



LISBON  
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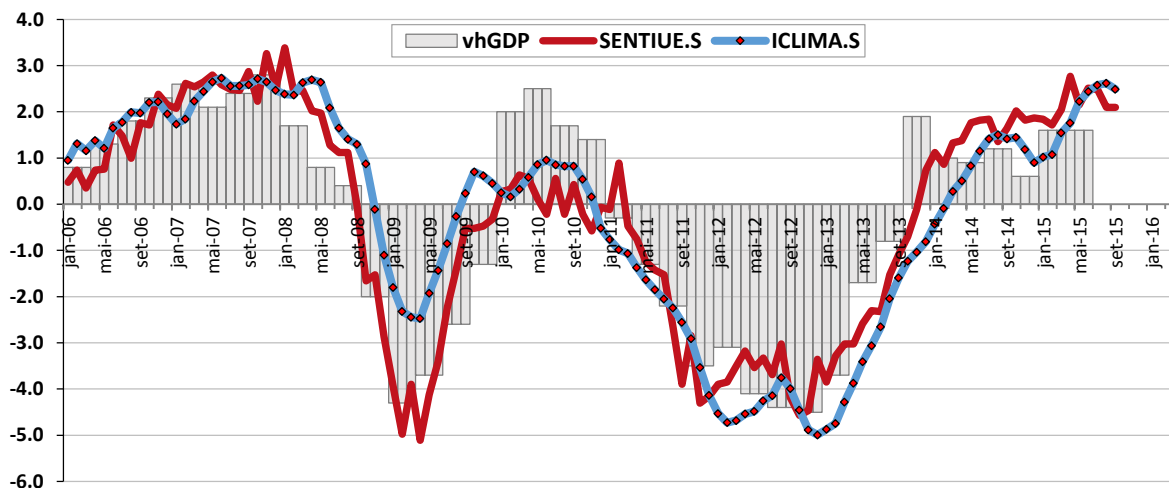
# ECONOMIC OUTLOOK October, 2015

## 1. ECONOMIC CLIMATE AND CONFIDENCE - INDICATORS IN SEPTEMBER

In **September**, the **Economic Sentiment Indicator** for Portugal (SENTIUE.S, EUROSTAT, Graph 1), which had fallen during the previous month, remained stable. Analysed by sector, the confidence indicators for Industry, Construction and Retail all fell. The **Economic Climate Indicator** (ICLIMA.S, INE), which is based on information from the last three months, fell slightly. As is shown in the graph below<sup>1</sup>, despite this slow-down, the values of these indicators are amongst the highest that have been seen since 2008, and can be considered to be more optimistic than the reality measured by year-on-year GDP (vhGDP). With regard to **consumers**, the respective confidence indicator (INE and Eurostat) also rose and, although negative, it has attained its highest values since 2001, which demonstrates a *subjective* appreciation by consumers, much less negative than that of recent months.

During **September**, the **Economic Sentiment Indicator** for the **Eurozone** clearly rose, maintaining levels that were last attained back at the beginning of 2011. Amongst the countries that contributed to this increase in **September**, the case of Germany needs highlighting (based on information collected before the *Volkswagen* episode) and also that of Italy. The **Economic Sentiment Indicator** for the EU rose at a lesser rate.

