

# Portugal - Basic Data

September 2015



aicep Portugal Global

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## Background

Mainland Portugal is geographically located in Europe's West Coast, on the Iberian Peninsula. It is bordered by Spain to the North and East and by the Atlantic Ocean to the West and South, therefore being in a geo strategic location between Europe, America and Africa.

In addition to the mainland, Portugal's territory also includes the Autonomous Regions of the Azores and Madeira, two archipelagos located in the Atlantic Ocean.

Portuguese borders have remained unchanged since the XIII Century, making Portugal one of the oldest countries in the world, with nearly 900 years of history that clearly demonstrates its strong identity and internal cohesion.

## Population and language

Portugal's population is estimated at 10.4 million, of which 50% are economically active. The demographic concentration is higher near the coastal areas, with Lisbon (the capital city) and Porto showing the highest population density.

The Portuguese language is spoken by more than 200 million people spread over all continents: Europe, Africa, America and Asia. This diversity greatly contributes to the strong historical and cultural ties that Portugal has with the world.

## Politics

The Republic of Portugal is a Parliamentary democracy, based on the respect and the effective guarantees for fundamental rights and freedoms and the separation and interdependence of powers. Under the Portuguese Constitution, sovereign powers are vested in the President of the Republic, the Assembly of the Republic, the Government and the Courts.

The President of the Republic is the Head of State, elected by direct universal suffrage for a five year term, with a maximum of two terms. The current President of the Republic is Aníbal Cavaco Silva, who was re-elected on 23rd January 2011.

Legislative power lies with the Parliament (Assembly of the Republic) represented by 230 members which are elected by popular vote to serve a four year term.

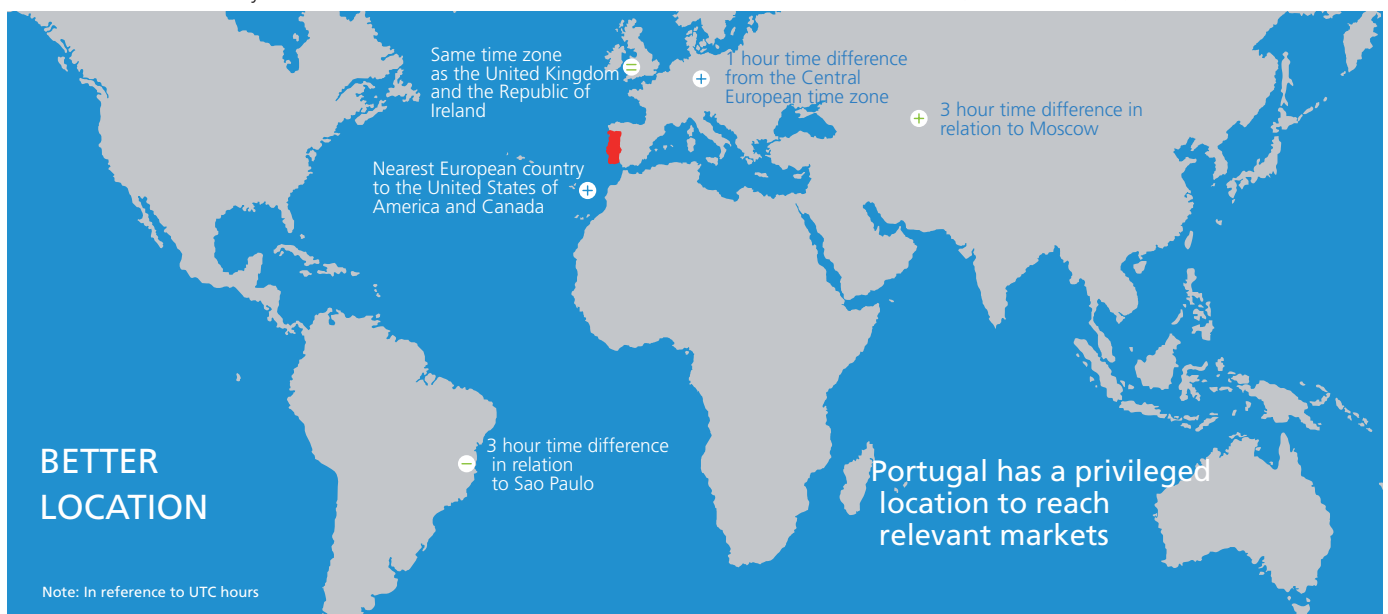
Executive power lies with the Government, headed by the Prime Minister, the Ministers and the Secretaries of State. Pedro Passos Coelho, Portugal's Prime Minister and the leader of the Social Democratic Party won the legislative elections in June 2011. The next elections are planned for the 4th October 2015.

The Portuguese judicial system consists of several categories of Court, independent of each other, with their own structure and rules. Two of these categories are composed only by one Court (the Constitutional Court and the Court of Auditors). The Judicial, Administrative and Fiscal Courts are numerous, hierarchically structured and respond to a Supreme Court. In addition, there are Maritime Courts, Courts of Arbitration and Justices of the Peace.

## Summary

<b>Area:</b>	92 212 .0 sq km
<b>Population (thousands):</b>	10 387 (2014)
<b>Working population (thousands):</b>	5 226 (2014)
<b>Population density (inhabit./sq km):</b>	112.6 (2014)
<b>Official designation:</b>	Republic of Portugal
<b>Capital:</b>	Lisbon (2.1 million inhabit.– metropolitan area)
<b>District Capitals:</b>	Aveiro, Beja, Braga, Bragança, Castelo Branco, Coimbra, Évora, Faro, Funchal (in Madeira), Guarda, Leiria, Ponta Delgada (in the Azores), Portalegre, Porto, Santarém, Setúbal, Viana do Castelo, Vila Real and Viseu.
<b>Main religion:</b>	Roman Catholic
<b>Language:</b>	Portuguese
<b>Currency:</b>	Euro (in units of 100 cents)
	EUR = 200.482 PTE (fixed parity 1/01/99)
	EUR = 1.33 USD (average rate in 2014)
	EUR = 1.11 USD (average rate in august 2015)

Source: INE (Statistics of Portugal), Banco de Portugal



## Infrastructures

**Road Infrastructures:** Portugal has a developed road network, comprised of motorways (AE), main roads (IP), secondary roads (IC), national roads (EN) and municipal routes. The mainland road network reached 14 310 km, of which 2 988 km was motorway, more than 1/5 of the total road network.

**Rail Network:** The rail network comprises 2 544 km providing North-South connection down the coastline and East-West across the country. Railway network density tends to be more significant in regions with a higher population concentration.

