

14 August 2020

Quarterly National Accounts (Base 2016) – Second Flash Estimate
Second Quarter 2020

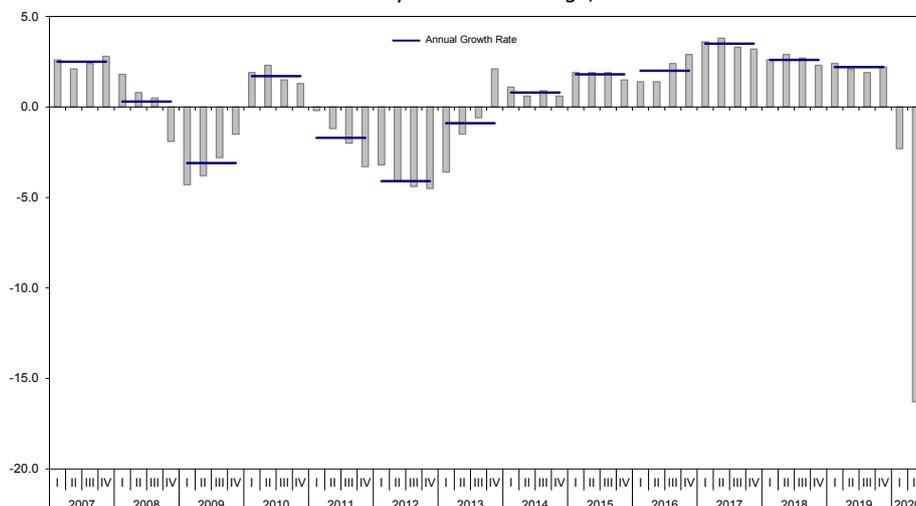
GDP in volume registered a year-on-year rate of change of -16.3% and a quarter-on-quarter rate of change of -13.9%

Reflecting the economic impact of the pandemic, the Portuguese Gross Domestic Product (GDP) registered a strong contraction in real terms in the second quarter of 2020, decreasing by 16.3% in year-on-year terms, after the reduction of 2.3% in the previous quarter. This result is largely explained by the negative contribution (-11.9 percentage points) of domestic demand to the year-on-year rate of change of GDP, considerably more marked than that observed in the previous quarter (-1.2 percentage points), driven by the significant contraction of Private Consumption and Investment. The contribution of net external demand was more negative in the second quarter (-4.4 percentage points), reflecting the more significant decrease in Exports of Goods and Services than that observed in Imports of Goods and Services, due largely to the near interruption of non-residents tourism.

When compared with the first quarter of 2020, GDP decreased by 13.9% (quarter-on-quarter rate of change of -3.8% in the previous quarter). This result is also explained, to a large extent, by the negative contribution (-10.7 percentage points) of domestic demand to the quarter-on-quarter rate of change of GDP, and also to the more negative contribution of net external demand (-3.2 percentage points).

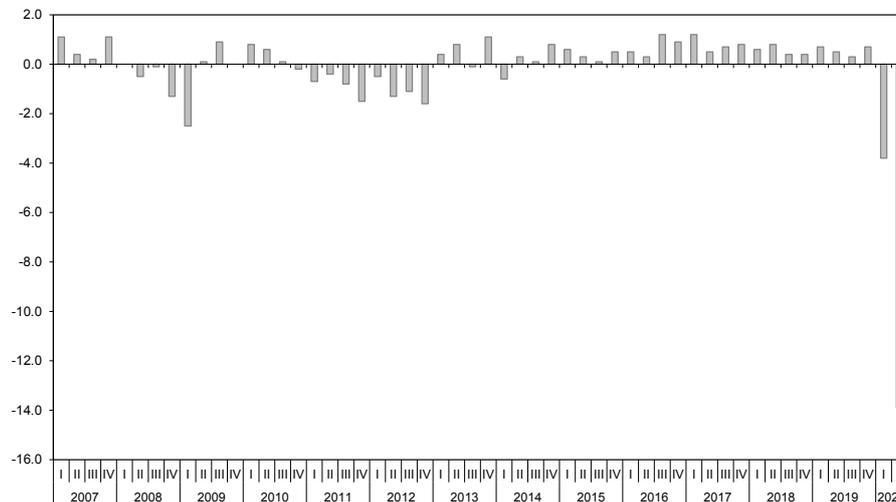
These results revise upwards (0.2 percentage points) the rates of change released at the end of last month due to the integration of additional primary information, namely related to the international trade of goods and services in June.

