

20<sup>th</sup> August, 2008

## Monthly Economic Survey July 2008

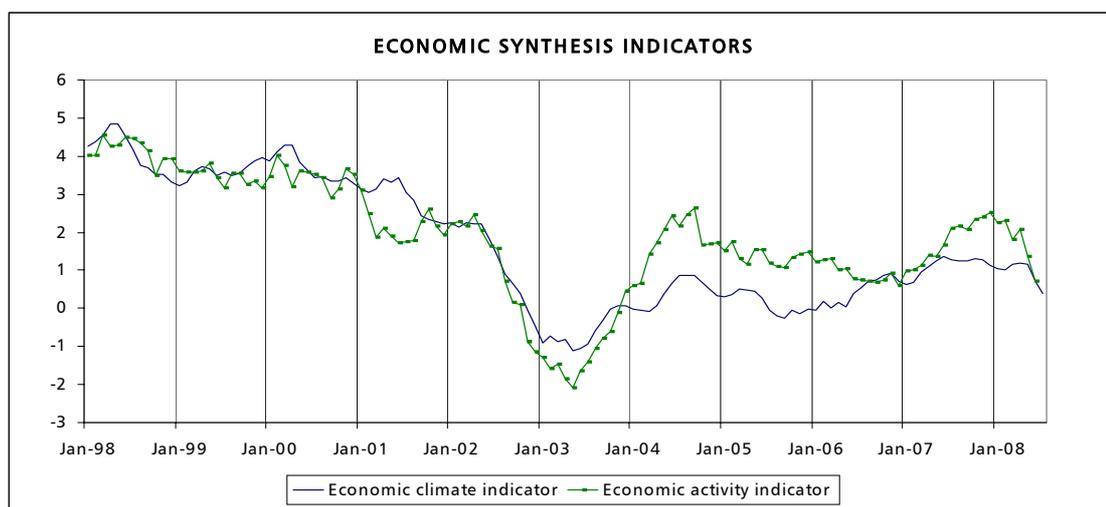
### GDP stabilizes in the 2<sup>nd</sup> quarter. Net external demand might have presented a less negative contribution and domestic demand might have slowed down.

Accordingly to the flash estimate published by EUROSTAT, in the Euro Area (EA) the GDP year-on-year growth rate in the 2<sup>nd</sup> quarter of 2008 was 1.5%, 0.6 percentage points (p.p.) less than in the previous quarter. This evolution resulted from the slowdown observed in the EA main economies, particularly in Spain, Germany and France (-0.9 p.p.). Weighted by the structure of the Portuguese exports, the GDP of the main customer countries might have decelerated 0.7 p.p. to 1.7%. In the EA, the economic sentiment and the consumer confidence indicators reinforced in July the downward movement observed since August 2007.

On the domestic side, the GDP flash estimate for the 2<sup>nd</sup> quarter points to a year-on-year growth rate of 0.9%, the same value than in the previous quarter. On the one hand, external demand might have presented a less negative contribution, given the stronger slowdown of imports relatively to exports, but, on the other hand, domestic demand might have decelerated, as a result of the significant slowdown of private consumption. Concerning the international trade, both imports (from 12.3% to 9.0%) and exports (from 4.8% to 3.4%) registered a slowdown in nominal terms. The slowdown of imports in volume might have been more significant than in nominal terms given the acceleration of oil prices in the 2<sup>nd</sup> quarter. On the domestic demand level, private consumption might have decelerated in the 2<sup>nd</sup> quarter, as a consequence of the decrease observed both in non-durable and durable consumption, but mainly in the second. Accordingly to the available information, investment might have stabilized in the 2<sup>nd</sup> quarter, with a recovery in the construction component and a deterioration in the machinery and equipment and in the transport material components. On the supply side, the Short Term Indicators information revealed diverse evolutions in the sectors, between the 1<sup>st</sup> and the 2<sup>nd</sup> quarter. The economic climate indicator, available up to July, and the economic activity indicator, available until June, declined significantly.

The unemployment rate was 7.3% in the 2<sup>nd</sup> quarter, 0.6 p.p. less than in the 2<sup>nd</sup> quarter of 2007. Employment recorded a year-on-year growth rate of 1.4%, 0.3 p.p. more than in the 1<sup>st</sup> quarter of 2008.

In July, year-on-year inflation was 3.1%, 0.3 p.p. less than in the previous month. The differential between the EA Harmonized Index of Consumer Prices (HICP) and the Portuguese HICP increased 0.3 p.p. in July to 0.9 p.p..



Report based on information available up to August 19, 2008.