**Airports:** There are 15 airports. On the mainland the three major international airports are located in the coastal cities of Lisbon, Porto and Faro. Due to the isolation of the Autonomous Regions there are a larger number of airports. The Azores have nine and Madeira has two. Most international airlines serve the country's main airports.

**Maritime Routes:** Mainland Portugal has nine major ports: Viana do Castelo and Leixões, in the North; Aveiro and Figueira da Foz, in the Centre; Lisbon and Setúbal in the Lisbon region; Sines in the Alentejo; Faro and Portimão in the Algarve. The Autonomous Region of the Azores has five ports and the Autonomous Region of Madeira has three. Only Lisbon and Leixões on the mainland offer passenger services, though the number of passengers embarking and disembarking at Leixões port is insignificant. The port infrastructure is thus primarily geared to handling goods. This is particularly so at Sines (45% of total in 2014), Leixões (22%) and Lisbon (14%).

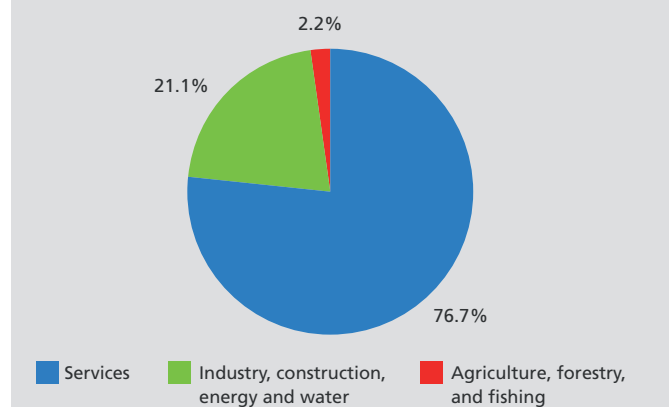
## Economy

### Economic structure

Following the trend of its European partners, over the last decades one of the most important characteristics of the structure of the Portuguese economy is the increase in the services sector, that contributed, in the 2<sup>nd</sup> quarter 2015, with 76.7% of GVA and employed 67.8% of the population. Agriculture, forestry and fishing generated only 2.2% of GVA, and 8.0% of employment, while industry, construction, energy and water represented 21.1% of GVA and 24.2% of employment.

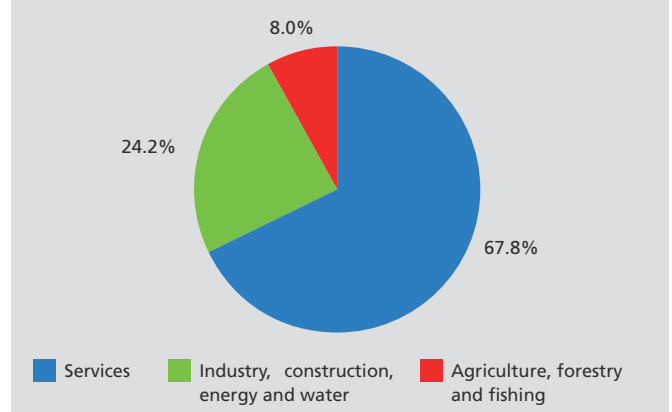
In the last decade, apart from a greater focus and diversification of services within the economic activity, there was, in the transformation industry in Portugal a significant change in its specialization. Coming from a dependence on traditional industrial activities to a situation where new sectors, with a larger amount of technology, have gained importance and significant growth, sectors such as the automotive and components sector, electronics, energy, pharmaceutical sector and industries related to new technologies of information and telecommunications. Within the services sector, the importance of tourism should be emphasized, benefiting from Portugal's geographical position, the Mediterranean climate, moderated by the influence of the Atlantic and its extensive coastline.

### GVA Breakdown - 2<sup>nd</sup> Quarter 2015



Source: INE (Statistics of Portugal)  
Note: GVA - Gross Value-added

### Employment Breakdown - 2<sup>nd</sup> Quarter 2015



Source: INE (Statistics of Portugal)

## Current economic situation and outlook

In May 2014, the Government announced the end of the Economic and Financial Assistance Programme (PAEF) (agreed with the EU and the IMF in May 2011), without resorting to additional external financial assistance thus gaining access to international debt markets.

After three years of the Programme, the Portuguese economy has made significant progresses in the correction of a number of macroeconomic imbalances, having implemented measures of a structural character in several areas. According to the Banco de Portugal, the PAEF objectives were globally met in certain aspects of the Portuguese economy, such as - the net financing capacity in relation to the exterior, the primary structural adjustment (around 8% during the 2010-2014 period) in accordance with the IMF, ongoing budget consolidation, as well as the transfer of resources from the non-tradable sector to tradable – were several of the favourable elements that contributed to the process for sustainable growth.

In 2014, according to the INE, the Portuguese economy registered an increase of 0.9% in volume, year on year (after having declined 1.6% in 2013 and 4.0% in 2012). This recovery was due to the positive performance of domestic demand (+2,1% in relation to

2013), reflected in the increase of private consumption (+2.2%) and in the net fixed capital formation (+2.5%), while public consumption registered a smaller decrease in 2014 (-0.3% in relation to the previous year). The contribution of net external demand was negative, showing a more intense increase in the imports of goods and services than of exports (due, in part, to the significant decrease in the export of energy products).

In the 2nd quarter 2015, according to INE, the gross domestic product (GDP) registered an increase of 1.5% in volume, year on year (rate similar to the 1st quarter 2015). This growth was determined by the increase in domestic demand, reflecting acceleration in investment, and to a lesser extent, in private consumption. Net external demand registered a negative contribution to the variation in GDP, showing an increase in the imports of goods and services at a faster rate than of exports.

The last projections from the Banco de Portugal (BP) for 2015-2016 point to an increase in GDP of 1.7% and 1.9%, respectively (above that projected by the European Union for the Euro Zone, which is for 1.5% in 2015 and 1.9% in 2016). The increase in the Portuguese economy should be based on a robust increase in exports of goods and services (+4.8% in 2015 and +6.0% in 2016), together with a moderate recovery in domestic demand (+2.1% in 2015 and +1.8% in 2016). The share of

exports in GDP should continue to increase, from around 41% in 2014 to 46% in 2017. The Portuguese economy's financing capacity will be strengthened, and we foresee an increase in the current account surplus and of capital in this period, allowing an improvement in the international investment rankings.

