

### Economic Activity

In **2018**, GDP increased by **2.1%** in real terms (2.8% in 2017), 0.3p.p. above the Euro Area. This performance reflects, to a large extent, the negative contribution of net external demand; exports of goods and services have decelerated more markedly than imports. In the **4<sup>th</sup> quarter of 2018**, real GDP registered a growth rate of **1.7%** (+0.4p.p. q-o-q), a result also explained by the development of net external demand. INE's release available [here](#).

In February 2019, the economic climate indicator has improved, after declining in the three previous months. In the same month, the consumer confidence indicator kept deteriorating. INE's press release available [here](#).

### Tourism Industry

In December 2018, **hotel establishments** recorded a y-o-y increase of 2.5% in overnight stays (4.7% in November). Preliminary data points to a null growth rate for the whole year. The **average revenue per room** grew 2.3%, below the 2.8% recorded in November. INE's press release available [here](#).

### External Adjustment

#### i. International Trade

In the 4<sup>th</sup> quarter of 2018, nominal **exports of goods** increased **1.4%** y-o-y (+6.0% in the third quarter). Imports increased **8.7%** y-o-y, more 1.5p.p. than in the third quarter of 2018. INE's press release available [here](#).

#### ii. Balance of Payments

In 2018, the **current and capital account** balance stood at €903M (€2,699M in 2017). The major part of this decrease is explained by the evolution of the current account alone (less €2,109M than in 2017). By its turn, current account's deterioration was mainly due to an increase in the trade deficit of goods. BdP's data available [here](#).

### Labour market

According to INE, the **unemployment rate stood at 7%** in 2018 (down from 8.9% in 2017). Moreover, the employed population increased 2.3% y-o-y.

### Price Developments

The CPI 12-month average was 1.0% in February 2019 (0.9% in January). In the same month, the **CPI annual rate** was 0.9%, up from 0.5% in December, whilst core inflation stood at 1.0% (0.8% in the previous month). In February, the **HICP** annual rate of change in Portugal was 0.9% (0.6% in January). INE's data available [here](#).

According to INE's data, in January the **industrial production prices** index grew 1.2% y-o-y (2.7% in the

previous month). Excluding energy, the index registered a 1.3% growth rate (1.1% in December).

### Budgetary Outturn

In the first month of 2019, the **general government budget on a cash basis** stood at a surplus of €1,542.1M, €751M higher than in the same period of 2018. This evolution is partly due to some one-off effects as: (i) the extension of the deadline for tax payment to January 2<sup>nd</sup>, (ii) and the change in the accounting of withholdings on CGA pensions. If these effects are excluded, the general government surplus reaches €1,151.4M, more €360.3M in year-on-year basis. The **revenue** increases 10.4% (6.2% excluding one-off), showing the economic performance as tax revenue and social contributions grow 18.5% (10.5% excluding one-offs) and 4.9%, respectively.

On the **expenditure** side, there was a decrease of -1.9%, justified, mainly to a one-off effect on CGA<sup>1</sup> and the reduction on interest payment of the Metropolitan de Lisboa.<sup>2</sup> Excluding these effects, expenditure increases 5.7%, mainly explained by higher acquisition of goods and services (16.7%) and compensation of employees (5.2%). The **primary surplus** reached €1,748.3M, improving by €516.7M when compared to January of 2018.

### Treasury Financing

According to the Debt Management Agency (IGCP), in February the Portuguese **State direct debt** amounted to €246,827M, increasing €1,268M vis-à-vis December (0.5%) before cambial hedging. The evolution is mainly explained by the of the new 10-years benchmark (PGB 1.95%Jun2029) amounting to €4,000M, partially offset by the net amortization of T-bills (€993M) and CEDIC (€1,839M).

On February 13<sup>th</sup>, €705M of PGB 1.95%Jun2029 and €295M of PGB 2.25%Apr2034 were **auctioned**. The yields settled in 1.568% and 2.045%, respectively. Moreover, on February 20<sup>th</sup>, €898M and €150M of 12 and 3-month T-bills at weighted average yields of -0.363% and -0.389% were **issued**, respectively.

On January 31<sup>st</sup>, IGCP performed an **exchange offer**, buying €702M of PGB 4.8%Jun2020 at 106.87% in exchange of PGB 2.125%Oct2028 at 105.67% (in the same amount).

### General Government Debt

According to **BdP**, **general government Maastricht debt** reached €244,931M in December (121.5% of GDP, -3.2p.p. of GDP than in the previous year). Maastricht debt **net of deposits** of the general government stood at €228,301M (113.3% of GDP, which represents -1.3p.p. of GDP regarding 2018).

<sup>1</sup> Changes in the accounting of withholdings and discounts on pensions.

<sup>2</sup> Base effect, influenced by the regularization in 2018, of the payments related to swaps under a judicial court decision.

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