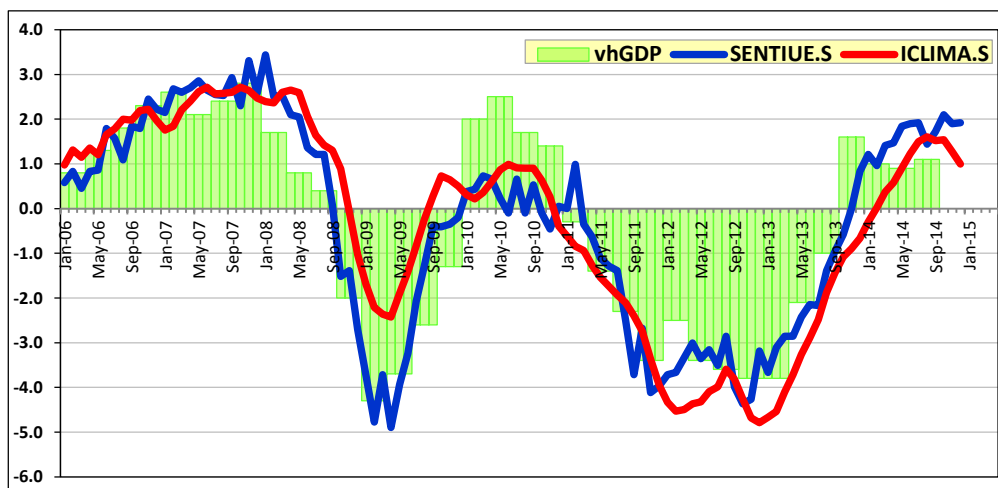


MONTHLY ECONOMIC CONFIDENCE INDEX

1 – EVOLUTION OF CLIMATE INDICATORS – DECEMBER

In **December**, the results of the INE surveys of businesses and consumers showed a fall in the **Economic Climate (ICLIMA.S, INE)** indicator, and a levelling out of the **Economic Sentiment (SENTIUE.S, EUROSTAT)** indicator. As can be seen in the graph below, over the last months these two expectations indicators have either stagnated, or fallen, although they have both maintained positive values. According to economic agents, this suggests that the current economic performance, which is weak, faces problems in terms of growth.

Economic Climate (INE) and Economic Sentiment (EUROSTAT) indicators ¹



For businesses, the **sectorial confidence indicators** (EUROSTAT, vcs²) showed varying degrees of performance during the month of December, all of which demonstrated little change: compared with the previous month, improvement was registered for the **services** and **industrial** confidence indicators, but confidence in the **construction** sector stagnated, with a fall registered for **retail trade**. On the other hand, the confidence indicator of **consumers** fell considerably during December, which was not expected. However this does not amount to a reversal of the underlying positive trend shown by the evolution of this indicator since the end of 2012.

At the same time, information was also disclosed regarding the level of the main quantitative indicators for November and some data for December is available, which is analysed below. As can be seen, overall the data for November and December shows that the economic performance for the 4th Quarter of 2014 was not much different to that registered over the previous Quarters.

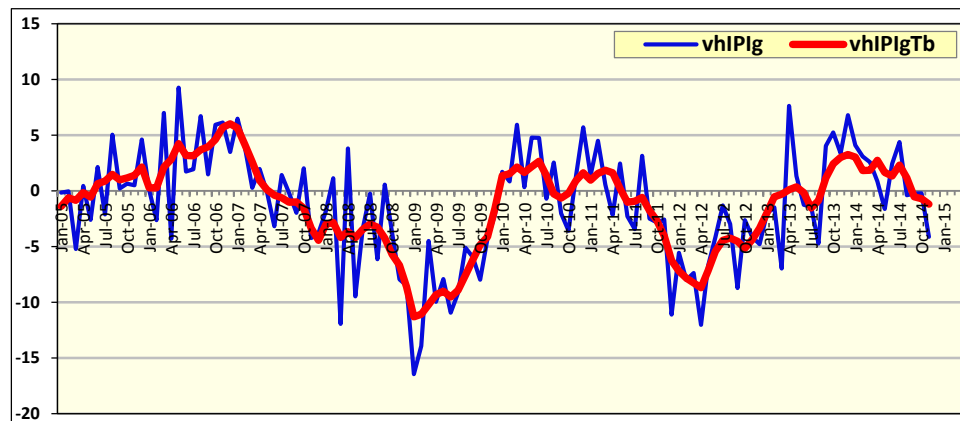
¹ Values matched by the year-on-year changes of GDP (vhGDP).

² Vcs – values corrected for seasonality (from EUROSTAT).