According to the European Union (*Economic European Forecast - Spring 2015*), in 2014 there was an increase in employment of 1.4% (after -2.9% in 2013), predicting a more moderate increase in the 2015-2016 period (0.6% and 0.7% respectively). The level of unemployment should still continue to decline during this period, to 13.4% in 2015 and 12.6% in 2016. Public deficit should be around 3% of GDP (-3.1% of GDP in 2015 and -2.8% in 2016). The ratio of Government debt to GDP should reduce during this period, aided by the recuperation of the economy, by the reduction in the interest rate debt and by primary surplus.

Within this context, in February 2015, the European Union accepted the plan submitted by Portugal for the early repayment of the IMF loan. This will result in savings on interest paid which will have a positive impact in the sustainability of the Portuguese debt. In March and June of this year, Portugal made in advance payments to the IMF to the value of 8.4 billion Euros, raising the percentage of the loan paid to the IMF to 28.7%.

1 "Projections for the Portuguese Economy: 2015-2017 - Banco de Portugal (Economic Bulletin June 2015)  
2 "Economic European Forecast - Spring 2015" - European Commission

Economic Indicators		2011	2012	2013	2014	2015 <sup>a</sup>	2016 <sup>a</sup>
<b>GDP at market prices</b>	<b>Million EUR</b>	176 167	168 398	169 395	173 045	178 100	183 900
	<b>Real change</b>	-1.8	-4.0	-1.6	0.9	1.7	1.9
	<b>Million USD</b>	245 224	216 358	224 973	229 891	199 472	205 968
Per capita (PPS)	<b>EU = 100</b>	78	76	78	78	80	80
Private consumption	<b>Million EUR</b>	115 961	111 610	111 065	114 245	116 818	120 337
	<b>Real change</b>	-3.6	-5.5	-1.5	2.2	2.0	1.4
Public consumption	<b>Million EUR</b>	34 983	31 177	32 304	32 255	32 200	32 600
	<b>Real change</b>	-3.8	-3.3	-2.4	-0.3	-0.3	0.2
Investment/GFCF	<b>Million EUR</b>	32 452	26 672	24 707	25 183	26 700	27 700
	<b>% of GDP</b>	18.4	15.8	14.6	14.6	15.0	15.1
	<b>Real change</b>	-12.5	-16.6	-6.7	2.5	3.5	4.0
GFCF (excl. construction)	<b>% of GDP</b>	7.6	6.9	7.0	7.4	n.a.	n.a.
	<b>Real change</b>	-15.5	-11.8	3.5	9.6	n.a.	n.a.
<b>Population</b>	<b>'000 inhabitants</b>	10 553	10 508	10 449	10 387	10 338	10 285
<b>Employment</b>	<b>'000 individuals</b>	4 740	4 547	4 429	4 500	4 577	4 610
<b>Unemployment</b>	<b>'000 individuals</b>	688	836	855	726	688	646
<b>Rate of economic activity</b>	<b>% of total pop. &gt; 15 years old</b>	60.5	60.2	59.3	58.8	n.a.	n.a.
<b>Unemployment rate Portugal</b>	<b>% of active population</b>	12.7	15.5	16.2	13.9	13.4	12.6
<b>Overall balance - General Government</b>	<b>% of GDP</b>	-7.4	-5.6	-4.8	-4.5	-3.1	-2.8
<b>Public Debt</b>	<b>% of GDP</b>	111.1	125.8	129.7	130.2	124.4	123.0
<b>Current Account Balance</b>	<b>Billion EUR</b>	-10.6	-3.4	2.4	1.0	2.2	2.6
	<b>% of GDP</b>	-6.0	-2.0	1.4	0.6	1.2	1.4
<b>HCPI - Portugal</b>	<b>Annual change - average</b>	3.6	2.8	0.4	-0.2	0.2	1.3
<b>HCPI - Euro Zone</b>	<b>Annual change - average</b>	2.7	2.5	1.3	0.4	0.1	1.5

Sources: INE - Statistics of Portugal, Banco de Portugal, European Commission, Ameco

Notes: (a) Forecast: Banco de Portugal, European Commission (European Economic Forecast-Spring 2015), Eurostat, Ameco  
Average exchange rate EUR/USD - Banco de Portugal; n.a. - not available

## International trade

According to data released by the Banco de Portugal, in the last five years exports and imports of goods and services registered annual average growth rates of 7.1% and 0.7%, respectively. In the 1st half 2015, exports of goods and services saw an increase of 5.7% in relation to the same period of the previous year, and imports grew by 5.3%, taking the coverage rate to reach 102%. The trade balance of goods and services was positive between 2012 and the 1st half 2015, inverting the negative tendency registered in the last decade

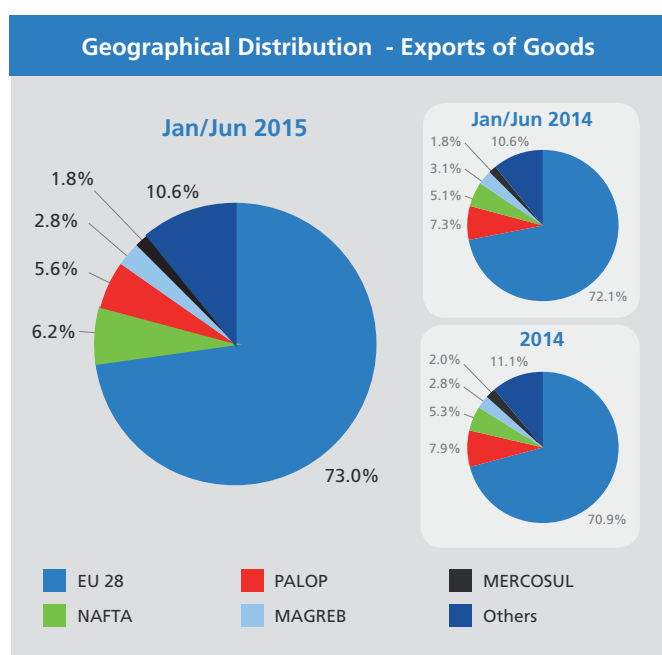
With regards to exports of goods, these increased in the 1st half 2015, year on year, 5.7%, according to INE data, while imports increased 4.1% corresponding to a rate of coverage of 83,9%. The trade balance of goods continued to show a deficit in the 1st half 2015 (in 2014 it showed the second lowest within the last five years).