Gross Domestic Product (chain-linked volume data, reference year=2016)
Calendar and seasonally adjusted data
Year-on-year rate of change, %



Gross Domestic Product (chain-linked volume data, reference year=2016)

Calendar and seasonally adjusted data
Quarter-on-quarter rate of change, %



The results presented correspond to the second estimate of GDP for the second quarter of 2020 and reflect the effects of the COVID-19 pandemic on economic activity. It should be noted that several measures were taken in Portugal to contain the spread of COVID-19, including the closure of schools and universities announced on March 11 (with effect from March 16 onwards) and the declaration of the state of emergency on March 18, which led to the temporary closure of several economic activities and to the restriction on the free movement of persons. The state of emergency in Portugal was being renewed, with the third and last period entering in force until May 02, after which the state of calamity began on May 03. The reopening of stores with a street door (gradually and conditional on the size) began in May 04, with in-school classes resuming for high-schools on May 18, as well as the reopening of kindergartens, cultural venues, cafes and restaurants. It is still noteworthy the reopening of large malls (except on the Lisbon Metropolitan Area) and the end of the civic duty of retreat from June 01. The calamity state was maintained until June 30.

The Portuguese GDP presented a year-on-year rate of change of -16.3% in real terms, in the second quarter, after the 2.3% contraction in the previous quarter. The contribution of domestic demand to the year-on-year rate of change of GDP shifted from -1.2 percentage points in the first quarter, to -11.9 percentage points. Private consumption and Investment registered a pronounced contraction in the second quarter, with public consumption also decreasing in volume.

In the second quarter, net external demand recorded a contribution of -4.4 percentage points to the year-on-year rate of change of GDP, with a more intense decrease in volume of Exports of Goods and Services (-39.6%) than in Imports of Goods and Services (-29.7%). This difference is mainly a consequence of the contraction of tourism activity in the evolution of services exports.

Decomposition of GDP rate of change (volume)

| | Year-on-Year rate of change (%) | | | | |
|------------------------|---------------------------------|------------|------------|-------------|--------------|
| | 2Q 19 | 3Q 19 | 4Q 19 | 1Q 20 | 2Q 20 |
| Domestic Demand | 3.1 | 3.4 | 1.1 | -1.2 | -11.9 |
| Exports (FOB) | 2.6 | 2.2 | 6.2 | -5.1 | -39.6 |
| Imports (FOB) | 4.9 | 5.7 | 3.6 | -2.5 | -29.7 |
| GDP | 2.1 | 1.9 | 2.2 | -2.3 | -16.3 |

| | Contributions to GDP y-o-y rate of change (percentage points) | | | | |
|--------------------------------------|---|------------|------------|-------------|--------------|
| | 2Q 19 | 3Q 19 | 4Q 19 | 1Q 20 | 2Q 20 |
| Domestic Demand | 3.0 | 3.3 | 1.1 | -1.2 | -11.9 |
| Ext. Dem. Balance¹ | -0.9 | -1.4 | 1.1 | -1.1 | -4.4 |
| GDP | 2.1 | 1.9 | 2.2 | -2.3 | -16.3 |

| | Quarter-on-Quarter rate of change (%) | | | | |
|------------------------|---------------------------------------|------------|------------|-------------|--------------|
| | 2Q 19 | 3Q 19 | 4Q 19 | 1Q 20 | 2Q 20 |
| Domestic Demand | 0.3 | 1.4 | -0.7 | -2.2 | -10.6 |
| Exports (FOB) | 0.3 | -2.0 | 4.1 | -7.3 | -36.2 |
| Imports (FOB) | -0.1 | 0.6 | 0.8 | -3.7 | -28.0 |
| GDP | 0.5 | 0.3 | 0.7 | -3.8 | -13.9 |

| | Contributions to GDP q-o-q rate of change (percentage points) | | | | |
|--------------------------------------|---|------------|------------|-------------|--------------|
| | 2Q 19 | 3Q 19 | 4Q 19 | 1Q 20 | 2Q 20 |
| Domestic Demand | 0.3 | 1.4 | -0.7 | -2.1 | -10.7 |
| Ext. Dem. Balance¹ | 0.2 | -1.1 | 1.4 | -1.6 | -3.2 |
| GDP | 0.5 | 0.3 | 0.7 | -3.8 | -13.9 |

¹ - External Demand Balance (Exports less Imports)

- Differences may occur due to non-additivity of chain-linked volume data and rounding procedures.

