

### Economic Activity

GDP registered a y-o-y increase of 1.6% in volume in the third quarter 2016 (0.9% in the previous quarter). This reflects the increase of net external demand, complemented by a slight increase of the contribution of domestic demand, mainly reflecting the more intense growth of private consumption. Although GFCF growth was less negative in the 3<sup>rd</sup> quarter, investment decline was more pronounced, reflecting the negative contribution of changes in inventories. Comparing with the 2<sup>nd</sup> quarter, GDP grew by 0.8% in volume, above the rate observed in the preceding quarters and the highest among euro area countries. INE's and Eurostat's releases available [here](#) and [here](#), respectively.

### Tourism Industry

In September, **hotel establishments** recorded a y-o-y growth of 6.5% in overnight stays (4.2% in August), due to both internal and external markets. The **average revenue per room** increased 12.5% (y-o-y). INE's data available [here](#).

### External Adjustment

#### i. International Trade

In the 3<sup>rd</sup> quarter, exports of goods increased by 1.8% and imports of goods increased by 0.8%, when compared with the 3<sup>rd</sup> quarter of 2015. INE's press release available [here](#).

#### ii. Balance of Payments

From January to September 2016, the **current and capital accounts** reached €1,358.0M, reflecting a deterioration when compared with the same period of 2015. The **Trade balance** improved during the same period, standing at €3,606.1M. BdP data available [here](#).

### Labour market

The unemployment rate for the 3<sup>rd</sup> quarter was 10.5%. This value is down 0.3pp from the previous quarter and 1.4pp on a y-o-y basis. INE's data available [here](#).

### Price Developments

In October 2016, the **CPI** 12-month average rate was 0.6%, the same rate of the previous month. The annual rate was 0.9%, while core inflation stood at 0.7% (+0.2pp vis-à-vis the previous month). Concerning the **HICP** annual rate of change, it was 0.5pp above the rate estimated by Eurostat for the euro area. INE's data available [here](#). Industrial production prices recorded a y-o-y change rate of -0.9% in October (+1.0pp vis-à-vis the previous month), -0.4% if energy is excluded. INE's press release available [here](#).

### Budgetary Outturn

The State Budget for 2017 (SB2017) was approved by the Parliament on November 29<sup>th</sup>. The targets foreseen in the SB2017 are a reduction of the general government deficit to 1.6% of GDP in 2017, a primary surplus of 2.8% of GDP and a debt-to-GDP ratio of 128.3% of GDP (-1.4 p.p. than in 2016).

Until October, the general government **budget deficit** on a cash basis stood at €4,430.4M, €356.9M lower than in the same period of 2015. This evolution is explained by higher increase in **revenue** (1.7%), than in **expenditure** (1.1%). The tax revenue increase of 1.3% is mainly explained by the evolution of tax on oil and energy products (+45.6%), tax on tobacco (+22.6%), tax on vehicle (14.9%) and stamp tax (+6.7%). Social contributions rose by 3.6%, largely justified by the increase of 4.5% of the SS contributions. The growth in expenditure results mostly from interest and other charges (+4.5%) and compensation of employees (+3.4%), due to the progressive reversal of wages.

The **primary surplus** reached €3,117.7M, improving by €682.8M. The improvement of General Government's balance is due to Social Security, Local and Regional Government's surplus enhancement.

### Treasury Financing

According to the Debt Management Agency (IGCP), in October the Portuguese **State direct debt** [amounted](#) to €238,679M, decreasing 0.5% vis-à-vis September. This is mainly explained by the redemption of PGB 4.2% OCT2016 (€4,088M).

Between November 14<sup>th</sup> and November 25<sup>th</sup>, IGCP has launched the [OTRV November2021](#) with a bi-annual coupon payment of 6-month Euribor plus 2%. It was issued €1,500M and the order books amounted to €2,083M from 90,370 accounts, of which 94% were placed within residential investors.

On November 16<sup>th</sup>, €250M and €1,250M of 6 and 12-month T-bills were [issued](#) at weighted average yields of -0.027% and 0.005%, respectively. On 23<sup>th</sup> November, was held an [auction](#) of PGB 3.85%Apr2021 and was issued €700M, with a price of 107.2% and a yield of 2.1%.

### General Government Debt

According to [BdP](#), **general government Maastricht debt** reached €244,420M in September (+€1,131M than in the previous month). **Maastricht debt net of central government deposits** stood at €223,148M (-€458M than in the previous month).