

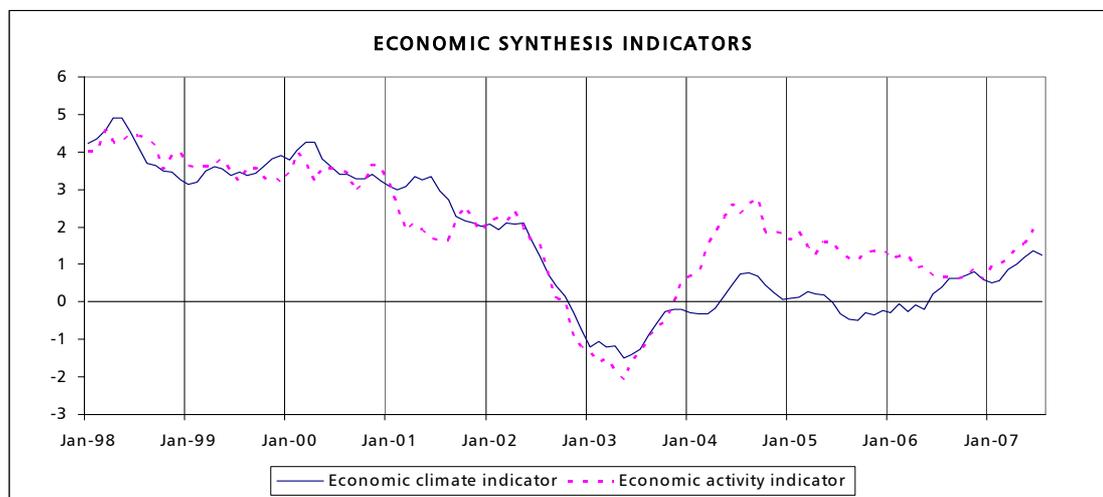
20<sup>th</sup> August, 2007

## Monthly Economic Survey

### July 2007

#### The more moderate GDP growth in the second quarter was related to a smaller contribute of external demand and to a larger contribute of domestic demand

The indications given by the latest data on the external background of the Portuguese economy in the second quarter are less favourable. The GDP was up by 1.6% in the second quarter, less 0.4 percentage points (p.p.) than in the first quarter, reflecting mainly a slow down of exports. External trade data, with preliminary results up to June, showed a deceleration of 5.3 p.p. in the value of exports and an acceleration of 2.4 p.p. of imports on the second quarter, compared to the former quarter. Nonetheless, exports maintained a higher growth rate than imports (6.2% and 4.0%, respectively). Domestic demand registered some acceleration in the second quarter, mainly due to the evolution of investment. In spite of growing in a less dynamic way than investment, the private consumption should have slightly accelerated due to a more intense growth of the durable goods that more than compensate the deceleration of non-durable goods. The information already available for July points to the same opposite behaviours. In the second quarter, employment diminished 0.5% year on year after a slight positive growth in the previous quarter. The unemployment rate was 7.9% in the second quarter, more 0.6 p.p. than in the second quarter of 2006 (in the first quarter of 2007 unemployment rate stood at 8.4%, more 0.7 p.p. than in the same quarter of the previous year). Inflation was 2.4% in July, the same value of the two previous months.



Report based on information available up to August 17, 2007.

*Next report will be released on September 19, 2007.*

#### 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.

Balances: differences between the percentage of respondents giving positive and negative replies. Annualised variation (a.v.). Weight (w.).



