Portugal:
Macroeconomic and financial outlook

BPI Research
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BPI Grupo CaixaBank

Main messages

Outlook: Covid-19 causes severe recession but decisive economic measures will help to counteract.

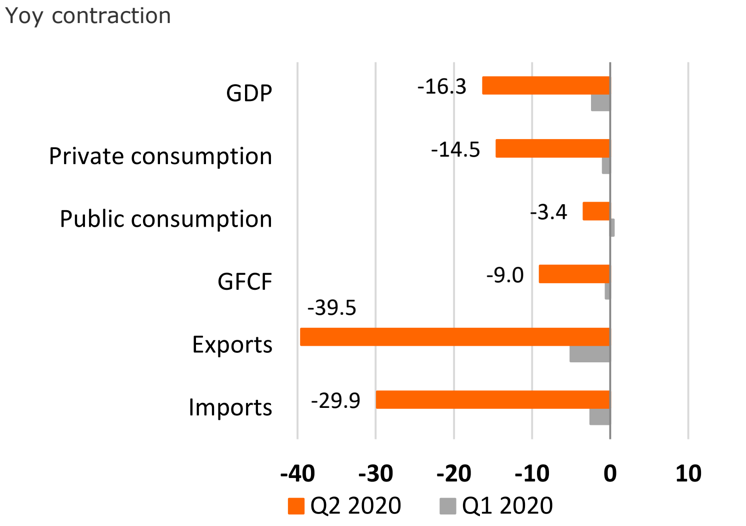
- From robust expansion to recession. After an expansion of 2.2% in 2019, GDP contracted 9.3% yoy in H1 2020, reflecting the impact of the lockdown measures to contain the COVID-19 pandemic that hugely affected activity in Q2 (-13.9% qoq and -16.3% yoy). Since early May, restrictions started to be removed and activity rebounded, so a gradual recovery in the H2 is expected. GDP is seen to fall 12% in 2020; but in 2021 will expand around 8%, taking advantage of solid economic fundamentals prior to the pandemic.
- Measures to mitigate economic impacts were adopted, including liquidity measures, postponement of tax and fiscal obligations, direct support for household income and job schemes to avoid job destruction. We estimate that these will amount to around 30 billion euros (15.9% of GDP). Beyond 2020, the EC Recovery Plan will play an important role on recovery. Non-refundable grants for the Portuguese economy represent circa 4% of GDP per year.
- Fiscal rectitude in past years assures some leeway to implement those measures. In 2019, public accounts registered a surplus of 0.2% GDP, but in the current scenario, the acting of automatic stabilisers plus the supporting measures to the economy will probably dictate a deficit higher than 10% of GDP in 2020. This rise is expected to be temporary, allowing a significant decline of the public debt ratio already in 2021.
- In the current scenario unemployment will surge. Unemployment rate will jump to around 10% in 2020-21.
- External rebalancing temporarily halted. Exports suffered a strong decline, mainly due to the impact on tourism that will probably last for the rest of the year, though somewhat less pronounced in the H2. Tourism recovery to pre-covid levels will be slow, at least while the sanitary crises is not resolved.
- Resilient banking sector is an important factor to limit the negative impact of the coronavirus. The soundness of the banking system allows banks to implement measures to support companies and families (elimination of commissions, postponement of debt payments, credit to the private sector, etc).

Outlook is very uncertain but previous reforms and more resilience than in the past are key to the recovery

- Central scenario subject to a high degree of uncertainty. The pace of recovery in the H2 is very dependent on the occurrence of a second wave of contagious implying the reinforcement of the restriction measures (although a new lockdown in not probable). In that case the pace of contraction can approach 17% (unlikely).
- Risks are also associated with appropriate fiscal policy response. If it is not compatible with the magnitude of the shock generated by COVID-19, it will jeopardize rapid recovery when the pandemic is under control. On the other hand, support should be given through measures easily reversible once the sanitary crises ceases, in order to allow the return of fiscal consolidation and swift decline of public debt.
- Still high level of public debt may curb the reinforcement of measures (if needed). Despite the reduction of public debt in last years, the ratio remains at high levels (117.7% of GDP in 2019). A key factor to dilute this constraint will be the support given at the European level.
- The private deleveraging process in the past years was important, but indebtedness remains high, putting constraints on the ability of companies to take more debt.
- Gross external debt remains high: 201.8% of GDP in Q2 2020. The less favorable external background and the expectation of less dynamic tourism flows are the most significant challenges for 2020-21.
- Labour market may deteriorate further, if the economy contracts further than expected. Unemployment can reach a level near 17%.
- Banking challenges NPLs may increase more than expected in the central scenario putting some pressure on banks with less solid position.
- No major changes expected in economic policy.

2020: an unprecedented economic shock due to the coronavirus

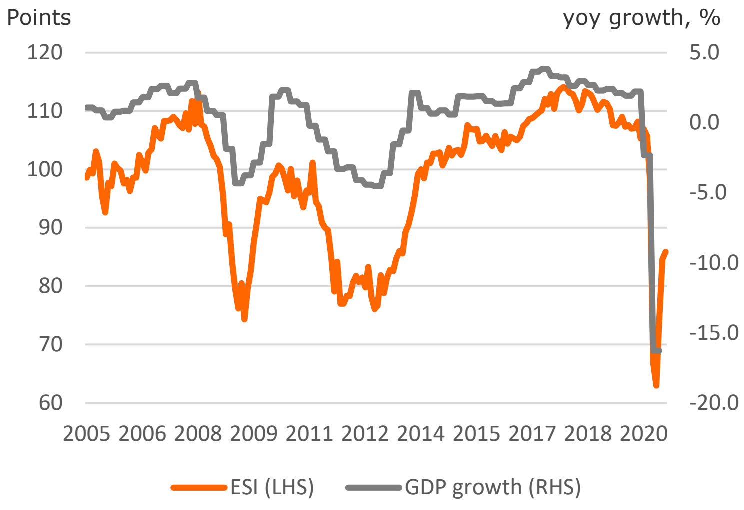
GDP and components in Q2



Source: CaixaBank Research, based on Eurostat.

- GDP contracted 13.9% qoq and 16.3% yoy, in Q2 2020. Activity in the lockdown period (mid March to first week of May) is estimated to have declined around 25% yoy. Foreign demand reduced 4.4pp from yoy growth with exports and imports declining 39.5% and 29.9%, respectively. Domestic demand detracted 11.9pp, with private consumption contracting 14.5% and GFCF 9.0%.
- Investment in transport equipment decreased 69.9% yoy and in machinery it contracted 22.4%. On the other hand, investment in construction was more dynamic than in Q1, increasing 7.5% yoy (2.5% in Q1).

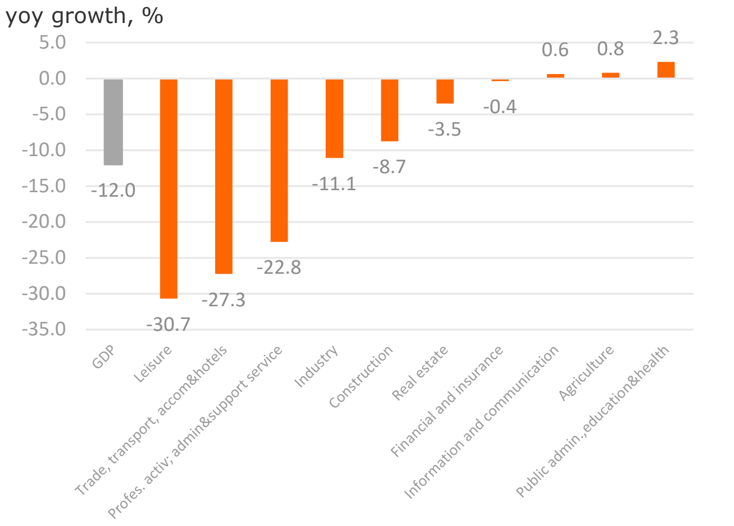
Economic Sentiment Indicator vs. GDP growth



Source: BPI Research, based on INE, European Commission.

