

Fiscal Adjustment

i. General Government Debt (2015Q1)

The Maastricht debt-to-GDP ratio decreased to **130.0%** by end-March, from 130.2% by end-December 2014. According to the Stability Program's projections, the ratio is expected to reduce further, reaching **124.2%** by end-2015.

Excluding Central Administration deposits, public debt remained stable at **120.3%** of GDP in 2015Q1, continuing to reflect a significant cash buffer.

Debt statistics, by Banco de Portugal, are available [here](#). GDP statistics, by INE, are available [here](#).

ii. Budget Outturn (January-April 2015)

Up to April, the General Government (GG) deficit on a cash basis stood at **€ 1553m**, decreasing by **€ 692m vis-à-vis the previous year**. Overall, revenue and expenditure both increased, by **€ 1235m** and **€ 543m** respectively.

The primary balance recorded an overall surplus of **€ 881m**, substantially improving from a deficit of **€ 347m** in January-April 2014.

Adjusting the GG perimeter for comparability, Central Government expenditure grew by **4.7%** in y-o-y terms. Essentially, this profile continues to be explained by increased interest charges (highly concentrated in February) and investment expenditure (given the PPP payments' calendar).

State tax revenue (in net terms) increased by **4.1%** in y-o-y terms, up to April. VAT revenue grew by **9.2%**, underpinned by the ongoing economic recovery and increased effectiveness of new measures against tax fraud and evasion. As for direct taxes, CIT revenue increased by **3.6%**, while PIT revenue declined by **1.5%** (thus recovering from the **1.8%** decrease registered up to March).

Social Security recorded a surplus of **€ 567m**. Compared to January-April 2014, the balance improved by **€ 517m**, underpinned by higher revenue and lower expenditure. This performance also reflects the recovery of economic activity as social contributions grew by **2.5%** and expenditure with unemployment benefits decreased by **22.9%**.

Competitiveness Rankings

Portugal recorded the second-highest increase in the 2015 World Competitiveness Ranking, prepared each year by the International Institute for Management Development (IMD). Portugal moved up by seven positions and is the **36th** most competitive country, out of a total of 61. Portugal recorded upright movements in all competitiveness factors: Economic performance, Government Efficiency, Business Efficiency and Infrastructure.

Further details are available [here](#).

Economic Activity

i. GDP performance (2015Q1)

GDP grew by **1.5%** y-o-y in the first quarter of 2015, accelerating from **+0.6%** in 2014Q4. This figure represents the sixth consecutive quarter of y-o-y growth and is in line with the Government's projection for annual growth in 2015 (**+1.6%**).

Performance in 2015Q1 resulted from:

- a positive contribution from domestic demand (1.5 p.p.), underpinned by the continued increase in Private Consumption (**+2.5%** y-o-y) and relevant growth in Gross Fixed Capital Formation (**+8.5%** y-o-y);
- a neutral contribution from net exports, as export growth accelerated (to **+6.8%** y-o-y, from **+4.9%** in 2014Q4) and import growth decelerated (to **+6.6%** y-o-y, from **+7.4%** in 2014Q4).

In q-o-q terms, GDP increased by **0.4%** for the second consecutive quarter.

INE's press release on quarterly national accounts is available [here](#).

These figures reflect a slight upward revision in GDP growth vis-à-vis the Q1 flash estimate released on May 13th, alongside initial projections for most EU countries. According to Eurostat, euro area GDP grew by **1.0%** y-o-y in Q1, while EU GDP increased by **1.4%**. In q-o-q terms, both the euro area and the EU economies grew by **0.4%** in aggregate terms.

Eurostat's flash estimate is available [here](#).

ii. Labor market developments (2015Q1)

The unemployment rate stood at **13.7%** in the first quarter of 2015, declining in y-o-y terms for the seventh consecutive quarter (by 1.4 pp). In q-o-q terms, the unemployment rate increased by 0.2 pp.

Employed population increased by **50.2 thousand people vis-à-vis 2014Q1**; unemployed population decreased by **75.2 thousand people**.

INE's press release is available [here](#).

External Adjustment

All key balances are improving vis-à-vis 2014. In the first quarter of 2015:

- The capital and current account balance recorded a surplus of **€ 350.7m**, compared to a deficit of **€ 172.2m** in 2014;
- The current account balance increased by **€ 630.8m**, to a deficit of **€ 118.5m** in 2015Q1;
- These results are underpinned by a strong improvement in the balance of goods and services, which moved to a surplus of **€ 185.2m** in the first quarter of 2015, from a deficit of **€ 407.2m** in the same period of 2014.

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

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