

Economic Activity

According to INE's [latest data](#), in the first quarter of 2018, **GDP grew 2.1% y-o-y** (2.4% in the previous quarter). The domestic demand was the main driver of this economic growth result. In the case of Investment, as GFCF slowed down, its evolution was led by the behavior of change in inventories; whereas exports have decelerated in part due to a strong base-effect.

In April, the monthly economic climate indicator has stabilized. More information [here](#).

Labour market

According to INE's [latest data](#), **the unemployment rate for March was 7.5%**, down 0.1p.p. from the previous month. It is the lowest monthly unemployment figure since April 2004. Furthermore, the estimation for the unemployed population was 386 thousand people (less 9.6 thousand than in the previous month).

Tourism Industry

In March, **tourism accommodation activity** recorded **4 million overnight stays** (an increase y-o-y of 10.3%). The average stay decreased by 1.1% to 2.64 nights per tourist. Moreover, **average revenue per room** grew 16.8%, above the 8.4% recorded in February. INE's press release available [here](#).

External Adjustment

i. International Trade

In the first quarter of 2018, nominal **exports of goods** increased 2.7% y-o-y (8.4% in last quarter of 2017). Imports increased by 6.3% y-o-y, a deceleration from the 9.8% recorded in the previous quarter. INE's press release available [here](#).

ii. Balance of Payments

In 2018, until March, the **current and capital account** balance stood at -€78M (a deterioration of €11M when comparing with the same period of 2017). Capital account registered a positive figure of €330M, while the current account deficit was mainly due to the evolution of the balance of goods. BdP's data available [here](#).

Price Developments

According to the flash estimate, the CPI 12-month average was 1.0% in May (1.1% in April). By its turn, the **CPI annual rate** was also 1.0%, whilst core inflation stood at 0.6% (+0.4p.p. than in the previous month). In the same month, the **HICP** annual rate of change in Portugal was 1.4%. INE's data available [here](#).

According to INE's data, in April the **industrial production prices** index grew 1.2% y-o-y (1.0% in February). Excluding

energy, the index registered a 1.2% growth rate (1.4% in the previous month).

Budgetary Outturn

Until April, the [general government budget on a cash basis](#) registered a deficit of €2,022.3M, €164.9M higher than on the same period of 2017. This evolution resulted of a slightly higher growth rate in **expenditure** (4.1%) than in **revenue** (3.8%). However, this behavior was mainly driven by specific factors without impact on a national account basis.

The revenue increase is mostly explained by higher dividends and profit participations (+3.2%), as most of dividends were paid latter last year, social security contributions (+ 4.7%) and tax revenue (+ 1.2%). On tax revenue the positive contribution of the VAT must be highlighted, partially offset by PIT revenues that decrease due to a lower refund average payment period.

On the expenditure side, the increase was due to interest and other charges (+20%), as payment of interest rate swaps coupons of Metropolitan de Lisboa E.P.E and of Metro do Porto, S.A, purchase of goods and services (+12%, including payment of debts owed by entities of the National Health Service - SNS) and current transfers (+1.7%). These were partially offset by lower compensation of employees (-2.7%), following the end of the payment of half of the Christmas bonus in twelfths.

The **primary surplus** reached €1,473.8M, improving by €417.8M when compared to the same period of 2017.

Treasury Financing

According to the Debt Management Agency (IGCP), in April the Portuguese **State direct debt** [amounted](#) to €245,451M, which represents a 1.8% increase vis-à-vis March (before cambial hedging). This evolution reflects the issuance of the new 15 years PGB (€3,000M) and T-Bills auctions (€1,254M).

On May 9th, €724M of PGB 4.95%Oct2023 and €483M of PGB 2.125%Oct2028 were [issued](#). The yield was 0.529% and 1.67% and the price was 123.72% and 104.32%, respectively. On May 16th IGCP [auctioned](#) €500M and €1,250M of 6 and 12-month T-bills at weighted average yields of -0.351% and -0.272%, respectively.

General Government Debt

According to [BdP](#), in March **general government Maastricht debt** reached €245,852M (-€170M than in February) and 126.3% of GDP (+0.6p.p. than December 2017). Maastricht debt **net of deposits** of the general government stood at €223,233M (-€55M than in the previous month) and 114.6% of GDP (-0.7p.p. than at year end).

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