

31 July 2020

Perspectives on Exports of Goods
2020 – 2nd Forecast

Enterprises expect a 13.0% nominal decrease in exports of goods in 2020

The perspectives of the exporting enterprises of goods point to a nominal decrease of 13.0% in exports in 2020, corresponding to a downward revision of 15.1 percentage points (p.p.) in the 1st forecast made in November 2019. This revision results from the downward update of expectations for Intra-EU exports (-14.7 p.p., to -12.3%) and for Extra-EU exports (-16.1 p.p., to -15.0%).

Excluding *Fuels and lubricants*, enterprises are expecting a 11.8% decrease in 2020 (-13.5 p.p. in comparison to the 1st forecast).

From the enterprises that presented revisions in exports compared to the 1st forecast (56.7% of respondents), more than half (53.0%) reported that this revision was due entirely to the COVID-19 pandemic, corresponding to 98% of the downward revision from the 1st forecast.

14.2% of respondent enterprises have changed or intend to change their production and export strategy, as a result of the COVID-19 pandemic, namely by diversifying destination markets (31.7%), refocusing exports on EU markets (13.8%) and diversifying suppliers (11.0%).

In this Press release, Statistics Portugal disseminates the main statistical findings from the survey on Perspectives of Exports of Goods (IPEB), carried out in June 2020 (exceptionally this year, postponed by one month due to the COVID-19 pandemic), corresponding to the 2nd forecast for the nominal variation of exports of goods expected by the enterprises in 2020.

This edition of the survey included a module on the expected effect of the COVID-19 pandemic on the exports of goods and on enterprises' production and export strategy.

Enterprises expect a 13.0% nominal decrease in exports of goods in 2020

The perspectives of exporting enterprises of goods point to a 13.0% decrease in exports in 2020 when compared with the previous year. Enterprises foresee decreases of 15.0% in exports for Extra-EU countries and of 12.3% to the EU markets.

In face of the 1st forecast made in November 2019, this estimate implies a downward revision of 15.1 p.p. in the variation of exports in 2020 (-14.7 p.p. in Intra-EU exports and -16.1 p.p. in Extra-EU exports).

Excluding *Fuels and lubricants*, exporting enterprises are expecting similar reductions: -11.8% in International trade, -12.4% in Extra-EU trade and -11.6% in Intra-EU trade (-13.5 p.p., -12.3 p.p. and -13.8 p.p., respectively, comparing with the 1st forecast).

In terms of Broad Economic Categories (BEC), the emphasis goes to the expected decrease in exports of *Transport equipment and parts and accessories thereof*, in both Extra-EU and Intra-EU trade (-27.3% and -18.9%, respectively).

In the 1st forecast for 2020, enterprises already expected a 4.0% decrease in exports of *Transport equipment and parts and accessories thereof*, which is thus significantly accentuated in this 2nd forecast, corresponding to the largest revision (-16.3 p.p.).

Figure 1 >> Perspectives of the Enterprises on Exports of Goods
Annual nominal rate of change 2020/2019

	EXTRA-EU	INTRA-EU	INTERNATIONAL
TOTAL	-15.0%	-12.3%	-13.0%
TOTAL excluding <i>Fuels and lubricants</i>	-12.4%	-11.6%	-11.8%
Of which (BEC):			
<i>Food and beverages</i>	-7.3%	-4.9%	-5.7%
<i>Industrial supplies not elsewhere specified</i>	-10.3%	-11.9%	-11.5%
<i>Capital goods (except transport equipment), and parts and accessories thereof</i>	-5.9%	-3.1%	-3.8%
<i>Transport equipment and parts and accessories thereof</i>	-27.3%	-18.9%	-20.3%
<i>Consumer goods not elsewhere specified</i>	-13.2%	-11.4%	-11.7%

