

## ANDBANK RESEARCH

Global Economics &  
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## Working paper - 55

***Andbank Peripheral Risk Indicator - APRI 9.13***

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# Andbank Peripheral Risk Indicator (APRI)

## APRI 9.13 Reading

- **The APRI Composite for the European peripherals shows an aggregate score of 50.7 in September (slightly above the 50.6 level seen in the previous month). A positive (though very slight) reading for the second month in a row means that (1) In aggregate, these economies are no longer deteriorating and (2) They continue showing positive dynamics in certain aspects of the economy. Admittedly, the two months upward trend may not be sufficient, but it is necessary if these economies are intended to show broader progress. In short, all things considered, our APRI September-13 helps us to strengthen our thesis that these economies would be consolidating.**
- This month, the two major advances has been experienced by **Portugal (again) and Ireland**. APRI Composite for the Portuguese economy has been 51.5 in September, while Ireland has scored an advance of 51.7. Within the Portuguese economy, the best performing areas has been in Activity (54.3) and Confidence (52.1). We should also highlight the improvement seen in the labor market component although, admittedly, progress has been less intense in this regard (50.2). In the fiscal arena, it seems that the recent political turmoil has paid its toll and that authorities of peripherals had managed to soften the pace required in fiscal adjustments, as reflected in the deterioration of fiscal dynamics of Portugal (49.2). The second economy recording the best dynamics is Ireland, with a GDP near the 2% annual pace in the last quarter, although admittedly, last month's improvement seen in the APRI composite for Ireland has been largely influenced by the big jump in confidence. A priori, a less relevant data.
- **APRI Activity component at regional level (51.7).** Current record consolidates the upward trend reflected already in last month's score (50.2). Aggregate figures in the Activity component points to a stabilization of this group of economies in this regard. Again, **Portugal and Greece are the countries showing clearest positive dynamics in activity for a second month in a row.** (54.3 and 52.0 respectively). Spain & Italy show the same reading of 50.7 in the activity component, further improving last month's figures of 50 and 49.7 respectively. Slowly these economies are heading northward and maybe on the verge of delivering broader positive readings in the next months.
- **APRI Surveys component at regional level (51.5).** Although slightly lower than the last month's figure (51.9), current record still points that confidence continues improving in the area, although now at a slightly lower pace. The important point here is to emphasize the two positive readings in a row, what helps us to strengthen the idea that the upward trend would be consolidating also in the confidence arena. The best monthly readings are in Ireland (54.5), Italy and Portugal (both at 52.1). Then follows Spain (51.7) and Greece (47.2), obviously in the latter case, we need first a continuity in the incipient progress of activity to see gains in confidence.
- **APRI Labor component at regional level (49.7).** This month's figures adds to the negative reading of last month (49.6). At a first glance, one could conclude that labor conditions are still deteriorating at a regional level, nevertheless, we note that the aggregate figure has been entirely dominated by the sharp drop in Greece's data, whose labor market is reflecting the effects of compliance with the targets set by the Troika of putting 25.000 public employees in a mobility scheme, from where they are relocated or dismissed. On the positive side, Spain, Portugal and Ireland show stable to positive records in this component.
- **APRI Fiscal component at regional level (49.5).** After the positive readings seen in the recent months (suggesting that fiscal efforts undertaken by this group of economies were being substantial), the last update points to a relaxation in the speed of fiscal adjustments to meet the targets set by the creditors. Maybe the recent turmoil seen in Portugal and Greece (and lately in Italy), has helped the lenders to soften the pace imposed in the fiscal adjustments. Only Spain has recorded some advances in this regard, with a budget balance execution failing to meet targets but only by a reduced amount, and with apparently good performance in the primary budget figures. Greece would be the second best performer in this area, with data for the first seven months of 2013 supporting the projection that the country will finally reach the seminal target of a primary surplus.

## Andbank Peripheral Risk Indicator

### **APRI 9.13 Composite**

|                  | <b>APRI - ACTIVITY COMPONENT</b> |   | <b>APRI - SURVEYS COMPONENT</b> |   | <b>APRI - LABOR COMPONENT</b> |   | <b>APRI - FISCAL COMPONENT</b> |   | <b>APRI - COMPOSITE</b> |
|------------------|----------------------------------|---|---------------------------------|---|-------------------------------|---|--------------------------------|---|-------------------------|
| <b>Italy</b>     | 50.7                             |   | 52.1                            |   | 49.8                          |   | 48.8                           |   | 50.3                    |
| <b>Spain</b>     | 50.7                             | + | 51.7                            | + | 50.2                          | + | 50.2                           | = | 50.7                    |
| <b>Portugal</b>  | 54.3                             |   | 52.1                            |   | 50.2                          |   | 49.2                           |   | 51.5                    |
| <b>Ireland</b>   | 50.7                             |   | 54.5                            |   | 50.1                          |   |                                |   | 51.7                    |
| <b>Greece</b>    | 52.0                             |   | 47.2                            |   | 48.4                          |   | 49.9                           |   | 49.4                    |
| <b>Aggregate</b> | <b>51.7</b>                      |   | <b>51.5</b>                     |   | <b>49.7</b>                   |   | <b>49.5</b>                    |   | <b>50.7</b>             |

