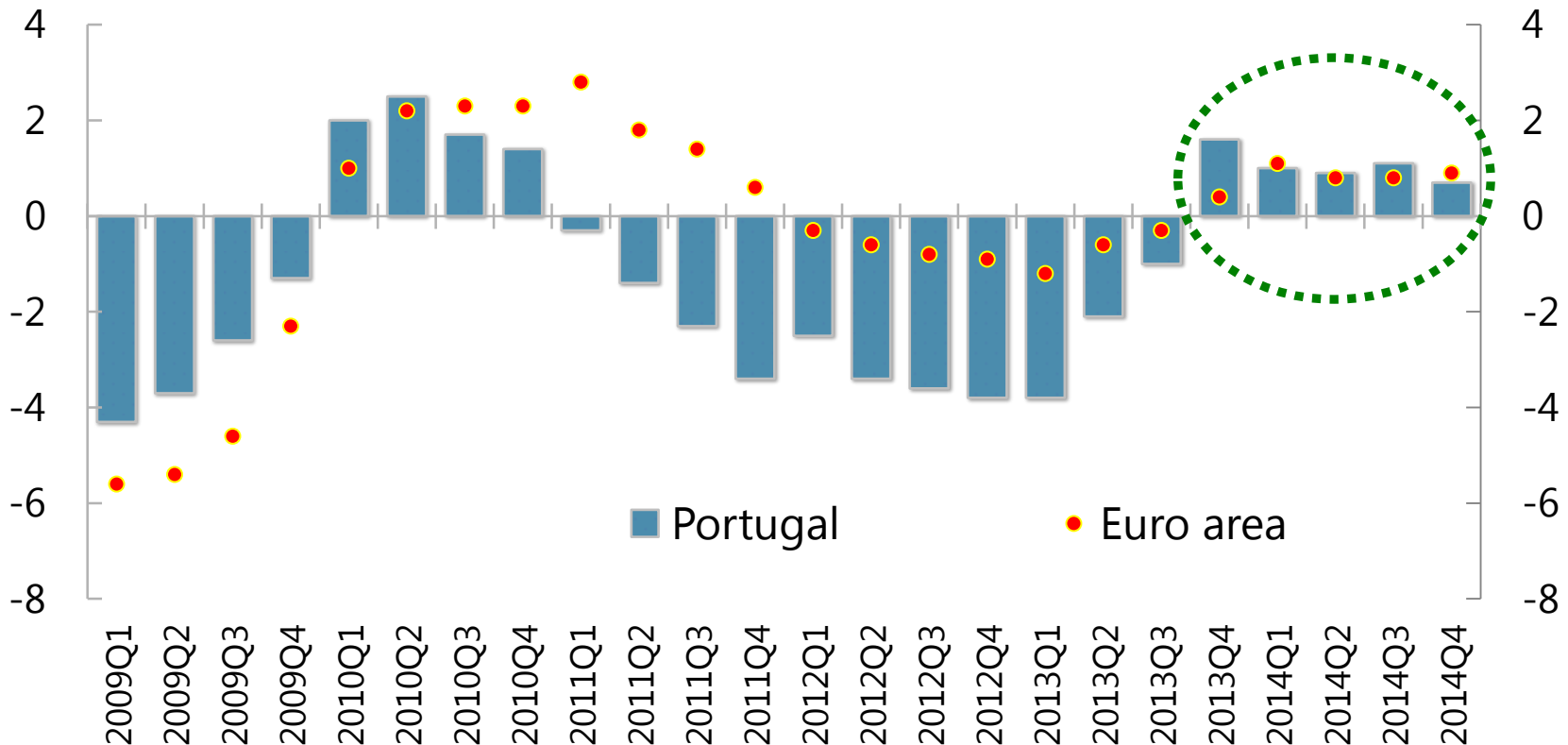


# The adjustment program worked: The economy is growing

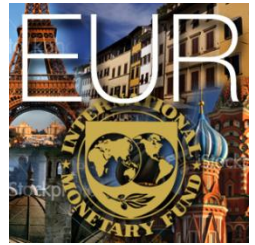


## Real GDP Growth, 2009Q1-2014Q4 (Y-o-y, percent)

