

## Banking System

The Government and Banco de Portugal decided, in the context of a resolution tool, for the sale of the business of Banif – Banco Internacional do Funchal, S.A. and of most of its assets and liabilities to Banco Santander Totta by the amount of €150M. This operation involves estimated public support to the amount of €2255M to cover future contingencies, of which €489M by the Resolution Fund and €1766M directly by the State. Press releases of [Banco de Portugal](#) and the [European Commission](#) available online.

## Quarterly Sector Accounts

In the year ending in the 3<sup>rd</sup> quarter of 2015, the **net lending position of the Portuguese economy** stood at 1.3% of GDP (**households** decreased to 1.3% while **non-financial corporations** remained at 0.6%). Considering the sum of the first three quarters of 2015, the **General Government** recorded an overall deficit of -3.6% of GDP (-8.9% in the same period of 2014, -5.1% excluding the capitalization of Novo Banco). Further information available [here](#).

## Economic Activity

According to data released by [INE](#), both the **economic activity indicator** and the **economic climate indicator** diminished in the quarter ended in October and in November, respectively. In the 3<sup>rd</sup> quarter, the private consumption indicator accelerated, reflecting both the non-durable and durable goods components. The GFCF indicator also increased due to the positive contribution of transport material and machinery and equipment.

In the same period, the **industry turnover index** decreased at an annual rate of 1.6%, whereas the **retail and services turnover index** diminished 1.1%.

## Tourism Industry

According to [INE](#), in October hotel establishments recorded a 6.9% annual increase in **overnight stays**.

## External Adjustment

### i. International Trade

In the quarter ended in October, nominal **exports of goods** grew 0.3% y-o-y, fueled by intra-EU trade, whilst **imports** decreased 1.2%, due to a contraction in extra-EU trade. INE's press release available [here](#).

### ii. Balance of Payments

Until October 2015, the **current and capital accounts** balance improved €88M compared with the same period of 2014, reaching €3560M. The **trade balance**

surplus increased €629M, standing at €2999M. Banco de Portugal's data available [here](#).

## Price Developments

In the 3<sup>rd</sup> quarter of 2015, the House Price Index (HPI) increased 3.4% y-o-y, 0.5pp higher than in the previous quarter. Press release available [here](#). In November, the **CPI** 12-month average rate was 0.4%. The annual rate was 0.6%, while **core inflation** stood at 1%. Concerning the **HICP** annual rate of change, the gap between Portugal and the euro area decreased to 0.5pp. INE's and Eurostat data available [here](#) and [here](#), respectively.

According to [INE's](#) data, in November the **industrial production prices** index decreased 3.3% y-o-y. Excluding energy, the index decreased by 0.1%.

## Budgetary Outturn

Until November 2015, the general government **budget deficit** on a cash basis was €4805M, €1611M lower than in the same period of 2014. The y-o-y deficit reduction is explained by an increase of 2% in **revenue** (€1309M), along with a reduction in **expenditure** of -0.4% (€302M). The **primary surplus** reached €2861M, improving by €1743M. All sub-sectors contributed to this positive evolution.

**Cumulative state tax revenue** grew 5% y-o-y, reflecting an increase in indirect (6%) and direct taxes (3.9%). **VAT** revenue continues to grow steadily (7.4%). **CIT** revenue increased substantially (17.2%), while **PIT** revenue decreased (-1.3%).

The **social security** surplus was €832M (€441M vis-à-vis the same period of 2014). **Revenue** fell by 1.1%, due to a decline in European Social Fund transfers, and **expenditure** by 3.1%. **Social contributions** grew 2.7%, while **subsidies financed by EU Funds** (-54.7%), **unemployment benefits** (-21.7%) and **pension expenditure** (-1.4%) declined. Further information available [here](#).

## Treasury Financing

On December 16th, the Debt Management Agency (IGCP) issued 3 and 12-month T-bills at weighted average yields of -0.023% and 0.030%, respectively.

## General Government Debt

According to [Banco de Portugal](#), **general government Maastricht debt** reached €229269M in October (€2683M less than in the previous month). **Maastricht debt net of central government deposits** stood at €213524M (€1403M more than in the previous month).