



LISBON  
SCHOOL OF  
ECONOMICS &  
MANAGEMENT  
UNIVERSIDADE DE LISBOA

# ISEG INDEX

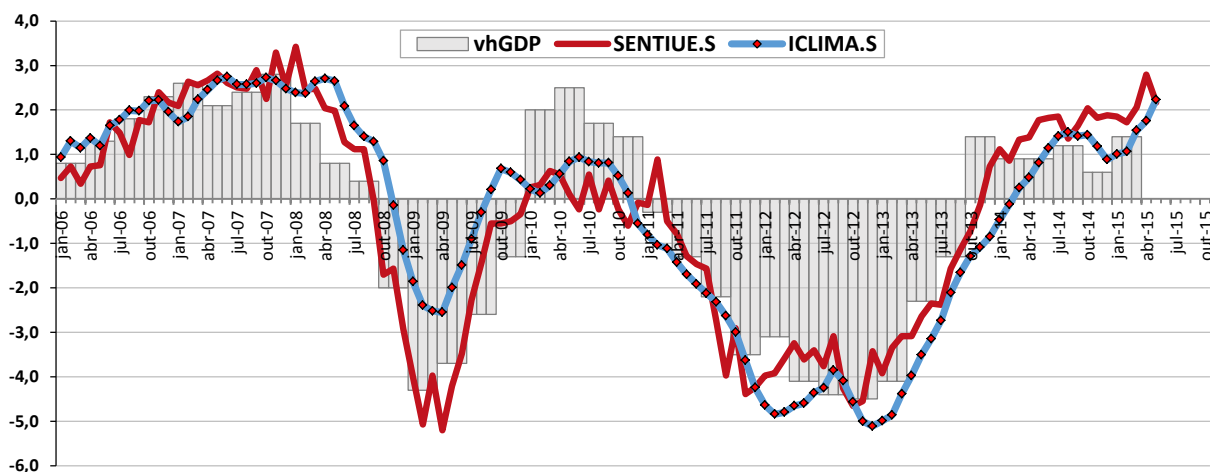
June, 2015

## 1. EVOLUTION OF CLIMATE AND CONFIDENCE INDICATORS - JUNE

In **May** the overall confidence indicators for the country showed opposing evolutions: the **Economic Sentiment Indicator** (SENTIUE.S, EUROSTAT), which is based on information collected during the month, fell by almost as much as it had risen the previous month; whilst the **Economic Climate Indicator** (ICLIMA.S, INE), which is based on information from the last three months, rose in a relatively accentuated form. However, as can be seen in the graph below<sup>1</sup>, both are at high levels, which have not been seen since 2008.

In the EU, the Economic Sentiment Indicator for the **Eurozone** remained stable in May, with a relatively high level.

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



At the end of **May**, after the *flash estimate* of the beginning of the month, INE released more detailed information about the Quarterly National Accounts for the 1st Quarter of 2015, which showed a slight increase in the year-on-year value of GDP (from 1.4% to 1.5%, as opposed to 0.6% for the last Quarter of 2014). In comparison, the year-on-year growth in the Eurozone was 1.0% (0.4% from the previous Quarter) and 1.5% for the EU28.