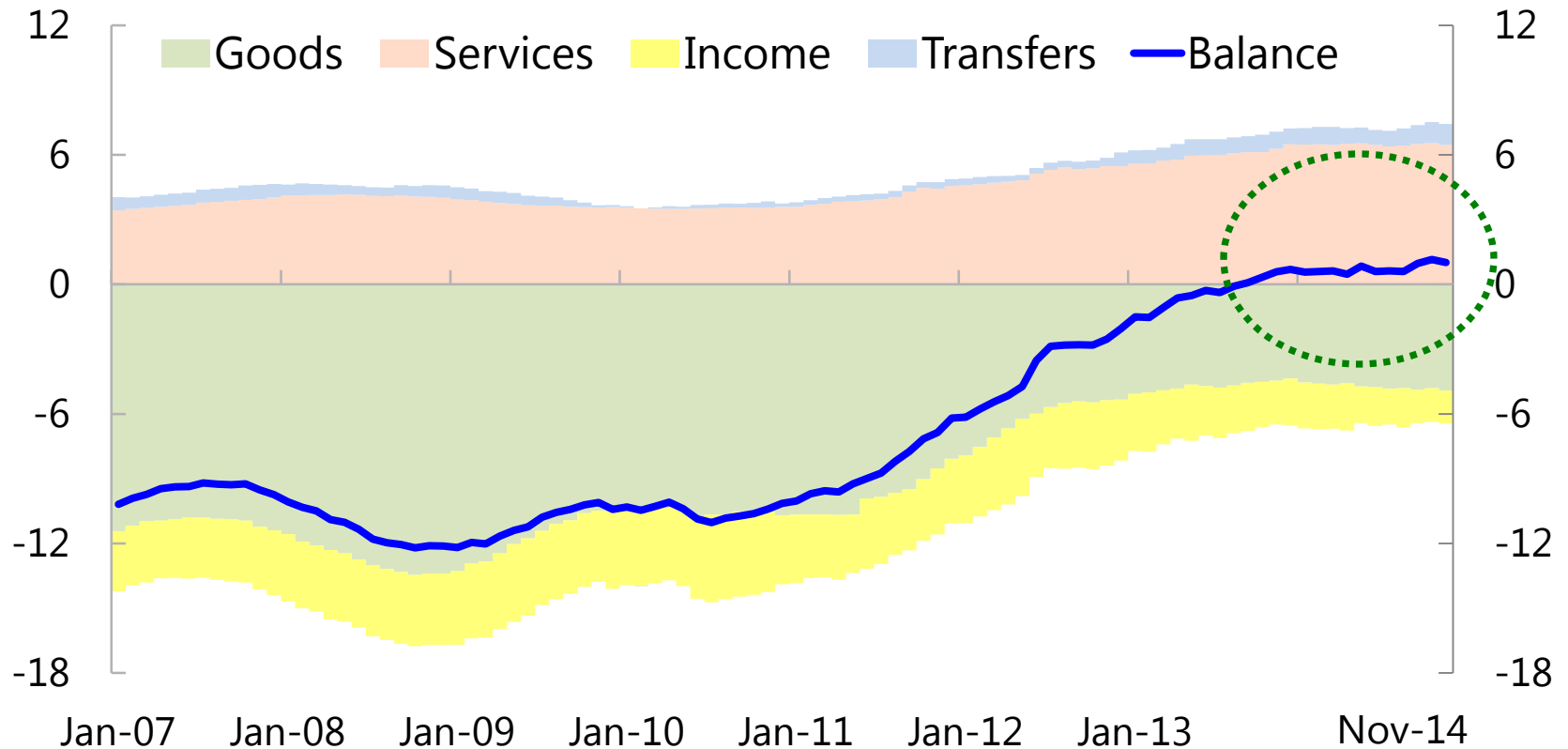


Source: Haver analytics.

# The current account is in surplus



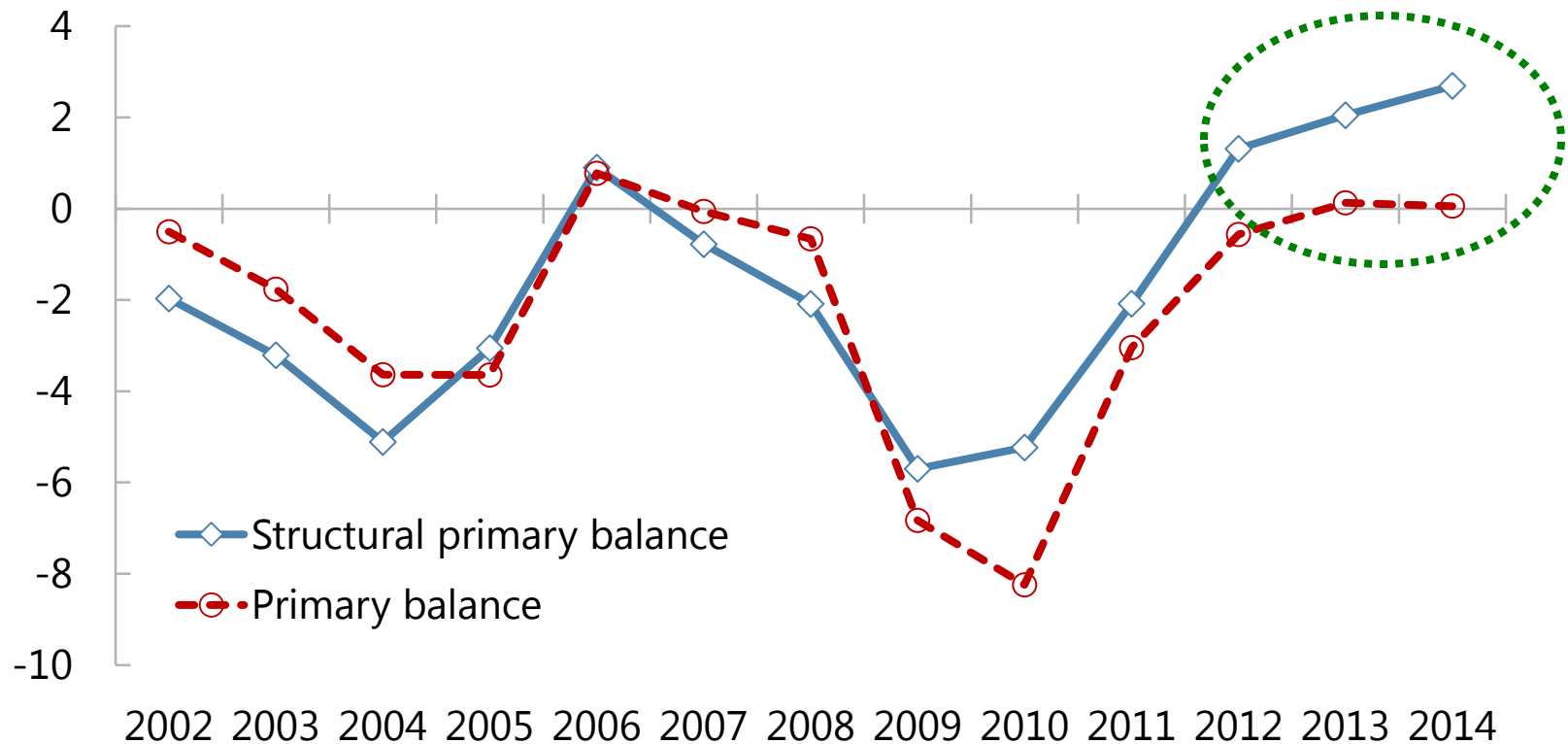
## Current Account (Percent of GDP; 12-month rolling sum)



