

Portugal - Basic Data

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aicep Portugal Global

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Background

Mainland Portugal is geographically located in Europe's West Coast, on the Iberian Peninsula. It is bordered by Spain to the North and East and by the Atlantic Ocean to the West and South, therefore being in a geo strategic location between Europe, America and Africa.

In addition to the mainland, Portugal's territory also includes the Autonomous Regions of the Azores and Madeira, two archipelagos located in the Atlantic Ocean.

Portuguese borders have remained unchanged since the XIII Century, making Portugal one of the oldest countries in the world, with nearly 900 years of history that clearly demonstrates its strong identity and internal cohesion.

Population and language

Portugal's population is estimated at 10.3 million, of which 50% are economically active. The demographic concentration is higher near the coastal areas, with Lisbon (the capital city) and Porto showing the highest population density.

The Portuguese language is spoken by more than 200 million people spread over all continents: Europe, Africa, America and Asia. This diversity greatly contributes to the strong historical and cultural ties that Portugal has with the world.

Politics

The Republic of Portugal is a Parliamentary democracy, based on the respect and the effective guarantees for fundamental rights and freedoms and the separation and interdependence of powers. Under the Portuguese Constitution, sovereign powers are vested in the President of the Republic, the Assembly of the Republic, the Government and the Courts.

The President of the Republic is the Head of State, elected by direct universal suffrage for a five year term, with a maximum of two terms. The current President of the Republic is Marcelo Rebelo de Sousa, who was elected in January 2016.

Legislative power lies with the Parliament (Assembly of the Republic) represented by 230 members which are elected by popular vote to serve a four year term.

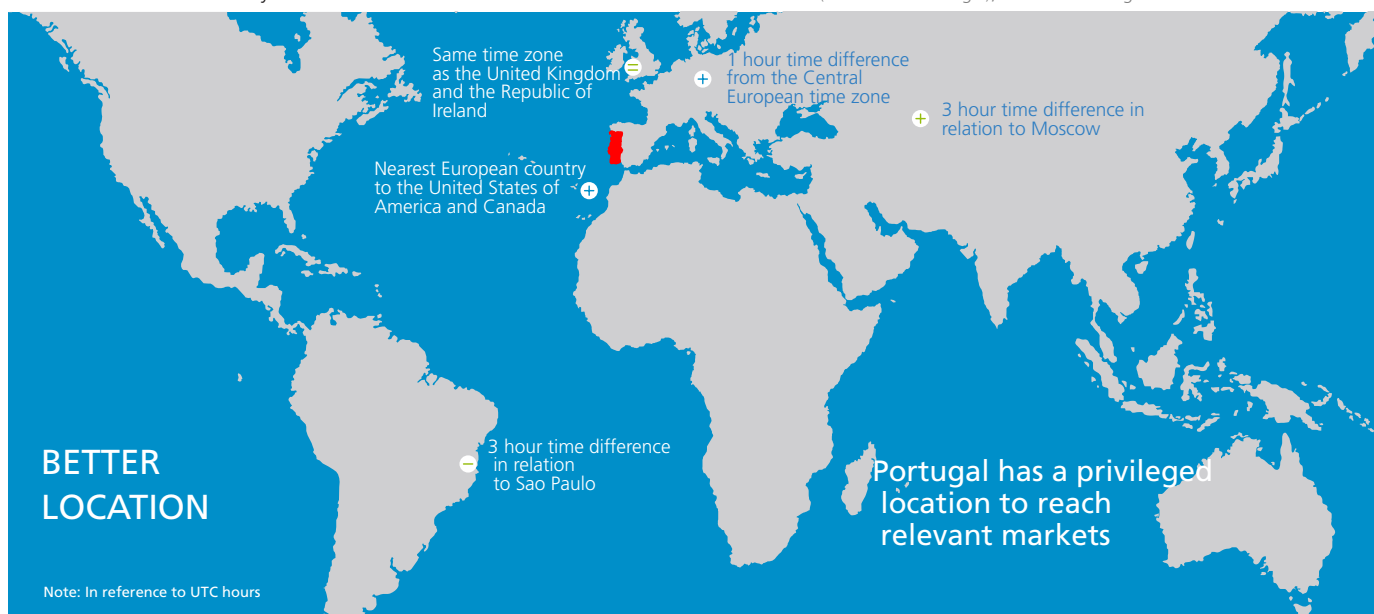
Executive power lies with the Government, headed by the Prime Minister, the Ministers and the Secretaries of State. The current Prime-Minister is António Costa, leader of the socialist party, who took office in November 2015.

The Portuguese judicial system consists of several categories of Court, independent of each other, with their own structure and rules. Two of these categories are composed only by one Court (the Constitutional Court and the Court of Auditors). The Judicial, Administrative and Fiscal Courts are numerous, hierarchically structured and respond to a Supreme Court. In addition, there are Maritime Courts, Courts of Arbitration and Justices of the Peace.

Summary

Area:	92 212 .0 sq km
Population (thousands):	10 337 (2015)
Working population (thousands):	5 195 (2015)
Population density (inhabit./sq km):	112.6 (2015)
Official designation:	Republic of Portugal
Capital:	Lisbon (2.1 million inhabit.– metropolitan area)
District Capitals:	Aveiro, Beja, Braga, Bragança, Castelo Branco, Coimbra, Évora, Faro, Funchal (in Madeira), Guarda, Leiria, Ponta Delgada (in the Azores), Portalegre, Porto, Santarém, Setúbal, Viana do Castelo, Vila Real and Viseu.
Main religion:	Roman Catholic
Language:	Portuguese
Currency:	Euro (in units of 100 cents)
	EUR = 200.482 PTE (fixed parity 1/01/99)
	EUR = 1.1095 USD (average rate in 2015)
	EUR = 1.1093 USD (average rate in February 2016)

Source: INE (Statistics of Portugal), Banco de Portugal



Infrastructures

Road Infrastructures: Portugal has a developed road network, comprised of motorways (AE), main roads (IP), secondary roads (IC), national roads (EN) and municipal routes. The mainland road network reached 14 310 km, of which 2 988 km was motorway, more than 1/5 of the total road network.

Rail Network: The rail network comprises 2 544 km providing North-South connection down the coastline and East-West across the country. Railway network density tends to be more significant in regions with a higher population concentration.