In 1st half 2015, machinery and tools continue to be the most exported products (14.6% of the total), followed by vehicles and other transport material (12.1%), mineral fuels (8.1%), base metals (8.0%) and plastics and rubber (7.3%). These five main product groups represent about 50.1% of the total exported by Portugal in that period (in relation to 49,4% in 1st half 2014).

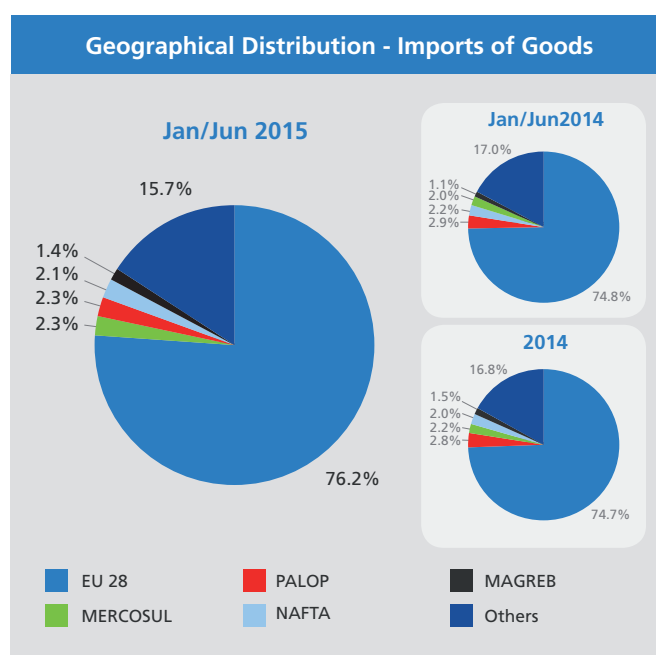
The principal destination for exports of goods is the EU28 (73% of the total in the 1st half 2015), followed by NAFTA (6.2%) and PALOP (5.6%) and being that the EU28 and NAFTA increased their quotas in relation to the same period in 2014, while there was a reduction in the PALOP countries. Portugal's main clients – Spain, France, Germany, United Kingdom and the USA – together represent around 61% of total exports in this period.

The main clients almost remained the same in relation to the 1st half 2014, although the USA rose in its *ranking* position and quota (going from 6th client, with 4.1% quota, to 5th with 5%), while Angola fell (from 4th client with 6% quota, to 6th client with 4.3%).

In relation to the imports of goods, machinery and tools, mineral fuels, vehicles and other transport material, chemicals and agricultural products, lead the *ranking* in foreign purchases made during the 1st half 2015, representing 63.4% of the total. The EU28 was the origin of the majority of imported products over this period with nearly 76.2% of the total, followed by MERCOSUL (2.3%), PALOP (2.3%), and NAFTA (2.1%). Spain, Germany, France, Italy and the Netherlands continue to be the main five suppliers, together representing 62.7% of imports made during the 1st half 2015. Of these countries Spain and France increased their quota and there was a slight decrease in Germany's.



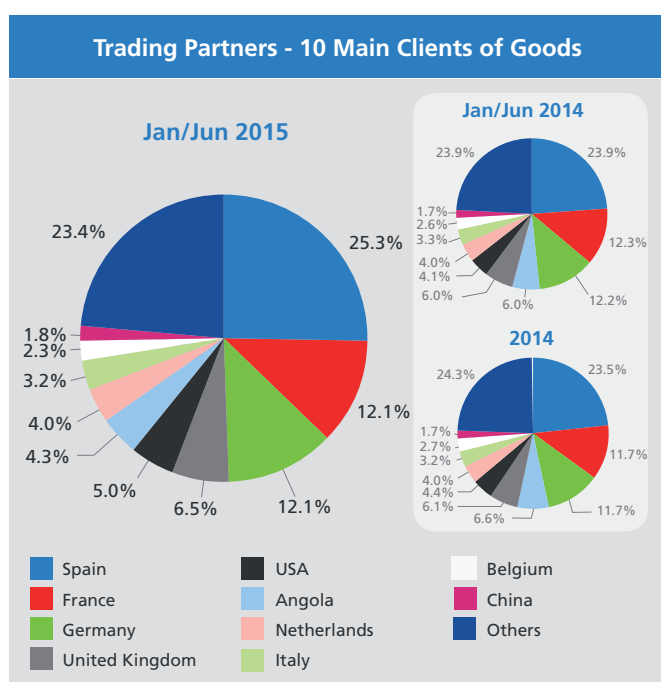
Source: INE - Statistics of Portugal  
Note: 2014 -2015 - preliminary results



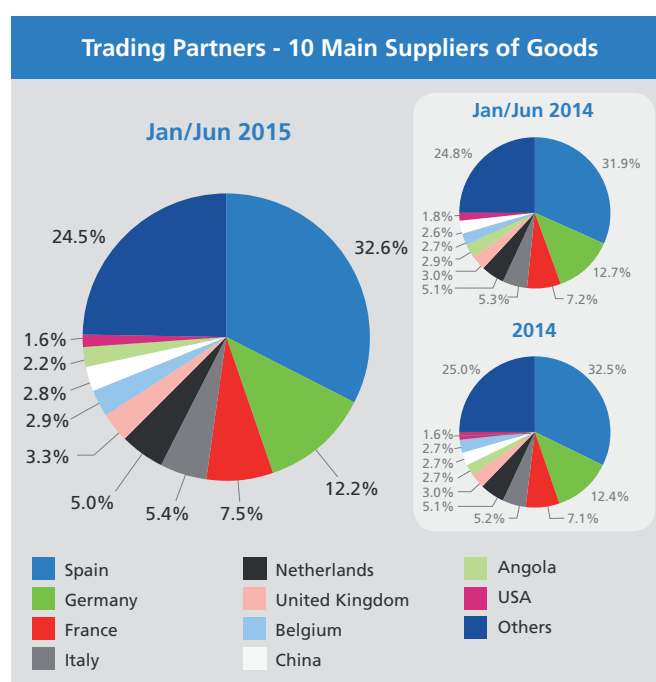
Source: INE - Statistics of Portugal  
Note: 2014 -2015 - preliminary results