# Primary fiscal balances turned positive

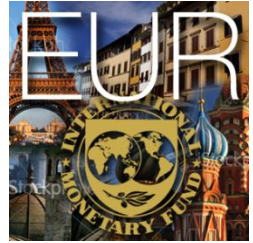


## Primary Fiscal Balance, 2002 - 2014 ( Percent of GDP)

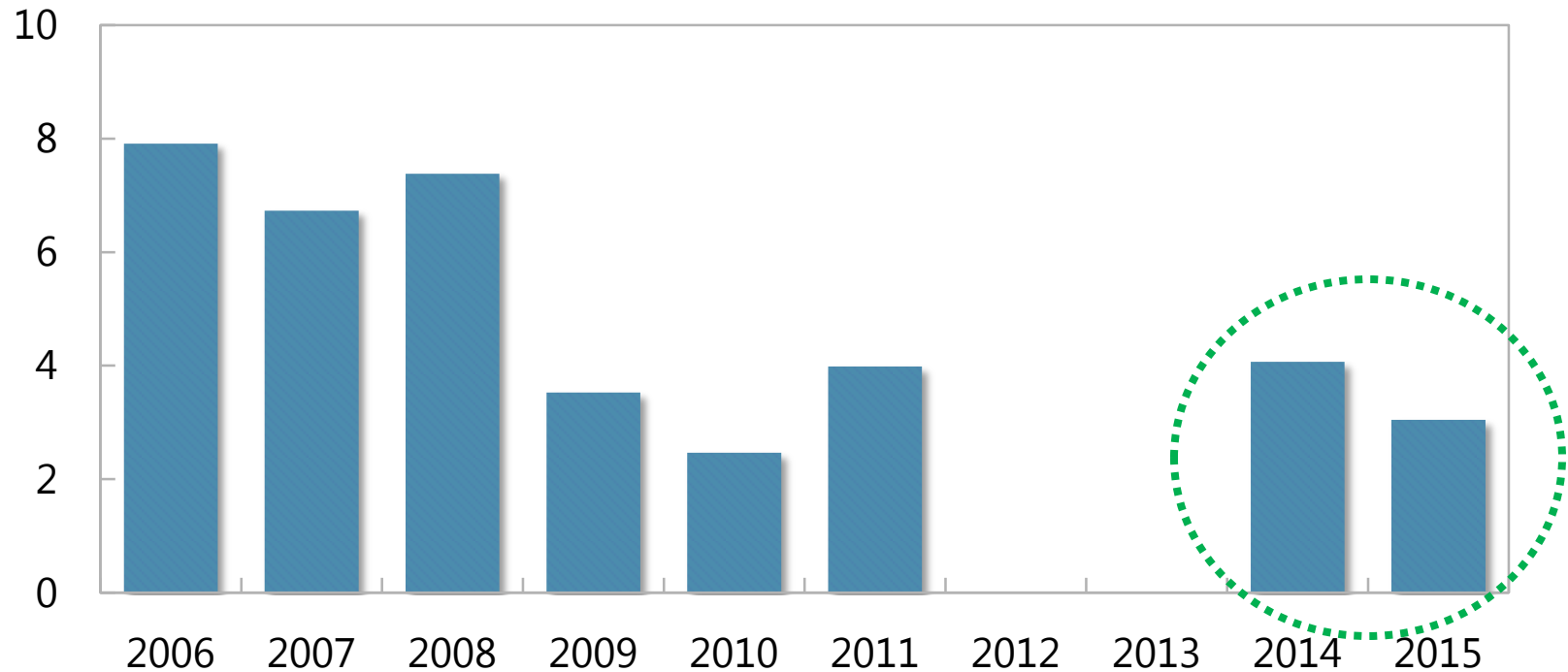


Sources: World Economic Outlook database and IMF staff estimates.