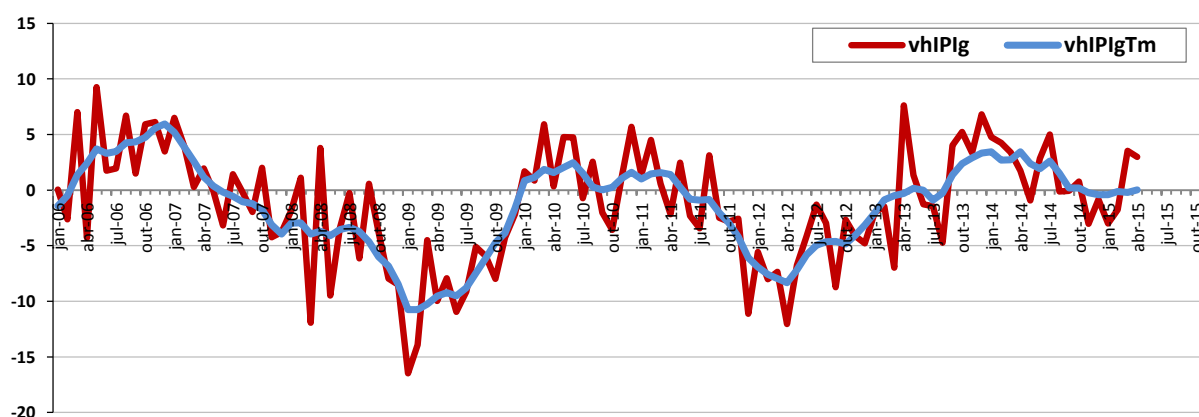
In Portugal, according to INE, the year-on-year growth in GDP was based on the growth of domestic demand. The contribution of external demand was zero, which at least was an improvement on the results of the four Quarters of last year. In terms of domestic demand, the growth in private consumption needs to be highlighted (2.5%), whereas public consumption decreased (-0.5%). Even though growth in investment was almost nil, this result camouflaged an 8.5% growth in GFCF, being the largest during the last Quarters, which is largely a result of the turnaround of the construction sector.

<sup>1</sup> 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 **April**, with one more day than last year, the **Industrial Production Index** showed a year-on-year variation of 3.0% (gross values, **vhIPIgTb** series in Graph 2 below; the variation in manufacturing being 4.4%). The estimated trend year-on-year variations (**vhIPIgTm** series, corrected for seasonal and calendar effects) suggest that an end has come to the period of decreasing production that occurred between the second half of the previous year and the start of this year, and they are slightly positive at the end of the period.

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

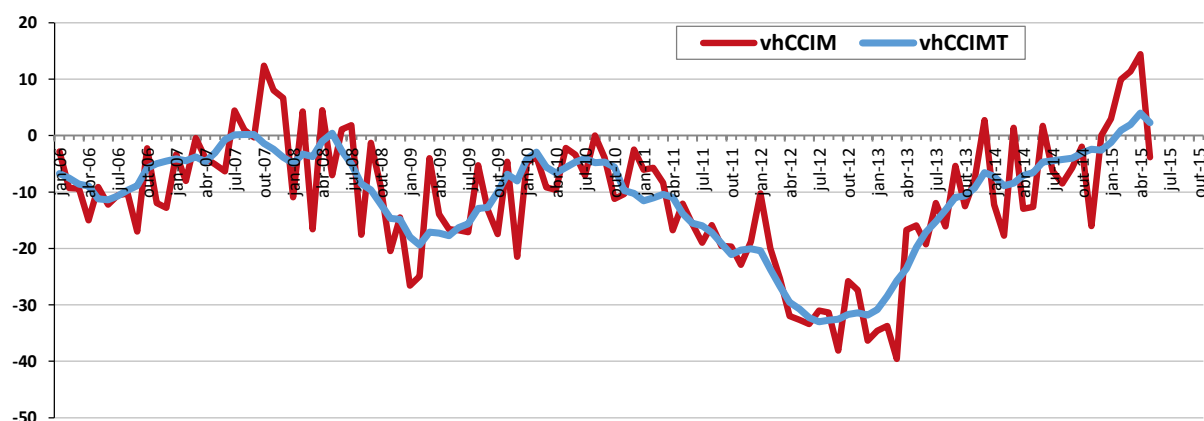


The (nominal) **Industry Turnover Index** showed a year-on-year variation of 4.6% in **April**, with +0.7% for the national market, and +9.4% for the external market.

## 3. CEMENT CONSUMPTION AND CONSTRUCTION / PUBLIC WORKS

In **May**, with one less working day, cement consumption fell by about 3%. Trend-wise, after seasonal, calendar and climatic corrections, estimated year-on-year variations (**vhCCIMT** in Graph 3 below) continue to be positive, but fell to lower values than those recorded in the 1<sup>st</sup> Quarter. These lower values are more in line with the forecasts for growth for the rest of the year.

