



LISBON
SCHOOL OF
ECONOMICS &
MANAGEMENT
UNIVERSIDADE DE LISBOA

ISEG INDEX

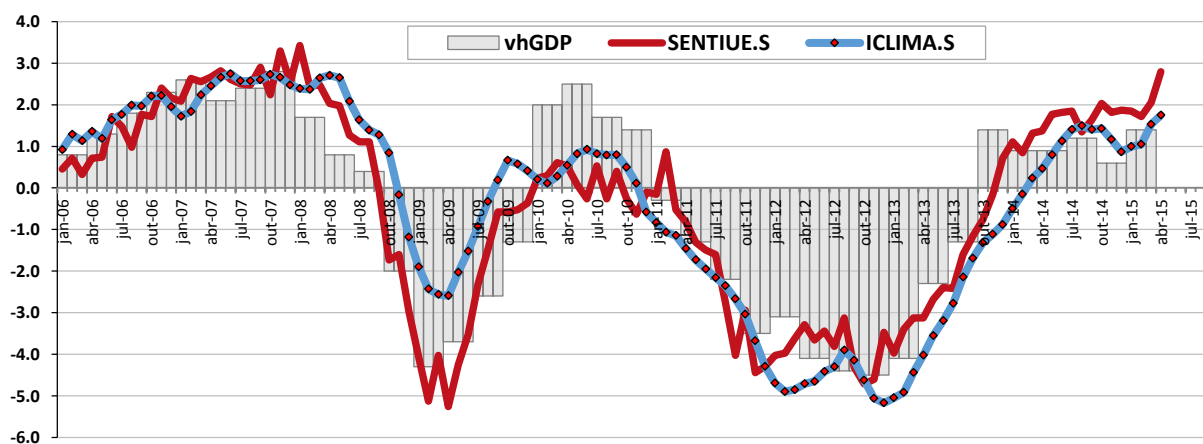
MAY 2015

1. EVOLUTION OF CLIMATE AND CONFIDENCE INDICATORS –APRIL

In **April** the overall confidence indicators rose again: with a slight increase of the **Economic Climate Indicator** (ICLIMA.S, INE) and a more accentuated increase of the **Economic Sentiment Indicator** (SENTIUE.S, EUROSTAT). As can be seen in Graph 1 below¹, the most recent movements of these indicators reveal a climate of optimism, after a period of greater uncertainty.

The opposite was the case for the EU, where the Economic Sentiment Indicator for the **Eurozone** dropped slightly in April, adversely affected by Germany and France, however it rose in Spain.

Graph 1 | Economic Climate (ICLIMA.S) and Economic Sentiment (SENTIUE.S) indicators and year-on-year variation of GDP (vhGDP)



Earlier, on the 13th of **May**, the *flash estimate* for the Quarterly National Accounts (INE) was released for the 1st Quarter of 2015, which showed a year-on-year variation of 1.4% (0.6% for the last Quarter of 2014). For the European Union, the year-on-year variation was also 1.4% (0.4% for the previous Quarter), with Germany's growth (0.3% from the previous Quarter) being less than expected and lower than the European average.

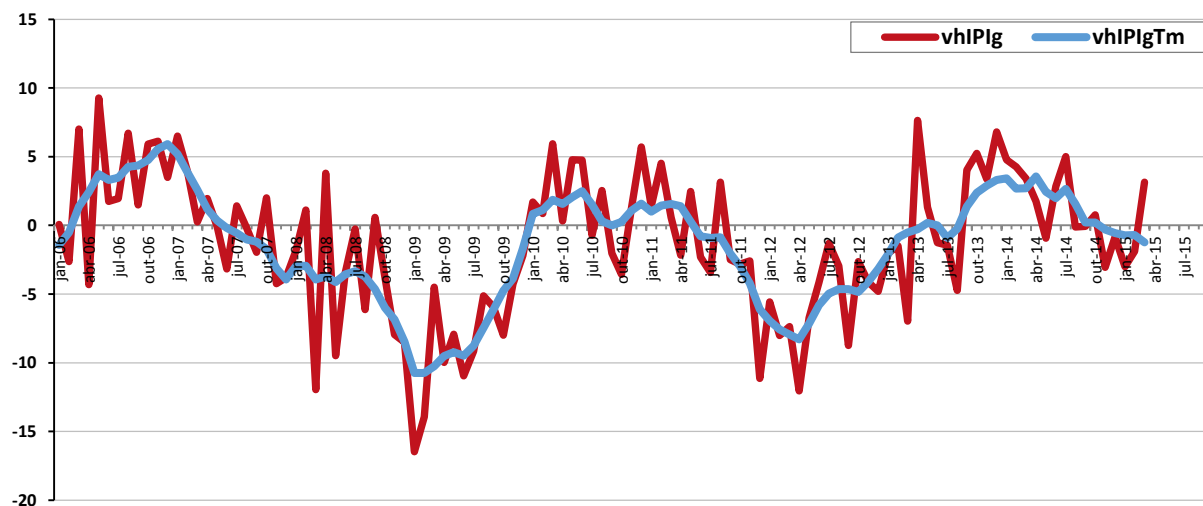
For Portugal, the result was as expected, being the same as the estimate presented in our report for last month. It is worth mentioning that the increased year-on-year growth was partly a result of greater net external demand as a consequence of the fall in the price of crude oil, just as forecast. Nevertheless, a more in-depth analysis of the other demand factors will be carried out next month, after the release of the more detailed report by INE. For now, the evolution of the principal quantitative indicators for March have been analysed, as have those of the 1st Quarter, and, in a few cases, some of those of April as well.