Airports: There are 15 airports. On the mainland the three major international airports are located in the coastal cities of Lisbon, Porto and Faro. Due to the isolation of the Autonomous Regions there are a larger number of airports. The Azores have nine and Madeira has two. Most international airlines serve the country's main airports.

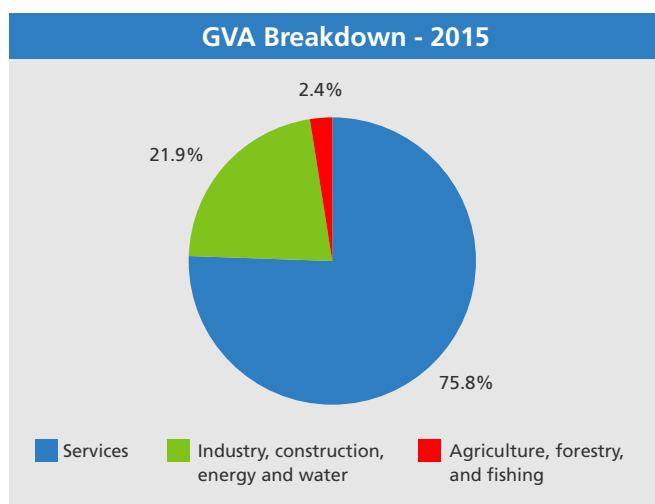
Maritime Routes: Mainland Portugal has nine major ports: Viana do Castelo and Leixões, in the North; Aveiro and Figueira da Foz, in the Centre; Lisbon and Setúbal in the Lisbon region; Sines in the Alentejo; Faro and Portimão in the Algarve. The Autonomous Region of the Azores has five ports and the Autonomous Region of Madeira has three. Only Lisbon and Leixões on the mainland offer passenger services. The port infrastructure is thus primarily geared to handling goods. This is particularly so at Sines (50% of total in 2015), Leixões (21%) and Lisbon (13%).

Economy

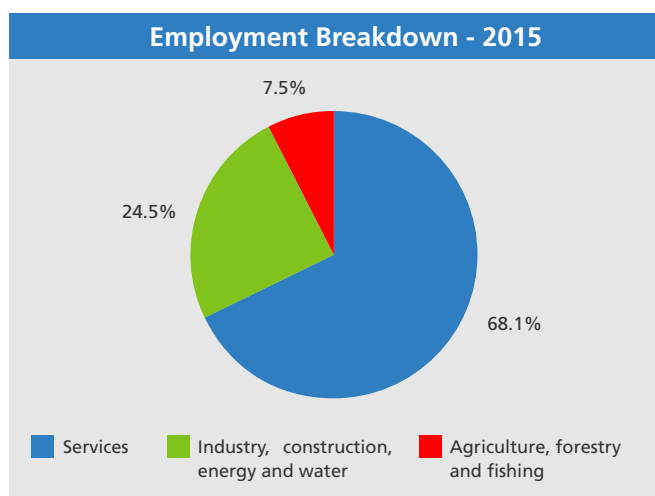
Economic structure

Following the trend of its European partners, over the last decades one of the most important characteristics of the structure of the Portuguese economy is the increase in the services sector that contributed, in 2015, with 75.8% of GVA and employed 68.1% of the population. Agriculture, forestry and fishing generated only 2.4% of GVA and 7.5% of employment while industry, construction, energy and water represented 21.9% of GVA and 24.5% of employment.

In the last decade, apart from a greater focus and diversification of services within the economic activity, there was in the transformation industry in Portugal a significant change in its specialization. Coming from a dependence on traditional industrial activities to a situation where new sectors, with a larger amount of technology, have gained importance and significant growth, sectors such as the automotive and components sector, electronics, energy, pharmaceutical sector and industries related to new technologies of information and telecommunications. Within the services sector, the importance of tourism should be emphasized, benefiting from Portugal's geographical position, the Mediterranean climate, moderated by the influence of the Atlantic and its extensive coastline.



Source: INE (Statistics of Portugal)
Note: GVA - Gross Value-added



Source: INE (Statistics of Portugal)

Current economic situation and outlook

In May 2014, the Government announced the end of the Economic and Financial Assistance Programme - PAEF (agreed with the EU and the IMF in May 2011), without resorting to additional external financial assistance thus gaining access to international debt markets.

After three years of the Programme, the Portuguese economy has made significant progresses in the correction of a number of macroeconomic imbalances, having implemented measures of a structural character in several areas. According to the Banco de Portugal, the PAEF objectives were globally met in certain aspects of the Portuguese economy, such as - the net financing capacity in relation to the exterior, the primary structural adjustment (around 8% during the 2010-2014 period) in accordance with the IMF, ongoing budget consolidation, as well as the transfer of resources from the non-tradable sector to tradable - were several of the favourable elements that contributed to the process for sustainable growth.

In 2015, according to the INE, the Portuguese economy registered an increase of 1.5% in volume, year on year (after +0.9% in

2014). This recovery was due to the positive performance of domestic demand (+2.4% in relation to 2014), reflected in the increase of private consumption (+2.6%) and an increase in public consumption (+0.8% in relation to the previous year, after various years of successive falls). Also the net fixed capital formation increased in 2015 (+3.7%). The increase of real export growth in goods and services was 5.1% during the last year (with the goods sector increasing 5.8% and services 3.1%), while imports increased 7.3%. The contribution of net external demand affected the GDP variation less (-1.0% in 2015), reflecting an additional impetus in the exports of goods and services. The external balance of goods and services, in nominal terms, increased to 0.8% of GDP in 2015.

The last projections from the Banco de Portugal (BdP) for the 2016-2017¹ period point to a continued gradual recuperation of the Portuguese economy, indicating an increase of GDP of 1.5% and 1.7% respectively (the forecast of the European Commission for the Euro Area² is 1.7% in 2016 and 1.9% in 2017). The increase in the Portuguese economy is based on the growth of internal demand (+1.4% in 2016 and +2.0% in 2017), hand in hand with the growth in the export of goods and

services (+2.2% in 2016 and +5.1% in 2017), both in the goods and services sector, especially in tourism. The gross fixed capital formation should decrease in 2016 (+0,7%) and accelerate in 2017 (+4,5%).

