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Assessment of the 2012 national reform programme and stability programme for PORTUGAL

Accompanying the document

Recommendation for a

COUNCIL RECOMMENDATION

on Portugal's 2012 national reform programme and delivering a Council Opinion on Portugal's udpated stability programme for 2012-2016

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EXECUTIVE SUMMARY

In 2012, Portugal's economic activity is expected to contract by 3.3% in 2012 before regaining some momentum in 2013 with a prevision of 0.3%. The labour market situation worsened significantly. The unemployment rate reached 15% in February 2012 and is set to increase further this year.

Portugal is making progress on a number of fronts. The government is undertaking a number of reforms to improve fiscal management and expenditure control, and is pursuing its privatisation plans. A major reform of the labour market has been submitted for Parliament's approval, and measures are underway to improve activation and other active labour market policies. Portugal recently launched a Youth Strategy aiming at addressing the high share of youth unemployment (34%). A strategic re-programming of the Structural Funds is also underway, with a focus on support to youth employment and competitiveness, in particular SMEs.

Portugal nevertheless continues to face significant challenges. Achieving the fiscal targets remains essential for the government to regain full market access within the Programme period. To limit the risks to the 2012 fiscal targets a rapid and determined implementation of the structural-fiscal measures of the Programme is paramount. At the same time, the government needs to focus on reforms that address Portugal's competitiveness challenges. The 2012 budget does not pursue earlier plans of a 'fiscal devaluation'. This makes it all the more important to adopt rapidly structural reforms in labour and product markets with a view to reducing labour cost, increasing flexibility, lowering entry barriers and tackling rent-seeking.

1. INTRODUCTION

Following a request by Portugal on 7 April 2011, the Troika consisting of the European Commission, the ECB and the IMF negotiated with the Portuguese authorities an Economic Adjustment Programme which was agreed by the European Council on 30 May 2011 and by the IMF board on 20 May. The programme covers the period 2011-2014. Its financial package comprises up to EUR 78 billion for possible fiscal-financing needs and support to the banking system. One third (up to EUR 26 billion) will be financed by the European Union under the European Financial Stabilisation Mechanism (EFSM), another third by the European Financial Stability Facility (EFSF) and the final third by the IMF under an Extended Fund Facility.

The programme seeks to restore confidence, make public finances again sustainable, enable the economy to return to balanced growth and safeguard financial stability in Portugal, the euro area and the EU. To this end, the programme provides for comprehensive action on three fronts:

(1) A credible and balanced fiscal-consolidation strategy, supported by structural fiscal measures and better fiscal control over Public-Private-Partnerships (PPPs) and state-owned enterprises (SOEs), designed to put the gross public debt-to-GDP ratio on a firm downward path in the medium term. The authorities are committed to reducing the deficit to 3% of GDP by 2013.

(2) Efforts to safeguard the financial sector through market-based mechanisms supported by back-up facilities. Central aspects here are measures to foster a gradual and orderly deleveraging, strengthened capitalisation of banks and reinforced banking supervision.

(3) Thorough frontloaded structural reforms to boost potential growth, create jobs, and improve competitiveness. In particular, the Programme contains reforms of the labour market, the judicial system, network industries and the housing and services sectors in order to strengthen the economy's growth potential, improve competitiveness and facilitate economic adjustment.

An important feature of the programme is the emphasis on mitigating negative social impacts, while addressing fiscal, banking and structural imbalances. In particular, tax increases and benefit reforms are designed to minimise the impact on the lowest-income groups.

As for all Member States benefiting from a financial-assistance programme, progress in implementing the accompanying policy programme is monitored in a dedicated, regular and specific manner, in line with the provisions of the Memorandum of Understanding. Given the reporting requirements under financial-assistance programmes, as well as the much more extensive monitoring and enforcement involved, programme countries have been exempted from the obligation to submit national reform programmes and stability or convergence programmes in 2012. Nonetheless, Portugal submitted updated programmes in May 2012. The Staff Working Document under the 2012 European Semester provides a summary of the recent progress on implementation. More details can be found in the reports on the state of implementation that the European Commission publishes following each review mission[1].

[1] These reports, along with other information related to the financial assistance programme, can be found on http://ec.europa.eu/economy_finance/eu_borrower/portugal/index_en.htm.

2. ECONOMIC SITUATION AND OUTLOOK

The contraction of economic activity in 2012 is likely to be more pronounced than anticipated in the Programme, outweighing the better performance of the economy in 2011. The decline in output in 2011 was less marked than forecast, as exports and consumption performed better than foreseen. However, the economic mood worsened markedly in the fourth quarter of 2011 on the back of weak external trade, a sharp rise in unemployment and business confidence reaching record lows. As the slowdown in exports is expected to worsen, the outlook for 2012 has deteriorated and GDP is now projected to fall by 3¼ per cent, i.e. a quarter percentage point more than forecast in the autumn. With the turnaround of the economy somewhat delayed, growth in 2013 will also be more limited than originally expected. While the external adjustment has so far been remarkably fast, with Portuguese exports gaining market shares outside the EU and imports falling considerably, its persistence is still uncertain. Given the large external debt Portugal has accumulated, very substantial further adjustment of a structural nature is required.

3. PROGRAMME IMPLEMENTATION

The Programme's 2011 target for the general government deficit of 5.9 per cent of GDP has been overachieved by resorting to a transfer of banks' pension funds to the state amounting to 3½ per cent of GDP. Primary expenditure overruns in the first half of 2011 were almost reversed in the second half of the year, but non-recurrent factors kept the deficit 1½ per cent of GDP above target. The pension funds transfer was used to close this gap, lowering the headline deficit to an estimated 4 per cent of GDP. Despite this one-off operation, the structural consolidation in 2011 was large and amounted to 3½ per cent of GDP, when measured as the change in the cyclically adjusted primary balance net of one-off measures. In December 2011, payment arrears in the general government sector showed for the first time a decline, but performance in the next few months will have to be monitored to confirm that arrears have been brought on a downward trend.

The 2012 budget targets a general government deficit of 4.5 per cent of GDP, in line with the Programme. It contains bold consolidation measures, totalling 6 per cent of GDP, of which two thirds are on the expenditure side. Key measures include significant cuts in public-sector wages and pension entitlements and the application of higher VAT rates to a large number of goods and services. The cuts in wages and entitlements are being implemented in a socially compatible way, with lower incomes being less or not affected. The measures are appropriate in view of the need to switch from a consumption-based to a more export-led growth model. While the budgetary yield of the measures has been correctly assessed by the government there is nevertheless a risk that the target will not be achieved, in particular because of the economic outlook and the fiscal risks associated with the performance of state-owned enterprises (SOEs) and regional and local governments. This calls for determined implementation of the budget as well as flanking structural measures to improve budgetary control over entities in the wider public sector.

In terms of the structural balance, the fiscal structural adjustment is expected to be over 7pps. of GDP in 2011-2012. The MTO of -0.5% adequately reflects the requirements of the Stability and Growth Pact. As regards public debt, it is expected to peak at 115.7% of GDP in 2013 and gradually decline thereafter.