|   |                   | Year<br>2005 | Year<br>2006 | Quarter<br>2 2006 | Quarter<br>3 2006 | Quarter<br>4 2006 | Quarter<br>1 2007 | Quarter<br>2 2007 | Jan-07 | Feb-07 | Mar-07 | Apr-07 | May-07 | Jun-07 | Jul-07 |
|---|-------------------|--------------|--------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------|--------|--------|--------|--------|--------|--------|
| <b>International background</b>                   |                   |              |              |                   |                   |                   |                   |                   |        |        |        |        |        |        |        |
| GDP of customer countries                         | s.a.y.r.          | 2.2          | 3.0          | 3.1               | 3.0               | 3.3               | 3.1               | 2.8               | n.a.   |
| Industrial production index of customer countries | s.a.y.r./3-mma    | 0.8          | 3.2          | 3.3               | 3.4               | 3.6               | 3.0               | -                 | 3.1    | 3.2    | 3.0    | 3.0    | 2.6    | -      | -      |
| Order books in industry of EU                     | balance/s.a.-3mma | -18.0        | -3.5         | -4.2              | 0.0               | 2.7               | 4.3               | 6.2               | 3.1    | 3.4    | 4.3    | 5.7    | 6.4    | 6.2    | 5.2    |
| Consumer confidence indicator in EU               | balance/s.a.-3mma | -10.7        | -7.5         | -7.9              | -7.4              | -6.1              | -5.0              | -2.3              | -6.1   | -5.5   | -5.0   | -4.2   | -3.1   | -2.3   | -1.6   |
| Unemployment rate in EU                           | s.a./%            | 8.7          | 7.9          | 8.0               | 7.8               | 7.5               | 7.2               | 7.0               | 7.3    | 7.2    | 7.0    | 7.0    | 7.0    | 6.9    | -      |
| Harmonised index of consumer price in EU          | y.r.              | 2.2          | 2.2          | 2.5               | 2.1               | 1.8               | 1.9               | 1.9               | 1.8    | 1.8    | 1.9    | 1.9    | 1.9    | 1.9    | 1.8    |
| Production price index of supplying countries     | y.r./3-mma        | 3.8          | 4.2          | 4.8               | 4.5               | 3.2               | 2.7               | 2.6               | 3.1    | 2.8    | 2.7    | 2.7    | 2.6    | 2.6    | -      |
| Crude oil price (Brent)                           | y.r./3-mma        | 42.7         | 18.2         | 34.9              | 8.4               | -3.4              | -14.2             | -8.1              | -8.6   | -11.9  | -14.2  | -11.6  | -10.4  | -8.1   | -4.9   |
| <b>Economic activity</b>                          |                   |              |              |                   |                   |                   |                   |                   |        |        |        |        |        |        |        |
| GDP   | y.r.              | 0.5          | 1.3          | 0.9               | 1.5               | 1.6               | 2.0               | 1.6               | n.a.   |
| Economic climate indicator                        | balance/3-mma     | -0.1         | 0.3          | 0.2               | 0.6               | 0.6               | 0.9               | 1.4               | 0.5    | 0.6    | 0.9    | 1.0    | 1.2    | 1.4    | 1.2    |
| Economic activity indicator                       | 3-mma             | 1.4          | 0.8          | 0.7               | 0.6               | 0.6               | 1.1               | 1.9               | 1.0    | 1.0    | 1.1    | 1.5    | 1.6    | 1.9    | -      |
| Total turnover index                              | y.r./3-mma        | 0.6          | 2.6          | 1.5               | 4.5               | 2.7               | 4.8               | 4.1               | 3.0    | 3.6    | 4.8    | 5.3    | 4.7    | 4.1    | -      |
| Manufacturing industry production index           | y.r./3-mma        | -1.5         | 2.3          | 1.5               | 3.5               | 2.5               | 4.7               | 3.9               | 3.0    | 3.5    | 4.7    | 5.2    | 4.6    | 3.9    | -      |
| Production index in construction                  | y.r./3-mma        | -4.9         | -6.6         | -7.4              | -7.9              | -7.2              | -6.8              | -4.7              | -7.9   | -7.9   | -6.8   | -5.9   | -5.4   | -4.7   | -      |
| Retail trade turnover index (real)                | y.r./3-mma        | 1.7          | 1.2          | 0.0               | 3.4               | 1.1               | 1.7               | -0.2              | 1.2    | 1.1    | 1.7    | 1.0    | 0.5    | -0.2   | -      |
