

Portugal - Basic Data

March 2017



aicep Portugal Global

Index

Background	3
Population and language	3
Politics	3
Summary	3
Infrastructure	4
Economy	4
Economic structure	4
Current economic situation and outlook	4
International trade	6
International investment	8
Foreign Direct Investment Flow into Portugal (Directional Principle)	8
Portuguese External Direct Investment Stock (Directional Principle)	8
Tourism	10

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.

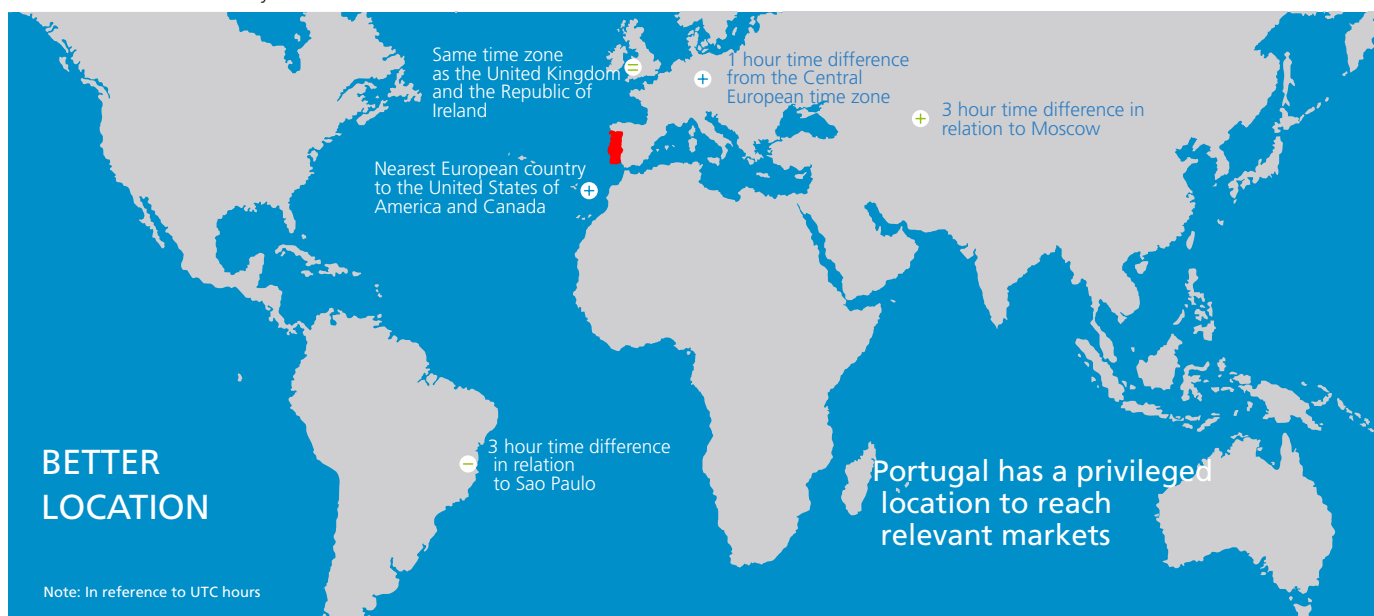
Executive power lies with the Government, headed by the Prime Minister, the Ministers and the Secretaries of State. The current Prime-Minister is António Costa, leader of the socialist party, who took office in November 2015.

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):	10 306 (2016)
Working population (thousands):	5 178 (2016)
Population density (inhabit./sq km):	111.8 (2016)
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 = 1.0614 USD (average rate in 2016)
	EUR = 1.0643 USD (average rate in February 2017)

Source: INE (National Statistics Office), Banco de Portugal



Infrastructures

Portugal is ranked in 16th place (among 138 countries) in terms of the "Quality of Overall Infrastructure" according to the *Global Competitiveness Report 2016-2017* World Economic Forum (WEF)

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. The airports managed by ANA - Aeroportos de Portugal serve about 66 regular airlines, connecting the Portuguese regions with nearly 149 destinations around the world (the traffic of passengers reached 44.5 million in 2016, +14% in relation to the previous year).

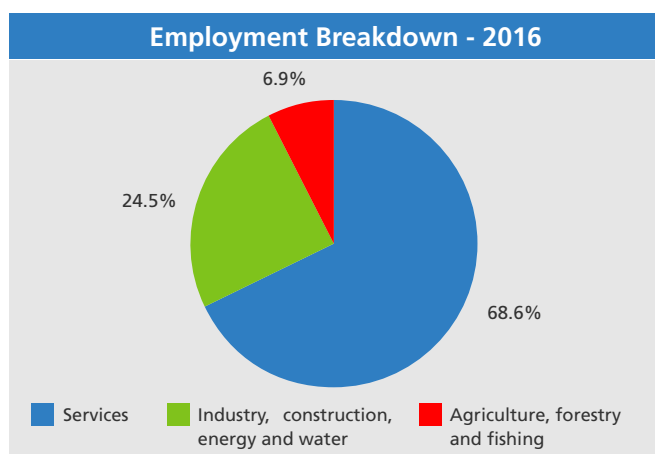
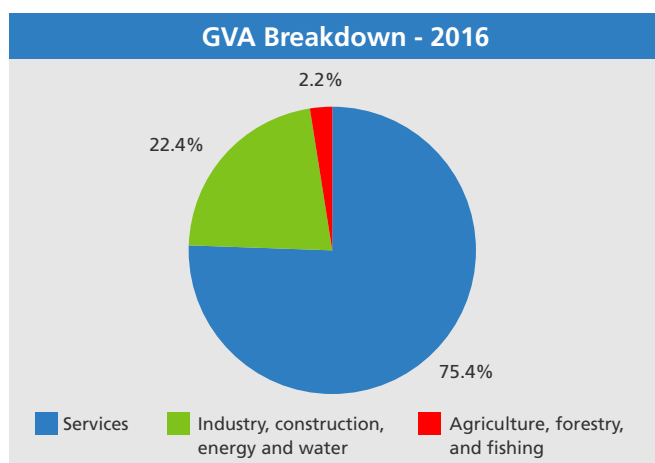
Maritime Routes: Mainland Portugal has nine major ports: Viana do Castelo and Leixões, in the North; Aveiro and Figueira da Foz, in the Centre; Lisbon and Setúbal in the Lisbon region; Sines in the Alentejo; Faro and Portimão in the Algarve. The Autonomous Region of the Azores has five ports and the 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 (54.5% of total in 2016), Leixões (19.5%), Lisbon (10.9%), Setúbal (7.4%) and Aveiro (4.8%).

