

FOCUS ON INTERNATIONAL TRADE

PORTUGAL

THE REPUBLIC OF PORTUGAL TODAY

Location	The mainland portion of the Portugal Republic lies in western Europe, on the Atlantic side of the Iberian peninsula, bordered by Spain to the north and east. The country also includes two archipelagos in the Atlantic Ocean, the Azores and the Madeira Islands.
Size	92,212 Sq. K.M. (35,603 Sq Miles); water: 1.2%.(2015)
Land boundaries	Total: 1,214 km. Border countries: Spain 1,214 km.
Land use	Arable land: 17.29%, permanent crops: 7.84% and other: 74.87% in 2005*.
Irrigated land	6,500 sq. km.
Elevation extremes	Lowest point: Atlantic Ocean 0 meter and highest point: Ponta do Pico (Pico or Pico Alto) on Ilha do Pico in the Azores 2,351 meter.
Coastline	1,793 km.
Maritime claims	Territorial sea: 12 nm, contiguous zone: 24 nm, exclusive economic zone:200 nm and continental shelf: 200-m depth or to the depth of exploitation
Population	10,223,150 estimated for 2023.
Population Density	111 per sq. km. estimated for 2023.
Population growth rate	-0.17% estimated for 2023.
Birth rate	7.99 births/1,000 populations estimated for 2023.
Death rate	10.9 deaths/1,000 populations estimated for 2023.
Net migration rate	1.2 migrant(s)/1,000 populations estimated for 2023.
Life expectancy	Total population: 81.5 years; male: 78.5 years and female: 84.29 years estimated for 2022.
Literacy	Total population : 95.9%, male: 97.8% and female: 95.9%. (Est. for 2021).
Capital City	Lisbon
Other Large Cities	Porto, Vila Nova de Gaia, Amadora, Cascais, Almada, Matosinhos, Coimbra, Braga, Funchal, Seixal, Setubal etc.
Religion	Most of the inhabitants are Christians belonging to the Roman Catholic Church.
Language	The language is Portuguese.
Climate	The climate is mild and temperate, with an <i>average</i> annual temperature of 16°C (61°F). In the interior, the weather is drier and hotter.
International Relations	Portugal is a member of the UN, EU, OECD, NATO, WEU and the Council of Europe. Portugal is a signatory to the Schengen Accord abolishing border controls between Belgium, Denmark, Finland, France, Germany, Iceland, Italy, Norway, Portugal, Spain and Sweden. The Community of Portuguese-speaking Countries (CPLP, comprising Angola, Brazil, Cape Verde, Guinea-Bissau, Mozambique, Portugal and Sao Tome e Principe) was founded in July 1996 with headquarters in Lisbon, primarily as a cultural and linguistic organization.
Internet domain	.pt
International dialing code	+351
Currency	The unit of currency was the escudo (PTE) replaced by Euro on and from 1 January 2002.

NATIONAL ECONOMY

The economy sustained its dynamic recovery from the pandemic into 2022. GDP surpassed the pre-pandemic level in the first quarter and growth averaged 6.7 percent for the year—among the highest in the euro area. The momentum continued through early 2023 with growth at 2.5 percent (year-on-year) in Q1. While headline inflation peaked in late 2022, core inflation has been stickier amid limited economic slack, high profit margins and tight labor markets. Wage growth has accelerated, partly reflecting minimum wage hikes and labor shortages.

Growth is projected to soften for the rest of the year to average 2.6 percent in 2023 and 1.8 percent in 2024. Inflation is expected to continue to ease over 2023 but remain above 2 percent in the near term. The current account deficit is expected to narrow as terms-of-trade normalize and external demand strengthens.

Despite new fiscal support measures, the fiscal deficit narrowed significantly to reach 0.4 percent of GDP in 2022, mainly reflecting stronger tax revenues. Public debt fell below its pre-pandemic level to 113.9 percent of GDP. In 2023, the fiscal position is expected to be broadly similar to 2022. Public debt is set to remain on a downward path in 2023 and over the medium term.