Compared to the previous quarter GDP decreased by 13.9% in real terms (quarter-on-quarter rate of change of -3.8% in the first quarter). Domestic demand registered a considerably more negative contribution to the quarter-on-quarter rate of change of GDP, shifting from -2.1 percentage points the first quarter to -10.7 percentage points. The contribution of net external demand was also more negative (shifting from -1.6 to 3.2 percentage points), with total exports in volume registering a quarter-on-quarter rate of change of -36.2% (rate of -7.3% in the previous quarter), and total imports decreasing by 28.0% (rate of -3.7% in the first quarter).

This flash estimate includes revisions new primary information, particularly due to updated information on external trade of goods and services and, to a lesser extent, on short-term indicators for June, which implied an upward revision by 0.2 percentage points of the GDP rates of change for the second quarter 2020, previously published on the first Flash Estimate on July, 31.

Gross Domestic Product

Chain linked volume data (reference year=2016)

| | Year-on-Year Quarterly Growth Rate (%) | | | | |
|------------------------------|--|-------|-------|-------|-------|
| | 2Q 19 | 3Q 19 | 4Q 19 | 1Q 20 | 2Q 20 |
| Flash 45 days 2Q 2020 | 2.1 | 1.9 | 2.2 | -2.3 | -16.3 |
| Flash 30 days 2Q 2020 | 2.1 | 1.9 | 2.2 | -2.3 | -16.5 |
| QNA 1Q 2020 (85 days) | 2.1 | 1.9 | 2.2 | -2.3 | |

| | Quarter-on-Quarter Growth Rate (%) | | | | |
|------------------------------|------------------------------------|-------|-------|-------|-------|
| | 2Q 19 | 3Q 19 | 4Q 19 | 1Q 20 | 2Q 20 |
| Flash 45 days 2Q 2020 | 0.5 | 0.3 | 0.7 | -3.8 | -13.9 |
| Flash 30 days 2Q 2020 | 0.5 | 0.3 | 0.7 | -3.8 | -14.1 |
| QNA 1Q 2020 (85 days) | 0.5 | 0.3 | 0.7 | -3.8 | |

Flash - Flash Estimate; QNA - Quarterly National Accounts

Methodological information about the flash estimates

The information in this press release for the second quarter of 2020, al reflects the effects of the pandemic COVID-19, both in the behaviour of economic activity, and in terms of the primary information available for the compilation of Quarterly National Accounts estimates. Although all the usual sources of information have been used in the compilation of these flash estimates, it is possible that revisions of a magnitude higher than usual will occur in future releases, due to the disturbances in the process of obtaining data from these sources.

Despite these constraints, in this exceptional context in which, paradoxically, there is also a greater urgency to obtain relevant information on economic activity, this flash estimate includes explicit figures for the real rates of change of domestic demand and external demand (exports and imports of goods and services)

The flash estimates are calculated using the same methodology, and preferably the same basic information, compared to the Quarterly National Accounts current estimate. In particular, the following stand out:

- The latest version for the short-term statistics (consumer prices, retail trade turnover, industry turnover, industrial production, prices in industrial production and services turnover);
- The balance of payments provisional information for the month of June;
- The June 2020 preliminary version of the international goods trade statistics. In what concerns, the deflators for external trade of goods, the unit value monthly indices were used, calculated based on the international goods trade statistics for January to June 2020.

In order to reduce the impacts caused by the COVID-19 pandemic on the quality of primary information with effect from March, which severely disturbed face-to-face surveys, especially to households, and reduced the response rates of business surveys, new sources of complementary information were used, in particular:

- Information within the scope of the electronic system for issuing invoices and automatic communication to the Tax Authority (e-invoice system);
- Operations on the automatic teller machines of the Multibanco network.

The estimates currently published may be revised in some aggregates as a result of new information, notably due to the incorporation of the unit value quarterly indices of international trade of goods for the second quarter, as well as additional information within the scope of general government data.

The results are calculated from chain-linked volume data (2016=100) and data are calendar and seasonally adjusted.

Next Press Release of Quarterly National Accounts

The detailed results of the Quarterly National Accounts for the second quarter of 2020 will be released on August 31, 2020.