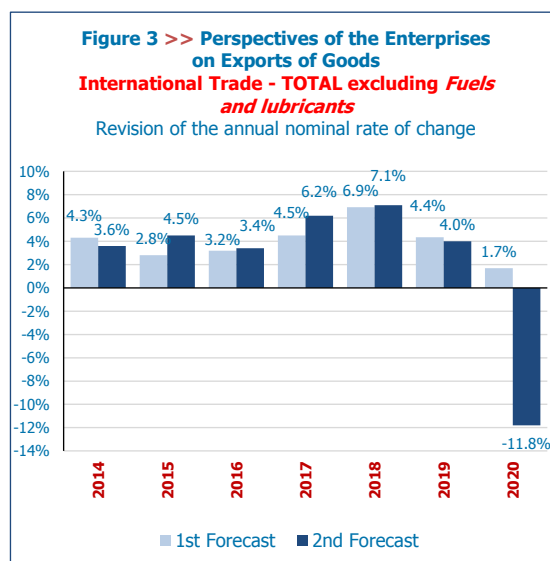
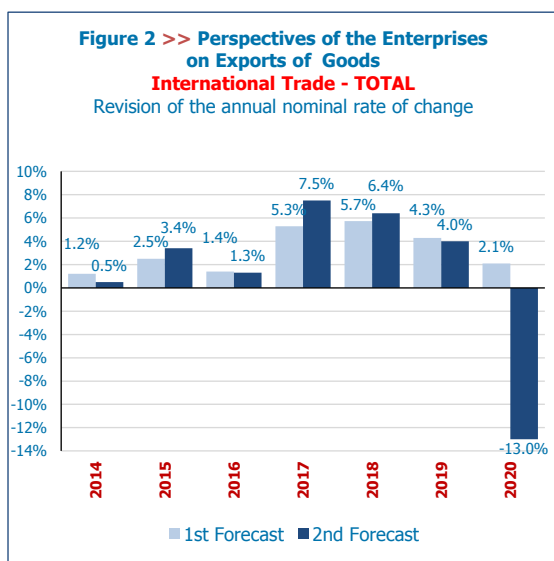
Source: Statistics Portugal, Survey on the Perspectives of the Exports of Goods

Enterprises review 15.1 p.p. downwards their forecast for exports of goods in 2020

On the 2nd forecast of IPEB 2020, carried out in June 2020, enterprises review downwards their exporting perspectives to -13.0% (-15.1 p.p. comparing with the 1st forecast, carried out in November 2019).

The downward revision in the International Trade results from the updating of the perspectives for the European Union (-14.7 p.p. to a decrease of 12.3%), mainly in the categories *Industrial supplies not elsewhere specified*, *Transport equipment and parts and accessories thereof* and *Consumer goods not elsewhere specified*.

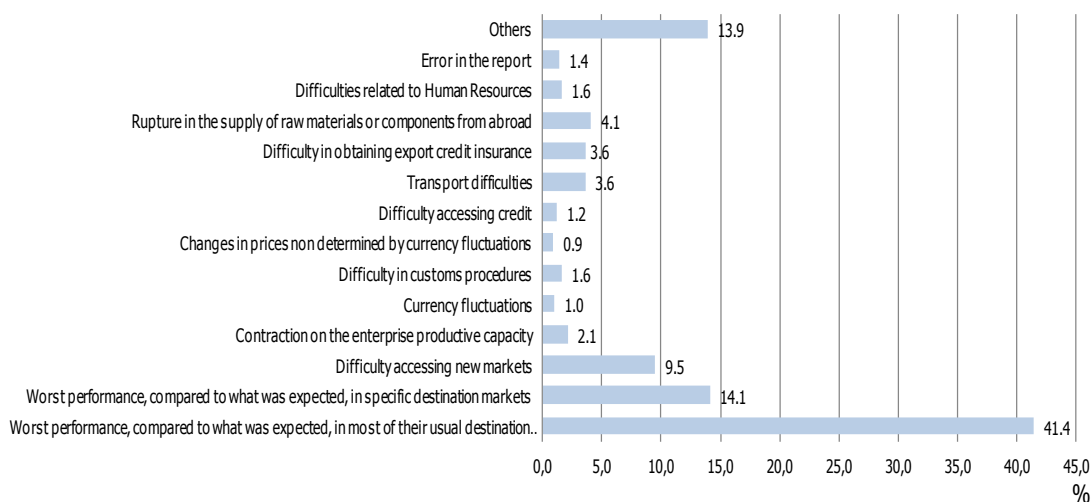
The perspectives concerning Extra-EU exports decreased by 16.1 p.p. (to a 15.0% reduction), mainly due to the evolution of the category *Industrial supplies not elsewhere specified*.



Source: Statistics Portugal, Survey on the Perspectives of the Exports of Goods

Enterprises indicated as the main reasons for the downward revision, the worst performance than expected in most of their usual destination markets (41.4%) and in specific destination markets (14.1%).

