

PORTUGAL

The expansion, which has been increasingly underpinned by domestic demand, continued in 2007. Growth is expected to slow somewhat in 2008 and 2009 owing to a weaker world economy and tighter credit market conditions. Accordingly, the unemployment rate is likely to remain at its current high level. A sizeable negative output gap is expected to contain underlying inflation pressures despite higher food and energy prices.

The budget deficit shrank further in 2007, falling below 3% of GDP. Additional fiscal consolidation and structural reforms are called for despite the weaker external environment. The lower fiscal deficit, greater public sector efficiency and a more favourable business environment are important assets that will help sustain private sector confidence and economic growth.

Portugal: Demand, output and prices

	2004	2005	2006	2007	2008	2009
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	92.3	2.0	1.1	1.5	1.4	1.6
Government consumption	29.7	3.2	-1.2	0.3	0.5	0.5
Gross fixed capital formation	32.6	-0.9	-1.0	3.2	3.0	3.1
Final domestic demand	154.7	1.6	0.2	1.6	1.6	1.7
Stockbuilding ¹	0.7	0.0	0.1	0.0	0.1	0.0
Total domestic demand	155.4	1.6	0.3	1.6	1.6	1.7
Exports of goods and services	41.0	2.0	9.2	7.1	4.0	5.3
Imports of goods and services	52.2	3.5	4.6	5.4	3.7	4.3
Net exports ¹	- 11.3	-0.8	1.1	0.1	-0.2	0.0
GDP at market prices	144.1	0.9	1.3	1.9	1.6	1.8
GDP deflator	—	2.5	2.7	3.0	2.7	2.1
<i>Memorandum items</i>						
Harmonised index of consumer prices	—	2.1	3.0	2.4	3.0	2.2
Private consumption deflator	—	2.7	3.3	2.7	3.0	2.2
Unemployment rate	—	7.7	7.7	8.0	7.9	7.9
Household saving ratio ²	—	9.2	7.9	6.4	6.2	6.5
General government financial balance ^{3,4}	—	-6.1	-3.9	-2.7	-2.2	-2.0
Current account balance ³	—	-9.5	-10.1	-9.8	-11.6	-11.6

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.

4. Based on national accounts definition.

Source: OECD Economic Outlook 83 database.