The banking system and household and corporate sectors have been resilient to recent shocks so far. However, tighter financial conditions, amid a buoyant housing market, have increased financial risks.

Executive Board Assessment

In the course of Article IV consultation between IMF and Portugal, directors of IMF commended as follows:- Portugal's strong recovery continued till early 2023, but near-term growth is expected to soften. Domestic demand growth is projected to be dragged down by high cost of living and export growth to soften. After peaking in late 2022, inflation is expected to gradually ease over 2023 but remain above its target for some time, reflecting the broad-based nature of inflationary pressures.

Risks to the outlook are broadly balanced. Tighter financial conditions—potentially accompanied by a sharp correction in housing prices—or a deeper global or regional slowdown, and persistently higher energy prices would further hurt growth and increase risks. Conversely, continued strong tourism momentum and a resilient labor market are the main upside risks.

Maintaining a contractionary fiscal policy stance in 2023 is appropriate to build fiscal space and support monetary policy in reducing inflation pressures. If growth weakens appreciably, automatic stabilizers should be fully deployed; conversely fiscal over performance must be saved. Further fiscal support should be reserved only for severe downside scenarios and designed to be temporary, non-price-distortionary, and targeted to the most vulnerable households.

A stronger medium-term fiscal effort relative to the baseline, comprising both revenue and expenditure measures, would build fiscal space and mitigate debt-related risks further and improve resilience to contingency risks. On the revenue side, simplifying the tax system and eliminating tax distortions, rolling back reduced VAT rates, reinstating carbon taxes and improving tax administration are key reforms. On the expenditure side, reforms to contain age-related spending pressures from pensions and health care are long-standing priorities. The spending composition should increase the share of public investment relative to current spending. Other important medium-term reforms include strengthening of the medium-term budgetary framework, strengthening the financial sustainability of SOEs, and further improving the social safety net.

Financial policies need to maintain focus on containing systemic risks, which have risen on the back of tighter financial conditions and rising housing market vulnerabilities. Banks and supervisors should continue to maintain vigilance on credit quality, market and interest rate risk, and liquidity management. Continuously improving capital headroom would serve as an important safeguard. Efforts to contain risks from transnational money laundering should continue.

To address the build-up of vulnerabilities in the residential real estate sector, the authorities could gradually phase in a sectoral systemic risk capital buffer. Such a measure would need to be holistically calibrated considering other macro prudential measures, the cost of complying with resolvability requirements, and avoiding procyclical effects. Further supporting housing supply and affordability, without generating market distortions, would alleviate housing market strains.

Structural policies should continue focusing on boosting productivity growth. Timely implementation of the NRRP—which focuses on raising R&D, improving the education system, judicial system and business regulations, and scaling up green investment—is crucial. Reforms to improve labor market performance and dynamism, supported by active labor market policies and support for skilling and re-skilling workers would spur further private sector driven growth. Receding energy prices provides an opportunity to gradually increase carbon taxes, combined with targeted measures to protect the most vulnerable. Efficient planning, budgeting, implementation, and oversight will be key to maintain strong investment absorption capacity of EU funds in the economy.

Portugal: Selected Economic Indicators			
(Year-on-year percent change, unless otherwise indicated)			
			Projection
	2021	2022	2023
Real GDP	5.5	6.7	2.6
Private consumption	4.7	5.8	1.0
Public consumption	4.6	1.7	3.0
Gross fixed investment	8.7	3.0	4.3
Exports	13.4	16.7	4.4
Imports	13.2	11.1	2.8
Contribution to Growth (Percentage points)			
Total domestic demand	5.8	4.7	1.9
Foreign balance	-0.3	2.0	0.7
Resource utilization			
Employment	1.9	2.1	0.7
Unemployment rate (Percent)	6.6	6.0	6.6
Prices			
GDP deflator	1.5	4.4	4.0
Consumer prices (Harmonized index)	0.9	8.1	5.6
Fiscal indicators (Percent of GDP)			
General government balance	-2.9	-0.4	-0.4
Primary government balance	-0.6	1.4	1.8
Structural primary balance (percent of potential GDP)	0.6	0.7	1.2
General government debt	125.4	113.9	107.9
Current account balance	-0.8	-1.3	-0.4
Nominal GDP (Billions of euros)	214.7	239.3	255.3
Sources: Bank of Portugal; Ministry of Finance; National Statistics Office (INE); Eurostat; and IMF staff projections.			

