

## Highlights

The [State Budget for 2019](#) (SB2019) was submitted to Parliament on October 15<sup>th</sup>. The Draft Budgetary Plan was also submitted to the European Commission (english version [here](#)).

On October 12<sup>th</sup>, Moody's upgraded its rating for Portuguese debt to Baa3, placing it within the [Investment level](#).

## State Budget

On the SB2019 is planned a **general government overall balance** of -0.2% of GDP in 2019 (-0.7% of GDP in 2018) and a further decline of the **public debt** to 118.5% of GDP (-10.7p.p. over 3 years). The primary surplus is projected to increase to 3.1% of GDP in 2019 (2.7% of GDP in 2018). The macroeconomic scenario projected in the SB2019 points to an **economic growth** of 2.2% in 2019 (2.3% in 2018), driven by investment and exports.

The SB2019 continue to pursuing a balance between inclusive economic growth, employment, productive investment, improvement of public services, and a sustainable fiscal consolidation.

The main measures proposed in the SB2019 include fiscal measures to support families, the competitiveness of business sector, an increase in purchasing power of the lowest pensions, the increase of public investment (including on hospitals), the reduction of energy burden and launch a program to eradicate undignified housing.

## Economic Activity

Until August, the economic activity indicator remained stable. The private consumption indicator accelerated, whilst the GFCF decelerated. Meanwhile, the economic climate indicator stabilized in October. INE's release available [here](#).

## Tourism Industry

In August, **hotel establishments** recorded a y-o-y decrease in overnight stays of 1.9% (-2.5% in July). This decrease keeps being driven by non-residents stays. At the same time, the **average revenue per room** increased 2.7% (5.2% in June). INE's data available [here](#).

## External Adjustment

**International Trade:** In the quarter ended in August, exports and imports of goods grew 8.9% and 12.6% respectively, vis-à-vis the quarter ended in August 2017. INE's release available [here](#).

**Balance of Payments:** In the first eight months of the year, the current and capital accounts reached a surplus of €125M (it was €1,249M in the same period of 2017).

The trade balance stood at +€1,815M. BdP's data available [here](#).

## Labour market

The definitive **unemployment rate** estimate for August was 6.9%, up 0.1p.p. from July. The provisional figure for September is substantially lower at 6.6%. INE's release available [here](#).

## Price Developments

The **CPI** flash estimate for October points at an annual growth rate of 1.0%, 0.4p.p. below the figure for September. The 12-month average rate of growth is estimated at 1.1%, 0.1p.p. below the previous month. Also in October, the **HICP** annual growth rate is estimated to be 0.9%, 1.3p.p. below the figure for the Euro area. INE's data available [here](#).

## Budgetary Outturn

Up until September 2018, the general government [budget balance](#), on a cash basis, was €1,337.5M, improving by €1,884.8M y-o-y. The registered increase of 2.2% in **expenditure** was more than offset by the increase of 5.4% in the **revenue** side.

The **expenditure** evolution mainly results from the relative increase of 7.2% in purchase of goods and services (reflecting large payments of arrears from the health national system), 1.3% in current transfers (due to an upsurge on social benefits and transfers to EU) and the 3.8% growth in interest expenditures. The revenue increase is mainly explained by fiscal and social contribution revenue (increases of 5.4% and 4.9%, respectively), in line with economic growth and labour market improvements. The other current revenue presented a y-o-y growth of 8.5%.

## Treasury Financing

On October 10<sup>th</sup>, €782M of PGB 2.125% Oct2028 [were issued](#) with a yield of 1.939%. In addition, in October 17<sup>th</sup>, €250M and €1,000M of 3 and 12-months T-bills [were issued](#) at average weighted yields of -0.426% and -0.260%, respectively.

## General Government Debt

According to [BdP](#), the Maastricht debt amounted to €249,269M in August, €1,012M above July. However, Maastricht debt net of central government deposits decreased €2,751M to € 224,868M.

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