## Andbank Peripheral Risk Indicator

### **APRI 9.13 Activity Component**

|                 | NEAR TERM ACTIVITY FIGURES |                           |             |  |                |                                   |                                | PERIPHERAL RISK INDICATOR<br><b>APRI - ACTIVITY COMPONENT</b> |             |
|-----------------|----------------------------|---------------------------|-------------|--|----------------|-----------------------------------|--------------------------------|---|-------------|
|                 | GDP - QoQ (saar) Last      | GDP - QoQ (saar) Previous | Assessment  | Consensus (for the Year) as of July 2013 | (2) Assessment | Volume Idx Prod, Manuf Last Month | Avg last 3m (excl last observ) |   | Assessment  |
| <b>Italy</b>    | -1.2%                      | -2.4%                     | <b>51.1</b> | <b>-1.80%</b>                            | <b>50.5</b>    | 91.60                             | 91.00                          | <b>50.3</b>   | <i>50.7</i> |
| <b>Spain</b>    | -0.4%                      | -2.0%                     | <b>51.4</b> | <b>-1.60%</b>                            | <b>51.0</b>    | 91.31                             | 91.91                          | <b>49.7</b>   | <i>50.7</i> |
| <b>Portugal</b> | 4.4%                       | -4.2%                     | <b>57.5</b> | <b>-2.65%</b>                            | <b>56.1</b>    | 95.97                             | 97.09                          | <b>49.4</b>   | <i>54.3</i> |
| <b>Ireland</b>  | 1.8%                       | -2.1%                     | <b>53.4</b> | <b>0.80%</b>                             | <b>50.9</b>    | 95.48                             | 99.84                          | <b>47.8</b>   | <i>50.7</i> |
| <b>Greece</b>   | 1.2% <sup>(1)</sup>        | -1.8%                     | <b>52.6</b> | <b>-4.20%</b>                            | <b>54.7</b>    | 85.57                             | 87.52                          | <b>48.9</b>   | <i>52.0</i> |

**51.7**

(1) For Greece we use the most frequently updated GDP series provided by the National Statistical Service of Greece. The time series' name is "National Accounts, Gross Domestic Products at constant prices, million EUR". This time series is quarterly. We use the 12m moving average of the QoQ annualized growth rate due to its volatile nature. (2) In the second assessment, we compare the annualized GDP growth rate recorded in the most recent observation with the consensus estimate for the full year. If current pace falls below full year consensus estimate, the index will yield a negative reading (below 50). By contrast, when current rate is higher than full year estimate, the index reading will be above 50.

# Andbank Peripheral Risk Indicator

## **APRI 9.13 Surveys Component**

|                 | SURVEYS OF ECONOMIC CONDITIONS & SENTIMENT |                                |             |                                    |                                |             |  |                                |             | PERIPHERAL RISK INDICATOR<br><b>APRI - SURVEYS COMPONENT</b> |
|-----------------|--|--------------------------------|-------------|------------------------------------|--------------------------------|-------------|--|--------------------------------|-------------|--|
|                 | EC - COSUMER CONF INDICATOR <sup>(1)</sup> | Avg last 3m (excl last observ) | Assessment  | EC - GENERAL ECON SITUATION (12fw) | Avg last 3m (excl last observ) | Assessment  | EC - INTENTION TO BUY A CAR (12 fw) <sup>(2)</sup> | Avg last 3m (excl last observ) | Assessment  |  |
| <b>Italy</b>    | -16.4                                      | -23.6                          | <b>53.6</b> | -4.3                               | -14.7                          | <b>55.2</b> | -89.8  | -84.8                          | <b>47.5</b> | 52.1   |
| <b>Spain</b>    | -21.3                                      | -28.4                          | <b>53.6</b> | -18.3                              | -26.8                          | <b>54.2</b> | -91.8  | -86.2                          | <b>47.2</b> | 51.7   |
| <b>Portugal</b> | -47.0                                      | -52.4                          | <b>52.7</b> | -56.3                              | -62.2                          | <b>53.0</b> | -91.4  | -92.6                          | <b>50.6</b> | 52.1   |
| <b>Ireland</b>  | -9.9                                       | -26.2                          | <b>58.1</b> | -19.9                              | -29.1                          | <b>54.6</b> | -75.6  | -76.9                          | <b>50.6</b> | 54.5   |
| <b>Greece</b>   | -72.0                                      | -65.5                          | <b>46.7</b> | -69.5                              | -61.4                          | <b>45.9</b> | -95.2  | -93.0                          | <b>48.9</b> | 47.2   |

**51.5**

(1) Monthly frequency data. (2) Quarterly frequency data.