- The Economic sentiment indicator improved in July and August, but did not recover completely from the huge decline seen in April and May, confirming that uncertainty remains high after the removal of lockdown measures.
- In the months ahead sentiment is expected to improve further, but at a gradual pace, depending on the evolution of the pandemic.

GVA projections for 2020



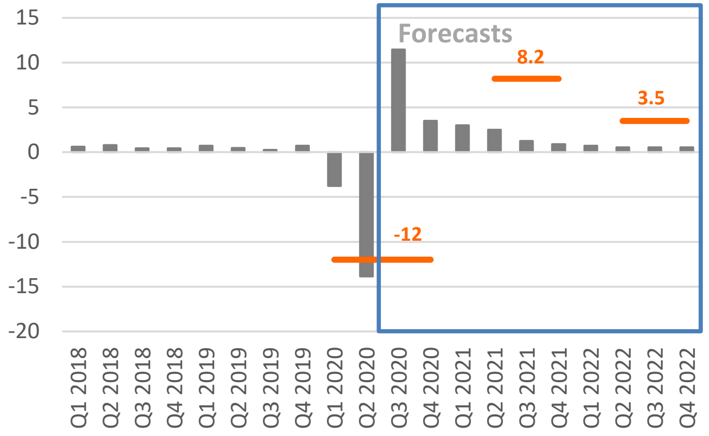
Source: BPI Research, based on INE.

- Q2 2020 was the quarter most hurt by the lockdown. In the H2 2020, activity is expected to show some improvements, however it will remain curbed by social distance measures e feeble domestic and foreign demand.
- Sectors related with tourism should be among those more injured.
- The tourism sector has been increasing its weight in the Portuguese economy, representing 8% of the GVA generated by the economy; tourist demand represents about 15% of GDP.

Political response should help the economy to rebound

Growth path temporarily interrupted

GDP growth
%

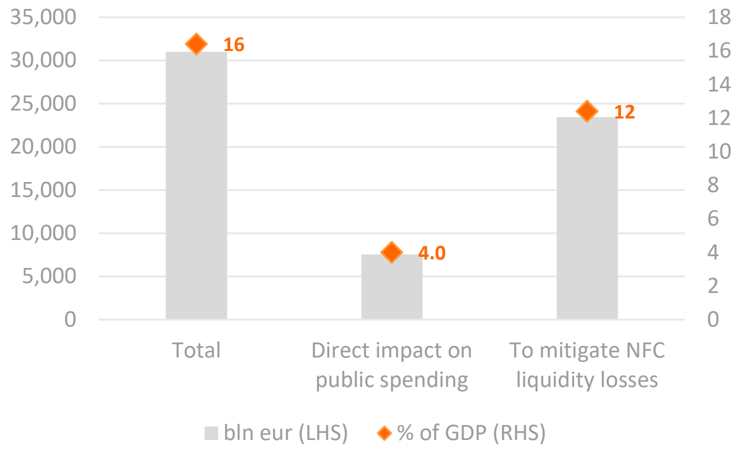


Source: INE Portugal (historical data) and BPI Research forecasts.

- **After an expansion that averaged 2.8% between 2017 and 2019**, in 2020 GDP will contract around 12% driven by the lockdown and further restrictions needed to fight the Covid-19 pandemic. The recovery is already in place, but social distance measures and a high degree of uncertainty should led to a very moderate recovery of activity in the H2. GDP is expected to keep expanding swiftly in 1H21, when some kind of treatment should arise, pushing growth to around 8% in 2021 mostly due to base effects.
- **Given the nature of the shock, the scenario is subject to a high degree of uncertainty**, linked to doubts about the pandemic evolution, the effectiveness of stimulus package and the possibility of more waves of infections. In an adverse scenario, output may decline around 17%.

Package of measures

Bln of euros, % GDP

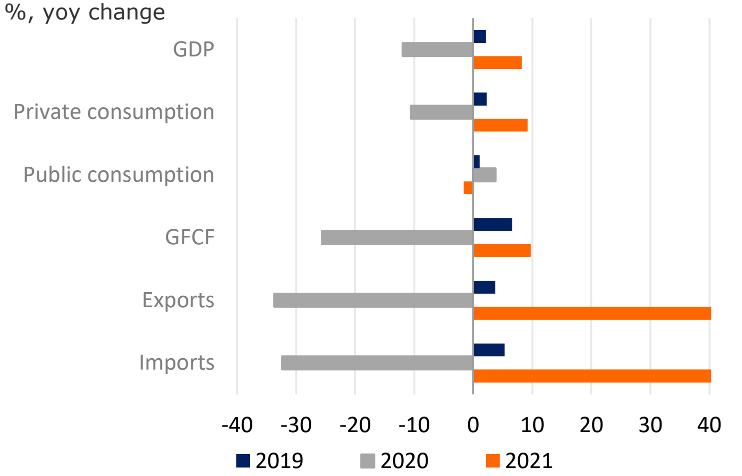


Source: Government Portugal, media and BPI Research.

- **Measures to mitigate economic impacts were immediately adopted and** include liquidity measures, postponement of tax and fiscal obligations and direct support for household income. The domestic package amounts to around 30 billion euros (16% of GDP). At the EU level, the final details around the definition of the CE Recovery Fund will play an important role on the recovery path and strength.
- **Measures with direct impact on public expenditure represent 4.0% of GDP** (subsidies to families, temporary layoff, health expenditure). **Measures aimed at limiting the impacts on companies' liquidity** amount to 23 billion euros, ie around 9% of GDP.

Economic activity expected to rebound in 2021

GDP components
%, yoy change



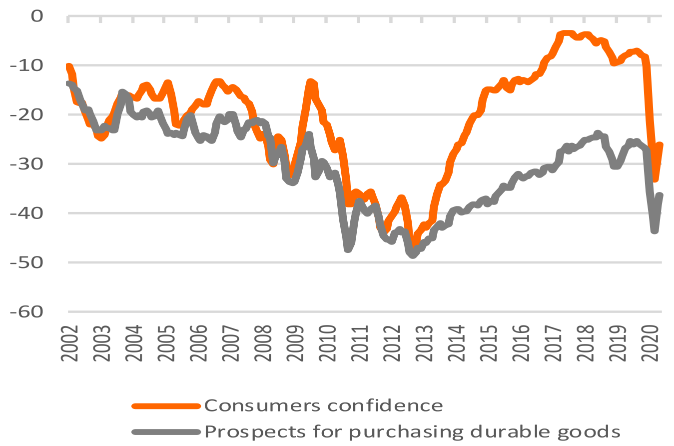
Source: BPI Research, based on INE.

- **Extraordinary measures taken until now by the Government and European Commission, and the authorities' willingness to adopt more measures if necessary, will allow a rebound in the second half of 2020 and a significant growth in 2021.**
- Growth in 2021 is expected to almost offset the strong decline of activity seen in 2020. But this scenario is still subject to an high degree of uncertainty.

