

### Economic Activity

According to [INE](#), GDP increased by 1.3% in the last quarter of 2015 (1.4% in the 3<sup>rd</sup> quarter). Comparing with the previous quarter, GDP increased 0.2% in real terms (0.1% change in the 3<sup>rd</sup> quarter). Overall, in 2015, GDP is expected to have grown 1.5% (0.9% in 2014), reflecting a slightly more negative contribution from net external demand.

In the quarter ended in December, the economic activity indicator decreased slightly, whereas the economic climate indicator, [available up to February](#), increased. In the three months up to December, the private consumption indicator decelerated, while the GFCF indicator increased. INE's data available [here](#).

### Tourism Industry

In December, **hotel establishments** recorded an annual increase of 9.8% in overnight stays; mainly driven by external markets (+7.4% in the previous month and +1.6% in December). The **average revenue per room** grew 14.5% in December. INE's release available [here](#).

### External Adjustment

#### i. International Trade

In the quarter ended in December, nominal **exports of goods** decreased 0.2% y-o-y, with the increase in intra-EU trade not compensating the decline in the extra-EU component. **Imports** decreased 0.9%, also due to a contraction in extra-EU trade. INE's press release available [here](#).

#### ii. Balance of Payments

In 2015, the **current and capital accounts** balance improved €296M compared with 2014, reaching €3065M. The **trade balance** surplus also registered an increase when compared with 2014 (+€1149M), standing at €3114M. BdP data available [here](#).

### Labour market

According to [INE](#), the **unemployment rate** was estimated at 12.2% in the last quarter of 2015, 0.3 pp higher vis-à-vis the previous quarter (-1.3 p.p. from the same quarter of 2014). The annual average stood at 12.4% in 2015 (a decrease of 1.5 p.p. from 2014).

### Price Developments

In January 2016, the **CPI** 12-month average rate was 0.6%, up from 0.5% in 2015. The annual rate was 0.8%, while core inflation stood at 1% (+0.4pp and +0.5pp, respectively, vis-à-vis the previous month). Concerning the **HICP** annual rate of change, it was 0.3 p.p. above the rate estimated by Eurostat for the euro area (0.1 in the previous month). INE's data available [here](#).

### Budgetary Outturn

In January 2016, the general government **budget surplus** on a cash basis was €872M, €300M higher than in 2015. The y-o-y deficit reduction is explained by an increase of 5.3% in **revenue**, along with a slight increase in **expenditure** of 0.1%. The **primary surplus** reached €1,042M, improving by €331M. All sub-sectors contributed to this positive evolution.

### State Budget

The State Budget for 2016 (SB2016) was submitted to Parliament on February 5<sup>th</sup>. Discussions are ongoing and the final vote is expected to occur by mid-March. The Budget Report is available [here](#) (in Portuguese).

The SB2016 reports the following targets: a reduction of the general government deficit to 2.2% of GDP in 2016, allowing for the abrogation of the Excessive Deficit Procedure (EDP) in 2016; the primary surplus is expected to reach 2.3% of GDP; the debt-to-GDP ratio should stand at 127.7% GDP, -1.1pp than in 2015.

The SB2016 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 wage bill:** reversal of the remaining wage cuts applied since 2011 (25% per quarter), following Constitutional Court rulings in May and August 2014;
- **Tax system:** reversal of the PIT surcharge; increases of indirect taxes, namely tobacco tax, taxes on oil products and excise duties; decrease in restaurants VAT, from 23% to 13%;
- **Social policies:** increase in pensions below 628.82€, social integration income (RSI), elderly pension supplement and other family benefits;
- **Efficiency gains:** nominal freeze on intermediate consumption (excluding PPPs) and other sectorial savings and simplification of administrative procedures.

### General Government Debt

According to [Banco de Portugal](#), **general government Maastricht debt** reached €231,052M in December (128.8% of GDP). **Maastricht debt net of central government deposits** stood at €217,709M (€4,146M more than in the previous month).