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 which contributed, in 2016, with 75.4% of GVA and employed 68.6% of the population. Agriculture, forestry and fishing generated only 2.2% of GVA and 6.9% of employment while industry, construction, energy and water represented 22.4% 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 (National Statistics Office)
Note: GVA - Gross Value-added

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, 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. It is worth mentioning that in recent years the Portuguese authorities have made early repayments of the loan provided by the IMF in relation to PAEF (approximately 8.4 billion Euros in 2015 and 4.5 billion Euros in 2016), according to the IGCP-Agência de Gestão de Tesouraria e da Dívida.

The Portuguese Government submitted, in April 2016, the "Programa Nacional de Reformas - PNR (National Reform Programme) and the "Programa de Estabilidade" (Stability Programme) for the period 2016-2020. The PNR, is the key element in defining the medium term strategy that will allow Portugal to launch a set of structural reforms destined to promote investment and contribute towards the sustainability of public

finances. These reforms are based on the following aspects: qualification, promotion of economic innovation, territorial enhancement, modernisation of the state, capitalisation of companies and social cohesion and equality.

In 2016, according to the INE, the Portuguese economy registered an increase in GDP of 1.4%, in real terms, in relation to the previous year (+1.6% in 2015 and 0.9% in 2014). The contribution of domestic demand to the annual variation of GDP reduced, standing at 1.5% in 2016, reflecting mostly a reduction in total gross fixed capital formation (-0.3% in 2016, +4.5% in 2015) and a slowdown of private consumption (+2.3% in 2016), whereas public consumption continued to increase (+0.8%). The real increase in exports and imports of goods and services was 4.4%, in both cases, during the last year.

Worth mentioning is the last forecast from the Banco de Portugal (BdP)¹ for 2017, that points to the continued gradual recuperation of the Portuguese economy, with a GDP increase of 1.8% and 1.7% in 2018, above the growth projected by the European Commission² (1.6% and 1.5% respectively) and close to that forecast for the Euro Zone, which is 1.6% in 2017 and 1.8% in 2018.

The predicted progress, according to the BdP, will be due to a sharp increase in the export of goods and services (+6% in 2017 and 4.8% in 2018), which continues to be the component that contributes most to economic growth. The growth in the Portuguese economy will also be sustained by an increase in the gross fixed capital formation component (+6.8% in 2017 and +5% in 2018), based, in part, on a recovery in business investment. On the other hand, private consumption should decelerate in relation to recent years (+2.1% in 2017 and +1.4% in

2018), while public consumption will increase at a more moderate rate (+0.2% in 2017 and +0.5% in 2018).

In terms of components, both the exports of good and of services should develop favourably in 2017, it is predicted that tourism will continue its high level of dynamism, since it is one of the sectors that have most contributed to the recovery of the Portuguese economy.

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 go from 40% in 2016 to 46% in 2019. The Portuguese economy's financing capacity should continue stable, foreseeing a combined current and capital account, of around 1% of GDP during the 2017-2018 period.

The unemployment rate has reduced in the last few years, reaching 11.1% of the active population in 2016, this tendency should continue (9.9% in 2017 and 9% in 2018). During 2017-2018 employment should continue to grow, albeit at a more moderate rate.

In relation to budget, the public sector deficit has been significantly reduced to 2.1 of GDP in 2016 (becoming for the first time, since the entry into the Euro Zone, below the target of 3%), expecting it to be around 2% of GDP in 2017 and 2.2% in 2018, according to the European Commission. The gross public debt-to-GDP ratio is forecast to decline during this period (128.9% in 2017 and 127.1% in 2018).

In the publication *Doing Business 2017*, by the World Bank, Portugal was placed in 25th place (among 190 economies) in the ranking of "Ease of Doing Business" (and 12th place within the EU, being the best positioned country from southern Europe).

1 "Projections for the Portuguese Economy: 2017-2019" - Banco de Portugal (march 29, 2017)

2 "Economic European Forecast - Winter 2017" - European Commission (february 2017)

