

WEEKLY ECONOMY NEWS REPORT

May 12 — 18, 2018

⇒ Last year, the CEOs of the listed companies in Portugal earned an average of 996 million euros gross each, which compares to 708 million euros three years ago. This amount is about 46 times more than the average cost that those companies have with their workers.

⇒ China Three Gorges launched on Friday, May 11, a voluntary takeover bid over EDP, offering 3,26 euros per share. According to the preliminary announcement released by the Portuguese Securities Market Commission (CMVM), EDP is evaluated in 11,9 thousand million euros. China Three Gorges, which already holds 23,27% of the company, intends to purchase the total amount of shares of EDP's social capital. The Prime-Minister already said he has nothing to oppose to the business. The takeover bid still has to be approved by the European Commission and the Competition Authority, among other entities.

⇒ According to the National Bureau of Statistics (INE), the Portuguese Gross Domestic Product (GDP) grew 2,1% in the first quarter of 2018, less than the 2,4% of the previous quarter. This is the lowest growth rhythm in almost two years, since the third quarter of 2016 (2%). This figure stands below the Government's estimation entailed in the Stability Program, which is of 2,3% for this year as a whole.

⇒ The Prime-Minister said on Tuesday, May 15, that the national economy's performance data in the first quarter of the year are aligned with the forecasts of the Government and expressed his confidence in an acceleration of the economy until the end of the year. António Costa said the Government was already anticipating a slower pace of the economy's growth, in line with the evolution of

the European economy, but pointed two indicators that explain his optimism for the rest of the year: the growth of investment and the unemployment reduction.

⇒ The National Bureau of Statistics (INE) confirmed that the inflation rate in Portugal fell from 0,7% in March to 0,4% in April.

⇒ Moody's rating agency warned that if the Portuguese economy grows 2,1% this year, the public deficit will stand around 1,1% of the GDP, which was the first target that the Government included in the State Budget for 2018. The margin that would enable a 0,7% deficit would thus disappear. With a slower growth this year (the Government is now pointing to 2,3%) and a higher unemployment level (7,6% according to the Government, but 8,5% according to Moody's), the budgetary margin obtained in the budgetary execution of 2017 will hardly remain possible.

⇒ DBRS Canadian rating agency considered that the risks for the financial stability in Portugal are gradually decreasing, but more needs to be done in order to reduce the high level of indebtedness and bad credit.

⇒ The Chairman of the Energy Services Regulatory Authority (ERSE) said on Tuesday, May 15, at the Parliament that the regulator is following the takeover bid of China Three Gorges regarding EDP but will only issue any statement afterwards. The takeover is not officially registered yet, but EDP has already said that the offered price per share (3,26 euros) is too low.

⇒ The Government decided to suspend the allocation of licenses for offshore oil research and exploration until the end of the legislature, in 2019. The announcement was made by the Minister of Foreign Affairs after the Portuguese Environment Agency (APA) concluded that the consortium formed by Eni and Galp can make a drill to assess the existence of oil more than 40 kilometers from Aljezur, in the Algarve.

⇒ The investment in the production of solar energy in Portugal, which has been mainly focused in the southern regions of Alentejo and Algarve, will arrive to the region of Trás-os-Montes, in the north. There are three licensing requests for the installation of photovoltaic plants in that area. According to the Directorate-General for Energy and Geology, this can be a 100 million euro investment. The largest of the three projects is headed by Ignichoice Renewable Energy, a recently created Portuguese company.

⇒ In the end of March, there were 674.379 civil servants, an increase of 0,8% when compared to the same period of 2017 (another 5.138 job positions). Taking into account the fourth quarter of last year, employment in the public administration went up in 5.048 jobs. The Ministries of Education, Health, Interior and the State Business Sector were the most accountable for this increase, with another 4.120 jobs.

⇒ According to the National Bureau of Statistics (INE), the Portuguese footwear exports hit another historic high in 2017, by increasing 2,8% to 1.965 million euros, after eight years in a row growing in international markets. In 2017, Portugal exported 83 million pairs of shoes to 152 different countries. Europe continues to be the main client, with a 80% market share. Since 2009, footwear exports have increased more than 50%.

⇒ The President of the Republic said on Wednesday, May 16, at the official opening of "ARCOLisboa 2018", that Portugal stabilized in the last two years and is now a totally different country. The country has been able to overcome the financial and economic difficulties and the economic, financial, political and institutional stability enabled the creation of new and stronger foundations for enhancing the cultural arena.

⇒ The gasoline and gasoil prices are at the highest level of the last four years. The liter of gasoline costs now 1,564 euros and the liter of gasoil 1,348 euros. One

has to go back to the first half of 2014, when the country was facing a serious economic crisis, to find such high prices. And the price escalade may continue. The oil Brent price, which is the reference for Portugal's imports, exceeded yesterday, May 17, 80 dollars per barrel, for the first time since November 2014. The crude weight in the final price of fuel is about 25% to 30%. The depreciation of the euro against the dollar is not helping either.

⇒ Chinese tourists spent 130 million euros in Portugal last year, a 40% growth comparing to the year before. According to Turismo de Portugal, this is a remarkable number that gives a very positive input to Portugal's balance of payments. Besides culture, heritage and gastronomy, Chinese tourists give a great importance to the shopping experience. In 2017, the number of Chinese who visited Portugal grew 40,7%, to 256 thousand, partly due to the opening of a direct flight connection between China and Portugal.

⇒ The profit of Sonae, a Portuguese retail company with strong partnerships in the shopping centers, software, IT, media and telecom business areas, has more than doubled, from 9 to 21 million euros in the first quarter of this year when compared to the same period of 2017.