Portugal's International Trade		2010	2011	2012	2013	2014	Var. % 14/10 <sup>c</sup>	2015 Jan/Jan	Var. % 15/14 <sup>d</sup>
<b>Trade in goods and services (a)</b>									
<b>Exports (fob)</b>	<b>Million EUR</b>	54 139	61 595	64 372	68 456	70 963	7.1	35 956	5.7
<b>Imports (fob)</b>	<b>Million EUR</b>	66 943	68 048	64 204	65 436	68 753	0.7	35 259	5.3
<b>Balance (fob)</b>	<b>Million EUR</b>	-12 804	-6 452	169	3 020	2 210	--	698	--
	% of GDP <sup>e</sup>	-7.6	-4.3	-0.5	0.9	0.5	--	0.6	--
<b>Trade in goods (b)</b>									
<b>Exports (fob)</b>	<b>Million EUR</b>	37 268	42 828	45 213	47 303	48 177	6.7	25 247	5.7
<b>Imports (cif)</b>	<b>Million EUR</b>	58 647	59 551	56 374	57 013	58 854	0.1	30 089	4.1
<b>Balance (fob-cif)</b>	<b>Million EUR</b>	-21 379	-16 723	-11 161	-9 710	-10 677	--	-4 842	--
	% of GDP <sup>e</sup>	-10.6	-7.9	-5.0	-4.1	-4.4	--	-4.5	--

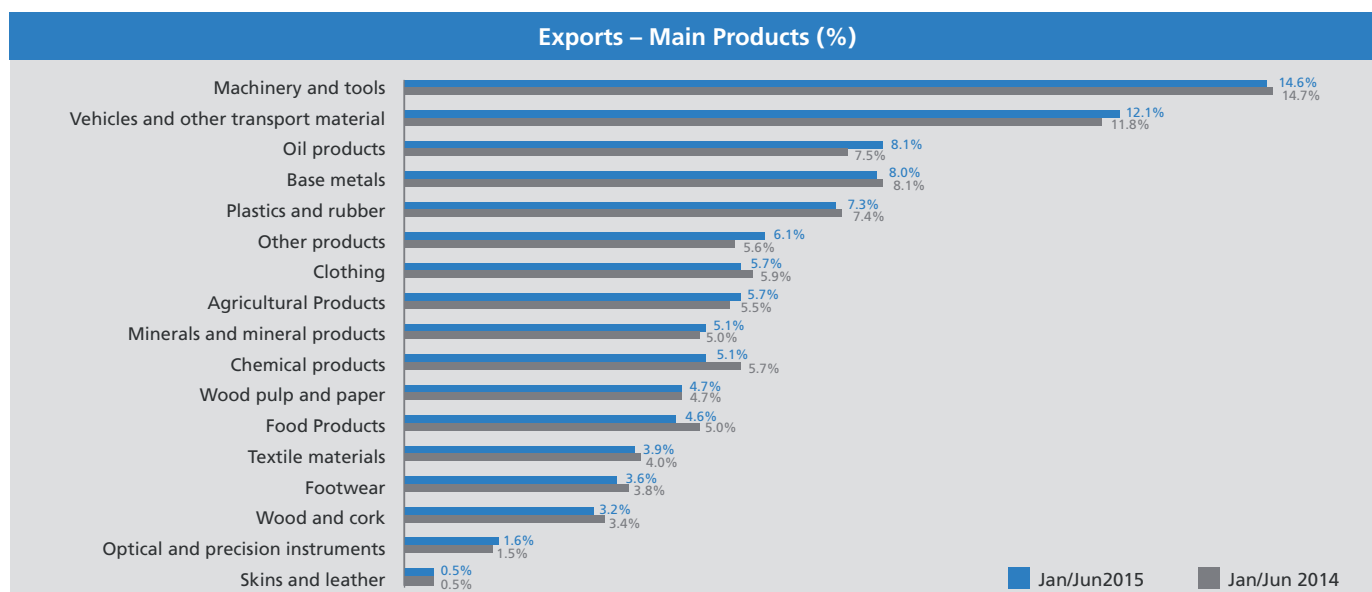
Source: a) Banco de Portugal (Trade in Goods and Services); b) INE - Statistics of Portugal (Trade in Goods); c) Arithmetical annual average growth rate during the period of 2010-2014; d) Annual variation rate 2014-2015; e) Data from National Accounts, Exports and Imports FOB  
Note: 2014-2015 - preliminary results



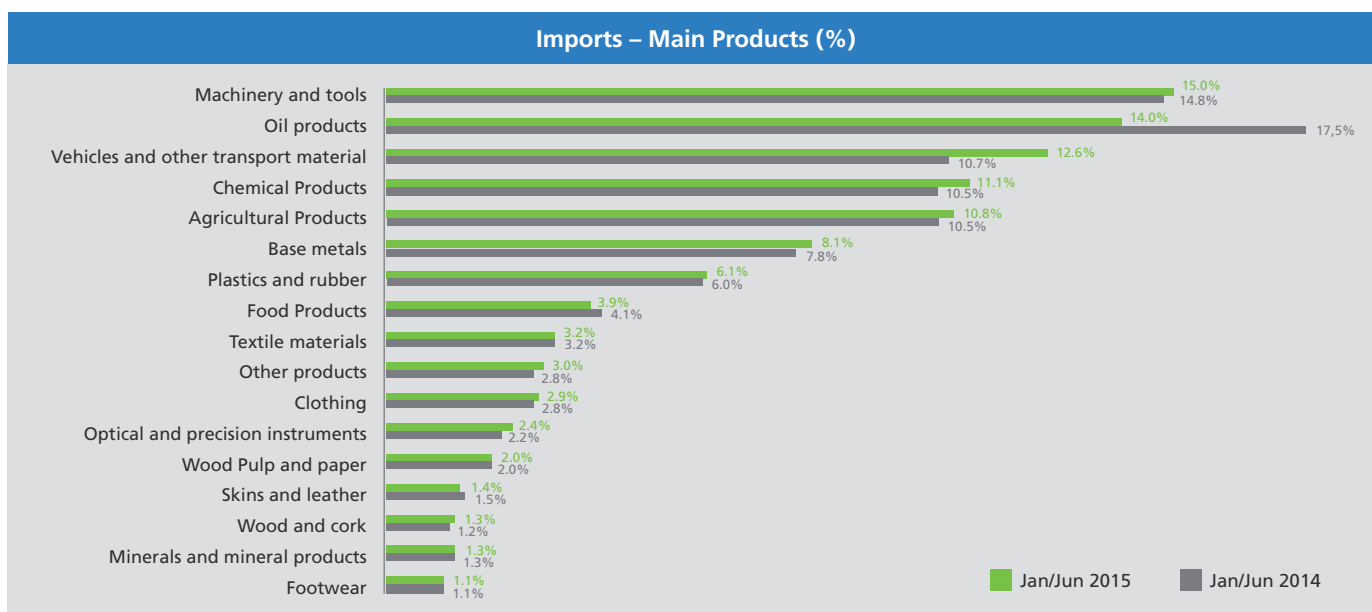
Source: INE - Statistics of Portugal  
Note: 2014 -2015 - preliminary results



Source: INE - Statistics of Portugal  
Note: 2014 -2015 - preliminary results



Source: INE - Statistics of Portugal  
Note: 2014 -2015 - preliminary results



Source: INE - Statistics of Portugal  
Note: 2014 -2015 - preliminary results

## International Investment

### Foreign Direct Investment Flow into Portugal (Directional Principle)

According to data from the Banco de Portugal and the Directional Principle, the flow of Foreign Direct Investment into Portugal (FDI), in net terms, registered an amount close to 4.6 billion Euros in 2014 (+216% in relation to 2013). The highest value in the last five years was registered in 2011, when FDI reached 5.3 billion Euros and in 2012 with 6.4 billion Euros.