Next report will be released on September 17, 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 2 2007	Quarter 3 2007	Quarter 4 2007	Quarter 1 2008	Quarter 2 2008	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08
<b>International background</b>															
GDP of customer countries	s.a.y.r.	3.3	3.0	3.0	3.1	2.7	2.4	1.7	n.a.						
GDP European Union	s.a.y.r.	3.1	2.9	2.9	2.9	2.5	2.3	1.7	n.a.						
GDP Euro Area	s.a.y.r.	2.8	2.7	2.6	2.7	2.2	2.1	1.5	n.a.						
Industrial production index of customer countries	s.a.y.r./3-mma	3.1	2.8	2.7	2.9	2.3	1.5	-0.4	1.7	1.8	1.5	1.5	0.2	-0.4	-
Economic Sentiment Indicator in EU	ind/s.a.-3mma	107.5	110.8	113.6	111.4	107.1	101.8	96.5	105.2	103.1	101.8	100.1	99.0	96.5	93.4
Economic Sentiment Indicator in EA	ind/s.a.-3mma	106.3	108.4	111.0	108.7	104.3	100.5	96.5	103.1	101.8	100.5	99.0	98.1	96.5	94.0
Order books in industry of customer countries	balance/s.a.-3mma	-2.2	3.4	6.1	3.9	-0.8	-2.4	-7.8	-1.0	-2.5	-2.4	-3.5	-4.9	-7.8	-11.6
Consumer confidence indicator in EU	balance/s.a.-3mma	-7.6	-4.2	-2.5	-3.1	-6.2	-10.4	-14.0	-7.9	-9.2	-10.4	-11.0	-12.0	-14.0	-16.7
Unemployment rate in EU	s.a./%	8.2	7.1	7.2	7.1	6.9	6.8	6.8	6.8	6.8	6.7	6.8	6.8	6.8	-
Harmonised index of consumer prices in EA	y.r.	2.2	2.1	1.9	1.9	2.9	3.4	3.6	3.2	3.3	3.6	3.3	3.7	4.0	4.0
Production price index of supplying countries	y.r./3-mma	4.3	3.2	2.7	2.7	4.7	5.7	6.9	5.1	5.4	5.7	5.9	6.3	6.9	-
Crude oil price (Brent)	Euros	51.9	52.6	50.9	54.5	61.1	64.6	77.8	62.6	64.4	66.7	69.3	78.9	85.1	84.2
Crude oil price (Brent)	y.r.	18.2	1.4	-8.1	-0.2	32.1	46.6	52.8	51.7	46.3	42.4	38.7	58.7	60.7	50.1
<b>Economic activity</b>															
GDP	y.r.	1.4	1.9	1.9	1.6	1.9	0.9	0.9	n.a.						
Economic climate indicator	balance/3-mma	0.5	1.2	1.4	1.3	1.1	1.2	0.7	1.0	1.0	1.2	1.2	1.2	0.7	0.4
Economic activity indicator	3-mma	0.9	1.8	1.7	2.1	2.5	1.8	0.7	2.3	2.3	1.8	2.1	1.4	0.7	-
Total turnover index	y.r./3-mma	2.6	4.7	4.2	4.0	5.8	3.6	3.0	5.0	6.4	3.6	4.3	1.5	3.0	-
Manufacturing industry production index	s.a.y.r./3-mma	2.3	3.2	3.4	2.0	2.8	-0.3	-1.7	0.9	1.7	-0.3	1.2	-1.6	-1.7	-
Production index in construction	s.a.y.r./3-mma	-6.6	-4.1	-5.0	-3.4	-0.3	-2.8	-1.9	-1.0	0.1	-2.8	-0.6	-3.0	-1.9	-
Retail trade turnover index (real)	y.r./3-mma	1.2	-0.1	-0.7	-0.2	-0.3	2.3	-0.3	-0.1	1.3	2.3	1.5	0.3	-0.3	-
Sales of passenger vehicles	y.r./3-mma	-5.8	3.7	0.4	11.9	10.1	11.5	1.9	10.0	15.0	11.5	12.8	7.6	1.9	-3.6
<b>Consumption</b>															
Consumer confidence indicator	balance/3-mma	-34.2	-35.2	-32.9	-35.5	-39.2	-42.9	-44.8	-41.4	-42.5	-42.9	-41.8	-43.4	-44.8	-47.2
Quantitative indicator of private consumption	y.r./3-mma	1.4	2.0	2.3	1.9	2.3	2.2	0.3	2.2	2.6	2.2	2.1	1.1	0.3	-
Indicator of non-durable consumer goods	y.r./3-mma	1.5	1.6	1.3	1.5	1.7	1.7	1.1	1.6	1.7	1.7	1.6	1.2	1.1	-
Indicator of durable consumer goods	y.r./3-mma	0.8	5.5	9.3	5.0	6.5	5.7	-5.6	6.4	8.5	5.7	6.1	0.5	-5.6	-
Vol. ind. consumption of passenger vehicles	y.r./3-mma	-3.0	6.3	14.3	4.4	6.4	5.7	-14.3	6.9	10.9	5.7	6.5	-2.7	-14.3	-
