Economic Activity

In the quarter ended in November, the **economic activity indicator** decreased slightly, but remained at the same level as in Q3. The private consumption indicator decelerated, reflecting the negative contribution from the durable component. Meanwhile, the GFCF accelerated due to a stronger contribution from both transport equipment and machinery & equipment. INE's press release available here. The **economic climate indicator**, already available up to the quarter ended in January, also decreased slightly, but remains near the maximum since mid-2002. INE's release available here.

In the last quarter of 2018, the **retail trade turnover index** grew 4.6%, which compares to a growth of 2.4% in the third quarter, whilst the **services turnover index** increased by 4.1% in the quarter ended in November (5.1% in the quarter up to October).

Tourism Industry

According to INE, in November, **hotel establishments** recorded a y-o-y increase of 4.6% in overnight stays, after a null growth in October. The **average revenue per room** grew 2.7%, above the 1.1% recorded in October.

External Adjustment

i. International Trade

In the quarter ended in November 2018, **exports of goods** decreased by 1.0% and **imports of goods** grew by 5.8% (+2.9% and +4.4%, respectively, in the quarter ended in October). INE's press release available here.

ii. Balance of Payments

Up to November, the **current and capital account** balance stood at 863M€ (2,513M€ in the same period of 2017). This evolution is explained by the decrease of the current account, given that the capital account has improved in the same period. Current account's deterioration is explained by a less positive trade balance in goods. BdP's data available here.

Labour market

According to INE, in November **the unemployment rate stood at 6.7%** (+0.1pp than in the previous month). The provisional estimate for December is also 6.7%.

Price Developments

In January 2019, the **CPI** 12-month average rate was estimated at 0.9% (-0.1pp from 2018). The annual rate was 0.4% (0.7% in December), whilst core inflation stood at 0.7% (+0.1pp from the previous month).

Concerning the **HICP** annual rate of change in Portugal was 0.5% (0.6% in December) INE's data available here.

According to INE, in December, the **industrial production prices** index grew 2.7% y-o-y (3.7% in the previous month). If energy is excluded, the index increased 1.8%, 0.1pp below November.

Budgetary Outturn

In the year of 2018, the general government budget deficit on a cash basis stood at €2,083.4M, decreasing €475M with respect to 2017. Thus, regarding the 2018 State Budget, the balance reflects a positive deviation of €1,453.1M. This evolution is explained (in a Y-o-Y approach) by a higher increase in **revenue** (5.2%) than in **expenditure** (4.5%). The increase on total revenue is explained, majority, by fiscal revenue (+4.9%), with a 7.6% increase in direct taxes, and 2.7% in indirect taxes (it is worth to highlight the 10.2% increase in CIT, 5.6% in PIT and 4.1% in VAT). The social contributions increased by 6.2%. The growth in expenditure arises from the evolution in social benefits (4.0%), intermediate consumption (+8.5%) and compensation of employees (2.1%). The public investment increased by 3.6%.
The **primary surplus** reached €6,344M, more €604M than in 2018 (the interest expenditure increased 129.4M€).

Treasury Financing

According to the Debt Management Agency (IGCP), in December the Portuguese **State direct debt** amounted to €245,558M, decreasing vis-à-vis November by 0.7% and increasing 3.1% year-on-year. Indeed, during the year, the early reimbursement of the IMF loan (€5.515M) was more than offset by the stock increase of fixed (PGB) and variable (FRN) interest rate bonds (€8,263M and €1,000M, respectively), as well as treasury certificates (€1,384M) and CEDIC/CEDIM (€3,907M)

On January 9th, the Republic of Portugal launch a €4,000M syndicated issue of its new 10 years benchmark (PGB 1.95% June2029) with a re-offer yield of 1.978%. In addition, on January 16th, €500M and €1,250M (6 and 12 months T-bills) were issued at weighted average yields of -0.399% and -0.360%, respectively.

General Government Debt

According to BdP, **general government Maastricht debt** reached €251,476M in November (+€397M than in the previous month). In addition, the **Maastricht debt net of deposits of the general government** stood at €225,046M (+€574M than in the October).