“NATIONAL ECONOMY” is based on IMF Executive Board Concludes 2023 Article IV Consultation with Portugal June 22, 2023.

FOREIGN TRADE

Portugal's total exports in 2016 were of the order of US\$ 55,354 million. It increased to US\$ 61,510 million in 2020. Exports during the period from 2016 to 2020, in terms of Percentage, grew highest (12.24%) in 2017 and fell maximum (-8.28%) in 2020 in comparison with 2016 and 2019 respectively. The annual average compound rate of growth worked out at 2.67.

Imports, on the other hand, were of the order of US\$ 77,515 million in 2020 while in 2016 it was US\$ 67,754 million. Imports during the period from 2016 to 2020, in terms of percentage, grew highest (16.25%) in 2017 and fell maximum (-13.43%) in 2020, as compared to 2016 and 2019 respectively. The annual average compound rate of growth worked out at 3.42%.

Volume of trade registered an annual average (compound) growth rate of 3.09% from US\$ 123,108 million in 2016 to US\$ 139,025 million in 2020.

Portugal faced a deficit balance of trade payment during the said period.

Portugal's export and import, volume and balance of trade between 2016 and 2020 along with their growth rates are given in **Table-I**.

For a relatively small country, Portugal has a large foreign trade. Total imports (primarily food and beverages, wheat, crude oil, machinery, automobiles, and raw materials) generally have far outpaced total exports. Among Portugal's chief exports are automobiles and transport components, machine tools, textiles, clothing, footwear, paper pulp, wine, cork, plastic molds, and tomato paste.

EU countries are Portugal's principal trading partners, accounting for four-fifths of exports and three-fourths of imports. Major trading partners include Belgium/Luxembourg, France, Germany, Italy, Japan, Netherlands, Spain, EFTA, OPEC, UK, USA etc.

Trade with Portugal's former colonial possessions in Africa has declined to a small fraction of the total, but trade has increased with Latin America, especially Portuguese-speaking Brazil. Portugal's trade deficit has traditionally been financed by emigrant worker remittances and income from tourism, which has surged to become a major industry, employing about 5% of workforce.

The Service Sector is extremely important to Portugal's economy, accounting for more than three-fifths of total output. About 1 in 20 workers is employed in the public administration, including defense.

There are international airports at Lisbon, Porto, Faro (Algrave), Funchal (Madeira), Santa Maria (Azores) and Sao Miguel (Azores). The national carrier is the state-owned TAP-Air Portugal, with some domestic and international flights being provided by Portugalia. The principal Portuguese ports are Lisbon, Leixoes (Porto), Setubal and Funchal (Madeira), and the Viana do Castelo port is being developed. The ports of Portimao (Algarve) and the Azores regularly receive international cruise liners.

BILATERAL TRADE WITH INDIA

Indo-Portugal bilateral trade in 2018-19 was of the order of Rs. 6,120.55 crores. It increased to Rs.9,662.24 crores in 2022-23. The annual compound growth rate of volume of trade during the period from 2018-19 to 2022-23 was 12.09%. India enjoyed a favorable balance of trade payment during the period from 2018-19 to 2022-23 (**see table II**).

The average annual compound growth rates of **exports** and **imports** worked out at 11.71% and 14.18% respectively.