# Sovereign market access was restored

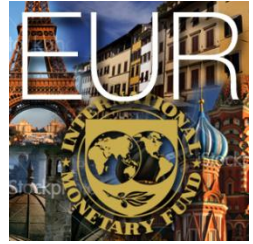


## Portugal Long-term Financing: Auctioned Bonds (Billion euros)

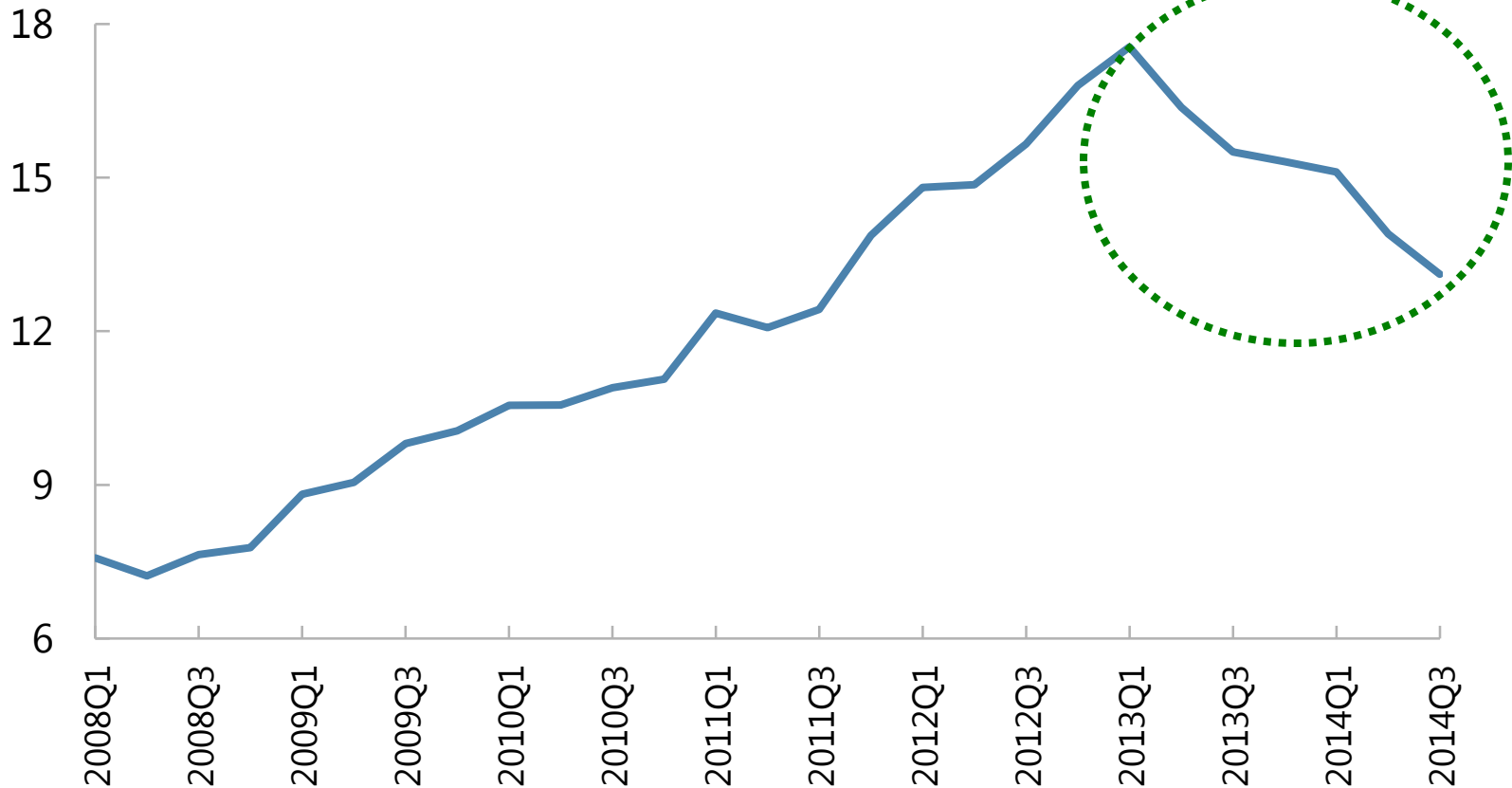


Source: IGCP. Note: 2015 is year-to-date data.

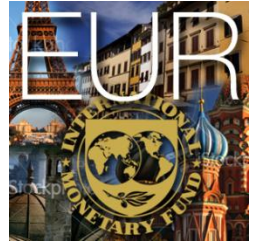
# The labor market is improving



## Unemployment rate (Percent of labor force)



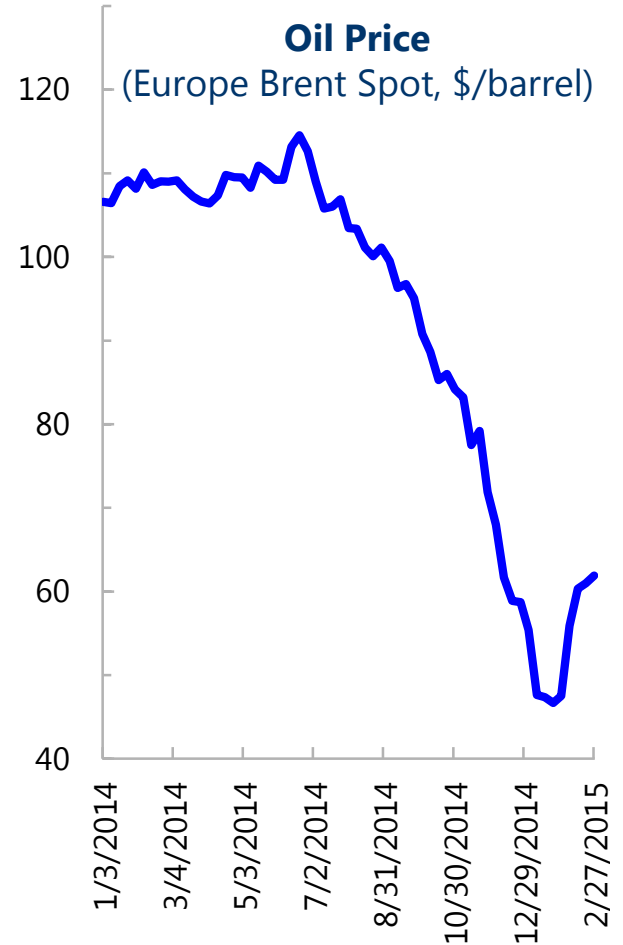
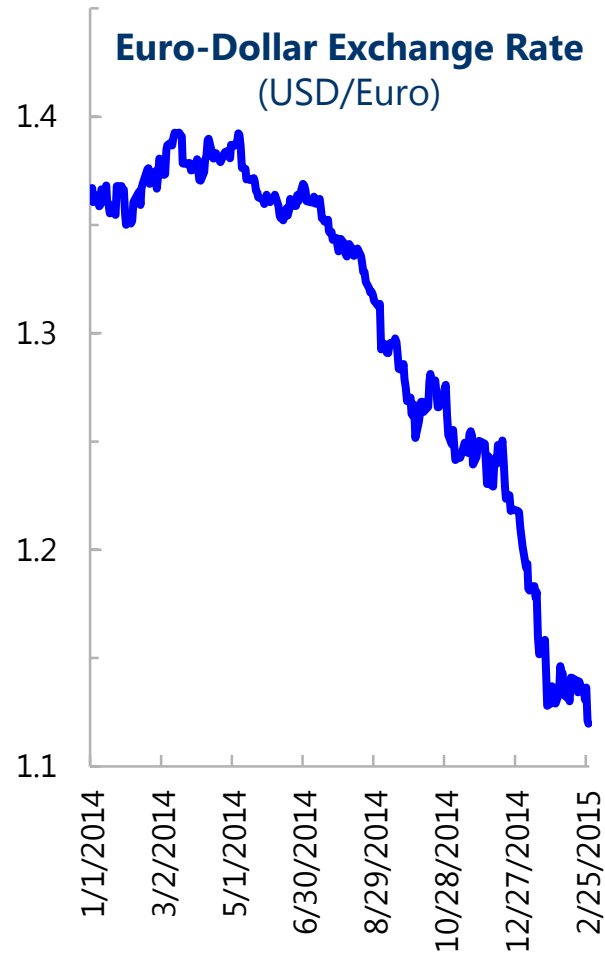
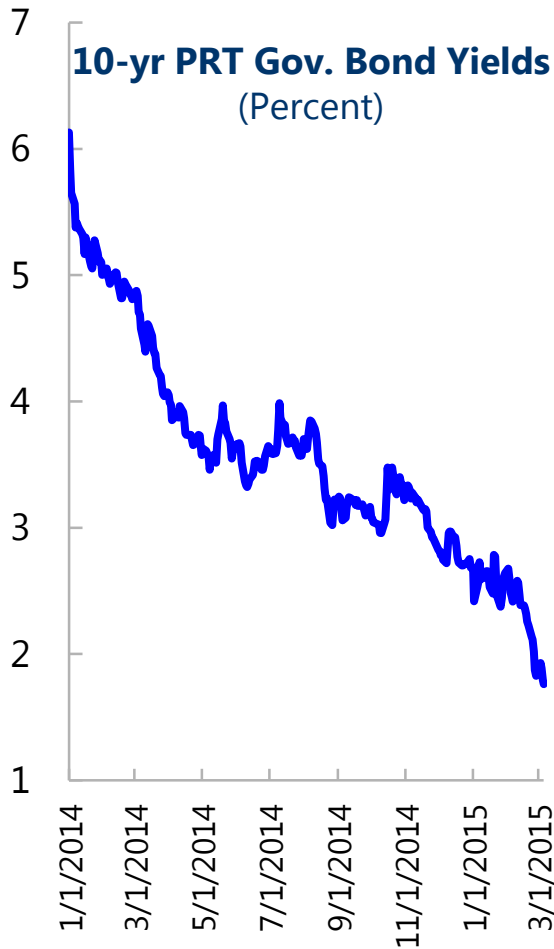
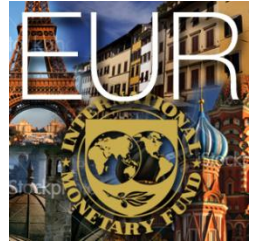
# Long-term growth, however, has been sluggish



