

### Economic Activity

According to [INE's quarterly national accounts](#) for the second quarter, GDP grew by 0.9%, in real terms when compared with the same period of 2015 (the same as in the first quarter). Domestic demand positive contribution decreased, with a less intense growth of private consumption and a more pronounced reduction of investment, while the contribution of external demand was positive. Comparing with the first quarter, GDP grew by 0.3% in volume, above the rate observed in the preceding quarters.

The **economic activity indicator** decreased between April and June, after stabilizing in the two previous months while the economic climate indicator increased in July, after stabilizing in the previous month. The **private consumption indicator** increased less intensely in May and June, reflecting the slowdown of the durable component. The **GFCF indicator** increased, due to a less intense negative contribution of the construction component. INE's data available [here](#).

### Tourism Industry

In June, **hotel establishments** recorded a year-on-year increase of 9.6% in overnight stays due to both internal and external markets. The **average revenue per room** increased 11.1% (y-o-y). INE's release available [here](#).

### External Adjustment

#### i. International Trade

In the quarter ended in June, nominal **exports of goods** decreased 1.9% y-o-y and nominal imports decreased 3.7%). INE's press release available [here](#).

#### ii. Balance of Payments

From January to June 2016, the **current and capital accounts** reached -€932.7M reflecting a deterioration when compared with the same period of 2015. The **Trade balance** improved during the same period, standing at €1036.5M. BdP data available [here](#).

### Labour market

The unemployment rate was estimated at 10.8% for the second quarter, -1.6 pp from the previous quarter and -1.1 pp from the same quarter of 2015, the lowest value since the 1st quarter of 2011. INE data available [here](#).

### Price Developments

In July 2016, the **CPI** 12-month average rate was 0.6%, the same rate of the previous month. The annual rate was 0.6%, while core inflation stood at 0.8% (+0.1pp 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 -3.4% in July (-3.2% in June). INE's press release available [here](#).

### Budgetary Outturn

Until July 2016, the general government **budget deficit** on a cash basis stood at €4,980.6M, €542.8M lower than in the same period of 2015. This evolution is explained by a higher increase in **revenue** (2.8%) than in **expenditure** (1.3%). Tax revenue increased by 2.3%, explained by the evolution of tax on oil and energy products (+44.9%), tax on tobacco (+41.6%), stamp duty (+8.2%) and tax on vehicles (14.4%). Social contributions rose by 4.3%, largely justified by the increase of 4.5% of Social Security contributions. Expenditure's growth results mostly from interest and other charges (+7.2%) and compensation of employees (+3.2%), which reflects the progressive reversal of wages cuts.

The **primary surplus** reached €315.5M, improving by €900.6M. The balance improvement is due to higher Social Security, Local and Regional Government's surplus and to the Central Government deficit improvement.

### Treasury Financing

According to the Debt Management Agency (IGCP), in July the Portuguese **State direct debt** [amounted](#) to €235,993M, increasing 0.5% vis-à-vis June. This is mainly explained by the increase of PGB stock (€693M of PGB 2.875% JUL2026 and €581M of PGB 2.2% OCT2022).

Between July 20<sup>th</sup> and August 9<sup>th</sup>, IGCP has launched the [OTRV Agosto2021](#) with a bi-annual coupon payment of 6-month Euribor plus 2.05%. It issued €1,200M and the order books amounted to €1,865M from 65,179 accounts, of which 91% were placed within residential investors.

On August 17<sup>th</sup>, €400M and €900M of 3 and 12-month T-bills were [issued](#) at weighted average yields of -0.108% and 0.007%, respectively. On August 31<sup>st</sup>, were [issued](#) €550M and €450M of PGB 2.875%Jul2026 and PGB 3.85%Apr2021 with yields of 3.027% and 1.87% and prices of 98.71 and 108.67, respectively.

### General Government Debt

According to [Banco de Portugal](#), **general government Maastricht debt** reached €240,019M in June (+€2,402M than in the previous month). **Maastricht debt net of central government deposits** stood at €221,996M (+€2,750M than in the previous month).