

Economic Activity

Between March and May, the **economic activity indicator** improved, whilst the **economic climate indicator**, already available up to July, increased slightly. In the three months up to May, the private consumption indicator accelerated, in line with the developments of current goods, whereas durables decelerated. Meanwhile, the GFCF indicator has also improved, mainly due to positive developments in construction and transport equipment. INE's press releases available [here](#) and [here](#).

In the quarter ended in May, the **industry turnover index** grew 8.7% (11.4% in the first quarter), whilst the **services turnover index** accelerated 2.5 p.p., growing 7.6%. The **retail trade turnover index**, available up to June, increased 5% in the second quarter of 2016 (3% in the first quarter).

Tourism Industry

In May, **hotel establishments** recorded an annual increase of 7.2% in overnight stays (24.5% in April, due to the Easter effect) reflecting a deceleration of both the internal and external markets. The **average revenue per room** grew 20.9%, 11.1 p.p. below April. INE's press release available [here](#).

External Adjustment

i. International Trade

In the quarter ended in May, nominal **exports of goods** increased 13.2% y-o-y whilst imports grew 16.5% y-o-y. INE's press release available [here](#).

ii. Balance of Payments

In the first five months of the year, the **current and capital account** balance stood at -447M€ (-337M€ in the same period of 2016). This deterioration is explained by the decrease in the Trade Balance of Goods and, to a lesser extent, Primary Income. BdP's data available [here](#).

Labour market

According to [INE](#), in June 2017, the provisional estimate for the unemployment rate was 9%, 0.2 p.p. below the definite estimate for May 2017.

Price Developments

In June, the **CPI** 12-month average rate accelerated 0.1 p.p. to 1.1%. The annual rate moved from 1.5% in May to 0.9% in June 2017, mainly reflecting the deceleration of prices of food and non-alcoholic beverages. The annual core inflation rate, which excludes energy and unprocessed food products components, was 1.1%

(1.2% in the previous month). **HICP** annual rate of change decreased 0.7 p.p. to 1%, 0.3 p.p. below the rate estimated by Eurostat for the euro area. INE's data available [here](#). Industrial production prices recorded a year-on-year change rate of 2.7% in June (4.1% in May), 1.3% if Energy is excluded (1.4% in the preceding month). INE's press release available [here](#).

Budgetary Outlook

In the 1st semester of 2017, the general government **budget deficit** on a cash basis was €3,075.2M, €264.5M higher than in the same period of 2016. This evolution is explained by an increase of 1.6% in **expenditure**, higher than the increase of 1% in **revenue**. The expenditure increase results mostly from the strong increase in investment and from the increase in the acquisition of goods and services, mainly in the health sector. On the revenue side, the increase in other current revenue and indirect taxes was particularly relevant, and offset the observed decrease in personal income tax revenue, due to a different annual profile of the repayment of advances. The **primary surplus** reached €2,018.1M, €133.8M lower than in 2016.

Treasury Financing

On July 12th, €771.9M of PGB 4.125%Apr2027 and €358.7M of PGB 4.1%Feb2045 were **issued**. In the competitive phase, the yield was 3.085% and 3.977% and the price was 108.61% and 102.02%, respectively.

On July 20th, €500M and €1,283M of 6 and 12-months T-bills at weighted average yields of -0.292% and -0.259% were **issued**, respectively.

Between July 17th and 28th, IGCP is launching an **OTRV August2022** with a bi-annual coupon payment of 6-month Euribor plus 1.6%.

General Government Debt

According to [BdP](#), Maastricht debt reached €247,274M in May (-€241M than in the previous month). Maastricht debt net of central government deposits stood at €228,068M (+€380M than in the previous month).

Post-Programme surveillance and Article IV

Between June 26th and July 4th, the European Commission and the European Central Bank staff visited Portugal to conduct the sixth post-programme surveillance mission. The statement is available [here](#). From June 19th to 29th, 2017, an IMF mission also visited Lisbon for the 2017 Article IV consultation. The conclusions statement is available [here](#).