Households – consumption expansion halted

Consumption confidence dropped…

Contribution and yoy growth
%

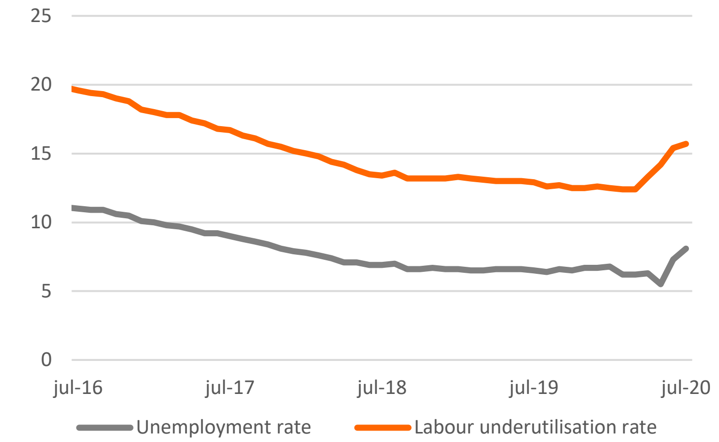


Source: BPI Research from INE data.

- Private consumption has been one of the main drivers of growth in 2019, with an expansion of 2.3%, adding 1.5 p.p. to the yoy GDP growth. Healthy job creation has been one of the most important supports to families' spending. But COVID-19 changed this scenario, and household's consumption fell 14.5% yoy in the Q2 2020.
- In 2020, private consumption is expected to plummet, reflecting containment on expenses due to the lockdown, mainly in Q2 and concentrated in services and other goods in services (except food). For the rest of the year, it is expected a limited rebound as families should be more cautious in an environment of rising unemployment. Our central scenario points to consumption contracting around 11% in the year.

…reflecting fears about labor market

Unemployment and underutilization rate
%

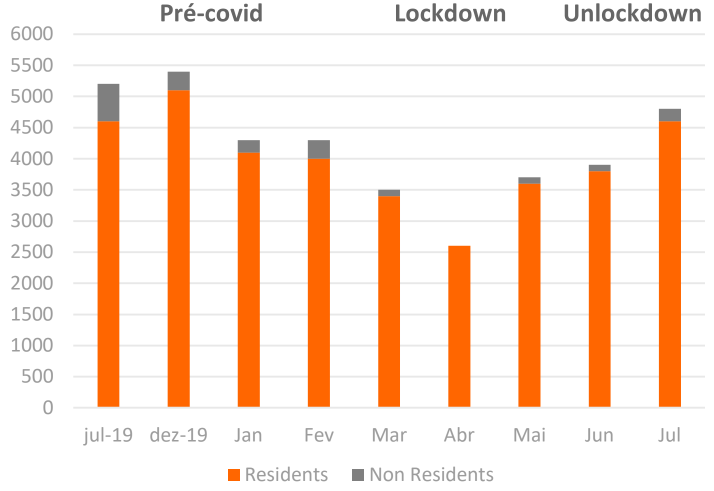


Source: BPI Research from INE.

- Labor market should deteriorate significantly, specially in the second half of the year. In particular in the Q2-Q3 job destruction will be strong despite some measures to contain the movement: temporary layoff regime possible in some situations.
- Unemployment rate is forecasted to rise to 10.0% in 2020 (6.5% in 2019, 8% in July 2020), but afterwards employment should return to growth. In 2021, the unemployment rate is expected to decline to around 9.0%. The effectiveness of the public measures directed to support companies will be determinant for the recovery path of the labor market.

Payments in ATM network

Million of euros



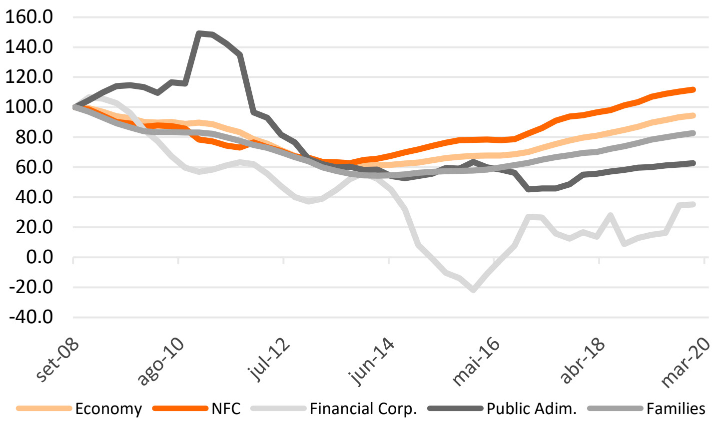
Source: BPI Research from Eurostat.

- The current uncertainty context has constrained private consumption, but there are some signals of a slight recovery. Electronic payment recovered from minima seen in April, but its evolution is moderate, as in July it kept 7.7% below July 19.
- Car sales also improved in the post lockdown period. In the first two months of Q3 were sold more 41% of cars than in Q2. Even so, this indicator remain well below the 17 K units sold at the beginning of the year, demonstrating present constraints in consumption.

Investment (except construction) hugely impacted by the coronavirus

Investment by NFC was leading the recovery

Gross Fixed Capital Formation (current prices)
Sep 2008 = 100

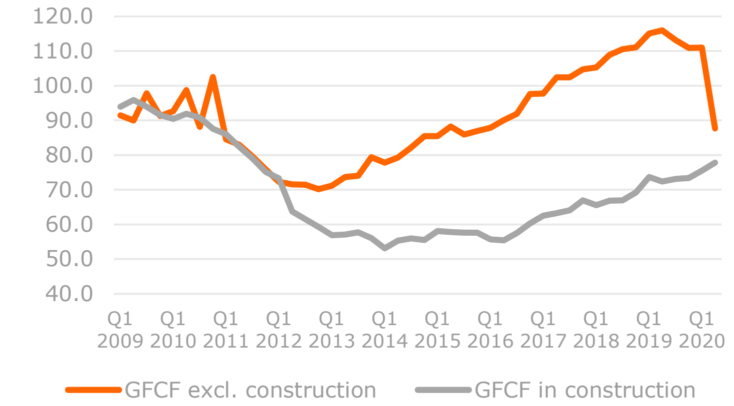


Source: BPI Research, based on INE.

- Favorable financing conditions, healthy activity in the tourism sector and higher EU funds were the major stimuli behind the path for GFCF last years.
- Prior to the pandemic crises, investment by non-financial corporations was expanding at a faster rate than other sectors, suggesting that it was being directed to the tradable goods sector. This process slowed in march due to the COVID-19 outbreak and should be interrupted in the following quarters as companies' confidence keeps low, despite recovering. In Q1 2020, GFCF fell 0.3% yoy.
- GFCF remains below the level seen before the crisis, but, until Q2 2020, the recovery was more impressive in innovation, that in volume is 57% above the 2007 level.

