

Europe Flash

Portuguese GDP surprises in Q3

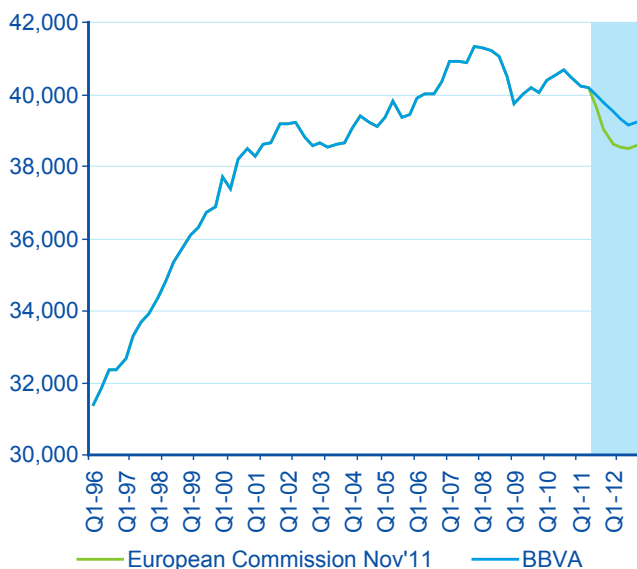
- Activity in Portugal fell by -0.5% q/q in Q3, less than expected**

The flash estimate for Q3 records a decline of -0.5% q/q (BBVA Research: -0.8, Consensus: -0.7). On an annual basis, the decline was -1.7%. Although the expenditure breakdown is not available, the Portuguese statistical office anticipates that the more intense year-on-year GDP reduction in the 3rd quarter 2011 was mainly driven by the deceleration of exports of goods and services, although maintaining a high growth, and by a stronger decrease in investment. Final consumption expenditures of households continued to show a strong reduction.

- We keep our less negative projections as compared to those from international organizations**

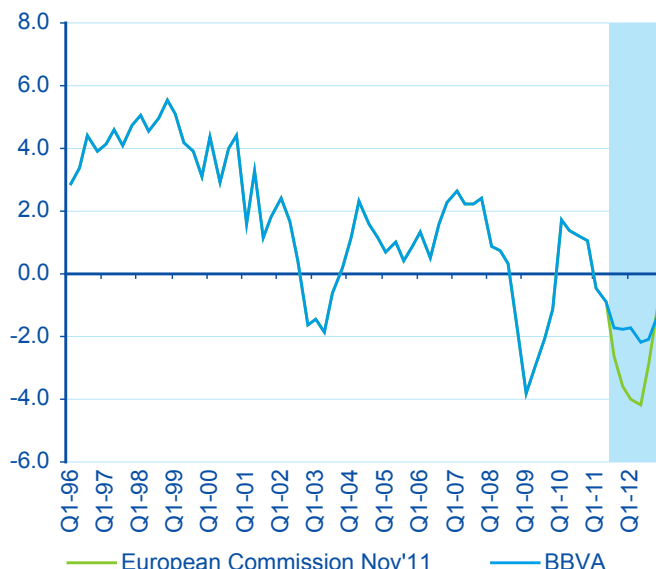
For 2011 as a whole, we foresee a contraction of -1.4, followed by -1.5% in 2012, on account of falls in consumption and investment only partially compensated by the positive contribution of the external sector. The main drags will be the impact on domestic demand of the fiscal consolidation and the need to deleverage in the private sector, which should allow reducing the still large current account deficit. The European Commission expected a drop of -1.4% q/q this quarter and a average drop of -1.9% on average this year and -3.1% in 2012, while the IMF also foresees larger GDP falls at -2.2% in 2011 and -1.8% next year.

Chart 1

Portugal: GDP in levels

Source: INE, European Commission and BBVA Research

Chart 2

Portugal: GDP y.o.y

Source: INE, European Commission and BBVA Research

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