

PORTUGAL

The expansion has become more broadly based in 2007. Following a period of buoyant export growth, investment is picking up. Growth is expected to strengthen further in 2008 and 2009, largely driven by domestic demand. The still large negative output gap should drive inflation down in 2009. Though gradually declining, unemployment remains high and, as a result, wage increases are set to be moderate.

The budget deficit continues to decline. It is important that the government maintains momentum in structural reforms to ensure further consolidation. This will help to underpin growth in the long run. Further progress in enhancing human capital and increasing competition in the domestic market would also help boost productivity and growth over the longer term.

Portugal: Demand, output and prices

	2004	2005	2006	2007	2008	2009
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	92.3	2.2	1.1	1.3	1.4	1.8
Government consumption	29.7	2.2	-0.5	-0.5	-0.9	-1.2
Gross fixed capital formation	32.6	-3.3	-1.6	2.5	3.8	4.3
Final domestic demand	154.7	1.0	0.2	1.2	1.5	1.8
Stockbuilding ¹	0.7	-0.2	0.0	-0.2	-0.1	0.0
Total domestic demand	155.4	0.8	0.2	1.0	1.4	1.8
Exports of goods and services	41.0	1.2	8.9	6.2	5.6	6.1
Imports of goods and services	52.2	1.9	4.3	3.3	3.5	4.6
Net exports ¹	- 11.3	-0.4	1.0	0.7	0.5	0.2
GDP at market prices	144.1	0.5	1.3	1.8	2.0	2.2
GDP deflator	—	2.8	2.9	2.8	2.4	2.1
<i>Memorandum items</i>						
Harmonised index of consumer prices	—	2.1	3.0	2.4	2.6	2.2
Private consumption deflator	—	2.5	3.3	2.7	2.5	2.2
Unemployment rate	—	7.7	7.7	7.9	7.6	7.3
Household saving ratio ²	—	9.0	8.4	7.5	7.5	7.5
General government financial balance ³	—	-6.1	-3.9	-3.0	-2.4	-1.5
Current account balance ³	—	-9.7	-9.4	-8.1	-8.2	-7.9

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of disposable income.

3. As a percentage of GDP.

Source: OECD Economic Outlook 82 database.