

IMF early repayment

On June 18th, Portugal reimbursed a second tranche of the IMF loan facility, amounting to SDR 1.471bn (equivalent to about € 1.8bn).

At this stage, 29% of Portugal's SDR 22.942bn IMF loan facility has been paid. The two early repayment operations thus far have also discharged all IMF principal repayment obligations that were originally to fall due until March 2018, and part of those due in April 2018.

EU Post-Programme Surveillance (PPS) IMF Post-Program Monitoring (PPM)

The 2nd PPS-PPM mission took place between the 4th and 12th of June in Lisbon. Concluding statements from the EC-ECB and the IMF are available [here](#) and [here](#).

Price Developments

In May, the Portuguese Consumer Price Index (CPI) recorded a 12-month average rate of -0.1%, up from -0.2% in April.

Considering the Harmonized Index of Consumer Prices (HICP), the 12-month average rate was 0.0% in Portugal and +0.1% in the euro area (which compares with -0.1% and +0.1%, respectively, in April).

INE's press release is available [here](#). Eurostat data for HICP are available [here](#).

Quarterly Sector Accounts

In the year ending in the first quarter of 2015:

- The net lending position of the Portuguese economy improved to 2.0% of GDP (from 1.9% of GDP in 2014);
- The balance of good and services also improved to 0.7% of GDP (from 0.5% of GDP in 2014), as export growth surpassed import growth - the yearly balance has now been in surplus for 9 consecutive quarters;
- Non-financial corporations increased their net lending position to 0.9% of GDP (from 0.6% of GDP in 2014), as well as their investment rate (measured as Gross Fixed Capital Formation over Gross Value Added);
- Households (and non-profit institutions serving households) recorded a net lending position of 2.3% of GDP (2.5% of GDP in 2014) and a slight decline in their savings rate.

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

Fiscal Adjustment

i. Budget Outturn - national accounts basis

The General Government (GG) deficit decreased to 4.4% of GDP in the year ending in 2015Q1, from 4.5% of GDP in 2014. This value is in line with the Government's deficit projection for 2015.

Considering quarterly balances, the GG deficit amounted to 5.8% of GDP in 2015Q1, down from 5.9% of GDP in 2014Q1. This performance benefits from nominal GDP growth, but also reflects a stronger increase in revenue (+3.5% y-o-y, mostly from indirect taxes and social contributions) than in expenditure (+3.1% y-o-y, namely from capital expenditure).

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

ii. Budget Outturn - cash basis

Up to May, the GG deficit on a cash basis stood at € 868m, decreasing by € 123m vis-à-vis 2014, as revenue growth exceeded expenditure growth. The primary surplus amounted to € 2142m over January-May 2015, improving by € 607m compared to the previous year.

Adjusting the GG perimeter for comparability, Central Government expenditure grew by 4.4% in y-o-y terms, continuing to decelerate steadily as intra-annual factors fade. This trend is expected to continue in upcoming months, namely given the base effect in compensation of employees - following a Constitutional Court Ruling on May 30th 2014, wage reductions were suspended until mid-September 2014.

State tax revenue (in net terms) increased by 4.0% y-o-y up to May, resulting from higher revenue from both direct and indirect taxes (+1.3% and +6.3% respectively). PIT revenue is now increasing vis-à-vis 2014 (+0.7%) and CIT revenue continues to grow, albeit at a slower pace (+0.3%). VAT revenue continues to be the main contributor to overall growth, having increased by 7.9% up to May. Revenue from taxes on oil products, motor vehicles and car circulation also increased significantly.

The Social Security surplus increased to € 673m, from the € 338m balance recorded in January-May 2014. Although revenue is now recording a y-o-y decrease (-2.4%), expenditure reduction is more significant (-5.9%). Additionally, performance in variables closely linked to economic activity continues to be positive: revenue from social contributions grew by 2.3% and expenditure with unemployment benefits decreased by 22.9%.

Further information is available [here](#).