## Real GDP and Unemployment Rate, 1995 - 2014



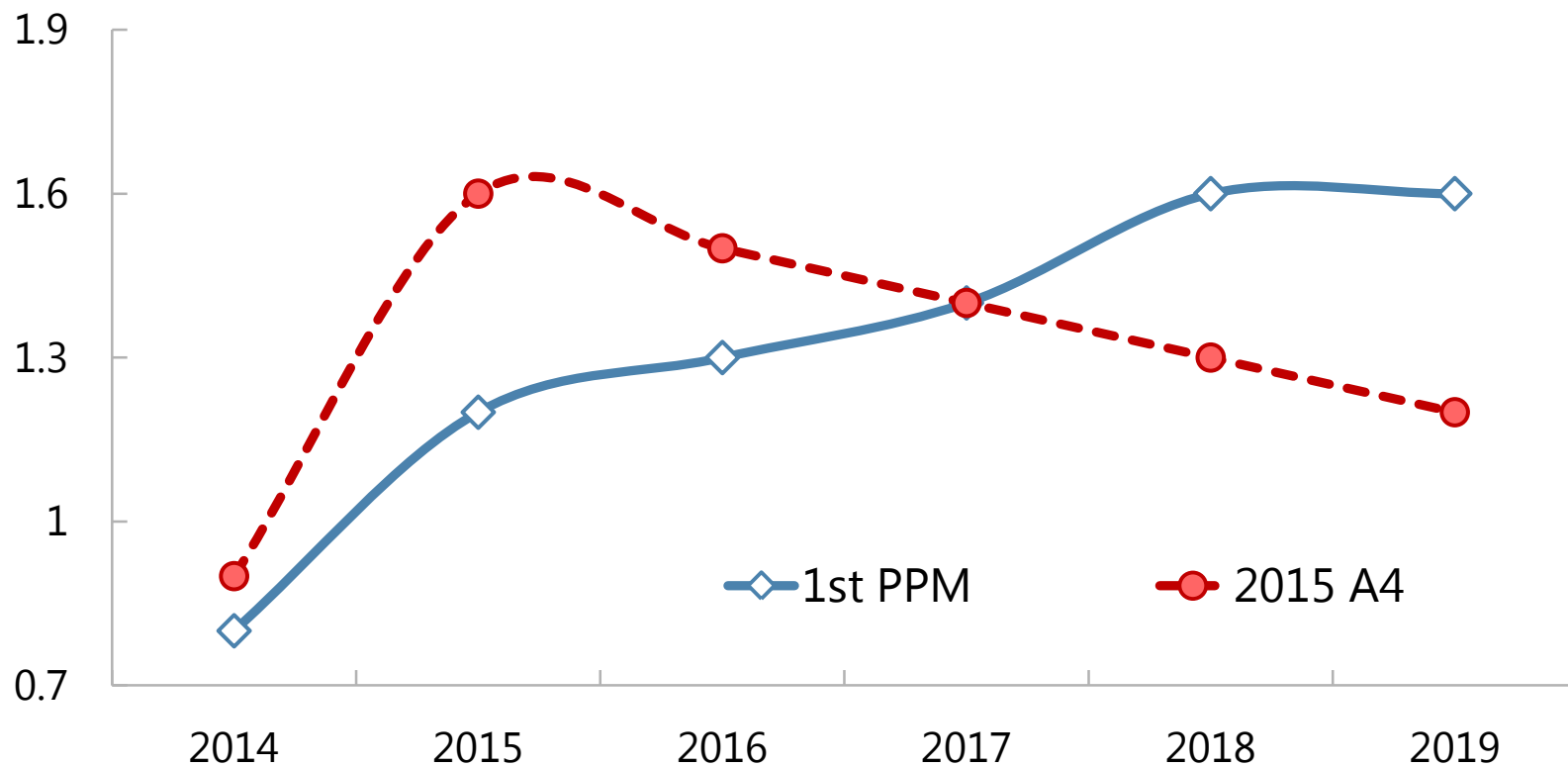
# The favorable external environment ...



# ... generates a stronger cyclical boost



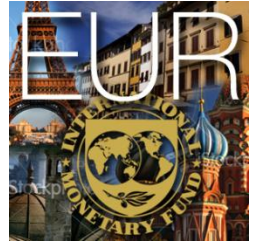
## Projected Real GDP Growth, 2014-2019 (Percent)



Source: IMF staff projections.