According to the Banco de Portugal, the volume of exports in GDP should continue to increase in the next few years and is predicted to reach 42% in 2018 (40% in 2015). The Portuguese economy's financing capacity should continue stable, foreseeing a combined current and capital account of 2% of GDP during the 2016-2017 period (2.9% in 2016 and 2.3% in 2017).

According to the European Union (*Economic European Forecast – Winter 2016*), the growth in employment slowed at the end of 2015, seeing an annual average of 1.1% (1.4% in 2014). A more moderate increase is predicted for the 2016-2017 period. The level of unemployment, estimated at 12.6% of the active population in 2015, should continue to decrease, expecting it to go below 11% in 2017. Public deficit should be reduced to 3.4% of GDP in 2016 and 3.5% in 2017. The ratio of Government debt to GDP should decrease over this period.

¹ "Projections for the Portuguese Economy: 2016-2018" - Banco de Portugal (march 2016)

² "Economic European Forecast - Winter 2016" - European Commission

Economic Indicators		2012	2013	2014	2015	2016 ^a	2017 ^a
GDP	Million EUR	168 398	170 269	173 446	179 405	184 424	190 253
	Real change	-4.0	-1.1	0.9	1.5	1.5	1.7
	Million USD	216 358	226 135	230 423	199 050	201 022	207 376
Per capita (PPS)	EU = 100	77.3	77.1	77.9	78.2	78.6	78.9
Private consumption	Million EUR	111 610	111 144	114 360	118 183	121 013	124 522
	Real change	-5.5	-1.2	2.2	2.6	1.8	1.9
Public consumption	Million EUR	31 177	32 501	32 165	32 589	32 955	33 517
	Real change	-3.3	-2.0	-0.5	0.8	1.1	0.4
Investment/GFCF	Million EUR	26 672	25 122	25 772	26 871	27 840	29 298
	% of GDP	15.8	14.8	14.9	15.0	15.1	15.4
	Real change	-16.6	-5.1	2.8	3.7	0.7	4.5
GFCF (excl. construction)	% of GDP	6.9	7.0	7.4	7.4	n.a.	n.a.
	Real change	-11.8	4.1	9.3	3.2	n.a.	n.a.
Population	'000 inhabitants	10 508	10 449	10 387	10 337	10 293	10 245
Employment	'000 individuals	4 547	4 429	4 500	4 549	4 635	4 668
Unemployment	'000 individuals	836	855	726	646	599	552
Rate of economic activity	% of total population > 15 years old	60.2	59.3	58.8	58.6	n.a.	n.a.
Unemployment rate Portugal	% of active population	15.5	16.2	13.9	12.4	11.7	10.8
Overall balance - General Government	% of GDP	-5.7	-4.8	-7.2	-4.2	-3.4	-3.5
Public Debt	% of GDP	126.2	129.0	130.2	129.1	128.5	127.2
Current Account Balance	Billion EUR	-3.2	2.5	0.2	0.8	1.9	2.1
	% of GDP	-1.9	1.5	0.1	0.5	1.1	1.1
HCPI – Portugal	Annual change – average	2.8	0.4	-0.2	0.5	0.7	1.1
HCPI – Euro Area	Annual change – average	2.5	1.3	0.4	0.0	0.5	1.5

Sources: INE - Statistics of Portugal, Banco de Portugal, European Commission, Eurostat

Notes: (a) Forecast: Banco de Portugal, European Commission (European Economic Forecast - Winter 2016), Ameco

Average exchange rate EUR/USD - Banco de Portugal; n.a. - not available

International trade

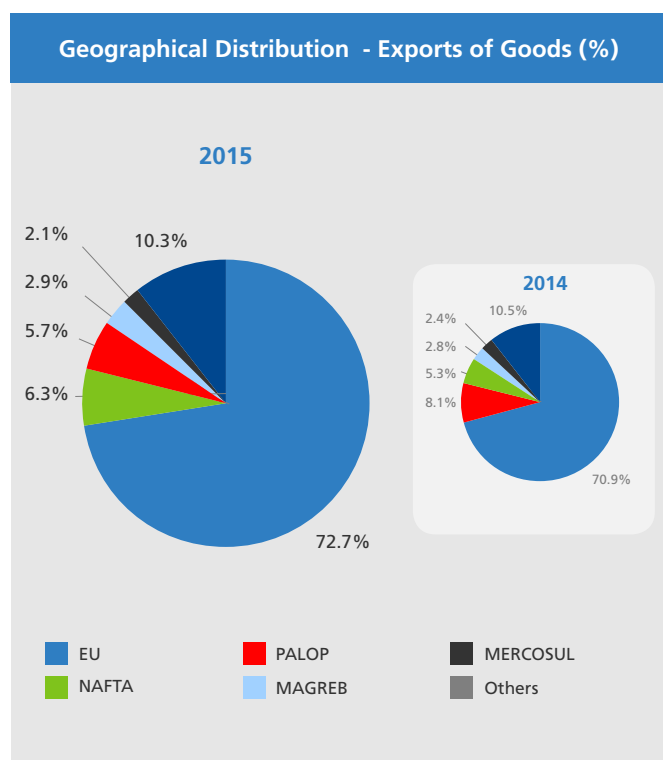
According to data released by the Banco de Portugal, in the last five years, exports and imports of goods and services registered annual average growth rates of 4.7% and 1.1%, respectively. In 2015, exports of goods and services saw an increase of 4.7% in relation to the same period of the previous year, and imports grew by 3.2%, taking the coverage rate to reach 104.4%. The trade balance of goods and services was positive between 2012 and 2015, inverting the negative tendency registered in the past.

With regards to the exports of goods, in 2015 there was an increase of 3.6%, year on year, according to INE data, while imports increased 1.9%, corresponding to a rate of coverage of 82.9%. The trade balance of goods continues to show a deficit in 2015, although of less 5.2% in relation to the previous year.