The government is undertaking a number of reforms to improve fiscal management and expenditure control, including improved reporting at all levels of government, and is committed to a thorough restructuring of SOEs. In particular, efforts are underway to improve the fiscal framework through the introduction of a medium-term fiscal strategy, strengthened commitment controls and regular and comprehensive reporting on arrears. The government has also prepared a strategic plan on SOEs which specifies how to enhance the efficiency of the sector, restore its financial sustainability and re-focus its activities on core public-policy objectives. In view of the substantial fiscal risks posed by this sector, particularly with regard to its high and rapidly rising level of indebtedness, swift implementation of the strategy should ensure that by the end of 2012 these companies are not running at a loss. This needs to be urgently complemented by a plan spelling out options for reducing the high level of arrears, especially in the hospital sector where the problem is particularly severe. The government has also prepared a report on the fiscal risks stemming from Public-Private Partnerships (PPPs) and is launching, slightly later than planned, a study assessing whether and how the projected high spending pressures from PPPs in coming years can be alleviated.

A revision of the fiscal frameworks for regional and local governments is in preparation. Measures limiting the indebtedness of local governments have been included in the budget plan for 2012. But a more profound revision, possibly benefiting from technical assistance, of legislation governing the finances of local and regional governments is necessary with a view to enhancing accountability. Recent developments in the Autonomous Region of Madeira have dramatically demonstrated the fiscal risks engendered by a lack of transparency and budgetary control. The region is put under tight control through an adjustment programme agreed between the Central Government and the Region.

The government is pursuing its privatisation plans. The sale of Energias de Portugal (EDP) was finalised in January. Two bidders for Rede Eléctrica Nacional (REN) were selected in December and the declarations of intent for the sale of stakes to each of them were signed in February. The Programme frontloads estimated total proceeds of some EUR 5 billion, with estimated revenues of EUR 600 million in 2011 and EUR 4 billion in 2012. Other privatisation projects mainly in the transport sector are expected to take shape in the course of 2012. The government is also considering winding down Parpublica, the public holding company, but net revenues will be small, if any, as the proceeds from the sale of its assets will be balanced by substantial liabilities held by the company.

While deleveraging is ongoing, Portugal's banks face fresh challenges to strengthen their capital positions. The deleveraging process of Portuguese banks has been facilitated by a reduction in their foreign activities. In the future, it will be important that the pace and composition of deleveraging allows banks to address their funding imbalances so as to reduce their high dependence on the liquidity of the Eurosystem, while continuing to provide adequate credit to the productive sectors of the economy.

Banks are on track to meet the capital requirements under the Programme by the end of the year but capital positions have to improve further in 2012 in line with Programme requirements and as a result of the European Banking Authority's requirement to cater for sovereign exposures, the special on-site inspection programme and the planned transfer of banks' private pension plans. Additional capital will be first sought from private sources but if this proves insufficient banks will be able to use the bank-solvency support facility included in the financing envelope of the Programme. To this effect, the authorities are finalising the legislation governing the provision to banks of capital from public sources.

The success of the Programme depends crucially on the implementation of a wide range of structural reforms that will remove the rigidities and bottlenecks that underlie the economy's decade-long stagnation. In order to improve cost competitiveness, the Programme envisages reforms in the labour market, product and services markets, the judiciary, network industries and the housing and services sectors.

A major reform of the labour market has been submitted for Parliament's approval. The reform will substantially reduce labour market rigidities and is the result of a Tripartite Agreement between the government and the social partners. The new legal framework aligns the severance payments of existing employees with those of new recruits, the definition of individual fair dismissals is eased, working time flexibility is increased and the unemployment insurance benefits system is being revised to reduce unemployment traps. In addition, a set of measures are being taken to increase the active population and improve other active labour market policies. The draft law is in broad compliance with the Memorandum of Understanding even though the maximum duration of unemployment benefits is still too long and the scope of the extension mechanism is not fully clear. The reform is expected to enter into force by July/August 2012.

Measures are being taken to improve activation and other active labour market policies (ALMP) and the development of a monitoring tool to evaluate education outcomes is progressing as planned. A hiring incentives programme- *Estímulo 2012*- entered into force on 14 February 2012. The Government estimates that more than 56 000 unemployed will benefit from this measure. In the area of education, the monitoring tool will be operational by September 2012. In addition, the authorities presented broad action plans for improving the quality of secondary education and vocational training. The preparation of detailed action plans is underway.

Reforms in the judicial sector are, in principle, on schedule. The target of eliminating the case backlog within two years appears well on track. The Portuguese government has made significant progress in strengthening alternative dispute resolution (ADR) to facilitate out-of-court settlements. In addition, Portugal has taken the necessary legal and administrative steps to make arbitration operational by the deadline set for February 2012. The organisation of the court system is becoming more efficient. Specialised courts and judges on competition matters and on intellectual property rights are set to become operational.

Progress has been made in liberalising some product and services markets. The transposition of the Third Energy Package is advancing. Decree-laws to phase out the remaining regulated tariffs for smaller and retail end-users of electricity and natural gas will enter into force by 1 January 2013. Further steps will be taken to strengthen the powers of the national regulator with respect to arbitration and the imposition of sanctions.

Legislation implementing the Third Postal directive moves towards completion. The law transposing the Third Postal directive was adopted and published in the Official Gazette. This new framework now legally enacts the liberalisation of the entire sector according to EU legislation, and strengthens the role and powers of the regulator. The authorities have also taken bold steps to ensure an effective competition-enforcement regime and to improve the legal framework for public-procurement and award practices. They will submit a report in the first quarter of 2013 analysing the effectiveness and impact of the measures adopted. Finally, a decree-law amending the urban rental legislation has been submitted to the Parliament. It paves the way for a much more flexible and dynamic rental market.

Substantial further action will be necessary to set the surging debt of the electricity system (tariff debt) on a sustainable path by correcting the excessive profits linked to the production of energy. A report discussing some possible measures describes only limited action so far. However, the authorities have reiterated their commitment to addressing the problem and the revised Memorandum of Understanding contains some specific measures that, if properly implemented, would have a significant impact on the tariff debt.

In the transport field, progress has been made in terms of governance and structural reorganisation. The reform of the port sector is progressing. The separation of regulatory activities from port management and commercial activities is underway and should be fully achieved shortly. However, further steps are needed to improve the governance structure of ports to ensure stronger commercial orientation. A draft law revising the legal framework governing port work is under preparation. An effective shipping strategy should be put in place to avoid the decline in Portugal's merchant fleet. The Government is working on a strategy to integrate ports in the overall logistics and transport system. On air transport, the Government is assessing possibilities for additional airport capacities around the Lisbon region to complement the scarce capacity at Portela. On railways, a regulator has been established but its independence and staffing must be reinforced. The legal independence of the State-owned railway operator CP has been reinforced. Plans for the rationalisation of the rail network and the infrastructure manager have been presented. Revision of the public service contracts has started and public tendering should start progressively. The connection between three key ports (Lisbon, Setúbal and Sines) and Madrid should be prioritised.