# How can Portugal reach a higher growth trajectory?



## **Structural reforms**

to boost external competitiveness

## **Labor market policies**

to help absorb slack through job creation

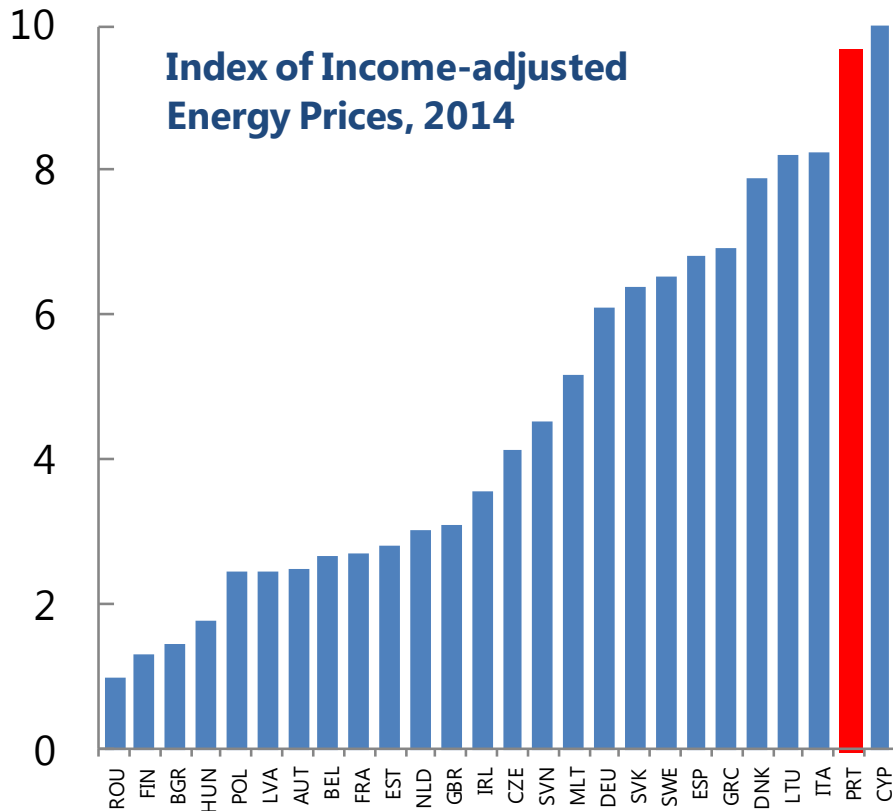
## **Faster corporate deleveraging**

to boost investment and reduce financial risks

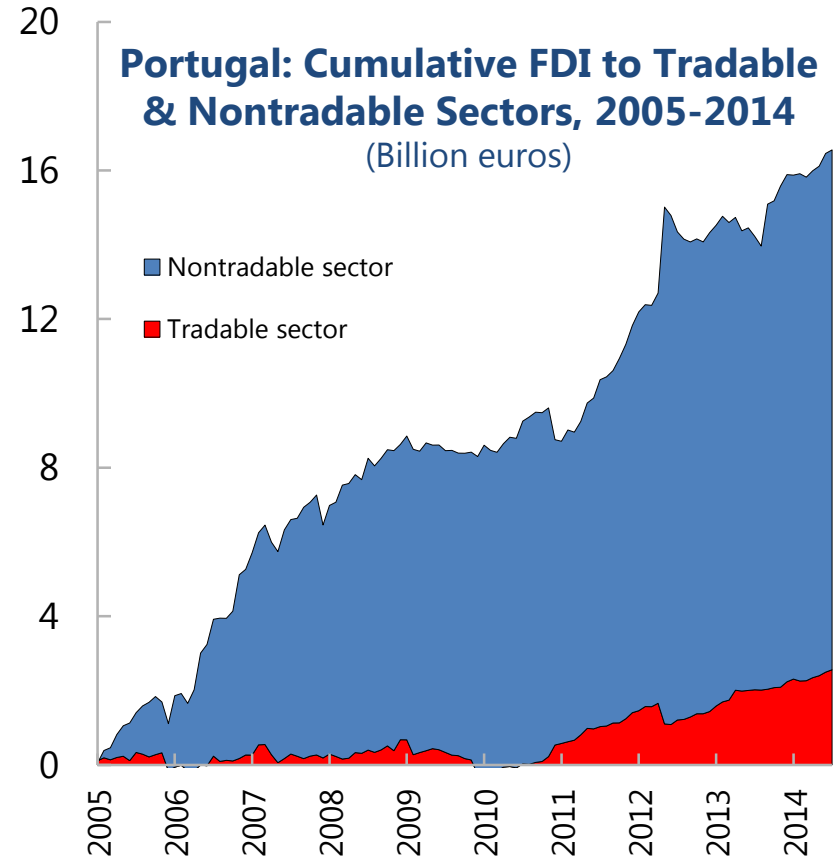
## **Expenditure-anchored fiscal path**

to ensure medium-term fiscal sustainability

# Structural bottlenecks to competitiveness



Sources: Eurostat; IMF staff calculations.

