



## PORTUGAL

### What's happening in this economy

The ruling Socialist party won the national elections in October 2019. Although some political friction may arise from the fact that the government fell short of an outright majority, the outcome should not alter Portugal's foreign and trade policy setting or its relationship with Australia. Portugal should remain a supporter of open markets and an Australia–EU Free Trade Agreement.

The Portuguese economy has expanded continuously since exiting an EU/IMF-led economic adjustment program in 2014, with annual average GDP growth exceeding 2 per cent. Growth has been fuelled by record tourism, an upswing in the housing market, a growing tech sector and strong exports. Private investment has returned to pre-crisis levels, helped by foreign investors (including Chinese companies) which are attracted by Portugal's social stability, infrastructure, educated labour force, and quality of life.

Together with its low effective tax burden, Portugal's attractiveness as an FDI-destination is enhanced by its special tax regime for non-habitual residents (a flat income tax rate of 20 per cent for 10 years), an advantageous residence permit regime (Golden Visa scheme), and free remittance of funds.

As a relatively small country dependent on cross-border trade and foreign direct investment, Portugal is promoting the internationalisation of the economy to diversify trade and investment beyond the traditional markets of Europe and the Lusophone countries (primarily Angola and Brazil). The government is aiming to increase exports from 44 per cent of GDP in 2018 to 50 per cent by 2025.

Economic growth is expected to decelerate to 1.7 per cent in 2019 and 1.6 per cent in 2020. Looming external threats may further aggravate the situation (Brexit, US–China trade tensions, and surging oil prices), although the Portuguese economy is becoming more resilient to external pressures.

The authorities have made noticeable improvements in removing administrative red tape for businesses. As the OECD has noted, Portugal should continue to prioritise sustained efforts to tackle corruption and graft in the public and business sectors, which have a direct adverse impact on economic competitiveness and market attractiveness.

#### Key facts and figures

- Population: 10.3 million (2018)
- GDP growth: 2.1 per cent (2018)
- GDP per capita: USD 23,186.3 (2018)
- Political system: unitary semi-presidential constitutional republic
- Two-way trade: AUD 338 million (2018)
- Key goods and services traded: Exports: oil-seeds and fruits. Imports: mineral and cork manufactures, footwear, textiles
- Two-way investment/major investments: AUD 444 million (2018)



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## Trade, investment, and commercial opportunities and activities

- Australian investment interest in Portugal is solidifying in a variety of sectors, including oil and gas, tourism, and aviation services:
  - the mining and renewable energy sectors will potentially attract large investments, and
  - a leading Australian company is advancing with applications to begin prospecting and exploration of lithium.
- According to government figures, Portugal attracted a record €1.1 billion of FDI in 2018:
  - the most prominent sectors included digital, transportation manufacturing and supply (automotive), agrifood, and business services
  - the government is promoting renewable energies, specifically solar (Portugal has the second largest solar power station in the world) and wave power, and
  - these sectors, together with real estate and tourism, could provide interesting opportunities to foreign investors.
- The government has announced a series of public works projects, offering further potential for Australian partnerships. These include:
  - an extensive overhaul of the national railway network (including new railway lines)
  - construction of new hospitals
  - a second international airport in the Lisbon area
  - a new container terminal in the deep seaport of Sines (concession includes operation), and
  - extending subway systems in the capital and the second largest city Porto.
- Lisbon will host the information technology conference Web Summit for the fourth consecutive year in November 2019, which will attract more than 70,000 attendees:
  - the event has helped position Portugal as an emerging technology and innovation leader in Europe
  - the Portuguese government has sought to capitalise on the summit by launching a number of initiatives to promote and support Portuguese start-ups, and to attract investment, talent and innovation to Portugal.

## Trade policy and negotiations

Portugal believes there is enormous potential in a Free Trade Agreement between Australia and the EU, and fully supports a swift conclusion of the negotiations. Ongoing consultations and advocacy have not raised any issue of significant concern on the part of Portugal.

Portugal is a member of all relevant multilateral organisations, including WTO and OECD.



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