THE RATE OF GROWTH OF GDP DEPENDS FUNDAMENTALLY ON THE PERFORMANCE OF EXPORTS AND IMPORTS AND ON EXTERNAL INDEBTEDNESS

SCENARIOS FOR THE BALANCE OF GOODS AND SERVICES AT CONSTANT PRICES 2006-2012

Basic Hypothesis of the Scenarios

	Actual	Scenarios							
	2001-06	I	II	III	IV	V	VI	VII	VIII
Growth rate of Domestic Demand (%)	0,3	2	2	2	2	2			
Growth rate of Exports (%)	3,9	4	4	4	7	7	4	7	7
Import penetration (%) *	30,3	31	33	29	31	33	31	31	33
Deficit in the Balance of g. & s.**							Red. 50%	Red. 50%	Red. 50%

* Import penetration: import volume of g. & s. as % of final expenditure, constant prices

** Reduction in % of the amount of the deficit of the Balance of g.& s.

Results of the Scenarios

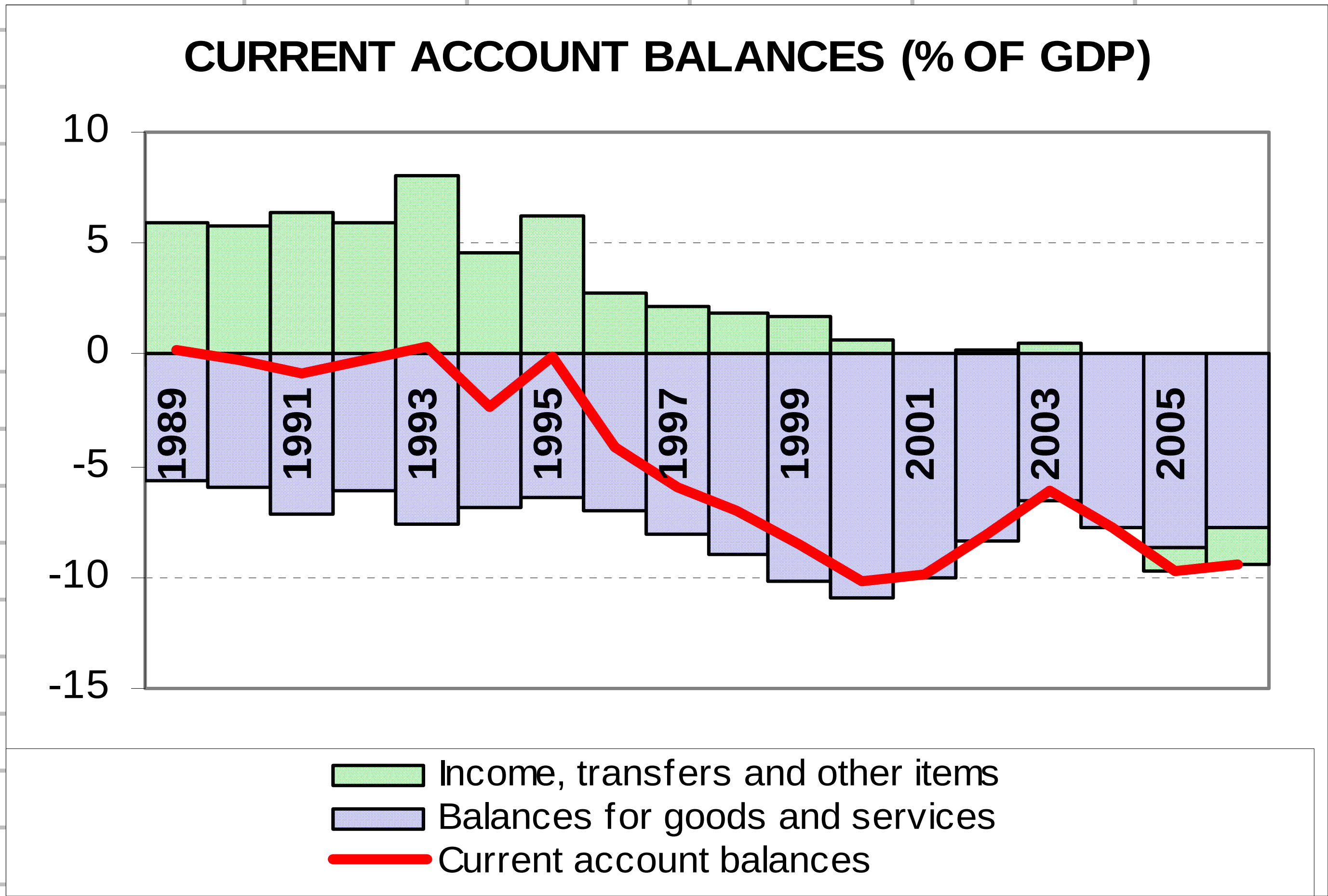
	Actual	Scenarios							
	2001-06	I	II	III	IV	V	VI	VII	VIII
Average Growth rates									
PIB	0,6	1,6	1,1	2,1	2,4	1,9	-0,6	2,0	0,4
Domestic Demand	0,3	2,0	2,0	2,0	2,0	2,0	-1,1	1,4	-0,1
Exports	3,9	4,0	4,0	4,0	7,0	7,0	4,0	7,0	7,0
Final demand	1,1	2,4	2,4	2,4	3,1	3,1	0,1	2,7	1,6
Imports	2,2	4,1	5,2	3,0	4,9	6,0	1,8	4,5	4,5
Percentages of GDP									
Deficit of g.& s.	7,8	9,2	12,5	6,2	4,5	7,6	4,0	3,4	3,8

