

Economic Activity

In the three months up to August, the economic activity indicator stabilized, the private consumption indicator accelerated, whilst the GFCF indicator decreased. INE data available [here](#). The economic climate indicator, [available up to October](#), diminished slightly.

Tourism Industry

In August, **hotel establishments** recorded a y-o-y increase in overnight stays of 3.7% (7.7% in July). The slowdown vis-à-vis the previous month (-4 pp) was mostly due to the domestic market (-3.3%). The **average revenue per room** increased 9.9% (y-o-y). INE's release available [here](#).

External Adjustment

i. International Trade

In the quarter ended in August, nominal **exports of goods** decreased 0.8% y-o-y, with the decline of extra-EU exports (-14%) more than offsetting the positive developments of intra-EU trade (+4.6%). Conversely, **Imports** grew marginally (0.1%), with the growth of intra-EU trade (1.1%) counterbalancing the decline of extra-EU trade (-3.2%). INE's data available [here](#).

ii. Balance of Payments

In the year up to August 2016, the **current and capital accounts** balance reach a surplus of €888M (€1,210M below the result of the same period of 2015). The **trade balance** surplus improved by €566M, now standing at €3,025M. BdP data available [here](#).

Price Developments

In September 2016, the **CPI** 12-month average rate was 0.6%, the same as in August. The annual rate was also 0.6%, whilst core inflation stood at 0.5% (both 0.1pp below the figures for August). The **HICP** annual rate of change was 0.3 p.p. above the rate estimated by Eurostat for the euro area (in the previous month this difference was 0.6 p.p.). INE's data available [here](#).

Budgetary Outturn

Until September 2016, the general government **deficit** on a cash basis was €2,923.9M, an improvement of €291.6M when compared with the same period of 2015. The y-o-y deficit reduction is explained by an increase of 2.6% in **revenue**, higher than the increase in **expenditure** of 1.9%. The **primary surplus** reached €3,058.4M, improving by €656.8M. Social security and Local and Regional Government's improvements contributed to this positive evolution.

State Budget

The State Budget for 2017 (SB2017) was submitted to Parliament on October 14th. The Budget Report is available [here](#) (in Portuguese).

The SB2017 reports the following targets: a reduction of the general government deficit to 1.6% of GDP in 2017; the primary surplus is expected to reach 2.8% of GDP; the debt-to-GDP ratio should stand at 128.3% GDP, -1.4 p.p. than in 2016.

The SB2017 foresees a number of fiscal measures which aim for a balance between the recovery in households' disposable income, an increased social cohesion and sustained economic growth. The main measures are:

- **Public sector:** full reinstatement of the wages and public employment control by hiring one employee per two that leave Public Administration;
- **Tax system:** gradual removal of PIT surcharge, a new state surcharge on property tax, new tax on soft drinks and other sugary drinks and changes introduced to taxes on oil products;
- **Social policies:** increase in a minimum of 10€ of pensions between 275€ and 628.28€ in August 2017 and new single social benefit for disabled;
- **Efficiency gains:** by carrying out a spending and revenue review.

Treasury Financing

According to the Debt Management Agency (IGCP), in September the Portuguese **State direct debt** [amounted](#) to €239,995M, increasing 0.5% vis-à-vis August. This is mainly explained by the auction of PGB 4.95%Oct2023 (€525M) and PGB 4.1%Apr2037 (€295M) and the net issuance of Treasury Certificates (€249M).

On October 19th, €350M and €900M of 3 and 12-month T-bills were [issued](#) at weighted average yields of -0.012% and 0.006%, respectively. On 26th October, was held an [auction](#) of PGB 3.85%Apr2021 and was issued €1,000M, with a price of 108.93% and a yield of 1.751%.

General Government Debt

According to [Banco de Portugal](#) **general government Maastricht debt** reached €243,289M in August (+€2,489M than in the previous month). **Maastricht debt net of central government deposits** stood at €223,606M (-€685M than in the previous month).