Q2 marks huge decline in all components, except construction

Gross Fixed Capital Formation
Sep 2008 = 100

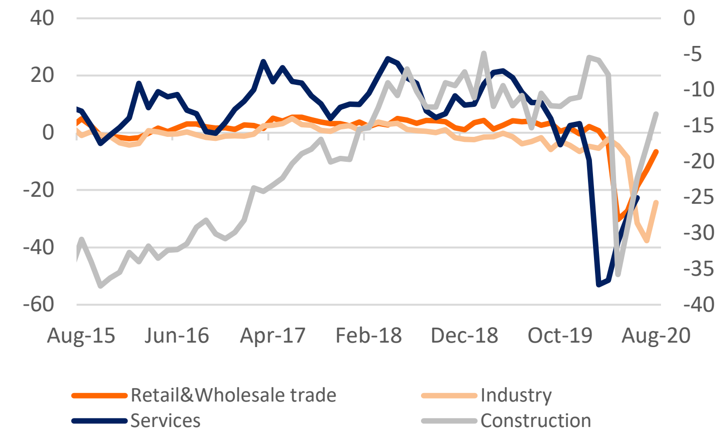


Source: BPI Research based on INE

- On the new scenario, we highlight that credit lines targeted to support tourism activities amount to around 1.8 billion of euros (0.9% of GDP), but support to the sector may surpass this amount, given the rise of credit lines in EUR 8.8 bln (to EUR 15 bln). Beyond 2020 supports from the EC Recovery Plan will be important: non-refundable grants for the Portuguese economy represent circa 4% of GDP per year.
- Investment in R&D is 47% above the 2007 level, whereas construction continues to recover. Investment in construction remained dynamic in the Q2 2020, growing 7.5% yoy. In the following quarters the perceived shortage of residential supply (especially for households in the mid/high income range) should continue to support the sector.

NFC confidence partially recovers after the lockdown

Sentiment indicators
points



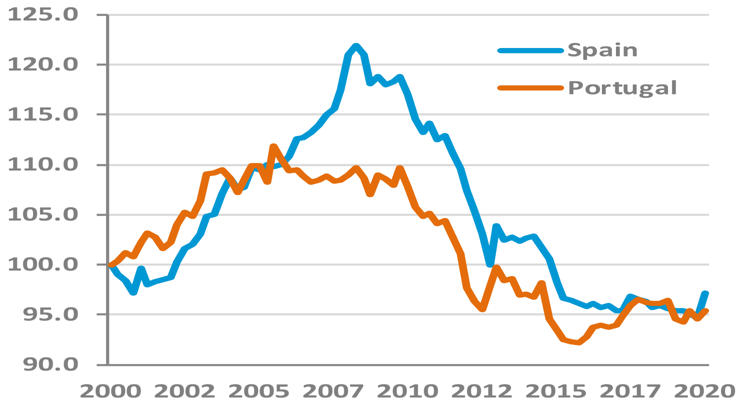
Source: BPI Research based on INE

- Sentiment declined in all sectors due to the negative impact of the lockdown period (started mid-March), but showed some improvements since May.
- In the coming months, confidence levels are expected to improve somewhat, remaining, however, depressed, leading companies to postpone investment decisions. Once again, the effectiveness of economic policies supporting the economy will be key to avoid mass bankruptcies and the destruction of output capacity, in particular credit lines, the postponement of fiscal responsibilities and other directed to provide liquidity to NFC.

Regained competitiveness will support the tradable sector when the lockdown ends

Competitiveness was recovering

Real Competitiveness Indicator
Index (Q1 2000 = 100)

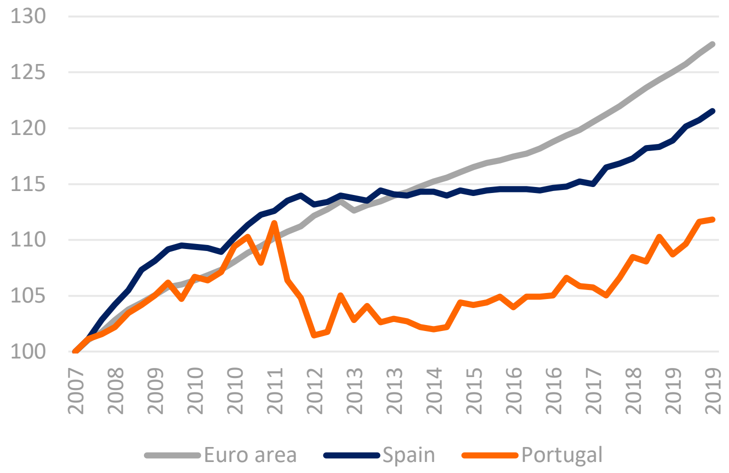


Note: The indicator is the effective exchange rate deflated by unit labor costs. The graph shows the indicator relative to the euro area average.
Source: ECB.

- The competitiveness lost before the international financial crisis has been recovered. This has underpinned an improvement in export performance until 2019. Private sector wages grew by 0.3% per year between 2010-2018 (while they expanded by 1.0% in Spain and 1.8% in the euro area).
- More recently, wages were growing faster in Portugal than in Spain and Eurozone: in 2019, private sector wages increased 2.9% (1.9% in Spain, 2.6% in Eurozone) and in Q1 2020 they advanced 3.7% (3.3% in Spain and 2.2% in the Eurozone (according to the Eurostat). However, Covid-19 outbreak might interrupt this convergence process.

Labor costs below the euro zone

Index (2007Q4 = 100)

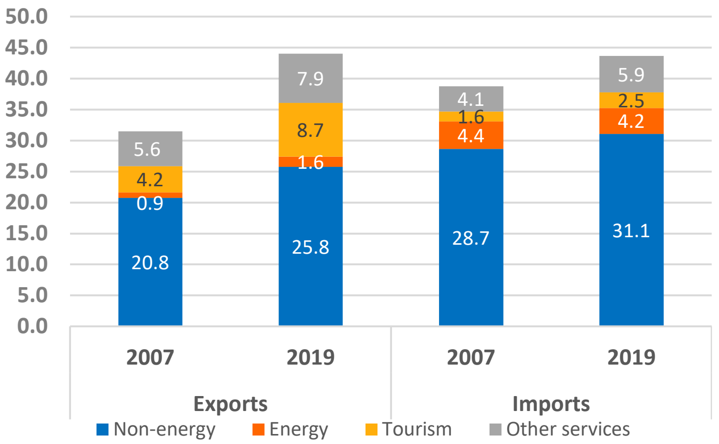


Source: BPI Research from World Economic Forum .

- Hourly labor costs remain well below the Eurozone average, but labor costs have been gradually recovering.
- The increase of wages in 2019 is explained by the increase in the minimum wage, improvements in the labor market, skills mismatch, dynamism in the collective bargaining and developments in the public sector (namely the unfreeze of public workers' careers).

Strong and healthy exports performance until 2019

Exports and Imports of goods and services
% of GDP



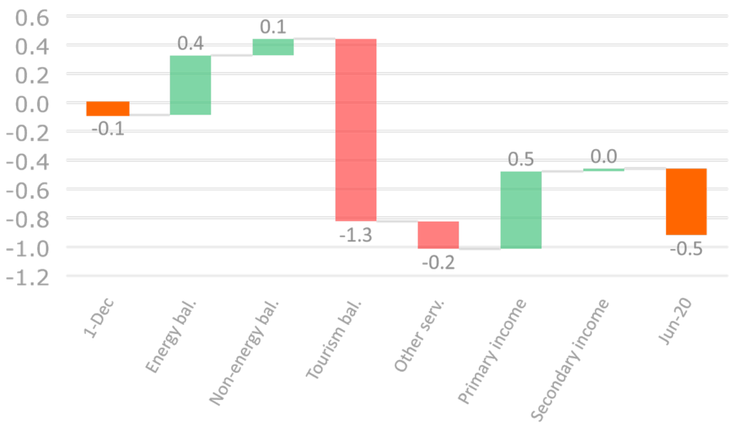
Source: BPI Research based on INE.

