



LISBON  
SCHOOL OF  
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MANAGEMENT  
UNIVERSIDADE DE LISBOA

# ISEG INDEX

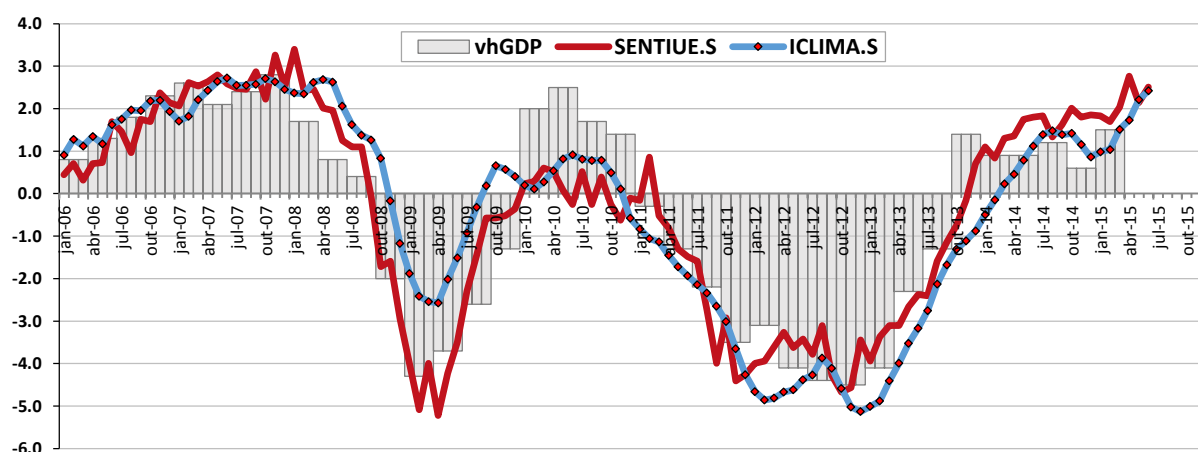
## July 2015

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

In **June** – based on information collected before the crisis provoked by the Greece-Eurozone negotiations – both the **Economic Climate Indicator** (ICLIMA.S, INE) and the **Economic Sentiment Indicator** (SENTIUE.S, EUROSTAT) rose in Portugal, reaching or nearing the maximum values attained since 2008, as can be seen in the graph below<sup>1</sup>. With regards to **consumers**, the respective confidence indicator (INE and Eurostat) was also close to the maximum values attained (in March).

For the same month, the **Economic Sentiment Indicator** for the **Eurozone** dropped slightly, and has then remained relatively stable since March. For the **EU28** group, the **Economic Sentiment Indicator** showed a more accentuated fall, although the level of this indicator continues to be higher than that of the **Eurozone**. Since then, it is probable that the outcome of the Greece-Eurozone negotiations may well negatively affect these indicators.

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



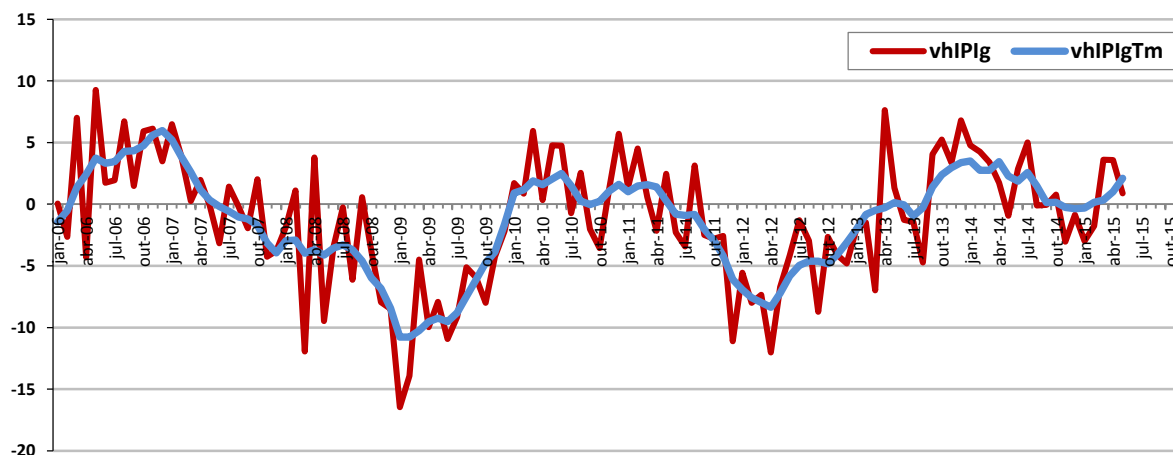
Meanwhile, the values for the principle quantitative indicators for **May** have been released, and in some cases, also for **June**, which are analyzed below. In general, the trend has been positive, although there has been no significant improvement since the previous month and since the growth observed for the 1<sup>st</sup> Quarter.