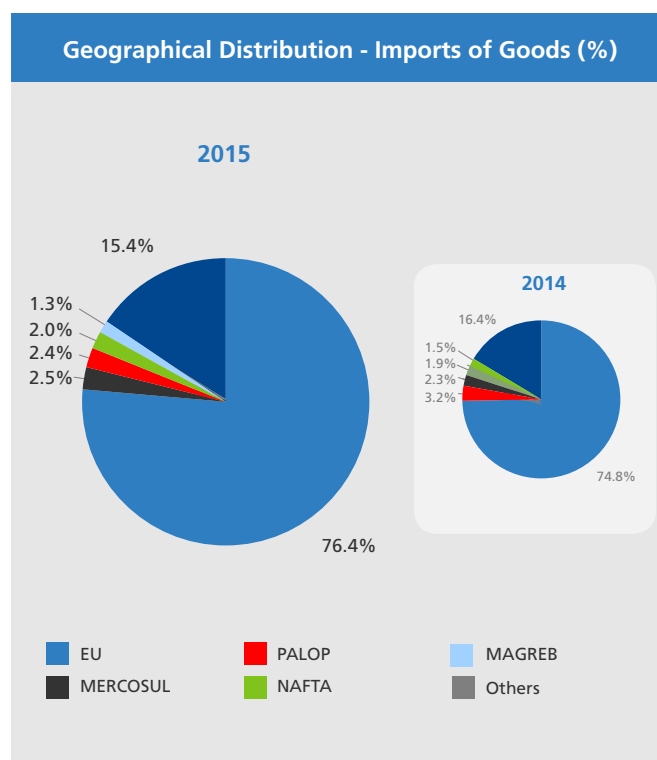
In 2015 machinery and tools continue to be the most exported products (14.6% of the total), followed by vehicles and other transport material (11.4%), mineral fuels (7.7%), base metals (7.6%) and plastics and rubber (7.4%). These five main product groups represent about 48.6% of the total exported by Portugal in that period.

The principal destination for exports of goods is the EU (72.7% of the total in 2015), followed by NAFTA (6.3%), PALOP (5.7%), MAGREB (2.9%) and MERCOSUL (2.1%). It should be noted that the EU, NAFTA and MAGREBE increased their quotas in relation to 2014, while there was a reduction in the PALOP and MERCOSUL countries. Portugal's five main clients – Spain, France, Germany, United Kingdom and the USA – together represent around 60.8% of total exports in 2015. The main clients remained almost the same in relation to 2014, although the USA rose in its *ranking* position and quota (going from 6th client with 4.4% quota, to 5th with 5.2%), while Angola fell (from 4th client with 6.6% quota, to 6th client with 4.2%).

In relation to the imports of goods, machinery and tools, mineral fuels, vehicles and other transport material, chemicals and agricultural products, lead the ranking in foreign purchases made in 2015, representing 62.7% of the total. The EU was the origin of the majority of imported products over this period with nearly 76.4% of the total, followed by MERCOSUL (2.5%), PALOP (2.4%), NAFTA (2.0%) and MAGREB (1,3%). Spain, Germany, France, Italy and the Netherlands continue to be the main five suppliers, together representing 63.5% of imports made in 2015. To be noted is the increased quota of the first four and the maintenance of quota of the last.



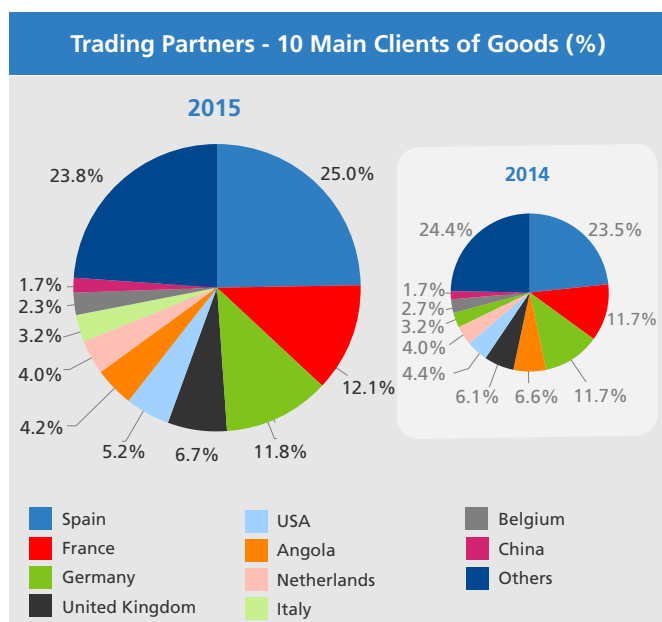
Source: INE - Statistics of Portugal
Note: 2014 -2015 - preliminary results



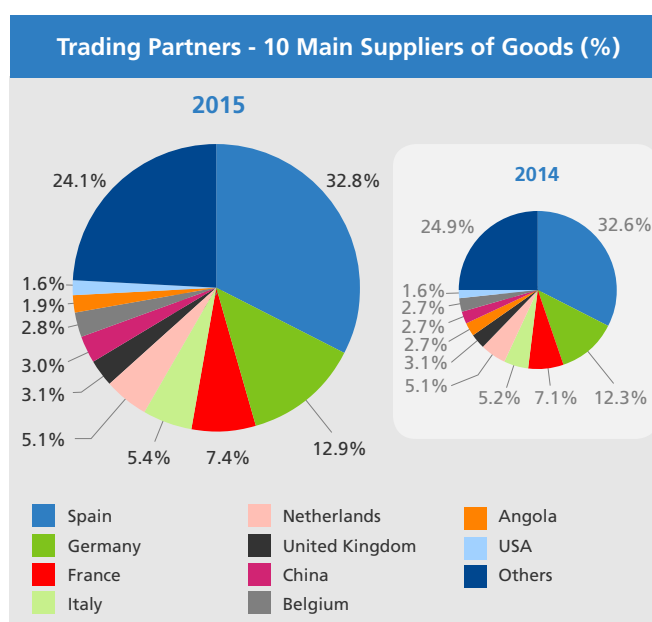
Source: INE - Statistics of Portugal
Note: 2014 -2015 - preliminary results

Portugal's International Trade		2011	2012	2013	2014	2015	Var. % 15/11 ^c	Var. % 15/14 ^d
Trade in goods and services ^(a)								
Exports (fob)	Million EUR	61 595	64 372	68 587	70 747	74 064	4.7	4.7
Imports (fob)	Million EUR	68 048	64 204	65 455	68 781	70 950	1.1	3.2
Balance (fob)	Million EUR	-6 452	169	3 132	1 965	3 114	--	--
	% of GDP ^e	-4.3	-0.5	1.0	0.4	0.8	--	--
Trade in goods ^(b)								
Exports (fob)	Million EUR	42 828	45 213	47 303	48 105	49 816	3.9	3.6
Imports (cif)	Million EUR	59 551	56 374	57 013	58 976	60 118	0.3	1.9
Balance (fob-cif)	Million EUR	-16 723	-11 161	-9 710	-10 872	-10 302	--	--
	% of GDP ^e	-7.9	-5.0	-4.0	-4.6	-4.2	--	--

