

In Portugal, the crisis was less severe in the first years but it worsened after 2011. By 2013, GDP and employment were considerably lower than the pre-crisis levels. Public expenditure increased in the first years but fell with the introduction of fiscal consolidation measures. Public revenue also substantially fell, particularly in 2012. Household disposable income decreased considerably, particularly in 2011.

Macro and aggregate statistics, Portugal 2007-2013

Cumulative percentage change between 2007 and 2013 (2007 = 0)

	GDP	Employment rate	Public expenditure	Public revenue	HDI
2008	0	1	0	-1	-2
2009	-3	-2	10	-6	0
2010	-1	-3	15	-4	-2
2011	-3	-5	6	-5	-9
2012	-6	-9	-5	-14	-
2013	-7	-10	-3	-10	-

Note: GDP: Gross domestic product by volume; Employment: employment rate of working-age population; Public expenditure: does not include general economic, commercial and labour affairs; Public revenue: only includes taxes and social contributions; HDI: mean household disposable income.

Source: OECD data from National Accounts Statistics, Labour Force Surveys and Income Distribution Database (IDD).

Fiscal measures implemented in Portugal included both stimulus and (later) consolidation. The most noticeable fiscal stimulus measures were rising tax credits and family benefits, as well as reducing the VAT standard rate. The most noticeable fiscal consolidation measures included income tax reforms in 2011 and 2013; reduction of family benefit amount, in 2011; reduction of unemployment benefit's amount and duration, in 2012ⁱ; and introduction of an extraordinary pension contribution, in 2011. VAT increased in 2010 and 2011. Most benefits (including pensions) were kept frozen since 2010/11.

Overall, simulation results suggest that tax-benefit measures had a negative impact on the incomes of working-age families. Mainly driven by benefit cuts, the burden was higher on the unemployed and lower earnings families. But families earning more than the average wage also lost considerably due to the tax reforms.

Simulated effects of tax-benefit reforms on family disposable income, Portugal 2007-2013

Cumulate and annual percentage change of simulated family disposable income (2007 = 0)

	Total	Months in unemployment						% of AW										Pensions	VAT
		0-12	13-24	25-36	37-48	49-60	0-20	21-40	41-60	61-80	81-100	101-120	121-140	141-160	161-180	181-200			
Total	-15	-13	-24	-37	-31	-26	-24	-16	-16	-3	-2	-3	-5	-6	-8	-9	(-) r,i	(+) 2	
Taxes	-3	0	0	0	0	0	0	0	0	-2	-3	-4	-6	-7	-8	-8		(+) 2	
Benefits	-12	-13	-24	-37	-31	-26	-24	-16	-16	-1	1	1	1	1	0	-1	(-) r,i		
2008	2	1	1	2	3	4	3	3	3	2	2	1	1	0	0	0		(-) 1	
2009	2	0	0	2	6	4	3	3	3	1	1	1	1	1	1	1	(-) r,i		
2010	-1	-5	-5	-3	-2	0	0	0	0	0	0	0	0	0	0	0		(+) 1	
2011	-6	-3	-3	-6	-10	-12	-11	-9	-9	-4	-2	-3	-3	-3	-4	-5	(-) r,i	(+) 2	
2012	-8	-4	-16	-33	-24	-17	-16	-10	-10	-2	0	1	1	2	2	2	(-) r,i		
2013	-4	-3	-3	-1	-6	-6	-5	-2	-2	-1	-3	-3	-5	-6	-7	-7			

Note: See Read Me.

Source: OECD Tax Benefit Model, OECD VAT database, Farinha and Junqueira (2012), Farinha et al (2014).

ⁱ On the other hand, the minimum contribution period for unemployment insurance was also reduced.