

19<sup>th</sup> November, 2008

## Monthly Economic Survey October 2008

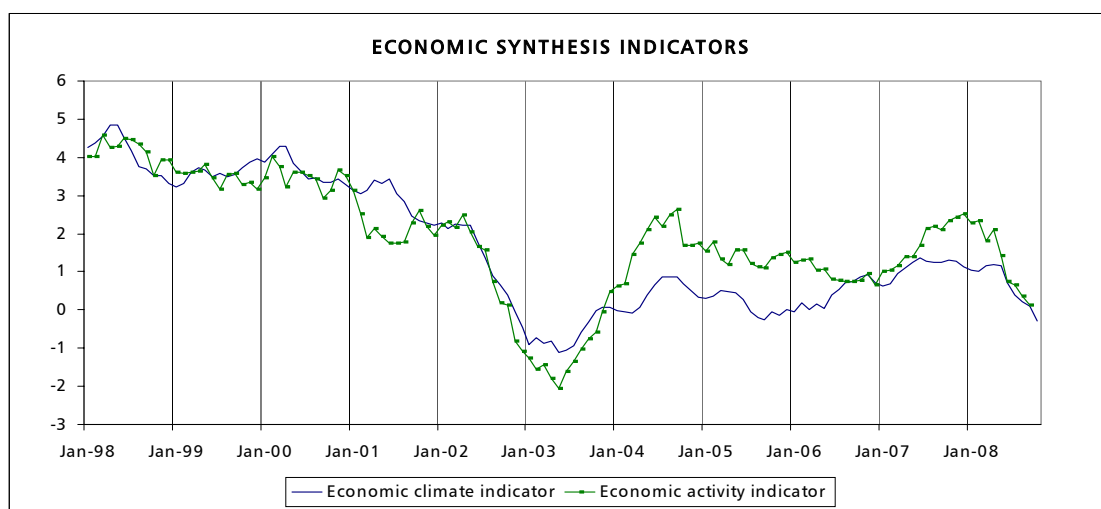
### GDP growth stabilizes in the 3<sup>rd</sup> quarter. Private consumption accelerates and investment declines.

Accordingly to the flash estimate published by EUROSTAT, the GDP year-on-year growth rate for the Euro Area (EA) in the 3<sup>rd</sup> quarter of 2008 was 0.7%, 0.7 percentage points (p.p.) less than in the previous quarter. This evolution was driven by the slowdown observed in most of the EA main economies. Weighted by the structure of the Portuguese exports, the GDP of the main customer countries might have decelerated 0.9 p.p. to 0.7%. In the EA, the economic sentiment and the consumer confidence indicators extended in October the downward movement observed since August 2007, showing the effects of the latest developments in the international financial crisis.

On the domestic side, the GDP flash estimate for the 3<sup>rd</sup> quarter revealed a year-on-year growth rate of 0.7%, the same value than in the 2<sup>nd</sup> quarter. At the domestic demand level, private consumption might have accelerated in the 3<sup>rd</sup> quarter, due to the recovery observed in both components, non-durable and durable consumption, more intense in the second. However, it should be noticed that this evolution might be partially connected to the postponement of purchases for the 3<sup>rd</sup> quarter led by the changes in the VAT and to the effect of the changes in the vehicle tax observed in the same period of 2007. On the contrary, accordingly to its indicator, the GFCF in the 3<sup>rd</sup> quarter might have accentuated its negative evolution, driven by the transport material and construction components. Concerning the international trade of goods, from the 2<sup>nd</sup> to the 3<sup>rd</sup> quarter, imports registered a slowdown (from 9.7% to 9.2%) and exports accelerated (from 3.7% to 5.1%), in nominal terms. The economic climate indicator, available up to October, and the economic activity indicator, available until September, extended the pronounced downward movements of the previous months.