Economic Indicators		2013	2014	2015	2016	2017 ^a	2018 ^a
GDP	Million EUR	170 269	173 079	179 540	185 035	190 295	195 882
	Real change	-1.1	0.9	1.6	1.4	1.8	1.7
	Million USD	226 143	229 995	199 222	204 761	203 178	209 261
Per capita (PPS)	EU = 100	76.6	76.8	76.8	76.9	77.3	77.6
Private consumption	Million EUR	111 144	114 060	117 822	121 783	125 567	129 018
	Real change	-1.2	2.3	2.6	2.3	2.1	1.4
	Million EUR	32 501	32 206	32 667	33 547	34 038	34 619
Public consumption	Real change	-2.0	-0.5	0.8	0.8	0.2	0.5
	Million EUR	25 122	25 993	27 417	27 400	28 567	30 112
	% of GDP	14.8	15.0	15.3	14.8	15.0	15.4
Investment/GFCF	Real change	-5.1	2.3	4.5	-0.3	6.8	5.0
	Million EUR	25 122	25 993	27 417	27 400	28 567	30 112
	% of GDP	14.8	15.0	15.3	14.8	15.0	15.4
GFCF (excl. construction)	Real change	-5.1	2.3	4.5	-0.3	6.8	5.0
	Million EUR	25 122	25 993	27 417	27 400	28 567	30 112
	% of GDP	14.8	15.0	15.3	14.8	15.0	15.4
	Real change	4.1	8.7	4.9	1.7	n.a.	n.a.
Population	'000 inhabitants	10 457	10 401	10 358	10 306	10 268	10 223
Employment	'000 individuals	4 450	4 513	4 576	4 650	4 671	4 698
Unemployment	'000 individuals	855	726	647	573	513	475
Rate of economic activity	% of total population > 15 years old	59.3	58.8	58.6	58.5	n.a.	n.a.
Unemployment rate Portugal	% of active population	16.2	13.9	12.4	11.1	9.9	9.0
Overall balance - General Government	% of GDP	-4.8	-7.2	-4.4	-2.1	-2.0	-2.2
Public Debt	% of GDP	129.0	130.6	129.0	130.4	128.9	127.1
	Billion EUR	2.7	0.1	0.1	1.6	1.2	1.4
Current Account Balance	% of GDP	1.6	0.1	0.1	0.8	0.6	0.7
	Annual change - average	0.4	-0.2	0.5	0.6	1.3	1.4
HCPI - Portugal	Annual change - average	1.3	0.4	0.0	0.2	1.7	1.4
HCPI - Euro Area	Annual change - average	1.3	0.4	0.0	0.2	1.7	1.4

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

Notes: (a) Forecast: Banco de Portugal, European Commission (European Economic Forecast-Winter 2017), 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 an annual average increase of 4.2 and 2.8 respectively. In 2016, exports of goods and services saw an increase of 2% in relation to the previous year and imports grew 0.8% taking the coverage rate to 105.7%. The trade balance of goods and services was positive between 2012 and 2016, inverting the negative tendency registered in the past.

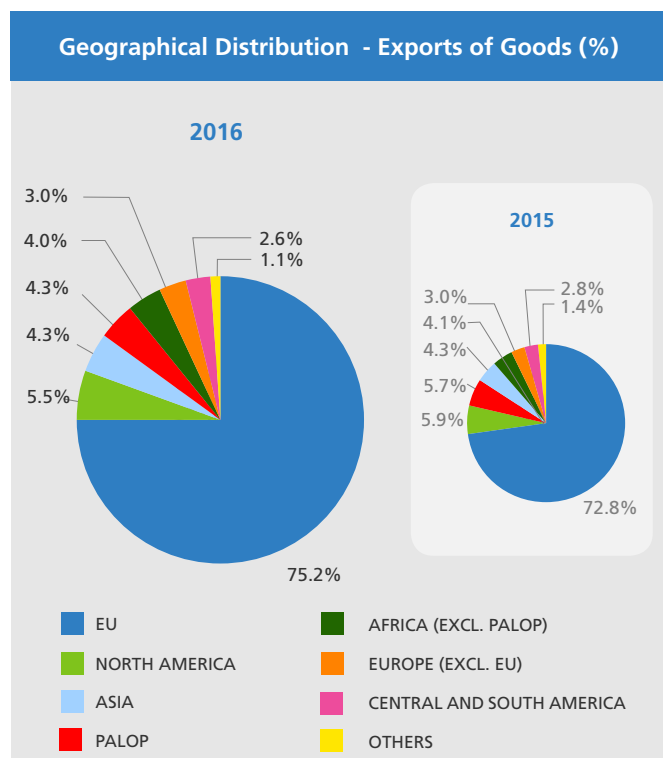
With regards to exports and imports of goods, in 2016 there was an increase of 0.9% and 1.2%, respectively, over the same period, according to data from INE (National Statistics Office). The trade balance of goods continued to show a deficit in 2016, corresponding to a coverage ratio of 82.4%.

In 2016, machinery and tools continue to be the most exported products (15.4% of the total), followed by vehicles and other transport material (11.3%), plastics and rubber (7.5%), base metals (7.3%) and agricultural products (6.8%). These five main product groups represent 48.3% of the total exported by Portugal in that period (against 47.4% in 2015).

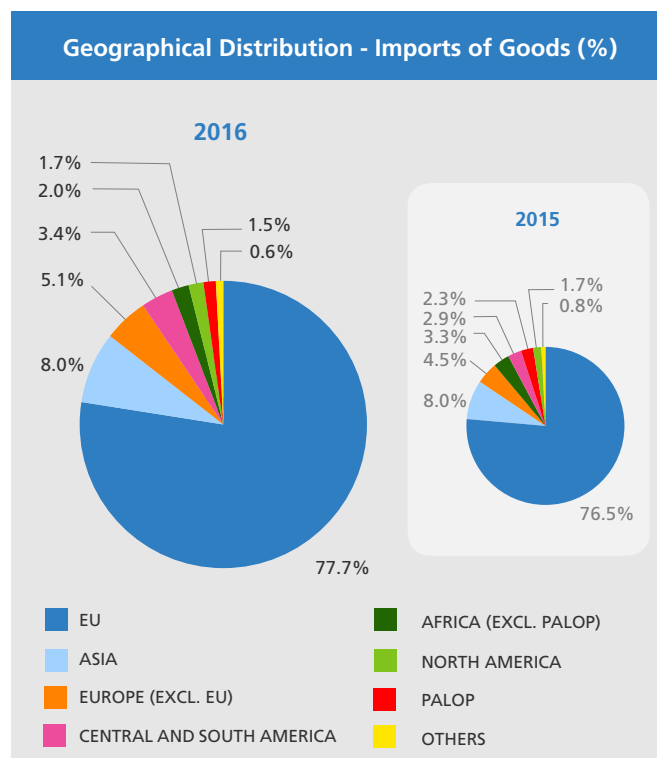
The main export markets of good are still the EU (75.2% of the total in 2016), followed by Africa (4.3% for the PALOP region

and 4% for other regions), North America (5.5%), Asia (4.3%), non-Community Europe (3%) and Central and South America (2.6%). The EU increased its respective quota in relation to 2015; Asia maintained its quota, while North America, PALOP, Central and South America reduced theirs. The 5 main markets for Portugal - Spain, France, Germany, United Kingdom and the USA – had 62.3% of the total exported by Portugal in 2016. With reference to the main markets, there was a strengthening of quota by Spain, France and the United Kingdom, while Germany and the USA reduced in relation to 2015.