<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 **May**, with one less day than last year, the **Industrial Production Index** showed a year-on-year variation of 0.9% (gross values, **vhIPlgTb** series in Graph 2 below; the variation in manufacturing being -1.0%). The estimated trend of year-on-year variations (**vhIPlgTm** series, corrected for seasonal and calendar effects) has been more positive during the last months, which suggests 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.

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

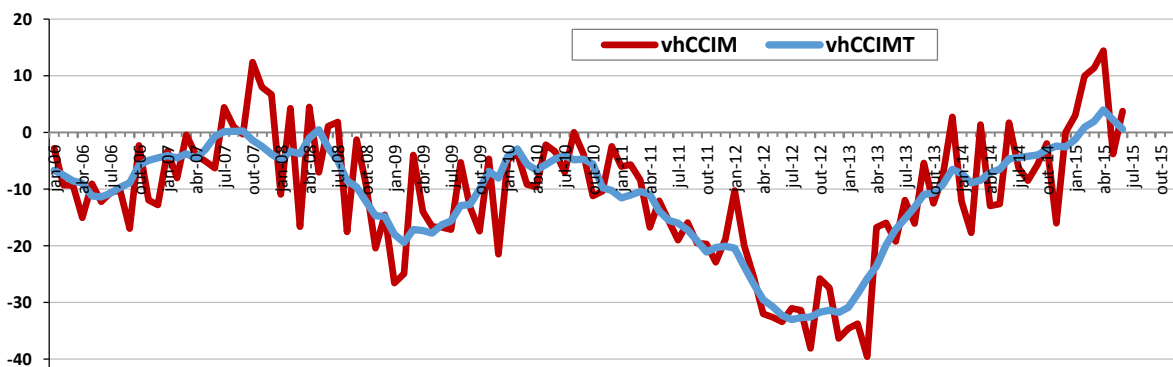


The (nominal) **Industry Turnover Index** showed a year-on-year variation of 0.4% in **May**, with -3.0% for the national market, and +4.8% for the external market.

## 3. CEMENT CONSUMPTION AND CONSTRUCTION / PUBLIC WORKS

In **June**, cement consumption grew by about 3.5% in year-on-year terms. The year-on-year variation for cement consumption during the 2<sup>nd</sup> Quarter was just above 4%, albeit representing about half the year-on-year variation of the 1<sup>st</sup> Quarter. Trend-wise, after seasonal, calendar and climatic corrections, estimated year-on-year variations (**vhCCIMT** in Graph 3 below) decreased, attaining values that were only just positive, which is in accordance with the forecast for growth in this sector for the rest of this year.