¹ The values of the indicators have been adjusted to the average and standard deviation of the year-on-year variation of GDP (vhGDP).

2. INDUSTRIAL PRODUCTION

In **March**, with more days than last year, the **Industrial Production Index** showed a year-on-year variation of 3.1% (gross values, **vhIPIgTb** series in Graph 2 below; the variation in manufacturing being 4.1%). However, the year-on-year variation of the 1st Quarter was -0.6% (gross values). From a more essential perspective, the estimated trend year-on-year variations (**vhIPIgTm** series, corrected for seasonal and calendar effects) continued to be slightly negative at the end of the period.

Graph 2 | Year-on-year variation of industrial production (vh)

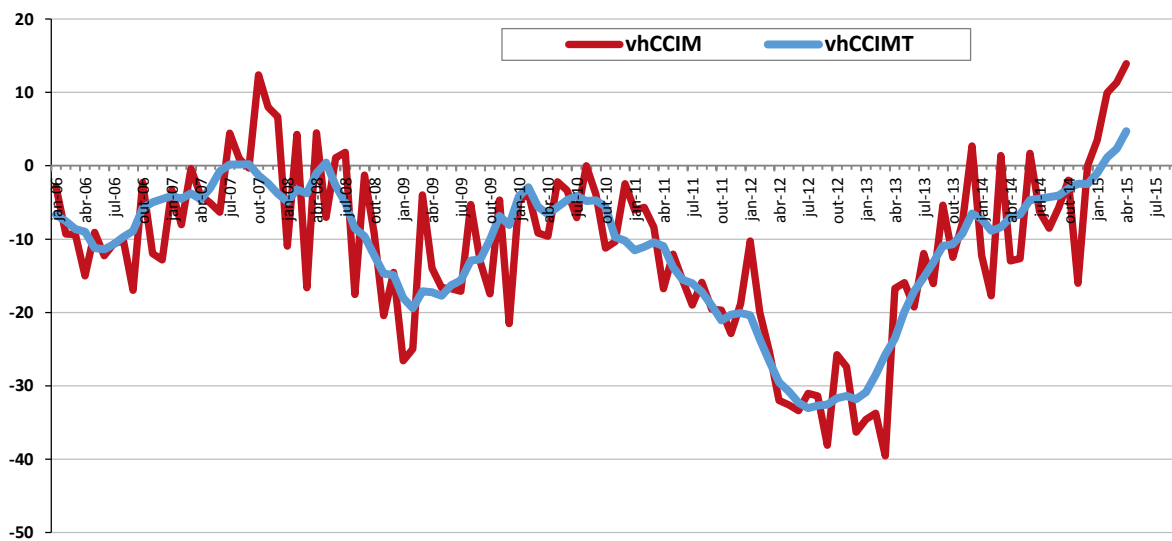


The (nominal) **Industry Turnover Index** showed a year-on-year variation of 2.9% in **March**, with -0.5% for the national market, and 7.4% for the external market. The overall index dropped by 0.3% in the 1st Quarter, which was less than that of both the previous Quarter and previous years (-1.3%).

