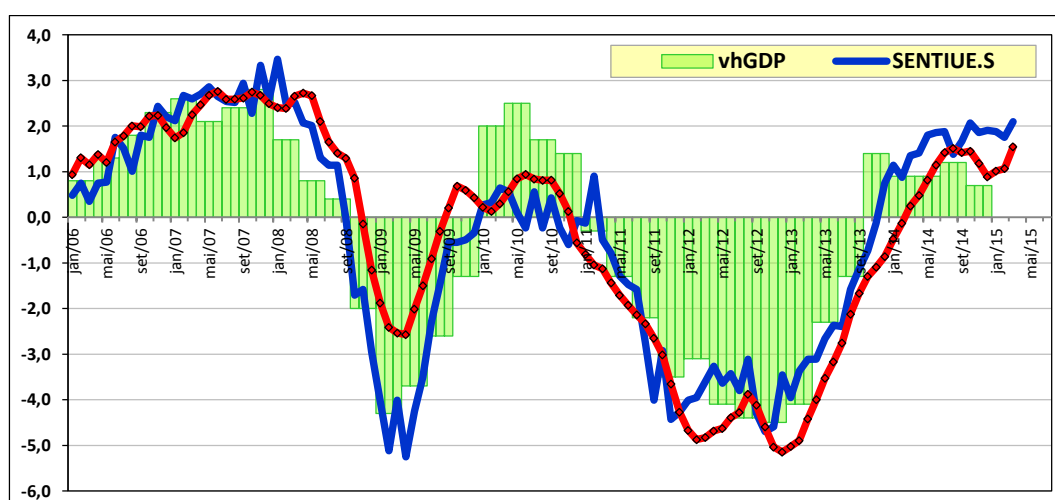


## 1 – EVOLUTION OF CLIMATE INDICATORS – MARCH

In **March**, as can be seen in the graph below, both the **Economic Climate** (ICLIMA.S, INE) and the **Economic Sentiment** (SENTIUE.S, EUROSTAT) clearly improved, reaching new maximum levels not seen since 2008. In the **EU**, the Economic Sentiment indicator for the **Eurozone** rose again in March, reaching its highest level since the middle of 2011.

**Economic Climate (ICLIMA.S) and Economic Sentiment (SENTIUE.S) indicators and year-on-year variation of GDP (vhGDP)<sup>1</sup>**



Meanwhile, INE published the **final estimate for the National Accounts for 2012**, which reduced the previous one, with consequences for the Annual and Quarterly National Accounts for 2013 and 2014. The major impact was the real variation of GDP, which was -4.0% in 2012 (and not -3.3%), and -1.6% in 2013 (previously, -1.4%). However the estimated variation for 2014 remained at 0.9%. Thus, the fall in GDP for the years post 2010 was worse than previously thought, as was, consequently, the real level of production, which had to be revised. Previous year-on-year variations were not, however, subject to significant changes, especially the Quarterly ones.

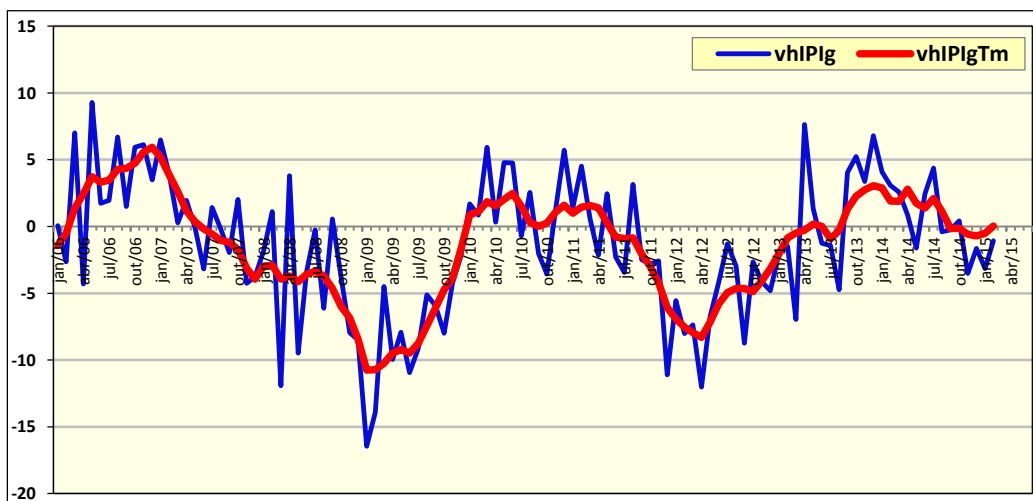
In relation to the current year, the values of the quantitative sectorial indicators for February were published, as were for a few cases, those of March. As will be seen later, in general, after correction for seasonal and calendar effects, more positive trend indicators were registered than those registered in the last Quarter of 2014.

