

### Economic Activity

In the quarter ended in May, the **economic activity indicator** decreased, whereas the **economic climate indicator**, already available up to July, increased slightly, after stabilizing in the preceding month. In the three months up to May, the private consumption indicator decelerated, reflecting the slowdown of non-durables. In the same period, the GFCF indicator decreased, due to a slowdown of the contribution of transport material and to a more negative contribution of construction. INE's press release available [here](#) and [here](#).

In the three months ended in May, the **industry turnover index** [decreased](#) 3% (-3.1% in the preceding month), while the **services turnover index** [declined](#) by 2.6% (-0.9% in the quarter up to April). Meanwhile, the **retail trade turnover index**, [available](#) up to June, increased 3% in the second quarter of 2016 (2.6% in the first quarter).

### Tourism Industry

In May, **hotel establishments** recorded an annual increase of 7.8% in overnight stays (6.1% in April), due to the external market (the internal market declined 1.1%). The **average revenue per room** grew 13.4%. INE's press release available [here](#).

### External Adjustment

#### i. International Trade

In the quarter ended in May, nominal **exports of goods** decreased 2.3% y-o-y while imports declined 3.6% y-o-y. INE's press release available [here](#).

#### ii. Balance of Payments

In the first five months of the year, the **current and capital account** balance stood at -866M€ (-175M€ in the same period of 2015). This reduction is explained by the decrease of the capital account surplus and the increase in the current account deficit. BdP's data available [here](#).

### Labour market

According to [INE](#), in June 2016, the provisional estimate for the unemployment rate was 11.2%, remaining unchanged from the definite estimate for May 2016.

### Price Developments

In June, the **CPI** 12-month average rate stabilized at 0.6%. The annual rate increased from 0.3% to 0.5%, due to increases in the prices of food and non-alcoholic beverages and restaurants and hotels. Annual core inflation stood at 0.7%, -0.1pp than in the previous

month. **HICP** annual rate of change increased 0.3pp to 0.7%, 0.6pp above the rate estimated by Eurostat for the euro area. INE's data available [here](#).

### Budgetary Outturn

In the 1<sup>st</sup> semester of 2016, the general government **budget deficit** on a cash basis was 2,867.2M€, 971.2M€ lower than in the same period of 2015. This evolution is explained by higher increase in **revenue** (2.9%), than in **expenditure** (0.2%). The tax revenue increase of 2.7% is mainly explained by the evolution of tax on oil and energy products (+44,9%), tax on tobacco (+52,9%) and tax on vehicles (+15%), and considers the intra-annual effect of tax refunds which account for a €410M increase. Social contributions rose by 3.8%, largely due to the increase of 4.7% of the Social Security contributions. The slight growth in expenditure results from the control in purchase of goods and services and a high decrease in investment.

The **primary surplus** reached 2,121.7M€, improving by 1,244.1M€.

Social security and Local Government surplus and the Central Government and Regional Government deficit improvement contributed to the positive evolution.

### Treasury Financing

According to the Debt Management Agency (IGCP), in June the Portuguese **State direct debt** [amounted](#) to 234,746M€, increasing 0.8% vis-à-vis May. The increase is mainly explained by the auction of PGB 3.85%Apr2021 (€627M) and PGB 2.875%Oct2025 (439M€) and the net issuance of BT (889M€).

In July 13<sup>th</sup>, [two auctions](#) were held 584M€ issued of PGB 2.875%Jul2026, with a yield of 3.093%, and 571M€ of PGB 2.2%Oct2022 issued with a yield of 2.355%. On July 20<sup>th</sup>, 544M€ and 1,360M€ of 6 and 12-month T-bills were [issued](#) at weighted average yields of -0.003% and 0.038%, respectively.

Between July 20<sup>th</sup> and August 9<sup>th</sup>, IGCP is launching a [OTRV Agosto2021](#) with a bi-annual coupon payment of 6-month Euribor plus 2.05%.

### General Government Debt

According to [BdP](#), **general government Maastricht debt** reached 237,617M€ in May (+1,622M€ than in the previous month). **Maastricht debt net of central government deposits** stood at 219,246M€ (-478M€ than in the previous month).