FACTORS DETERMINING THE GROWTH PERSPECTIVES

- CONCLUSIONS
- 1. High rates of growth of GDP are extremely unlikely
- 2. The growth of Domestic Demand must be low
- 3. Improving the growth of exports is crucial
- 4. Rising import penetration should be restrained
- 5. Difficulties in borrowing from abroad constrain severely the growth of GDP

- QUESTIONS
- 1. Possibilities of borrowing from abroad
- 2. Possibilities of controlling domestic demand
- 3. Possibilities of limiting increases in import penetration
- 4. Possibilities of increasing the growth of exports
- 5. Perspectives for the terms of trade

POSSIBILITIES OF BORROWING FROM ABROAD 1



POSSIBILITIES OF BORROWING FROM ABROAD, 2

CURRENT ACCOUNT BALANCES AS % OF GDP

	1998	2001	2006
Portugal	-0,2	-10,3	-9,4
Spain	-3,5	-4	-8,7
Greece	-4,3	-6,8	-9,7

BALANCE OF EXTERNAL ASSETS AND LIABILITIES

% of GDP

	1998	2001	2006
Portugal	-28,4	-46,6	-82,8
Spain	-22,1	-27,2	-60,8
Greece	-29,5	-50,5	-98,8

POSSIBILITIES OF CONTROLLING THE DOMESTIC DEMAND

The control of the growth of domestic demand will depend:

