Economic Activity

According to INE's quarterly national accounts, in the 1st quarter of 2016 GDP increased 0.9% in volume when compared with the same period of 2015. Domestic demand maintained a positive contribution, with a more intense growth of private consumption, while the contribution of external demand was negative.

The **economic activity indicator** stabilized in February and March, after decelerating in the two previous months, while the economic climate indicator increased between February and April. The **private consumption indicator** presented improved in March, reflecting the acceleration of the non-durable component. The **GFCF indicator** decelerated, due to the developments in construction and transport material. INE's data available here.

Tourism Industry

In March, **hotel establishments** recorded a year-on-year increase of 20.3% in overnight stays due to both internal and external markets (also due to a calendar effect – Easter). The **average revenue per room** increased 22.1% (y-o-y). INE's press release available here.

External Adjustment

i. International Trade

In the quarter ended in March, nominal **exports of goods** decreased 2% y-o-y and nominal imports increased 1%, due to the extra-EU trade and intra-EU trade evolution, respectively. INE's press release available here.

ii. Balance of Payments

From January to March 2016, the **current and capital accounts** reached -€26.2M reflecting a deterioration when compared with the same period of 2015. **Trade balance** also registered a decline for the same period, standing at -€108.6M. BdP data available here.

Labour market

The provisional unemployment rate estimate for April 2016 was 12.0%, remaining unchanged from the definitive estimate for March 2016. INE data available here.

Price Developments

In April 2016, the **CPI** 12-month average rate was 0.7%, 0.1 p.p. above the rate of the previous month. The annual rate was 0.5%, while core inflation stood at 0.8% (+0.1pp and -0.2pp, respectively, vis-à-vis the previous month). Concerning the **HICP** annual rate of change, it was 0.7pp above the rate estimated by Eurostat for the euro area. INE's data available here.

Budgetary Outturn

Until April 2016, the general government **budget deficit** on a cash basis was €1,633.6M, €56.2M higher than in the same period of 2015. This evolution is explained by higher increase in **expenditure** (0.7%), than in **revenue** (0.5%). The **primary surplus** reached €1,117.6M, improving by €261.5M.

Treasury Financing

According to the Debt Management Agency (IGCP) in April the Portuguese **State direct debt** amounted to €230,269M, increasing 1.3% vis-à-vis the end of the previous month. The increase is largely explained with two syndicated tap, one amounting for €1,000M (PGB 2.2% OCT2022) and another with a nominal value of €500M (PGB 4.1% FEB2045).

On May 11th, €1,150M of PGB 2.875%Jul2026 was issued. The re-offer yield was 3.252% and the re-offer price was 96.78%, respectively. On May 18th, €520M and €1,310M of 6 and 12-month T-bills were issued at weighted average yields of 0.021% and 0.043%, respectively.

General Government Debt

According to BdP, **general government Maastricht debt** reached €233,039M in March (+€1,697M than in the previous month). **Maastricht debt net of central government deposits** stood at €218,621M (+€568M than in the previous month).

Financial stability

According to BP Financial Stability Report, the main risks are the high indebtedness of the public and private sectors, the low profitability of the financial system and the concentration of its assets in certain sectors. The aggregate financing structure and liquidity position of the Portuguese banking system continued to improve in 2015, dampening, in the short term, the potential negative effects associated with increasing risk premia or sharply declining liquidity in the wholesale financing market.

BdP considers that the nature of risks to financial stability has not changed, but they were sharpened by the prospective maintenance of low or even negative interest rates and an increase in market volatility which, although global, was stronger for Portuguese issuers.