

PORTUGAL

LATEST KEY DEVELOPMENTS

AUG 2019

ECONOMIC ACTIVITY

In the 2nd quarter of 2019, **GDP grew 1.8% y-o-y in real terms**, maintaining the growth rate of the previous quarter. This evolution was due to a smaller negative contribution from net external demand (relative to the previous quarter), and to a decrease of domestic demand, in part explained by the deceleration of private consumption and Investment.

INE's press release available [here](#).

LABOUR MARKET

According to INE's [provisional estimate](#), **the unemployment rate in July was 6.5%**, marginally below the previous month (6.6%). Furthermore, in July, the estimation for the unemployed population is 336.8 thousand people.

TOURISM INDUSTRY

In June, **tourism accommodation activity recorded 7.1 million overnight stays** (a y-o-y increase of +5.6%). The average stay was 2.63 nights per guest. Moreover, **average revenue per room** grew 6.5%, quite above the -0.2% change recorded in May. INE's press release available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In the 2nd quarter of 2019, nominal **exports of goods increased 1% y-o-y** (from 4.8% in the 1st quarter). By its turn, **imports increased by 6.8% y-o-y**, coming from the 12.1% recorded in the previous quarter. INE's press release available [here](#).

ii. Balance of Payments

Until June, in accumulative terms, the **current account** balance stood at -€3,249M; mainly explained by the *deficit* in the balance of goods (€8,300M) and the *superavit* in the balance of services (€6,757M). At the same time, the capital account registered a positive balance of €649M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The CPI annual rate decreased to -0.1% in July (-0.3% in July), in part due to the evolution registered in fuels, nevertheless the recovery registered in the restaurants and hotels sector prices. Meanwhile, the CPI 12-month average rate was 0.6% (minus 0.1 p.p. than in the previous month).

In the same month, the **HICP** annual rate of change in Portugal was -0.1% (-0.7% in July). INE's data available [here](#).

According to [INE's data](#), in July **the industrial production prices index** decreased -0.4% y-o-y (-0.2% in June). Excluding energy, the index registered a 0.0% change rate (0.4% in the previous month).

BUDGETARY OUTTURN

In July, the **General Government (GG) budget balance on a cash basis** registered a deficit of €445.4M, €2,238.6M lower than on the same period of 2018. This improvement is a result of a higher growth in **revenue** (6.5%) than in **expenditure** (1.6%). However, this behaviour was also driven by specific factors without impact on a national account basis, namely the extension of the tax payment deadline to January 2nd, the regularization of payments related with swaps coupons in 2018 and the repayment of health overdue debt.

The revenue increase is mainly explained by the performance of **tax revenue** (5.8%), namely VAT, CIT and tax on oil and energy products, and **social security contributions** (6.9%). Additionally, it should be noted that the Banco de Portugal and CGD dividends increased to €667M (+€252M than in the same period of 2018).

On the expenditure side, the increase was mainly due to higher **compensation of employee's** (4.6%), reflecting the wage promotion measures, higher social security pensions (5.5%) and the EU financial contribution. On the other hand, there was a decrease in interest and other chargers (-7.8%).

The **primary balance** reached €4,900.1M, improving by €1,788.5M year-on-year. More information [here](#).

TREASURY FINANCING

According to the [IGCP](#), in July the **State direct debt**, without exchange rate hedging, amounted to €245,399M (-€1,311M than June). This is mainly due to the decrease in the T-Bills stocks (€1,571M). On the other hand, the PGB stock increased €1,108M.

On August 21st, IGCP [auctioned](#) a 3 and a 11-month T-bills, in the amount of €250M and €750M at weighted average yields of -0.563% and -0.557%, respectively.

GENERAL GOVERNMENT DEBT

According to [BdP](#), the **general government (GG) Maastricht debt** reached €251,192M in June (122.2% of GDP), minus €5,581M than in the previous month. Additionally, public debt net of general government deposits remained almost unchanged at €233,745M (+€107M than in the preceding month). The [2019 Manual on Government Deficit and Debt brought](#) a methodological change in the recording of capitalized interest on savings certificates in public debt. Namely, the amounts associated with the capitalized interest of savings certificates start to be considered as public debt. Therefore, there was an upward revision on public debt by 2.1% of GDP in 2018.