<b>Investment</b>															
GFCF indicator		-3.0	3.5	0.6	2.6	10.8	-1.8	-1.3	5.8	3.4	-1.8	-0.3	-2.2	-1.3	-
Cement sales	y.r./3-mma	-7.6	2.1	-2.3	2.0	12.0	-7.4	-	3.8	1.5	-7.4	-4.5	-8.3	-	-
Sales of steel for concrete	y.r./3-mma	5.9	-5.9	-3.9	-9.9	-2.9	-8.1	-	-3.3	-1.7	-8.1	-6.5	-5.0	-	-
Credit for purchase of habitation	y.r./stocks	15.6	9.8	9.0	9.8	9.8	9.3	-	9.8	9.7	9.3	9.2	8.7	-	-
Licenses for construction of new habitations	y.r./3-mma	-5.7	-8.6	-12.0	-5.4	-7.0	-11.6	-17.9	-10.8	-6.2	-11.6	-7.1	-17.2	-17.9	-
Machinery and equipment indicator		2.7	4.6	4.0	5.1	5.0	4.5	3.0	4.6	4.3	4.5	4.4	4.2	3.0	2.8
Sales of light commercial vehicles	y.r./3-mma	-7.3	6.3	48.0	-17.5	-7.9	-18.0	-38.1	-10.4	-11.0	-18.0	-16.9	-20.2	-38.1	-32.9
Sales of new heavy commercial vehicles	y.r./3-mma	12.9	6.2	-9.0	-19.8	92.9	19.0	4.6	53.8	26.4	19.0	17.3	8.8	4.6	2.5
<b>External demand</b>															
External demand indicator in value	s.a.y.r./3-mma	12.9	4.3	3.0	5.8	4.3	8.5	-	5.1	6.6	8.5	8.7	8.3	-	-
External order books	balance/3-mma	-14.4	-3.6	-2.0	-1.3	-4.0	-10.3	-12.3	-8.0	-9.7	-10.3	-10.0	-11.0	-12.3	-12.7
Exports of merchandises in value	y.r./3-mma	12.4	8.9	9.8	6.4	6.0	4.8	3.4	5.1	8.2	4.8	6.6	2.1	3.4	-
Imports of merchandises in value	y.r./3-mma	8.1	7.4	6.6	7.4	12.0	12.3	9.0	12.7	15.3	12.3	14.3	8.2	9.0	-
<b>Labour market</b>															
Unemployment rate	%	7.7	8.0	7.9	7.9	7.8	7.6	7.3	n.a.						
Employment	y.r.	0.7	0.2	-0.5	0.2	0.9	1.1	1.4	n.a.						
Unemployed registration along the month	s.a.y.r./3-mma	1.2	-6.5	-3.8	-6.1	-10.7	-0.4	7.7	-10.9	-5.4	-0.4	5.3	4.9	7.7	-
Unemployment expectations	balance/3-mma	43.8	42.2	40.4	42.7	45.3	46.6	47.5	46.6	47.8	46.6	45.2	46.1	47.5	49.7
Vacancies along the month	s.a.y.r./3-mma	3.6	13.7	3.0	11.4	25.7	-0.4	-1.9	15.9	11.6	-0.4	1.4	-3.5	-1.9	-
Employment indicator (short-term statistics)	y.r./3-mma	-1.9	-0.4	-0.8	-0.3	0.4	0.7	0.6	0.6	0.7	0.7	0.7	0.7	0.6	-
Average declared wages	s.a.y.r./3-mma	3.5	3.5	3.5	3.6	3.3	4.0	3.7	3.4	3.3	4.0	4.0	3.8	3.7	-
Wage negotiation	av/3-mma	2.8	2.9	2.9	2.9	3.2	2.9	3.0	3.6	3.4	2.9	2.8	3.1	3.0	3.1
<b>Prices and exchange rates</b>															
Consumer price index	y.r.	3.1	2.5	2.5	2.2	2.7	2.9	2.9	2.9	2.9	3.1	2.5	2.8	3.4	3.1
Core inflation indicator	y.r.	2.0	1.9	1.9	2.0	2.1	2.3	2.1	2.3	2.3	2.3	2.1	2.1	2.1	1.6
Consumer price index - goods	y.r.	3.2	2.2	2.3	1.8	2.5	2.6	2.9	2.5	2.6	2.8	2.3	2.8	3.7	3.3
Consumer price index - services	y.r.	2.9	2.9	3.1	2.9	3.0	3.5	2.8	3.4	3.4	3.6	2.8	2.8	2.8	2.7
Manufacturing industry production price index	y.r./3-mma	4.6	2.5	1.7	1.7	5.2	7.2	7.8	6.1	6.5	7.2	7.2	7.6	7.8	8.7
Effective exchange rate index for Portugal	y.r.	0.2	0.8	0.7	0.6	1.3	1.6	1.8	1.6	1.5	1.8	1.9	1.8	1.8	-
Exchange rate euro/USD	y.r.	0.9	9.1	7.3	7.9	12.4	14.4	15.9	13.2	12.8	17.3	16.5	15.1	15.9	15.0
Exchange rate USD/euro	USD	1.256	1.371	1.348	1.374	1.449	1.500	1.562	1.472	1.475	1.553	1.575	1.556	1.555	1.577
Exchange rate euro/JPY	y.r.	6.6	10.4	13.2	9.3	7.9	0.8	0.3	1.4	0.2	0.9	0.5	-0.6	1.0	1.0