

Stability and Growth Pact

On May 22nd, the European Commission recommended the **abrogation of the Excessive Deficit Procedure** applied to Portugal since 2009, in light of the observed correction of the excessive deficit in 2016 and the Commission's 2017 spring forecast that projects the deficit to remain below the 3%-of-GDP Treaty reference value over the forecast horizon (2017 and 2018). The recommendation is available [here](#).

Economic Activity

In the 1st quarter of 2017, GDP grew, in real terms, 2.8% y-o-y (2% in the previous quarter). Net external demand posted a positive contribution (negative in the previous quarter), reflecting a strong acceleration of exports (both goods and services), whilst imports mostly stabilized. The contribution of domestic demand was lower in this quarter due to a deceleration of both private and public consumption as well as a more negative contribution of changes in inventories, whereas investment (GFCF) has shown a strong acceleration. When compared with the preceding quarter, GDP grew 1%. INE's release available [here](#).

The economic climate indicator, available up to May, improved. The **private consumption indicator** decelerated in the 1st quarter, reflecting the slowdown of both the durable and non-durable components, whilst the **GFCF indicator** stabilized, after several months of improvement. INE's data available [here](#) and [here](#).

Tourism Industry

In March 2017, **hotel establishments** recorded a y-o-y reduction in overnight stays of 0.2% (+8.2% in February), due essentially to the decline of 9.9% from residents, reflecting the Easter effect, which in 2016 was celebrated in March. The **average revenue per room** increased 6.4% (y-o-y). INE's data available [here](#).

External Adjustment

i. International Trade

In the 1st quarter, exports of goods increased by 17.1% and imports of goods increased by 15.3%, when compared with the same quarter of 2016. INE's press release available [here](#).

ii. Balance of Payments

In the first three months of 2017, the **current and capital accounts** reached €583M, improving vis-à-vis the same period of 2016. The **trade balance** also improved during the same period, standing at €72M. BdP data available [here](#).

Labour market

According to [INE](#), in April 2017 the **provisional estimate for the unemployment rate** was 9.8%, the same as the definitive estimate for March.

Price Developments

In April 2017, the **CPI** 12-month average rate stood at 1%, 0.2pp above the rate of the previous month. The annual rate was 2% (1.4% one month earlier), whilst core inflation stood at 1.7% (+1.2pp vis-à-vis March). Concerning the **HICP** annual rate of change, it was 0.5pp above the rate estimated by Eurostat for the euro area and 0.4pp above national CPI. INE's data available [here](#). Industrial production prices recorded a y-o-y growth rate of 4.8% in April, a slight deceleration vis-à-vis the previous month (4.9%), 1.6% if energy is excluded. INE's press release available [here](#).

Budgetary Outturn

Up to April 2017, the general government **budget deficit** on a cash basis stood at €1,930.8M, €314.1M 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 higher investment, acquisition of goods and services in the health sector and interest. On the revenue side, the increase in other current revenue and social security contributions were particularly relevant, and compensated the observed decrease in fiscal revenue, as a result of an increase of €530M in reimbursements. The **primary surplus** reached €982.9M, €135.6M lower than 2016.

Treasury Financing

On May 10th, €695.3M of PGB 2.2%Oct2022 and €732.3M of PGB 4.125%Apr2027 were [issued](#). The yield was 1.8% and 3.4% and the price was 101.9% and 106.11%, respectively.

On May 17th, €583.4M and €1266.9M of 6 and 12-month T-bills at weighted average yields of -0.21% and -0.153% were [issued](#), respectively.

General Government Debt

According to [BdP](#), Maastricht debt reached €243,513M in March (+€23M than in the previous month). Maastricht debt net of central government deposits stood at €226,504M (+€3,100M than in the previous month).