## Andbank Peripheral Risk Indicator

### **APRI 9.13 Labor Component**

|                 | LABOR MARKET DYNAMICS                                   |                                |             |                      |                                |             |                   |                                | PERIPHERAL RISK INDICATOR<br>APRI - SURVEYS COMPONENT |            |
|-----------------|---|--------------------------------|-------------|----------------------|--------------------------------|-------------|-------------------|--------------------------------|---|------------|
|                 | Workers affiliated to Soc Sec System (Index T-5y = 100) | Avg last 3m (excl last observ) | Assessment  | Weekly Hours of Work | Avg last 3m (excl last observ) | Assessment  | Unemployment Rate | Avg last 3m (excl last observ) |   | Assessment |
| <b>Italy</b>    | 96.53   | 96.75                          | <b>49.8</b> | 36.05                | 36.35                          | <b>49.6</b> | 12.1              | 12.1                           | <b>50.0</b>   | 49.8       |
| <b>Spain</b>    | 86.45   | 86.40                          | <b>50.0</b> | 36.95                | 37.02                          | <b>49.9</b> | 26.3              | 26.4                           | <b>50.5</b>   | 50.2       |
| <b>Portugal</b> | 84.19   | 84.41                          | <b>49.8</b> | 37.75                | 37.83                          | <b>49.9</b> | 17.4              | 17.6                           | <b>51.0</b>   | 50.2       |
| <b>Ireland</b>  | 87.53   | 87.15                          | <b>50.4</b> | 34.75                | 34.93                          | <b>49.7</b> | 13.5              | 13.5                           | <b>50.2</b>   | 50.1       |
| <b>Greece</b>   | 79.31   | 79.51                          | <b>49.8</b> | 40.45                | 40.97                          | <b>49.4</b> | 27.6              | 26.8                           | <b>46.0</b>   | 48.4       |

**49.7**

## Andbank Peripheral Risk Indicator

### **APRI 9.13 Fiscal Component**

Data as of 31-jul

|                               | FISCAL PROGRESS              |                                       |             |                                     |                                  |             |                                |   | PERIPHERAL RISK INDICATOR<br>APRI - FISCAL COMPONENT |             |
|-------------------------------|------------------------------|---------------------------------------|-------------|-------------------------------------|----------------------------------|-------------|--------------------------------|---|--|-------------|
|                               | Budg. Balance YTD Cumulative | Budg. Balance YTD Cumulative (1y ago) | Assessment  | Budg. Balance YTD Cumulative (saar) | Budg. Balance Target Year (2013) | Assessment  | Primary Balance YTD Cumulative | Primary Balance YTD Cumulative (1y ago) |  | Assessment  |
| <b>Italy</b>                  | -4.44 <sup>(1)</sup>         | -3.00                                 | <b>48.7</b> | -4.44 <sup>(1)</sup>                | -2.90                            | <b>48.6</b> | -1.48 <sup>(1)</sup>           | -0.37                                   | <b>49.0</b>  | <b>48.8</b> |
| <b>Spain</b>                  | -3.47 <sup>(2)</sup>         | -3.01                                 | <b>49.6</b> | -5.96                               | -5.20 <sup>(3)</sup>             | <b>49.3</b> | -0.53 <sup>(1)</sup>           | -2.28                                   | <b>51.5</b>  | <b>50.2</b> |
| <b>Portugal</b>               | -3.46                        | -2.41                                 | <b>49.1</b> | -5.95                               | -5.50                            | <b>49.6</b> | -1.36                          | -0.02                                   | <b>48.8</b>  | <b>49.2</b> |
| <b>Ireland</b> <sup>(4)</sup> |                              |                                       |             |                                     |                                  |             |                                |   |  |             |
| <b>Greece</b>                 | -5.81 <sup>(1)</sup>         | -7.90                                 | <b>51.8</b> | -9.98                               | -4.60                            | <b>45.3</b> | 1.32 <sup>(1)</sup>            | -1.59                                   | <b>52.5</b>  | <b>49.9</b> |

**49.5**

(1) We use the cumulative 12months budget balance, and compare it with the cumulative 12months on the same period of last year since we lack the YTD figures. (2) Central Government. (3) EC's 2013 deficit target for Spain is 6,5%. If central gov applies an average of 1,3% target for Autonomous Communities, the target for the central government could be fixed at 5,2%. (4) We have not got homogeneous fiscal data for Ireland yet.

# Andbank Peripheral Risk Indicator (APRI)

## **Questions & Answers**

### 1. On the need to create our own set of indicators.

The aim of this new tool (*APRI*) is simply to provide answers to some key questions.

Is this group of economies stabilizing? Which of these countries shows higher difficulties and which ones are evolving better? In what areas? How close are they from fiscal targets? Are they really lowering primary deficits?

Without a concrete vision on these aspects it is not feasible to undertake any reasonable investment strategy.

### 2. How to interpret the results?

In order to facilitate the familiarization with the scores of our indices, and thus make the results easily understandable, we have decided to assimilate them to the results of other widely known indicators. Thus, a reading above 50 means that the factor under analysis is having a favorable performance in relation to previous observations. Similarly, a reading below 50 means the factor under study shows a deterioration.

Since each time series is analyzed in relation to its three previous monthly observations (prior to the last update), *APRI*'s figures should be interpreted as the evolution of the specific time series in the past four months.

Our *APRI* system also helps us to fully understand the nature of the development in one specific economy, providing the necessary clues to determine the consistency of such performance.



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