The unemployment rate was 7.7% in the 3<sup>rd</sup> quarter, 0.2 p.p. less than in the 3<sup>rd</sup> quarter of 2007. Employment recorded a year-on-year growth rate of -0.1% in the 3<sup>rd</sup> quarter, 1.5 p.p. less than in the 2<sup>nd</sup> quarter of 2008.

In October, year-on-year inflation was 2.3%, 0.8 p.p. less than in the previous month. The differential between the EA Harmonized Index of Consumer Prices (HICP) and the Portuguese HICP increased by 0.3 p.p. in October to 0.7 p.p..



Report based on information available up to October 18, 2008.

*Next report will be released on November 19, 2008.*

#### NOTES

With exception of situations duly identified, the values presented in tables and graphs and others that also serve for the analysis are, in the case of quantitative series, year-on-year rates of change (y.r.) under three-month moving average (3-mma) or, in the case of qualitative series, 3-mma of seasonally adjusted values (s.a.) or of effective values (e.v). Annual information correspond to 12-mma, with the exception of variables presented as y.r. on stocks, where the annual value corresponds to the variation of the balance at the end of the year. Annualised variation (a.v.). Weight (w.).

Balances: differences between the percentage of respondents giving positive and negative replies.

		Year 2006	Year 2007	Quarter 3 2007	Quarter 4 2007	Quarter 1 2008	Quarter 2 2008	Quarter 3 2008	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08
<b>International background</b>															
GDP of customer countries	s.a/y.r.	3.4	2.9	3.0	2.6	2.4	1.6	0.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
GDP European Union	s.a/y.r.	3.1	2.9	2.9	2.5	2.3	1.7	0.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
GDP Euro Area	s.a/y.r.	2.9	2.6	2.6	2.1	2.1	1.4	0.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industrial production index of customer countries	s.a/y.r./3-mma	3.2	2.7	2.9	2.2	1.5	-1.0	-3.0	1.5	0.1	-1.0	-2.2	-2.5	-3.0	-
Economic Sentiment Indicator in EU	ind/s.a.-3mma	107.5	110.8	111.4	107.0	101.8	96.6	86.8	100.0	99.0	96.6	93.5	90.0	86.8	83.0
Economic Sentiment Indicator in EA	ind/s.a.-3mma	106.3	108.4	108.7	104.3	100.5	96.5	88.5	99.0	98.1	96.5	94.0	90.9	88.5	85.5
Order books in industry of customer countries	balance/s.a.-3mma	-2.2	3.4	3.9	-0.8	-2.4	-7.8	-18.8	-3.5	-4.9	-7.8	-11.6	-14.2	-18.8	-23.0
Consumer confidence indicator in EU	balance/s.a.-3mma	-7.6	-4.2	-3.1	-6.2	-10.4	-14.0	-19.2	-11.0	-12.0	-14.0	-16.7	-18.6	-19.2	-20.2