<sup>1</sup> The values of the indicators were adjusted to the mean and standard deviation of the year-on-year variations of GDP (vhGDP).

## 2 – INDUSTRIAL PRODUCTION

In **February**, the **Industrial Production Index** showed a year-on-year variation of -1.1% (gross values, vhlPIgTb series in the graph below; the variation in manufacturing being -2.0%). The estimated year-on-year variations (vhlPIgTb series, corrected for seasonal and calendar effects) suggest a correction of the negative tendency that had been observed at the end of the previous year.

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

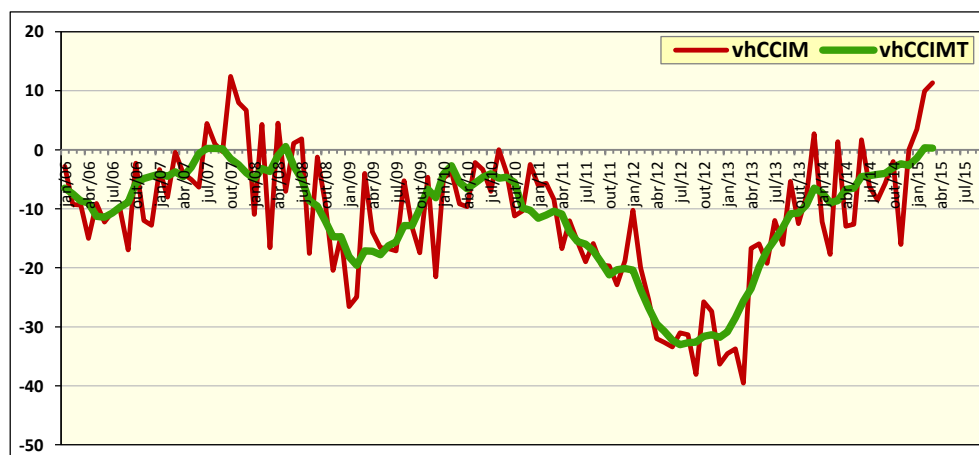


At the same time, the (nominal) **Industry Turnover Index** showed a year-on-year variation of 0.3% in **February**, with -0.5% for the national market, and 1.3% for the external market. This is a good result, bearing in mind that the **Industrial Production Price Index** continued to fall in February (3.4%).

## 3 – CEMENT CONSUMPTION AND CONSTRUCTION / PUBLIC WORKS

During the **1st Quarter of 2015**, cement consumption grew by about 8% (11% in March), which is a rate that has not been seen for a long time. This extremely positive year-on-year variation results, not only from the base effect (low consumption during the corresponding period in 2014), but also from improvement in this activity, as, trend-wise, after seasonal, calendar and climatic corrections, estimated year-on-year variations (vhCCIMT in the graph below) were marginally positive, reinforcing the signs of growth in investment in construction / public works this year.