More decisive action is needed to liberalise access to services and regulated professions. Although they have not been approved by the agreed deadlines, many of the sector-specific amendments that are necessary to fully implement the Services Directive and to liberalise regulated professions are close to being finalised. In the construction and real-estate sector, regulatory progress has been very limited and significant barriers to entry remain. In addition, there is only slow progress on opening-up the telecom market**.**

The Portuguese Government presented a strategic plan to tackle youth unemployment and SME financing problems (*Impulso Jovem*) following the European Council of 30 January 2012. The strategic plan addresses youth issues through internships, training programmes, wage subsidies, microcredit and the reinforcement of mobility. Another important objective is to facilitate further the access to financing for SMEs, either in terms of own capital, loans coupled with guarantees or grants to support investments. The Portuguese authorities will implement the strategic plan with resources available in the current operational programmes funded by the Structural Funds. Concrete measures and funding allocations will be presented in the reprogramming proposal (National Strategic Reference Framework) to be submitted by the Portuguese authorities to the European Commission by 30 May. While this initiative is not part of the programme implementation it may contribute to meet some of its objectives.

The Euro Plus Pact commitments made by Portugal reflect the major priorities of the Economic Adjustment Programme. These commitments consist in a set of specific actions in various fields aimed at fostering competitiveness and employment, contributing further to the sustainability of public finances and reinforcing financial stability.

The economic crisis and subsequent austerity measures have had an impact on the ability of Portugal to achieve some Europe 2020 goals. In particular, employment rate started to decline after having peaked in 2008 and R&D expenditure slightly ebbed after a steady increase until 2009. On the contrary, early school leaving has carried on declining during the years of the crisis. The share of population at risk of poverty remains similar to pre-crisis levels. On the environmental side, Portugal has continued to work towards achieving the environmental goals of Europe 2020. It is expected that the steps forward made or in progress in structural reforms, particularly those in the labour market, justice, some privatisations, the liberalisation of some sheltered sectors and professions and a number of measures to improve the business environment, boost competition, spur productivity, increase employment and reduce production costs, thus contributing to an increase in employment and limiting poverty and social exclusion in the medium term.

	Current situation	Development over the last year[2]	Europe 2020 targets
R&D investment (% of GDP)	In 2010, R&D investment in Portugal amounted to 1.59 % of GDP, reflecting a steady and strong upward trend until 2009 when it reached 1.64 %. It is still significantly below the EU average, with public spending accounting for a high share of the total (43.7 %) compared to the EU average of 33.9 %. The main problems faced by Portugal in the field of research and innovation include (i) the low density and limited scope of the linkages established between participants (businesses, universities and research and technological institutes) in the national research and innovation system, (ii) the partial mismatch between economic needs and university qualifications despite recent progress on PhD training and (iii) the general weak knowledge-absorption capacity of firms, which reflects the low share of research-intensive sectors in the total value added..	The main measures are the adoption of the Strategic Programme for entrepreneurship and innovation, the implementation of the 'Digital Agenda 2015' and actions aimed at strengthening the links between universities, research institutes and firms. Also noteworthy is the new strategic programme for entrepreneurship and innovation (Programa Estratégico para o Empreendedorismo e a Inovação E+I), taking the form of internal reshaping of the Operational programmes and the use of structural funds (funding of EUR 190 m for a total of EUR 300 m, launched in February 2012 to last until 2015).	The current Europe 2020 national target is to reach 3 % by 2020. This target may be difficult to attain, given the ongoing process of fiscal consolidation and deleveraging of the economy and the relatively high share of the public sector in the current levels of expenditure in R&D.

[2] Based on the 2012 national reform programme for Portugal

	Current situation	**Development over the last year**[2]	**Europe 2020 targets**
Employment rate (%)	70.5 % in 2010.	The employment rate peaked in 2008 at 73.1 % and then started to decline. In 2010, it attained historically low levels not observed since 1996. The quarterly data available for 2011 show that a rapid decline is occurring in the context of a sharp deterioration of the labour market. Accordingly, achieving an employment rate of 75 % by 2020 might well prove too ambitious in a 'no policy change' scenario and sustained efforts are therefore needed over the coming years in order to achieve it. In terms of policy measures, on 18 January 2012 the government and main social partners concluded a tripartite agreement which reforms the Labour Code and substantially reduces rigidities by lowering severance pay, redefining fair dismissals, making working hours more flexible, facilitating collective agreements at company level and reducing unemployment traps. A programme to encourage new recruitment was also put in place. This major labour-market reform has been submitted for Parliament's approval. In addition, a hiring incentives programme - Estímulo 2012 - entered into force on 14 February 2012 and an Action Plan to improve the effectiveness of active labour market policies is in preparation.	75 %

	Current situation	**Development over the last year**[2]	**Europe 2020 targets**
Early school leaving (%)	28.7 % in 2010. Early school leaving rates have been gradually declining over the last decade from a rate of 45 % in 2002. However, the rate of early school leaving remains among the highest in the EU and more than double the EU average (14.1 %).	The Council Decision 2011/344/EU and the Programme urge the Portuguese authorities to address early school leaving and to improve the quality of secondary education and vocational education and training, with a view to raising the quality of human capital and facilitating labour market matching. Broad action plans to improve the quality of secondary education and the quality and attractiveness of education and vocational training were presented. Detailed Action Plans including road maps for implementation were also recently submitted.	10 %
Tertiary education attainment (%)	23.5 % in 2010. There has been remarkable progress from rates of about 11 % at beginning of the last decade. However, tertiary education attainment remains significantly below the EU average. In addition, there are very significant parts of society with low levels of education. More than 7 out of 10 Portuguese citizens have a low level of education attainment which is almost triple the EU average (28.1 %).	The implementation of the Confidence Contract adopted in 2010 is aimed at providing the labour market with an additional 100 000 graduates over the next four years and extending compulsory education to the age of 18. Preliminary data on enrolment rates seem to indicate that the socio-economic situation may have an adverse effect in the attainment of Portugal's national target.	40 %

	Current situation	**Development over the last year[2]**	**Europe 2020 targets**
Reduction of the number of people at risk of poverty or exclusion	More than one out of four Portuguese citizens was at-risk of poverty or exclusion at the end of 2009. This rate (25.3 %) is above the EU average (23.4 %). Even after social transfers, the risk of poverty is over 17 %. More than 9 % of the population faces severe material deprivation.	erall, the Economic Adjustment Programme has been implemented taking into account the vulnerable position of groups with the highest risk of poverty. For instance: (i) measures to reduce the duality of the labour market will benefit the socially disadvantaged holders of fixed-term contracts, (ii) the minimum wage was not reduced, (iii) pension cuts and public wage cuts were implemented in a progressive way (i.e. there were either no cuts or proportionately lower cuts in the lower categories), (iv) the minimum period of employment necessary to be eligible for unemployment benefits was shortened, (v) the housing market reform includes an important social component by containing reinforced guarantees for low-income and elderly tenants, (vi) taxes on profits and interest income have been increased and a solidarity surtax on individual income introduced. This solidarity surcharge is levied at a rate of 3.5 % on all aggregated categories of income subject to individual income tax and applies only to income gained in 2011. Furthermore, in 2012 and 2013 a surtax of 2.5 % will be applied to the highest income bracket.	The NRP 2011 envisages reducing the number of persons in or at risk of poverty and social exclusion by 200 000 persons in 2020.
Energy efficiency — reduction in primary energy consumption by 2020 in million tonnes of oil equivalent (Mtoe)	The method of assessing national progress in energy efficiency is currently under discussion between the institutions in the context of the proposed Energy Efficiency Directive.		2011 commitment of 6.0 Mtoe reduction

	Current situation	Development over the last year[2]	Europe 2020 targets
Greenhouse-gas emission reduction in sectors not covered by the Emission Trading System (compared to 2005 levels)	Greenhouse-gas emissions in non-ETS sectors reduced by 3.3% (compared to 2005) by 2009.	The measures adopted to reach the objectives linked to climate change are related to the implementation of the National Programme to Combat Climate Change and to promoting eco-innovation in a wide range of sectors through initiatives in key sectors such as transport or housing.	Portugal also undertook not to increase emissions outside ETS (building, road transport and agriculture) by more than 1% by 2020 compared to the level observed in 2005.
Renewable energy (% of total energy use)	The share of renewable energy sources in gross final energy consumption is significantly high (24.5% in 2009), more than double the EU average (11.7%).	The share of renewable energies has witnessed a steady upward trend since 2000. In the area of energy, Portugal is currently implementing a National Strategy for Energy 2020 and a specific Action Plan for Renewable Energies.	Portugal has committed to reaching a share of 31% of renewable energies in total final consumption of energy by 2020.