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



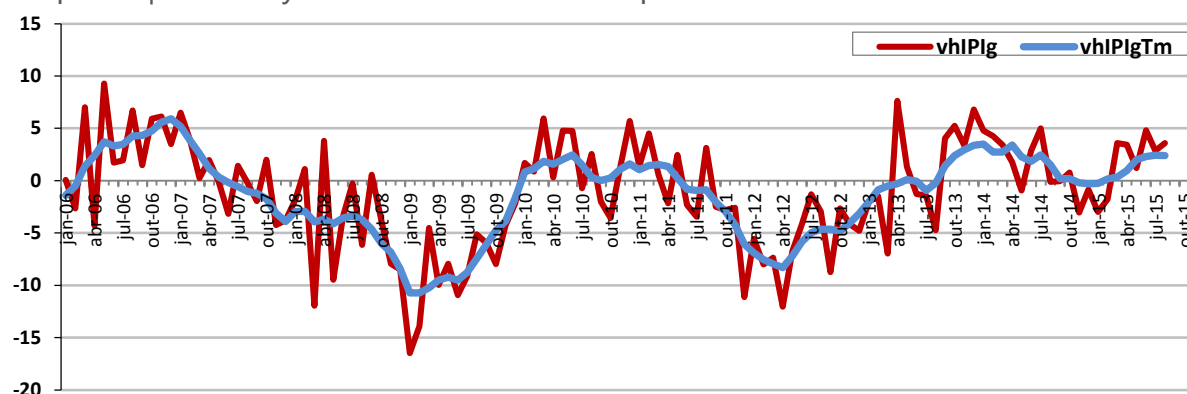
Meanwhile, the values for the principle quantitative indicators for Portugal have been released for **August**, and in some cases for **September**, which are analysed below. In general, their evolution remains positive, although in **August** signs of a slow-down were more evident for most of them. As has been summarised above, the qualitative data for **September** has not reversed this new trend

<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 **August**, with one additional working day than last year, the **Industrial Production Index** showed a year-on-year variation of 3.6% (gross values, vhlPIgTb series in Graph 2; the variation in manufacturing being 2.5%). The estimated trend of year-on-year variations (vhlPIgTb series, corrected for seasonal and calendar effects) has been positive and relatively high and stable during the last months.

Graph 1.1 | Year-on-year variation of industrial production

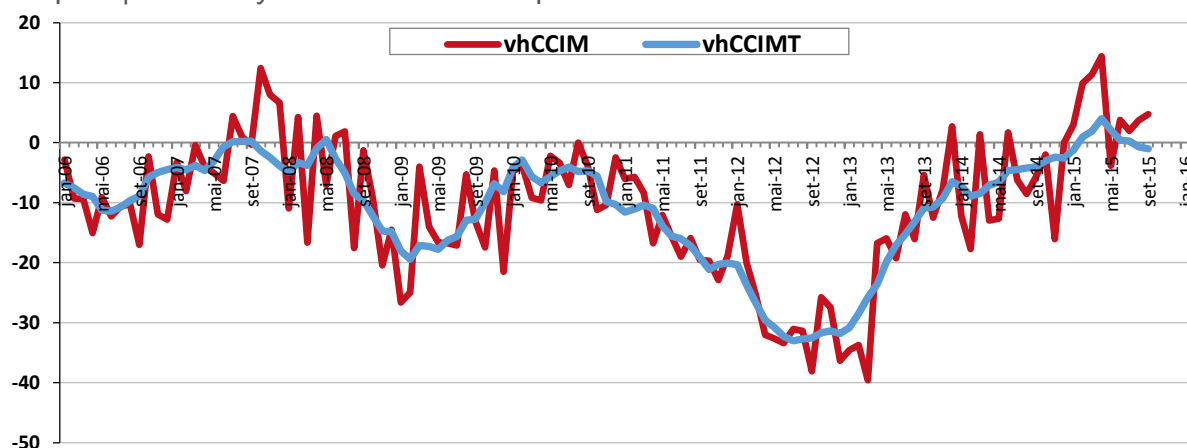


Despite the increase in the **Industrial Production Index**, the (nominal) **Industry Turnover Index** showed a year-on-year variation of -1.3% in **August**, with an identical decrease for both the **external market** and the **national market**. However, the average year-on-year variation of industrial production prices was -3.2% this month.

## 3. CEMENT CONSUMPTION AND CONSTRUCTION/PUBLIC WORKS

During the **3<sup>rd</sup> Quarter**, cement consumption grew by about 3.5% in year-on-year terms, which was a slightly lower growth than that of the **2<sup>nd</sup> Quarter**. Trend-wise - after seasonal, calendar and climatic corrections, vhCCIMT, in Graph 3 - estimated year-on-year variations decreased to slightly negative values, which suggests that there will only be marginal growth by the end of the year, despite the improvement in the quantity of newly emitted building licences.

