdown (e.g. transport issues and lack of foreign seasonal workers). While agriculture value added is forecast to contract 5% in 2020, the prospects for a fast rebound are good.

### Automotive/Transport

**Remains Bleak**

Automotive suppliers and car dealers are suffering from sharply deteriorating sales for passenger cars and commercial vehicles, which is leading to an overall decrease in margins, therefore causing severe liquidity strains. Automotive value added is expected to contract 34% in 2020, while the transport segment is forecast to decrease 15%. Payment delays and insolvencies are expected to increase in following months.

### Chemicals/Pharmaceuticals

**Up from Poor to Fair**

Many chemical businesses are suffering from the deteriorated demand from key buyer sectors domestically and globally. Chemicals value added is forecast to contract by about 3% in 2020, while pharmaceuticals value added is expected to increase 7%, 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 ongoing recession, businesses are additionally affected by supply chain problems, postponement of projects and reduced order volumes. Construction value added is expected to shrink by more than 8% in 2020. Payment delays and insolvencies have increased in H1 of 2020, and this negative trend is expected to continue in the coming months.

### Consumer Durables

**Remains Bleak**

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed due to the lockdown. 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 will continue to increase in the coming months. Retail value added is expected to decrease by more than 11% in 2020.

### Electronics/ICT

**Remains Poor**

Sales have deteriorated due to the closure of businesses resulting from the lockdown. 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 the decline in sales, ICT value added is nevertheless expected to decrease by more than 7% in 2020. Insolvencies have increased over the past couple of months, and this negative trend is expected to continue.

### Financial Services

**Remains Poor**

The sector is severely impacted by the general economic downturn, with increased financial troubles for businesses and consumers alike leading to increased non-performing loans and deteriorating profits. Sector value added is expected to contract by 9% in 2020.

### 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 are severely impacted by the coronavirus pandemic, particularly beverage companies. That said, value added is still forecast to increase by about 1% in 2020.

# Portugal

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## Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

### Machines/Engineering

**Remains Poor**

The business outlook remains deteriorated as orders on hand and production have sharply decreased. Demand from key buyer sectors like automotive and construction remains subdued. Engineering value added is expected to contract 7% in 2020, and payment delays and insolvencies have increased over the last couple of months. This negative trend is expected to continue in H2 of 2020 and early 2021.

### Metals

**Remain Bleak**

Metal producers and traders suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines). Metals value added is expected to contract by more than 7% in 2020, and the financial strength of businesses has seriously deteriorated. Although insolvencies have decreased over the past couple of months, payment delays have increased. It cannot be ruled out that business failures will rise in the coming months.

### 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 to the current economic downturn will lead to an expected value added contraction of almost 10% in 2020. Payment delays and insolvencies have increased over the past couple of months, and are expected to continue further increasing in coming months.

### Services

**Remains Bleak**

Due to the comprehensive lockdown measures in face of the coronavirus outbreak, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Services value added is expected to contract by almost 7% in 2020 (hotel and catering down 21%), and payment delays and insolvencies continue to increase.

### Steel

**Remains Bleak**

Steel producers and traders suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines) and/or supply chain disruptions. After a 4.5% contraction in 2019, value added is expected to shrink again, by almost 9%. The financial strength of businesses has seriously deteriorated. Payment delays and insolvencies have increased over the past couple of months, and are expected to continue to increase further in coming months.

### 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 expected to contract again in 2020, by 11%. Payment delays and insolvencies continue to increase in coming months, mainly affecting smaller retailers that had to close their shops during the lockdown period.