

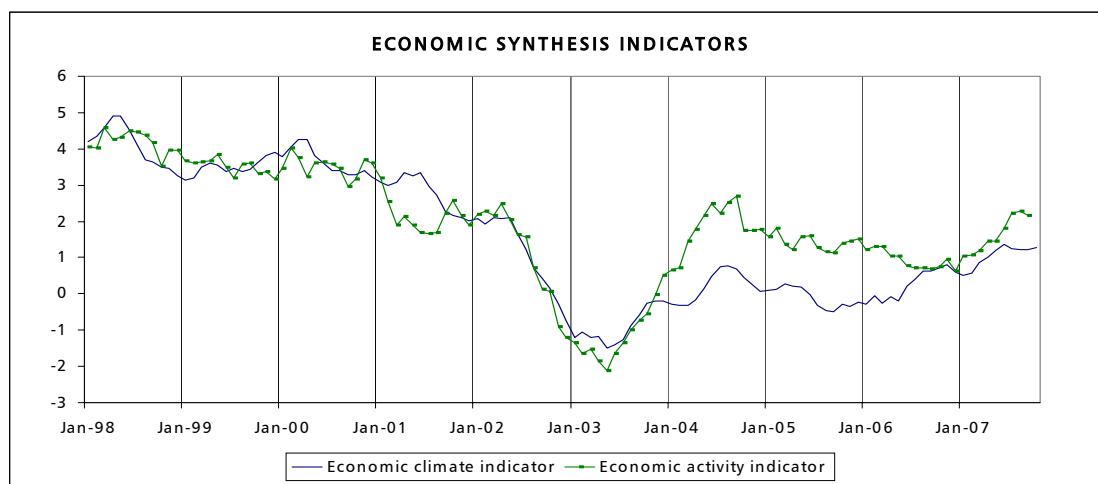
20<sup>th</sup> November, 2007

## Monthly Economic Survey

### October 2007

#### GDP growth in the 3rd quarter was determined by the expansion of investment and the slowdown of exports

International economic background for the Portuguese economy in the 3rd quarter was characterized by facts with contradictory implications to the Portuguese economy. On one hand, the euro continued to appreciate more intensely and the oil and other raw materials prices boosted up. On the other hand, the economic activity in the euro area and in the total European Union still presented an acceleration. Internally, accordingly to the flash estimate, GDP might have decelerated slightly recording year-on-year change rates of 1.9% and 1.8% in the 2nd and 3rd quarters, respectively, mainly reflecting the behaviour of external demand. In the 3rd quarter, preliminary data revealed a decrease of 4.0 percentage points (p.p.) in the year-on-year growth rate of exports, in nominal terms, comparing with the 2nd quarter; simultaneously, imports accelerated slightly by 0.1 p.p.. Therefore, imports presented a higher growth rate in value than exports (5.3% and 4.8%, respectively), by the first time since the 3rd quarter of 2005. Domestic demand accelerated in the 3rd quarter, as in the previous quarter, mainly as a result of the evolution of investment. This evolution reflected positive developments in all the investment components, especially in the transport material component. Private consumption might have presented a less dynamic behaviour as a consequence of the deceleration in durable goods consumption. In the 3rd quarter, employment recorded a year-on-year change rate of 0.2%, after diminishing in the previous quarter. The unemployment rate was 7.9%, the same value of the previous quarter, but 0.5 p.p. higher than in the same quarter of 2006. In October, inflation accelerated, reaching 2.6%, more 0.5 p.p. than in September.



Report based on information available up to November 16, 2007.