India's exports to, and imports from Portugal of Merchandised Goods between 2018-19 and 2022-23 along with their growth rates are presented in **Table II**. India's top ten merchandise goods exported to and imported from Portugal, during 2018-19 to 2022-23, along with their growth rates are depicted in **Table III & IV** respectively.

Some Important Links

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Source:

**The Statesman Year Book, the Europa World Year Book,
Monthly Bulletin on Statistics UN Publication, imf.org, worldbank.org,
BBC News, the World Fact Book, World Development Indicator,
Ministry of Commerce & Industry, MEA,
wikipedia.org and D.G.C.I & S etc.**

“NOTICE”

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TABLE - I**PORTUGAL'S TOTAL EXPORTS AND IMPORTS, VOLUME AND BALANCE OF TRADE****BETWEEN 2016 TO 2020.**

(Figures in US MILLION DOLLARS)

<i>Year</i>	<i>Exports</i>	<i>Percentage Growth in Exports</i>	<i>Import</i>	<i>Percentage Growth in Imports</i>	<i>Volume of Trade</i>	<i>Percentage Growth in Vol. of Trade</i>	<i>Balance of Trade</i>
2016	55354		67754		1,23,108		-12400
2017	62129	12.24	78762	16.25	1,40,891	14.45	-16633
2018	68361	10.03	89060	13.07	1,57,421	11.73	-20699
2019	67063	-1.90	89539	0.54	1,56,602	-0.52	-22476
2020	61510	-8.28	77515	-13.43	1,39,025	-11.22	-16005
Annual Compound Growth Rate	2.67		3.42		3.09		
NOTE	: Figures relate to calendar year, January to December.						
SOURCE	: UN COMTRADE PUBLICATION						

TABLE - II**INDIA'S EXPORT TO AND IMPORT FROM PORTUGAL OF MERCHANDISE
GOODS DURING 2018-2019 TO 2022-2023**

(Value in Rs.CRORES)

Exports	Percentage Growth in Exports	Import	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
5194.55		926.00		6120.55		4268.55
5283.46	1.71	1003.34	8.35	6286.80	2.72	4280.12
6223.12	17.78	843.77	-15.90	7066.89	12.41	5379.35
8874.61	42.61	1225.60	45.25	10100.21	42.92	7649.01
8088.34	-8.86	1573.90	28.42	9662.24	-4.34	6514.44
11.71		14.18		12.09		

Figures relate to Financial Year April to March.

Directorate General of Commercial Intelligence & Statistics,

Ministry of Commerce & Industry, Kolkata 700 107.

TABLE -III										
INDIA'S MAJOR ITEMS OF MERCHANDISE EXPORT TO PORTUGAL										
2018-2019 TO 2022-2023 AND THEIR GROWTH RATES										
(Value in Rs. CRORES)										
Sl. No.	Name of the Merchandise Commodities	Value of Exports					Annual Growth Rates			
		2018-19	2019-20	2020-21	2021-22	2022-23	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21	22-23 over 2021-22
1	Petroleum Products	1.89	1.06	3.41	33.78	1055.38	-43.92	221.70	890.62	3024.27
	Share in total export	0.04	0.02	0.05	0.38	13.05				
2	Cotton Yarn	922.93	1049.08	902.17	1871.27	960.35	13.67	-14.00	107.42	-48.68
	Share in total export	17.77	19.86	14.50	21.09	11.87				
3	Iron & Steel	414.25	513.12	694.19	1267.41	835.02	23.87	35.29	82.57	-34.12
	Share in total export	7.97	9.71	11.16	14.28	10.32				
4	Organic Chemicals	115.93	295.96	342.53	754.48	708.68	155.29	15.74	120.27	-6.07
	Share in total export	2.23	5.60	5.50	8.50	8.76				
5	Marine Products	384.89	333.40	307.15	438.96	433.95	-13.38	-7.87	42.91	-1.14
	Share in total export	7.41	6.31	4.94	4.95	5.37				
6	Leather Footwear Components	271.87	247.13	225.23	298.55	391.33	-9.10	-8.86	32.55	31.08
	Share in total export	5.23	4.68	3.62	3.36	4.84				
7	Manmade Yarn, Fabrics, Madeups	348.57	235.80	230.13	488.71	332.10	-32.35	-2.40	112.36	-32.05
	Share in total export	6.71	4.46	3.70	5.51	4.11				
8	Plastic Raw Materials	335.95	328.30	291.43	435.08	256.89	-2.28	-11.23	49.29	-40.96
	Share in total export	6.47	6.21	4.68	4.90	3.18				
9	RMG Cotton Incl. Accessories	189.85	193.87	131.65	195.87	251.86	2.12	-32.09	48.78	28.59
	Share in total export	3.65	3.67	2.12	2.21	3.11				
10	Auto Tyres And Tubes	142.45	118.26	182.60	260.62	209.54	-16.98	54.41	42.73	-19.60
		2.74	2.24	2.93	2.94	2.59				
	Total export to PORTUGAL	5194.54	5283.46	6223.12	8874.61	8088.34	1.71	17.78	42.61	-8.86
NOTE : Figures relate to Financial Year, April to March.										
SOURCE : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.										

