

Political situation

A **new government** led by the Socialist Party took office on November 26th.

Economic Activity

According to data released by [INE](#), **GDP** registered a 1.4% y-o-y volume growth in the 3rd quarter of 2015 (1.6% in the 2nd quarter). The contribution of domestic demand decelerated to 1.9pp (3.5pp in the 2nd quarter), mainly due to a slowdown of investment and, also, private consumption. The contribution of net external demand was -0.5 pp (-2.0pp in the 2nd quarter).

In comparison with the previous quarter, real GDP registered a null rate of change (0.5% in the 2nd quarter).

Tourism Industry

According to [INE](#), in September hotel establishments recorded a 6.2% annual increase in **overnight stays** (2.5% in August), driven both by the domestic and the external markets. The **revenue per room** grew 15.1%.

External Adjustment

i. International Trade

In the 3rd quarter, **exports of goods** increased by 3.2% y-o-y, driven by intra-EU trade. **Imports of goods** declined 0.3% y-o-y due to a contraction of extra-EU imports. INE's press release available [here](#).

ii. Balance of Payments

Until September 2015, the **current and capital accounts** balance improved €295M y-o-y, reaching €2993M (2.2% of GDP). The **trade balance** surplus increased €574M, standing at €2194M (1.6% of GDP). Banco de Portugal's data available [here](#).

Labour market

In the 3rd quarter, the **unemployment rate** was 11.9%, equal to the one of the previous quarter and 1.2pp lower than in the same quarter of 2014. INE's press release available [here](#).

Price Developments

In October, the **CPI** 12-month average rate was 0.4% (0.3% in the previous month). The annual rate was 0.6% (-0.3pp than in the previous month), while **core inflation** stood at 0.9% (1.1% in September). Concerning the **HICP** annual rate of change, the gap between Portugal and the euro area decreased to 0.6pp (1pp in the previous month). INE's and Eurostat data available [here](#) and [here](#), respectively.

According to [INE's](#) data, the **industrial production prices** index decreased 3.7% y-o-y (+0.5pp than in September). Excluding energy, the index increased by 0.1% (0.2% in September).

Budgetary Outturn

Until October 2015, the general government **budget deficit** on a cash basis was €4818M, €1127M lower than in the same period of 2014. The y-o-y deficit reduction is explained by an increase of 1.9% in **revenue** (€1165M), much stronger than the increase of 0.1% in **expenditure** (€39M). The **primary surplus** reached €2405M, improving by €1352M. All sub-sectors contributed to this positive evolution.

Cumulative state tax revenue grew 5.3% y-o-y, reflecting an increase in indirect and direct taxes (6.6% and 3.7%, respectively). **VAT** revenue continued to grow steadily (7.9%). **CIT** revenue increased substantially (16.4%), while **PIT** revenue decreased (-1.1%).

The **social security** surplus was €867M (+€354M vis-à-vis the same period of 2014). Both **revenue and expenditure** fell: revenues by 1.8%, due to a decline in European Social Fund transfers, and expenditure by 3.5%. Key figures:

- **Social contributions** revenue grew 2.7% y-o-y, in spite of the impact from a narrower scope of the Extraordinary Solidarity Contribution (CES);
- **Unemployment benefits and pension expenditure** decreased further, -21.7% and -1.4%, respectively.

Further information is available [here](#).

Treasury Financing

On November 25th, the Debt Management Agency (IGCP) held an **auction of PGB 2.875% Oct 2025**. It was [issued](#) €995M, with a price of 103.87 and a yield of 2.4294%. On November 18th, there were [issuances](#) of **6-month T-bills** (€400M) and **12-month T-bills** (€1100M), at weighted average yields of -0.018% and -0.006%.

General Government Debt

According to [Banco de Portugal](#), **general government Maastricht debt** reached €231952M in September (+€2878M than in the previous month). **Maastricht debt net of central government deposits** stood at €212121M (€563M less than in the previous month).

On November 13th, the **DBRS rating agency** confirmed the long-term outlook of Portuguese sovereign debt as stable.