Graph 3 | Year-on-year cement consumption

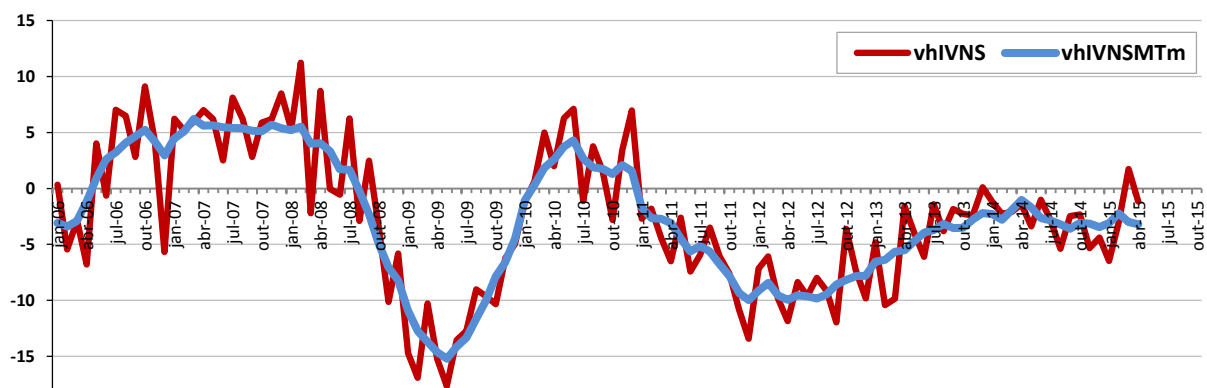


#### 4. TURNOVER IN THE SERVICES SECTOR

In **April**, the (nominal) **Services Turnover Index** showed a year-on-year variation of -1.1% (vhIVNS series, Graph 4, gross values). The year-on-year variations in estimated trend (vhIVNSMTm adjusted for seasonal and calendar effects) remained negative, close to -3% and relatively stable. This remains the worst performing indicator out of all those analysed.

In April, the *turnover* of hotels (Tourism Activity, INE) grew year-on-year by 7.8%, which is less than the accumulated growth from since the start of this year (12.2%)