2 – INDUSTRIAL PRODUCTION

In **November**, which had one less working day, the **Industrial Production** index showed a year-on-year variation of -4.1% (gross values, **vhIPlgTb** series in the graph below). The estimated year-on-year variations (**vhIPlg** series, corrected for seasonal and calendar effects) showed that industrial production fell again at the end of 2014, after a period of growth.

Year-on-year variations of industrial production (vh)

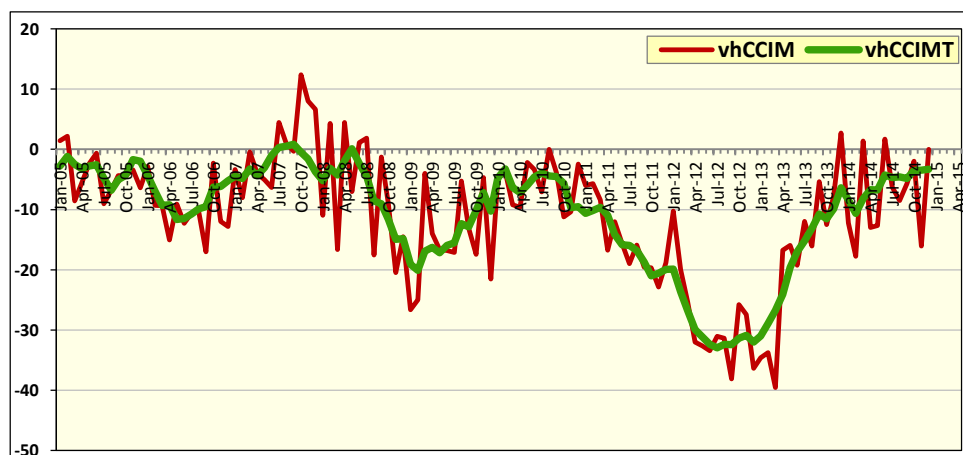


On the other hand, the **Industry Turnover** index (nominal) for **November** showed a year-on-year variation of -5.2%, with similar decreases for both the national and external markets. Although part of the fall for November was a result of less working days, it is worth remembering that the year-on-year variations for the **Industrial Price** index remained negative (-1.2% in November), which also adversely affected the nominal industry turnover.

3 – CEMENT CONSUMPTION AND CONSTRUCTION/CIVIL ENGINEERING ACTIVITY

In **December**, cement consumption showed no change in year-on-year variation. Thus, the 4th Quarter of 2014 ended with a negative year-on-year variation (-6.3), which was less than the previous Quarters. Overall, the annual change in estimated trend became less negative as 2014 progressed, and it is now approaching positive values. Similar behaviour was recorded for the Construction (INE) index, which had a year-on-year variation between September and November of -5.8% (-7.3% in the 3rd Quarter).

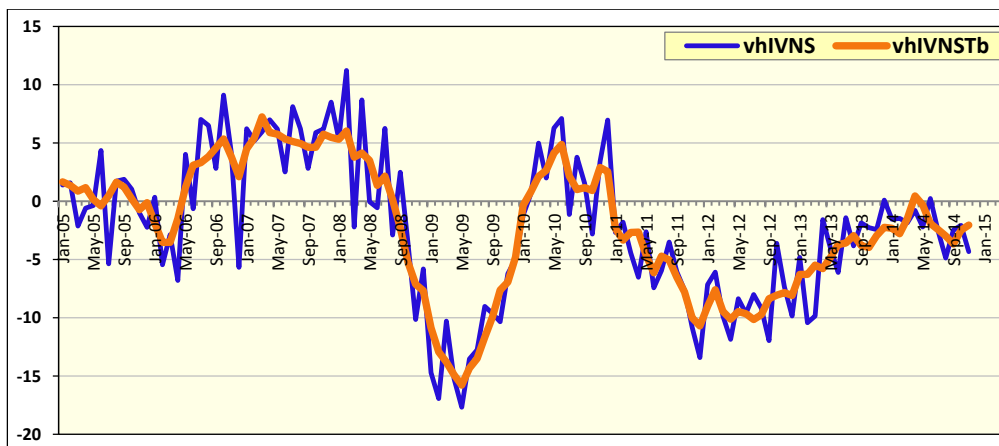
Year-on-year cement consumption



4 – TURNOVER IN THE SERVICES SECTOR

In **November**, which had one less working day, the (nominal) **Services Turnover** index showed a year-on-year variation of -4.3% (vhIVNS series, gross values). Year-on-year variations in estimated trend - vhIVNSTb adjusted for seasonal and calendar effects - although negative, improved on the previous month.

