

WEEKLY ECONOMY NEWS REPORT

April 21 — 27, 2018

⇒ Eurostat has just confirmed on Monday, April 23, the budgetary deficit of 3% of the Portuguese Gross Domestic Product (GDP), including the impact of the recapitalization of Caixa Geral de Depósitos. Although the National Bureau of Statistics (INE) and the Government guaranteed that the discussions on the statistic record of the 3.944 million euro public capital injection are still taking place, the Eurostat validated provisionally the accounts without any reservation.

⇒ According to the Eurostat, the public debt of the Eurozone fell in 2017 to 86,7% of the GDP (comparing to 89% in 2016) and of the EU to 91,9% (against 83,3% in 2016). Portugal keeps the third highest debt of the EU, although it fell in 2017 to 125,7% of the GDP.

⇒ Unlike all expectations, Moody's rating agency decided to leave Portugal's rating unchanged on Friday, April 20. The rating continues to be just one notch from leaving junk level with a positive outlook, which means that the rating can return to investment level in the coming months (the next assessment will be on October). Moody's has kept Portugal in the junk level for the last seven years.

⇒ On the other hand, the Canadian DBRS upgraded Portugal's rating from "BBB (low)" to "BBB (stable)", two notches above junk level. DBRS was the only rating agency among the ones followed by the European Central Bank that has always assessed Portugal in an investment level, which enabled the national debt to be accepted in monetary policy operations even in the peak of the crisis.

⇒ The Prime-Minister welcomed the decision of DBRS of upgrading Portugal's rating, which he considered to be excellent news that stimulate even more the work of the current Government.

⇒ According to data of the International Monetary Fund (IMF), the GDP per capita of the Portuguese went up 2,9% last year, to an average of 27.700 euros. One has to go back to the year 2000 to find a higher growth (3,1%). The increase of the purchasing power is explained by the recovery of the economy, but also by the return of income, especially the end of the additional income tax. In spite of this, Portugal remained in the 47th position in the ranking of the richest countries.

⇒ BPI bank recorded profits of 210 million euros in the first quarter of the year, which compare with losses of 122 million euros in the first three months of 2017. In Portugal, the bank had profits of 118 million euros and the remaining 91 million euros came from operations in Angola and Mozambique.

⇒ According to data of the Eurostat, in the European Union, employment rate of the population aged between 20 and 64 went up in 2017 to 72,2% when compared to the year before (71,1%). All Member-States, except Denmark, accompanied this trend. Portugal recorded, in 2017, the third highest percentage growth of employment rate, to 73,4%, and is now closer to Europe 2020 goal (75%) and even above the EU average.

⇒ Portugal had, in 2017, the second highest budgetary deficit of the European Union: 3% of the Gross Domestic Product (GDP), due to the impact of the capitalization of Caixa Geral de Depósitos. According to the Eurostat, only Spain (3,1%) had a higher deficit than Portugal. In the Eurozone, the deficit fell, in 2017, to 0,9% (1,5% in 2016) and in the EU to 1% (1,6% in 2016) of the GDP.

⇒ In the Eurozone, the debt ratio in percentage of the GDP fell, between October and December of 2017, to 86,7%, which compares to 89% in the same period of last year and to 88,1% in the previous quarter. In the European Union, public debt also went down to 81,6% of the GDP, comparing to 83,3% in the same period of last year and to 82,4% in the quarter before. Portugal remains with the

third highest debt among the Member-States (125,7%), after Greece (178,6%) and Italy (131,8%).

⇒ The Prime-Minister called on Monday, April 23, for an urgent political consensus around the new international airport in Montijo and defended that tourism in Portugal still has room to grow if diversification of supply is reinforced, namely in valuing the cultural heritage and the interior regions, as well as the congress tourism.

⇒ The Portuguese are the Europeans who most complain about salary inequality in their country and who demand from the Government measures to reduce the gap, according to a European Commission poll. The Eurobarometer on justice, inequalities and intergenerational mobility shows that 96% of the Portuguese consider there are too many gaps between salaries within the country and 94% agree that the Government should take measures to reduce those gaps.

⇒ The Portuguese spend about 70 euros per month in transportation, an item that has a significant weight in the household monthly spending, according to a survey by Deco (the association of consumer protection), carried out in six cities: Braga, Porto, Aveiro, Coimbra, Lisboa and Setúbal. 70 euros is the reference amount, but in Lisbon, for example, one third of the enquired refer they spend more than 100 euros.