With regards to the imports of goods, machines and tools, vehicles and other transport material, agricultural products, chemical products and mineral fuels lead in the ranking of goods imported by Portugal in 2016, representing 62.3% of the total (62.6% in 2015). The EU was the origin of the majority of the products imported with 77.7% of the total in 2016, followed by Asia (8%), non-Community Europe (5.1%), Africa (1.5% from PALOP region and 2% from other regions), Central and South America (3.4%) and North America (1.7%). Spain, Germany, France, Italy and the Netherlands continue to be the five main suppliers, having 64.6% of imports made during 2016 (63.8% in 2015). Germany and France had the largest increase in quota.



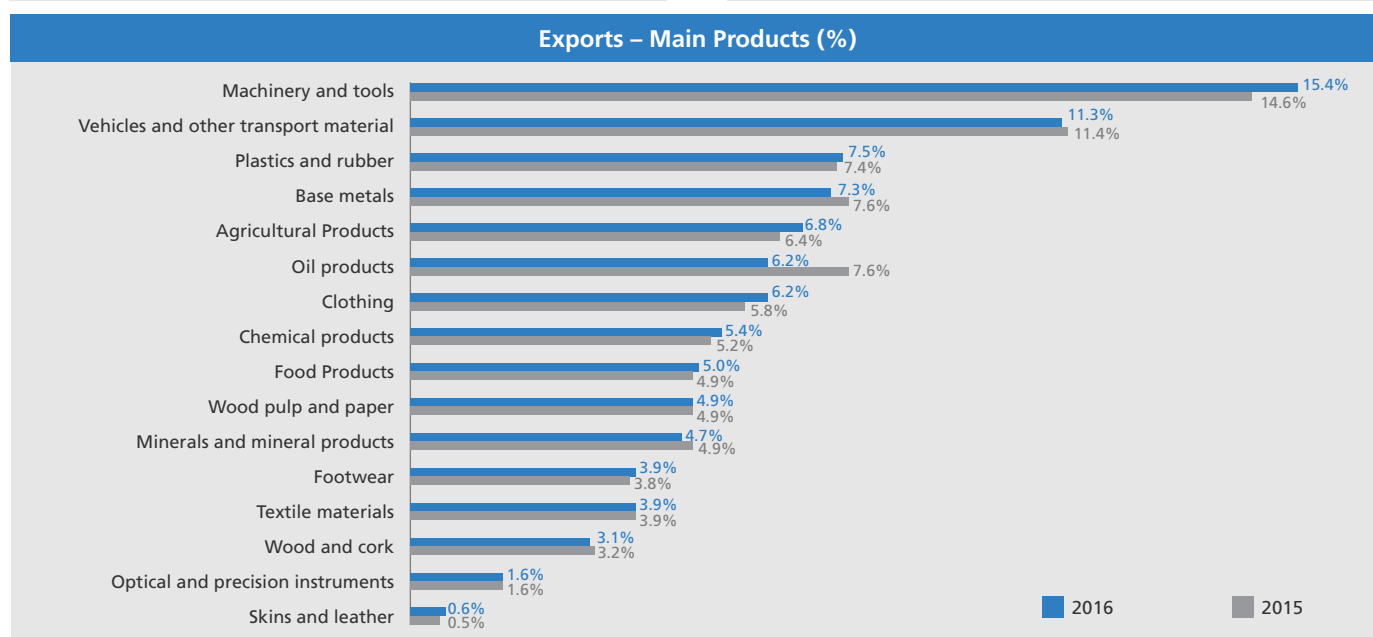
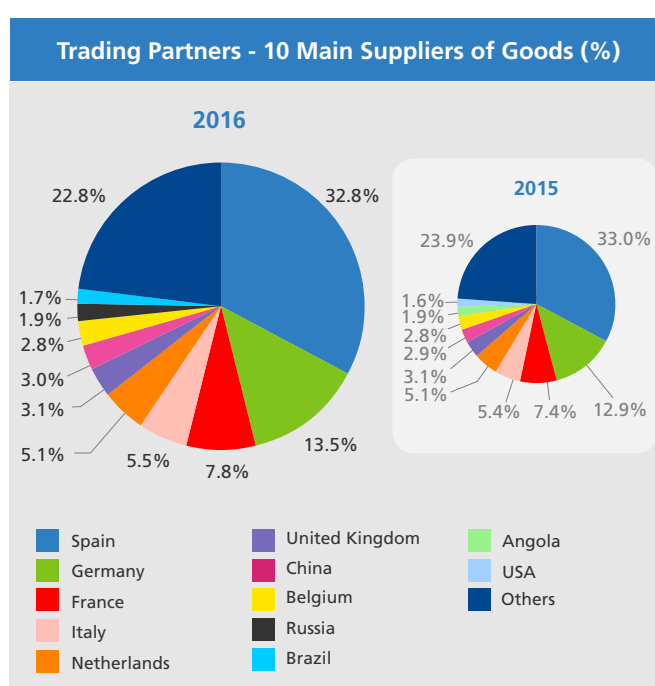
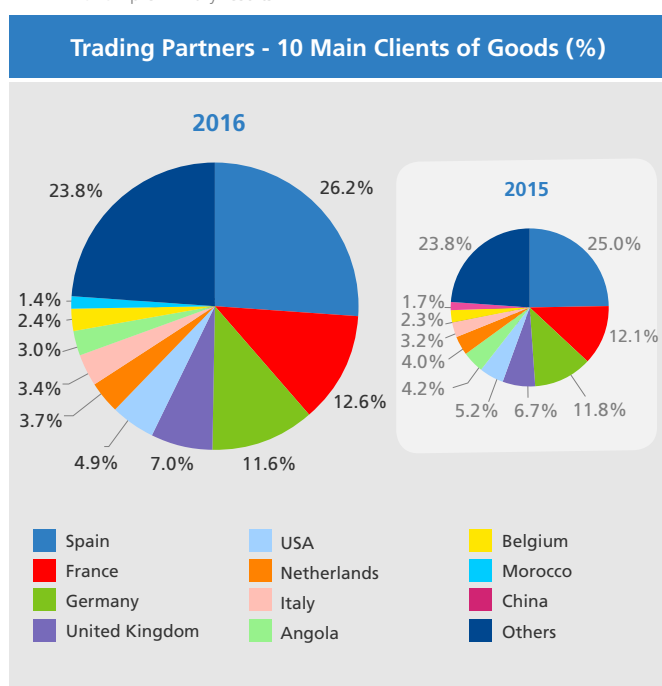
Source: INE - National Statistics Office
Note: 2016 - preliminary results