| <b>Consumption</b>                                |                   |              |              |                   |                   |                   |                   |                   |        |        |        |        |        |        |        |
| Consumer confidence indicator                     | balance/3-mma     | -37.7        | -34.2        | -36.2             | -31.9             | -31.0             | -33.2             | -32.9             | -31.3  | -31.4  | -33.2  | -33.4  | -33.0  | -32.9  | -33.2  |
| Quantitative indicator of consumption             | y.r./3-mma        | 2.7          | 1.3          | 0.8               | 2.0               | 1.1               | 1.6               | 1.9               | 1.0    | 1.2    | 1.6    | 1.6    | 1.7    | 1.9    | -      |
| Indicator of non-durable consumer goods           | y.r./3-mma        | 2.4          | 1.5          | 1.8               | 1.8               | 1.3               | 1.9               | 1.3               | 1.3    | 1.6    | 1.9    | 1.8    | 1.6    | 1.3    | -      |
| Indicator of durable consumer goods               | y.r./3-mma        | 4.9          | -0.4         | -6.4              | 3.7               | 0.0               | -0.4              | 6.5               | -1.6   | -1.5   | -0.4   | 0.8    | 1.9    | 6.5    | -      |
| Sales of passenger vehicles                       | y.r./3-mma        | 5.4          | -5.9         | -12.7             | 0.0               | -6.2              | -5.1              | 8.8               | -9.0   | -9.0   | -5.1   | -2.4   | -0.3   | 8.8    | 11.5   |
| Credit for consumption                            | y.r./stocks       | 3.8          | 21.0         | 17.2              | 23.2              | 21.0              | 16.3              | -                 | 24.0   | 23.3   | 16.3   | 15.9   | 13.5   | -      | -      |
| <b>Investment</b>                                 |                   |              |              |                   |                   |                   |                   |                   |        |        |        |        |        |        |        |
| GFCF indicator                                    |                   | -2.3         | -3.7         | -5.3              | -3.0              | -4.6              | -1.4              | 6.1               | -4.6   | -2.4   | -1.4   | 0.4    | 2.2    | 6.1    | -      |
| Cement sales                                      | y.r./3-mma        | -6.0         | -8.3         | -10.9             | -9.6              | -9.9              | -2.0              | -                 | -8.6   | -6.4   | -2.0   | 1.2    | 3.6    | -      | -      |
| Sales of steel for concrete                       | y.r./3-mma        | -6.8         | 5.9          | 12.8              | 14.3              | -11.5             | -6.9              | -                 | -15.1  | -13.5  | -6.9   | 0.4    | -2.8   | -      | -      |
| Credit for purchase of habitation                 | y.r./stocks       | 11.9         | 15.6         | 16.2              | 15.2              | 15.6              | 9.6               | -                 | 15.0   | 14.7   | 9.6    | 9.6    | 9.1    | -      | -      |
| Licenses for construction of new habitations      | y.r./3-mma        | -2.0         | -6.8         | -5.0              | -8.3              | -13.3             | -10.3             | -13.1             | -14.5  | -15.1  | -10.3  | -10.9  | -11.1  | -13.1  | -      |
| Machinery and equipment indicator                 |                   | -1.9         | 0.0          | -3.5              | 0.2               | 3.3               | 3.1               | 3.2               | 3.1    | 3.3    | 3.1    | 2.8    | 2.7    | 3.2    | 3.5    |
| Sales of light commercial vehicles                | y.r./3-mma        | -1.8         | -7.3         | -15.7             | -6.4              | -1.0              | 1.5               | 48.0              | -1.1   | -3.3   | 1.5    | 5.2    | 14.5   | 48.0   | 38.8   |
| Sales of new heavy commercial vehicles            | y.r./3-mma        | 0.1          | 12.9         | 26.0              | 52.0              | -31.9             | 2.7               | -9.0              | -17.6  | -5.2   | 2.7    | -31.1  | -21.8  | -9.0   | 80.5   |
| <b>External demand</b>                            |                   |              |              |                   |                   |                   |                   |                   |        |        |        |        |        |        |        |
| External demand indicator in value                | s.a.y.r./3-mma    | 10.4         | 10.5         | 12.2              | 9.0               | 7.0               | 5.7               | -                 | 5.5    | 6.0    | 5.7    | 4.9    | 3.6    | -      | -      |