The 1st half 2015 the registered value of FDI was around 5.9 billion Euros (+38.9% in comparison to the same period in 2014), exceeding the total value of FDI registered in 2014.

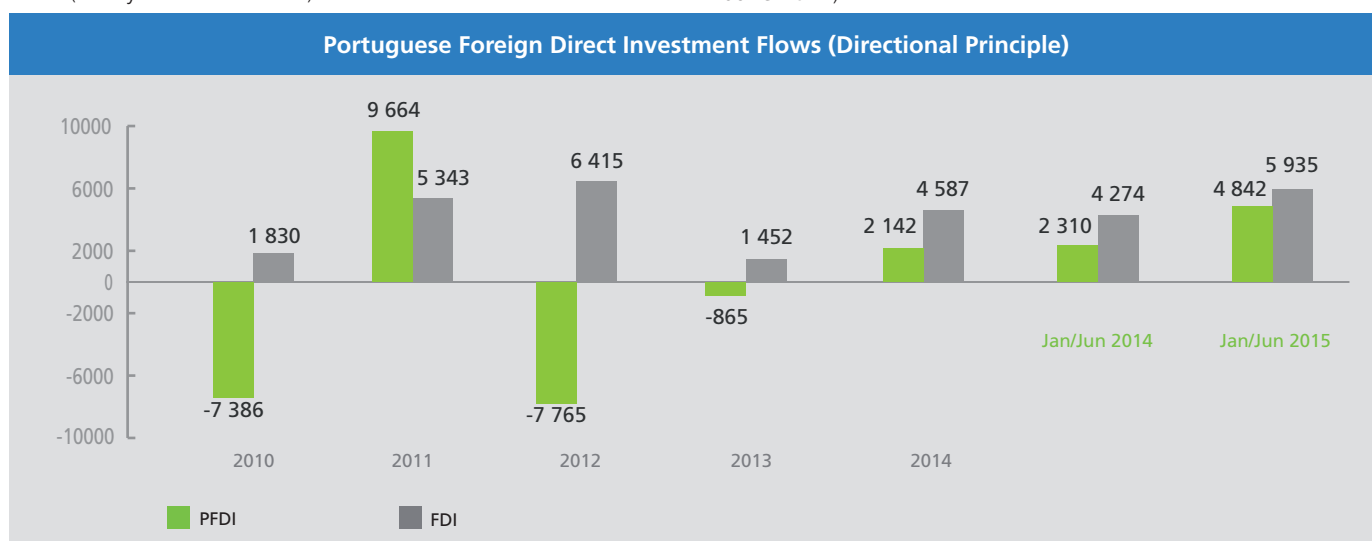
Portuguese Foreign Direct Investment (PFDI) was close to 2.1 billion Euros in 2014 (+347.8% in comparison to the previous year). The highest value during the period 2010-2014 was in 2011 (nearly 9.7 billion Euros).

In the 1st half 2015 PFDI value reached around 4.8 billion Euros (+109.7% compared to the same period in 2014).

### Portuguese External Direct Investment Stock (Directional Principle)

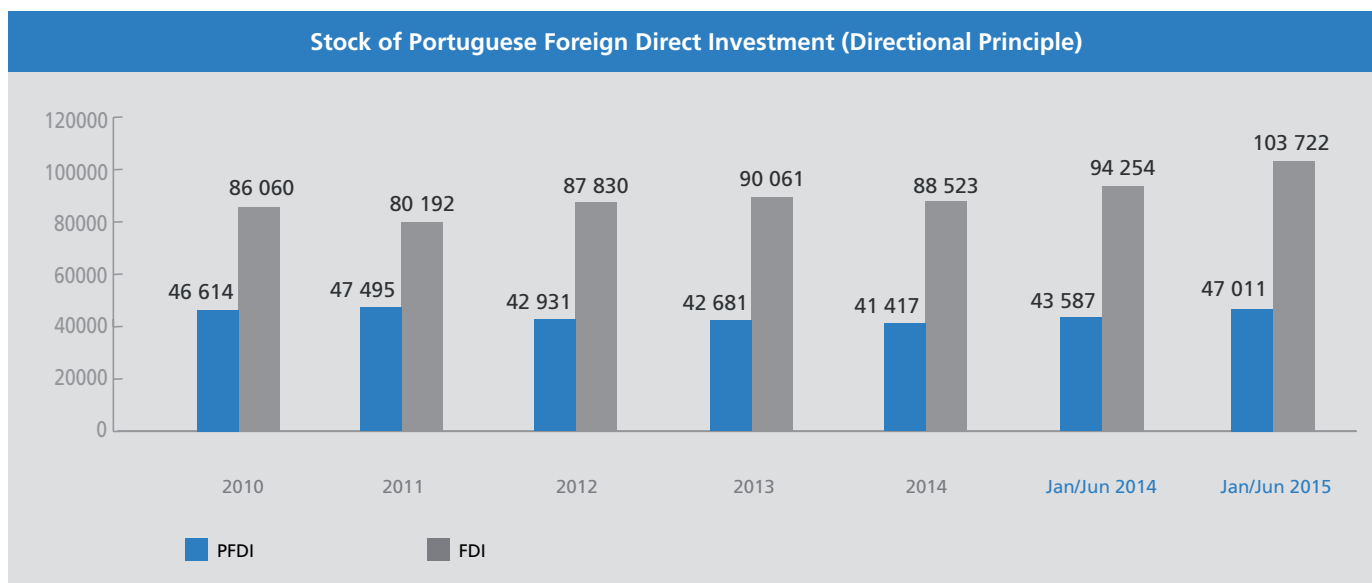
In terms of stock of Foreign Direct Investment (FDI) into Portugal, at the end of December 2014, 88.5 billion Euros (-1.7% in relation to the value in December 2013) were registered. At the end of the 1st half 2015 the stock in FDI in Portugal totalled 103.7 billion Euros (+10% in relation to June 2014)

However, in relation to stock of Portuguese Foreign Direct Investment (PFDI) this represented 41.4 billion Euros in December 2014 (-3% in relation to December 2013). In June 2015 the stock of PFDI rose to nearly 47.0 billion Euros (+7.9% in relation to June 2014).



