

Highlights

S&P's has upgraded the rating of the Portuguese debt from **BBB- / A-3 to BBB / A-2**, giving it a stable outlook. MoF press release [here](#) (in Portuguese).

According to [INE's quarterly sectoral accounts](#), **General Government recorded a net borrowing of 0.5% of GDP** (€912.8M). Meanwhile, the primary surplus improved by 2.1 p.p., reaching 3% of GDP (€6,042.8M).

The **economic climate indicator has increased** both in February and in March, after decreasing between November and January. Meanwhile, the consumer confidence indicator has slightly deteriorated. INE's press release [here](#).

Tourism Industry

In January, **tourism accommodation activity** recorded 3.0 million overnight stays (an increase y-o-y of 4.7%). The average stay declined by 2.3% to 2.38 nights per tourist. Meanwhile, **average revenue per room** grew 4.9%, above the 1.6% recorded in December. INE's press release [here](#).

Labour market

[According to INE](#), the provisional estimate for the **unemployment rate** in February 2019 was 6.3%, down 0.3 p.p. from January.

External Adjustment

i. International Trade

In January, nominal **exports of goods** increased 4.1% y-o-y (+7.3% in December). Imports increased by 16.6% y-o-y, an acceleration from the +8.1% recorded in December, mainly due to the increase of *Transport Equipment* imports. INE's press release [here](#).

ii. Balance of Payments

In January, the **current and capital account** balance stood at -€700M (-€456M in January 2018). While the capital account remained positive (€40M), the current account decreased €214M vis-à-vis January of last year. This reduction was mainly due to the deterioration of the balance of goods which decreased by €382M. Bank of Portugal's data [here](#).

Price Developments

According to a flash estimate, the CPI 12-month average was 1.0% in March (same value in February). By its turn, the **CPI annual rate** was 0.9%, same figure in the previous

month, whilst core inflation stood at 0.7% (1.0% in the previous month). Also in March, **the HICP annual rate** of change in Portugal was 0.8% (0.9% in February). INE's data [here](#).

Budgetary Outlook

In the first two months of 2019, the [general government budget surplus on a cash basis](#) stood at €1,301M, more €1,032M than in the same period of 2018. The budget balance, adjusted of some one-off effects, namely the extension of the deadline for tax payment to January 2nd, the change in the accounting of withholdings on CGA pensions and the payment of interest in 2018, regarding the judicial court decision on the "swaps process", only improves €352.2M. The **primary surplus** reached €2,817.5M (€2,526.5M excluding one-offs), €808.6M higher (or €398.1M excluding one-offs) vis-à-vis 2018. The **revenue** increases 10.7%, mainly due to the performance of tax revenue (13.2%) and social contributions (6.5%). The expenditure increased 2.7%, mainly explained by the compensation of employees (4.8%), social security (5.6%) and the expenditure to cover past losses in the health sector.

Treasury Financing

According to the Debt Management Agency (IGCP), the Portuguese **State direct debt** [amounted](#) to €249,045M in February, increasing 0.9% vis-à-vis January. This was mainly explained by the net issuance of PGB and T-B. Already on March, it was issued €388M of PGB 2.875% Jul2026 at 0.763% and €862M of PGB 1.95% Jun2029 and 1.298%, on March 13th. On March 27th, IGCP performed an [exchange offer](#) buying €619M of PGB 3.85%Apr2021 at 108.48% and selling PGB 3.875%Oct2030 at 125.4%. Additionally, on March 20th, €400M and €1,337.5M of 6 and 12-month T-bills [were issued](#) at weighted average yields of -0.393% and -0.366%, respectively.

General Government Debt

According to [BdP](#), **general government Maastricht debt** reached €247,958M in January (€3,027M higher than in the previous month). **Maastricht debt net of general government deposits** stood at €227,431M (minus €870M than in the previous month).