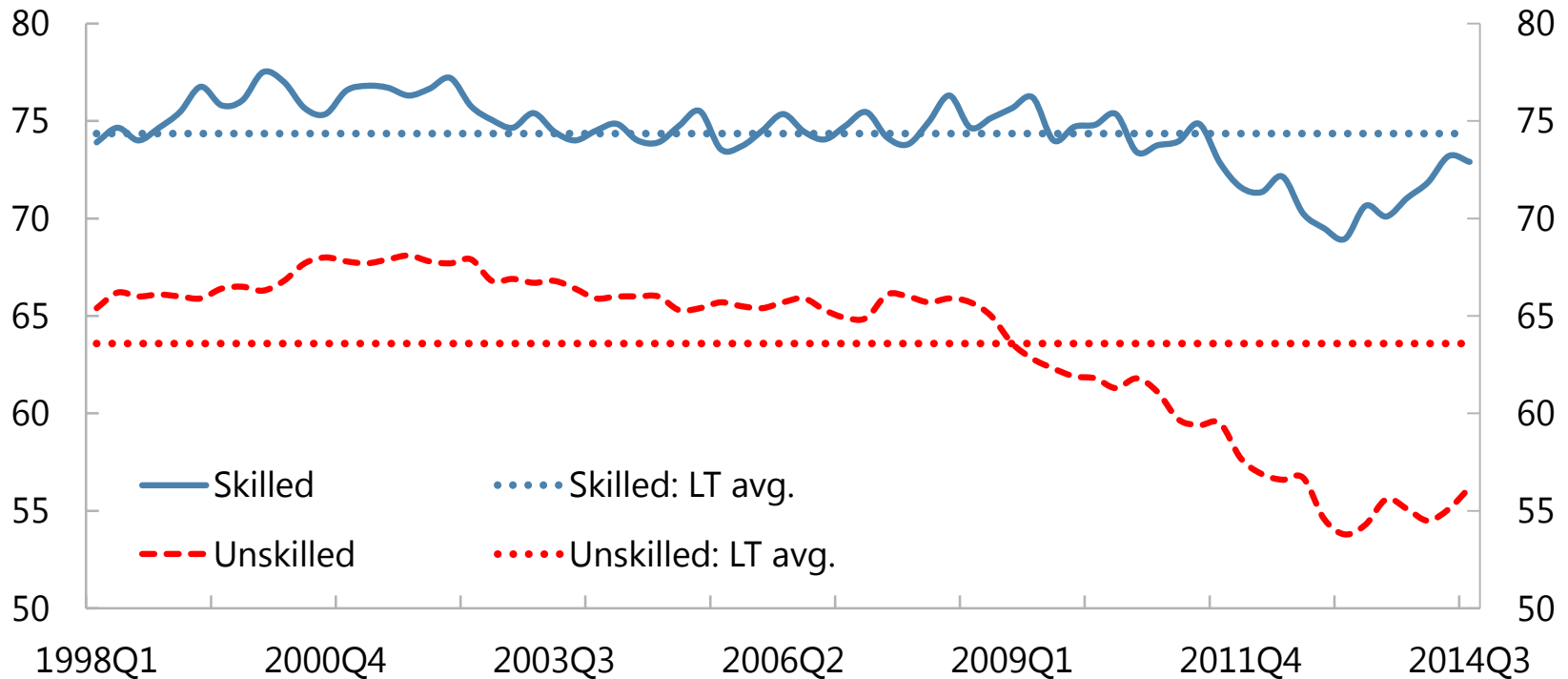


Sources: Banco de Portugal; and IMF staff estimates.