4. CONCLUSION

Overall, Portugal has made good progress on a number of fronts but significant challenges remain. Achieving the fiscal targets remains essential if the government is to regain full market access within the Programme period. To limit the risks to the 2012 fiscal targets, rapid and determined implementation of the structural-fiscal measures of the Programme is paramount. At the same time, the government needs to focus on reforms that address Portugal’s competitiveness shortcomings. The 2012 budget does not pursue earlier plans for a ‘fiscal devaluation’. This makes it all the more important to rapidly adopt structural reforms in labour and product markets with a view to reducing labour cost, increasing flexibility, lowering entry barriers and tackling profiteering. Perseverance and resolve will be required if the government is to overcome strong vested interests that stand in the way of reforms. A strategic re-programming of the Structural Funds is underway, with a focus on support to youth employment and competitiveness (in particular SME's).

The breadth and scope of the reform programme is testing the administrative capacity of the public sector. Technical assistance has already been provided in a number of areas. The recently set up Support Group steps up the Commission’s involvement in this regard. The Support Group will complement ongoing technical assistance in the fiscal domain by focusing on structural policies and the use of EU structural funds.

The next review is scheduled for the end of May 2012. If the assessment of progress is positive, disbursement of the next tranche of EUR 2.6 billion will follow.

5. ANNEX

Table I. Macro economic indicators

	1995-1999	2000-2004	2005-2008	2009	2010	2011	2012	2013
Core indicators								
GDP growth rate	3.9	1.5	1.1	-2.9	1.4	-1.6	-3.3	0.3
Output gap [1]	0.7	1.3	-0.2	-2.8	-1.5	-2.7	-4.6	-4.0
HICP (annual % change)	2.6	3.3	2.6	-0.9	1.4	3.6	3.0	1.1
Domestic demand (annual % change) [2]	4.8	1.2	1.3	-3.3	0.8	-5.7	-6.6	-0.8
Unemployment rate (% of labour force) [3]	6.3	5.9	8.7	10.6	12.0	12.9	15.5	15.1
Gross fixed capital formation (% of GDP)	25.3	25.4	22.5	20.6	19.8	18.1	16.6	16.8
Gross national saving (% of GDP)	20.2	16.9	12.2	9.4	9.9	10.8	12.3	13.5
General Government (% of GDP)								
Net lending (+) or net borrowing (-)	**-4.2**	**-3.8**	**-4.5**	**-10.2**	**-9.8**	**-4.2**	**-4.7**	**-3.1**
Gross debt	**54.3**	**53.3**	**66.5**	**83.1**	**93.3**	**107.8**	**113.9**	**117.1**
Net financial assets	**-30.1**	**-39.1**	**-51.0**	**-64.5**	**-63.7**	**-54.0**	**n.a**	**n.a**
Total revenue	37.6	39.7	40.7	39.6	41.4	44.7	43.0	43.1
Total expenditure	41.8	43.5	45.2	49.7	51.2	48.9	47.7	46.1
of which: Interest	4.0	2.8	2.8	2.8	2.9	3.9	4.8	4.9
Corporations (% of GDP)								
Net lending (+) or net borrowing (-)	**-1.4**	**-5.5**	**-7.0**	**-4.3**	**-3.1**	**-5.0**	**-1.0**	**-1.9**
Net financial assets; non-financial corporations	**-130.6**	**-136.7**	**-146.2**	**-164.2**	**-164.0**	**-167.6**	**n.a**	**n.a**
Net financial assets; financial corporations	**-9.6**	**-8.0**	**-7.7**	**-4.5**	**-1.3**	**-0.5**	**n.a**	**n.a**
Gross capital formation	13.3	14.0	14.0	12.4	11.3	10.2	9.8	10.7
Gross operating surplus	20.6	20.8	20.5	20.8	21.1	21.1	20.7	21.3
Households and NPISH (% of GDP)								
Net lending (+) or net borrowing (-)	**1.9**	**2.2**	**1.9**	**4.8**	**4.6**	**4.2**	**3.7**	**3.8**
Net financial assets	**153.3**	**131.7**	**123.7**	**125.4**	**125.2**	**122.3**	**n.a**	**n.a**
Gross wages and salaries	38.8	39.2	38.6	39.5	38.9	38.5	37.0	36.2
Net property income	7.0	5.9	6.8	6.0	6.6	7.5	6.0	6.1
Current transfers received	19.8	21.2	22.9	25.6	25.5	26.0	26.0	25.5
Gross saving	8.2	7.4	5.7	7.9	7.5	7.1	5.9	5.9
Rest of the world (% of GDP)								
Net lending (+) or net borrowing (-)	**-3.7**	**-7.2**	**-9.7**	**-9.6**	**-8.3**	**-5.1**	**-2.2**	**-1.4**
Net financial assets	**21.9**	**56.2**	**85.3**	**114.0**	**111.9**	**109.0**	**n.a**	**n.a**
Net exports of goods and services	-8.3	-8.9	-9.0	-7.4	-7.2	-3.9	-0.5	0.7
Net primary income from the rest of the world	-0.4	-1.6	-2.8	-4.1	-3.3	-3.6	-3.9	-4.3
Net capital transactions	2.4	1.8	1.3	1.2	1.3	1.5	1.5	1.5
Tradable sector	46.4	43.3	40.9	41.1	41.0	41.6	n.a	n.a
Non tradable sector	41.2	44.1	45.5	47.2	46.5	45.6	n.a	n.a
of which: Building and construction sector	6.6	7.0	6.3	5.9	5.8	5.5	n.a	n.a
Real effective exchange rate (index, 2000=100)	99.3	105.0	112.0	113.4	110.4	109.1	103.2	101.8
Terms of trade goods and services (index, 2000=100)	100.5	101.2	100.3	103.6	103.0	100.6	100.1	100.3
Market performance of exports (index, 2000=100)	108.0	99.4	93.6	98.3	97.3	101.4	104.6	106.7

Notes:

[1] The output gap constitutes the gap between the actual and potential gross domestic product at 2000 market prices.

[2] The indicator on domestic demand includes stocks.

[3] Unemployed persons are all persons who were not employed, had actively sought work and were ready to begin working immediately or within two weeks. The labour force is the total number of people employed and unemployed. The unemployment rate covers the age group 15-74.