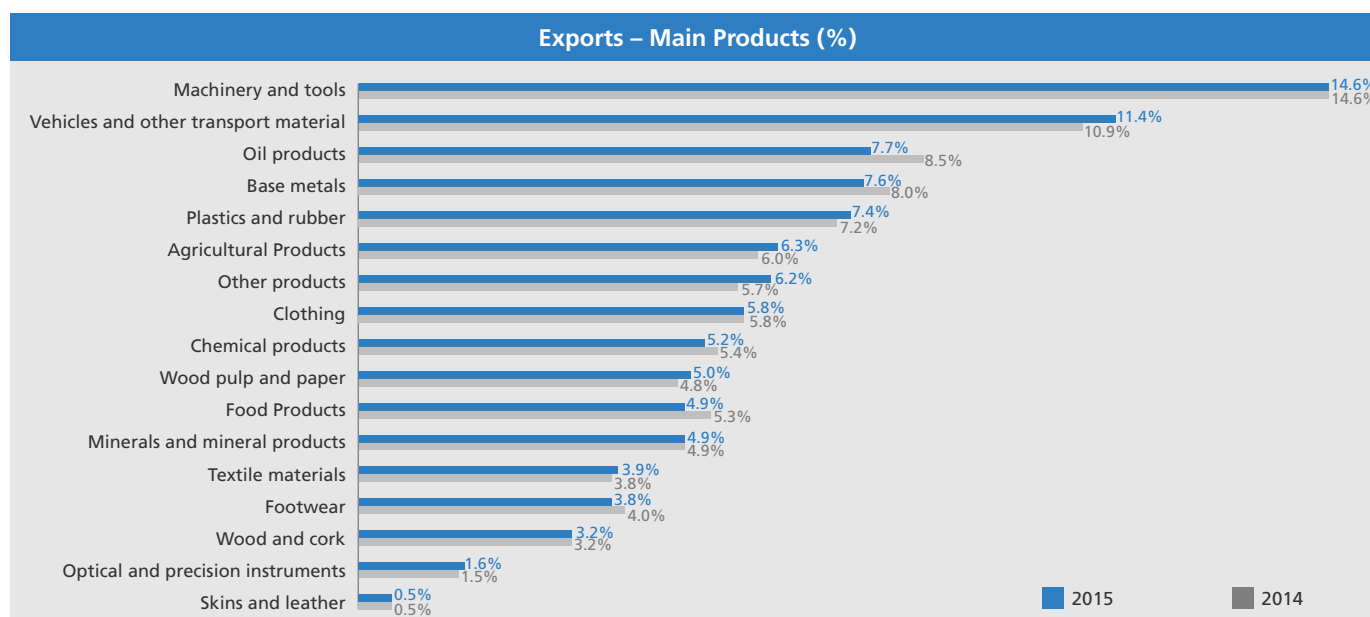
Source: a) Banco de Portugal (Trade in Goods and Services); b) INE - Statistics of Portugal (Trade in Goods);
Notes: c) Arithmetical average of the annual growth rate during the period of 2011-2015; d) Annual variable rate 2014-2015;
e) Data from National Accounts, Exports and Imports FOB
2014-2015 - preliminary results



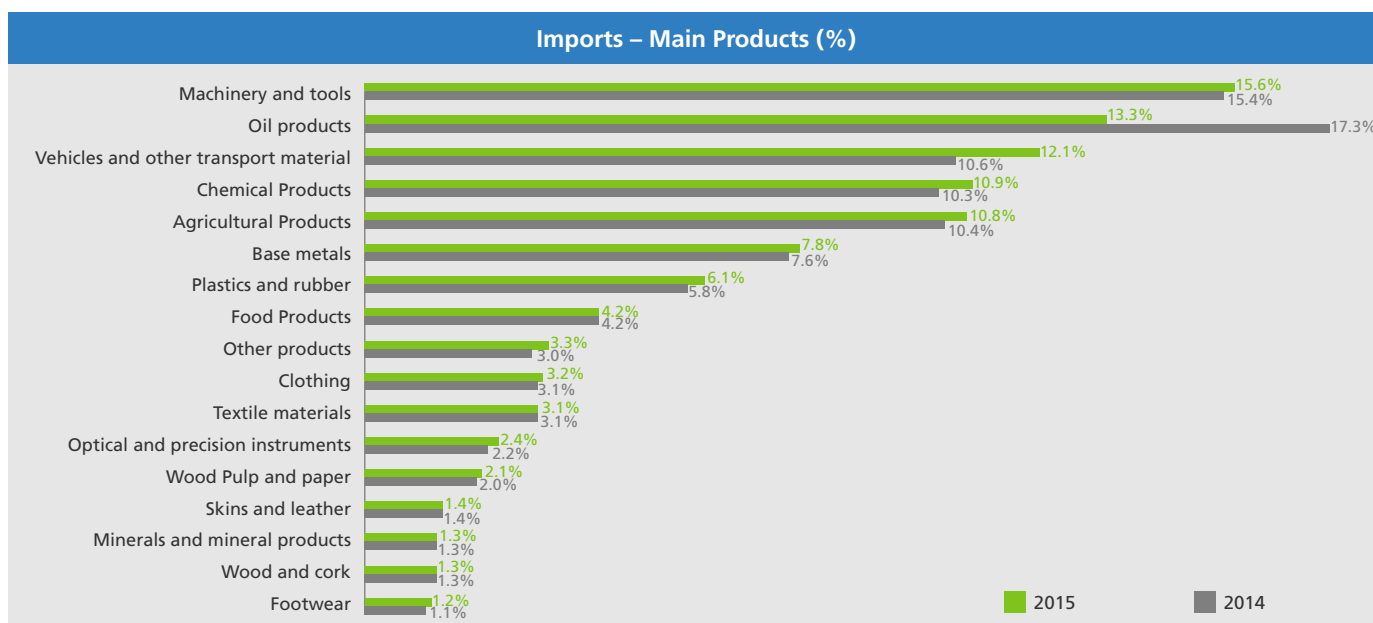
Source: INE - Statistics of Portugal
Note: 2014 -2015 - preliminary results