*Next report will be released on November 20, 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 2005	Year 2006	Quarter 3 2006	Quarter 4 2006	Quarter 1 2007	Quarter 2 2007	Quarter 3 2007	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07
<b>International background</b>															
GDP of customer countries	s.a/y.r.	2.2	3.1	3.0	3.3	3.2	2.8	-	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
GDP EU27	s.a/y.r.	1.8	3.0	3.1	3.5	3.4	2.8	2.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
GDP EA	s.a/y.r.	1.5	2.8	2.9	3.3	3.2	2.5	2.6	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	0.8	3.3	3.5	3.6	3.0	2.4	-	3.0	2.7	2.4	2.3	2.5	-	-
Order books in industry of EU	balance/s.a.-3mma	-18.0	-3.5	0.0	2.7	4.3	6.2	3.7	5.7	6.4	6.2	5.2	4.8	3.7	2.9
Consumer confidence indicator in EU	balance/s.a.-3mma	-10.7	-7.5	-7.4	-6.1	-5.0	-2.3	-3.0	-4.2	-3.1	-2.3	-1.6	-2.1	-3.0	-4.0
Unemployment rate in EU	s.a/%	8.9	8.2	8.1	7.8	7.5	7.2	7.1	7.3	7.2	7.2	7.1	7.0	-	-
Harmonised index of consumer price in EU	y.r.	2.2	2.2	2.1	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.8	1.7	2.1	2.6
Production price index of supplying countries	y.r./3-mma	3.8	4.2	4.5	3.2	2.7	2.6	2.6	2.7	2.7	2.6	2.5	2.5	2.6	-
Crude oil price (Brent)	y.r.	42.7	18.2	8.4	-3.4	-14.2	-8.1	-0.2	-12.8	-9.0	-2.3	-3.4	-9.1	14.1	26.3
<b>Economic activity</b>															
GDP	y.r.	0.5	1.3	1.4	1.6	2.1	1.9	1.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Economic climate indicator	balance/3-mma	-0.1	0.3	0.6	0.6	0.9	1.4	1.2	1.0	1.2	1.4	1.3	1.2	1.2	1.3
Economic activity indicator	3-mma	1.4	0.9	0.7	0.6	1.2	1.8	2.2	1.4	1.5	1.8	2.2	2.3	2.2	-
Total turnover index	y.r./3-mma	0.6	2.6	4.5	2.7	4.8	4.1	4.2	5.3	4.6	4.1	4.2	4.8	4.2	-
Manufacturing industry production index	y.r./3-mma	-1.5	2.3	3.5	2.5	4.7	3.6	2.3	5.2	4.6	3.6	2.6	2.1	2.3	-
Production index in construction	y.r./3-mma	-4.9	-6.6	-7.9	-7.2	-6.8	-4.7	-2.4	-5.9	-5.4	-4.7	-3.7	-2.6	-2.4	-
Retail trade turnover index (real)	y.r./3-mma	1.7	1.2	3.4	1.1	1.7	0.1	0.3	1.0	0.5	0.1	0.7	1.4	0.3	-
<b>Consumption</b>															
Consumer confidence indicator	balance/3-mma	-37.7	-34.2	-31.9	-31.0	-33.2	-32.9	-35.5	-33.4	-33.0	-32.9	-33.2	-34.6	-35.5	-36.8
Quantitative indicator of consumption	y.r./3-mma	2.7	1.4	2.0	1.3	2.0	2.3	2.0	1.9	1.9	2.3	2.6	2.9	2.0	-
Indicator of non-durable consumer goods	y.r./3-mma	2.4	1.5	1.8	1.3	1.9	1.4	1.6	1.8	1.6	1.4	1.7	2.1	1.6	-
Indicator of durable consumer goods	y.r./3-mma	5.3	0.7	4.1	1.2	2.6	9.2	4.8	2.7	3.6	9.2	9.0	9.1	4.8	-
Vol. ind. consumption of passenger vehicles	y.r./3-mma	6.3	-3.2	1.3	-2.9	1.6	14.0	4.0	1.8	3.4	14.0	12.5	11.6	4.0	-
<b>Investment</b>															