Graph 4 | Variation in Services turnover

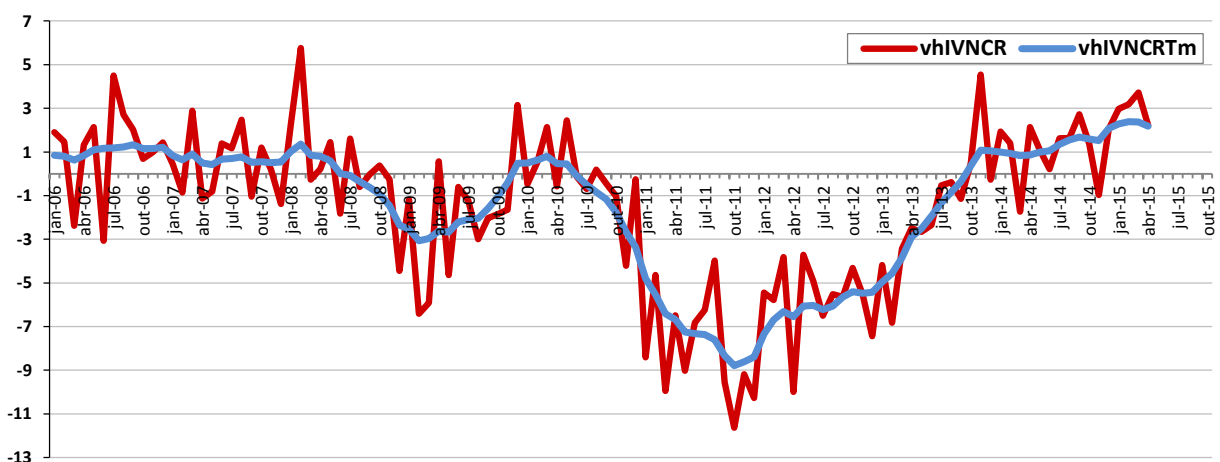


#### 5. RETAIL TRADE TURNOVER

In **April**, the **Retail Trade Turnover Index** showed a year-on-year variation of 2.2% (Graph 5, **deflated** gross values, with an increase of the corresponding nominal index of 0.1%). As can be seen in the graph below, there has been a slowdown to some degree since the 1st Quarter, but this continues to remain the indicator with the best performance, due to the retail of *non-food products*.

Still regarding private consumption, **car sales** increased by 33.1% in **May**, in year-on-year terms, and 32.5% since the start of the year.

Graph 5 | Variation in Retail trade turnover



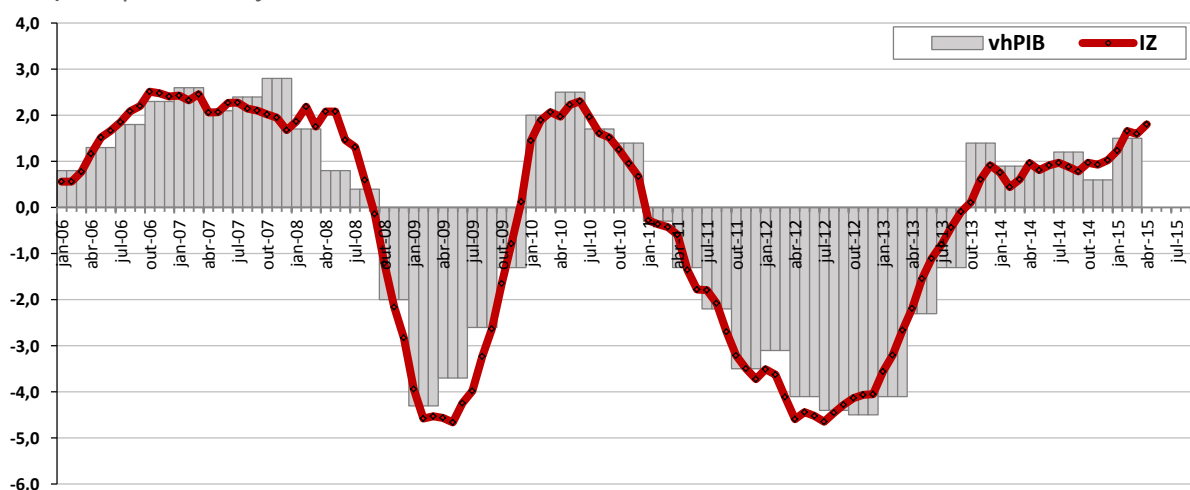
## 6. THE EVOLUTION OF THE Z TREND INDICATOR

As can be seen in the graph below, the **global activity trend indicator** (IZ) rose again in April, even though the same cannot be said for all the component indicators analysed above. However, in general, in April the main indicators did not perform worse than the corresponding values for the 1<sup>st</sup> Quarter.

With regards to the evolution of **net external demand**, there has been a worsening in the external balance of trade in goods, as, even though nominal exports grew by 9.7% in April relative to the same month of last year, imports grew by 16%. If this situation persists, then the increase in the negative external balance of trade could adversely affect the growth in GDP during the 2<sup>nd</sup> Quarter, just as it did last year.

In summary, the outlook for growth remains, as reflected by the trend indicator, which is driven by domestic demand, especially private consumption, and yet its level could well be limited by a less positive evolution of net external demand. Consequently, at the moment, GDP is not forecast to increase much in relation to the value recorded during the 1<sup>st</sup> Quarter.

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



Compiled with information available as of the 16<sup>th</sup> of June.