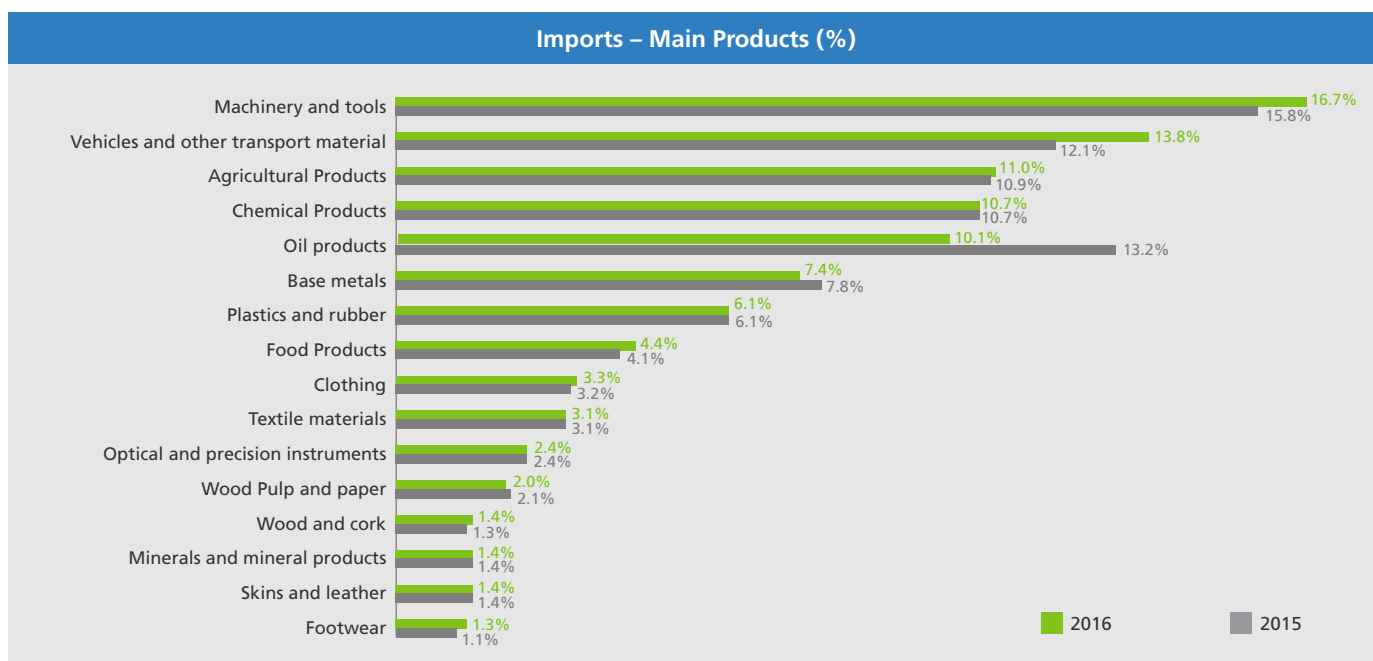
Source: INE - National Statistics Office
Note: 2016 - preliminary results

Portugal's International Trade		2012	2013	2014	2015	2016	Var. % 2016/2012 ^c	Var. % 2016/2015 ^d
Trade in goods and services ^(a)								
Exports (fob)	Million EUR	64 380	68 610	70 718	74 294	75 779	4.2	2.0
Imports (fob)	Million EUR	64 151	65 414	68 827	71 128	71 714	2.8	0.8
Balance (fob)	Million EUR	229	3 196	1 891	3 165	4 065	--	--
	% of GDP^e	-0.5	1.0	0,2	0.7	1.2	--	--
Trade in goods ^(b)								
Exports (fob)	Million EUR	45 213	47 303	48 054	49 826	50 290	2.7	0.9
Imports (cif)	Million EUR	56 374	57 013	59 032	60 310	61 055	2.0	1.2
Balance (fob-cif)	Million EUR	-11 161	-9 710	-10 978	-10 485	-10 766	--	--
	% of GDP^e	-5.0	-4.0	-4.7	-4.3	-4.1	--	--

Source: a) Banco de Portugal (Trade in Goods and Services); b) INE - National Statistics Office (Trade in Goods);
Notes: c) Arithmetical average of the annual growth rate during the period of 2012-2016 ; d) 2016/2015 rate of change;
e) Data from National Accounts, Exports and Imports FOB
2016 - preliminary results



Source: INE - National Statistics Office
Note: 2016 - preliminary results



Source: INE - National Statistics Office
Note: 2016 - 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 5.5 billion Euros in 2016 (-12.3% in relation to 2015). The highest value in the last five years was registered in 2012, when FDI reached 6.9 billion Euros and in 2015 with 6.3 billion Euros.