Figure 4 >> Perspectives of the Enterprises on Exports of Goods
International Trade
Main reasons for the expected revisions comparing with the 1st forecast for 2020

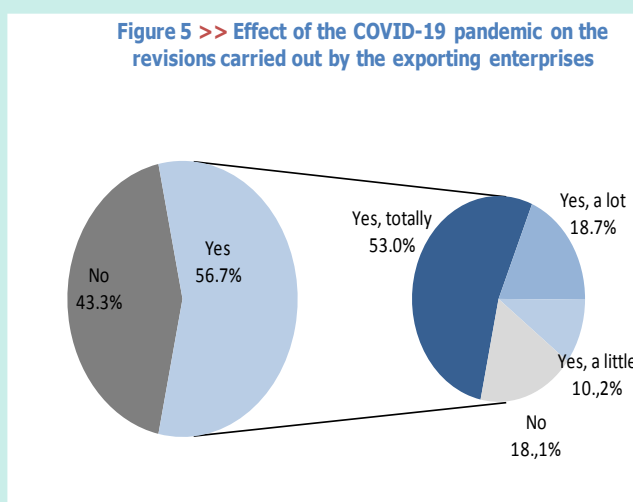


EXPECTED EFFECT OF THE COVID-19 PANDEMIC ON ENTERPRISES' EXPORTS ACTIVITY

In this edition of IPEB, information was sought and obtained from enterprises concerning the impact of the COVID-19 pandemic on their exports of goods and production and export strategy.

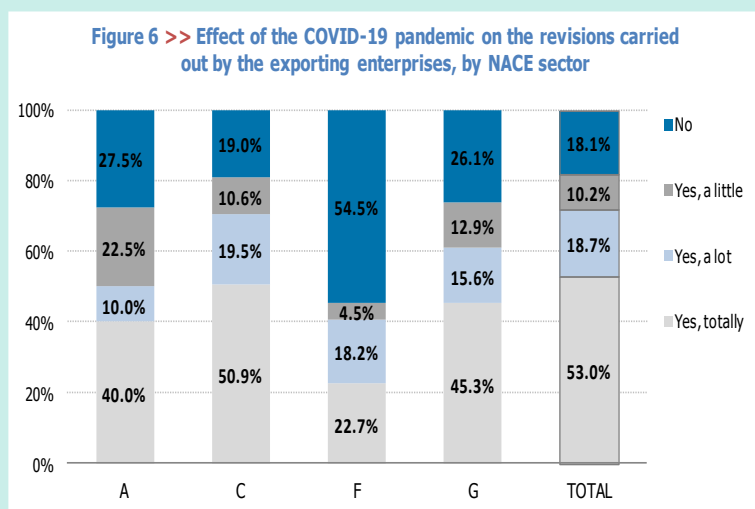
Among the enterprises that presented revisions in relation to the 1st forecast for 2020 (56.7%):

- 53.0% referred that the revision was due exclusively to the effect of the pandemic;
- 29% indicated that the revision was partly due to the effect of the pandemic, which was divided into two groups: 2/3 indicated that it was largely due to the pandemic (with an effect above 50%) and 1/3 referred that it was due little to the pandemic (less than 50%);
- 18% responded that the revision was not due to the pandemic.



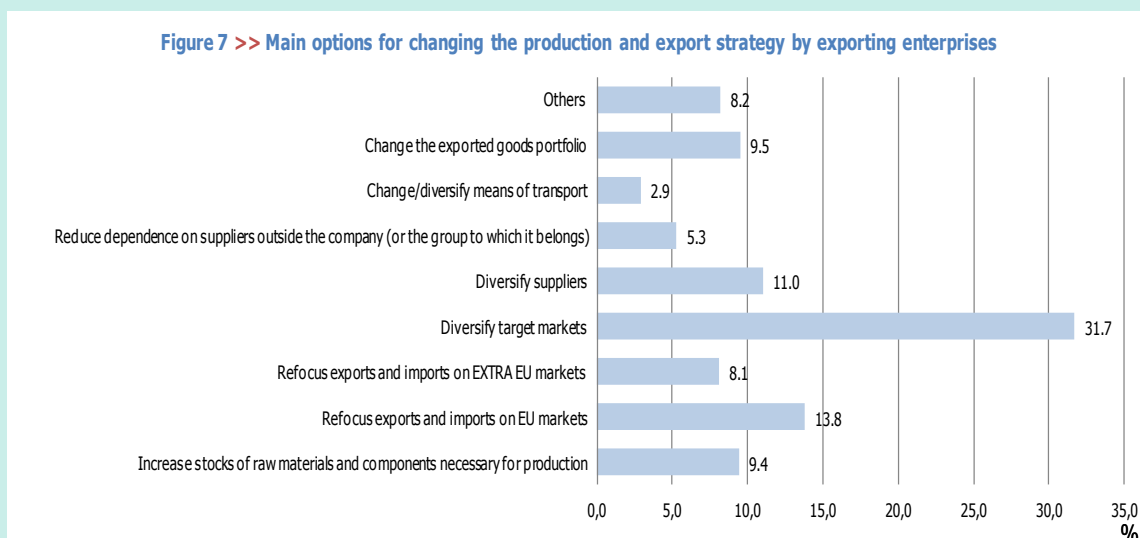
The analysis by activity sector reveals that the enterprises classified in the *Construction* sector (NACE Section F) behave differently from the global one. In their majority (54.5%), indicate that the revision carried out was not due to the COVID-19 pandemic and only 22.7% indicate that it was due entirely to the pandemic.