- Export intensity of the Portuguese economy increased in the last 10 years, mainly due to the increase of exports of goods (in particular, non-energy goods) and in tourism.
- In 2020, exports will be strongly affected. The expected contraction of activity in the tourism sector (probably more than 40% decline) will be one of the main factors curbing exports.

The economy faces considerable challenges on the external front

Current account worsens with the pandemic

Current account balance*
% of GDP

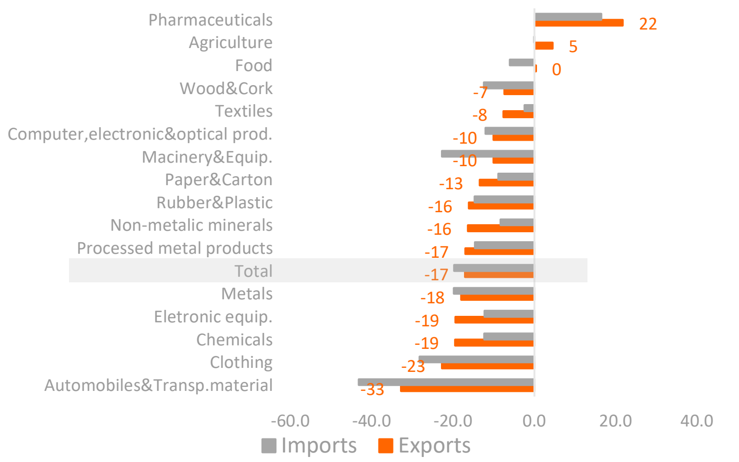


Source: BPI Research, from Bank of Portugal data.

- For the first time since 2013, the current account registered a deficit equivalent to 0.1% of GDP in 2019, reflecting weaker global demand and strong imports (investment-related goods). Still, the balance of tourism improved by 2.5 percentage points (p.p.) since 2013 and the energy balance improved by 1.0 p.p. to -2.6% of GDP.
- In 2020, the current account will probably deteriorate, as very weak global demand will undermine exports and the Tourism surplus will certainly shrink. Since the end of 2019, the current account has deteriorated by 0.5 p.p. of GDP, mainly due to the narrowing of the tourism balance to 7.7% of GDP in April from 8.3% in December.

The global lockdown has a great impact on trade

Exports and imports of goods
yoy change in H1 2020

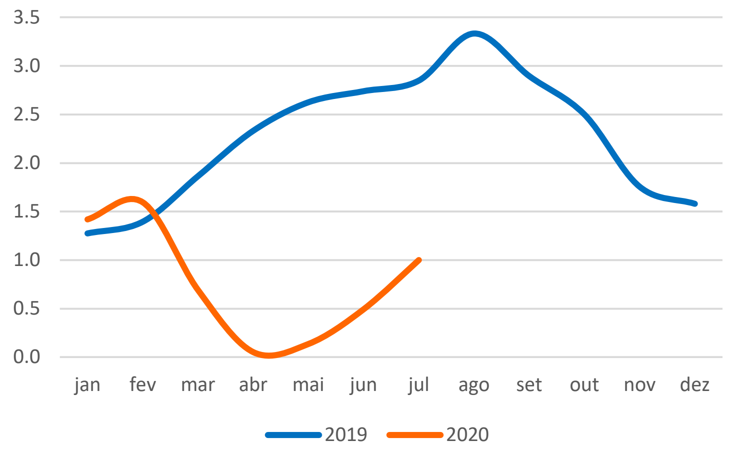


Source: BPI Research, from INE data

- The global lockdown and maintenance of social distance measures led to a contraction of 17% yoy on international trade of goods (both exports and imports) in H1 2020. Transports (including) cars and clothing were the most hurt, while pharmaceutical expanded a lot in the period.
- The contraction trend is moderating and is expected to continue, but exports will remain weak, reflecting the weakness of global demand. Durable and semi-durable consumer goods are among the most affected. Imports will also decline from 2019 level, due to the contraction of domestic demand.

Guests in accommodation establishments

Million of persons



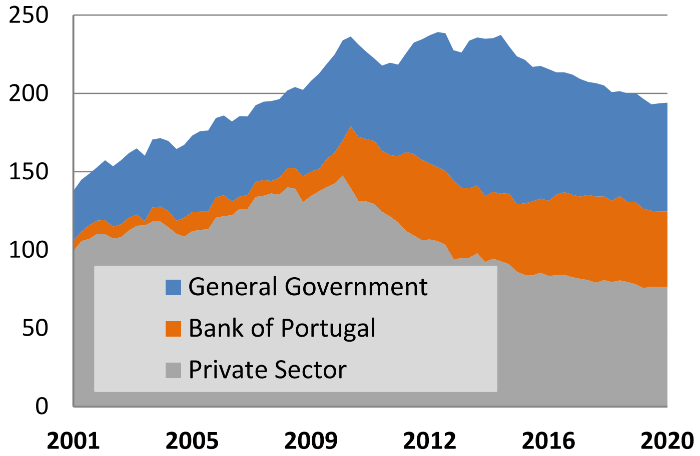
Source: BPI Research, INE,Bof Portugal and Eurostat.

- Tourism collapsed during the lockdown period and remains well below 2019 levels.
- In July there was 1 million of tourists accommodated in hotels and similar, less 64% than in the same period of 2019. Improvements since May were mainly due to an increase of national tourists.
- Going forward, tourism should remain depressed, but the openness of some travel corridors, specially the British one, is expected to help the sector

The private sector deleveraging will be affected by the COVID-19

External liabilities have narrowed

Gross external debt
Quarterly data, in % of GDP

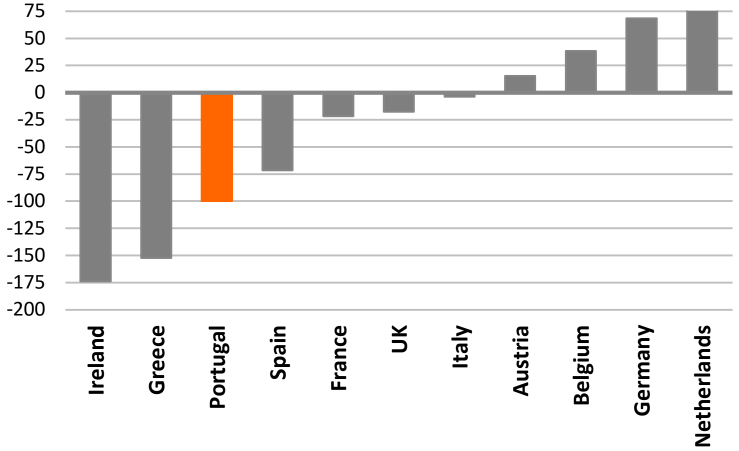


Source: BPI Research and Bank of Portugal.

- Gross external debt rose to 193.8% of GDP in Q1 2020 (193.0% in 2019). Debt increase was driven the public sector, reflecting the preemptive refinancing strategy of the Portuguese Treasury. In the private sector, deleveraging in on going. In particular, private external debt has fallen from peak levels (147.6% of GDP in 2010) to 76.3% of GDP in Q1 2020.
- In the rest of the year external debt will probably increase further, as the extraordinary measures of support the lockdown will need to be partially financed in the external market. The declining trend should be resumed in 2021 in the baseline scenario.

