

AUTUMN 2010 ECONOMIC OUTLOOK FOR PORTUGAL: ANSWERS FROM AIP AND CIP

MAIN FORECAST

Annual % change	2010	2011*
Real GDP growth	1.2	0.0
Consumer price inflation	1.4	1.8
Unemployment rate	10.6	10.8
Employment growth	-1,4	-0.4
government net lending (% of GDP)	-7,3	-4,6
gross public debt (% of GDP)	82.1	86.6
current account balance (% of GDP)	-10,0	-

Components of aggregate demand - in real terms

Annual % change		
Private consumption	1.8	-0.8
Public consumption	1.5	-1.0
Investment (Gross Fixed Capital Formation)	-4.2	-3.2
Private non-residential investment	n/a	n/a
Exports	7.9	4.5
Imports	4.2	0.4

ECONOMIC SENTIMENT

	<i>Positive</i>	<i>Negative</i>	<i>Unchanged</i>		
Trend in business climate over the next 6 months		Industry Services			
Trend in profitability over the next 6 months		Industry Services			
Investment intentions over the next 6 months	<i>Increase (faster pace)</i>	<i>Increase (slower pace)</i>	<i>Unchanged</i>	<i>Decrease (slower pace)</i>	<i>Decrease (faster pace)</i> Industry Services
Influence on companies' investment decisions	<i>Global demand</i>	<i>Domestic demand</i>	<i>Cost of finance</i>	<i>Availability of finance</i>	<i>Company Profitability</i> <i>Capacity Utilisation</i>
	negative	negative	negative	negative	negative negative
Driving force behind investment decisions in the next 6 months	<i>Replacement</i>	<i>Extension</i>	<i>Rationalisation</i>	<i>Innovation</i>	
	neutral	neutral	positive	positive	
Overall trend in employment	<i>Industry: past 6 months</i>	<i>Industry: next 6 months</i>	<i>Services: past 6 months</i>	<i>Services: next 6 months</i>	
	Same	Down	Same	Down	



ACCESS TO FINANCE AND IMPACT OF THE CRISIS ON POTENTIAL GROWTH

Compared to 6 months ago, cost/access to finance has been...	sharply up / restrained	up / more difficult	same	down / easier
<i>for SMEs</i>		Cost Access		
<i>for larger companies (>250 employees)</i>		Cost Access		

Over the next 6 months, cost /access to finance will be...	sharply up / restrained	up / more difficult	same	down / easier
<i>for SMEs</i>		Cost Access		
<i>for larger companies (>250 employees)</i>		Cost Access		

	Measures to improve bank lending capacity	Facilitating access to capital markets (corporate bonds and stock markets)	Improving conditions for equity financing
Measures to alleviate current financial difficulties for SMEs	Very important effect	Very limited effect	Moderate effect



POLICY MIX

	<i>Tight, appropriate for the euro area</i>	<i>Tight</i>	<i>Appropriate yes</i>	<i>Loose</i>	<i>Loose, appropriate for the euro area</i>
<i>Monetary policy is...</i>					
<i>Consistency between fiscal and monetary policies</i>	<i>adequate</i> yes	<i>inadequate</i>			
<i>Regarding the sustainability of public finances, government shows ...</i>	<i>excellent commitment</i>	<i>satisfactory commitment</i> yes	<i>neither satisfactory nor unsatisfactory commitment</i>	<i>unsatisfactory commitment</i>	<i>no clear commitment creating an extremely worrying situation</i>
<i>Exit Strategies</i>	<i>excessive focus</i>	<i>sufficient focus</i>	<i>neither satisfactory nor unsufficient focus</i>	<i>unsufficient focus</i>	<i>so far ignored</i>
<i>Tight fiscal rules and more effective institutions</i>			yes		
<i>Greater efficiency of public administrations</i>				yes	
<i>Credible cost-cutting measures</i>				yes	
<i>Increased scope of public-private partnerships</i>			yes		
<i>Reform of pension systems</i>		yes			
<i>Improved efficiency of healthcare sector</i>				yes	
<i>Entry Strategies</i>	<i>excessive focus</i>	<i>sufficient focus</i>	<i>neither satisfactory nor unsufficient focus</i>	<i>unsufficient focus</i>	<i>so far ignored</i>
<i>More and better-targeted education and training</i>			yes		
<i>More and better targeted R&D and innovation efforts</i>			yes		
<i>Prioritisation of infrastructure investments</i>	yes				
<i>Growth enhancing tax reforms</i>				yes	
<i>In 2015, the government deficit will...</i>	<i>respect the 3% limit</i> yes	<i>be in balance</i> no			