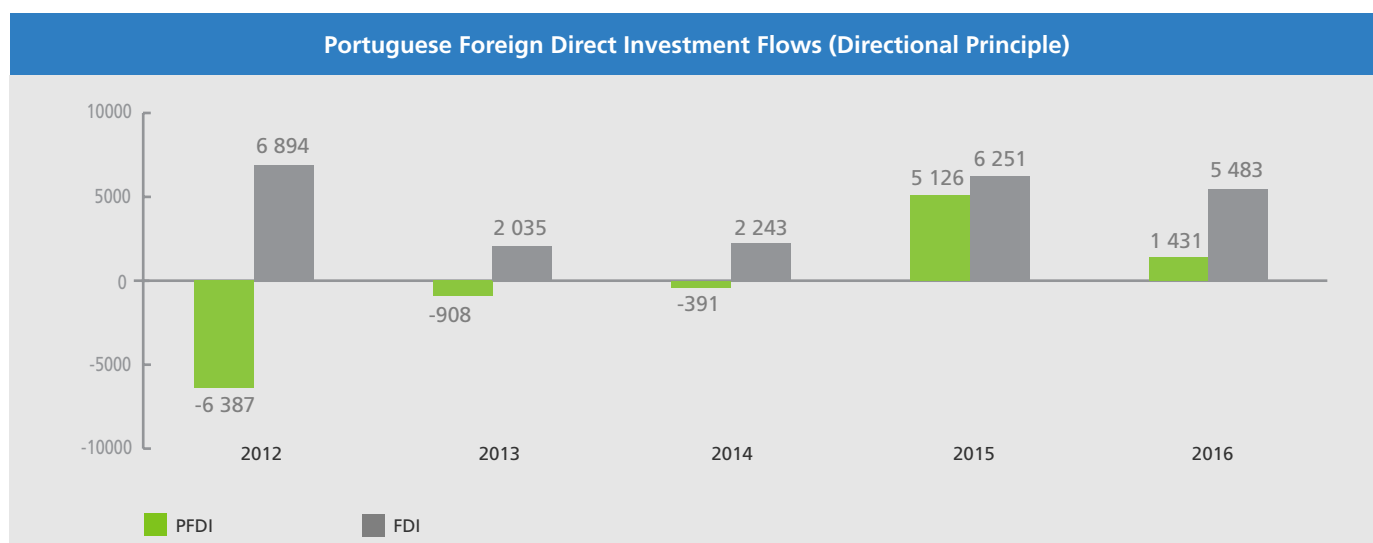
Portuguese Foreign Direct Investment (PFDI), in net terms, was close to 1.4 billion Euros in 2016

(-72.1% in comparison to the previous year). The highest value during the period 2012-2016 was in 2015 (nearly 5.1 billion Euros).

Portuguese external direct investment stock (Directional principle)

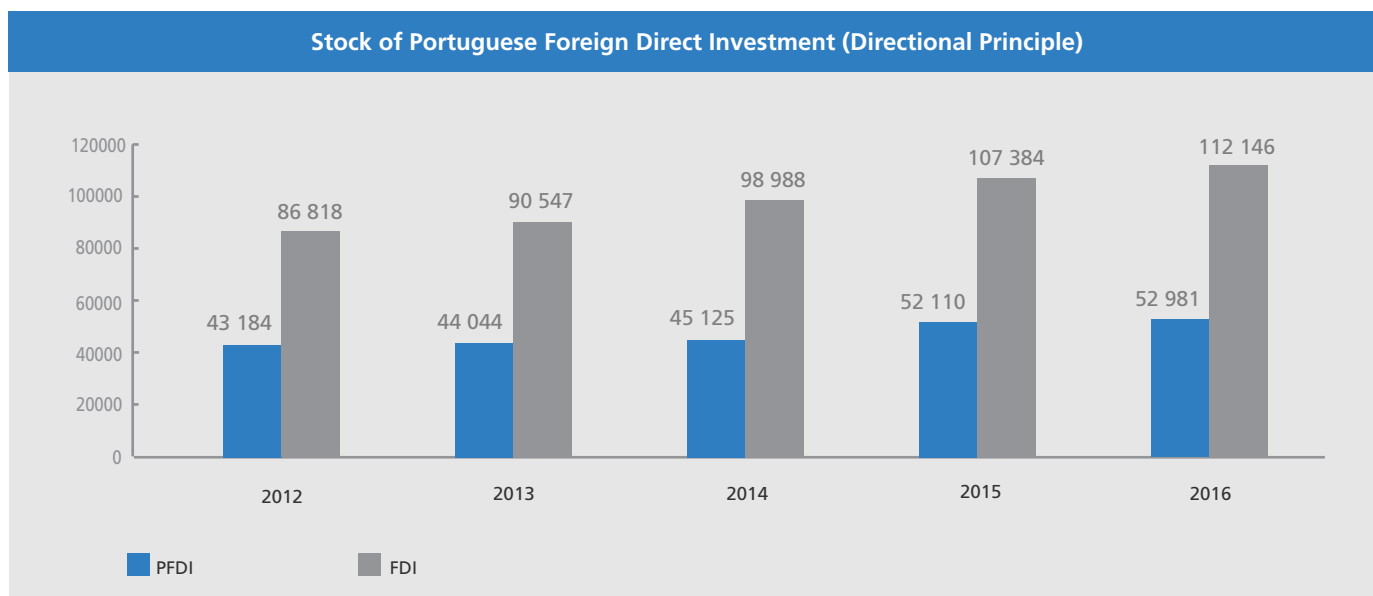
In terms of stock of Foreign Direct Investment (FDI) into Portugal, at the end of December 2016, 112.1 billion Euros (+4.4% in relation to the value in December 2015) were registered.