Source: INE - Statistics of Portugal
Note: 2014 -2015 - preliminary results



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Note: 2014 -2015 - preliminary results



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Note: 2014 -2015 - preliminary results

International Investment

Foreign direct investment flow into Portugal (Directional principle)

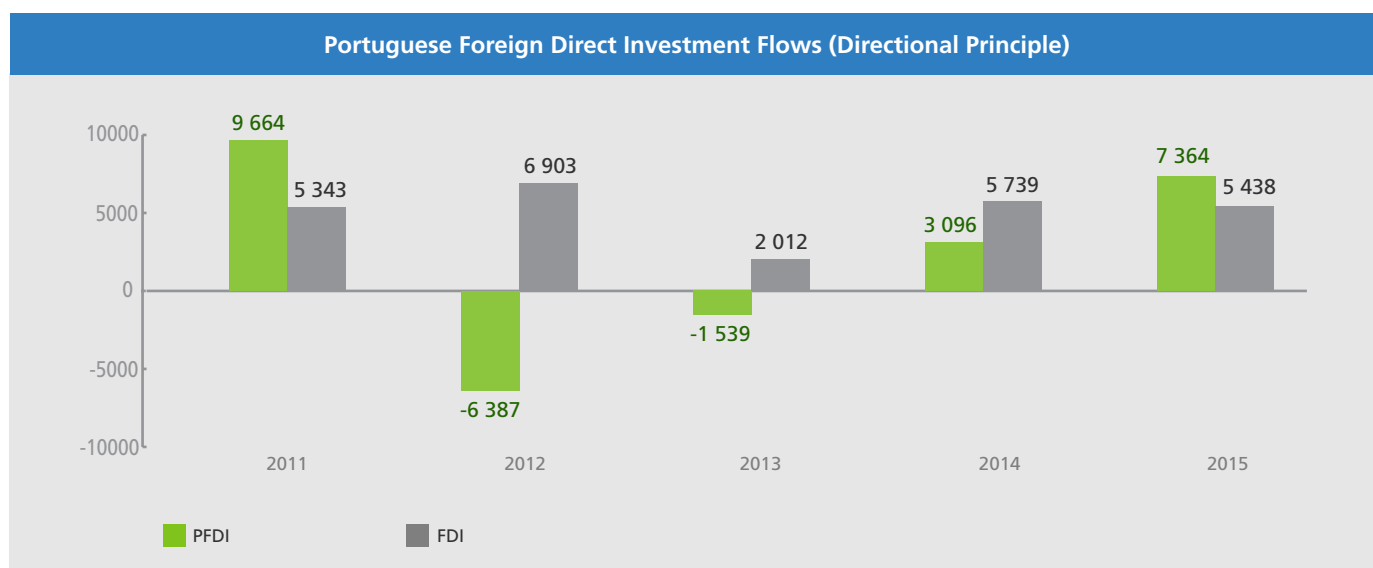
According to data from the Banco de Portugal and the Directional Principle, the flow of Foreign Direct Investment into Portugal (FDI), in net terms, registered an amount close to 5.4 billion Euros in 2015 (-5.2% in relation to 2014). The highest value in the last five years was registered in 2012, when FDI reached 6.9 billion Euros and in 2014 with 5.7 billion Euros.

Portuguese Foreign Direct Investment (PFDI), in net terms, was close to 7.4 billion Euros in 2015 (+137.8% in comparison to the previous year). The highest value during the period 2011-2015 was in 2011 (nearly 9.7 billion Euros).

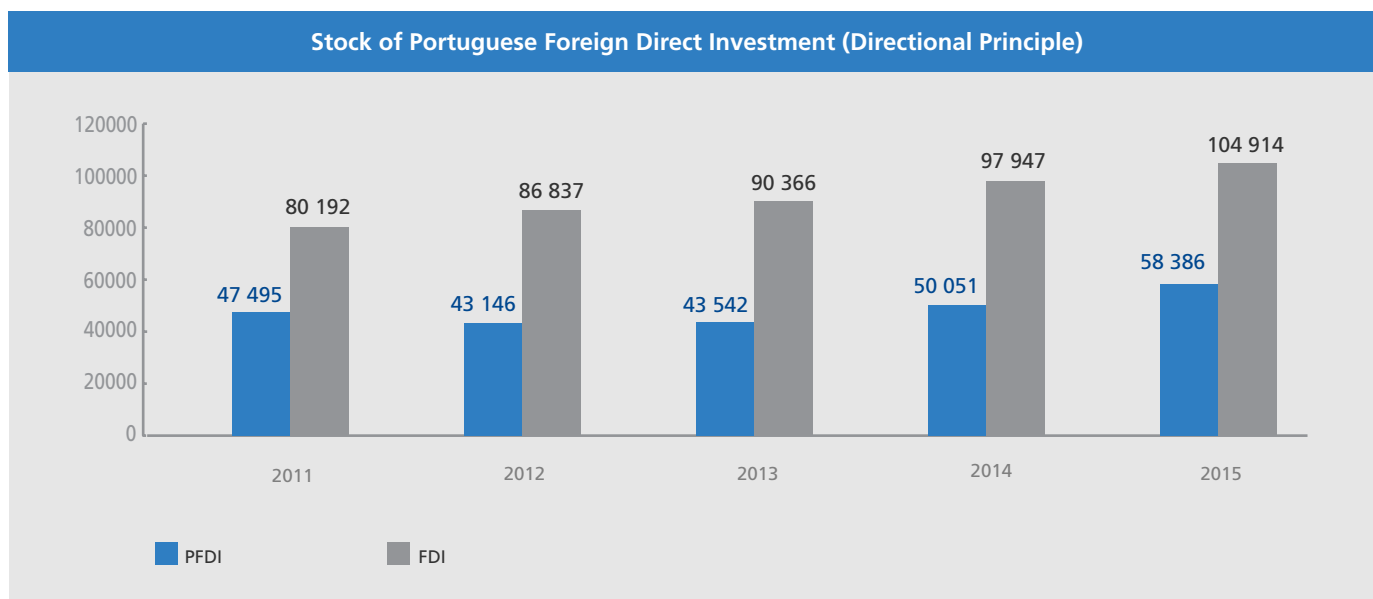
Portuguese external direct investment stock (Directional principle)

In terms of *stock* of Foreign Direct Investment (FDI) into Portugal, at the end of December 2015, 104.9 billion Euros (+7.1% in relation to the value in December 2014) were registered.

