Economic Activity

The National Statistic Institute has revised upwards the estimate for real GDP in 2016, 2017 and for the first half of 2018. Thus, in 2016 GDP increased 1.9%, 2.8% in 2017 and 2.3% in the first half of 2018 on average (1.6%, 2.7% and 2.2% in the previous forecast, respectively). Press release available here.

According to INE's quarterly sector accounts, the Portuguese economy registered a **net lending** of 0.7% of GDP in the year ending in the 2nd quarter; a decrease of 0.4 p.p. compared with the previous quarter. In terms of institutional sectors, this result is mainly due to a deterioration of the net borrowing position of Non-Financial Corporations by 0.3 p.p..

Tourism Industry

In July, **hotel establishments** recorded a y-o-y decrease in overnight stays of 2.8% (-3.2% in June). This decrease was mainly due to non-residents stays. At the same time, the **average revenue per room** increased 5.6% (7.5% in June). INE's data available here.

External Adjustment

i. International Trade

In the quarter ended in July, **exports and imports of goods** grew 9.4% and 8.7% respectively, vis-à-vis the quarter ended in July 2017. INE's release available here.

ii. Balance of Payments

In the first seven months of the year, the **current and capital accounts** reached a deficit of €635M (surplus of €173M in the same period of 2017). The **trade balance** stood at +€1,220M. BdP data available here.

Labour market

The definitive unemployment rate estimate for July was 6.8%, the same as in June. The provisional figure for August is identical, at 6.8%. INE's release available here.

Price Developments

The CPI flash estimate for September points at an annual growth rate of 1.4%, 0.2 p.p. above the final figure for August. The 12-month average rate of growth is estimated at 1.2%, unchanged from August. The **HICP** annual growth rate is estimated to be 1.8%, 0.5 p.p. above the figure for August. INE's data available here.

General Government Accounts

In the 1st half of 2018 the general government deficit stood at 1.9% of GDP (€1,864.7M), ensuring once again a path of compliance with the budget's objectives. When corrected for temporary effects, the deficit amounts to 1.2% of GDP, also falling below 2017's 1st half deficit of 2.0% of GDP (€1.871,1M).[1]

Budgetary Outturn

Up until August 2018, the general government budget deficit, on a cash basis, was €576.5M, decreasing by €1,423.6M y-o-y. The increase in **expenditure** of 2.2% was more than offset by **revenue** growth at 5.1%.

The **expenditure** evolution mainly results from the relative increase of 7.7% in purchase of goods and services (reflecting large payments of arrears from the health national system) and the 3.8% growth in investment. Furthermore, the relative growth of 4.1% in interest expenditures (+0.4 p.p.) was partially counterbalanced by a fall of 1.2% in compensation of employees (-0.3 p.p.). The €2,624.1M increase on the **revenue size** is mostly explained by fiscal revenue and social contributions (increases of 4.9% and 5.2%, respectively), in line with economic growth and labour market improvements.

The **primary surplus** reached €5,426.9M, standing €1,659.8M greater than in the same period of 2017.

Treasury Financing

On September 12th, €328M of PGB 4.95% Oct2023 were issued with a yield of 0.647%, as well as €672M of PGB 2.125% Oct2028 at a yield rate of 1.854%. What is more, on September 19th, €407.5M and €1,055.8M of 6 and 12-months T-bills were issued at average weighted yields of -0.317% and -0.270%, respectively.

On September 14th, Standard & Poor´s increased the Portuguese outlook from stable to positive, after being the first major agency to classify the country's sovereign debt as investment grade (BBB-), one year ago.

General Government Debt

According to BdP, the Maastricht debt amounted to €248,257M in July, €1,490M above June but decreasing €851M y-o-y. Maastricht debt net of central government deposits stabilized at € 227,619M.

The 2017's ratio of public debt to GDP was revised to 124.8% (-0.9 p.p.), significantly decreasing by 4.5 p.p. compared to 2016.

[1] Without the impact of CGD's recapitalization of €3.944M, in the 1st quarter of 2017. Incorporating this effect, the deficit of last year's 1st semester would be 6.1%.