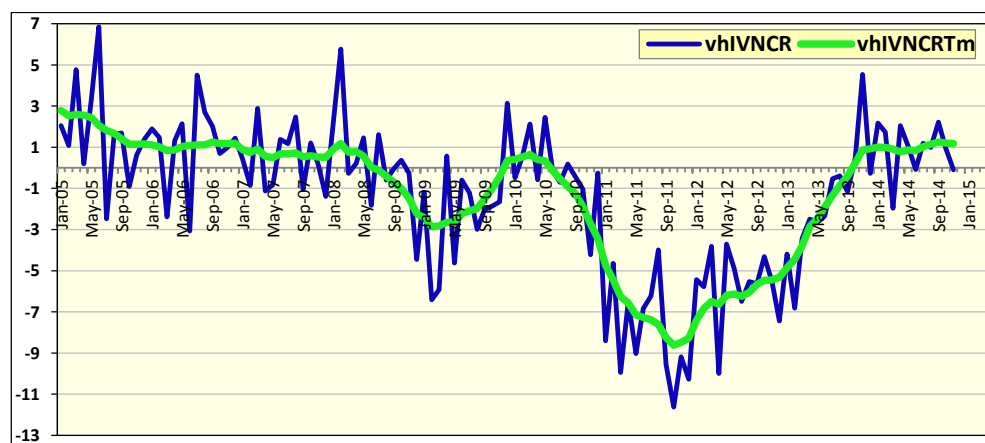
Variation in Service turnover (vh)



5 – RETAIL TRADE TURNOVER

In **November**, the **Retail Trade Turnover** index showed a year-on-year variation of -0.1% (deflated gross values). However, the **nominal values of this index decreased by 2.6%**. The trend analysis (with deflated values) shows positive year-on-year growth rates (of around 1%), and is relatively stable for over a year now. In recent months, this real growth has been sustained in essence by the growth of *non-food products*.

Variation in Retail trade turnover (vh)



Car sales grew in year-on-year terms by 37.9% in December, and 33.5% during the 4th Quarter, which was slightly more than during the 3rd Quarter, but less than that registered during the 1st Semester.

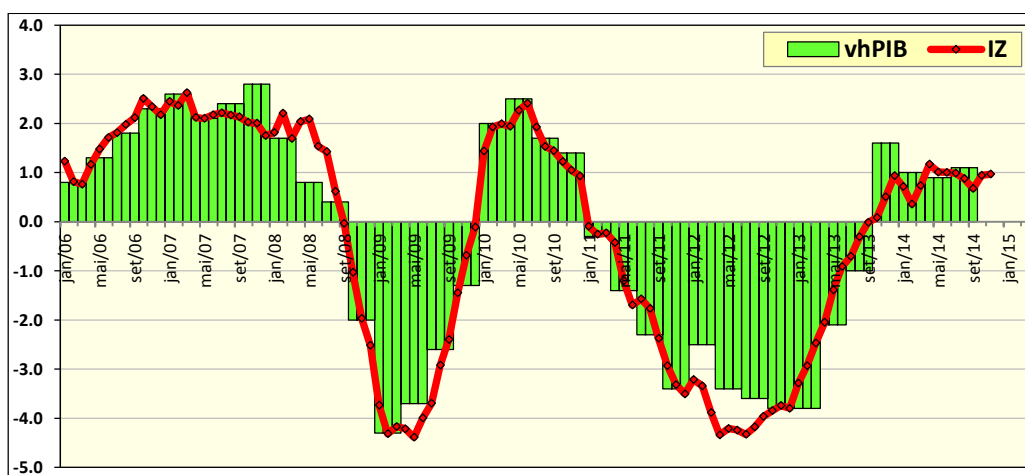
6- EVOLUTION OF THE Z INDICATOR

As can be seen in the graph below, the most recent quantitative data led to the **global activity tendency indicator** (*IZ*), remaining stable, as it essentially has done so for the whole of 2014. Thus, with the addition of the values for October and November, a year-on-year growth in GDP of about 1.1% is estimated for the last Quarter of 2014. This growth continues to be based on **domestic demand**, especially private consumption, as the likelihood of investment still remains uncertain.

With regards to the evolution of **net external demand** during the last Quarter of 2014, after the addition of the values for the trade of goods for October and November, the nominal growth of exports of goods stands out (4.4%), which is greater than the growth of imports (2.2%) and thus contributes to improving the rate of exports to imports. However, as was observed in the previous month's report, irrespective of the increase in exports, one of the factors that continues to contribute to the improvement of net external demand over recent months has been the weak growth of imports, which is substantially due to the substantial drop in the **price of crude oil**.

For **2015**, the price of crude oil is forecast to continue to have a positive effect on the growth of GDP in Portugal, mainly in the 1st Semester, although prospects for external growth are poor, especially in the Eurozone. Less welcome is the likelihood that this growth will be based more on internal demand, rather than on external demand.

Year-on-year variation in GDP and IZ trend



Compiled with information available as of the 15th of January.

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