Graph 3 | Year-on-year cement consumption

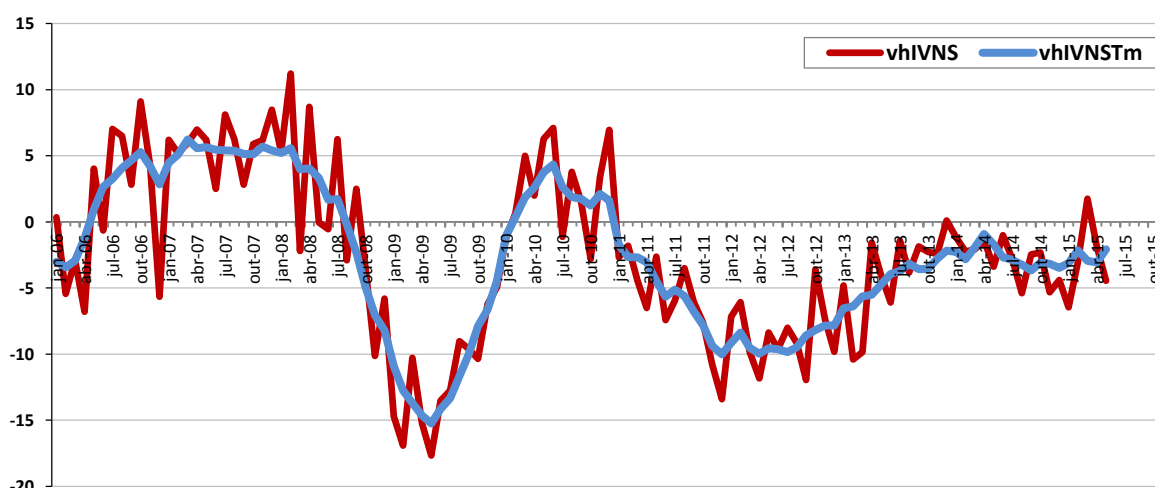


## 4. TURNOVER IN THE SERVICES SECTOR

In **May**, with one less working day, the (nominal) **Services Turnover Index** showed a year-on-year variation of -4.5% (vhIVNS series, Graph 4, gross values). The year-on-year variations in estimated trend (vhIVNST adjusted for seasonal and calendar effects) remained negative.

Also in **May**, the **turnover** of hotels (Tourism Activity, INE) grew year-on-year by 6.5%. The accumulated growth of this indicator since the start of this year is 10.4%.

Graph 4 | Year-on-year variation for the Services Sector

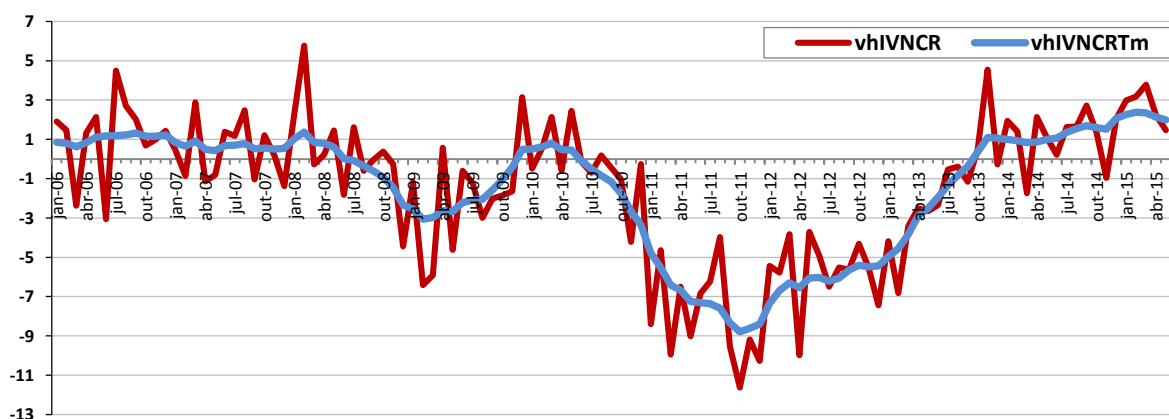


## 5. RETAIL TRADE TURNOVER

In **May**, the **Retail Trade Turnover Index** showed a year-on-year variation of 1.5% (Graph 5, **deflated** gross values, with an increase of the corresponding nominal index of 0.2%). As can be seen in the graph below, the trend (vhIVNCRTm) continues to show some deceleration in relation to the 1<sup>st</sup> Quarter, but the growth of this indicator continues to be strong. For some months now, this growth has been exclusively based on the retail of *non-food products*.

