

PORTUGAL

LATEST KEY DEVELOPMENTS

SET 2019

HIGHLIGHTS

In this month, National Accounts with the new 2016 benchmark year were revised and made available (replacing the 2011 base).

Therefore, according to this new data, **real GDP grew 3.5% in 2017** (a revision of +0.7pp) and **2.4% in 2018** (+0.3pp). Looking to the GDP components that contributed to this revision, **the high growth of Investment stands out** (11.9% in 2017 and 6.2% in 2018).

Growth rates of the two first quarters of 2019 were also revised upwards (+0.3pp in Q1 and +0.1pp in Q2).

Moreover, Quarterly National Sector Accounts have been released, and **the General Government (GG) balance of 2018 has been revised to -0.4% of GDP** (+0.1pp than before). At the same time, considering the first half of 2019, the GG balance was -0.8% of GDP (-2.2% in the same period of 2018).

ECONOMIC ACTIVITY

The consumer confidence indicator kept on increasing in September (six months in a row of increases). Meanwhile, the economic climate indicator decreased in September after stabilizing in the previous month. More information [here](#).

LABOUR MARKET

According to INE's provisional estimate, **the unemployment rate in August was 6.2%**, a decrease of 0.2pp from the previous month (final estimate of 6.4%). Furthermore, in August, the estimation for the unemployed population is 318.8 thousand people.

TOURISM INDUSTRY

In July, **tourism accommodation activity recorded 8.2 million overnight stays** (a y-o-y increase of +2.2%). The average stay was 2.89 nights per guest (a decrease y-o-y of 3%). Moreover, **average revenue per room** grew 6.5% when compared with the same month of 2018. INE's press release available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In July of 2019, nominal **exports of goods increased 1.3% y-o-y** (-8.3% in June). By its turn, **imports increased by 7.9% y-o-y**, well above the figure of June 2019 (-3.7%). INE's press release available [here](#).

ii. Balance of Payments

Until July, in accumulative terms, the **current account (CA)** balance stood at -€2,600M; an improvement in relation to the figure of June 2019. The deficit of the CA is mainly explained by the negative balance of goods (-€9,611M). Balance of services have registered a surplus of €8,665M. At the same time, the capital account registered a positive balance of €967M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The provisional CPI annual rate estimate in September was -0.1% (the same figure of August). At the same time, core

inflation stood at 0.2%. Meanwhile, the HICP annual rate of change was -0.3% (-0.1% in August). INE's data available [here](#)

Also according to INE's data, in August **the industrial production prices index** decreased 1.1% y-o-y (-0.4% in July). Excluding energy, the index remained unchanged (change of -0.5%).

BUDGETARY OUTTURN

In August, the **General Government budget balance on a cash basis** recorded a surplus of €402.3M, €847.7M over the same period of 2018. The increase of 2.7% in **expenditure** was more than offset by the increase of 4.6% in **revenue**. However, this behaviour was also driven by factors without impact on national accounts, namely the extension of the tax payment deadline to January 2nd, the regularization of the swaps coupons payments in 2018, as a result of the judicial court decision on the "swaps process"¹ and the repayment of health overdue debt.

The revenue increase is mainly explained by the performance of **tax revenue** (3.1%), namely VAT and tax on oil and energy products, and **social security contributions** (6.8%) driving by the good economic performance.

On the expenditure side, the increase was mainly due to higher **compensation of employee's** (4.7%), reflecting the salary promotion measures and higher social security pensions (5.4%). On the other hand, there was a decrease in interest expenditures and other chargers (-7.6%) as a result of the regularization of the swap coupons payments and the maturity of PGB 4,45%Jun2018.

The **primary surplus** reached €5,948M, standing €523M greater than same period of 2018. More information [here](#).

TREASURY FINANCING

According to the IGCP, in August the **State direct debt**, without exchange rate hedging, amounted to €246,613M (€1,214M than July). This is mainly due to the increase in the T-Bills stocks (€1,013M), retail business' net debt (€81M) and cash-collateral (€76M).

On September 11th, IGCP held two PGB auctions. It was issued an amount of €600M and €400M of PGB 1.95%Jun2029 and PGB 2.25%Apr2034 at 0.264% and 0.676%, respectively.

Regarding **T-bills**, IGCP auctioned on September 18th a 6 and a 12-month T-bills, in the amount of €1,000M and €250M at a weighted average yields of -0.44% and -0.463%, respectively.

GENERAL GOVERNMENT DEBT

According to BdP, the **General Government Maastricht debt** amounted to €251,005M in July, increasing €187M than in the previous month, and €1,842M above the end of 2018.

Additionally, **public debt net of general government deposits** stood at €234,462M, more €717M than in the preceding month and more 1,923M than the end of 2018.

¹ Base effect, influenced by the regularization in 2018, of the payments made by Metropolitan de Lisboa and by Metro do Porto related to swaps under judicial court decision.