# Low-skilled workers still face challenges



**PRT: Employment Rates of Skilled and Low-skilled Workers**  
(Percent of population with a given level of education)

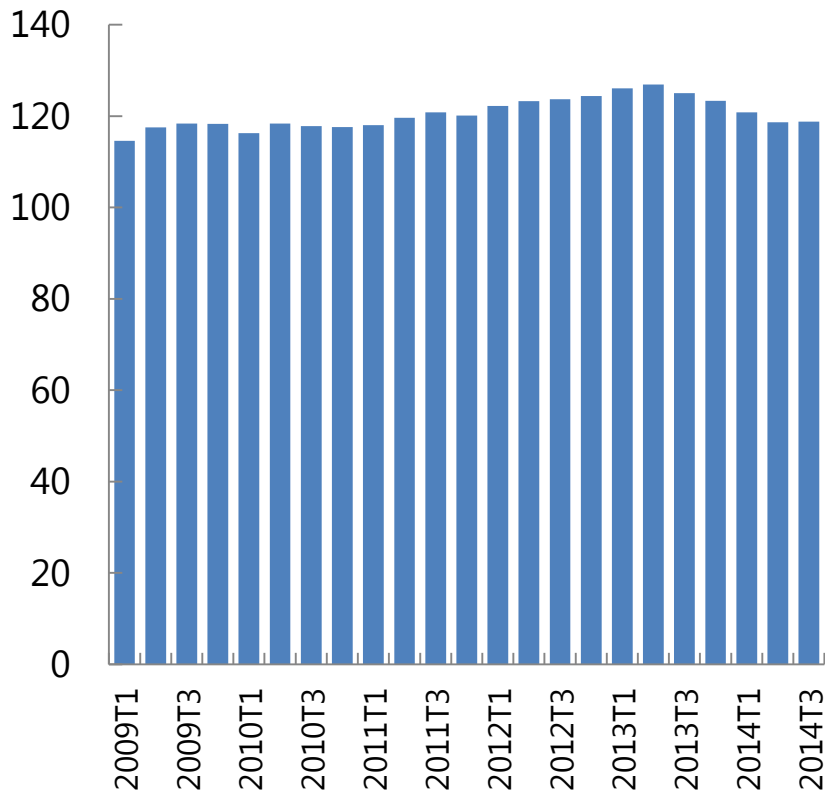


Sources: Eurostat; and IMF staff

# Corporate leverage is still high

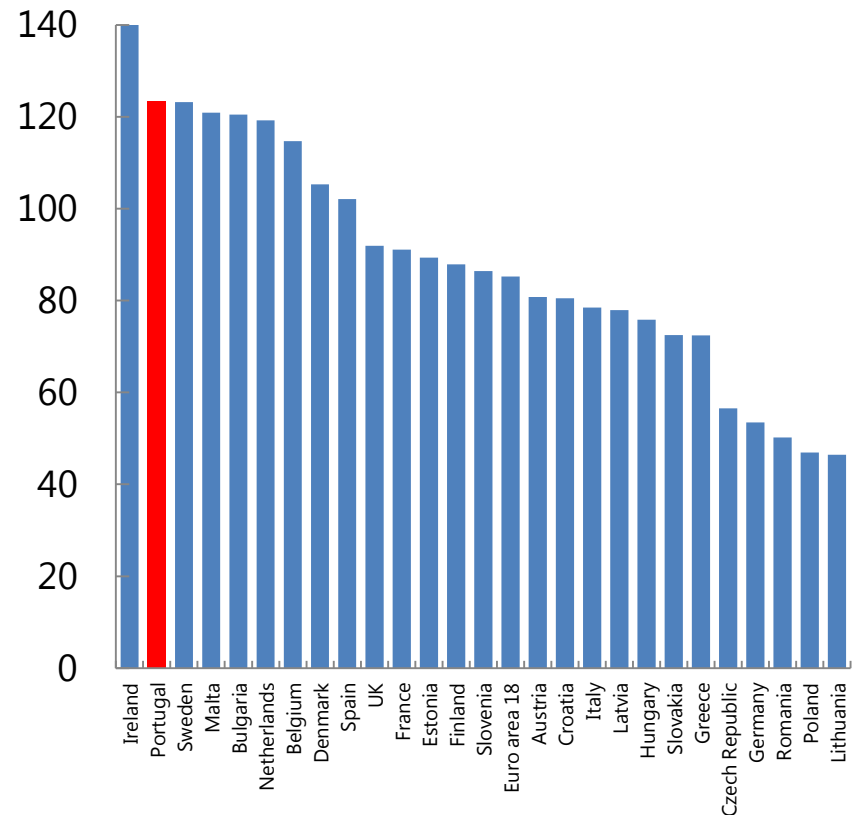


**Portugal: NFC debt, 2009-2014<sup>1/</sup>**  
(Percent of GDP)



Source: Banco de Portugal.  
1/ Consolidated data.

**EU Members: NFC Debt, 2013<sup>1/</sup>**  
(Percent of GDP)

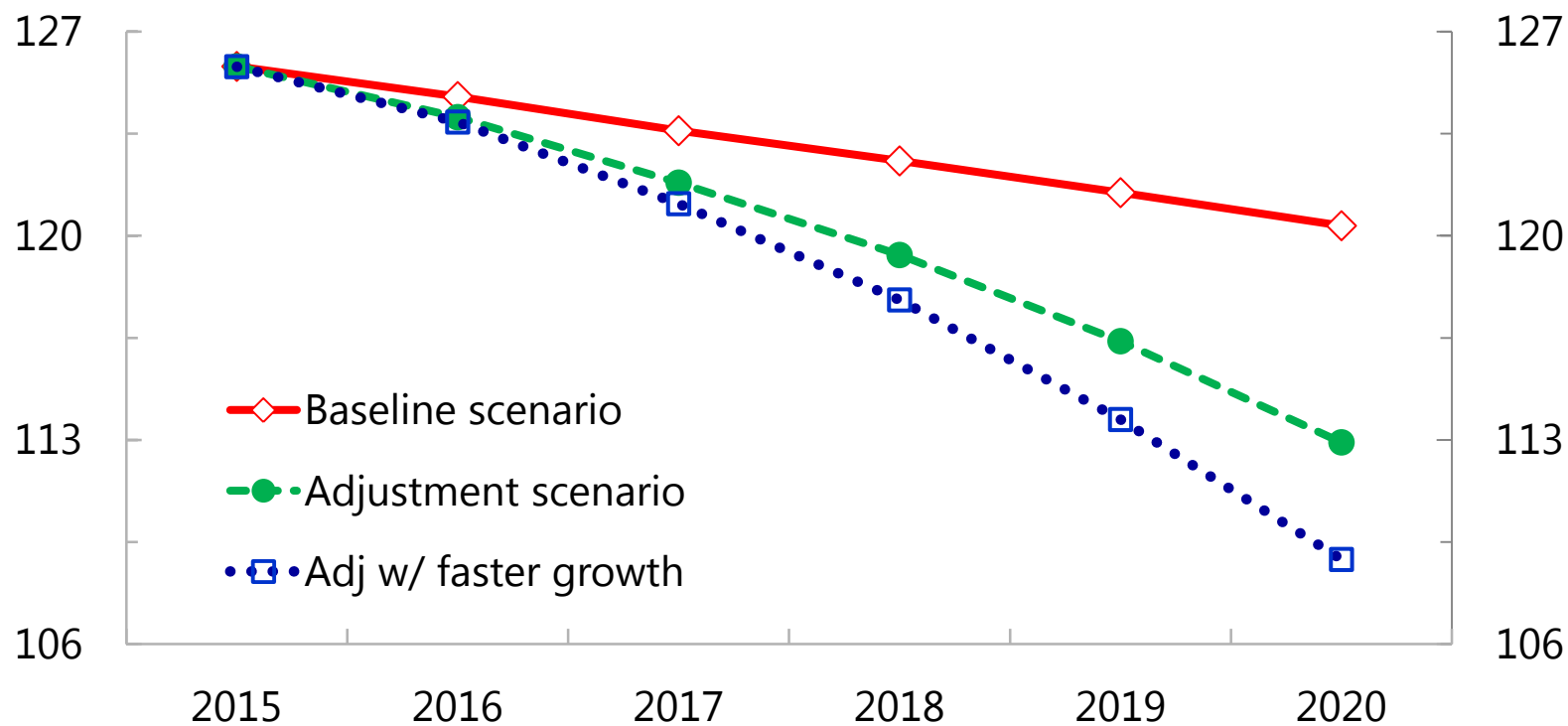


Source: Eurostat.  
1/ Consolidated data. Ireland, 200 percent.

# Implications of recommended fiscal policies

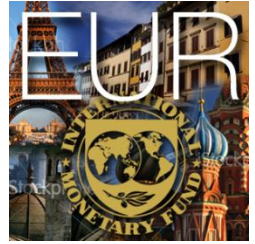


## Portugal: Projected General Government Debt (Percent of GDP)



Sources: IMF staff estimates.

# Summary



Conditions improved, but long-standing challenges remain

Current external conditions provide a unique opportunity

Growth-enhancing and job-creating reforms are needed

**Structural reforms**  
to boost external competitiveness

**Faster corporate deleveraging**  
to boost inv. & reduce financial risks

**Labor market policies**  
to help absorb slack

**Expenditure-anchored fiscal path**  
to safeguard mid-term sustainability