Source :

Commission services' spring 2012 forecast

Table II. Comparison of macroeconomic developments and forecasts

	2011		2012		2013		2014	2015
	COM	SP	COM	SP	COM	SP	SP	SP
Real GDP (% change)	-1.6	-1.6	-3.3	-3.0	0.3	0.6	2.0	2.4
Private consumption (% change)	-3.9	-3.9	-6.1	-6.3	-1.0	-0.7	0.5	1.0
Gross fixed capital formation (% change)	-11.4	-11.4	-11.8	-9.8	0.7	-0.6	3.1	3.7
Exports of goods and services (% change)	7.4	7.4	2.5	3.4	4.7	5.6	6.4	6.8
Imports of goods and services (% change)	-5.5	-5.5	-6.9	-6.4	1.9	1.6	2.6	3.6
Contributions to real GDP growth:								
- Final domestic demand	-5.6	-6.1	-6.8	-6.7	-1.0	-1.0	0.4	0.9
- Change in inventories	-0.5	-0.5	-0.1	-0.1	0.2	0.1	0.0	0.0
- Net exports	4.4	4.4	3.6	3.7	1.1	1.5	1.6	1.4
Output gap[1]	-2.7	-3.2	-4.6	-5.1	-4.0	-4.5	-3.1	-1.6
Employment (% change)	-1.5	-2.8	-3.3	-2.5	0.2	0.6	1.5	1.1
Unemployment rate (%)	12.9	12.7	15.5	14.5	15.1	14.1	13.2	12.7
Labour productivity (% change)	-0.1	1.2	0.0	-0.5	0.0	0.0	0.5	1.2
HICP inflation (%)	3.6	3.6	3.0	3.2	1.1	1.3	1.1	1.2
GDP deflator (% change)	0.7	0.7	0.7	0.9	1.3	1.5	1.3	1.6
Comp. of employees (per head, % change)	-0.8	0.5	-3.1	-3.0	-0.6	0.7	0.9	1.3
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	-5.1	-5.1	-2.2	-2.5	-1.4	-0.4	1.3	3.1

Note:

[1]In percent of potential GDP, with potential GDP growth according to the programme as recalculated by Commission services.

Source :

Commission services' spring 2012 forecasts (COM); Stability programme (SP).

Table III. Composition of the budgetary adjustment

(% of GDP)	2011	2012		2013		2014	2015	Change: 2011-2015
	COM	COM	SP	COM	SP	SP	SP	SP
Revenue	**44.7**	**43.0**	**42.9**	**43.1**	**42.9**	**42.8**	**42.7**	**-2.0**
of which:								
- Taxes on production and imports	13.6	14.8	14.8	14.9	14.8	14.8	14.8	1.2
- Current taxes on income, wealth, etc.	9.9	9.8	9.9	9.8	9.9	10.0	10.1	0.2
- Social contributions	12.3	11.9	12.0	11.9	11.9	11.8	11.6	-0.7
- Other (residual)	8.8	6.5	6.2	6.4	6.3	6.2	6.2	-2.6
Expenditure	**48.9**	**47.7**	**47.5**	**46.1**	**45.9**	**44.6**	**43.8**	**-5.1**
of which:								
- Primary expenditure	45.0	42.8	42.8	41.2	41.3	39.9	39.0	-6.0
of which:								
Compensation of employees	11.3	10.0	10.1	9.5	9.7	9.2	9.0	-2.3
Intermediate consumption	4.6	4.6	4.5	4.3	4.1	4.1	4.0	-0.6
Social payments	22.1	22.3	21.8	21.9	21.6	21.2	20.9	-1.2
Subsidies	0.7	0.8	1.0	0.8	1.0	0.9	0.9	0.2
Gross fixed capital formation	2.6	2.0	2.1	1.8	1.6	1.4	1.3	-1.3
Other (residual)	3.7	3.1	3.3	2.8	3.3	3.1	2.9	-0.8
- Interest expenditure	3.9	4.8	4.7	4.9	4.6	4.7	4.8	0.9
General government balance (GGB)	**-4.2**	**-4.7**	**-4.5**	**-3.1**	**-3.0**	**-1.8**	**-1.0**	**3.2**
Primary balance	**-0.4**	**0.1**	**0.2**	**1.9**	**1.6**	**2.9**	**3.7**	**4.1**
One-off and other temporary measures	3.2	0.4	0.4	0.0	0.0	0.0	0.0	-3.2
GGB excl. one-offs	**-7.4**	**-5.1**	**-4.9**	**-3.1**	**-3.0**	**-1.8**	**-1.0**	**6.4**
Output gap[2]	-2.7	-4.6	-5.1	-4.0	-4.5	-3.1	-1.6	1.1
Cyclically-adjusted balance[2]	-3.0	-2.6	-2.2	-1.3	-1.0	-0.4	-0.3	2.7
Structural balance[3]	**-6.2**	**-3.0**	**-2.6**	**-1.3**	**-1.0**	**-0.4**	**-0.3**	**5.9**
Change in structural balance		*3.1*	*3.6*	*1.8*	*1.6*	*0.5*	*0.1*	
Structural primary balance[3]	-2.3	1.8	2.1	3.7	3.6	4.3	4.5	6.8
Change in structural primary balance		*4.1*	*4.4*	*1.9*	*1.5*	*0.6*	*0.2*	
Expenditure benchmark								
Public expenditure growth[4] (real)		-3.27	-2.32	-4.83	-3.33	-2.40	-0.56	-
Reference rate[5,6]		0.10	0.10	0.10	0.10	*0.10*	*0.10*	-
Lower reference rate[5,7]		-1.09	-1.09	-1.09	-1.09	*-1.09*	*-1.09*	-
Deviation in % GDP against applicable reference rate		-1.03	-0.58	-1.63	-0.97	*-0.54*	*-0.26*	-
Two-year average deviation in % GDP against applicable reference rate		n.a.	n.a.	-1.33	-0.77	*-0.76*	*-0.40*	-

Notes:

[1]On a no-policy-change basis.

[2]Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission services on the basis of the information in the programme.

[3]Structural (primary) balance = cyclically-adjusted (primary) balance excluding one-off and other temporary measures.

[4]Modified expenditure aggregate used for the expenditure benchmark, growth rates net of non-discretionary changes in unemployment benefit and of discretionary measures.

[5]The reference rates applicable to 2014 onwards will be available from mid-2012. For illustrative purposes, the current reference rates have also been applied to the years 2014 onwards.

[6]The (standard) reference rate applies starting in the year following which the country has reached its MTO.

[7]The lower reference rate applies as long as the country is adjusting towards its MTO, including the year in which it reaches the MTO.

Source :

Stability programme (SP); Commission services' spring 2012 forecasts (COM); Commission services' calculations.