| External order books                              | balance/3-mma     | -23.7        | -14.4        | -14.0             | -13.7             | -10.7             | -7.0              | -2.0              | -9.7   | -10.3  | -7.0   | -6.7   | -4.0   | -2.0   | 0.7    |
| Exports of merchandises in value                  | y.r./3-mma        | 2.8          | 12.4         | 12.3              | 13.1              | 12.7              | 11.5              | 6.2               | 13.0   | 12.6   | 11.5   | 10.8   | 7.4    | 6.2    | -      |
| Imports of merchandises in value                  | y.r./3-mma        | 5.5          | 8.1          | 7.1               | 8.7               | 5.7               | 1.6               | 4.0               | 5.6    | 3.7    | 1.6    | 2.0    | 3.3    | 4.0    | -      |
| <b>Labour market</b>                              |                   |              |              |                   |                   |                   |                   |                   |        |        |        |        |        |        |        |
| Unemployment rate                                 | %                 | 7.6          | 7.7          | 7.3               | 7.4               | 8.2               | 8.4               | 7.9               | n.a.   |
| Employment  | y.r.              | 0.0          | 0.7          | 1.0               | 1.1               | 0.2               | 0.2               | -0.5              | n.a.   |
| Unemployed registration along the month           | s.a.y.r./3-mma    | 4.1          | 1.2          | -0.8              | -1.1              | 2.6               | -5.3              | -3.8              | -1.1   | -2.5   | -5.3   | -4.8   | -5.8   | -3.8   | -      |
| Unemployment expectations                         | balance/3-mma     | 49.0         | 43.8         | 45.2              | 40.0              | 39.3              | 40.5              | 40.4              | 38.4   | 38.0   | 40.5   | 41.4   | 40.9   | 40.4   | 40.6   |
| Vacancies along the month                         | s.a.y.r./3-mma    | 5.4          | 3.6          | 3.8               | 6.9               | -0.1              | 15.1              | 3.0               | 3.2    | 7.5    | 15.1   | 11.3   | 5.1    | 3.0    | -      |
| Employment indicator (short-term statistics)      | y.r./3-mma        | -2.2         | -1.9         | -1.8              | -1.8              | -1.9              | -1.1              | -0.8              | -1.7   | -1.5   | -1.1   | -0.9   | -0.9   | -0.8   | -      |
| Wage negotiation                                  | av./3-mmaqw       | 2.7          | 2.8          | 3.1               | 2.6               | 2.6               | 2.5               | 2.9               | 2.6    | 2.7    | 2.5    | 2.7    | 2.8    | 2.9    | -      |
| <b>Prices and exchange rates</b>                  |                   |              |              |                   |                   |                   |                   |                   |        |        |        |        |        |        |        |
| Consumer price index                              | y.r.              | 2.3          | 3.1          | 3.7               | 3.0               | 2.5               | 2.4               | 2.5               | 2.6    | 2.4    | 2.3    | 2.7    | 2.4    | 2.4    | 2.4    |
| Core inflation indicator                          | y.r.              | 1.5          | 2.0          | 1.9               | 2.1               | 1.9               | 1.6               | 2.0               | 1.7    | 1.6    | 1.7    | 1.9    | 1.9    | 2.2    | 2.4    |
| Consumer price index - goods                      | y.r.              | 1.9          | 3.2          | 4.0               | 3.2               | 2.5               | 2.3               | 2.3               | 2.6    | 2.2    | 2.3    | 2.6    | 2.1    | 2.1    | 2.1    |
| Consumer price index - services                   | y.r.              | 3.0          | 2.9          | 3.1               | 2.7               | 2.6               | 2.6               | 3.1               | 2.6    | 2.6    | 2.4    | 3.0    | 3.0    | 3.1    | 3.0    |
| Manufacturing industry production price index     | y.r./3-mma        | 3.5          | 4.6          | 5.6               | 4.9               | 2.8               | 1.5               | 1.6               | 2.8    | 2.3    | 1.5    | 1.5    | 1.4    | 1.6    | -      |
| Exchange rate euro/USD                            | y.r.              | 0.1          | 0.9          | -0.2              | 0.0               | 8.5               | 9.0               | 7.3               | 7.4    | 9.5    | 10.2   | 10.1   | 5.8    | 6.1    | 8.1    |
| Exchange rate euro/JPY                            | y.r.              | 1.8          | 6.6          | 6.2               | 0.0               | 8.9               | 11.3              | 13.2              | 12.0   | 12.0   | 10.1   | 11.9   | 14.4   | 13.4   | 13.7   |

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