Stability Programme & National Reforms Programme

Both the Stability Programme (SP) and the National Reforms Programme (NRP) were submitted to the European Commission, following a discussion in the National Parliament. The **SP** embeds the Government's policy strategy for the medium-term together with its underlying macro-fiscal scenario. The 2017 edition of the **NRP** is an update of the programme submitted last year, outlining the measures to tackle the challenges faced by the Portuguese economy and describing the progress under the European Semester.

i. Macroeconomic Scenario for 2017-2021

When compared to the State Budget, the outlook for 2017 was revised upwards, reflecting the better than expected outcome for 2016 as well as the improvement of the external assumptions. For 2018-2021, economic activity will be supported by strong investment and exports, as well as sustained employment creation. In particular, GDP is expected to accelerate from 1.8% this year to 2.2% in 2021 and the unemployment rate is forecasted to decrease from 9.9% to 7.4% in the same period. The net lending position of the economy should improve throughout the period, giving further support to the correction of external imbalances.

ii. Fiscal Projections for 2017-2021

There is a firm commitment to set fiscal adjustment in compliance with EU rules.

The deficit target for 2017 is now slightly lower, at 1.5% of GDP (+1.3% in 2021).The primary surplus is forecasted to improve from 2.7% of GDP in 2017 to 4.9% in 2021. The debt-to-GDP ratio was revised and is expected to decrease 2.5 pp by year-end, reaching 109.4% by 2021. The structural effort should average 0.4% a year, guaranteeing a convergence towards the medium-term objective of 0.25% of potential GDP.

Economic Activity

In the quarter ended in February, the **economic activity indicator** decreased slightly, whereas the **economic climate indicator**, already available up to March, improved. In the three months up to February, the **private consumption indicator** decelerated, reflecting the developments of both the durable and non-durable components, while the **GFCF indicator** accelerated, mainly due to construction. INE's data available here and here.

International Trade of Goods

In the quarter ended in February, nominal exports of goods increased by 13.3% and imports of goods grew by 14.7% (both y-o-y). INE's press release available here.

Tourism Industry

In February, **hotel establishments** recorded an annual increase of 7.9% in overnight stays, due especially to the external markets (12.7% in January). The **average revenue per room** grew 15.4%. INE's press release available here.

Labour market

According to INE, in March 2017 the **provisional estimate for the unemployment rate** was 9.8%, 0.1 pp below the definitive estimate for February 2017.

Price Developments

In March, the **CPI** 12-month average rate was 0.8%, 0.1 pp above the previous month. The annual rate was 1.4% (1.6% in February), whilst core inflation stood at 0.6% (same as in February). INE's data available here.

Budgetary Outturn

Up to March 2017, the general government **budget deficit** on a cash basis stood at €358.4M, €290.5M higher than in the same period of 2016. This evolution is explained by an increase of 1.9% in **revenue**, higher than the slight increase of 0.3% observed in **expenditure.** For revenue, it is worth mention the performance of indirect taxes (especially VAT), that almost compensates the decrease in the direct taxes. It was also observed a slightly recovery of investment. The **primary surplus** reached €1,502.4M, improving by €280.2M.

Treasury Financing

On April 12th, €668,1M of PGB 2.2%Oct2022 and €720,6M of PGB 2.875%Oct2025 were issued. The yield was 2.2% and 3.3% and the price was 100.1% and 96.9%, respectively.

Between March 27th and April 12th, IGCP has launched the OTRV April2022 with bi-annual coupon payment of 6-month Euribor plus 1.90%. It was issued €1000M, of which 96% were placed within residential investors.

On April 19th, €335M and €950M of 3 and 12-month T-bills at weighted average yields of -0.266% and -0.135% were issued, respectively.

General Government Debt

According to BdP, Maastricht debt reached €243,490M in February (+€643M than in the previous month). Maastricht debt net of central government deposits stood at €223,404M (-€635M than in the previous month).