Source: Banco de Portugal  
Unit: Net Variations in Million of Euros  
Note: Directional Principle: reflects the direction or influence investment, that is, Portuguese Foreign Direct Investment (PFDI) And Foreign Direct Investment (FDI)





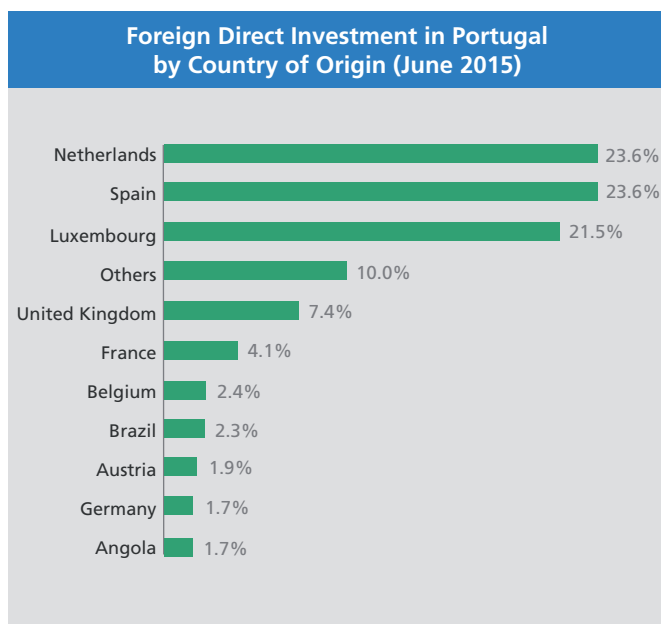
Source: Banco de Portugal  
Unit: Position at the end of the period in Million Euros

### Foreign Direct Investment Stock in Portugal by Country of Origin (Directional Principle)

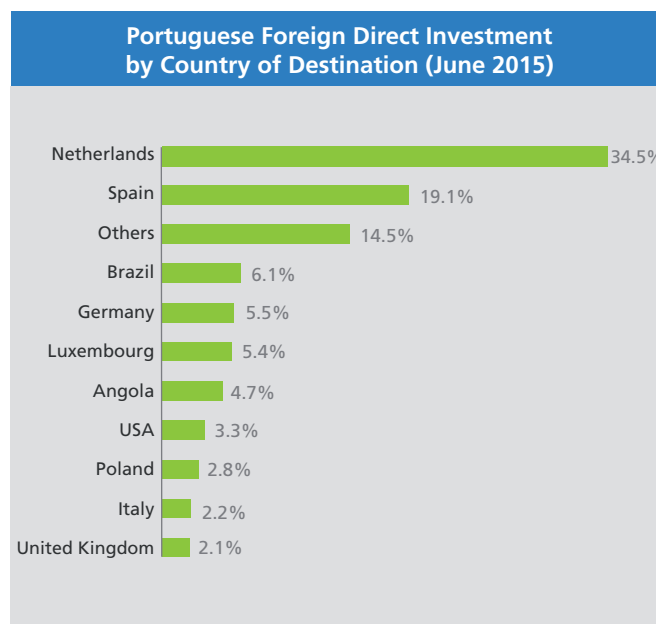
In global terms the European Union was the principle origin of FDI in Portugal, with a quota of 90.3% in June 2015, highlighting, on an intra-Community level, the Netherlands and Spain (with 23.6% of the total, each), Luxembourg (21.5%), United Kingdom and France (7.4% and 4.1% respectively). Within the non-EU countries (9.7% of the total in June 2015), the following countries are highlighted: Brazil, Angola, USA, Switzerland and China with quotas of 2.3%, 1.7%, 1.5%, 1.3% and 0.7% respectively.

### Portuguese Foreign Direct Investment Stock by Country of Destination (Directional Principle)

The European Union was the main destination of PFDI in global terms, with a contribution of 75.1% in June 2015, highlighting, on an intra-Community level, the Netherlands and Spain, with quotas of 34.5% and 19.1% of the total, respectively, followed by Germany with 5.5%. Within the non-EU countries (24.9% of the total in June 2015), the following countries are highlighted: Brazil, Angola and USA, with quotas of 6.1%, 4.7% and 3.3% respectively.



Source: Banco de Portugal  
Unit: Position at the end of June 2015 (% of the total)



Source: Banco de Portugal  
Unit: Position at the end of June 2015 (% of the total)

## Tourism

In 2014, the Portuguese tourism trade balance was 7.1 billion Euros, having increased by 15.4% in relation to 2013.

According to the Banco de Portugal, tourism revenue in Portugal has seen a sustainable growth during the period 2010-2014, having reached nearly 10.4 billion Euros in 2014 (+12.4% in relation to the previous year), a value that represented around 15% of the total of Portuguese exports of goods and services.

In the 1st half 2015 tourism revenue registered a significant increase of 12.2% in relation to the same period of the previous year, reaching nearly 4.6 billion Euros.

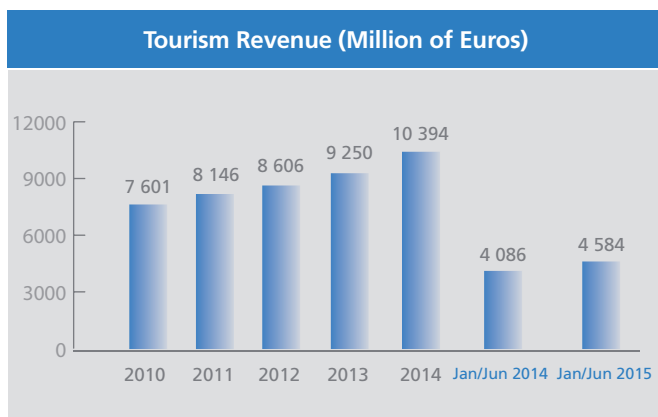
The main markets generating tourism revenue to Portugal, in the 1st half 2015, were the United Kingdom (with 17.2% of the total), France (14.8%), Spain (12.1%), Germany (11.2%) and Angola (6.8%), that together made 62.1% of the total for this period. These five markets registered significant increases, in the order of 10%-21% each (with the exception of France that increased 7% in relation to the same period the previous year). The following should be mentioned Angola (+21% in relation to the 1st half 2014), Germany (+17.8%), Spain (15.5%) and the United Kingdom (+10.5%).

