Economic Activity

In 2017, **GDP** increased by 2.7% in real terms, 1.1p.p. higher than in the previous year and 0.2p.p. above the Euro Area. This performance reflects, to a large extent, a strong acceleration of Investment. INE's release available here. It is also worth mentioning an upward revision of growth in 2016 from 1.5% to 1.6%. This has partially led to a drop in the **general government Maastricht debt** from 129.9% of GDP in 2016 to 125.6% in 2017. Press release available here (in Portuguese only).

In the last quarter of 2017, the **GDP** increased 2.4% y-o-y (+0.7 q-o-q), reflecting more positive contribution from Net External Demand, offsetting a less positive contribution from Domestic Demand. Meanwhile, the **economic climate indicator** has stabilized in the quarter ended in February 2018. INE's press release available here.

Tourism Industry

In December, **hotel establishments** recorded a y-o-y increase of 9.8% in overnight stays (8.8% in November). Preliminary data points to an increase of 7.4% for the whole year of 2017. The **average revenue per room** grew 18.4%, above the 15.4% recorded in November. INE's press release available here.

External Adjustment

i. International Trade

In the 4th quarter of 2017, nominal **exports of goods** increased 8.3% y-o-y, 1.7p.p. below the quarter ended in November. Imports decreased 10% y-o-y, -3.3p.p. than in the quarter ended in the preceding month. INE's press release available here.

ii. Balance of Payments

In 2017, the **current and capital account** balance stood at €2,699M (€2,978M in 2016). The major part of this reductions is explained by the decrease in the current account (-€222M in 2017). Current account's deterioration was mainly due to an increase in the trade deficit of goods. BdP's data available here.

Labour market

According to INE, in December **the unemployment rate stood at 8%** (-0.1p.p. than in the previous month). The provisional estimate for January is 7.9%.

Price Developments

The CPI 12-month average was 1.3% in January (1.4% in December). In January 2018, the **CPI annual rate** was 1.0%, down from 1.5% in December, whilst core inflation stood at 0.9% (-0.3p.p. than in the previous month). In January, the **HICP** annual rate of change in Portugal was 1.1% (1.6% in the December), 0.2p.p. below the Euro Area average. INE's data available here.

According to INE's data, in January the **industrial production prices** index grew 1.3% y-o-y (2.2% in the previous month). Excluding energy, the index registered a 1.9% growth rate (1.7% in December).

Budgetary Outturn

In the first month of 2018, the general government budget on a cash basis stood at a surplus of €774.8M, €152.9M higher than in the same period of 2016. This evolution is explained by higher increase in **revenue** (6.8%) than in **expenditure** (4.7%).

The revenue increase is mostly explained by fiscal revenue (8.1%), with an 11.1% increase in direct taxes and 5.9% in indirect ones, and social security contributions (7.4%). From the former, while PIT had the biggest contribution, increasing 8.4%, CIT had the largest upsurge (289.6%). Moreover, it's worth highlighting the rise in VAT (7.3%) as well as the growth in tobacco tax revenues (23.9%).

On the other hand, the growth in expenditure arises mainly from the upsurge in interest payments (132.5%) – related to the *swaps* of Metropolitano de Lisboa (€269.5M) – and higher investment (26.7%), partially offset by lower compensation of employees (-6.7%).

The **primary surplus** reached €1,225.3M, improving by €409.6M (50.2%) when compared to the same period of 2016.

Treasury Financing

According to the Debt Management Agency (IGCP), in January the Portuguese **State direct debt** amounted to €238,760M, remaining broadly unchanged vis-à-vis December (0.2%) before cambial hedging. The evolution is mainly explained by the issuance of €4,000M (PGB 2.125% Oct2028) representing 21.5% of 2018 gross borrowing requirements through a syndicated issuance, partially offset by the net amortization of T-bills (€1,690M) and the early redemption of the IMF loan (€831M).

On February 14th, another €821M were auctioned on the same PGB plus €490M on the PGB 2.2% Oct2022, with a yield of 2.046% and 0.577% respectively, amounting to €1,311M. Moreover, a total of €1,100M in two T-bills lines were auctioned with an average yield of -0.417% (€300M) and -0.393% (€800M).

General Government Debt

According to BdP, **general government Maastricht debt** reached €242,598M in December (-€197M than in the previous month). Maastricht debt **net of deposits** of the general government stood at €223,003M which amounts to 115.5% of GDP (-2.3p.p. in a y-o-y basis).

Disclaimer:
The information contained in this document has been compiled or arrived at from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. This document is published for the assistance of recipients, but is not to be relied upon as authoritative or taken in substitution for the exercise of judgment by a recipient and, therefore, does not form the basis of any contract or commitment whatsoever. The GPEARI of Ministry of Finance does not accept any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.