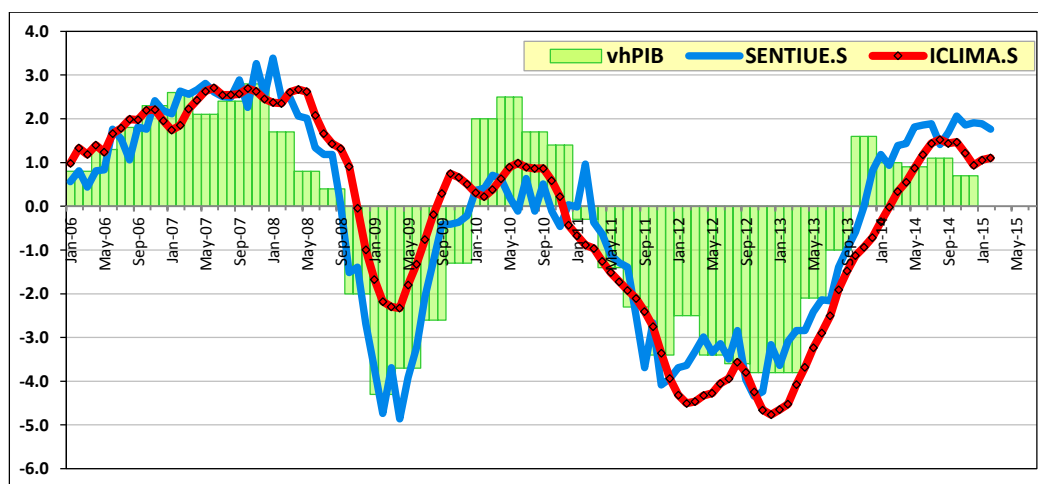


1 – EVOLUTION OF CLIMATE INDICATORS – FEBRUARY

In **February**, the results of the economic climate surveys did not imply any significant difference from the overall general economic indicators: a slight improvement was seen in the **Economic Climate (ICLIMA.S, INE)** indicator, with a slight fall in the **Economic Sentiment (SENTIUE.S, EUROSTAT)**. As can be seen in the graph below¹, despite some fluctuations, these indicators have remained relatively stagnant since the middle of last year.

In the EU, the Economic Sentiment indicator for the **Eurozone** rose again in February, reversing the fall registered during the second half of 2014.

Economic Climate (ICLIMA.S) and Economic Sentiment (SENTIUE.S) indicators and year-on-year variation of GDP (vhGDP)



Meanwhile, INE divulged the preliminary forecast of the National Accounts for the 4th Quarter of 2014, (0.7% in terms of year-on-year variation), and also for the whole of 2014 (0.9%, compared to 2013). These values confirm those of the previous *flash estimate*. It is worth noting that the growth registered in 2014 was entirely based on the growth of internal demand, as net external demand was negative again, reversing the pattern of the last three years, which was brought about by decreases in GDP. With regards to the growth of internal demand, it should be noted that this was largely a result of an increase in Family Spending, although Investment had also started to increase. The 4th Quarter had the least year-on-year growth, as a result of a slowdown of the increase in internal demand.

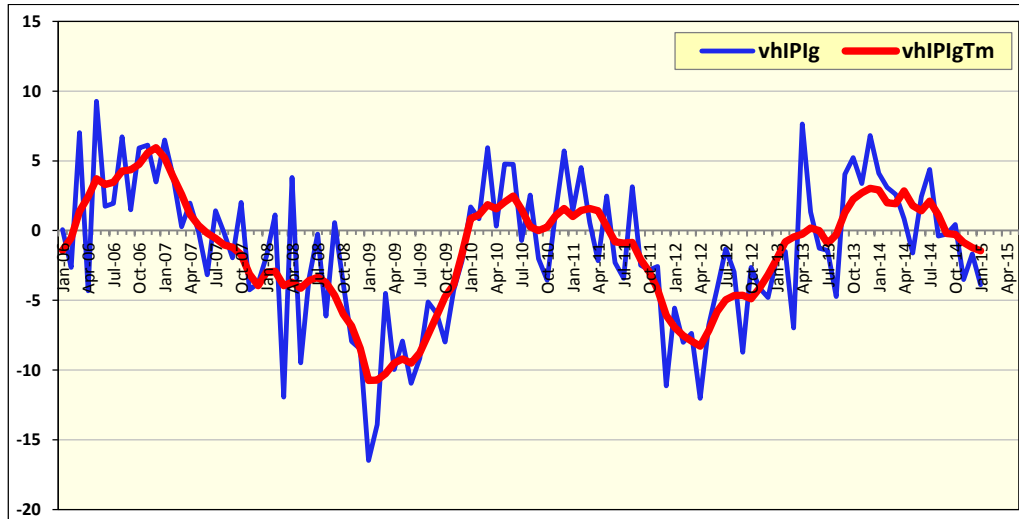
For this current year, the sectorial indicators have been made available for January. As shall be seen below, in general, after corrections for seasonal and calendar effects, more positive trends have been registered than those seen during the last Quarter of 2014.

