

# GDP

## Economy Picks up Speed in 2Q04

**Rui Constantino**  
(351) 21-389-3626  
rui.constantino@bsnp.pt

- Portuguese GDP figures were quite positive. In 2Q04, the economy grew 1.5% YoY vs 0.3% growth in 1Q04. On a QoQ annualised basis, GDP rose 4.7%, more than double our estimates. We expect the economy to continue to accelerate in 2H04E and FY2004E GDP growth to come in close to the top end of the Bank of Portugal's range (0.75%-1.75%).
- Together, the major components of domestic demand contributed 1.7% to GDP growth. Net external demand contributed negatively, due to stronger imports.
- Previous data were revised but the changes did not affect the overall pattern of growth. Private investment and exports were revised upwards and public expenditure has now contributed positively to GDP growth since 4Q03, despite the government's effort to contain expenditure and meet the 3.0% of GDP fiscal deficit criterion included in the EU Growth and Stability Pact.
- Within private consumption, which grew 7.0% QoQa (2.8% YoY), durable goods consumption saw further acceleration (7.0%). Private consumption has benefited from events like the Euro 2004 Football Championship and Rock in Rio, but preliminary data for 3Q04E point to ongoing resilient demand.
- Investment accelerated too, rising 10% QoQa (3.9% YoY). Investment was more dynamic in the machinery and equipment sector, reflecting the improved conditions in the tradable sector.
- Exports were very strong, posting a rise of 8.1% YoY, which was partly due to increased service sector exports related to Euro 2004. Imports grew 9.8% YoY after strong private consumption and private investment, both of which have a large imported component. We are not concerned about the deterioration in Portugal's net external position, as we believe that the investment gains lay the foundations for stronger exports in the quarters ahead.

### Portugal – GDP Growth (YoY)

(% YoY)	4Q01	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03	1Q04	2Q04
<b>GDP</b>	1.6	1.6	1.7	-0.1	-1.7	-1.4	-2.2	-1.0	-0.2	0.3	1.5
Private consumption	0.7	2.1	0.9	0.8	0.2	-1.6	-1.3	-0.3	1.0	1.6	2.8
Public expenditure	3.2	3.0	2.6	1.9	1.1	0.2	-0.5	-0.7	-0.5	0.0	0.6
Investment	3.3	2.2	-2.5	-8.2	-11.0	-13.1	-12.3	-7.4	-5.5	1.0	3.9
Exports	-0.4	-2.2	4.2	5.6	0.7	6.6	0.9	3.9	5.0	4.7	8.1
Imports	0.6	0.1	0.1	0.8	-1.9	-2.3	-3.8	0.1	2.4	6.0	9.8

Source: INE (National Statistics Institute).

## Local Offices

**Madrid**

Tel: 34-91-257-2309  
Fax: 34-91-257-1811

**Lisbon**

Tel: 351-21-389-3400  
Fax: 351-21-387-9133

**London**

Tel: 44-207-332-6900  
Fax: 44-207-332-6909

**New York**

Tel: 212-692-2550  
Fax: 212-407-4540

**Bogotá**

Tel: 571-644-8006  
Fax: 571-592-0638

**Buenos Aires**

Tel: 54114-341-1052  
Fax: 54114-341-1226

**Caracas**

Tel: 582-401-4306  
Fax: 582-401-4219

**Lima**

Tel: 511-215-8100  
Fax: 511-215-8185

**Mexico City**

Tel: 5255-5629-5040  
Fax: 5255-5629-5846

**Santiago**

Tel: 562-336-3300  
Fax: 562-697-3869

**São Paulo**

Tel: 5511-5538-8226  
Fax: 5511-5538-8407

**Tokyo**

Tel: 813-3211-0356  
Fax: 813-3211-0362

### Key to Investment Codes<sup>1</sup>

<b>Buy</b>	Upside of more than 20%.
<b>Hold</b>	Upside of 15%-20%.
<b>Underweight</b>	Upside of less than 15%.

(1) Target prices set from January to June are for December 31 of the current year. Target prices set from July to December are for December 31 of the following year.

This report has been prepared by Banco Santander de Negocios Dealer, S.A. ("BSN Dealer, S.A.") and is provided for information purposes only. This document must not be considered as an offer to sell or a solicitation of an offer to buy. Any decision by the recipient to buy should be based on publicly available information on the related security and, where appropriate, should take into account the content of the related prospectus filed with the CMVN (Portuguese National Securities Market Commission) and available from the CMVM, the company governing the related market and the company issuing the security. This report is issued in the United States by Santander Investment Securities Inc. ("SIS"), in Spain by Santander Central Hispano Bolsa, Sociedad de Valores, S.A. ("Santander Central Hispano Bolsa") and in the United Kingdom by Santander Central Hispano S.A., London Branch ("SCH London"), which is regulated by the Financial Services Authority in the conduct of its business in the UK. BSN Dealer S.A., SIS, SCH London and Santander Central Hispano Bolsa are members of Grupo Santander. This report is not being issued to private customers.

The information contained herein has been compiled from sources believed to be reliable, but while all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, we make no representation that it is accurate or complete and it should not be relied upon as such. All opinions and estimates included herein constitute our judgement as at the date of this report and are subject to change without notice. From time to time, Grupo Santander, its affiliates and/or any of its officers or directors may have a position, or otherwise be interested in, transactions in securities which are directly or indirectly the subject of this report.

Grupo Santander, or its affiliates may from time to time perform services for or solicit business from any company mentioned in this report. Grupo Santander, its affiliates or any other person do not accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose.

Any US recipient of this report (other than a registered broker-dealer or a bank acting in a broker-dealer capacity) that would like to effect any transaction in any security discussed herein should contact and place orders in the United States with the company distributing the research, SIS at (212) 692-2550, which, without in any way limiting the foregoing, accepts responsibility (solely for purposes of and within the meaning of Rule 15a-6 under the US Securities Exchange Act of 1934) under this report and its dissemination in the United States. US recipients of this report should be advised that this research has been produced by a non-member affiliate of SIS and, therefore, by rule, not all disclosures required under NASD Rule 2711 apply.

© BSN Dealer, S.A., 2004. All Rights Reserved.