However, in relation to stock of Portuguese Foreign Direct Investment (PFDI) this represented close to 53 billion Euros in December 2016 (+1.7% in relation to December 2015).



Source: Banco de Portugal
Unit: 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 in Portugal (FDI)



Source: Banco de Portugal

Unit: Position at the end of the period in Million Euros

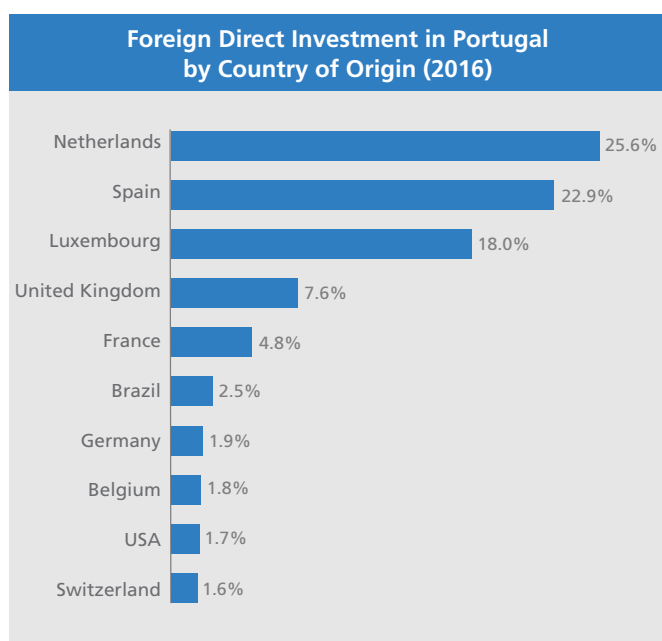
Note: Directional Principle: reflects the direction or influence investment, that is, Portuguese Foreign Direct Investment (PFDI) and Foreign Direct Investment in Portugal (FDI)

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 87.5% at the end of 2016, highlighting, on an intra-Community level, the Netherlands and Spain (with 25.6% and 22.9% of the total, respectively), Luxembourg (18%), United Kingdom and France (7.6% and 4.8% respectively). Within the non-EU countries (12.5% of the total), the following are worth a mention: Brazil (2.5% of the total), the USA (1.7%), Switzerland and China (with quotas of 1.6% each), and Angola (1.2%).

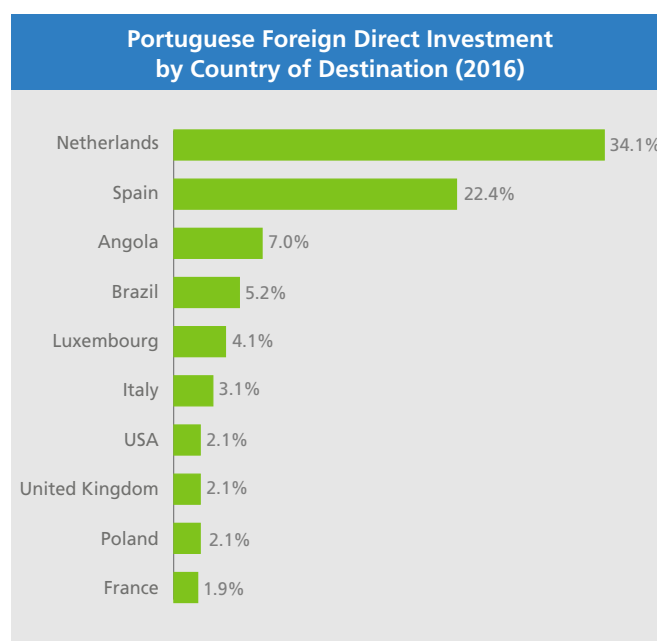
Portuguese foreign direct investment stock by country of destination (Directional principle)

The European Union was also the main destination of PFDI in global terms, with a contribution of 74.3% at the end of 2016, highlighting, on an intra-Community level, the Netherlands and Spain (with quotas of 34.1% and 22.4% of the total, respectively), followed by Luxembourg (4.1%). Within the non-EU countries (25.7% of the total in 2016), the following are worth a mention: Angola, Brazil, USA and Mozambique (with quotas of 7%, 5.2%, 2.1% and 1.7% respectively).



Source: Banco de Portugal

Unit: Position at the end of 2016 (% of the total)



Source: Banco de Portugal

Unit: Position at the end of 2016 (% of the total)

Tourism

In 2016, the Portuguese tourism trade balance was 8.8 billion Euros, having increased by 12.7% in relation to 2015.

According to the Banco de Portugal, tourism revenue in Portugal has seen a sustainable growth during the period 2012-2016, having reached an annual average increase of 10.2%. In 2016, revenue nearly reached 12.7 billion Euros (value that represents about 16.7% of the total Portuguese exports of goods and services), registering a significant increase of 10.7% in relation to the previous year.

The main markets generating tourism revenue to Portugal, in 2016, were France (with 18% of the total), the United Kingdom (17.9%), Spain (12.9%), Germany (11.7%) and the USA (4.7%), that together make up 65.1% of the total for this period.