¹ The values of the indicators were adjusted for averages and for the standard deviation of the year-on-year variations of GDP (vhGDP).

INDUSTRIAL PRODUCTION

In **January**, which had one less working day than the year before, the **Industrial Production Index** showed a year-on-year variation of -3.9% (gross values, *vhIPgTb* series in the graph below; the variation in manufacturing being -3.5%). The estimated year-on-year variations (*vhIPgTb* series, corrected for seasonal and calendar effects) continued to be negative, albeit with slightly less negative values.

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

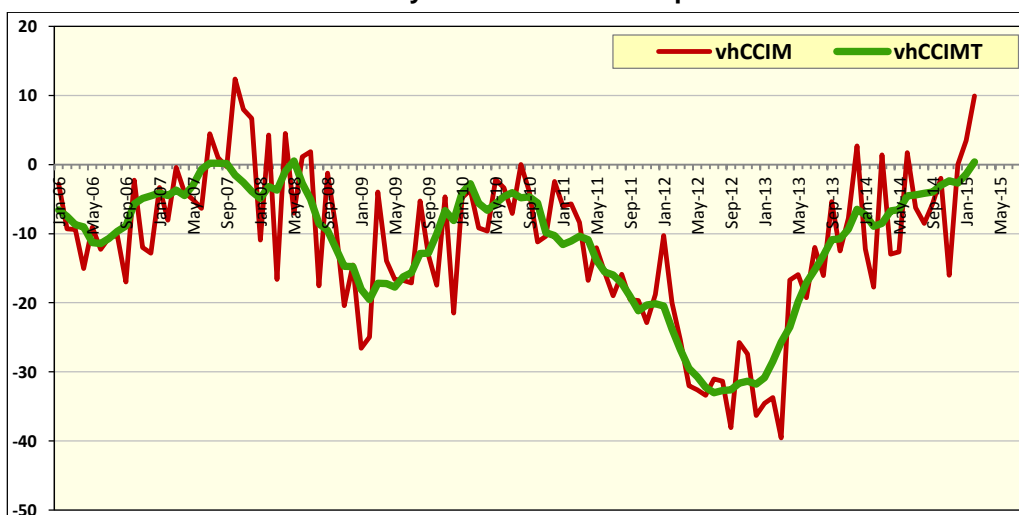


The (nominal) **Industry Turnover Index** showed a year-on-year variation of -4.4% in **January**, with -4.9% for the national market, and -3.8% for the external market. This result was very much reliant on the evolution of prices, as can be seen by the fact that the *Industrial Production Price Index* fell by 4.1% in January, driven by the energy sector and the fall in the price of crude oil.

3 – CEMENT CONSUMPTION AND CONSTRUCTION/PUBLIC WORKS

In **January** and **February**, cement consumption grew by about 6%. This positive year-on-year variation partly results from the core effect of poor weather during the corresponding period in 2014. In terms of the trend of variations, once corrected for seasonal, calendar and weather effects, the estimated year-on-year variations (*vhCCIMT*, in the graph), albeit less extenuated, are also starting to become positive, reinforcing signs of growth for the construction and public works sector this year (after over a decade of decrease).