However, in relation to *stock* of Portuguese Foreign Direct Investment (PFDI) this represented close to 58.4 billion Euros in December 2015 (+16.7% in relation to December 2014).



Source: Banco de Portugal
Unit: Net Variations in Million of Euros (net values)
Note: Directional Principle: reflects the direction or influence investment, that is, Portuguese Foreign Direct Investment (PFDI) and Foreign Direct Investment (FDI)



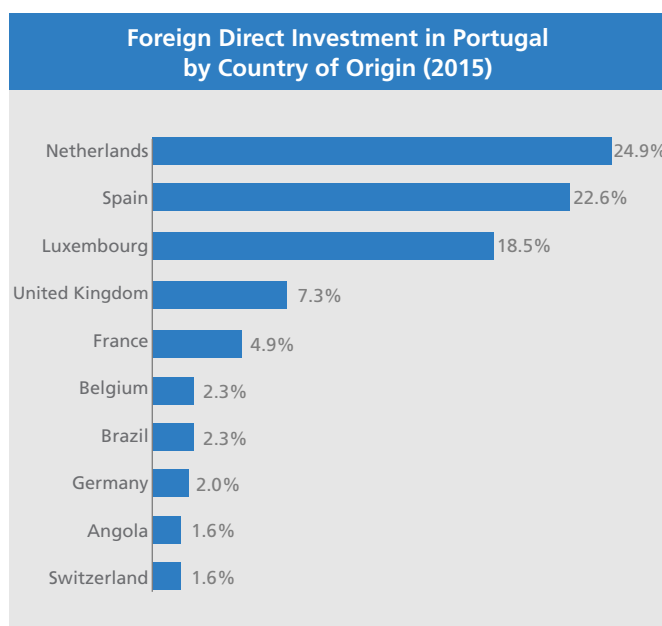
Source: Banco de Portugal
Unit: Position at the end of the period in Million Euros

Foreign direct investment stock in Portugal by country of origin (Directional principle)

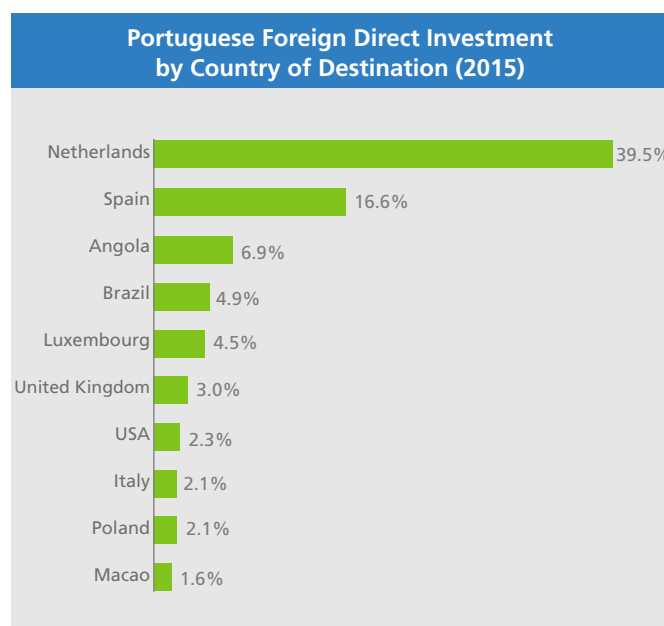
In global terms the European Union was the principle origin of FDI in Portugal, with a quota of 88.2% in 2015, highlighting, on an intra-EU level, the Netherlands and Spain (with 24.9% and 22.6% of the total respectively), Luxembourg (18.5%), United Kingdom and France (7.3% and 4.9% respectively). Within the non-EU countries (11.8% of the total in 2015), the following countries are highlighted: Brazil (2.3%), Angola, Switzerland and the USA (with quotas of 1.6% each) and China (1.2%).

Portuguese foreign direct investment stock by country of destination (Directional principle)

The European Union was also the main destination of PFDI in global terms, with contribution of 73.3% in 2015, highlighting, on an intra-EU level, the Netherlands and Spain (with quotas of 39.5% and 16.6% of the total, respectively), followed by Luxembourg (with 4.5%). Within the non-EU countries (26.7% of the total in 2015), the following countries are highlighted: Angola, Brazil and USA, with quotas of 6.9%, 4.9% and 2.3% respectively.



Source: Banco de Portugal
Unit: Position at the end of 2015 in Million Euros (% of the total)



Source: Banco de Portugal
Unit: Position at the end of 2015 in Million Euros (% of the total)

Tourism

In 2015, the Portuguese tourism trade balance was 7.7 billion Euros, having increased by 9.5% in relation to 2014.

According to the Banco de Portugal, tourism revenue in Portugal has seen a sustainable growth during the period 2011-2015, having reached an annual average increase of 8.7%. In 2015 revenue nearly reached 11.4 billion Euros (value that represents about 15% of the total Portuguese exports of goods and services), registering a significant increase of 9.3% in relation to the previous year.

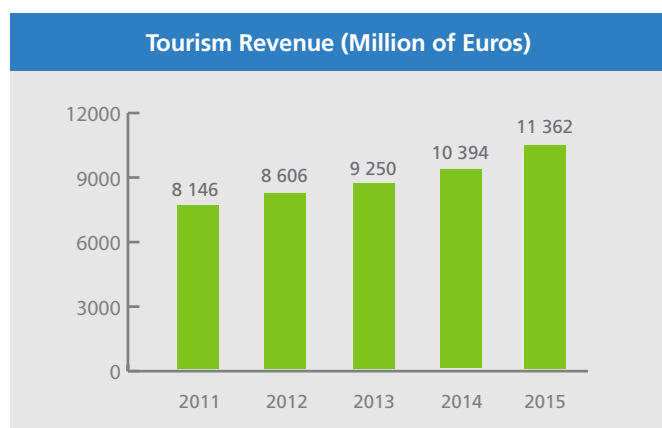
The main markets generating tourism revenue to Portugal, in 2015, were the United Kingdom (with 17.6% of the total), France (17.5%), Spain (12.7%), Germany (11%) and Angola (4.7%), that together made 63.5% of the total for this period. These five markets registered significant increases, in the order of 15%-7% each (with the exception of Angola, that decreased 13.9% in relation to the previous year). The following should be mentioned the United Kingdom (+14.6% in relation to 2014), Germany (+13.9%) and Spain (+13.2%). Also worth a mention

is the USA (6th market in relation to revenue with 4.6% quota, +5.6%), the Netherlands (7th with 4.5% quota, +17.9%) and Belgium (9th with 3.1%, +12.2%).

