

WEEKLY ECONOMY NEWS REPORT

October 20 — 26, 2018

- ⇒ The European Commission already started the usual requests for additional information about the State Budget proposals that raised doubts in Brussels. Jean-Claude Juncker said that four or five countries are to receive these letters and Portugal will likely be one of them. The Government headed by António Costa will probably be questioned for the fact that it now expects a structural deficit correction of only 0,3 percentage points, whereas the Commission recommends 0,6 percentage points. The Prime-Minister already reacted, saying that if he gets such letter he will be more than happy to show that the Government pursued the right strategies.

- ⇒ The Eurobarometer shows that the image of the European Union hit historic highs, with 68% of the citizens considering it positive to belong to the European group. The same percentage of inquired consider that their respective country benefitting with belonging to the European project.

- ⇒ According to the Global Competitiveness Index of the World Economic Forum, Portugal dropped from 33rd to 34th place this year in the world ranking among 140 countries. The country got worse in two categories: the product market and the business dynamics. In 2017, Portugal was ranked 42nd, but now the methodology used in the evaluation changed and this year's position is not comparable with the 42nd of 2017. Using the new methodology, last year's position would have been 33rd, which means a one-position fall for this year and not a rise of almost ten positions.

- ⇒ The investment from golden visas fell 5% in September when compared to the same month of last year to 37 million euros and 19% when compared to August, according to SEF (Foreigners and Borders Service). Last month, 64 golden visas

were granted: 61 via property acquisition and 3 via money transfer. Between January and September, the investment obtained through golden visas was 592 million euros, a decrease of 19% when compared to the same period of last year.

- ⇒ The Minister of Planning and Infrastructures said that the Government is still negotiating with regards to the new airport in Montijo and does not know yet when the agreement with ANA — Aeroportos de Portugal will be signed. In the end of September, the Prime-Minister said that he is only waiting for the environmental impact study in order for the solution Portela + Montijo to be irreversible. By then, António Costa considered that there is a national consensus on this project and no time to waste. Last week, the CEO of TAP, Antonoaldo Neves, said that he wants Montijo airport ready as soon as possible and ANA to assure a new contract with a review the airport taxes.

- ⇒ In 2017, Portugal had a rate of 23,3% of people in poverty or social exclusion risk, above the average of the European Union (22,5%), but below the figures of 2008. Analyzing the components of the indicator, last year there were 18,3% of people in risk of monetary poverty, above the EU average (16,9%).

- ⇒ The macroeconomic scenario of Portugal is slightly optimistic regarding the economic evolution in 2019 when compared to the Eurozone countries. Most part of the countries expect more deceleration, whereas Portugal expects the economy to slow down from 2,3% in 2018 to 2,2% in 2019. For this estimation to become real, public and private investment will have to go up 7%. According to the forecasts of Brussels, Portugal is in the middle of the ranking between optimism and pessimism.

- ⇒ The Eurostat downgraded the Portuguese public debt from 125,7% of the GDP (in April) to 124,8% of the GDP. Despite this downgrade, Portugal still records the third highest public debt of the European Union, just after Greece (176,1%) and Italy (131,2%).

- ⇒ According to the Eurostat, the budgetary deficit fell to 1,0% both in the Eurozone and the in the European Union in 2017, with Portugal recording the second highest (3,0%) due to the impact of the recapitalization of Caixa Geral de Depósitos (CGD).
- ⇒ The British consultant FocusEconomics foresees a growth of 1,8% of the Portuguese economy for the next year, a decrease of 0,1 percentage points when compared to last month's forecasts. The panel of FocusEconomics points to a 1,7% growth in 2020. The consultant also guaranteed that whereas exports are expected to slow down, tourism shall sustain the economic growth of the country.
- ⇒ BPI Bank recorded, between January and September, the best first nine months of a year in more than a decade in its domestic activity. The bank had a net result of 324,4 million euros until September.
- ⇒ Despite the doubts of the European Commission, Portugal's budgetary plan for 2019 will remain exactly as planned. The issue is mainly focused on the effects of the public debt review program. Whereas the Government estimates gains of 236 million euros with efficiency measures and cost reduction, the European Commission believes that these savings are worth much less. The Portuguese Government insists that the adjustment of the structural deficit will be 0,3% of the GDP, but the European Commission was asking for an effort three times higher (0,6%).
- ⇒ The macroeconomic forecasts of the Finance Ministry for the next year are "optimistic", but "feasible", as long as the external conditions are not significantly worse than expected. The analysis was made by UTAO (Budgetary Support Technical Unit) in its preliminary assessment of the State Budget for 2019, according to which the Government estimates that the GDP grows 2,2% in 2019 (slightly below the numbers that the Government previewed in April: 2,3%).

- ⇒ Portugal recorded the highest budgetary deficit (-2,7% of the GDP) in the second quarter of the year among the 22 Member-States for which there is available information, followed by France (-2,5%), Romania (-2,2%) and the United Kingdom (-1,8%). According to the Eurostat, the Portuguese deficit got worse when compared to the 1,5% of the same quarter of last year and to the 0,6% of the first three months of the year. On the other hand, Malta (4,9%), Latvia (2,5%), Germany (2,4%) and Luxemburg (2,3%) recorded the highest budgetary surpluses.
- ⇒ The number of unemployed enlisted in employment centres was 338.935 in September, a decrease of 17,1% when compared to the same month of 2017, but an increase of 0,2% comparing to August. In September, there were 6.711 couples with both members unemployed. This is a 22,4% fall when compared to the same month of last year and a 2,5% fall when compared to August.