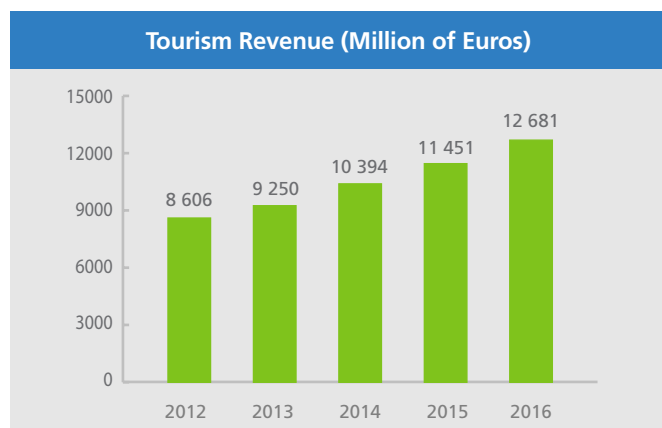
These five markets registered significant increases. The following should be mentioned Germany (+17.6% in 2016, in relation to the previous year), France (+13.5%), the United Kingdom (+12.9%), Spain (+12.6%), and the USA

(+11.9%). Also worth a mention is Brazil (7th market in relation to revenue with 3.2% quota, +6.4% in relation to 2015) and Switzerland (9th with 2.8% quota, +20.6%).

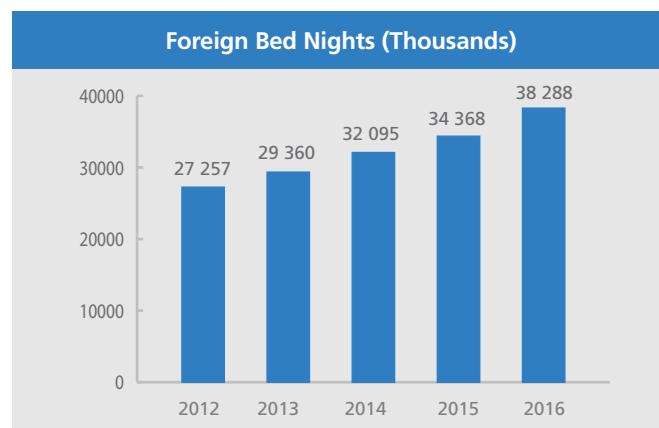
In terms of foreign bed nights, there was an increase over the last five years, reaching 38.3 million in 2016 (+11.4% in relation to the previous year).

There are five countries that make up 64.5% of the total bed nights in hotels in 2016 - United Kingdom, Germany, Spain, France and the Netherlands - the bed nights that increased the most, in that period, were the French tourists (+18% in relation to 2015), Dutch (+13.4%), British and German (+9.8% each) and Spanish (+8.2%). Even though the following markets, American and Brazilian, have a more reduced quota (3.1% and 3.9%, respectively), the increase in bed nights were notable (+20.8% and +13.7% respectively, in relation to 2015).

According to the World Tourism Organisation (*UNWTO World Tourism Barometer – January 2017*), in 2015 Portugal was the 26th world market (and 9th in the EU) in terms of tourism revenue and 34th market receiver, having registered 10.1 million tourist arrivals.

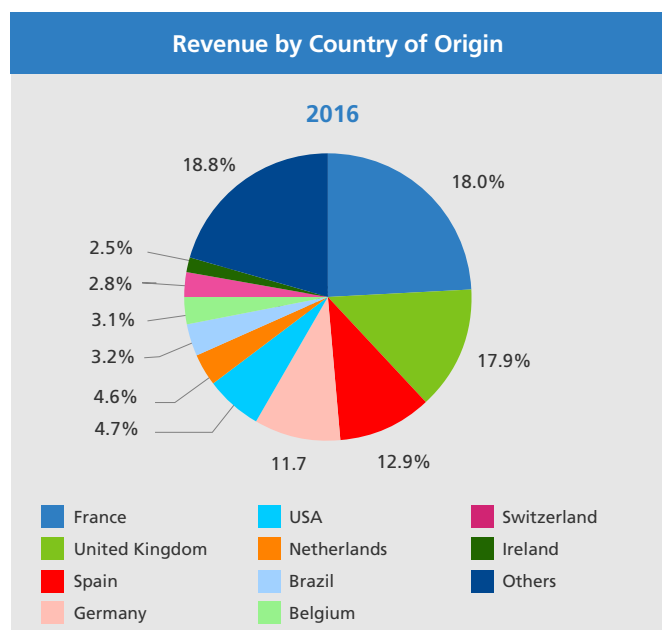


Source: Banco de Portugal

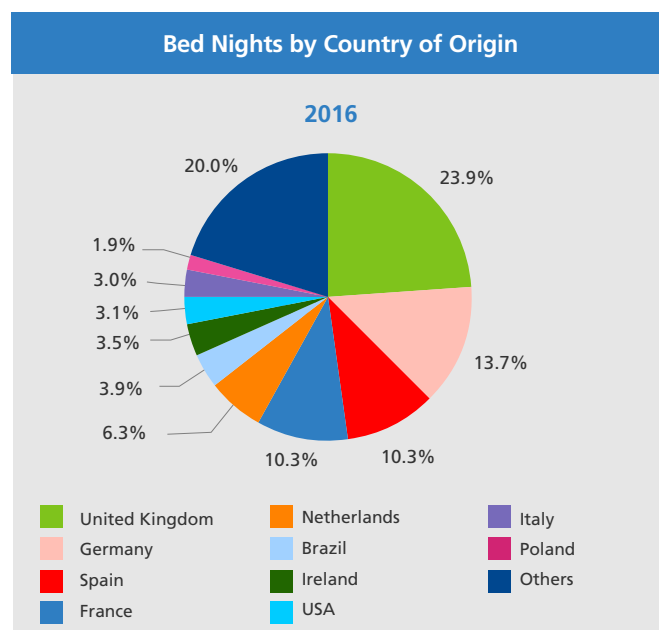


Source: INE - National Statistics Office

Note: Bed nights (of foreigners in official accommodation)



Source: Banco de Portugal



Source: INE - National Statistics Office

Better Competitive Advantages



● + Market

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

● Better Technology

Portugal is a Top Country in providing technological services.

● Better Infrastructures

Portugal ranks #22 among 138 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