In relative terms, the exporting enterprises belonging to the *Manufacturing Industry* sector (NACE Section C) indicated the most a revision entirely due to the COVID-19 pandemic (50.9%).



14.2% of respondent enterprises have changed or intend to change their production and export strategy, as a result of the COVID-19 pandemic, namely by diversifying target markets (31.7%), refocusing exports and imports on EU markets (13.8%) and diversifying suppliers (11.0%).

About 38% of companies still do not know if they will change their production and export strategy as a result of the pandemic and 47.4% indicate that they do not intend to do so.



EXPLANATORY NOTES

In view of the growing importance of the evolution of exports of goods in portraying the economy, Statistics Portugal promotes this survey (IPEB) by using a representative sample of exporting enterprises. The IPEB allows gathering and summarizing the perspectives of the nominal variation of exports for each enterprise. It provides prospective data, following the example of other surveys conducted by Statistics Portugal, namely the Investment Survey (Business), with which shares some characteristics. This new statistical operation started after the end of the New Orders in Industry Index (Total, Internal market and Foreign market), based on a monthly survey. The figures correspond to the **2nd forecast for the nominal variation of exports expected by the enterprises in 2020**.

The survey was based on a sample of operating exporting enterprises, located in Portugal, with export values declared in International Trade in Goods statistics (ITGS) above EUR 250 000 in 2018 (sum of Intra-EU Trade (via Intrastat System) and Extra-EU Trade (via Customs declarations)) or in 2019 for new exporting enterprises. The total number of enterprises surveyed was 3 247, which represented around 90% of the total exports of goods.

The enterprises were selected according to the following parameters:

Non sampling component:

- 1) Enterprises with a total of exports \geq EUR 3 million in value (based on values declared in 2018/2019 ITGS);
- 2) Enterprises belonging to NACE Rev. 2 - three digits classification (group) – with a sampling representativeness \leq 3 enterprises.

Sampling component:

- 1) By sorting the remaining enterprises in a descending order of the total of exports, a selection was made in each NACE group:
 - a. Enterprises able to reach 15% of the total of exports, if the non sampling weight is \geq 80%;
 - b. Enterprises able to reach 35% of the total of exports, if the non sampling weight is \geq 60% and $<$ 80%;
 - c. Enterprises able to reach 55% of the total of exports, if the non sampling weight is $<$ 60%.
- 2) By including relevant enterprises in terms of representativeness within the Broad Economic Categories Classification (BEC) with single digit classification.

The response rate was 88%, corresponding to 96% of the exported value of the sampled enterprises.

Data broken down by BEC was based on the distribution of data declared by the respective enterprises within the scope of ITGS in the year 2018 or in the year 2019 for new exporting enterprises.

The results of this survey, as they are based in growth perspectives, may differ from the observed values in ITGS and should be seen as indicating trends, which depend on the information available in the enterprises during the time of response to IPEB. For methodological reasons, the scope of IPEB could not be the same as for ITGS, because IPEB does not include exports of specific goods and movements (of which electricity), estimates and does not comprise, in the reference population, special (foreign) enterprises acting as “traders” in Portugal. These “traders” are natural or legal persons not registered for VAT in Portugal, however they are responsible for presenting customs declarations lodged in Portuguese Customs. These movements are included in ITGS, however it’s not possible to survey these enterprises, because they are not registered for VAT in Portugal. To allow a better coverage of the results, this difference concerning foreign enterprises belonging to national economic groups was minimized with a special treatment in order to include their exports in IPEB.

In the 2nd forecast, enterprises were requested to indicate the main reasons for the revision in their perspectives vis-à-vis the 1st forecast, and the following list of options was presented: *Better/worst performance, compared to what was expected, in most of their usual destination markets; Better/worst performance, compared to what was expected, in specific destination markets; Facility/Difficulty accessing new markets; Enlargement/Contraction on the enterprise productive capacity; Currency fluctuations; Simplification/Difficulty in customs procedures; Changes in prices non determined by currency fluctuations; Facility/Difficulty accessing credit; Error in the report; Transport difficulties; Difficulty in obtaining export credit insurance; Rupture in the supply of raw materials or components from abroad; Difficulties related to Human Resources; Others.*