

State Budget

The State Budget for 2018 (SB2018) was submitted to Parliament on October 13th. The Budget Report is available [here](#) (in Portuguese). The Draft Budgetary Plan was also submitted to the European Commission (english version [here](#)).

The SB2018 reports the following targets: a reduction of the general government deficit to 1% of GDP in 2018 (down from 1.4% in 2017); a primary surplus of 2.6% of GDP, -0.1p.p. vis-à-vis 2017; a debt-to-GDP ratio of 123.5% GDP, -2.8 p.p. than in 2017. The macroeconomic scenario projected in the SB2018 points to an economic growth of 2.2% in 2018 (2.6% in 2017), fueled by, investment and exports.

The SB2018 aims for a balance between reinforcing economic growth and employment creation and promoting social equity, whilst keeping the focus on achieving the required budgetary targets.

The main measures proposed in the SB2018 include a *i)* tax relief and improvements in the equity of the tax system; *ii)* improvement in the firms' financing conditions and regeneration of the financial sector; *iii)* enhancement of the quality of public services; *iv)* active policies to promote social inclusion and to diminish poverty, and *v)* efficiency gains in the public sector through revenue and spending review measures.

Economic Activity

Until August, the economic activity indicator remained stable. The private consumption indicator decelerated, whilst the GFCF has been decelerating since June. INE data available [here](#). The economic climate indicator, available up to October, stabilized in September and October, after decreasing in August. INE's release available [here](#).

Tourism Industry

In August, **hotel establishments** recorded a y-o-y increase in overnight stays of 3.2% (4.7% in July), fuelled by the external market. Total revenue grew by 12.3% (13.1% in July) and the **average revenue per room** increased 11.2% (y-o-y). INE's release available [here](#).

External Adjustment

i. International Trade

In the quarter ended in August, nominal **exports of goods** increased 8.0% y-o-y, while imports of goods grew by 10.8%. The largest increases were due to extra-

EU components (14.2% and 15.3% for exports and imports, respectively, vis-à-vis 6.0% and 9.5% for the intra-EU component) INE's data available [here](#).

ii. Balance of Payments

In the year up to August 2017, the **current and capital accounts** registered a *superavit* of €1,389M (-€388M compared with the same period of 2016). The **trade balance** surplus decreased €554M, standing at €2,548M. BdP data available [here](#).

Price Developments

In September 2017, the **CPI** 12-month average rate was 1.2% (1.1% in August). The annual rate was 1.4% (1.1% in August), whilst core inflation stood at 1.3% (unchanged from the previous month). The **HICP** annual rate of change was 1.6%, 0.1p.p. above the rate estimated by Eurostat for the euro area (in the previous month this difference was -0.2p.p.). INE's data available [here](#). Industrial production prices grew 2.7% y-o-y in September (0.2 p.p. above the preceding month), 1.5% if energy is excluded (1.2% in August). INE's release available [here](#).

Budgetary Outturn

Until September 2017, the general **government deficit** on a cash basis stood at €569.5M, an improvement of €2,290.5M when compared with the same period of 2016. The y-o-y deficit reduction is explained by an increase of 4.1% in **revenue**, higher than the slight increase in **expenditure** of 0.1%. The **primary surplus** reached €5,559.4M, improving by €2,479.7M.

Treasury Financing

On October 11th, €1,323M of PGB 2.125% Oct2022 and €1,467M of PGB 4.125% Apr2027 [were issued](#) with a yield price of 0.916% and 2.327%, respectively. Also on October 18th, €302M and 1,075M of 3 and 12-months T-bills [were issued](#) at average weighted yield of -0.389% and -0.325%, respectively.

General Government Debt

According to [Banco de Portugal](#) **general government general government Maastricht debt** reached €249,1M in September (-€1,4M than in the previous month). **Maastricht debt net of central government deposits** stood at €221,6M (-€1,2M than in the previous month).