Net international investment position

Net international investment position
% of GDP, Q4 2019

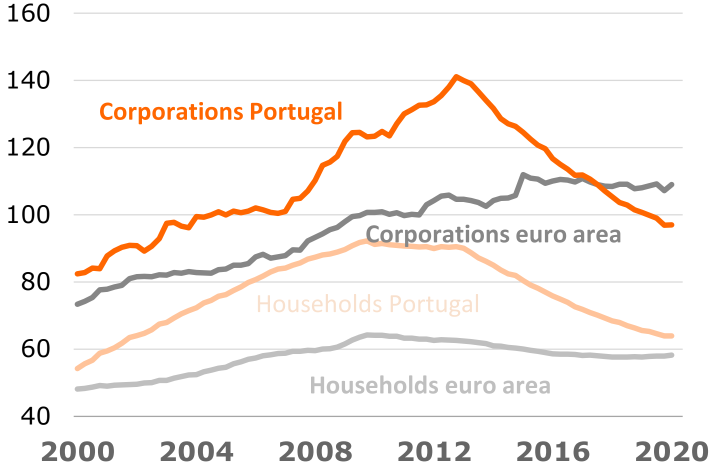


Source: BPI Research and Datastream.

- The improvement in the current account seen since 2010 has helped to improve the economy's net external position (from 128% of GDP in Q1 2014 to 101% of GDP in Q4 2019).
- On the positive side, the structure of the net international investment position (NIIP) has been improving, due to increasing inflows of foreign direct investment. However, this process should be temporarily interrupted in 2020 as the Covid19 outbreak caused extreme negative impact in international investors confidence and international capital flows came to a halt.

The private deleveraging process is well advanced

Gross private debt
% of GDP



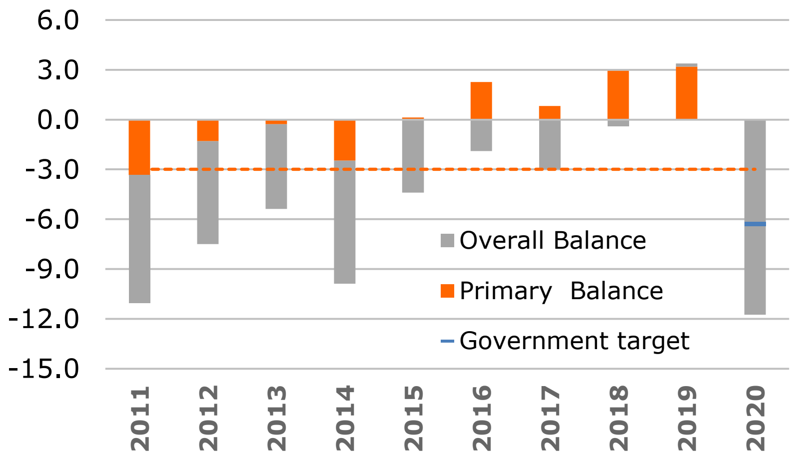
Source: BPI Research and Eurostat.

- Corporate debt has declined significantly from its 2012 peak, supported by the recovery in activity.
- The significant deleveraging carried out in recent years allows the business community to resort to credit lines now that activity stoppages are causing constraints in terms of liquidity. In this scenario, debt ratios, especially in the case of NFC, will probably deteriorate temporarily.
- Households' deleveraging process was also progressing favorably, albeit at a slower pace since most of the debt is mortgage-related and has a higher maturity. Opposite to NFC, this process will probably accelerate due to the Covid19 outbreak as families will probably postpone decisions to invest or consume durable goods (or housing) and savings are set to increase.

Public finances consolidation disturbed by the virus

Public accounts consolidation temporarily interrupted

Fiscal balance
% of GDP

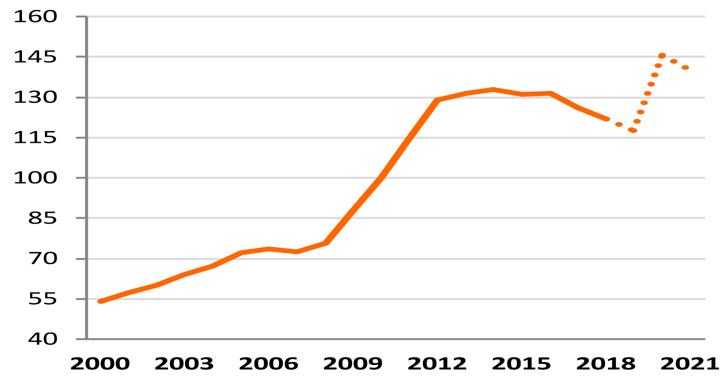


Source: BPI Research and INE Portugal.

- The economic recovery, a prudent fiscal stance and lower financing costs have kept the public deficit at low levels and close to target since 2016.
- In 2019, the consolidation path was kept and the public administration balance reached a surplus equivalent to 0.2% of GDP, an historical achievement.
- The consolidation path in the last years gives some leeway to allow the Government to adopt further (if needed) extraordinary measures to support economic activity in 2020. In light of this, Government estimates a deficit of 6.3% in 2020.

Public debt subside briefly halted

Public debt*
% of GDP

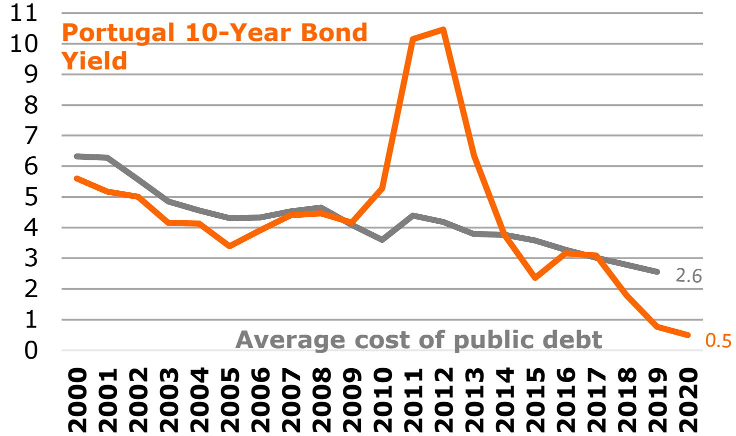


Note (*): BoP revised the methodology for public debt ratio, to include capitalized interest on saving certificates. The impact was 2.1 p.p. in 2018.
Source: BPI Research and Bank of Portugal.

- Public debt fell to 117.7% of GDP in 2019, but the declining trend will be temporarily interrupted by the support given to the economy in the pandemic's period. In this context, for 2020, the public debt ratio will rise to around 145% of GDP.
- We underline that in the past recent years, the structure of debt has improved: the cost of outstanding debt has fallen (from 4.1% in 2011 to 2.6% in 2019) and the maturity profile has increased (average maturity is currently 7.7 years). Additionally only circa 14% of total debt is held by non official non-resident investors.

The cost of public debt declined substantially

Average cost of public debt
%



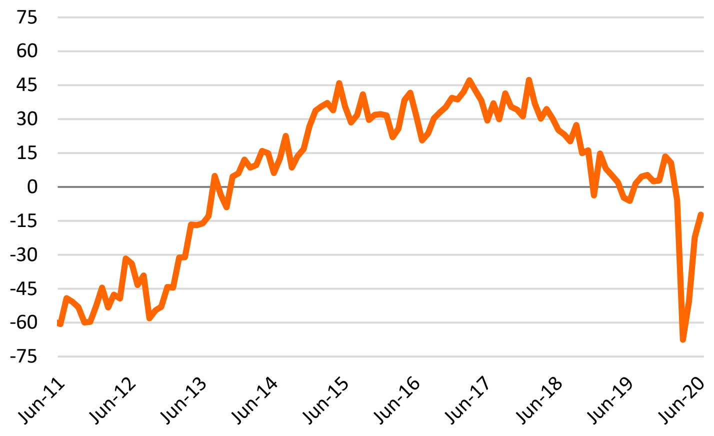
Source: BPI Research, IGCP and Refinitiv.

