General Elections

General elections are scheduled for October 4th. The date was set through an official communication from the President of the Republic, which is available here (in Portuguese only).

Financial Markets

On July 22nd, the Debt Management Agency (**IGCP**) **held two auctions for Portuguese Government Bonds maturing in 5 years and 22 years respectively**. The key facts are:

Maturity	June 2020	April 2037
Size *(competitive allotment)*	€ 900m	€ 600m
Allotment Yield	1.4232%	3.5341%
Bid-to-Cover Ratio	1.89	1.70

T-bill auctions continue to occur on a regular basis. On July 15th, 6-month and 12-month T-bills were issued at weighted average yields of 0.014% and 0.088%, respectively.

General Government and Private Sector Debt

General Government Maastricht debt stood at 129.6% of GDP by March 2015, according to revised data from Banco de Portugal. The debt-to-GDP ratio is now 3.7 p.p. below the peak recorded in March 2014 (133.3% of GDP). **Maastricht debt net of Central Government deposits stood at 119.8% of GDP in the first quarter of 2015.**

Private sector debt continues its declining trend, despite remaining at high levels. By March 2015, private individuals' debt stood at 84.3% of GDP, while non-financial private corporations' debt reached 152.7% of GDP.

Banco de Portugal data is available here.

Fiscal Framework

The **new Budget Framework Law was approved in Parliament on July 22nd** and will now be submitted for Presidential consideration.

The **main reforms** included in the new law aim at:

- **Simplifying the budgetary process**, through a reduction in budgetary fragmentation;
- **Increasing transparency through improved reporting**, namely in the State Budget Report;
- Improving the **effectiveness of fiscal programming**;
- Establishing a **stricter definition of "own revenues"**;
- Implementing the **International Public Sector Accounting Standards**;
- **Rearranging the timeline** for submission of key fiscal strategy documents to Parliament.

Fiscal Adjustment

Up to June 2015, the General Government (GG) **deficit on a cash basis stood at € 3.8bn, decreasing by € 371m vis-à-vis 2014.** This performance results from an increase in revenue (€ 804m), which was stronger than the rise in expenditure (€ 433m). **The primary surplus improved by € 585m (y-o-y), amounting to €912m over the 1st semester of 2015.**

Adjusting the GG perimeter for comparability, the **Central Government deficit increased by € 309m** (y-o-y). **Expenditure growth decelerated markedly to 2.4%, mainly due to the phasing-out of intra-annual effects,** particularly relevant in **interest expenditure** and also in **compensation of employees**.

State tax revenue (in net terms) increased by 3.8% y-o-y, where **indirect taxes grew by +6.1%** and **direct taxes** by +0.9%). **VAT revenue continues to grow steadily**, having increased by 8%. Revenue from **taxes on oil products, motor vehicles and car circulation also increased significantly** (by 6.5%, 24.9% and 8.5%, respectively). Notwithstanding the effect of recent reforms in direct taxes, **CIT revenue continues to grow** (+2.2%), **while PIT revenue remained close to 2014 levels** (-0.4%).

The **Social Security surplus improved to € 915m** (more € 445m than in the first half of 2014). While revenue is still recording a y-o-y decrease (-1.6%), expenditure reduction is more significant (-5.5%). Key items reflect the ongoing economic recovery:

- Revenue from **social contributions** linked to **employment income** grew by 4.5% y-o-y. Total social contributions grew 2.5% due to the effect of the reduction of the scope of Extraordinary Solidarity Contribution (CES);
- Expenditure with **unemployment benefits** decreased by 22.6% y-o-y.

Further information is available here.

EU European Semester

On 14 July 2015, the Council of EU formally adopted recommendations and opinions on economic, employment and fiscal policies planned by the member states. **It was the first monitoring cycle in which Portugal took part**, following the end of the Economic Adjustment Programme in mid-2014.

The press release is available here.

EU Post-Programme Surveillance (PPS)

Following the **2nd PPS-PPM mission held between the 4th and 12th of June** in Lisbon, the European Commission's findings and challenges for the Portuguese economy are presented in its PPS report - Portugal, Spring 2015.