Economic Activity

According to data released by INE, both the **economic activity indicator** and the **economic climate indicator** stabilized in August and in September, respectively, following an upward trajectory since the beginning of the year. In August, the private consumption indicator decelerated (reflecting the slowdown of the consumption of durable goods), whereas the GFCF indicator increased.

In the quarter ended in August, the **industry turnover index** grew at an annual rate of 1.2% (+1.6% in July), whereas the **retail and services turnover index** increased at a y-o-y rate of 2% (+0.9% in July).

External Adjustment

i. International Trade

According to INE's, in the quarter ended in August, nominal **exports** of goods were up by 5.8% y-o-y, whilst **imports** increased 2.4%. Geographically, the main driver of exports was intra-EU trade, growing 6.8%, which compares with 3.4% of extra-EU trade. Intra-EU trade was the driver of imports (+7.8%), with extra-EU imports declining 11.3%, mostly reflecting the evolution of mineral fuels.

ii. Balance of Payments

Banco de Portugal's data for Jan-Aug show that, compared with the same period of 2014, the **current and capital accounts** balance improved by €394M, standing at €2.328M. Also, the **trade balance** surplus increased €393M, reaching €2.279M. Balance of payments figures available here.

Tourism Activities

Hotel establishments recorded 7.2 million **overnight stays** in August, a y-o-y increase of 2.5% (+6.7% in July). The average revenue per room grew 9.5%. Further information can be found here.

Price Developments

In September, the **CPI** 12-month average rate was 0.3% (0.2% in August). The annual rate was 0.9% (0.2 pp higher than in the previous month), while the core rate was 1.1% (0.7% in August). Looking at the **HICP** annual rate, the difference vis-à-vis the euro area widened to 1 pp (0.6 pp in August). INE's press release is available here.

Industrial production prices decreased at an annual rate of 4.1% in September (-3.2% in the previous month). Excluding energy, the index increased by 0.2%, according to data published by INE.

Budgetary Outturn

In the first three quarters of 2015, the general government **budget deficit** on a cash basis was €3.16bn, about €0.8bn lower than in the same period of 2014. The y-o-y deficit reduction is explained by an increase in **revenue** (€1.1bn) which was stronger than the increase in **expenditure** (€0.28bn). The **primary surplus** reached €2.5bn, improving by €1.2bn. All the sub-sectors contributed to this improvement.

Cumulative state tax revenue grew 5.3% y-o-y reflecting an increase in both indirect and direct taxes, by 7.1% and 3.2%, respectively. **VAT** revenue continued to grow steadily (+8.5%). **CIT** revenue also increased (+ 13.5%), while **PIT** revenue decreased slightly (-0.9%).

The **social security** surplus was €0.82bn, an improvement of €0.32bn when compared with the same period of 2014. Both **revenue and expenditure** fell: revenues decreased 2.1%, due to a decline in European Social Fund transfers, and expenditure declined 3.9%. Key figures:

- **Social contributions** revenue grew 2.8% y-o-y, in spite of the impact from a narrower scope of the Extraordinary Solidarity Contribution (CES);
- **Unemployment benefits expenditure** continues to decrease (-21.8%) and **pension expenditure** also recorded a reduction (-1.5%).

Further information is available here.

Treasury Financing

On October 14th, the Debt Management Agency (IGCP) **held two auctions of government bonds maturing in 10 and 22 years**, respectively. Key facts:

Maturity	October 2025	April 2037
Size (competitive allotment)	€950m	€350m
Allotment yield	2.3975%	3.2336%
Bid-to-cover ratio	1.62	1.85

On October 21st, €300m and €1100m **3-month and 11-month T-bills** were issued at weighted average yields of -0.021% and 0.006%, respectively.

General Government Debt

According to revised data from Banco de Portugal the **general government Maastricht debt** stood at 128.7% of GDP (€227.0bn) at the end of June 2015 (a decrease of 1.5 pp compared with 2014). **Maastricht debt net of central government deposits** stood at 118.7% of GDP in the first half of 2015. Press release available here and here.