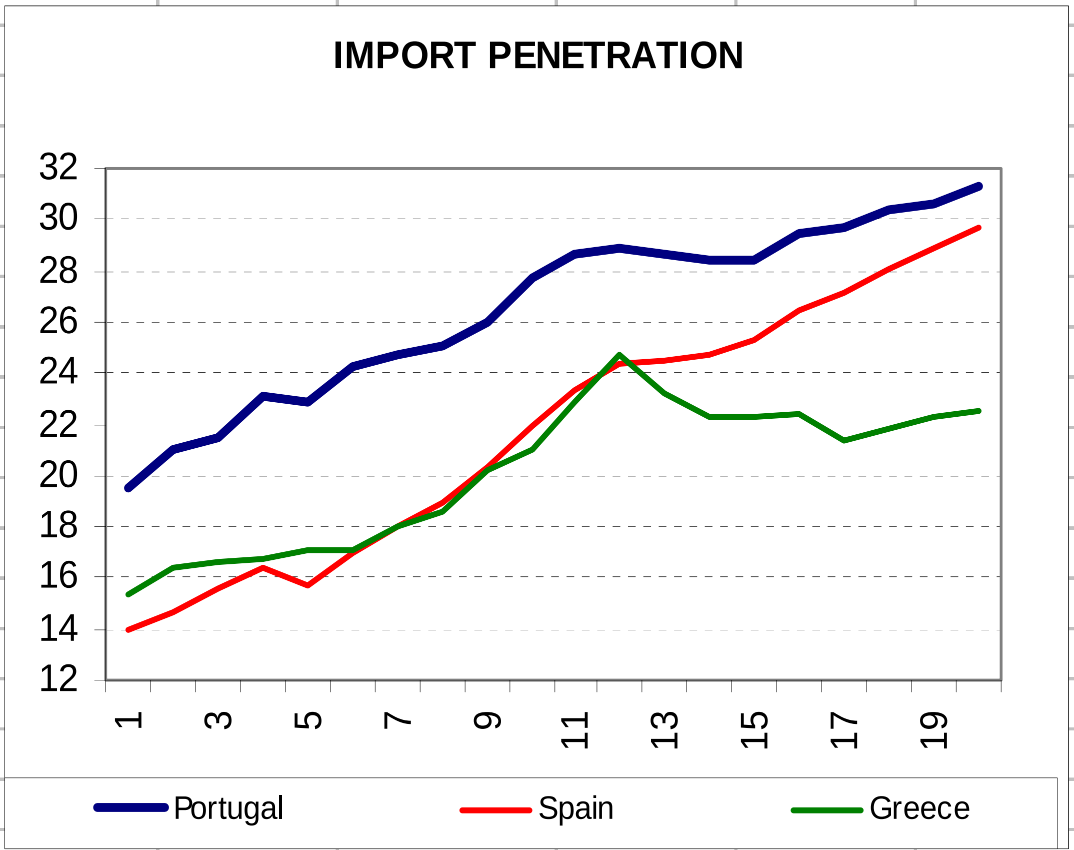
- on the growth of investment
- on the behaviour of domestic saving

The difference between saving and investment corresponds to the

TAXAS MÉDIAS ANUAIS DA FORMAÇÃO BRUTA DE CAPITAL E DE POUPANÇA BRUTA, % do PIB

	1990-1995	1995-2001	2001-2006
Taxa de formação bruta de capital, Portug	23,7	26,4	23,8
Taxa de formação bruta de capital, EU-15	20,4	19,5	19,4
Taxa de poupança bruta, Portugal	21,3	19,2	15,3
Taxa de poupança bruta, EU-15	20,0	20,3	19,7

POSSIBILITIES OF LIMITING THE INCREASES OF IMPORT PENETRATION



Import penetration : goods and services import volume as a % of total final expenditure, constant prices

POSSIBILITIES OF INCREASING THE GROWTH OF EXPORTS

ANNUAL RATES OG GROWTH OF EXPORTS, EXPORT MARKETS AND EXPORT PERFORMANCE (%)								
	1991-2001	2001-2006	2001	2002	2003	2004	2005	2006
Export market growth	6,4	6,0	2,2	2,0	4,1	8,2	6,9	9,2
Export growth	5,0	3,9	1,8	1,5	3,9	4,4	1,1	8,8
Export performance	-1,3	-2,0	-0,4	-0,5	-0,2	-3,5	-5,5	-0,4

FACTORS DETERMINING THE RATES OF GROWTH OF EXPORTS

1. Growth of export markets
2. Export performance (Competitiveness)
   1. Competitiveness of other countries (Eastern Europe, China)
   2. Domestic environment (Governance indicators)
   3. Relative inflation rates
   4. Relative unit labour costs
      - relative compensation of workers
      - relative productivity per worker
   5. Other relative costs (Services)
   6. Quality and marketing