Unemployment rate in EU	s.a/%	8.2	7.1	7.1	6.9	6.8	6.9	6.9	6.8	6.9	6.9	6.9	6.9	7.0	-
Harmonised index of consumer prices in EA	y.r.	2.2	2.1	1.9	2.9	3.4	3.6	3.8	3.3	3.7	4.0	4.0	3.8	3.6	3.2
Production price index of supplying countries	y.r./3-mma	4.3	3.2	2.7	4.6	5.7	6.9	7.8	5.9	6.3	6.9	7.7	8.0	7.8	-
Crude oil price (Brent)	Euros	51.9	52.6	54.5	61.1	64.6	77.8	75.8	69.3	78.9	85.1	84.2	75.6	67.7	53.7
Crude oil price (Brent)	y.r.	18.2	1.4	-0.2	32.1	46.6	52.8	39.1	38.7	58.7	60.7	50.1	45.6	21.8	-7.2
<b>Economic activity</b>															
GDP	y.r.	1.4	1.9	1.8	1.9	0.9	0.7	0.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Economic climate indicator	balance/3-mma	0.5	1.2	1.3	1.1	1.2	0.7	0.1	1.2	1.2	0.7	0.4	0.2	0.1	-0.3
Economic activity indicator	3-mma	0.9	1.9	2.1	2.5	1.8	0.8	0.1	2.1	1.4	0.8	0.7	0.4	0.1	-
Total turnover index	y.r./3-mma	2.6	4.7	4.0	5.8	3.6	2.9	4.3	4.3	1.5	2.9	3.3	3.1	4.3	-
Manufacturing industry production index	s.a/y.r./3-mma	2.3	3.2	2.0	2.8	-0.3	-1.7	-1.6	1.2	-1.7	-1.7	-2.9	-0.9	-1.6	-
Production index in construction	s.a/y.r./3-mma	-6.6	-4.1	-3.4	-0.3	-2.8	-1.9	-1.7	-0.6	-3.0	-1.9	-3.6	-3.5	-1.7	-
Retail trade turnover index (real)	y.r./3-mma	1.2	-0.1	-0.2	-0.3	2.3	-0.1	1.5	1.5	0.4	-0.1	1.2	0.7	1.5	-
Sales of passenger vehicles	y.r./3-mma	-5.8	3.7	11.9	10.1	11.5	1.9	0.3	12.8	7.6	1.9	-3.6	-4.7	0.3	1.0
<b>Consumption</b>															
Consumer confidence indicator	balance/3-mma	-34.2	-35.2	-35.5	-39.2	-42.9	-44.8	-43.0	-41.8	-43.4	-44.8	-47.2	-45.3	-43.0	-43.1
Quantitative indicator of private consumption	y.r./3-mma	1.4	2.0	1.9	2.3	2.2	0.3	2.2	2.1	1.1	0.3	1.0	1.1	2.2	-
Indicator of non-durable consumer goods	y.r./3-mma	1.5	1.6	1.5	1.7	1.7	1.1	2.0	1.6	1.2	1.1	1.7	1.7	2.0	-
Indicator of durable consumer goods	y.r./3-mma	0.8	5.5	5.0	6.5	5.6	-5.2	3.3	6.1	0.6	-5.2	-3.9	-3.1	3.3	-
Vol. ind. consumption of passenger vehicles	y.r./3-mma	-3.0	5.6	3.3	4.9	5.9	-13.7	3.7	6.9	-2.2	-13.7	-11.5	-9.5	3.7	-
<b>Investment</b>															
GFCF indicator		-3.0	3.5	2.6	10.8	-1.8	-1.4	-4.0	-0.2	-2.2	-1.4	-3.2	-5.2	-4.0	-
Cement sales	y.r./3-mma	-7.6	2.1	2.0	12.0	-7.5	-3.0	-	-4.0	-7.7	-3.0	-4.2	-6.7	-	-
Sales of steel for concrete	y.r./3-mma	5.9	-6.5	-12.2	-2.9	-8.7	-8.2	-	-7.2	-6.9	-8.2	-4.0	-21.9	-	-
Credit for purchase of habitation	y.r./stocks	15.6	9.8	9.8	9.8	9.3	8.4	-	9.2	8.7	8.4	8.9	8.1	-	-
Licenses for construction of new habitations	y.r./3-mma	-5.7	-8.6	-5.4	-7.0	-11.5	-17.1	-26.9	-7.0	-17.0	-17.1	-25.7	-28.0	-26.9	-
