



Spring 2007 Economic Outlook for Portugal: Answers from CIP and AIP

MAIN FORECAST

| | 2006 | 2007 | 2008 |
|--------------------------|------|------|------|
| Real GDP growth | 1,2 | 1,8 | 2,1 |
| Consumer price inflation | 3,0 | 2,3 | 2,4 |
| Unemployment rate | 7,6 | 7,5 | 7,2 |
| Employment growth | 0,9 | 1,0 | 1,2 |

Components of aggregate demand

| Annual % change | 2006 | 2007 | 2008 |
|--|------|------|------|
| Private consumption | 1,2 | 1,5 | 1,7 |
| Public consumption | -0,2 | 0,0 | 0,3 |
| Investment (Gross fixed capital formation) | -3,1 | 0,0 | 3,9 |
| Exports | 9,3 | 6,2 | 6,1 |
| Imports | 4,3 | 3,5 | 4,7 |

ECONOMIC SENTIMENT

| | | | | | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Question 1 | Positive | Negative | Unchanged | | |
| Trend in business climate over the next 6 months | Industry | Services | | | |
| Question 2 | Positive | Negative | Unchanged | | |
| Trend in profitability over the next 6 months | | | Industry | Services | |
| Question 3 | Increase (faster pace) | Increase (slower pace) | Unchanged | Decrease (slower pace) | Decrease (faster pace) |
| Trend in investment over the next 6 months (compared to the last 12 months) | Industry | Services | | | |
| Question 4 | Replacement | Extension | Rationalisation | Innovation | |
| Driving force behind investment decisions in the next six months | Up | Up | Up | Up | |
| Question 5 | Positive | Negative | Unchanged | | |
| Trend in consumer confidence over the next 6 months | | | yes | | |
| Question 6 | Industry: past 6 months | Industry: next 6 months | Services: past 6 months | Services: next 6 months | |
| Overall trend in employment | Same | Same | Up | Up | |
| Question 7 | Higher / more difficult | Same | Lower / less difficult | | |
| Compared to 6 months ago, SME's cost/access to capital for business development | Cost | Access | | | |

MAIN RISKS

| | |
|--|------------------------|
| Question 8 | Dollar per euro |
| Above which level of dollar / euro will the European economy be significantly hurt ? | na |
| Question 9 | Dollar per euro |
| Where will the dollar / euro stand in October 2007 ? | 1,30 |

POLICY MIX

| | | | | | | |
|--|---|---------------------------------|--|---|---|-----------------------------------|
| Question 10 | Excellent | Satisfactory | Neither satisfactory nor unsatisfactory | Unsatisfactory | Deteriorating | |
| Fiscal policy: Progress towards the medium-term budgetary objective? | | | yes | | | |
| Question 11 | Tight, appropriate for the euro area | Tight | Appropriate | Loose | Loose, appropriate for the euro area | |
| Monetary policy is... | | | yes | | | |
| Question 12 | Robust growth and above-target inflation | Downside risks to growth | Risks to price stability from high oil prices | Risks to price stability from indirect tax increases | Risks from money supply growth | Risks of euro appreciation |
| ECB policy: Focus on elements of the ECB analysis underlying its current policy stance is... | appropriate | insufficient | appropriate | appropriate | appropriate | insufficient |
| Question 13 | Adequate | Inadequate | | | | |
| Consistency between the fiscal and the monetary policies | yes | | | | | |