

Europe Flash

Portugal GDP contracted by -0.8% q/q in Q3

- **The contraction was slightly deeper than expected**

The flash estimate for Portuguese GDP in the third quarter showed a contraction of -0.8% q/q, slightly deeper than our estimation (BBVA Research: -0.6%; Consensus: -0.6%, EC: -0.9%). Many analysts had forecast a softer recession, but others expected downfalls of around -1.5% q/q.

- **External demand support eased, while the drop in investment softened, as expected**

Regarding the GDP composition by demand, though figures are not published yet the press release description is in line with our macroeconomic scenario: Domestic demand records a less negative contribution as a consequence of a softening in investment. As for the external demand, its positive contribution diminishes due to a lesser decline of imports together with the deceleration of exports.

- **Today's figures are consistent with our forecast of a GDP fall slightly below 3% in 2012, but put some downside risks to our estimation for next year**

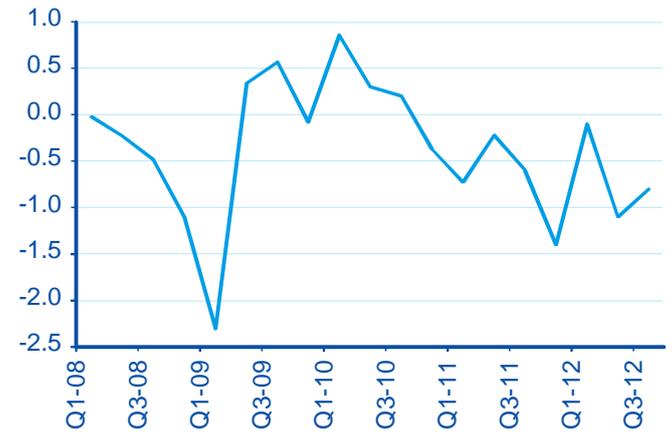
Finally, data for Q2 has been revised upwards, registering a drop of -1.1% q/q instead of -1.2% q/q as previously published. Tentatively, our projection for Q4 (a drop by -0.4% q/q in our macroeconomic scenario, somewhat deeper in our model MICA BBVA due to the latest data) as well as the EC's forecast (-0.7% q/q), would be in line with a drop in GDP slightly below -3% y/y for the average of 2012. Due to the carryover effect, these figures also point some downside risks to our forecast for next year (-0.7%), although they are also far from those who are forecasting a larger activity contraction.

Chart 1
GDP. Index Q1 2008= 100



Source: BBVA Research from Haver data

Chart 2
GDP (% q/q)



Source: BBVA Research from Haver data

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