Investment Grade

On December 15th, Fitch increased the Portuguese rating, by two levels, to investment grade (BBB).

National Accounts

According to the INE's quarterly sectoral accounts, the **Portuguese economy** registered a **net lending** of 1.1% of GDP in the year ending in the third quarter of 2017, 0.2pp more than in the previous quarter.

This improvement was mainly due to an increase in the General Government sector (from -1.3% to -0.1%). This decrease in net borrowing resulted from the combination of an increase in revenue (2.7%) and a decrease in expenditure (0.1%). Increase in revenue was determined by taxes on income and wealth (7.2%), taxes on production and imports (2.3%) and social contributions (1.3%).

Other sectors showed reductions in their balances. The net lending of Financial Corporations declined by 0.1p.p. of GDP, while the net lending of Households decreased by 0.8p.p..

Economic Activity

The **economic activity indicator,** available for the quarter ended in October, and the economic climate indicator, already available up to November, has stabilized. The quantitative indicator of **private consumption** slowed down in the quarter ended in October, reflecting a less positive behaviour of both durables and non-durables. In the same period, the **GFCF indicator** decelerated, in particular due to the less positive contribution of the transport material and construction component. INE's data available here.

Tourism Industry

In October, **hotel establishments** recorded a y-o-y growth of 6.4% in overnight stays (5.3% in September), due to both internal and external markets. The **average revenue per room** increased 17.2% (y-o-y). INE's data available here.

External Adjustment

i. International Trade

In the quarter ended in October 2017, exports of goods increased by 10.2% and imports of goods grew by 14.1% (both y-o-y). INE's press release available here.

ii. Balance of Payments

From January to October 2016, the **current and capital accounts** reached €2,346M (€841M less than in the same period of 2016). The **Trade balance** decreased €967M in that period, standing at €3,310M. BdP data available here.

Labour market

The provisional unemployment rate estimate for October was 8.5%, the same value from the definitive estimate for September. INE's data available here.

Price Developments

In November 2017, the **CPI** 12-month average rate was 1.3%, 0.1p.p. above the rate of the previous month. While the core inflation stood at 1.0% (same rate of September). In the same period, the rate of change of the Portuguese **HICP** was 1.5%, 0.1p.p. the rate of the previous month and the same value of the euro area. INE's data available here. Industrial production prices index increased by 3.2% in November (more 0.5p.p. than in October). Excluding energy, the index increased 2.0% (1.8 in October). INE's press release available here.

Budgetary Outturn

Until November, the general government **budget deficit** on a cash basis totaled €2,083.6M, less €2,325.6M than in the same period of 2016. This evolution is explained by higher increase in **revenue** (4.3%), than in **expenditure** (0.8%). Comparing with the previous year, the revenue is mainly boosted by the increase of 4.8% in direct tax revenue (+19.7% in CIT) and 5.0% in indirect taxes (+5.6% in VAT). The growth in expenditure results mostly from compensation of employees (+2.9%) and from investments (+7.6%).

The **primary surplus** reached €5,800.2M, improving by €2,280.8 when compared to the same period of 2016.

Treasury Financing

According to the Debt Management Agency (IGCP), in November, the Portuguese **State direct debt** to €238,515M (€237,683M after exchange rate hedging), decreasing 1.3% vis-à-vis October.

General Government Debt

According to BdP, **general government Maastricht debt** decreased to €245,269M in October (less €3,872M than in the previous month).

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