Economic Activity

Real GDP registered a y-o-y increase of 2.1% in the third quarter of 2018 (2.4% in the previous quarter). The positive contribution of domestic demand to GDP y-o-y change rate has decreased when comparing to previous quarters. Moreover, net external demand presented a slightly less negative contribution than that observed in the two previous quarters. Comparing with the 2nd quarter, GDP grew by 0.3% in volume. INE’s release available here.

Budgetary Outturn

Up until October 2018, the general government budget balance, on a cash basis, was €259M, improving by €2,072M y-o-y. The increase of 2.1% in expenditure was more than offset by the increase of 5.4% in the revenue side.

The expenditure evolution mainly results from: the relative increase of 8.4% in the purchase of goods and services - reflecting the payments on arrears from the National Health System; and the increase of 1.3% in current transfers - due to an upsurge on social benefits the Portuguese financial contribution the EU budget. Also, there was a relative increase of 2.3% in the interest expenditures - due to the payment of Metropolitano de Lisboa, E.P.E related to swap contracts, in the sequence of court lawsuits decisions. The evolution in the total revenue is mainly explained by the fiscal and social contribution revenue (increases of 5.1% and 5.0%, respectively), reflecting the developments in the economic activity. The other current revenue presented a y-o-y growth of 7.8%.

Economic Indicators

In September, the economic activity indicator has decreased. By its turn, the economic climate indicator, already available for November, declined, after stabilizing in the previous month. Moreover, both the quantitative indicator for private consumption and of GFCF have decelerated in September; the latter mostly due a less intensive contribution of Construction and Machinery and Equipment components. INE’s release available here and here.

Treasury Financing

According to the Debt Management Agency (IGCP), in October the Portuguese State direct debt stood in €247,384M, which represents a 0.9% increase vis-à-vis September (before cambial hedging).

On November 14th, two PGB auctions were issued, having been placed €498M in the OT_4.95%Oct2023 and €752M in the OT_2.125%, Oct2028. The yield was 0.702% and 1.908%, respectively, and the price was 120.55% and 101.94%. In addition, in November 21st, €350M and €650M of 6 and 12-months T-bills were issued at average weighted yields of -0.369% and -0.327%, respectively.

External Adjustment

International Trade: In the quarter ended in September, exports and imports of goods grew, on nominal terms, 6.1% and 7.3% respectively, vis-à-vis the quarter ended in September 2018. INE’s release available here.

IMF early repayment

Portugal is planning to complete the repayment of the IMF loan before the end of the year, discharging all IMF payment obligations that were due between 2021 and 2024.

Balance of Payments: In the first nine months of the year, the current and capital accounts reached a surplus of €463M (it was €1,576M in the same period of 2017). The trade balance stood at +€2,626M. BdP’s data available here.

Labour market

The definitive unemployment rate estimate for September was 6.6%, down 0.3p.p. from August. The provisional figure for October is marginally higher, at 6.7%. INE’s release available here.

General Government Debt

According to BdP, the Maastricht debt amounted to €248,955M in September, minus €315M than in previous month. Maastricht debt net of central government deposits stood at €229,762M (minus €732M than in previous month).

Price Developments

The CPI flash estimate for November points at an annual growth rate of 0.9%, 0.1p.p. below the figure for October. The 12-month average rate of growth is estimated at 1.1%, the same value of the previous month. Also in November, the HICP annual growth rate is estimated to be 1.0%, 0.2p.p. above the figure for October. INE’s data available here.

Post-Programme Surveillance and Monitoring

Between 26th and 30th November, the European Commission, the European Central Bank and ESM staff visited Portugal to conduct the 9th Post-Programme Surveillance mission. At the same time, an IMF mission also visited Lisbon for the 7th Post-Program Monitoring.