Table IV. Debt dynamics

(% of GDP)	average 2006-10	2011	2012		2013		2014	2015
			COM	SP	COM	SP	SP	SP
Gross debt ratio[1]	**76.0**	**107.8**	**113.9**	**113.1**	**117.1**	**115.7**	**113.4**	**109.5**
Change in the ratio	6.2	14.4	6.1	5.3	3.2	2.6	-2.3	-3.9
Contributions [2] :								
1. Primary balance	**3.4**	**0.4**	**-0.1**	**-0.2**	**-1.9**	**-1.6**	**-2.9**	**-3.7**
2. "Snow-ball" effect	**1.4**	**4.8**	**7.7**	**7.0**	**3.2**	**2.3**	**1.0**	**0.4**
Of which:								
Interest expenditure	2.9	3.9	4.8	4.7	4.9	4.6	4.7	4.7
Growth effect	-0.3	1.5	3.6	3.3	-0.3	-0.7	-2.2	-2.6
Inflation effect	-1.2	-0.6	-0.7	-1.0	-1.4	-1.7	-1.4	-1.7
3. Stock-flow adjustment	**1.4**	**9.3**	**-1.4**	**-1.5**	**1.8**	**1.9**	**-0.4**	**-0.5**
Of which:								
Cash/accruals diff.								
Acc. financial assets				-1.5		1.8	-0.3	-0.6
Privatisation				2.4		0.6	0.0	0.0
Val. effect & residual								
Gap to the debt benchmark[3,4]								
Structural adjustment[5]								
To be compared to:								
Required adjustment[6]								

Notes:

[1] End of period.

[2] The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting, accumulation of financial assets and valuation and other residual effects.

[3] Not relevant during EDP that were ongoing in November 2011 and in the three years following the correction of the excessive deficit.

[4] Shows the difference between the debt-to-GDP ratio and the debt benchmark. If positive, projected gross debt-to-GDP ratio does not comply with the debt reduction benchmark.

[5] Applicable only during the transition period of three years from the correction of the excessive deficit for EDP that were ongoing in November 2011.

[6] Defines the remaining annual structural adjustment over the transition period which ensures that - if followed – Member State will comply with the debt reduction benchmark at the end of the transition period, assuming that COM (SP) budgetary projections are achieved.

Source :

Stability programme (SP); Commission services' spring 2012 forecasts (COM); Commission services' calculations.

Table V. Long-term debt sustainability indicators

	PT		EU27	
	no-policy change scenario	**Programme (SP) scenario**	**no-policy change scenario**	**Programme (SP) scenario**
S2	-1.2	-2.4	2.9	0.7
of which:				
Initial budgetary position (IBP)	-1.3	-2.5	0.7	-1.6
Long-term change in the primary balance (LTC)	0.1	0.1	2.3	2.4
of which:				
Pension	-0.4	-0.3	1.1	1.2
Care (HC and LTC)	1.5	1.4	1.5	1.5
Others	-1.0	-1.1	-0.3	-0.3
S1 (required adjustment)*	1.3	-0.3	2.2	-0.1
Debt, % of GDP (2011)	107.8		82.8	
Age-related expenditure, % of GDP (2011)	25.8		25.8	

Figure. Medium-term debt projection

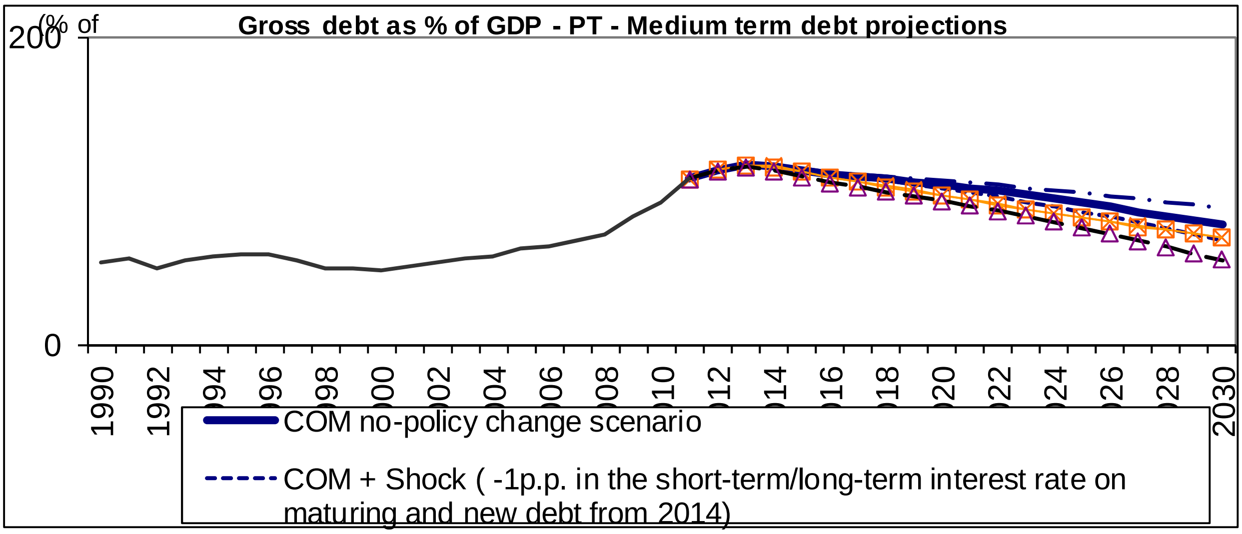

Table VI. Taxation

	2001	2005	2007	2008	2009	2010
Total tax revenues (incl. actual compulsory social contributions, % of GDP)	30.9	31.5	32.8	32.8	31.0	31.5
Breakdown by economic function (% of GDP)[1]						
Consumption	11.7	12.9	12.6	12.2	10.9	11.7
of which:						
- VAT	7.5	8.5	8.5	8.4	7.1	7.8
- excise duties on tobacco and alcohol	1.0	1.0	0.8	0.9	0.8	1.0
- energy	1.8	2.0	2.0	1.9	1.9	1.8
- other (residual)	1.4	1.4	1.3	1.1	1.1	1.1
Labour employed	11.3	11.3	11.6	11.7	12.1	12.0
Labour non-employed	0.6	0.7	0.9	0.9	1.0	0.9
Capital and business income	5.2	4.4	5.2	5.5	4.6	4.5
Stocks of capital/wealth	2.2	2.3	2.6	2.5	2.4	2.4
p.m. Environmental taxes[2]	2.9	3.0	2.8	2.6	2.5	2.5
VAT efficiency[3]						
Actual VAT revenues as % of theoretical revenues at standard rate	58.4	51.8	52.6	53.4	44.4	46.8

Note:
1 Tax revenues are broken down by economic function, i.e. according to whether taxes are raised on consumption, labour or capital. See European Commission (2012), Taxation trends in the European Union, for a more detailed explanation.
2 This category comprises taxes on energy, transport and pollution and resources included in taxes on consumption and capital.
3 The VAT efficiency is measured via the VAT revenue ratio. The VAT revenue ratio is defined as the ratio between the actual VAT revenue collected and the revenue that would theoretically be raised if VAT was applied at the standard rate to all final consumption. A low ratio can indicate a reduction of the tax base due to large exemptions or the application of reduced rates to a wide range of goods and services ('policy gap') or a failure to collect all tax due to e.g. fraud ('collection gap'). See European Commission (2011), Tax reforms in EU Member States, European Economy 5/2011, for a more detailed explanation.