Worth a mention is the USA (6th market in relation to revenue with 4.5% quota, +3.5%), Brazil (8th with 4.2% quota, +6.9%) and Switzerland (10th with 2.5%, +10%).

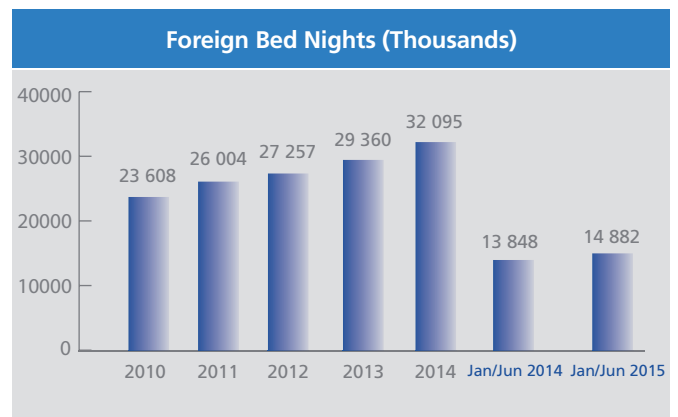
In terms of foreign bed nights, there was an increase of 9.3% in 2014 (in relation to the previous year) reaching 32.1 million (+36% in relation to 2010), according to INE. The development registered in the 1st half 2015 shows an increase of 7.5% in bed nights in relation to the previous year, reaching 14.9 million.

There are five countries that make up 64% of the total bed nights in hotels in the 1st half 2015 – United Kingdom, Germany, France, Spain and the Netherlands – being that the bed nights that increased the most, in this period, were the French, German, Dutch and British tourists (+15%, +11.5%, +5.7% and +5.5% respectively). Even though the following countries, Italian, North American and Belgium, have a reduced quota the increase in bed nights were notable (+27.9%, +15.4% and +14.7% respectively, in relation to the 1st half 2014.)

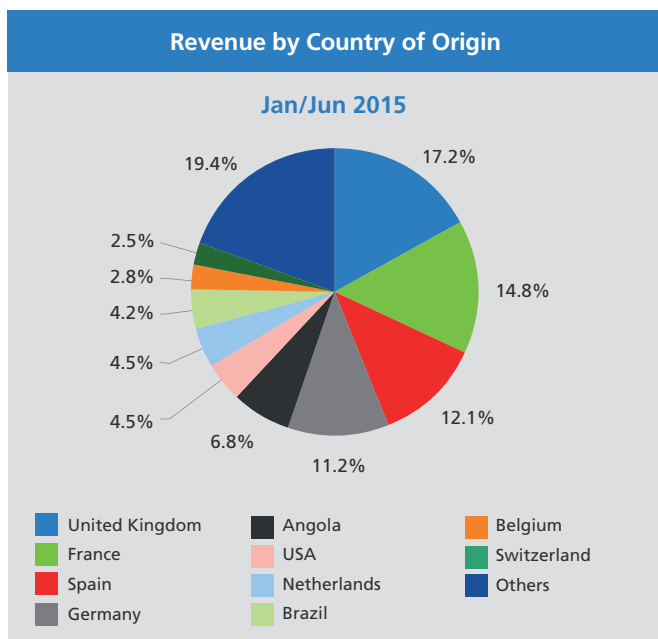
According to the World Tourism Organisation (*UNWTO World Tourism Barometer – April 2015*), in 2014 Portugal was the 26th world market (and 10th in the EU) in terms of tourism revenue and 35th market receiver, having registered 9.3 million tourist arrivals.



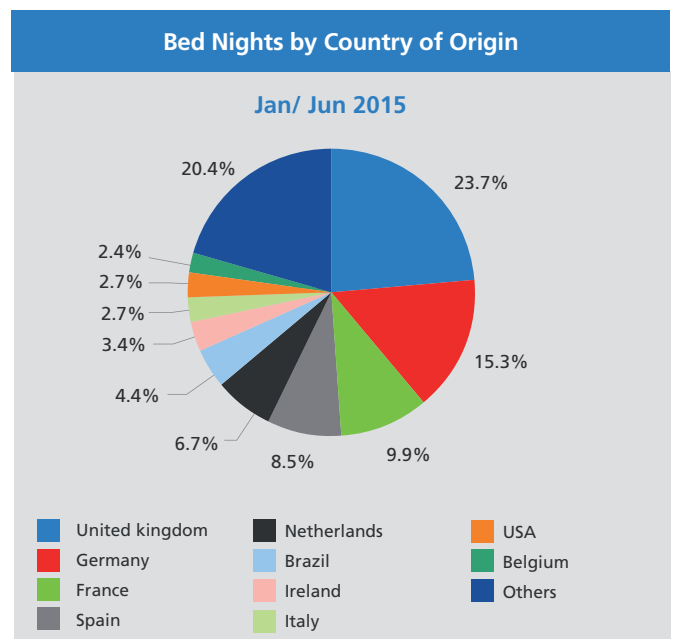
Source: Banco de Portugal



Source: INE - Statistics of Portugal



Source: Banco de Portugal



Source: INE - Statistics of Portugal

# Better Competitive Advantages



## ● + Market

Portugal is an open door to a market of 500 million people in Europe and 250 million Portuguese Speaking consumers.

## ● Better Technology

Portugal is a Top Country in providing technological services.

## ● Better Infrastructures

Portugal ranks 12# among 144 countries, in overall quality of infrastructures.

## ● Better Skills

61% of Portuguese people speak at least 1 foreign language.

## ● Better Quality Of Life

Portugal is not only a good country to invest in but also a great place to live and enjoy. Safe, sunny, with unique nature, rich leisure and cultural amenities, and with high quality healthcare facilities.

## ● Better Talent

Portugal has a strong, flexible, committed and productive workforce with a high level of education in business-oriented areas.

## ● Better Location

Portugal has a privileged location to reach relevant markets.

## ● Better FDI Track Record

Satisfied customers.



**aicep Portugal Global**  
Trade & Investment Agency