⇒ Members of the three branches of the Armed Forces will participate between April 24 and 26 in "Locked Shields" international cyber defense exercise, organized by the NATO Cooperative Cyber Defense Center of Excellence in Tallinn, Estonia. The Portuguese delegation to this exercise comprises 25 members, including personnel from the three branches of the Armed Forces, the Cyber Defense Center, the Defense Data Center and the National Cyber Security Center. This international exercise, the world's largest and most complex, aims to

train ways of protecting information and technology systems, as well as critical infrastructures of the countries in a scenario of a severe cyber-attack.

⇒ Repsol announced it will invest about 60 million euros in Sines industrial complex to improve energetic efficiency, technological innovation, inspection and maintenance aspects.

⇒ Altice has been fined 124,5 million euros for implementing its takeover of PT Portugal before Brussels approved the deal. The EU Competition Commission announced on Tuesday, April 24, that the multinational telecom company had exercised decisive influence over the Portuguese telecom operator before EU officials had completed their investigation. Altice acquired PT Portugal in 2015, in a business estimated in about 5,7 thousand million euros.

⇒ The Finance Minister admitted on Tuesday, April 24, that it is possible to want more investment in the public services, but that it is not possible to deny the effort that was made, underlining that for the first time in a legislature the Government maintained the targets. In his speech about the Stability Pact at the Parliament, Mário Centeno highlighted the results achieved in the reduction of the budgetary deficit, the economic growth, the employment recovery and referred to the increase in the number of workers in the National Health System, health and culture sectors.

⇒ The Budget Directorate-General (DGO) releases today the summary of the budgetary execution in public accounts of the first quarter of the year. The Government intends to reduce the deficit to 0,7% of the Gross Domestic Product (GDP) this year. Until February, the public administrations presented a budgetary surplus of 258,2 million euros, 231,4 million euros more than in the same period of 2017 (26,7 million euros), due to the combined effects of an income increase (4,7%) higher than the one recorded in spending (2,8%). Until February, the State

collected 6.754,7 million euros in taxes, 8,1% more than in the same period of last year and above the forecasted in the State Budget for 2018.

⇒ The profit of Jerónimo Martins increased 9,1% in the first quarter of the year, when compared to the same period of 2017, to 85 million euros, above the estimations of most of the experts consulted by the press, who were expecting a growth of 6,4%. This performance is explained with an increase of sales at a quicker pace than expected, both in Poland and in Portugal, event taking into account the positive impact of the fact that Easter this year was celebrated earlier than last year, influencing thus the first quarter instead of the second.

⇒ According to the "EY Global Fraud Survey 2018", 46% of the managers enquired in Portugal say that bribery and corruption practices in business happen widely. This perception is higher in Portugal than in the average of the 55 countries that are included in EY's report, where 38% of the enquired answered the same way. Portugal is ranked 19th among the 55 countries considered.

⇒ Efacec will supply ultra-fast electric vehicle charging equipment to install in 484 places in the United States of America from this Spring on. In the first stage of the project developed by Electrify America, the Portuguese company, world leader in the production of fast and ultra-fast chargers for electric vehicles, will deliver more than 2 thousand devices to be installed in 300 charging stations. In the next ten years, Electrify America will invest more than 1,6 thousand million euros in infrastructures, training and access to vehicles with CO₂ zero emission. Electric mobility is already accountable for 6% of Efacec's business volume (about 26 million euros) and the target is to achieve 15% (more than 100 million euros) in three years.

⇒ Portugal improved its position in the ranking of the OECD countries with the heaviest tax burden on workers, but is still among those where labour taxation went up the most and remained high even in the period after the European debt

crisis. In 2017, the average tax burden on a single Portuguese worker was 27,5%, the 16th highest among western economies. In 2016, Portugal was ranked 15th, with a tax burden of 27,75% on the same kind of taxpayer. The average tax burden on the Portuguese remains 2 percentage points above the OECD average.

⇒ The global deficit of public administrations was 377 million euros until March comparing to the same period of last year, according to the summary of budgetary execution released by the Finance Ministry on Thursday, April 26. The deficit improvement is explained by a higher increase of income (3,5%) than of expenditure (3,4%). This evolution is aligned with the forecasts of the State Budget for 2018.

⇒ In the first quarter of the year, Galp increased its gains in 74%, to 135 million euros, which compares to 77 million euros recorded in the same period of last year. According to Galp, the main input for this increase came from the last floating unit that started operating in Brazil. The company has now its seven units in Brazil operating in their full capacity, making up for production decrease in Angola.

⇒ TAP and the board of the Civil Aviation Captains' Union reached a salary agreement that assures five years of social peace within the airline. The proposal, which came for the CEO of the company, Antonoaldo Neves, entails a salary update of 15% until 2022, plus the correction of the inflation rate. With this agreement, the salaries of TAP's captains will go up 5% this year, 5% in 2019, 3% in 2020, 1% in 2021 and 1% in 2022, in a total of 15%. In return, there will be no strikes during this period.