Still regarding private consumption, **car sales** increased by 33.9% in **June**, in year-on-year terms, and 30.1% during the 2<sup>nd</sup> Quarter (36.1% during the 1<sup>st</sup> Quarter).

Graph 5 | Variation in Retail trade turnover



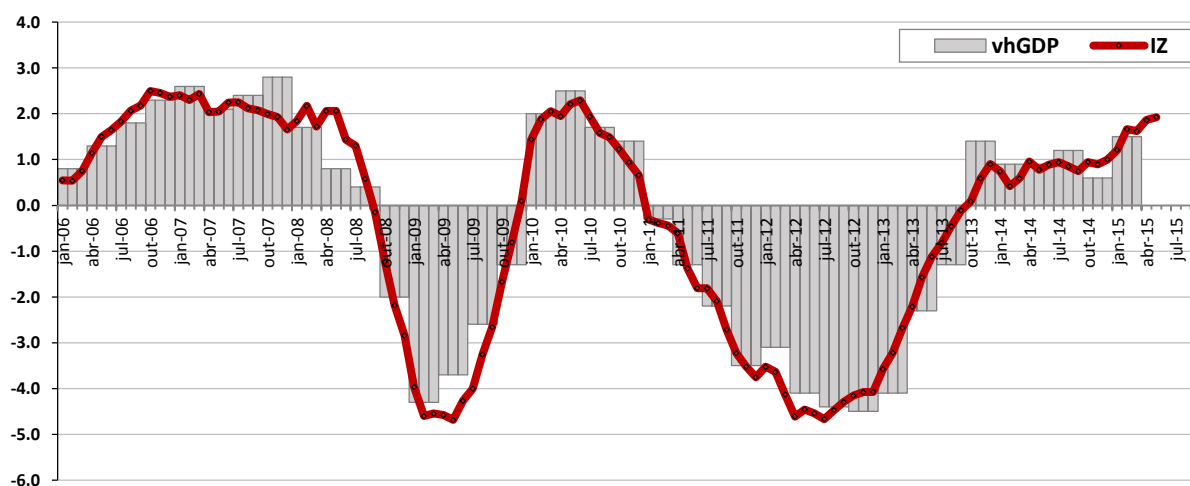
## 6. THE EVOLUTION OF THE Z TREND INDICATOR

As can be seen in the graph 6 below, the **global activity trend indicator (IZ)** rose again slightly in May. In terms of the recent evolution of its component parts, it is industry that has registered the best result. Simultaneously, one can say that there has been a slight deceleration of the indicators for internal demand (retail trade, cement consumption) during the 2<sup>nd</sup> Quarter, in relation to the 1<sup>st</sup> Quarter.

With regards to the evolution of **net external demand**, in May, as in April, there was a worsening in the external balance of trade in goods: nominal exports grew by 6.4% in year-on-year terms during these two months, yet imports grew by 10.8%. Thus, this increase in the size of the negative balance of trade could have again negatively affected the growth in GDP during the 2<sup>nd</sup> Quarter, just as occurred last year.

Thus, based on the partial data available, **the forecast for the growth of GDP during the 2<sup>nd</sup> Quarter**, based on the evolution of the trend indicator and its component parts, **is 1.8% in year-on-year terms, in relation to the previous Quarter**. The momentum for this growth continues to be internal demand, albeit with a little less private consumption and slightly more investment. Less encouraging, and more uncertain, could be the evolution of net external demand, which could well restrict greater overall growth on account of an acceleration of imports resulting from increased internal demand. It is not forecast that this situation will alter during the 2<sup>nd</sup> Quarter, and thus is not expected that growth in GDP during the 2<sup>nd</sup> Quarter will be greater than that of the 1<sup>st</sup> Quarter. Additionally, it cannot be discarded that Europe will experience a feeling of less confidence as a result of the Greek crisis, which could have some effect on European growth.

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



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