

### Economic Activity

According to [INE's quarterly sector accounts](#), the Portuguese economy registered a **net lending** of 0.9% of GDP in the year ending in the 2<sup>nd</sup> quarter, +0.1pp than in the previous quarter. This development was due to improvements in the general government (+0.3pp) and households (+0.1pp) sectors, partially offset by the reduction of the net lending of financial corporations (-0.3pp). The **households savings rate** stood at 3.9%, 0.1pp higher than in the previous quarter, reflecting the effects of the increase of disposable income slightly higher than the increase of private consumption.

The **economic activity indicator** decreased again in July, while the **economic climate indicator** continued in August the upward path started in end-2015. The quantitative **indicator of private consumption** decelerated in July, reflecting mainly the slowdown of the durable component. In the same month, the **Gross Fixed Capital Formation (GFCF) indicator** decreased, due to a more negative contribution of the construction component and a less positive contribution of the transport material component. INE's data available [here](#)

### Tourism Industry

In July, **hotel establishments** recorded a y-o-y increase in overnight stays of 7% (9.5% in June). The slowdown vis-à-vis the previous month (-2.5pp) was mostly due to the domestic market. The **average revenue per room** increased 13.4% (y-o-y). INE's release available [here](#).

### External Adjustment

#### i. International Trade

In the quarter ended in July 2016, exports of goods decreased by 2.3% and imports of goods declined by 3.9%, when compared with the quarter ended in July 2015. INE's press release available [here](#).

#### ii. Balance of Payments

From January to July 2016, the **current and capital accounts** reached €250M (€1,161M in the same period of 2015). The **trade balance** deficit was reduced by €580M to €2,186 in July 2016. BdP data available [here](#).

### Labour market

The definitive unemployment rate estimate for July was 10.9% (-0.2pp than in the previous month), continuing the downward trend that started in February. INE's release available [here](#).

### Price Developments

In August 2016, the **CPI** 12-month average rate was 0.6%, the same rate of the previous month. The annual rate increased from 0.6% to 0.7%, while core inflation decreased 0.2pp to 0.6%. The **HICP** annual rate of change was 0.6pp above the rate estimated by Eurostat for the euro area. INE's data available [here](#).

### General Government Accounts

In the 1<sup>st</sup> semester of 2016, **general government deficit** stood at 2.8% of GDP (€2,509.5M), falling below the 2015 1<sup>st</sup> semester deficit of 4.6% of GDP (€ 4,051.7M). This result reflects the evolution of both revenue (+1.7%) and expenditure (-2.3%). Revenue was largely determined by the increase in taxes on production and imports (+7.6%) and social contributions (+3.5%), since taxes on income and wealth decreased (-3.1%). On the expenditure side, the decrease is mainly explained by the capital expenditure (-36.7%), interest (-5.9%) and subsidies (-11.2%).

### Budgetary Outturn

Until August 2016, the general government **budget deficit** on a cash basis was €3,989.5M, €80.8M lower than in the same period of 2015. This evolution is explained by higher increase in **revenue** (1.3%) than in **expenditure** (1%). The **primary surplus** reached €1,627.9M, improving by €408.5M. Social security and local and regional government's improvements contributed to this positive evolution.

### Treasury Financing

According to the Debt Management Agency (IGCP), in August the Portuguese **State direct debt** [amounted](#) to €238,917M, increasing 1.2% vis-à-vis July. This is mainly explained by the increase of T-bills stock (€1,567M) and the issuance of OTRV August2021 (€1,200M).

On September 21<sup>st</sup>, €500M and €1,750M of 6 and 12-month T-bills were [issued](#) at weighted average yields of -0.033% and -0.014%, respectively. On September 14<sup>th</sup>, €500M and €250M of PGB 4.95%Oct2023 and PGB 4.1%Apr2037 were [issued](#) with yields of 2.817% and 4.04% and prices of 113.6 and 100.8, respectively.

### General Government Debt

According to [Banco de Portugal](#), **general government Maastricht debt** reached €240,855M in July (+€836M than in the previous month). **Maastricht debt net of central government deposits** stood at €224,308M (+€2,312M than in the previous month).