Source: Commission

Table VII. Financial market indicators

	2007	2008	2009	2010	2011
Total assets of the banking sector (% of GDP)	259.7	280.3	308.7	323.8	334.0
Share of assets of the five largest banks (% of total assets)	67.8	69.1	70.1	70.8	…
Foreign ownership of banking system (% of total assets)	23.6	22.7	23.1	…	…
Financial soundness indicators:					
- non-performing loans (% of total loans) [1]	1.4	1.8	2.8	2.9	3.6
- capital adequacy ratio (%) [1), 2]	10.4	9.4	10.5	10.4	10.1
- return on equity (%) [1]	18.7	5.6	7.3	7.5	3.8
Bank loans to the private sector (year-on-year % change)	12.0	8.2	3.1	1.7	-3.4
Lending for house purchase (year-on-year % change)	10.1	4.3	4.2	3.5	-0.5
Loan to deposit ratio	141.4	137.4	133.3	123.8	116.2
CB liquidity as % of liabilities	0.6	2.3	3.5	8.1	8.8
Banks' exposure to countries receiving official financial assistance (% of GDP)[4]	5.1	10.3	12.5	14.7	11.9
Private debt (% of GDP)	164.3	177.5	187.3	184.4	181.2
Gross external debt (% of GDP) [4]					
- Public	46.9	54.2	57.1	55.0	56.0
- Private	37.8	40.3	41.6	39.8	42.1
Long term interest rates spread versus Bund (basis points)*	20.8	53.5	98.9	265.3	763.3
Credit default swap spreads for sovereign securities (5-year)*	…	65.4	80.1	291.9	852.1

Notes:

[1] Latest avaiable June 2011.

[2] The capital adequacy ratio is defined as total capital divided by risk weighted assets.

[3] Covered countries are IE, EL, PT, RO, LV and HU.

[4] Latest data 2011Q3.

[*] Measured in basis points.

Source :

Bank for International Settlements and Eurostat (exposure to macro-financially vulnerable countries), IMF (financial soundness indicators), Commission (long-term interest rates), World Bank (gross external debt) and ECB (all other indicators).

Table VIII. Labour market and social indicators

Labour market indicators	2006	2007	2008	2009	2010	2011
Employment rate (% of population aged 20-64)	72.7	72.6	73.1	71.2	70.5	69.1
Employment growth (% change from previous year)	0.7	0.2	0.5	-2.8	-1.5	-100.0
Employment rate of women (% of female population aged 20-64)	66.3	66.3	67.0	66.1	65.6	64.8
Employment rate of men (% of male population aged 20-64)	79.2	79.1	79.4	76.5	75.4	73.4
Employment rate of older workers (% of population aged 55-64)	50.1	50.9	50.8	49.7	49.2	47.9
Part-time employment (% of total employment)	12.1	12.9	12.7	12.4	12.4	14.1
Part-time employment of women (% of women employment)	16.8	18.1	18.3	17.4	16.5	17.1
Part-time employment of men (% of men employment)	8.0	8.6	7.9	8.0	8.8	11.5
Fixed term employment (% of employees with a fixed term contract)	20.6	22.4	22.8	22.0	23.0	0.0
Unemployment rate[1] (% of labour force)	8.6	8.9	8.5	10.6	12.0	12.9
Long-term unemployment[2] (% of labour force)	4.3	4.2	4.0	4.7	6.3	6.2
Youth unemployment rate (% of youth labour force aged 15-24)	20.1	20.4	20.2	24.8	27.7	30.1
Youth NEET[3] rate (% of population aged 15-24)	10.6	11.2	10.3	11.2	11.5	:
Early leavers from education and training (% of pop. 18-24 with at most lower sec. educ. and not in further education or training)	39.1	36.9	35.4	31.2	28.7	:
Tertiary educational attainment (% of population 30-34 having successfully completed tertiary education)	20.0	21.4	23.2	23.3	24.8	:
Labour productivity per person employed (annual % change)	0.9	2.4	-0.5	-0.3	3.0	-0.1
Hours worked per person employed (annual % change)	-0.5	0.7	-0.7	-0.2	0.9	-0.5
Labour productivity per hour worked (annual % change; constant prices)	1.4	1.7	0.2	-0.2	2.1	0.5
Compensation per employee (annual % change; constant prices)	-0.9	0.7	1.4	1.9	0.3	-0.6
Nominal unit labour cost growth (annual % change)	0.9	1.1	3.5	3.1	-1.5	-0.8
Real unit labour cost growth (annual % change)	-1.8	-1.6	1.9	2.2	-2.6	-1.4

Notes:

[1] According to ILO definition, age group 15-74)
[2] Share of persons in the labour force who have been unemployed for at least 12 months.
[3] NEET are persons that are neither in employment nor in any education or training.

Sources:
Commission (EU Labour Force Survey and European National Accounts)

Expenditure on social protection benefits (% of GDP)	2005	2006	2007	2008	2009
Sickness/Health care	6.93	6.73	6.40	6.48	7.27
Invalidity	2.26	2.29	2.26	2.14	2.16
Old age and survivors	9.47	9.73	9.69	10.25	11.15
Family/Children	1.18	1.18	1.19	1.28	1.49
Unemployment	1.33	1.27	1.15	1.05	1.36
Housing and Social exclusion n.e.c.	0.00	0.00	0.00	0.00	0.00
Total	24.6	24.6	23.9	24.3	26.9
of which: Means tested benefits	2.51	2.13	2.09	2.29	2.74
Social inclusion indicators	**2006**	**2007**	**2008**	**2009**	**2010**
Risk-of-poverty or exclusion[1] (% of total population)	25.1	25.0	26.0	24.9	25.3
Risk-of-poverty or exclusion of children (% of people aged 0-17)	25.6	27.0	29.5	28.7	28.7
Risk-of-poverty or exclusion of elderly (% of people aged 65+)	32.7	29.9	27.7	26.0	26.1
At-risk-of-poverty rate[2] (% of total population)	18.5	18.1	18.5	17.9	17.9
Value of relative poverty threshold (single household per year) - in PPS	5157	5349	5702	5644	5838
Severe material deprivation[3] (% of total population)	9.1	9.6	9.7	9.1	9.0
Share of people living in low work intensity households[4] (% of people aged 0-59 not student)	6.6	7.3	6.3	6.9	8.6
In-work at-risk-of poverty rate (% of persons employed)	11.3	9.7	11.8	10.3	9.7

Notes:

[1] People at risk of poverty or social exclusion (AROPE): individuals who are at risk of poverty (AROP) and/or suffering from severe material deprivation (SMD) and/or living in households with zero or very low work intensity (LWI).

[2] At-risk-of poverty rate: share of people with an equivalised disposable income below 60% of the national equivalised median income.

[3] Share of people who experience at least 4 out of 9 deprivations: people cannot afford to i) pay their rent or utility bills, ii) keep their home adequately warm, iii) face unexpected expenses, iv) eat meat, fish, or a protein equivalent every second day, v) enjoy a week of holiday away from home once a year, vi) have a car, vii) have a washing machine, viii) have a colour TV, or ix) have a telephone.

[4] People living in households with very low work intensity: share of people aged 0-59 living in households where the adults work less than 20% of their total work-time potential during the previous 12 months.

Sources:
For expenditure on social protection benefits ESSPROS; for social inclusion EU-SILC.

