

## Economic Activity

### i. GDP performance

GDP grew by 0.9% in 2014, confirming a turnaround after three years of negative performance (-1.8% in 2011, -3.3% in 2012, -1.4% in 2013). GDP growth results from a positive contribution from domestic demand (2.0 p.p.) and a negative contribution from net exports (-1.1 p.p.).

Domestic demand performance was underpinned by the recovery of private consumption (+2.1% growth, compared to -1.4% in 2013) and also investment (+5.2% growth, compared to -6.5% in 2013). This led to an acceleration of import growth (+6.2% growth, compared to +3.6% in 2013), which surpassed the increase in exports (+3.4% growth, compared to 6.4% in 2013).

On a quarterly basis, GDP increased by 0.5% q-o-q in 2014Q4, accelerating from 0.3% in 2014Q3. This performance was better than the euro area's (0.3% growth) and the European Union's (0.4% growth). In year-on-year terms, GDP grew by 0.7% in 2014Q4.

Press releases from INE and Eurostat are available [here](#) and [here](#).

### ii. Labor market developments

The unemployment rate decreased to 13.9% in 2014, from 16.2% in 2013, on an annual basis. Unemployed population decreased by 15.1% (129 200 people), while employed population increased by 1.6% (70 100 people).

On a quarterly basis, the unemployment rate stood at 13.5% in 2014Q4, declining in y-o-y terms for the sixth consecutive quarter (by 1.8 pp). In q-o-q terms, the unemployment rate increased by 0.4 pp.

On a monthly basis, the seasonally adjusted unemployment rate for those aged 15-74 was estimated at 13.3% in January 2015, thus declining by 0.3 pp vis-à-vis December 2014.

INE's press releases are available [here](#) and [here](#).

## Financial Markets

There were two Portuguese Government Bond auctions in February (series OT 2.875% 15Oct2025). The key facts are:

	February 11 <sup>th</sup>	February 25 <sup>th</sup>
<i>Maturity</i>	October 2025	October 2025
<i>Size (competitive allotment)</i>	€ 1.250 bn	€ 1.499 bn
<i>Weighted Avg. Yield</i>	2.491%	2.031%
<i>Stop Yield</i>	2.506%	2.041%

T-bill auctions continue to occur on a regular basis. On February 18<sup>th</sup>, 3-month and 12-month T-bills were issued at 0.061% and 0.138%, respectively.

## Fiscal Adjustment

In January 2015, the overall balance of General Government on a cash basis was € 549m. Compared to January 2014, expenditure decreased by 0.9% and revenue declined by 2.8%. The primary balance recorded an overall surplus of € 690m. The y-o-y performance is affected by one-off factors which are expected to be diluted throughout the year.

Central Government expenditure grew by 1.1% y-o-y mainly due to investment expenditure, acquisition of goods and services and interest charges. Conversely, compensation of employees and transfers decreased by 1.7% and 4.8%, respectively.

State tax revenue (in net terms) decreased by 5.2% in y-o-y terms. This performance is explained by one-off effects in January 2014, namely affecting revenue from PIT, CIT and Tax on Tobacco Products.

Social Security recorded a surplus of € 253m. In year-on-year terms, revenue increased by 4.8% and expenditure decreased by 0.9%. This performance namely reflects the recovery of economic activity as social contributions grew by 2.7% and expenditure with unemployment benefits decreased by 23.9%.

## General Government and Private Sector Debt

General Government gross debt stood at 128.7% of GDP at the end of 2014 (128.0% by end-2013). The revision vis-à-vis the 2015 State Budget projection is mainly explained by higher deposits than anticipated and by the recent depreciation of the euro. General Government net debt reached 118.6% of GDP by end-2014 (117.5% by end-2013), thus reflecting the accumulation of a significant cash buffer.

Private sector debt continues to decrease steadily, although it remains at high levels. By end-2014:

- Private individuals' debt stood at 85.7% of GDP (declining from 91.3% in 2013 and 93.4% in 2012);
- Non-financial private corporations' debt reached 142.0% of GDP (declining from 155.8% in 2013 and 161.6% in 2012);
- Total debt from the non-financial private sector was 227.6% of GDP (declining from 247.1% in 2013 and 255.0% in 2012).

Banco de Portugal data are available [here](#).

## IMF early repayment

On February 16<sup>th</sup>, the Eurogroup "lent its support in principle to Portugal's plan to repay the IMF loans early by refinancing at current low interest rates, [which will] help with Portugal's debt sustainability." Equally favorable discussions followed at the ECOFIN Council meeting on February 17<sup>th</sup>. Further information is available [here](#) and [here](#).