- Banking sector improvements, sound economic prospects, and fiscal consolidation efforts have encouraged a return of Portugal's credit rating to investment grade by the 3 main agencies.
- The low average historical cost of public debt (2,6% 2019), past effort in term of fiscal consolidation (primary surplus >2% avg 5 years) and the support of ECB QE are expected to continue to contain pressures on yields, despite the rise of net financing needs expected for 2020 in EUR 14 bn to EUR 20.3 bn.

The once dynamic housing market will be probably frozen by the virus

Real estate confidence index with highest drop ever

Real estate confidence index
Δ%

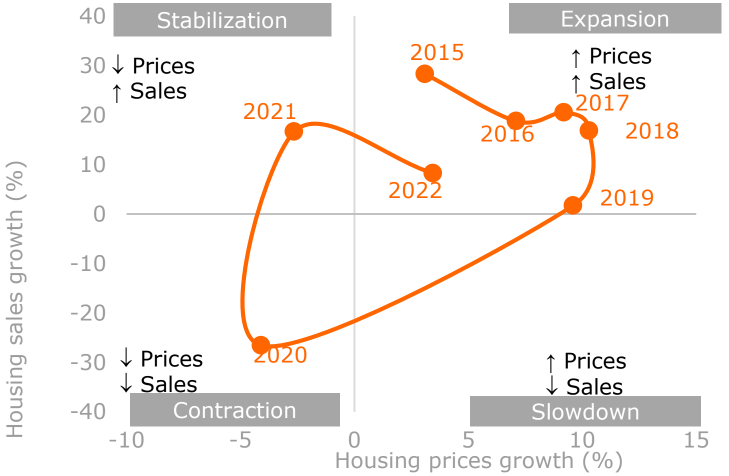


Source: BPI Research, com base em dados da Confidencial Imobiliário.

- Real estate confidence index recovered in June, but continues to show some pessimism. Indeed, the index recovered to -12 in June from -68 in March, but remains well below the pre-Covid level.
- In the Q1 2020, transactions fell by 11.6% qoq and -0.7% yoy, but prices continued to increase at a strong pace: 4.9% qoq and 10.3% yoy.
- BPI Research estimates that transactions will decline substantially (probably >10%) in 2020, while prices should reveal a more moderate reaction (circa 5%).

Temporary contraction expected

Real estate clock

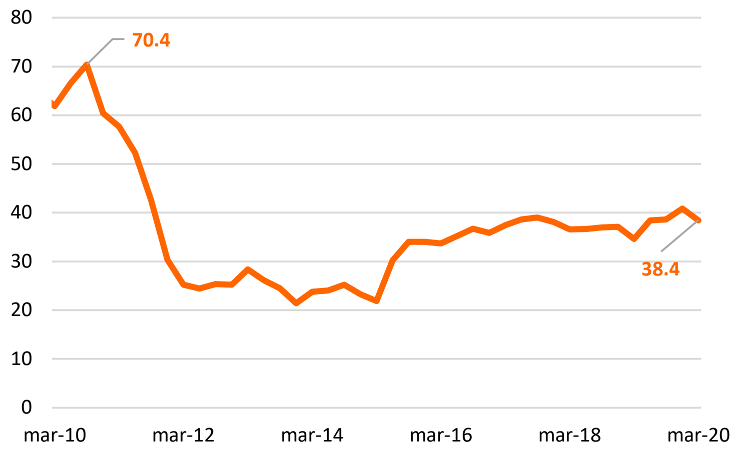


Source: BPI Research, INE Portugal.

- In 2019, house prices advanced 9.6% while the number of transactions decelerated substantially: 1.7% from 16.8% in 2018, signalling some cooling of the market. However, the COVID-19 outbreak will probably accelerate the trend, with an expected frozen of the market – substantial decline in transactions - and a moderate reduction in prices due to reduced domestic activity and a probable halt of inflows from non-residents (main factor behind the past appreciation of the real estate market).
- In 2021, the housing market is expected to stabilize with a recovery of transactions.

Credit is not the main trigger of the market

% of house transactions financed by credit



Source: BPI Research and Banco de Portugal.

- Abundant liquidity in the market and valuations considered low on an international basis have been the main drivers of the housing sector in the last few years. Non-residents represented almost 20% of transactions before the pandemic arose.
- Hence, the evolution of house prices has not been kept up with a recovery in the stock of housing loans. The percentage of the amount of transactions using credit stands well below the level observed before the crisis: circa 40% of transactions.

Key economic measures approved by the Portuguese government

Support to families

- Mortgage and consumer credit moratoria for families directly or indirectly affected by the COVID-19.
- Exceptional and temporary scheme for the payment of housing rent for families that have been affected by a cut in their monthly income.
- Impediment, during the emergency period and in the following month, to cut off essential services (electricity, gas, water and communications).

Support to workers

- Promoting working from home whenever possible.
- Childcare allowances for children under 12 years old due to school closures.
- Allowance of 100% of the remuneration in case of prophylactic isolation (14 days).
- Exceptional regime of justified absences, for assistance to children, other dependent under 12 years old or with a disability or chronic illness; for cohabiting person.
- Self-employed:
  - Without dependent workers: financial support if the turnover fells more than 40%;
  - For those with dependent workers, the financial support is available only if they go ahead with layoff (minimum wage for each job held).
- Deferral of payment of contributions.

Support to companies

- Credit lines, (including credit lines for export support), guaranteed by the State (15.040 million euros).
- Flexibility in the payment of tax obligations and reduction of social contributions.
- Employment support measures (layoff).
- Extraordinary financial incentive to support the normalization of the company's activity.
- Financial support from Social Security to pay remuneration in cases of assistance to children under 12 years old.
- Exceptional and temporary regime for the payment of non-housing rent: suspension of rent payment for commercial establishments that had to close due to the state of emergency.
- Elimination of minimum fees charged to merchants in electronic payments.

The banking system was more resilient prior to Covid-19 outbreak

The main Portuguese banks are now in a more solid and stable position

BPI

Stable shareholder structure, after the removal of the voting rights limit and the consequent public offer by CaixaBank (100% of its share).

	2018	2019	Q1 2019	Q1 2020
CET1	13.2%	13.4%	13.4%	13.8%
Cost-to-income	60.4%	60.2%	61.0%	59.6%

Conclusion of State capital injection of 2.5 bn € in 2017 and the Administration continues to pursue the strategic plan. CGD distributed 300 million € in dividends to the Portuguese State in 2019, following 200 million € in 2018.

	2018	2019	Q1 2019	Q1 2020
CET1	14.6%	16.9%	14.8%	16.6%
Cost-to-income	54.4%	47.0%	48.3%	44%

NOVO BANCO

The 75% sale of NB to Lone Star resulted in an immediate capital injection of 750 million € (additional 250 million € at the end of 2017), with the remaining 25% held by the Resolution Fund. The Resolution Fund made 3 payments since 2018: 792 million, 1149 million and 1037 million €, in 2018, 2019 and 2020, respectively.

	2018	2019	Q1 2019	Q1 2020
CET1	12.8%	12.8%	13.5%	12%
Cost-to-income	100.6%	113.8%	75.6%	72.6

Millennium bcp

Fosun share reached 23.5%. Capital increase in 2017 (1.33 bn €) allowed the reimbursement of the remaining 700 million € of CoCos.