Table IX. Product market performance and policy indicators

Performance indicators	2002-2006	2007	2008	2009	2010	2011
Labour productivity[1] total economy (annual growth in %)	0.7	2.5	-0.5	0.1	2.9	-0.8
Labour productivity[1] in manufacturing (annual growth in %)	2.1	4.5	0.6	n.a.	n.a.	n.a.
Labour productivity[1] in electricity, gas, water (annual growth in %)	5.4	2.0	n.a.	n.a.	n.a.	n.a.
Labour productivity[1] in the construction sector (annual growth in %)	-2.0	1.1	-2.5	-4.8	-0.4	n.a.
Patent intensity in manufacturing[2] (patents of the EPO divided by gross value added of the sector)	0.4	0.6	n.a.	n.a.	n.a.	n.a.
Policy indicators	**2002-2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Enforcing contracts[3] (days)	n.a.	577	577	547	547	547
Time to start a business[3] (days)	n.a.	7	6	6	6	5
R&D expenditure (% of GDP)	0.8	1.2	1.5	1.6	1.6	n.a.
Tertiary educational attainment (% of 30-34 years old population)	16.1	19.8	21.6	21.1	23.5	n.a.
Total public expenditure on education (% of GDP)	5.4	5.3	4.9	n.a.	n.a.	n.a.
	2005	**2006**	**2008**	**2009**	**2010**	**2011**
Product market regulation[4], Overall (Index; 0=not regulated; 6=most regulated)	n.a.	n.a.	1.4	n.a.	n.a.	n.a.
Product market regulation[4], Retail (Index; 0=not regulated; 6=most regulated)	n.a.	n.a.	3.0	n.a.	n.a.	n.a.
Product market regulation[4], Network Industries[5] (Index; 0=not regulated; 6=most regulated)	2.7	2.6	2.4*	n.a.	n.a.	n.a.

Notes:

[1]Labour productivity is defined as gross value added (in constant prices) divided by the number of persons employed.

[2] Patent data refer to applications to the European Patent Office (EPO). They are counted according to the year in which they were filed at the EPO. They are broken down according to the inventor's place of residence, using fractional counting if multiple inventors or IPC classes are provided to avoid double counting.

[3] The methodologies, including the assumptions, for this indicator are presented in detail on the website http://www.doingbusiness.org/methodology.

[4] The methodologies for the product market regulation indicators are presented in detail on the website http://www.oecd.org/document/1/0,3746,en_2649_34323_2367297_1_1_1_1,00.html. The latest available product market regulation indicators refer to 2003 and 2008, except for Network Industries.

[5] Aggregate ETCR.

*figure for 2007.

Source:

Commission, World Bank - *Doing Business* (for enforcing contracts and time to start a business) and OECD (for the product market regulation indicators).

Table X. Indicators on green growth

Portugal		2001-2005	2006	2007	2008	2009	2010
Green Growth performance							
Macroeconomic							
Energy intensity	kgoe / €	0.20	0.19	0.19	0.18	0.19	0.18
Carbon intensity	kg / €	0.64	0.60	0.57	0.57	0.56	n.a.
Resource intensity (reciprocal of resource productivity)	kg / €	1.43	1.57	1.58	1.67	1.53	n.a.
Waste intensity	kg / €	n.a.	0.26	0.26	0.26	n.a.	n.a.
Energy balance of trade	% GDP	-2.9%	-3.9%	-3.7%	-4.7%	-2.9%	-3.4%
Energy weight in HICP	%	8	9	9	10	11	12
Difference between change energy price and inflation	%	0.46	1.2	1.2	1.8	1.3	4.5
Environmental taxes over labour taxes	ratio	24.7%	23.2%	22.5%	20.2%	19.2%	n.a.
Environmental taxes over total taxes	ratio	9.5%	8.9%	8.6%	7.8%	8.1%	n.a.
Sectoral							
Industry energy intensity	kgoe / €	0.25	0.23	0.22	0.22	0.21	n.a.
Share of energy-intensive industries in the economy	% GDP	8.4	8.8	8.9	n.a.	n.a.	n.a.
Electricity prices for medium-sized industrial users	€ / kWh	0.07	0.08	0.09	0.08	0.09	0.09
Public R&D for energy	% GDP	n.a.	0.01%	0.01%	0.01%	0.02%	n.a.
Public R&D for the environment	% GDP	n.a.	0.02%	0.03%	0.02%	0.03%	n.a.
Recycling rate of municipal waste	ratio	34.0%	35.8%	36.2%	35.5%	39.2%	n.a.
Share of GHG emissions covered by ETS	%	n.a.	40.7%	39.5%	38.4%	37.9%	n.a.
Transport energy intensity	kgoe / €	0.84	0.77	0.72	0.72	0.72	n.a.
Transport carbon intensity	kg / €	2.38	2.11	1.88	1.85	1.84	n.a.
Change in the ratio of passenger transport and GDP	%	2.0%	-0.8%	-0.9%	0.7%	n.a.	n.a.
Security of energy supply							
Energy import dependency	%	85.3%	83.0%	82.0%	82.8%	80.9%	n.a.
Diversification of oil import sources	HHI	n.a.	0.08	0.09	0.11	0.10	n.a.
Diversification of energy mix	HHI	0.41	0.36	0.36	0.34	0.33	n.a.
Share of renewable energy in energy mix	%	14.6%	16.4%	17.1%	17.2%	19.0%	n.a.

Country-specific notes:

The year 2011 is not included in the table due to lack of data.

General explanation of the table items:

Source: Eurostat unless indicated otherwise; ECFIN explanations given below

All macro intensity indicators are expressed as a ratio of a physical quantity to GDP (in 2000 prices)

Energy intensity: gross inland energy consumption (in kgoe) divided by GDP (in EUR)

Carbon intensity: Greenhouse gas emissions (in kg CO2 equivalents) divided by GDP (in EUR)

Resource intensity: Domestic Material Consumption (in kg) divided by GDP (in EUR)

Waste intensity: waste (in kg) divided by GDP (in EUR)

Energy balance of trade: the balance of energy exports and imports, expressed as % of GDP

Energy weight in HICP: the share of the "energy" items in the consumption basket used in the construction of the HICP

Difference between energy price change and inflation: energy component of HICP, and total HICP inflation (annual %-change)

Environmental taxes over labour or total taxes: from DG TAXUD's database "Taxation trends in the European Union"

Industry energy intensity: final energy consumption of industry (in kgoe) divided by gross value added of industry (in EUR)

Share of energy-intensive industries in the economy: share of gross value added of the energy-intensive industries in GDP

Recycling rate of municipal waste: ratio of municipal waste recycled over total municipal waste

Public R&D for energy or for the environment: government spending on R&D (GBAORD) for these categories as % of GDP

Share of GHG emissions covered by ETS: based on greenhouse gas emissions as reported by Member States to EEA (excl LULUCF)

Transport energy intensity: final energy consumption of transport (in kgoe) divided by gross value added of industry (in EUR)

Transport carbon intensity: greenhouse gas emissions in transport divided by gross value added of the transport sector

Passenger transport growth : measured in %-change in passenger kilometres

Energy import dependency: net energy imports divided by gross inland energy consumption incl. of international bunkers

Diversification of oil import sources: Herfindahl index (HHI), calculated as the sum of the squared market shares of countries of origin

Diversification of the energy mix: Herfindahl Index over natural gas, total petrol products, nuclear heat, renewable energies and solid fuels

Share of renewable energy in energy mix: percentage-share in gross inland energy consumption, expressed in tonne oil equivalents