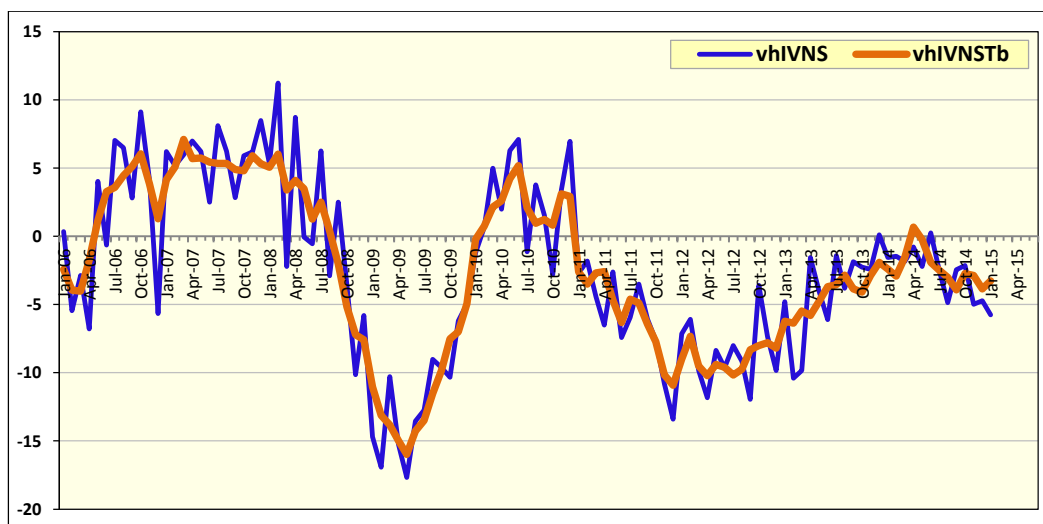
Year-on-year cement consumption



4 – TURNOVER IN THE SERVICES SECTOR

In **January**, which had one less working day, the (nominal) **Services Turnover Index** showed a year-on-year variation of -5.8% (vhIVNS series, gross values). The year-on-year variations in estimated trend (vhIVNST adjusted for seasonal and calendar effects) are less extenuated, but continue negative, without any significant alteration during the last months (see the graph below). Accordingly, the total turnover for this sector is still decreasing, although this may well be the result of the drop in prices, especially since the middle of last year.

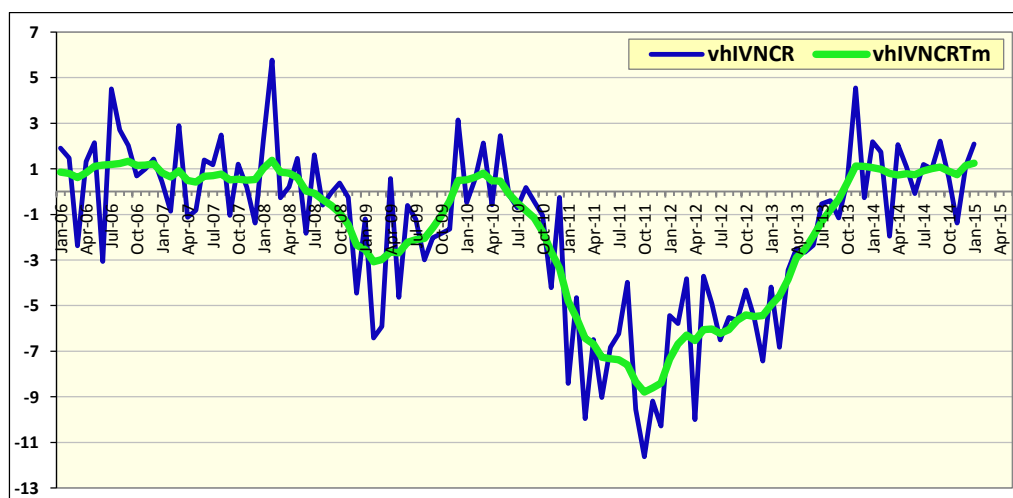
Variation in Service turnover (vh)



5 – RETAIL TRADE TURNOVER

In **January**, the **Retail Trade Turnover Index** showed a year-on-year variation of 2.1% (**deflated** gross values). The nominal index *decreased* by 2.1%, which was particularly a consequence of the price of fuel and foodstuffs. By class, using deflate values, the retail of *non-food products* grew by 3.9%, whilst that of *food and other products* decreased by 0.4%.