3. CEMENT CONSUMPTION AND CONSTRUCTION / PUBLIC WORKS

In **April**, also with more days, cement consumption grew by about 13%, having increased by about 8% in the **1st Quarter**. Trend-wise, after seasonal, calendar and climatic corrections, estimated year-on-year variations (**vhCCIMT** in Graph 3 below) are more moderate, but are clearly positive, this being the pattern that should be maintained for the rest of the year, albeit not quite as strong as the result registered for April, which is a sign of a resurgence in construction, whilst maintaining a very low level in historical terms.

Graph 3 | Year-on-year cement consumption

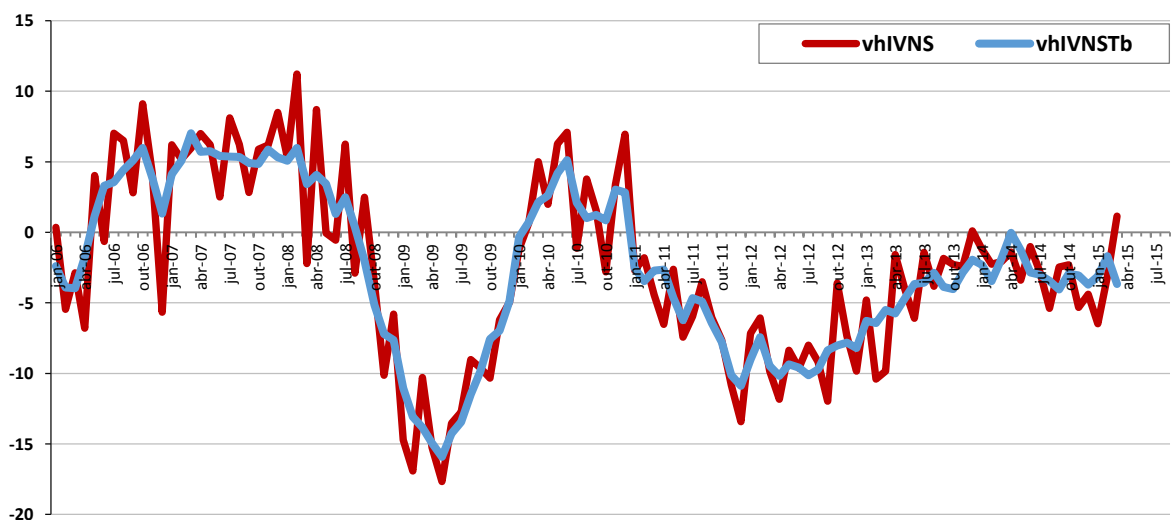


4. TURNOVER IN THE SERVICES SECTOR

In **March**, the (nominal) **Services Turnover Index** showed a year-on-year variation of 1.1% (vhIVNS series, Graph 4, gross values). In the **1st Quarter**, the year-on-year variation was -2.7%, which was less negative than the previous Quarter, but is still substantial, although it could have been affected by the fall in prices. The year-on-year variations in estimated trend (vhIVNST adjusted for seasonal and calendar effects) remain negative.

Tourism continues to evolve very favourably, having grown 14.8% in revenue (INE) during the 1st Quarter.

