

# Portugal: GDP growth in the 3Q2014

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Pedro Miguel Mendes  
+351 21 310 1082  
[pedro.miguel.mendes@bancobpi.pt](mailto:pedro.miguel.mendes@bancobpi.pt)

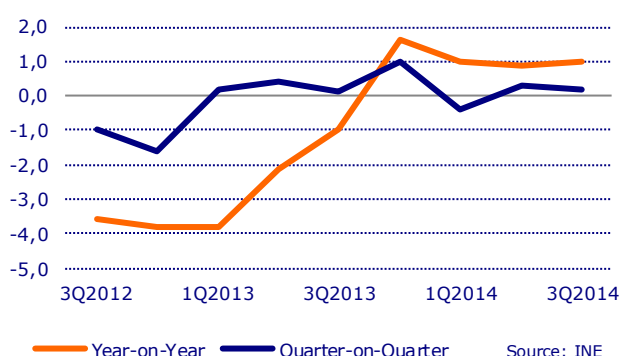
• **GDP up 1.0% in 3Q2014:** According to the first flash estimate by the National Statistics Office (INE), Gross Domestic Product (GDP) registered an increase of 1.0% in the third quarter of 2014, compared with the same period of the previous year. This brings growth back to the same rate as during the first three months of the year, after a slight slip to 0.9% during the second quarter. Reportedly, domestic private consumption expenditure is expected to have provided a stronger contribution to growth but was partially offset by the results of the foreign trade balance, whose deficit has increased amid growing imports of goods and services, above the rate of expansion of exports. Quarter-on-quarter growth is expected to have been less stellar, with the flash estimate pointing to 0.2% growth rate, down by 0.1p.p. in comparison to the preceding quarter. The final estimate, as well as the detailed breakdown of growth, is scheduled for November 28th.

• **Eurozone growth up 0.8%:** As usual, the Portuguese GDP estimate follows the first flash estimate for both the Eurozone and the EU28. According to Eurostat, GDP growth within the monetary union is expected to have stood at 0.8% on a year-on-year basis, the same as in the previous quarter, while quarterly growth should gain 0.2p.p. to 0.3%, with most of the upsets observed during the previous quarter edging back to growth. Indeed, it is a positive development to see that, on a quarterly basis, the number of countries reporting negative growth dropped from 6 in the previous quarter to only 2 in the latest reading, with particular emphasis going to France, who at 0.3% qoq and 0.4% yoy (+0.4p.p. on both basis) registered its best reading of the year and returned to growth. Meanwhile, Germany managed to compensate the -0.1% qoq reading in the 2Q2014, growing 0.1% according to the latest reading, but its year-on-year result nevertheless showed a second consecutive quarter of growth slowdown, dropping 0.2p.p. to 1.2%. Another notoriously good result was Greece's, whose 3Q2014 reading of 0.7% qoq and 1.4% yoy is one of the most telling indicators that the country's extensive recovery process may be finally coming to fruition.

• **Concerning our 1.0% GDP growth estimate for the Portuguese economy in 2014,** while we will be glad to see GDP growth performance improve vis-à-vis the monetary union averages and edge back to 1.0% in the 3Q2014, after the slip in the previous quarter, we must nevertheless face that, assuming the flash estimate as the final result, this leaves only the fourth quarter for the economy to compensate the 0.1p.p. lost during the second quarter of the year. Considering that the final quarter of the year is not particularly known to drive an abnormal amount of growth in comparison to the first nine months, and even taking into account that this year's holidays retail season is likely to be the most lucrative in recent years, we feel the maintenance of our forecast would require an unexpectedly strong final quarterly reading for 2014 and as such, we are likely to adjust our forecast slightly down in the near future, pending a better idea about the drivers of GDP growth this quarter.

## GDP growth in Portugal, 2012-2014

(percentage)



GDP Growth in the Eurozone in 2014 (%)						
	Quarter-on-Quarter			Year-on-Year		
	1Q2014	2Q2014	3Q2014F	1Q2014	2Q2014	3Q2014F
Eurozone	0,3	0,1	0,2	1,0	0,8	0,8
EU28	0,4	0,2	0,3	1,5	1,3	1,3
Germany	0,8	-0,1	0,1	2,3	1,4	1,2
France	0,0	-0,1	0,3	0,8	0,0	0,4
Italy	0,0	-0,2	-0,1	-0,3	-0,3	-0,4
Spain	0,4	0,6	0,5	0,7	1,3	1,6
Netherlands	-0,3	0,6	0,2	0,0	1,1	1,1
Belgium	0,4	0,1	0,2	1,2	1,0	0,8
Austria	0,1	0,0	0,0	0,9	0,5	0,3
Finland	-0,3	0,2	0,2	-0,2	-0,1	-0,3
Greece	0,8	0,3	0,7	-0,3	0,4	1,4
<b>Portugal</b>	<b>-0,4</b>	<b>0,3</b>	<b>0,2</b>	<b>1,0</b>	<b>0,9</b>	<b>1,0</b>
Ireland	2,8	1,5	-	5,1	6,5	-
Luxembourg	1,7	0,7	-	3,9	3,2	-
Slovenia	0,0	1,0	-	1,9	2,8	-
Estonia	0,3	1,1	0,2	0,6	2,9	2,3
Cyprus	-0,5	-0,4	-0,4	-3,6	-2,2	-2,0
Malta	0,4	1,4	-	3,6	2,5	-
U.K.	0,7	0,9	0,7	2,9	3,2	3,0

Source: Eurostat

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**BANCO BPI S.A.**

Rua Tenente Valadim, 284 4100 – 476 PORTO  
Telef.: (351) 22 207 50 00    Telefax: (351) 22 207 58 88

Largo Jean Monnet, 1 – 9º 1269-067 LISBOA  
Telef.: (351) 21 724 17 00    Telefax: (351) 21 353 56 94