

PORTUGAL

LATEST KEY DEVELOPMENTS

JUL 2019

ECONOMIC ACTIVITY

According to [INE's latest data](#), the **economic climate indicator slightly decreased in July**. In the same month, the confidence indicator increased in the Trade sector, and declined in Manufacturing, Construction and Public Works. Meanwhile, **the consumer confidence indicator increased** in the last three months.

LABOUR MARKET

According to INE's [provisional estimate](#), **the unemployment rate in June was 6.7%**, marginally above the previous month (6.6%). Furthermore, in June, the estimation for the unemployed population was 343.9 thousand people.

TOURISM INDUSTRY

In May, **tourism accommodation activity recorded 6.5 million overnight stays** (a y-o-y increase of +3.9%). The average stay was 2.51 nights per guest. Moreover, **average revenue per room** grew 0.4%, below the 5.0% growth recorded in April. INE's press release available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In May, nominal **exports of goods increased 8.7% y-o-y** (from 3.1% in April). By its turn, **imports increased by 14.7% y-o-y**, accelerating from the 11.4% recorded in the previous month. INE's press release available [here](#).

ii. Balance of Payments

Until May, in accumulative terms, the **current account** balance stood at -€3,146M (mainly due to the negative balance of good). By its turn, the capital account registered a positive balance of €532M while the financial account recorded a deficit of -€2,197M. BdP's data available [here](#).

PRICE DEVELOPMENTS

The CPI annual rate decreased to -0.3% in July (0.4% in June), in part due to the evolution registered in the restaurants and hotels sector. Meanwhile, the CPI 12-month average rate was 0.7% (minus 0.2 p.p. than in the previous month).

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

According to [INE's data](#), in June **the industrial production prices index** decreased -0.2% y-o-y (0.9% in May). Excluding energy, the index registered a 0.4% growth rate (0.6% in the previous month).

BUDGETARY OUTTURN

In June, the **general government (GG) budget on a cash basis** registered a deficit of €536.3M, €2,116.6M lower than on the same period of 2018. This improvement is a result of a higher growth in **revenue** (7.2%) than in **expenditure** (1.5%). 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 debts.

The revenue increase is mainly explained by the performance of **tax revenue** (7%), namely VAT, tax on oil and energy products and PIT, and **social security contributions** (6.5%). 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 employees** (4.3%), 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 (-7.7%).

The **primary balance** reached €4,284.2M, improving by €1,715.3M year-on-year. More information [here](#).

TREASURY FINANCING

According to the [IGCP](#), in June the **State direct debt**, without exchange rate hedging, amounted to €246,624M (-€5,633M than May). This is mainly due to the decrease in the PGB stock (€6,740M). On the other hand, the net issues of T-Bills was €1,289M. For the first time, the Portuguese Republic (€259 M) issued a Panda bond.

On July 10th, IGCP held two [PGB auctions](#). It was issued an amount of €814M and €293M of **PGB** 1.95%Jun2029 and PGB 4.1%Feb2045 at 0.510% and 1.426%, respectively.

On 24th July, IGCP bought €256M of PGB 4.8%Jun2020 at 104.69% and €541M of PGB 3.85%Apr2021 at 107.59%. It was [exchanged](#) by €321M of PGB 2.875%Jul2026, at 119.55%, and by €476M of PGB 2.125%Oct2028, at 116.3%.

Regarding **T-bills**, IGCP [auctioned](#) a 6 and 12-month T-bills at July 17th, in the amount of €500M and €1,000M at weighted average yields of -0.454% and -0.431%, respectively.

GENERAL GOVERNMENT DEBT

According to [BdP](#), the **general government (GG) Maastricht debt** reached €252,515M in May, more €7,609M than the end of 2018. Additionally, the GG Maastricht debt **net of deposits** stood at €229.379M, more €1,098M than 2018. Therefore, there was an increase of €6,511M in GG deposits since the beginning of the year.