Machinery and equipment indicator		2.7	4.6	5.1	5.0	4.5	3.0	3.0	4.4	4.2	3.0	2.8	2.3	3.0	2.7
Sales of light commercial vehicles	y.r./3-mma	-7.3	6.3	-17.5	-7.9	-18.0	-38.1	5.9	-16.9	-20.2	-38.1	-32.9	-32.0	5.9	-5.4
Sales of new heavy commercial vehicles	y.r./3-mma	12.9	6.2	-19.8	92.9	19.0	4.6	-3.2	17.3	8.8	4.6	2.5	-2.1	-3.2	-4.7
<b>External demand</b>															
External demand indicator in value	s.a/y.r./3-mma	12.9	4.3	5.8	4.3	8.4	5.9	-	8.6	7.1	5.9	4.3	6.8	-	-
External order books	balance/3-mma	-14.4	-3.6	-1.3	-4.0	-10.3	-12.3	-16.7	-10.0	-11.0	-12.3	-12.7	-13.7	-16.7	-27.3
Exports of merchandises in value	y.r./3-mma	12.4	8.9	6.4	6.0	4.8	3.7	5.1	6.9	2.7	3.7	3.0	2.9	5.1	-
Imports of merchandises in value	y.r./3-mma	8.1	7.4	7.4	12.0	12.6	9.7	9.2	14.7	8.6	9.7	9.0	9.1	9.2	-
<b>Labour market</b>															
Unemployment rate	%	7.7	8.0	7.9	7.8	7.6	7.3	7.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Employment	y.r.	0.7	0.2	0.2	0.9	1.1	1.4	-0.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Unemployed registration along the month	s.a/y.r./3-mma	1.1	-6.7	-6.5	-10.8	0.0	7.2	11.0	4.8	4.8	7.2	7.4	8.6	11.0	-
Unemployment expectations	balance/3-mma	43.8	42.2	42.7	45.3	46.6	47.5	48.1	45.2	46.1	47.5	49.7	48.9	48.1	49.8
Vacancies along the month	s.a/y.r./3-mma	3.6	13.6	10.8	25.3	1.0	-3.4	11.2	1.2	-3.5	-3.4	0.0	5.5	11.2	-
Employment indicator (short-term statistics)	y.r./3-mma	-1.9	-0.4	-0.3	0.4	0.7	0.5	0.0	0.7	0.7	0.5	0.3	0.1	0.0	-
Average declared wages	s.a/y.r./3-mma	3.5	3.5	3.7	3.2	4.1	3.9	3.9	4.1	3.9	3.9	3.9	4.0	3.9	-
Wage negotiation	a.v/3-mmaq.w.	2.8	2.9	2.9	3.2	2.9	3.0	3.0	2.8	3.1	3.0	3.1	2.9	3.0	2.9
<b>Prices and exchange rates</b>															
Consumer price index	y.r.	3.1	2.5	2.2	2.7	2.9	2.9	3.0	2.5	2.8	3.4	3.1	3.0	3.1	2.3
Core inflation indicator	y.r.	2.0	1.9	2.0	2.0	2.2	2.0	2.0	2.0	2.0	2.0	1.5	2.0	2.4	2.0
Consumer price index - goods	y.r.	3.2	2.2	1.8	2.5	2.6	2.9	3.2	2.3	2.8	3.7	3.3	3.1	3.2	2.0
Consumer price index - services	y.r.	2.9	2.9	2.9	3.0	3.5	2.8	2.8	2.8	2.8	2.8	2.7	2.9	2.9	3.1
Manufacturing industry production price index	y.r./3-mma	4.6	2.5	1.7	5.2	7.2	7.8	8.5	7.2	7.6	7.8	8.7	8.9	8.5	-
Effective exchange rate index for Portugal	y.r.	0.2	0.8	0.6	1.3	1.6	1.8	1.4	1.9	1.8	1.8	1.8	1.5	0.9	-
Exchange rate eur/USD	y.r.	0.9	9.1	7.9	12.4	14.4	15.9	9.3	16.5	15.1	15.9	15.0	9.9	3.4	-6.4
Exchange rate USD/Euro	USD	1.256	1.371	1.374	1.449	1.500	1.562	1.504	1.575	1.556	1.555	1.577	1.498	1.437	1.332
Exchange rate eur/JPY	y.r.	6.6	10.4	9.3	7.9	0.8	0.3	-0.2	0.5	-0.6	1.0	1.0	2.9	-4.1	-19.1