

Economic Activity

According to [INE's latest data](#), **GDP growth** in the 1st quarter of 2019 stood at 1.8% y-o-y (0.5% q-o-q), 0.1 p.p. above the previous quarter. This performance reflects a strong increase of the contribution from domestic demand (4.8 p.p.), due to an acceleration of investment (GFCF) to 11.7%, especially in construction (12.4%) and other machinery and equipment (16.8%), and a more positive contribution from changes in inventories (+1.1 p.p.). Meanwhile, net external demand shows a more negative contribution, partially offsetting the recovery of domestic demand, due to a stronger acceleration of imports.

Meanwhile, the consumer confidence indicator increased in April and May, after declining in the five previous months. Anyhow, the economic climate indicator has slightly decreased in May. More information [here](#).

Labour market

According to [INE's latest data](#), **the unemployment rate in the first quarter of 2019 was 6.8%**, up 0.1p.p. from the previous quarter but 1.1p.p. lower than the rate of first quarter for 2018. In the same period, the unemployment population was estimated at 353.6 thousand people.

Tourism Industry

[According to INE](#), in March, **tourism accommodation activity** recorded **4.5 million overnight stays** (a slight decrease of 0.2%, y-o-y). Moreover, revenue from accommodation grew 3.1% (4.2% in February).

External Adjustment

i. International Trade

In the 1st quarter of 2019, nominal **exports and imports of goods** grew by 4% and by 13.4% respectively, vis-à-vis the 1st quarter of 2018 (+5% and +11.6% in the quarter ended in February, respectively). More information [here](#).

ii. Balance of Payments

In 2019, until March, the **current and capital account** balance stood at -€1 231M (a deterioration of €1 153M when comparing with the same period of 2018). Capital account registered a positive figure of €359M, while the current account deficit was mainly due to the evolution of the balance of goods. BdP's data available [here](#).

Price Developments

The CPI 12-month average is estimated at 1% in May (same as in April). By its turn, the **CPI annual rate** was 0.5%, below April (0.8%), whilst core inflation stood at 0.6% (-0.2 p.p. than in the previous month). In the same month, the **HICP** annual rate of change in Portugal was 0.4% (0.9% in April). INE's data available [here](#).

According to [INE's](#) data, in April the **industrial production prices** index grew 1.9% y-o-y (1.6% in March). Excluding energy, the index increased 0.7%.

Budgetary Outturn

In April, the general government budget on a cash basis registered a deficit of €1,259M, €785.7M lower than on the same period of 2018. This evolution resulted of a higher growth rate in **revenue** (4.5%) than in **expenditure** (1.1%). However, this behavior was driven by specific factors without impact on a national account basis, namely the extension of the tax payment deadline to January 2nd, the swaps interest cost and the repayment of overdue debts.

The revenue increase is mostly explained by the good performance of **tax revenue** (+7.1%), mainly VAT and PIT, and **social security contributions** (6.3%). The decrease in other current revenues (-7.7%) is justified by the different intra annual pattern of Banco de Portugal dividends.

On the expenditure side, the increase was due to higher **compensation of employee's expenditure**, reflecting the career progression unfreezing, social security pensions and the European Union financial contribution. On the other hand, there was a decrease in the acquisition of goods and services (-6.0%) due to a basis effect, namely the **payment of National Health Service's arrears**.

The **primary balance** reached €2,130.4M, improving by €682.9M year-on-year. More information [here](#).

Treasury Financing

According to the [Debt Management Agency \(IGCP\)](#), in April the Portuguese **State direct debt** amounted to €252,201M, which represents a 1% increase vis-à-vis March (before cambial hedging). This evolution reflects the issuance of **PGB** (€1,222M) and **T-Bills** auctions (€1,254M).

On May 8th, €800M of PGB 1.95%Jun2029 and €450M of PGB 2.25%Apr2034 were issued at 1.059% and 1.563%, respectively. On May 22nd was performed an exchange offer amounting to €742M between PGB 2,875%Jul2026 and PGB 3.85%Apr2021, extending the maturity for 5 years. Finally, on May 30th has been issued the [1st Panda bond](#) with maturity on 2022 and amounting to RMB 2 billion.

Regarding **T-bills**, IGCP auctioned at May 15th €500M and €1,000M of 6 and 12-month T-bills at weighted average yields of -0.396% and -0.37%, respectively.

General Government Debt

[According to BdP](#), the **general government Maastricht debt** reached €250,387M in March (+€1,124M than in February) and 123.3% of GDP (+1.8p.p. than December 2018). On the other hand, Maastricht debt **net of deposits** stood at 112.2% of GDP (-1p.p. than at the year-end).

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