

Economic Activity

GDP registered a y-o-y increase of 2.5% in volume in the third quarter of 2017 (3.0% in the previous quarter). This reflects the increase of the contribution of domestic demand (+0.5 p.p.), with Final Consumption expenditure accelerating, whilst Investment, albeit decelerating, remained strong. Meanwhile, net external demand turned negative, reflecting an acceleration of imports and a deceleration of exports. In quarterly terms, GDP grew 0.5%, 0.2 p.p. above the previous quarter. INE's release available [here](#).

In September, and when compared with the previous month, the **economic activity indicator** remained unchanged. The **private consumption indicator** accelerated, motivated by the consumption of durables, whilst the consumption of current goods decelerated slightly. The **GFCF indicator** decreased in September, reflecting essentially the component of Machinery and Equipment, whilst Construction and Transport equipment remained stable and increased, respectively. The economic climate indicator, already available up to November, has also remained stable. INE's data available [here](#) and [here](#).

Tourism Industry

In September, **hotel establishments** recorded a y-o-y growth of 5.1% in overnight stays (3.7% in August), due, essentially, to an acceleration of the external market. The **average revenue per room** increased 16.7% (y-o-y). INE's data available [here](#).

External Adjustment

i. International Trade

In the 3rd quarter, exports of goods increased by 7.6% and imports of goods increased by 10.9%, when compared with the 3rd quarter of 2016. INE's press release available [here](#).

ii. Balance of Payments

From January to September 2017, the **current and capital accounts** reached €1,865M, reflecting a y-o-y deterioration. The **Trade balance** during the same period, registered a surplus of €3,245M, less than the previous year. BdP data available [here](#).

Labour market

The provisional unemployment rate for October was 8.5%, the same as the definitive figure for September. INE's release available [here](#).

Price Developments

In October 2017, the **CPI** 12-month average rate was 1.2%, the same rate of the previous month. The annual

rate was 1.4%, while core inflation stood at 1.3% (the same value of the past month). Concerning the **HICP** annual rate of change, it was 0.5 p.p. above 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 2.7% in October (as in the previous month), 1.8% if energy is excluded (1.5% last month). INE's press release available [here](#).

Budgetary Outturn

Until October, the **general government deficit** on a cash basis stood at €1,838.5M, representing a substantial reduction of €2,664.3M when compared to the same period of 2016. This evolution is explained by a significant increase in **revenue** (4.2%), accompanied by the stabilization of **expenditure** (0.0%). The tax revenue increase of 5.1% is mainly explained by the evolution of the corporate income tax (+20.9%) and, VAT revenues (+5.8%). On the expenditure side, the increase on investments (+8.2%), on other current expenditure (36.3%) and on the acquisition of goods and services (+1.5%) were compensated by the decrease in current transfer expenses (-2.0%).

The **primary surplus** reached €5,762.4M, improving by €2,764.6M. All subsectors excluding regional and local government had a positive contribution.

Treasury Financing

According to the Debt Management Agency (IGCP), in October, the Portuguese **State direct debt** before exchange rate hedging **amounted** to €241,611M, decreasing 1.5% vis-à-vis September.

Between November 15th and November 28th, IGCP has launched the **OTRV December2022** with a bi-annual coupon payment of 6-month Euribor plus 1.1%. A total value of €1,300M was issued and the order books amounted to €1.808M from 74,178 investors.

On November 15th, €400M and €1,100M of 6 and 12-month T-bills were **issued** at weighted average yields of -0.4% and -0.349%, respectively. On 8th of November, an **auction** of PGB 4.125%Apr2027 was held and €1,250M were issued, with a price of 118.65% and a yield of 1.939%.

General Government Debt

According to **BdP**, **general government Maastricht debt** reached €249,141M in September (-€1,247M than in the previous month). **Maastricht debt net of central government deposits** stood at €221,623M (-€1,186M than in the previous month).