Economic Activity

In the last quarter of 2016, **GDP** registered a y-o-y increase of 1.9% in volume, accelerating vis-à-vis the 3rd quarter. This reflects an increase of the domestic demand contribution, featuring an investment upturn and a more intense increase of private consumption. Net external demand contribution was negative, after being positive in the previous quarter, reflecting a more pronounced acceleration of imports when comparing with exports. Overall, GDP has grown 1.4% in 2016 (1.6% in 2015). INE's release available here.

Between September and December, the **economic activity indicator** decreased. The **economic climate indicator** improved slightly in the in the quarter ended in January, when compared to the last quarter of 2016. The **private consumption indicator** grew more vigorously in the last quarter, reflecting the acceleration of both the durable and non-durable component. The **GFCF indicator** has also accelerated, with all components sharing this dynamic. INE's data available here.

Tourism Industry

In December, **hotel establishments** recorded a y-o-y growth of 11% in overnight stays (9.6% for the year as a whole), due to both internal and external markets. The **average revenue per room** increased 10.5% (y-o-y) in December and 13.4% in 2016. INE's data available here.

External Adjustment

i. International Trade

In the last quarter of 2016, exports of goods increased by 4.9% (0.9% in 2016) and imports of goods increased by 6.4% (1.2% for the year), when compared with the same period of 2015. INE's press release available here.

ii. Balance of Payments

In 2016, the **current and capital accounts** reached a balance of €3,154M, an improvement when compared to 2015. The **trade balance** also improved, standing at €4,065M. BdP data available here.

Labour market

The unemployment rate for the 4th quarter of 2016 was 10.5%, the same as in the preceding quarter. For the year as a whole, the unemployment rate was 11.1%, down from 12.4% in 2015. INE's data available here.

Price Developments

In January 2017, the **CPI** 12-month average rate was 0.7%, 0.1 pp above the previous month. The annual rate was up to 1.3%, whilst core inflation stood unchanged at 0.5%. Concerning the **HICP** annual rate of change, it was 0.5 pp below the rate estimated by Eurostat for the euro area. INE's data available here. Industrial production prices recorded a y-o-y change rate of 3% in January (+1.6 pp vis-à-vis the previous month). If energy is excluded, industrial prices registered a null growth. INE's press release available here.

Budgetary Outturn

In January 2017, the general government **budget surplus** on a cash basis stood at €624.8M, €396.8M lower than in the same period of 2016. This evolution is explained by a decrease in revenue (5.7%) and a slight increase in expenditure (0.8%). The decrease in revenue results mostly from one-off effects and the introduction of new tax administrative procedures that have caused a different seasonal pattern. The expenditure increase is mainly explained by the acquisition of goods and services for the National Health System, subsidies and interest expenditure.

The **primary surplus** reached €818.7M. Further information is available here.

Treasury Financing

According to the Debt Management Agency (IGCP), in January the Portuguese **State direct debt** amounted to €238,826M, increasing 1.1% vis-à-vis December. This is mainly explained by a €3,000M syndicated issue of the new 10 year benchmark PGB 4.125% Apr2027.

On February 8th, were issued €665.4M and €635.7M of PGB 2.2% Oct2022 and PGB 5.65% Feb2024, with yield of 2.753% and 3.668%, and price of 97.12% and 112.06%, respectively. On February 15th, €279M and €1,000M of 3 and 12-month T-bills were issued at weighted average yields of -0.219% and -0.096%, respectively.

General Government Debt

According to BdP, **general government Maastricht debt** stood at 130.5% of GDP at the end of 2016 (129% by end of 2015). The revision vis-à-vis the 2017 State Budget projection is partly explained by higher deposits. **Maastricht debt net of central government deposits** reached 121.1% of GDP by end 2016 (121.6% by end 2015).