



SPRING 2011 ECONOMIC OUTLOOK FOR PORTUGAL: ANSWERS FROM AIP AND CIP

MAIN FORECAST

Annual % change	2010	2011
Real GDP growth	1,4	-1,4
Consumer price inflation	1,4	3,6
Unemployment rate	10,8	11,1
Employment growth	-1,5	-0,9
Government net lending (% of GDP)	-8,6	-4,6
Gross public debt (% of GDP)	92,4	97,3
Current account balance (% of GDP)	-9,9	-9,5

Components of aggregate demand - in real terms

Annual % change		
Private consumption	2,0	-1,9
Public consumption	3,2	-6,6
Investment (Gross Fixed Capital Formation)	-4,8	-5,6
Private non-residential investment	n/a	n/a
Exports	8,7	6,0
Imports	5,3	-1,6

ECONOMIC SENTIMENT

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

ACCESS TO FINANCE AND IMPACT OF THE CRISIS ON POTENTIAL GROWTH

<i>Compared to 6 months ago, cost/access to finance has been...</i>	sharply up / restrained	up / more difficult	same	down / easier	
<i>for SMEs</i>		Cost Access			
<i>for larger companies (>250 employees)</i>		Cost Access			
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<i>Over the next 6 months, cost /access to finance will be...</i>	sharply up / restrained	up / more difficult	same	down / easier	
<i>for SMEs</i>	Cost Access				
<i>for larger companies (>250 employees)</i>		Cost Access			
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	Consolidation of banking sector balance sheets	Access to capital markets	Encouraging equity financing through tax reforms	Better use of existing EU instruments (including EIB)	Greater potential for Public-Private-Partnerships
Measures to alleviate current financial difficulties for SMEs	Very important effect	Moderate effect	Very important effect	Important effect	Very limited effect
	Consolidation of banking sector balance sheets	Access to capital markets	Encouraging equity financing through tax reforms	Better use of existing EU instruments (including EIB)	Greater potential for Public-Private-Partnerships
Measures to alleviate current financial difficulties for midsize and large companies	Very important effect	Important effect	Very important effect	Very important 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>adequate</i>	<i>inadequate</i>			
<i>Consistency between fiscal and monetary policies</i>	yes				
	<i>excellent committment</i>	<i>satisfactory committment</i>	<i>neither satisfactory nor unsatisfactory committment</i>	<i>unsatisfactory committment</i>	<i>no clear committment creating an extremely worrying situation</i>
<i>Regarding the sustainability of public finances, government shows ...</i>		yes			
	<i>excessive focus</i>	<i>sufficient focus</i>	<i>neither satisfactory nor insufficient focus</i>	<i>insufficient focus</i>	<i>so far ignored</i>
<i>Exit Strategies</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>excessive focus</i>	<i>sufficient focus</i>	<i>neither satisfactory nor insufficient focus</i>	<i>insufficient focus</i>	<i>so far ignored</i>
<i>Entry Strategies</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>respect the 3% limit</i>	<i>be in balance</i>			
<i>In 2015, the government deficit will...</i>	yes	no			