GFCF indicator		-2.4	-3.2	-2.5	-5.8	0.1	-0.1	4.2	-2.1	-0.5	-0.1	8.1	8.5	4.2	-
Cement sales	y.r./3-mma	-6.0	-7.6	-9.5	-8.4	-1.9	-2.3	-	-1.4	-1.3	-2.3	0.0	0.9	-	-
Sales of steel for concrete	y.r./3-mma	-6.8	5.9	14.3	-11.5	-6.9	-3.9	-	0.4	-2.8	-3.9	-8.1	-4.0	-	-
Credit for purchase of habitation	y.r./stocks	11.9	15.6	15.2	15.6	9.6	9.0	-	9.6	9.1	9.0	8.0	8.2	-	-
Licenses for construction of new habitations	y.r./3-mma	-2.0	-6.8	-8.3	-13.3	-10.2	-11.8	-5.8	-10.7	-10.7	-11.8	-8.5	-6.2	-5.8	-
Machinery and equipment indicator		1.8	2.7	2.8	3.8	4.1	4.0	5.1	3.7	3.8	4.0	4.4	4.6	5.1	5.2
Sales of light commercial vehicles	y.r./3-mma	-1.8	-7.3	-6.4	-1.0	1.5	48.0	-17.5	5.2	14.5	48.0	38.8	30.0	-17.5	-15.3
Sales of new heavy commercial vehicles	y.r./3-mma	0.1	12.9	52.0	-31.9	2.7	-9.0	-19.8	-31.1	-21.8	-9.0	80.5	56.6	-19.8	-11.8
<b>External demand</b>															
External demand indicator in value	s.a/y.r./3-mma	10.4	11.9	10.2	8.2	4.4	3.2	-	4.0	2.5	3.2	4.1	6.0	-	-
External order books	balance/3-mma	-23.7	-14.4	-13.7	-10.7	-7.0	-2.0	-1.3	-6.7	-4.0	-2.0	0.7	0.0	-1.3	-1.3
Exports of merchandises in value	y.r./3-mma	2.8	12.4	13.1	12.7	12.5	8.8	4.8	12.1	9.2	8.8	7.4	6.7	4.8	-
Imports of merchandises in value	y.r./3-mma	5.5	8.1	8.7	5.7	2.3	5.2	5.3	2.8	4.3	5.2	4.5	4.7	5.3	-
<b>Labour market</b>															
Unemployment rate	%	7.6	7.7	7.4	8.2	8.4	7.9	7.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Employment	y.r.	0.0	0.7	1.1	0.2	0.2	-0.5	0.2	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	4.1	1.2	-1.1	2.6	-5.3	-3.8	-6.1	-4.8	-5.8	-3.8	-2.8	-2.3	-6.1	-
Unemployment expectations	balance/3-mma	49.0	43.8	40.0	39.3	40.5	40.4	42.7	41.4	40.9	40.4	40.6	42.1	42.7	44.0
Vacancies along the month	s.a/y.r./3-mma	5.4	3.6	6.9	-0.1	15.1	3.0	11.4	11.3	5.1	3.0	4.9	11.5	11.4	-
Employment indicator (short-term statistics)	y.r./3-mma	-2.2	-1.9	-1.8	-1.9	-1.1	-0.8	-0.1	-0.9	-0.9	-0.8	-0.6	-0.4	-0.1	-
Wage negotiation	a.v/3-mmaq/w.	2.7	2.8	2.6	2.6	2.5	2.9	2.9	2.7	2.8	2.9	2.9	2.9	2.9	2.7
<b>Prices and exchange rates</b>															
Consumer price index	y.r.	2.3	3.1	3.0	2.5	2.4	2.5	2.2	2.7	2.4	2.4	2.4	2.1	2.1	2.6
Core inflation indicator	y.r.	1.6	2.0	2.1	1.9	1.6	2.0	2.1	1.9	1.9	2.1	2.4	2.1	1.8	2.3
Consumer price index - goods	y.r.	1.9	3.2	3.2	2.5	2.3	2.3	1.8	2.6	2.1	2.1	2.0	1.5	1.7	2.4
Consumer price index - services	y.r.	3.0	2.9	2.7	2.6	2.6	3.1	2.9	3.0	3.0	3.1	3.0	3.0	2.8	2.9
Manufacturing industry production price index	y.r./3-mma	3.5	4.6	4.9	2.8	1.5	1.6	1.7	1.5	1.4	1.6	1.5	1.6	1.7	2.5
Exchange rate euro/USD	y.r.	0.1	0.9	4.5	8.5	9.0	7.3	7.9	10.1	5.8	6.1	8.1	6.3	9.2	12.8
Exchange rate euro/JPY	y.r.	1.8	6.6	9.2	8.9	11.3	13.2	9.3	11.9	14.4	13.4	13.7	7.1	7.3	10.2