

National Accounts

According to [INE's quarterly sectoral accounts](#), the **Portuguese economy** registered a **net lending of 0.5%** of GDP in the year ending in the third quarter of 2018, 0.2 p.p. less than in the previous quarter.

In that period, the General Government balance reached a slightly positive figure (-1% of GDP in the previous quarter). Considering only the 3rd quarter, the balance reached 6.0% of GDP, amounting to €3,082.3M.

By its turn, the institutional sector of Households showed a decrease in its net lending – from 0.8% of GDP to 0.4% of GDP; while the balance of NFCs deteriorated to -1.9% of GDP.

Economic Activity

The **economic activity indicator**, available for October, has slightly increased. By its turn, in the quarter ended in November, the **Economic climate indicator** has marginally decreased. The quantitative indicator of **private consumption** slowed down in the quarter ended in October, reflecting a less positive behaviour of both durables and non-durables. In the same period, the **GFCF indicator** decelerated, in particular due to the less positive contribution of the transport material component. INE's data available [here](#).

Tourism Industry

In October, **hotel establishments** recorded a y-o-y change rate of -0.1% in overnight stays (-1.1% in September), a decrease due only to non-residents. The **average revenue per room** increased 0.8% (y-o-y). INE's data available [here](#).

External Adjustment

i. International Trade

In the quarter ended in October 2018, exports of goods increased by 3.1% and imports of goods grew by 4.5% (both y-o-y). INE's press release available [here](#).

ii. Balance of Payments

From January to October 2018, the **current and capital accounts** reached €1,175M (€2111M in the same period of 2017). The **trade balance** decreased €315M in that period, standing at €2,800M. BdP data available [here](#).

Price Developments

In November 2018, the **CPI** 12-month average rate was 0.9%, (1.0% in the previous month). While the core inflation stood at 0.5% (0.1 above the rate of October). In the same period, the rate of change of the Portuguese **HICP** was 0.9%, 0.1 p.p. above the rate of the previous

month and the 1.1 p.p. below the figure of the euro area. INE's data available [here](#).

Industrial production prices index increased by 3.6% in November (less 1.2p.p. than in October). Excluding energy, the index increased 1.8% (2.0 in October). INE's press release available [here](#).

Budgetary Outlook

Until November, the **general government budget deficit** on a cash basis totaled €624M, less €1,425M than in the same period of 2017. This evolution is justified by a higher increase in **revenue** (+5.4%) than in **expenditure** (+3.3%). The revenue was mainly driven by the increase of 6.6% in direct tax revenue and 4.4% in indirect taxes (+5.8% in VAT), while the social contributions rose 5.2%. The growth in expenditure resulted mostly from the compensation of employees (+1.8%), the acquisition of goods and services (+8.5%) and from investments (+6.2%).

The **primary surplus** reached €7,375M, improving by €1541M when compared to the same period of 2017.

Treasury Financing

According to the Debt Management Agency (IGCP), in November, the Portuguese **State direct debt** stood at €247,364M (€246,648M after exchange rate hedging), practically stabilizing vis-à-vis October. What is more, the average implicit cost of issuance continues to decrease, standing at a historical minimum of 1.8%, until October.

On December 5th, Portugal performed an **exchange offer**, in which it was bought: €1,036M of OT_4.8%_Jun2020; and, €870M of OT_3.85%_Apr2021; and sold: €1,565M of OT_4.95%_Oct2023; and, €341M of OT_4.125%_Apr2027.

In addition, Portugal **completed** in December, with a payment of €4.7 billion, the **early repayment of the IMF** loan.

It is worthwhile to remember that, in 2018, both DBRS and Moody's increased Portugal's **rating**. After Moody's upgrade, in October, Portugal's debt achieved the investment grade according to all major agencies.

General Government Debt

According to [BdP](#), the **general government Maastricht debt** increased to €251,088M in October (a €2,133M monthly increase), achieving an historical maximum in nominal terms. Also, the **Maastricht debt net of central government deposits** reached €230,685M. In relative terms, it stood at 125.0% of GDP in the 3rd quarter (similar to the previous quarter).