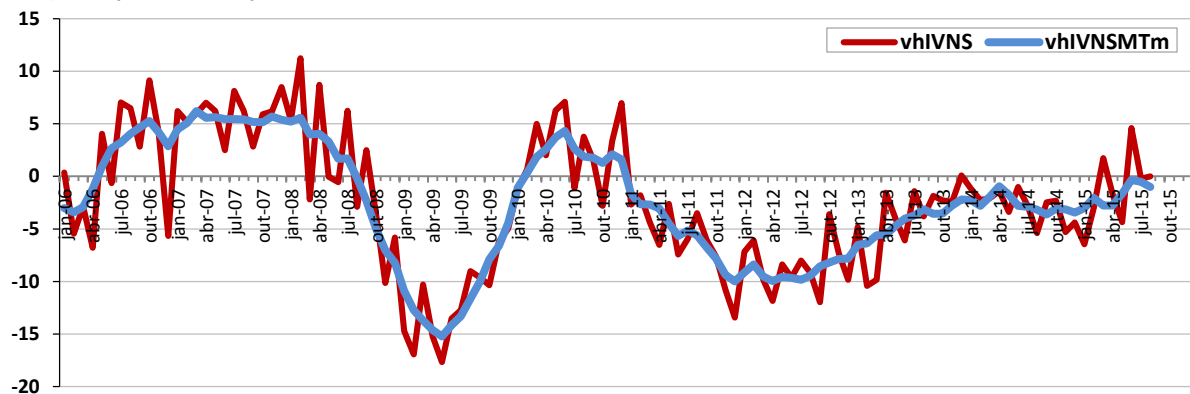
Graph 3 | Year-on-year cement consumption



## 4. TURNOVER IN THE SERVICES SECTOR

In **August**, the (nominal) **Services Turnover Index** showed a zero year-on-year variation (vhIVNS series, Graph 4, gross values). The year-on-year variations in estimated trend (vhIVNSMTm adjusted for seasonal and calendar effects, Graph 4) decreased in relation to the previous month, despite the improvement shown during the 2<sup>nd</sup> Quarter, and they show slightly negative values.

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

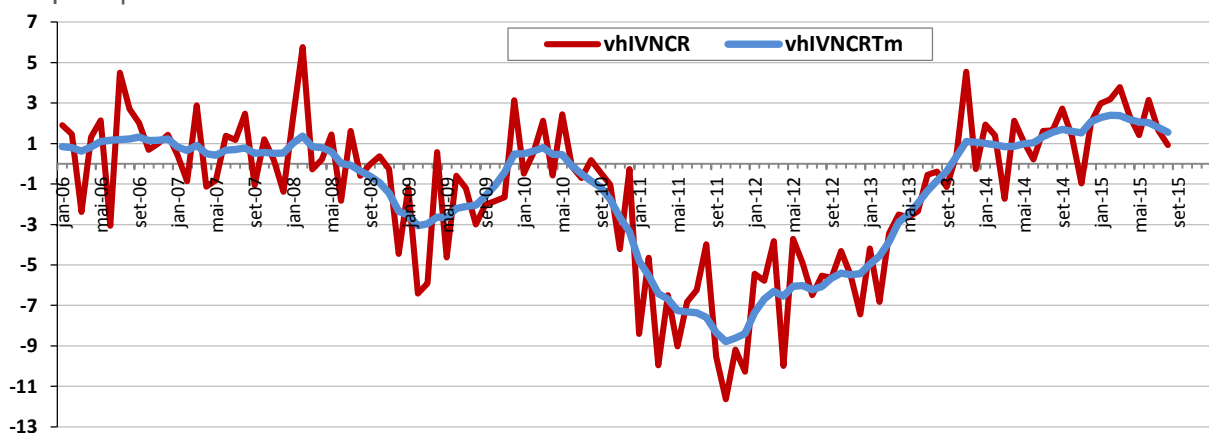


With regards to the hotel sector, the nominal indicator normally used to record the **turnover of hotels** (Tourism Activity, INE) grew year-on-year by 10.0% in **August**, which was less than the cumulative variation since the start of the year (12.1%).

