

### Investment Grade

On September 15<sup>th</sup>, Standard & Poor's increased the [Portuguese rating](#) to investment grade (BBB-).

### Economic Activity

INE revised upwards the estimate of **real GDP growth** for **2015** and **2016** to **1.8%** and **1.5%**, respectively (from 1.6% and 1.4%). In addition, **INE** presented a higher estimate for the **2<sup>nd</sup> quarter of 2017**, from 2.9% to 3.0% (y-o-y).

According to [INE's quarterly sector accounts](#), the Portuguese economy registered a **net lending** of 1% of GDP in the year ending in the 2<sup>nd</sup> quarter, the same as in the previous quarter. This was due to improvements in the general government (+0.2 p.p.) and financial corporations (+0.4 p.p.) sectors, while households net lending stabilized. The households' savings rate remained at 5.2%, reflecting similar increases in disposable income and final consumption expenditure.

The **economic activity indicator**, available until July, remained unchanged. Meanwhile, the **economic climate indicator**, already available up until September, has also stabilized, after decreasing in August. The quantitative **indicator of private consumption** accelerated in July, reflecting a higher positive contribution of the durable consumption component. In the same month, the **Gross Fixed Capital Formation (GFCF) indicator** decelerated due to the slowdown of the transport material and machinery and equipment components. INE's data available [here](#) and [here](#).

### Tourism Industry

In July, **hotel establishments** recorded a y-o-y increase in overnight stays of 4.7% (7.2% in June). The slowdown vis-à-vis the previous month was mostly due to the foreign market (-4.8 p.p.). The **average revenue per room** increased 13.3% (y-o-y). INE's data available [here](#).

### External Adjustment

#### i. International Trade

In the quarter ended in July, **exports and imports of goods** grew 9.0% and 13.4% respectively, vis-à-vis the quarter ended in July 2016. INE's release available [here](#).

#### ii. Balance of Payments

In the first seven months of the year, the **current and capital accounts** reached a surplus of €280M (€1,058M in the same period of 2016). The **trade balance** surplus was €659M lower, reaching €1,596M. BdP data available [here](#).

### Labour market

The definitive **unemployment rate** estimate for July was 8.9% (0.2 p.p. below June), the same as the provisional figure for August. INE's release available [here](#).

### Price Developments

In August 2017, the **CPI** 12-month average rate was 1.1%, the same as in the previous month. The annual rate increased from 0.9% to 1.1%, while core inflation increased 0.3 p.p. to 1.3%. The **HICP** annual growth rate was 1.3%, compared to 1.5% for the euro area. INE's data available [here](#).

### General Government Accounts

In the 1<sup>st</sup> semester of 2017 **general government deficit** stood at **1.9% of GDP** (€1,794.4M), falling below 2016's 1<sup>st</sup> semester deficit of 3.1% (€ 2,813.6M). This result reflects the evolution of revenue (+2.2%) and the decline on expenditure (-0.5%). Revenue was largely determined by the increase in social contributions (+5.1%) and taxes on production and imports (+5.5%), partially offset by the decrease of current taxes on income and wealth (-8.4%). On the expenditure side, the decrease was mainly driven by reductions in social benefits and interests paid (2.0% and 4.1%, respectively). Compensation of employees and other current transfers grew 0.7% and 2.7%, respectively.

### Budgetary Outturn

Up to August 2017, the general government **budget deficit** on a cash basis was €2,033.7M, decreasing €1,900.6M compared with the same period of 2016. The increase of **expenditure** (+0.4%) was more than offset by the increase in the **revenue** (+4.3%). The **primary surplus** reached €3,733.6M, €2,087.4M larger than in the same period of 2016.

### Treasury Financing

On September 13<sup>th</sup>, €940M of PGB 4.125% Apr2027 **were issued** with a yield price of 2,785%. Also, on September 20<sup>th</sup>, €525M and 1,368M of 6 and 12-months T-bills **were issued** at average weighted yield of -0.363% and -0.345%, respectively.

### General Government Debt

According to [BdP](#), Maastricht debt amounted to €249,165M in July (+€81M than in the previous month). Maastricht debt net of central government deposits stood at €230,287M (+€908M than in the previous month).