

PORTUGAL

Portugal is in the midst of a deep recession as the collapse of external demand and tight financial conditions have affected all parts of the economy, particularly exports and investment. Activity is expected to contract throughout 2009, before recovering very slowly in 2010 as the global economy and financial conditions gradually improve. The unemployment rate is set to reach double digits. Sharply lower commodity prices and the large negative output gap will leave inflation at very low levels.

The fiscal position will deteriorate significantly in 2009 reflecting weaker economic conditions, lower revenues, and spending rises to support the economy. Fiscal consolidation and structural reforms will be required in the medium term to enhance growth prospects, reduce long-term unemployment and help place the public finances on a more sustainable footing.

Portugal: Demand, output and prices

	2005	2006	2007	2008	2009	2010
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	96.7	1.9	1.6	1.7	-2.4	0.0
Government consumption	32.0	-1.4	0.0	0.6	0.4	-0.2
Gross fixed capital formation	33.1	-0.7	3.1	-0.7	-18.7	-1.2
Final domestic demand	161.8	0.7	1.7	1.0	-5.3	-0.2
Stockbuilding ¹	0.6	0.0	0.1	0.2	-0.8	0.1
Total domestic demand	162.3	0.7	1.7	1.2	-6.0	-0.1
Exports of goods and services	42.6	8.7	7.8	-0.4	-21.5	-1.2
Imports of goods and services	55.8	5.1	6.1	2.6	-21.1	-0.1
Net exports ¹	-13.2	0.6	0.0	-1.3	2.1	-0.3
GDP at market prices	149.1	1.4	1.9	0.0	-4.5	-0.5
GDP deflator	—	2.8	3.0	1.9	0.3	1.2
<i>Memorandum items</i>						
Harmonised index of consumer prices	—	3.0	2.4	2.7	-0.2	1.0
Private consumption deflator	—	3.1	2.7	2.6	-1.0	1.0
Unemployment rate	—	7.7	8.0	7.6	9.6	11.2
Household saving ratio ²	—	8.1	6.6	7.3	10.0	10.9
General government financial balance ^{3,4}	—	-3.9	-2.7	-2.7	-6.5	-6.5
Current account balance ³	—	-10.0	-9.4	-12.1	-9.5	-10.7

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of disposable income.

3. As a percentage of GDP.

4. Based on national accounts definition.

Source: OECD Economic Outlook 85 database.