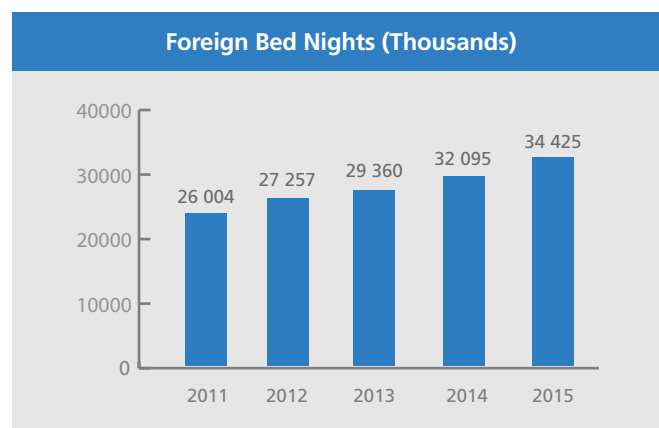
In terms of foreign bed nights, there was an increase in the last five years, reaching 34.4 million in 2015 (+7.3% in relation to the previous year and +32% in relation to 2011).

There are five countries that make up 64.7% of the total bed nights in hotels in 2015 - United Kingdom, Germany, Spain, France and the Netherlands - being that the bed nights that increased the most, in that period, were the French, German and British tourists (+11.4%, +10.7%, +8.7% respectively). Even though the following markets, North American, Italian and Belgium, have a reduced quota, the increase in bed nights were notable (+18.1%, +17.2% and +10% respectively, in relation to 2014.)

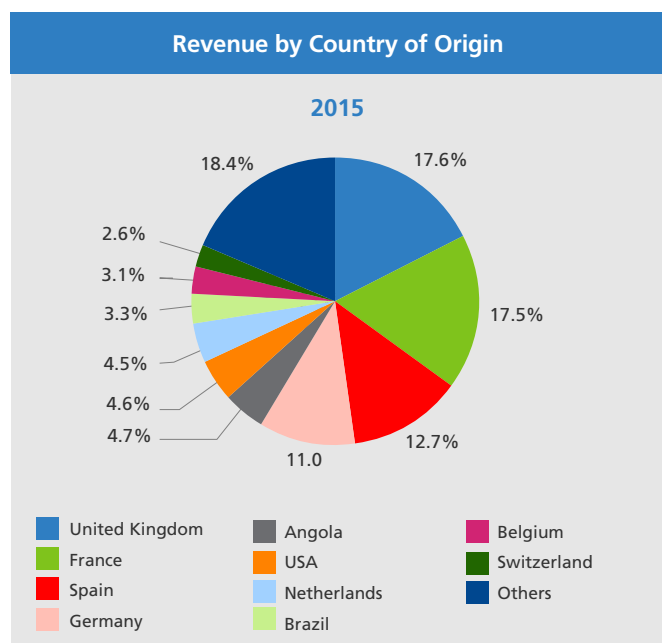
According to the World Tourism Organisation (*UNWTO World Tourism Barometer - December 2015*), in 2014 Portugal was the 27th world market (and 10th in the EU) in terms of tourism revenue and 36th market receiver, having registered 9.3 million tourist arrivals.



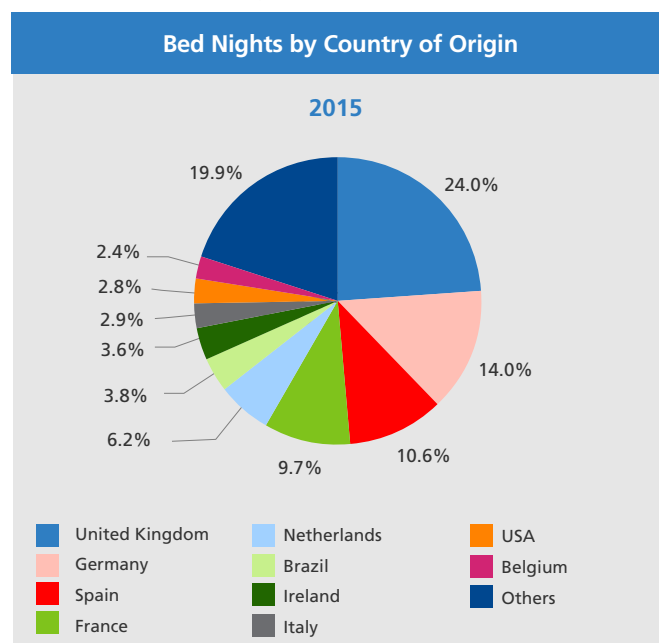
Source: Banco de Portugal



Source: INE - Statistics of Portugal



Source: Banco de Portugal



Source: INE - Statistics of Portugal

Better Competitive Advantages



● + Market

Portugal is an open door to a market of 500 million people in Europe and 250 million Portuguese Speaking consumers.

● Better Technology

Portugal is a Top Country in providing technological services.

● Better Infrastructures

Portugal ranks 15# among 140 countries, in overall quality of infrastructures.

● Better Skills

61% of Portuguese people speak at least 1 foreign language.

● Better Quality Of Life

Portugal is not only a good country to invest in but also a great place to live and enjoy. Safe, sunny, with unique nature, rich leisure and cultural amenities, and with high quality healthcare facilities.

● Better Talent

Portugal has a strong, flexible, committed and productive workforce with a high level of education in business-oriented areas.

● Better Location

Portugal has a privileged location to reach relevant markets.

● Better FDI Track Record

Satisfied customers.



aicep Portugal Global
Trade & Investment Agency