

PORTUGAL

LATEST KEY DEVELOPMENTS

OCT 2019

HIGHLIGHTS

On October 6th general elections to the Parliament took place. The [new government](#) took office on 26th October.

On October 4th, DBRS improved the credit **rating** for Portugal to BBB (high) with a stable outlook.

ECONOMIC ACTIVITY

Also according with [INE](#), in Portugal, **the economic activity indicator**, available until August, **increased slightly**. At the same time, the quantitative indicator of private consumption decelerated, reflecting the less intense positive contribution of the non-durable consumption component. Also in August, the GFCF indicator accelerated, mainly due to the positive contribution of the construction component.

Moreover, **the Consumer confidence indicator decreased in October**, after increasing in the six previous months. The economic climate indicator also decreased in October, similarly to the two previous months. More information [here](#).

LABOUR MARKET

According to [INE's estimate](#), **the unemployment rate in August was 6.4%**, while the provisional rate for September is 6.6%. Furthermore, in September, the estimation for the unemployed population is 344.9 thousand people in a labour force of about 5.2 million people (15 to 74 years).

TOURISM INDUSTRY

In August, **tourism accommodation activity** recorded **9.5 million overnight stays** (a y-o-y increase of +2.6%). The average stay was 2.88 nights per guest (a decrease y-o-y of 2.7%). Moreover, **average revenue per room** grew 1.5% when compared with the same month of 2018. [INE's press release](#) available [here](#).

EXTERNAL ADJUSTMENT

i. International Trade

In August, nominal **exports and imports of goods** decreased by about 3.8% and 4%, respectively (+1.3% and +9.5% in July, respectively). [INE's press release](#) available [here](#).

ii. Balance of Payments

From January to August, in accumulative terms, the **current account (CA)** balance stood at -€419M; an improvement in relation to the accumulative figure of July 2019. The deficit of the CA is mainly explained by the negative balance of goods (-11,230M). Balance of services have registered a surplus of €11,361M, leading to a small trade balance surplus. At the same time, the capital account registered a positive balance of €1,105M. [BdP's data](#) available [here](#).

PRICE DEVELOPMENTS

The provisional CPI annual rate estimate for October was 0.0% (+0.1pp than in September). At the same time, core inflation stood at 0.3%. Meanwhile, the HICP annual rate of change was -0.1% (-0.3% in September). [INE's data](#) available [here](#).

Also according to [INE's data](#), in September **the industrial production prices index** decreased 1.8% y-o-y (-1.1% in August). Excluding energy, the index also decreased 0.6% (it decreased 0,1% in August).

BUDGETARY OUTTURN

In September, the **General Government budget balance on a cash basis** recorded a surplus of €2,541.9M, €1,231.3M over the same period of 2018. The improvement is due to an increase of 4.8% in **revenue** that more than offset the increase of 2.9% in **expenditure**.

The revenue increase is mainly explained by the performance of the **tax revenue** (3.9%), namely VAT, tax on oil and energy products and PIT, and **social security contributions** (7.1%).

On the expenditure side, the **compensation of employee's** increased 4.6%, and the **social security pensions** increased 5.4%. On the other hand, there was a decrease in the interest and other charges expenditure (-7.8%).

The **primary surplus** reached €8,386,5M, standing €733,6M greater than same period of 2018. More information [here](#).

TREASURY FINANCING

According to the [IGCP](#), in September the **State direct debt**, amounted to €246,822M (more €209M than August). This is mainly due to the increase in the PGB stock (€1,173M).

On October 17th, IGCP made a **early redemption** of €2B of the EFSF loan. This repayment refers to EFSF principal repayment obligations that were due in August and December 2025.

On October 9th, IGCP issued €750M of the [PGB](#) 2.25% 18Apr2034. at 0.49%. Regarding [T-bills](#), IGCP auctioned, on October 16th, a 3 and a 11-month T-bills, in the amount of €350M and €900M at a weighted average yields of -0.475% and -0.45%, respectively.

Also, on 2nd October IGCP performed an exchange offer. It bought €560M of the [PGB](#) 3.85%Apr2021 and €350M of the [PGB](#) 2.2%Oct2022 selling €560M of the [PGB](#) 4.125%Apr2027, at 130.9%, and €350M of the [PGB](#) 4.95%Oct2023.

GENERAL GOVERNMENT DEBT

According to [BdP](#), the **General Government Maastricht debt** amounted to €252,065M in August, more €1,068M than in the previous month, and €2,922M above the end of 2018.

Additionally, **public debt net of general government deposits** stood at €233,122M.