## Economic Activity

In the 2nd quarter of 2018, GDP grew 2.3% y-o-y in real terms, (2.1% in previous quarter). The contribution of domestic demand is now higher due to an acceleration of Private Consumption to 2.6%, explained essentially by a strong growth of the Consumption of Durables. Investment, meanwhile, decelerated driven by the decrease of Gross Fixed Capital Formation in Transport Equipment (due the basis effect). Net external demand is now slightly more negative as a result of a stronger acceleration of Imports when comparted to Exports. In quarterly terms, GDP posted a growth of 0.5%, above the 0.4% of the 1st quarter. The acceleration is explained by a slightly higher contribution from domestic demand, whilst the contribution of net external demand remained unchanged. INE's press release available here.

According to INE's latest data, the economic climate indicator stabilized in August, after attaining in July the maximum value since May 2002. In the reference month, the confidence indicators increased in Manufacturing Industry and in Services, and decreased in Construction and Public Works and in Trade. The Consumer confidence indicator decreased between June and August, after attaining in May the maximum value of the series.

## Labour market

Latest data from INE shows that **the unemployment rate in July stood at 6.8%**, unchanged from June and at the lowest level since October 2002. Employed population is estimated at 4.8 million people, 100.4 thousand more than one year before. INE's release available here.

## Tourism Industry

In June, **tourism accommodation activity** recorded **5.8 million overnight stays**. The average stay was 2.8 nights per guest. Moreover, **average revenue per room** grew 7.2%, (8.7% in May). INE's press release available here.

## External Adjustment

### i. International Trade

In June, nominal **exports of goods** increased 8.6% y-o-y (from 6.2% in May). In same period, **imports of goods** increased by 18.1% y-o-y (+0.6% in the previous month). INE's press release available here.

### ii. Balance of Payments

In 2018, until June, in accumulative terms, the **current account** balance stood at -€2,411M (partly explained by a negative balance of goods of €6,573M). In the same period, the capital account registered a positive balance of €733M. BdP's data available here.

## Price Developments

The CPI 12-month average was estimated at 1.2% in August, up from 1.1% in July. Meanwhile, the **CPI annual rate** was 1.2%, 0.4 p.p. below July, whilst core inflation also decelerated 0.4 p.p., to 0.6%. In the same month, the **HICP** annual rate of change in Portugal was 1.3% (down from 2.2% in July). INE's flash estimate available here.

According to INE's data, in July the **industrial production prices** index grew 4.4% y-o-y, 0.4 p.p. above the preceding month. Excluding energy, the index registered a 1.9% growth rate (1.8% in June).

## Budgetary Outturn

Until July 2018, the general government budget deficit on a cash basis stood at €2,623.8M, €1,109.7M lower than in the same period of the previous year. This evolution is explained by an increase of 5.3% in revenue, 2.7 p.p. higher than the increase in **expenditure** (2.5%).

The revenue increase follows the economic and labour market developments expressed by the taxes revenue upward (+6.5% of direct taxes and 3.7% of indirect taxes) and social security contributions (+4.9%). On the expenditure side, the raise comes mainly from the purchase of goods and services (+8.6%, due to payment of National Health Service's arrears), from current transfers (+1.6%) and from interests and other charges (5.6%). As happened in the previous months, there was a partially offset from a lower compensation of employees (-1.2%), following the end of the payment of half of the Christmas bonus in twelfths.

The **primary surplus** reached €3,172.2M, an increase of €1,417.1M year-on-year.

## Treasury Financing

According to the Debt Management Agency (IGCP), in July the Portuguese State direct debt stood in €244,653M, which represents a 0.4% increase over June (before exchange rate hedging).

On August 15th, were issued €250M and €750M of 3 and 12-month T-bills, at weighted average yields of -0.432% and -0.291%, respectively.

## General Government Debt

According to BdP, Maastricht debt reached €246,673M in June (-€3,640M than in the previous month). Maastricht debt net of general government deposits stood at €227,473M (+€1,149M than in the preceding month).