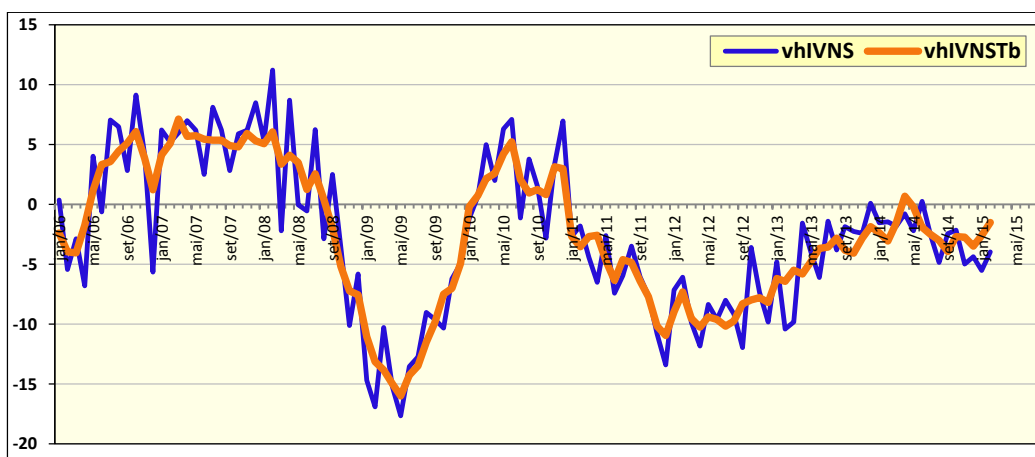
Year-on-year cement consumption



#### 4 – TURNOVER IN THE SERVICES SECTOR

In **February**, the (nominal) **Services Turnover Index** showed a year-on-year variation of -4.0% (vhIVNS series, gross values). The year-on-year variations in estimated trend (vhIVNST adjusted for seasonal and calendar effects) were more moderate and continue to be negative, but have improved (see the graph below). The total turnover covered by this nominal index could have been influenced by some falls in prices.

Variation in Service turnover (vh)

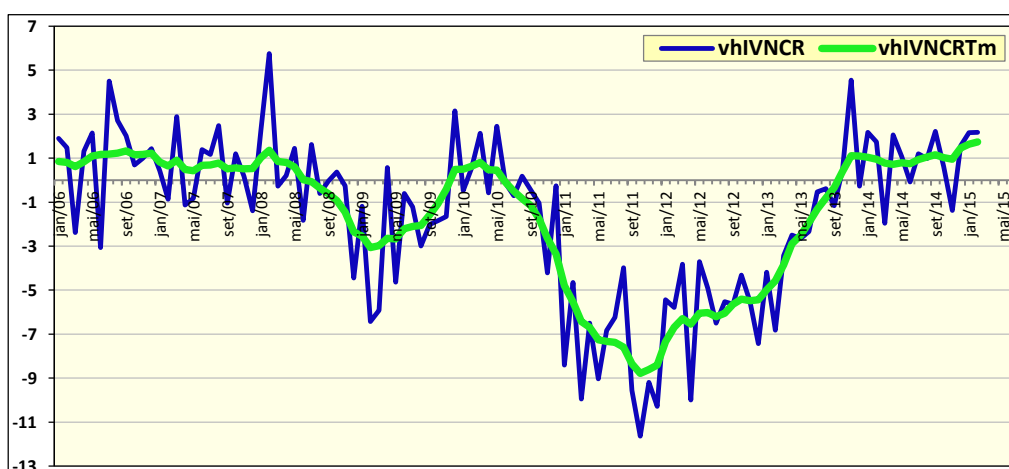


With respect to Tourism, it is important to note that the (nominal) indicator for *Total Revenue* for the hotels sector grew 15.2% during the first months of 2015.

#### 5 – RETAIL TRADE TURNOVER

In **February**, the **Retail Trade Turnover Index** showed a year-on-year variation of 2.2% (**deflated** gross values), just as it had done the previous month. The nominal index *decreased* by 1.2%, which was less than the previous months. Using deflate values, the retail of *non-food products* continued to lead this growth (3.7%). The evolution of year-on-year trend variations (vhIVNCRtm) suggests that there has been an acceleration of the growth in private consumption during this year.

