

# PORTUGAL

## LATEST KEY DEVELOPMENTS

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# GPEARI

Gabinete de Planeamento, Estratégia,  
Avaliação e Relações Internacionais  
MINISTÉRIO DAS FINANÇAS

Office for Economic Policy  
and International Affairs  
MINISTRY OF FINANCE

### HIGHLIGHTS AND ECONOMIC ACTIVITY

The Quarterly National Accounts released by INE revealed that the **net lending of the General Government was 0.4% of GDP in first quarter of 2019** (up 1.4p.p from the 1<sup>st</sup> quarter of 2018).

After declining several months, the **consumer confidence indicator increased between April and June**. By its turn, the economic climate indicator increased in June, after decreasing in May, pushed by the increased confidence of Manufacturing, Construction, Public Works and Services sectors. More information [here](#).

### LABOUR MARKET

According to INE's [latest data](#), the **unemployment rate in April stood at 6.6%**, up 0.1p.p. from the previous month and 0.5p.p. below April 2018. In the same period, the unemployed population was estimated to be around 340 thousand people. The **provisional unemployment estimate for May**, by its turn, was also 6.6%.

### TOURISM INDUSTRY

In April, **tourism accommodation activity recorded 5.8 million overnight stays** (a y-o-y increase of 9.5%, partially due to the Easter effect). The average stay grew 0.4% y-o-y to 2.57 nights. Moreover, the **average revenue per room** grew 5.3%, (-1.7% in March). More information [here](#).

### EXTERNAL ADJUSTMENT

#### INTERNATIONAL TRADE

In April, **nominal exports of goods** increased 3.2% y-o-y (4.6% in March). **Imports of goods** increased by 10.9% y-o-y, a deceleration from the 11.3% recorded in the previous month. INE's press release available [here](#).

#### BALANCE OF PAYMENTS

In 2019, from January until April, **the current and capital account balance** stood at -€1.179M (a deterioration when compared to the -€290M in the same period of 2018). This outcome was in major part due to the Balance of Goods which registered a deficit of €5.759M (deficit of €4.133M in Jan-Apr 2018). BdP's data available [here](#).

### PRICE DEVELOPMENTS

The **CPI annual rate in June** was 0.4%, same value as in May, while the core inflation annual rate was 0.6% (+0.1p.p. than in May). By its turn, the CPI 12-month average is estimated at 0.9% in June (it was 1.0% in May). In the same month, the HICP annual rate of change in Portugal was 0.7% (0.3% in May). INE's data available [here](#).

In May, according to [INE's data](#), the **industrial production prices index** grew 0.9% y-o-y (2.0% in April). Excluding energy grouping, the index increased 0.6%.

### GENERAL GOVERNMENT ACCOUNTS

In the [1<sup>st</sup> quarter of 2019](#), the **general government (GG)** had a **net lending** of 0.4% of GDP (€178.5M). This reflects a revenue increase (6.2%) higher than the expenditure (2.6%). Revenue was largely determined by the increase in taxes (5.1%) and social contributions (5.9%) driving by the economic performance. On the expenditure side, compensations of employees grew 5.2% and capital expenditure 5.1%. On the other hand, interest expenditure and intermediate consumption decreased 5.4% and 2.1%, respectively.

### BUDGETARY OUTTURN

In May, the **GG budget on a cash basis** registered a deficit of €637.3M, €1,572.7M lower than on the same period of 2018. This improvement is a result of a higher growth in **revenue** (6.5%) than in **expenditure** (1.2%). 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 2<sup>nd</sup>, the swaps interest cost and the repayment of overdue debts.

The revenue increase is mostly explained by the increase of **tax revenue** (5.3%), mainly VAT and PIT, and **social security contributions** (6.8%). On the expenditure side, the increase was mainly due to higher **compensation of employee's expenditure** (4.3%), reflecting the career progression unfreezing and the increase of civil servants, and social security pensions (5.1%). On the other hand, there was a decrease in the acquisition of goods and services (-5.0%), mainly due to a basis effect on NHS (payment of overdue debt), and in interest expenditure (-2.4%).

The **primary balance** reached €3,000.6M, improving by €1,484.5M year-on-year. More information [here](#).

### TREASURY FINANCING

According to the [Debt Management Agency](#) (IGCP), in May the Portuguese **State direct debt**, without exchange rate hedging, amounted to €252,257M (+€56M than end of April,). The PGB and Treasury Certificates stocks increase by €1,250M and €69M, respectively. The net amortization of T-Bills was €1,337M.

On June 12th, IGCP held two auctions of PGB. It was issued, at the competitive phase, an amount of €625M for both **PGB 1.95%Jun2029** and **PGB 2.25%Apr2034** at 0.639% and 1.052, respectively.

Regarding **T-bills**, IGCP [auctioned](#) a 3 and 11-month T-bills at June 19th, in the amount of €250M and €1,000M at weighted average yields of -0.425% and -0.395%, respectively.

### GENERAL GOVERNMENT DEBT

[According to BdP](#), the **general government Maastricht debt** reached €252,355M in April, more €1,968M vis-a-vis March and more €7,449M than the end of year). The GG Maastricht debt **net of deposits** stood at €229.931M, more €2,246€ than last month and more €1,650M than the end of year. Therefore, there was an increase of €5,799M in GG deposits since the beginning of the year.