Graph 4 | Variation in Services turnover

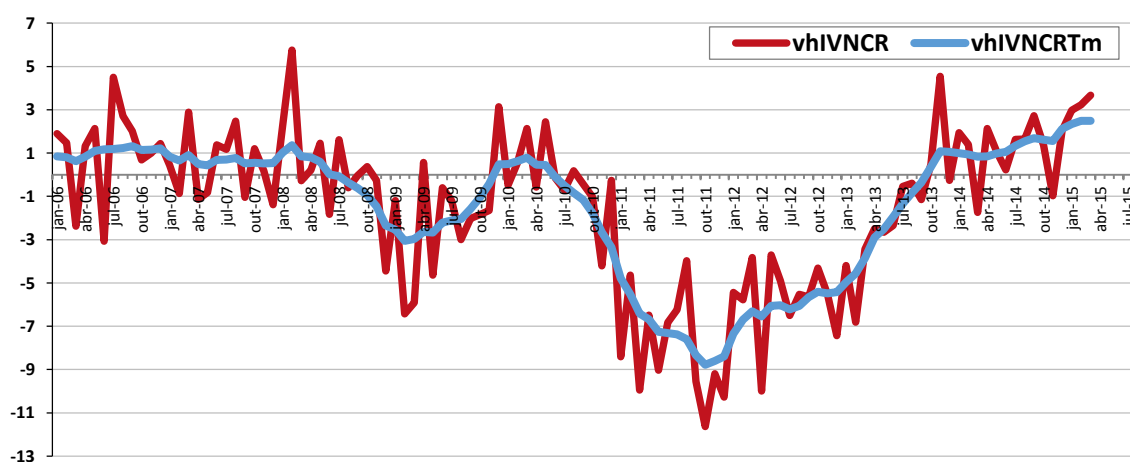


5. RETAIL TRADE TURNOVER

In **March**, the **Retail Trade Turnover Index** showed a year-on-year variation of 3.7% (Graph 5, **deflated** gross values, with an increase of the corresponding nominal index of 0.9%). In the **1st Quarter**, the year-on-year variation was 3.3%. The retail of *non-food products* continued to be the principal driver of the present growth of the overall index (6% growth in March).

Still regarding private consumption, **car sales** increased by 21.8% in April, in year-in-year terms, following a growth of 36.1% in the **1st Quarter**.

Graph 5 | Variation in Retail trade turnover



6. THE EVOLUTION OF THE Z TREND INDICATOR

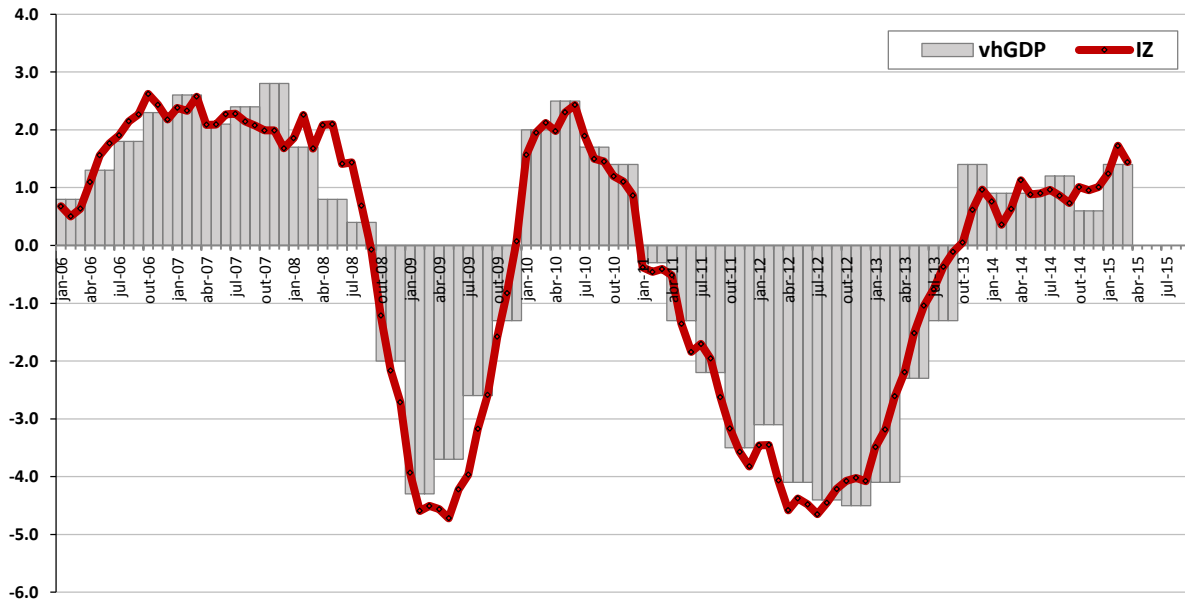
As can be seen in the graph below, the **global activity tendency indicator** (IZ) grew strongly at the start of this year, although not in March, maintaining levels close to the recent maximums, however.

As seen in the sectorial analysis above, the year-in-year growth of GDP for the 1st Quarter has been anchored in private consumption (see the Retail Trade indicator and that of Cars), and also partially in investment in construction. With regards to the evolution of **net external demand**, there has been an improvement in the external results for goods, aided by not only the price of crude oil, but also the demand for services.

In summary, the evolution of the tendency indicator suggests that a pace of growth which is clearly above that of last year is being maintained, although there is no indication that this will accelerate much beyond the levels registered for the 1st Quarter. The prospects for growth in the 2nd Semester are less certain, as they are more dependent on external growth and are less affected by the beneficial low price

of crude oil and the consequent increase in net external demand, which is also restricted by growth in internal private consumption.

Graph 6 | Year-on-year variation in GDP and IZ trend



The ISEG Economic Analysis Group
Compiled with information available as of the 21st of May.