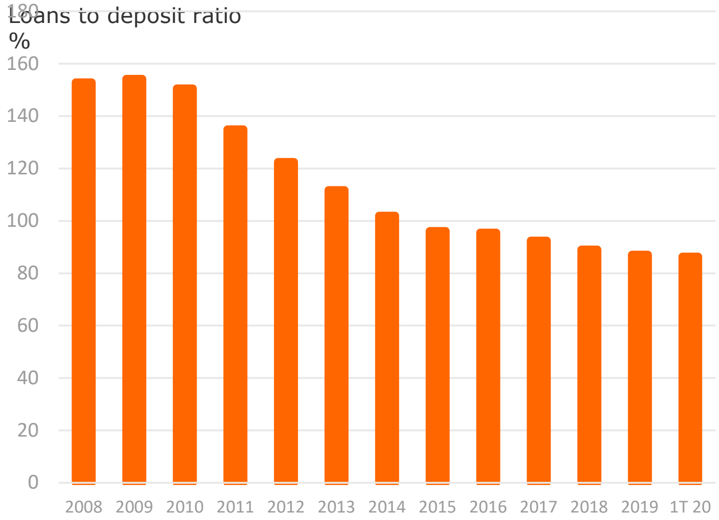
	2018	2019	Q1 2019	Q1 2020
CET1	12.0%	12.2%	12.2%	12.1%
Cost-to-income	45.6%	47.2%	46.3%	50.5%

Source: BPI Research, based on each bank sites.

The stock of credit continues to fall despite the pick-up in new lending

A more positive situation in funding structure

Loans to deposit ratio
%

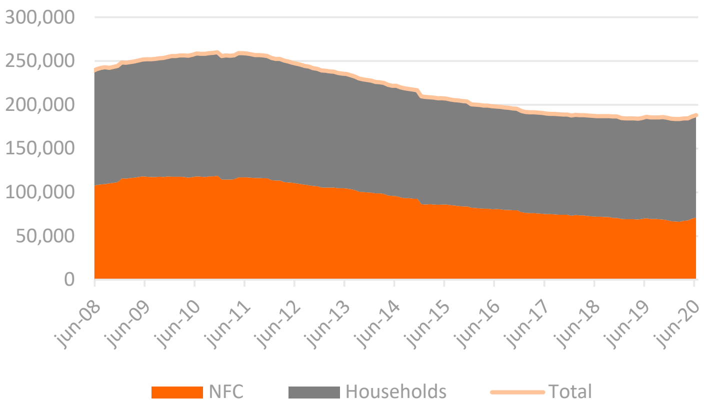


Source: Banco de Portugal.

- The Portuguese banking system is now more robust than in the previous crisis, benefiting from abundant liquidity: the loan to deposit ratio decreased to 86.1% at the end of Q1 2020 (almost 153% in 2008).
- Deposits have been increasing, on the back of not only households deposits, but also from the NFC deposits, with foreign firms taking advantage from the Portuguese law that prohibits negative deposit rates.

Deleveraging marked the pre-COVID era

Credit to the private sector*
Million Euros

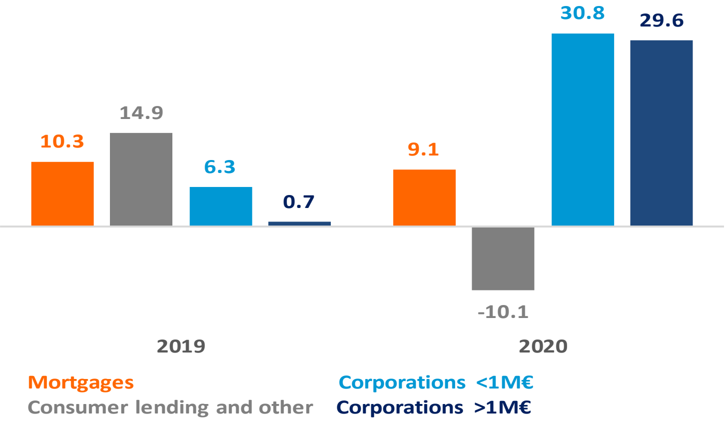


Note (*): Loans to resident private non-financial sector. Excluding securitizations.
Source: Banco de Portugal.

- Deleveraging process resulted in declining loan stock, even though new lending activity accelerated in the last couple of years. However, new operations have been insufficient to compensate the great amount of amortizations.
- We expect that the demand for credit (especially for households) will be lower in the coming months considering the impact of Covid-19 on the Portuguese economy and the current context of high uncertainty. However, it will be compensated by the access to credit lines guaranteed by the Government to NFC and business.

Credit lines boost NFC new lending

New lending activity by sector
yoy growth (%), accumulated in the year up to May



Note: Household lending excludes renegotiations.
Source: Banco de Portugal.

- Macro prudential measures are in place since July 2018: limits to LTV ratio (≤90%), debt service to income ratio (≤50%) and limits to the original maturity of the loans (≤40 years). These measures and a less benign global picture contributed to the moderation of new production in 2019 and early 2020.
- New lending to households has recovered since 2014, especially for house acquisition. However, prior to the Covid19 outbreak, it remained below the pre-crisis levels.
- We expect that new lending to NFC will remain dynamic due to the credit lines available to mitigate the impact of the Covid19.

Main economic indicators and forecasts

%, yoy	2012	2013	2014	2015	2016	2017	2018	Forecasts 2019	2020	2021
GDP	-4.1	-0.9	0.8	1.8	2.0	3.5	2.6	2.2	-12.0	8.2
Private Consumption	-5.3	-1.0	2.4	2.0	2.6	2.1	2.9	2.2	-10.6	9.2
Public Consumption	-3.5	-2.0	-0.5	0.8	0.8	0.2	0.9	1.1	3.8	-1.6
Gross Fixed Capital Formation (GFCF)	-16.7	-4.8	2.3	5.9	2.5	11.5	5.8	6.6	-25.7	9.7
Exports	3.1	7.2	4.3	6.2	4.4	8.4	4.5	3.7	-33.7	51.1
Imports	-6.4	4.7	8.1	8.1	5.0	8.1	5.7	5.3	-32.4	46.0
Unemployment rate	15.6	16.2	13.9	12.4	11.1	8.9	7.0	6.5	11.6	10.5
HICP (average)	2.8	0.3	-0.3	0.5	0.6	1.4	1.0	0.3	-0.5	1.1
External current account balance (% GDP)	-1.6	1.6	0.2	0.2	1.1	1.2	0.4	-0.1	-0.3	-0.1
General Government Balance (% GDP)	-6.2	-5.1	-7.4	-4.4	-1.9	-3.0	-0.4	0.2	-11.8	-6.2
General government debt (% GDP)	129.0	131.4	132.9	131.2	131.5	126.0	121.9	117.7	145.7	140.0
Risk premium (PT-Bund)	903	464	252	189	307	269	138.3	98	132	101

Note: The general government deficit includes one-off bank restructuring costs of 1.2% of GDP in 2010, 0.5% of GDP in 2011, 0.6% of GDP in 2012, 0.3% of GDP in 2013, 3.0% in 2014, 1.6% in 2015; 0.2% in 2016; and 2.1% of GDP in 2017.
Due to methodological changes applied at European level, the public debt ratio was revised to include capitalized interest from savings certificates, leading to a circa 2 p.p. increase of this aggregate
Source: BPI Research.

BPI

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