RELATIVE LABOUR COSTS AND RELATIVE LABOUR PRODUCTIVITY

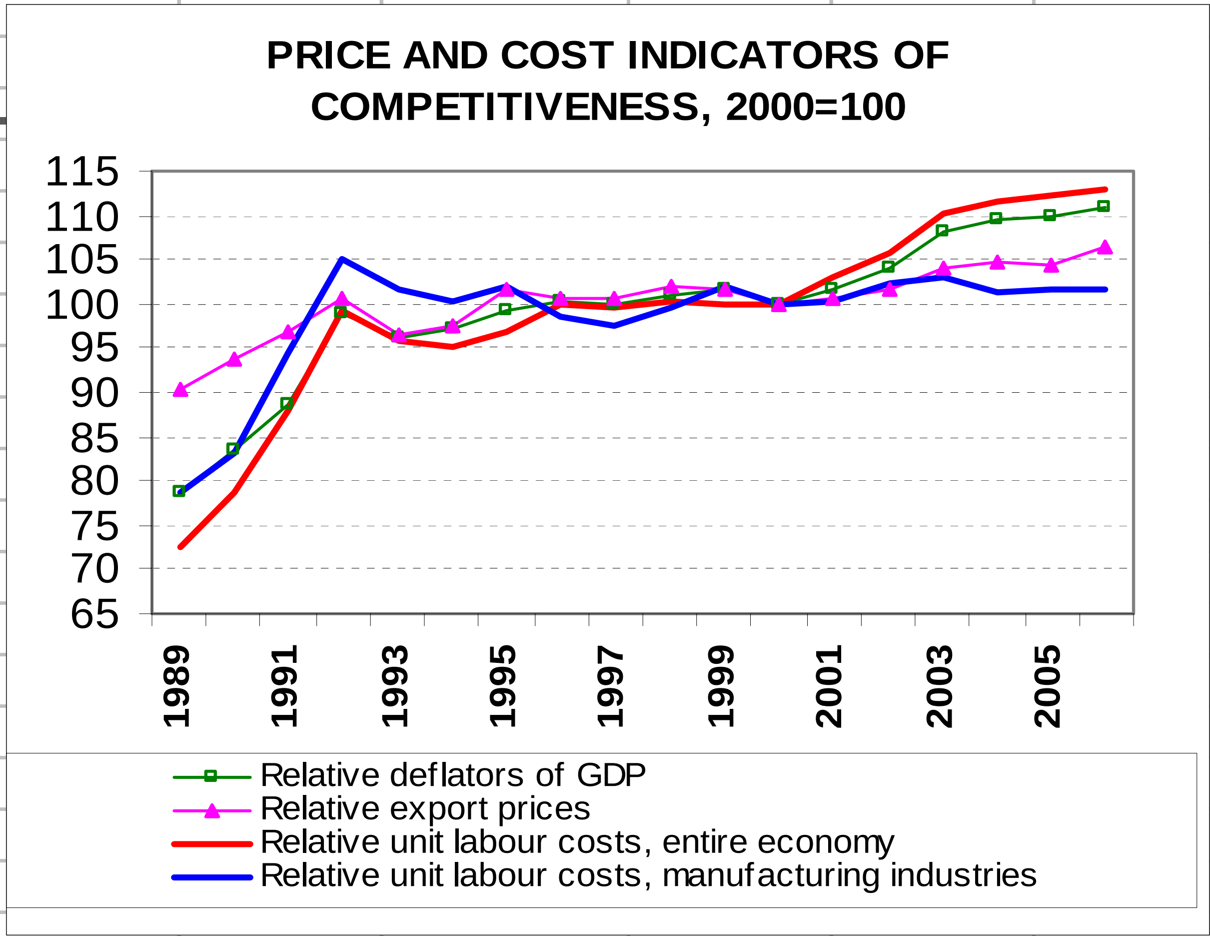
CHANGES, DURING THE PERIODS INDICATED, OF UNIT LABOUR COSTS, OF COMPENSATION PER WORKER AND OF PRODUTIVITY PER WORKER RELATIVE TO THE OTHER EU-15 COUNTRIES, CURRENT PRICES

	1990-1995	1995-2000	2000-2006
Relative unit labour costs	23,6	7,3	10,1
Relative compensation per worker	24,3	9,9	5,2
Relative productivity per worker	0,5	2,5	-4,5

Compensation per worker: wage increses and ouput gap, labour market flexibility

Labour productivity: education and professional training; innovation; upgrading of the technology of exports

COMPETITIVNESS – RELATIVE PRICES



Indices of relative prices and costs relative to 23 industrial countries, except as regards unit labour costs in manufacturing, which are relative to 42 countries

PRICES AND PRODUCTIVITY IN MANUFACTURING AND IN SERVICES

INCREASES IN PRODUCTIVITY		INCREASES IN DEFLATORS OF GROSS VALUE ADDED	
Manufacturing industries		**Manufacturing industries**	
Portugal, 2000-06	1,8	Portugal, 2000-06	2,1
EU-15, 2000-06	2,9	EU-15, 2000-04	0,1
Services		**Services**	
Portugal, 2000-06	-0,5	Portugal, 2000-06	3,3
		EU-15, 2000-05	2,0

Productivity and employment