## 5. RETAIL TRADE TURNOVER

In **August**, the **Retail Trade Turnover Index** registered a year-on-year variation of 0.9% (Graph 5, **deflated** gross values; with a decrease of the corresponding nominal index of 0.8%). As can be seen in the graph below, the trend of this indicator (vhIVNCRTm) continues to de-accelerate, but remains relatively strong. The recent growth continues to be based on the retail of *non-food products*.

Graph 5 | Variation in Retail trade turnover



Representing another sector, **car sales** increased by 18.9% during the 3<sup>rd</sup> Quarter, which was less than the previous two Quarters (36.1% and 30.1%).

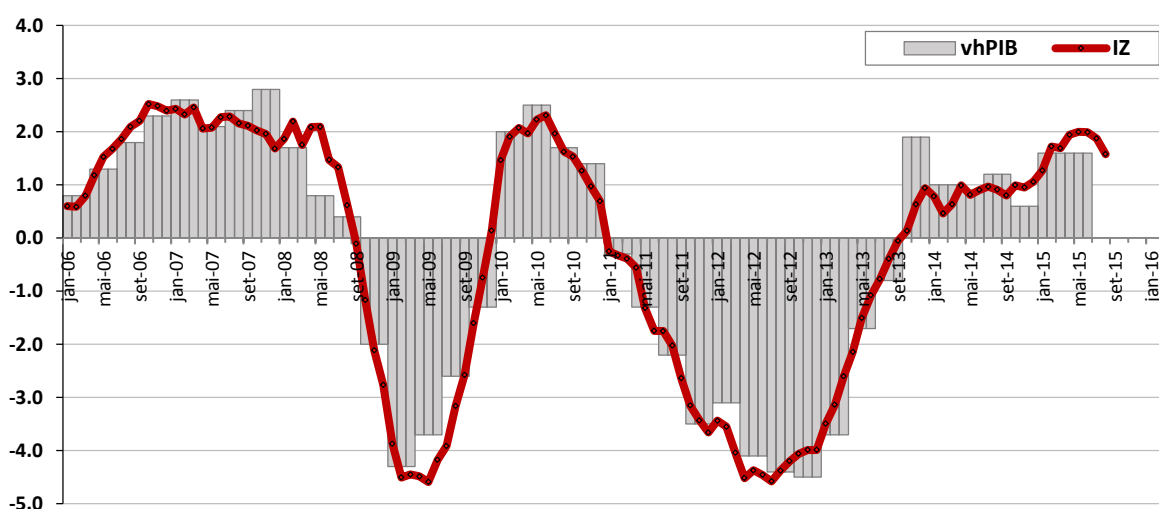
## 6. THE EVOLUTION OF THE Z TREND INDICATOR

As can be seen in Graph 6, the **global activity trend indicator (IZ)** of **August** showed signs of a de-acceleration of the rate of growth that has been evidenced over the previous months. This de-acceleration is mainly a reflection of the evolution of the indicators for domestic demand, although these continue to remain positive.

With regards to the evolution of **net external demand**, which penalised growth during the 2<sup>nd</sup> Quarter, there has been an improvement in the (nominal) trade balance in **July and August**, benefitting from a return to falls in the price of crude oil, and also from the already-mentioned de-acceleration in domestic demand.

Thus, with the close of the 3<sup>rd</sup> Quarter, despite the lack of some important data for September, based on the IZ trend indicator, the **forecast for the year-on-year growth of GDP during the 3<sup>rd</sup> Quarter is 1.6%**, which is the same value as that recorded for the 1<sup>st</sup> Quarter<sup>2</sup>. Notwithstanding, in relation to the previous Quarter, the forecast for growth has decreased by 0.2% (0.5% during the previous two Quarters). As was stated above, compared with the growth recorded during the 2<sup>nd</sup> Quarter, this value is a result of the de-acceleration of the growth in domestic demand, and also of the less negative contribution of net external demand.

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



Compiled with information available as of the 15<sup>th</sup> of October.

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<sup>2</sup> INE revised the value of GDP growth of the first two Quarters of 2015 from 1.5% to 1.6%.