Variation in Retail trade turnover (vh)

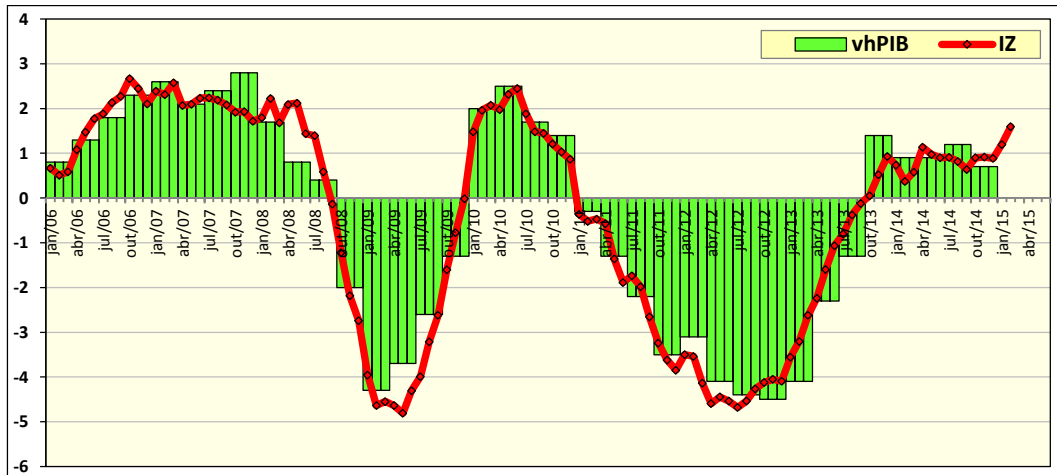


Still with regard to private consumption, **car sales** increased by 36.1% during the 1st Quarter of 2015, following on from the strong growth registered the previous year (34.8%).

## 6 – THE EVOLUTION OF THE Z TREND INDICATOR

As can be seen in the graph below, in February the **global activity tendency indicator (IZ)** consolidated its rise of the previous month. Accordingly, year-on-year growth of GDP for the 1st Quarter of 2015 has been greater than that registered at the end of the previous year and, based on the partially available information, a year-on-year growth of 1.4% is estimated for the 1<sup>st</sup> Quarter of 2015.

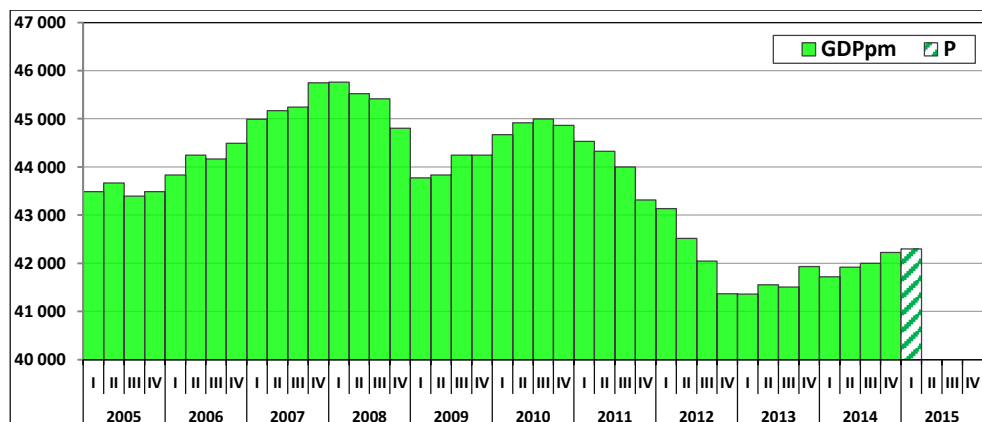
Year-on-year variation in GDP and IZ trend



As shown in the sectorial analysis above, this accelerated growth is based on the acceleration of private consumption (see the Retail Trade Turnover Index and the information about car sales) and it may have also been a result of an increase in investment, especially in construction. With regards to the evolution of **net external demand**, the data available for the first two months of the year are also encouraging: for retail trade, in spite of the weak growth in exports, the *nominal balance* improved greatly (it was less negative), based on the fall in imports (provoked by the fall in the price of *crude*); and in the services sector, nominal revenue from tourism also rose significantly in year-on-year terms.

In summary, GDP growth expectations for 2015 are improving, and are supported by positive corrections for growth in the Eurozone. However, as can be seen from the graph below, the current level of activity continues to be relatively low and compares badly with the levels achieved in the years prior to 2012.

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



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

The ISEG Economic Analysis Group