TABLE -IV										
INDIA'S MAJOR ITEMS OF MERCHANDISE IMPORT FROM PORTUGAL										
2018-2019 TO 2022-2023 AND THEIR GROWTH RATES										
(Value in Rs. CRORES)										
Sl. No.	Name of the Merchandise Commodities	Value of Imports					Annual Growth Rates			
		2018-19	2019-20	2020-21	2021-22	2022-23	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21	22-23 over 2021-22
1	Paper, Paper Board & Products	64.29	63.34	125.15	191.33	218.14	-1.48	97.58	52.88	14.01
	Share in total imports	6.94	6.31	14.83	15.61	13.86				
2	Bulk Drugs, Drugs Intermediates	116.72	51.16	56.27	33.49	112.37	-56.17	9.99	-40.48	235.53
	Share in total imports	12.60	5.10	6.67	2.73	7.14				
3	Plastic Raw Materials	62.23	63.07	77.69	91.11	106.33	1.35	23.18	17.27	16.71
	Share in total imports.	6.72	6.29	9.21	7.43	6.76				
4	Granit, Natrl. Stones & Products	51.40	55.53	26.41	57.49	105.23	8.04	-52.44	117.68	83.04
	Share in total import	5.55	5.53	3.13	4.69	6.69				
5	Ship, Boat And Floating Structures	1.96	26.52	0.39	0.87	101.89	1253.06	-98.53	123.08	11611.49
	Share in total import	0.21	2.64	0.05	0.07	6.47				
6	Aluminium. Products of Aluminium	12.97	29.80	65.97	100.83	97.77	129.76	121.38	52.84	-3.03
	Share in total import	1.40	2.97	7.82	8.23	6.21				
7	Indl. Machinery For Dairy Etc.	58.99	37.14	24.04	58.29	89.01	-37.04	-35.27	142.47	52.70
	Share in total import	6.37	3.70	2.85	4.76	5.66				
8	Iron And Steel	30.54	24.02	15.83	41.92	58.37	-21.35	-34.10	164.81	39.24
	Share in total import	3.30	2.39	1.88	3.42	3.71				
9	Misc Engineering Items	58.74	45.62	38.28	46.75	57.20	-22.34	-16.09	22.13	22.35
	Share in total import	6.34	4.55	4.54	3.81	3.63				
10	Residual Chemicals And Allied Prods	31.15	24.30	30.01	51.27	55.95	-21.99	23.50	70.84	9.13
	Share in total import	3.36	2.42	3.56	4.18	3.55				
	Total import from PORTUGAL	926.00	1003.34	843.77	1225.60	1573.90	8.35	-15.90	45.25	28.42
NOTE : Figures relate to Financial Year, April to March.										
SOURCE : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.										