Variation in Retail trade turnover (vh)

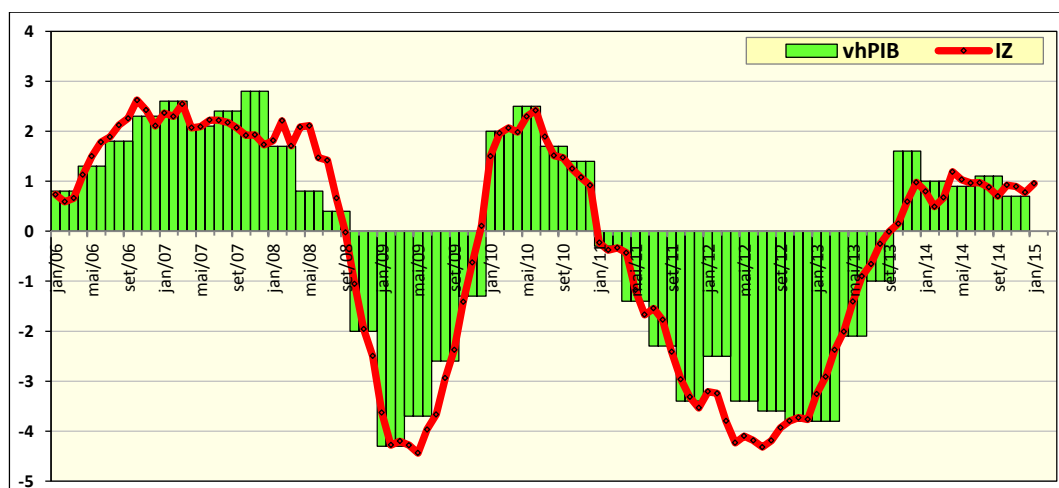


Still with regards to private consumption, **car sales** increased by 32% during January and February, which is a similar level of growth to that registered during the last Quarter of 2014 (33,5%).

6 –THE EVOLUTION OF THE Z TREND INDICATOR

As can be seen in the graph below, the **global activity tendency indicator** (*IZ*) has remained positive since the 4th Quarter of 2013, and, with some small ups and downs, it has been relatively stable during the last months. The slight improvement in the data for January suggests a possible recovery, in comparison to the slowdown experienced during the 4th Quarter of 2014.

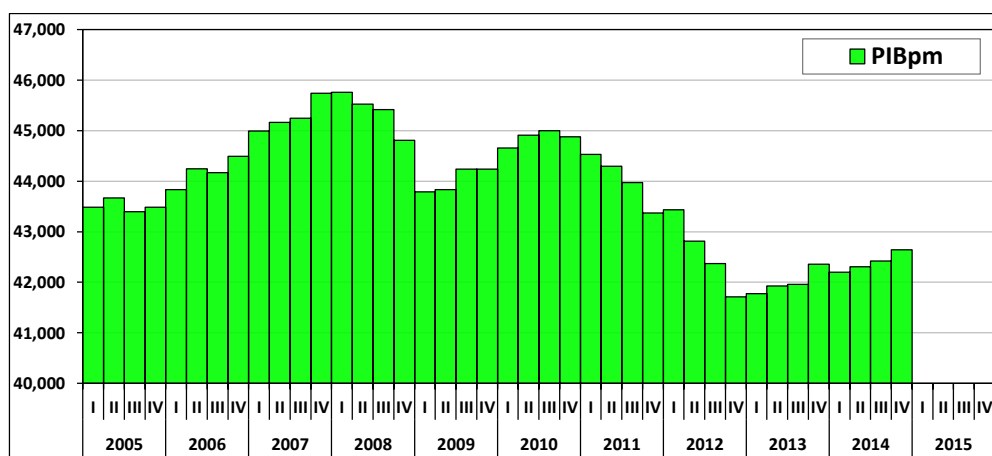
Year-on-year variation in GDP and *IZ* trend



As seen in the sectorial analysis above, this recovery is again based on private consumption (see the Retail Trade indicator), and furthermore, investment in construction could well be on its way. With regards to the evolution of **net external demand**, despite its volatility in terms of goods, the (nominal) results for January showed a better net result, largely helped by the price of crude oil. However, with the advent of reasonable growth in internal demand, it will be difficult to maintain real growth in net external demand.

In summary, in line with the majority of forecasts put forward so far, there is a clear expectation that year-on-year of GDP for 2015 will be clearly greater than that of last year, especially during the 1st Semester. Perspectives for growth are less certain for the 2nd Semester, as these depend more on external growth, on which hinges the possibility of growth in 2015 being greater than the consensual forecast of 1.5%.

GDPpm (volume, year of reference = 2011; million €; INE)



Compiled with information available as of the 17th of March.

The ISEG Economic Analysis Group