Highlights

In April, the government deliver the Stability Program (SP) 2018-22 and the National Reform Program. The SP 2018-2022 is based on prudent forecasts, which pursues fiscal consolidation and debt reduction.

The rating agency Moody's upgraded its rating range for Portuguese debt to Baa1-Baa3, placing it within the Investment level. In addition, the DBRS agency, in its most recent evaluation, improved the Portuguese debt rating by one degree above the investment level.

Economic Activity

The economic climate indicator has stabilized in April, after increasing in March. Meanwhile, the consumer confidence indicator increased in both March and April. INE's press release available here.

The economic activity indicator, available until February, has stabilized. Both quantitative indicator of private consumption and GFCF indicator decelerated. More information available here.

Labour market

According to INE's latest data, **February unemployment rate stood at 7.6%** - 0.3 p.p. below the figure of the previous month. Moreover, the unemployment provisional estimate for March is 7.4%, the lowest value since April 2003.

Tourism Industry

In January, **tourism accommodation activity** recorded **2.95 million overnight stays** (an increase y-o-y of 6.2%). The average stay decreased marginally by 0.3% to 2.56 nights per tourist. Meanwhile, **average revenue per room** grew 9.3%, below the 10.6% recorded in January. INE's press release available here.

External Adjustment

i. International Trade

In February, nominal **exports of goods** increased 6.2% y-o-y (10.0% in January), being exports of Transport Equipment the main contributor to this result. Imports increased by 8.5% y-o-y, a deceleration from the 12.1% recorded in January. INE's press release available here.

ii. Balance of Payments

In 2018, until February, the **current and capital account** balance stood at -€556M (a deterioration of €397M in relation with the same period of 2017). Capital account registered a positive figure of €211M, while the current account deficit was mainly due to the evolution of the balance of goods. BdP's data available here.

Price Developments

In March, the **HICP** annual rate of change in Portugal was 0.8% (0.7% in February), a figure 0.6p.p. below the Euro Area average. INE's data available here.

According to INE's data, in March the **industrial production prices** index grew 0.8% y-o-y (1.5% in February). Excluding energy, the index registered a 1.3% growth rate (1.7% in the previous month).

Budgetary Outturn

Until March, the general government budget on a cash basis registered a balance of -€377.3M, which corresponds to an improvement of €13.7M comparing with the same period of 2017. This evolution is explained by a slightly higher growth rate in **revenue** (3.5%) than in **expenditure** (3.4%).

The revenue increase is mostly explained by the growth of 5.4% in tax revenue and 4.5% in social contributions. For this evolution, it must be highlighted the contribution of the VAT and PIT revenues, with increases of 8.0% and 2.4%, respectively.

The growth in expenditure arises essentially from the acquisition of goods and services (+12%, which includes payment of debts owed by entities of the National Health Service), from interest and other charges (+13.9%), and current transfers (+2.8%). These were partially offset by lower compensation of employees (-2.8%), following the end of the payment of the Christmas bonus in twelfths.

The **primary surplus** reached €1,742.0M, improving by €272.3M (18.5%) when compared to the same period of 2017.

Treasury Financing

According to the Debt Management Agency (IGCP), in March the Portuguese **State direct debt** amounted to €241,073M, which represent a 0.3% increase vis-à-vis February. This evolution is explained by the issuance of PGBs and T-Bills amounting to €1,371M and €1,443M, respectively. In this month, the total issuance of €6,108M was partially offset by the redemption of €5,365M.

On April 18th, it was auctioned a couple of T-bills amounting €1,250M (BT 20JUL2018 and BT 22MAR2019), with an average yield of -0.430% (€300M) and -0.389% (€950M), respectively.

General Government Debt

According to BdP, **general government Maastricht debt** stood in €246,022M during February (+€2,416M than in January). Maastricht debt **net of deposits** of the general government reached €223,288M (+€189M than in the previous month).

Gabinete de Planeamento, Estratégia, Avaliação e Relações Internacionais
Office for Economic Policy and International Affairs