

### Economic Activity

According to [INE's quarterly sectoral accounts](#), the Portuguese economy registered a **net lending** of 1% of GDP in the year ending in the first quarter of 2016, 0.1 pp below the year ending in the previous quarter.

The balance of **Non-Financial Corporations** fell by 0.3 pp of GDP while the **Financial Corporations** increased by 0.1 pp, standing at 0.3% and 4.1% of GDP, respectively. **Households** saving rate stood at 3.5% (-0.8 pp compared to the previous quarter) whereas **net lending** decreased to 0.8% (from 1.6%).

In the quarter ended in April, the **economic activity indicator** decreased, whereas the **economic climate indicator**, available up to May, increased. In the three months up to April, the **private consumption indicator** stabilized. The **GFCF indicator** increased, mainly due to a less negative contribution from construction. INE's data available [here](#).

### Tourism Industry

In April, **hotel establishments** recorded an annual increase of 6.2% in overnight stays due to both domestic and external markets. This annual increase stood below the one recorded in March (21.1%), partly due to Easter effects. The **average revenue per room** grew 9.5%. INE's press release available [here](#).

### External Adjustment

#### i. International Trade

In the quarter ended in April, nominal **exports of goods** decreased 1.8% y-o-y while imports declined 1.4% y-o-y (-1.7% and +0.8% respectively, in the 1<sup>st</sup> quarter 2016). INE's press release available [here](#).

#### ii. Balance of Payments

In the first four months of the year, the **current and capital account** balance stood at €2M, compared with €292M in the same period of 2015. This reduction is explained by the decrease of the capital account surplus. The **trade balance** surplus also diminished (-€134M), standing at €243M. BdP's data available [here](#).

### Labour market

According to [INE](#), in May 2016, the provisional estimate for the unemployment rate was 11.6%, remaining unchanged from the definite estimate for April 2016.

### Price Developments

In May, the **CPI** 12-month average rate stood at 0.6%, 0.1 pp below the previous month. The annual rate was 0.3% (-0.2 pp), while core inflation stood at 0.8%, the

same as in the previous month. **HICP** annual rate of change was 0.4%, 0.5 pp above the rate estimated by Eurostat for the euro area. INE's data available [here](#).

### General Government Accounts

In the 1<sup>st</sup> quarter of 2016 general government deficit stood at 3.2% of GDP (€1,406.1M), falling below the 2015 1<sup>st</sup> quarter deficit of 5.5% of GDP (€ 2,344.6M). This result reflects the evolution of both revenue (+2.3%) and expenditure (-2.7%). Revenue was largely determined by the increase in taxes on production and imports (+9.3%) and, to a lesser extent, social contributions (+3.1%) and taxes on income and wealth (+0.8%). On the expenditure side, the decrease is explained by the capital expenditure (-26.1%), interest (-11.1%) and subsidies (-18.7%) development.

### Budgetary Outturn

Until May 2016, the general government **budget deficit** on a cash basis was €394.9M, €452.9M lower than in the same period of 2015. This evolution is explained by higher increase in **revenue** (1.6%), than in **expenditure** (0.1%). The **primary surplus** reached €2,890M, improving by €728M. Social security, Local and Regional Government's surplus and the Central Government deficit improvement contributed to the positive evolution.

### Treasury Financing

According to the Debt Management Agency (IGCP), in May the Portuguese **State direct debt** [amounted](#) to €232,792M, increasing 1.1% vis-à-vis April. The increase is mainly explained by the auction of PGB 2.875% JUL2026 (€1,368M) and issuance of OTRV May2021 (€750M).

In June 8<sup>th</sup>, [two auctions](#) were held: €400M issued of PGB 2.875%Oct2025, with a price of 100.12 and a yield of 2.859%; €600M of PGB 3.85%Apr2021 issued with a price of 109.22 and a yield of 1.843%. On June 15<sup>th</sup>, €245M and €755M of 3 and 12-month T-bills were [issued](#) at weighted average yields of 0.075% and 0.146%, respectively.

### General Government Debt

According to [BdP](#), **general government Maastricht debt** reached €235,829M in April (+€2,790M than in the previous month). **Maastricht debt net of central government deposits** stood at €219,585M (+€964M than in the previous month).