



Ministry of Finance and Public Administration

Implementing National Reforms Programme in Portugal

Macroeconomic Issues

July 2009

Structural Reforms in Portugal

Macroeconomic Issues

Economic Outlook

	2008	Current forecast
		2009
Rate of change, in real terms (%)		
GDP	0,0	-3,4
Private Consumption	1,6	-1,4
Public Consumption	0,5	-0,6
Investment (GFCF)	-1,1	-14,1
Exports	-0,4	-11,8
Imports	2,1	-11,1
Contributions to GDP growth (percentage points)		
Domestic Demand	0,9	-4,1
Net Exports	-1,0	0,8
Total Employment (rate of change, %)	0,4	-1,2
Unemployment rate (%)	7,6	8,8
Inflation rate (%) (a)	2,6	0,1
Current and Capital Accounts (% do GDP)	-10,2	-8,2

Notes: (a) as measured by the annual average change in the Consumer Price Index.

Sources: INE and Portuguese Ministry of Finance and Public Administration.

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Recovery Plan (Investment and Employment Initiative)

- **Target:** to boost confidence in economic agents by accelerating and anticipating the implementation of structural reform measures
- **Examples (as of 30 June 2009):**
 - **Modernisation of schools:** total public investment reaches near EUR 150 million (0.1% of GDP), involving contracts with more than 1,400 companies;
 - **Solar panels:** near 10,000 solar panels installed in the residential sector (objective: 65,000);
 - **New generation networks:** total private investment reaches EUR 190 million (0.1% of GDP)
 - **Protecting Employment:** the 3 p.p. cut in the employer's contribution to Social Security for workers aged over 45 years in micro and small enterprises already covers around 65,000 companies and 168,000 workers.
- **Timeliness:** most of the measures are active since the first quarter of 2009
- **While encompassing the most significant measures of the anti-cyclical budgetary policy, this programme does not include all measures implemented by the Government**

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Initiative to Strengthen Financial Stability

- Strengthening the guarantee of bank deposits (from EUR 25,000 to EUR 100,000 per depositor and per bank)
- Making available an amount up to EUR 20 billion for the granting of State guarantees and to strengthen credit institutions' financial soundness
 - To date, the State has issued personal guarantees under this measure to five credit institutions, in a total amount of EUR 4.35 billion
- The Portuguese financial system remains sound

Extraordinary Settlement of the State's Debts

Payments

	2008	2009	Total
Municipal Councils	75	485*	560
Autonomous Regions	250	0	250
Health Sector	940	0	940
Central Government	125	35	160
Total	1 390	520	1 910

* Payments still to be made amounting EUR 230 million

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Public Finances

- The general government budget deficit in 2008 was 2.6% of GDP, equivalent to the 2007 figure. 2009 budget deficit forecast: 5.9% of GDP.
- Decline of tax revenue in the first semester of 2009 (-20,7% until May), in line with projections, due to the unfavourable economic climate and to the impact of the fiscal stimulus measures (including the effort to speed up tax reimbursements to companies and households)
- Keeping the focus on the Quality of Public Finances
 - **Fiscal stimulus package directed to areas linked with the NRP**
 - **Expenditure control: data as of June 2009 is consistent with the budgeted figures**
- Resume the path to the MTO in line with the recovery of economic situation, considering the temporary nature of the fiscal stimulus and benefiting from the results of the structural budgetary consolidation measures implemented throughout the last years (notably, the reforms of Public Administration and Social Security and the mechanisms to fight tax fraud and evasion)