

### Economic Activity

According to [INE's quarterly sectoral accounts](#), the Portuguese economy registered a **net lending** of 1.5% of GDP in the year ending in the 1<sup>st</sup> quarter of 2017, an improvement of 0.1 p.p. when compared to 2016.

Looking at sectoral developments **households** saving rate decreased to 3.8% in the year ended in the first quarter (4.3% in 2016), resulting from a growth of **final consumption expenditure** (1%) higher than the increase in **disposable income** (0.5%).

In the quarter ended in April, the **economic activity indicator** remained unchanged. The **economic climate indicator**, available up to the 2<sup>nd</sup> quarter, increased. In the three months up to April, the **private consumption indicator** accelerated. The **GFCF indicator** increased, mostly due to a solid acceleration from transport equipment. INE's data available [here](#) and [here](#).

### Tourism Industry

In April, **hotel establishments** recorded a y-o-y growth of 23.2% in overnight stays (-1% in March), both due to residents and non-residents and positively influenced by the calendar effect associated to Easter period. The **average revenue per room** increased 29.9% (y-o-y). INE's data available [here](#).

### External Adjustment

#### i. International Trade

In the quarter ended in April 2017, exports of goods increased by 11.1% and imports of goods grew by 11.8% (both y-o-y). INE's press release available [here](#).

#### ii. Balance of Payments

In the first four months of 2017, the **current and capital accounts** reached a surplus of €823M (418M in the same period of 2016). The **secondary income balance** improved €437M y-o-y during the same period, standing at €765. BdP data available [here](#).

### Labour market

The provisional unemployment rate for May was 9.4%, 0.1 pp below the definitive estimate for April. INE's data available [here](#).

### Price Developments

In May 2017, the **CPI** 12-month average rate was 1%, (0.9% in the previous month). The annual rate was 1.5% (down from 2% in April), whilst core inflation stood at 1.2% (-0.5 pp vis-à-vis the preceding month). In the same period, the rate of change of the Portuguese **HICP** was 0.3 pp above the rate estimated by Eurostat for the euro area (+0.5 pp in April). INE's data available [here](#).

Industrial production prices grew 4.1% y-o-y (4.8% in April), 1.4% if energy is excluded (1.7% in April). INE's press release available [here](#).

### General Government Accounts

In the 1<sup>st</sup> quarter of 2017, the general government deficit stood at 2.1% of GDP (€965.6M), lower than the 2016 1<sup>st</sup> quarter deficit of 3.3% of GDP (€ 1,455.8M). This result reflects the higher growth of revenue (+3.1%), that more than offsets the increase in expenditure (+0.3%). Revenue was largely determined by the increase in taxes on production and imports (+1%), social contributions (+1.2%) and other current revenue (+5.4%). The increase in expenditure is explained by intermediate consumption (+1.6%), and, to a lesser extent, capital expenditure and compensation of employees (+2.2% and +0.3%, respectively).

### Budgetary Outturn

Up to May 2017, the general government **budget deficit** on a cash basis stood at €697.8M, €359.3M higher than in the same period of 2016. This evolution is explained by an increase of 1.4% in **expenditure**, higher than the slight increase of 0.2% observed in **revenue**. The expenditure increase results mostly from the acquisition of goods and services in the health sector and the strong increase in investment. On the revenue side, the increase in other current revenue and taxes on production and imports compensated the observed decrease in fiscal revenue, due to the recorded y-o-y growth of €1,546.6M in reimbursements. The **primary surplus** reached €2,700.2M, €224.3M lower than in the same period of 2016.

### Treasury Financing

On June 14<sup>th</sup>, €500M of PGB 2.2%Oct2022 and €750M of PGB 4.125%Apr2027 were [issued](#). The yield was 1.2% and 2.9% and the price was 105.2% and 110.8%, respectively.

On May 21<sup>th</sup>, €250M and €1,047M of 3 and 12-month T-bills at weighted average yields of -0.337% and -0.264% were [issued](#), respectively.

### General Government Debt

According to [BdP](#), Maastricht debt reached €247,437M in April (+€3,924M than in the previous month). Maastricht debt net of central government deposits stood at €227,602M (+€1,098M than in the previous month).