Portugal

▲ Description

Portugal, located mainly in the Iberian Peninsula in Southwest Europe plus its two Atlantic archipelagos of the Azores and Madeira, is one of the oldest nation state in the world, being responsible for the first global empire (from 15th century until the 20th century), however, due to significant circumstances, it has been losing its influence around the world. Nowadays, Portugal is a small economy that relies mainly in its tertiary sector, with a great contribution coming from tourism.

▲ Economic Overview

Portugal was one of the countries that were highly affected by the Sovereign crisis that proceeded the global financial crisis of 2007-2008. This resulted in the intervention of the European Commission, European Central Bank and International Monetary Fund (IMF). In 2011, Portugal agreed to adopt austerity measures, in order to be bailed out with a financial assistance of EUR 78 bn. Although the economy was still weak, Portugal abandoned the bail out in May 2014.

After a decade of crisis and recovery, Portugal has benefited greatly from a positive global economic growth. Its real GDP is now back again to the level pre-crisis and the unemployment rate is at a fifteen-year low (6.1% in November 2019). The economy is becoming more export-oriented, due to a substantial increase in tourism, leading the external current account to move from chronic deficits to a balanced account.

With a resilient economy growing an average growth rate of 1.8% since 2015, a constant reduction in the debt ratio from 131% of GDP to 121.2% in the same time span, and the ECB's Asset Purchase Programme, Portugal is now a much safer investment than it was some years ago. The market is not indifferent to these facts, and therefore it has been pricing a much lower level of risk in the Portuguese Debt. At the end of August 2018 the yield on the 10 years Portuguese bonds was at 1.924%, one year later and the yield was at a minimum of 0.125%. Since then, the yield has been increasing slightly, but still is much below its average of 1.27% in the last 2 years.

Economic Indicators	
GDP (USD bn) (2018)	240
GDP/Capita (USD thous) (2018)	23
GDP growth (2Q2019)	1.90%
Inflation (Sept 2019)	-0.11%
Unemploymet (Nov2019)	6.10%
Retail Sales YoY (Sep 2019)	3.80%
Ind Prod YoY (May 2019)	-0.60%

Government Bond Yield - 10 Years, %

Source: Bloomberg

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◢ **Economic Analysis**

1. Gross Value Added

Below we analyze the contribution of different segments to the Portuguese Real GVA. The Portuguese economy is heavily reliant on the primary sector and secondary sector, since the economy is very service oriented, a great contribution comes from retail, tourism and industrial production. The GDP grew 1.9% YoY in the second quarter of 2019.

GVA at constant prices growth YoY %

Source: Portuguese Institute for National Statistics
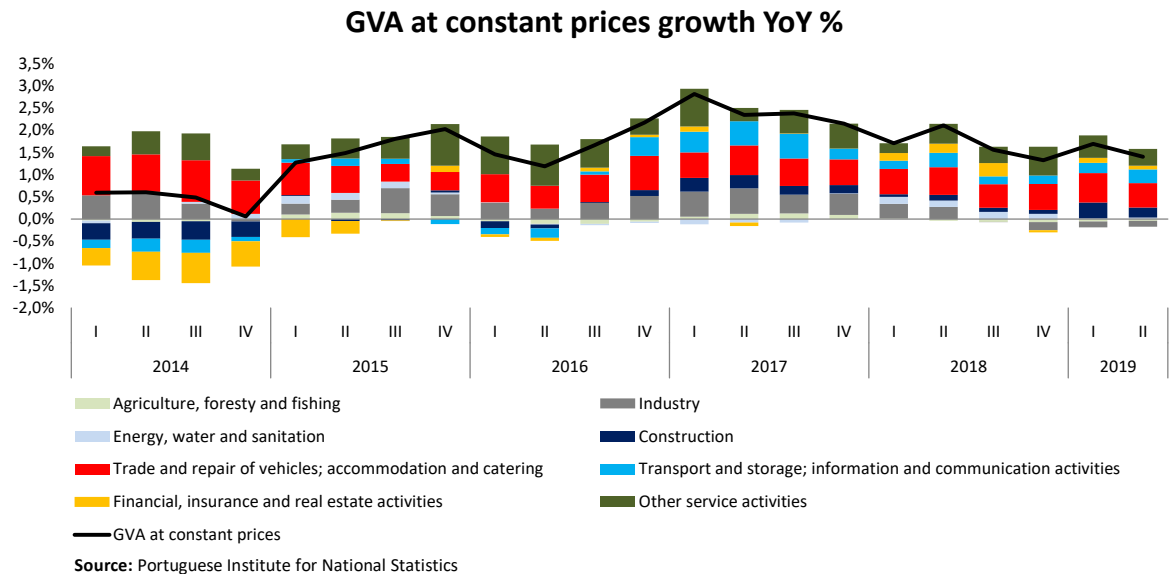
1.1 Trade and repair of vehicles; accommodation and catering

To understand the evolution in this segment, we analyse the evolution of the business volume. This indicator is divided into two sub-segments, the Food, beverages and tobacco and the Non-food products. The former has been more stable in the last years, while the later through its high volatility, resulted in two large reductions of the business volume.

Variation in business volume YoY %

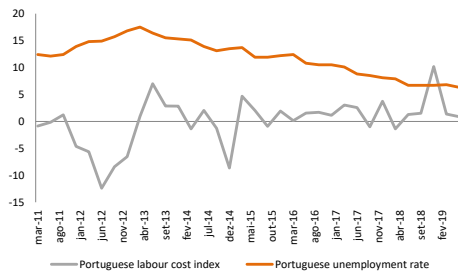**Source:** Portuguese Institution for National Statistics
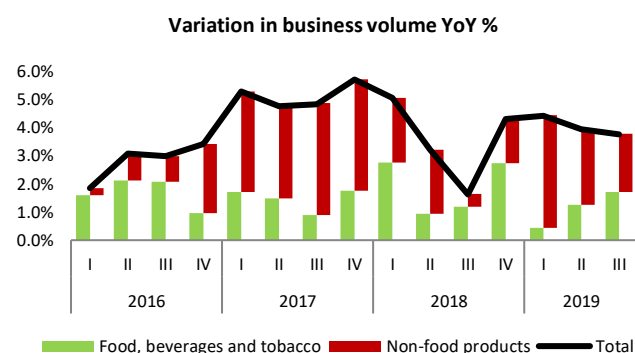
As shown through the graph, the business volume had a significant reduction in its growth in the first quarter of 2016, keeping this reduced growth throughout the following quarters. This contributed to the reduction of the GVA in the second quarter of 2016. The business volume kept a very positive growth during the 2017, however, it reached its peak in the last quarter following a sharp decline during 2018, reaching its lowest point in the third quarter of 2018. Once again, we can see the segment of Trade impacting negatively the growth of

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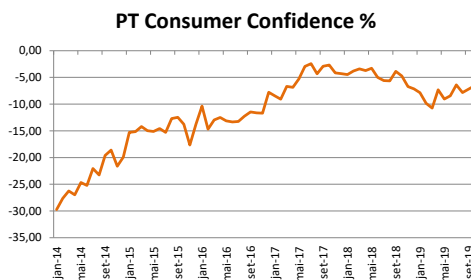
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the GVA during the first three quarters of 2018. This shows how the Portuguese economy reacts to variations in retail sales.
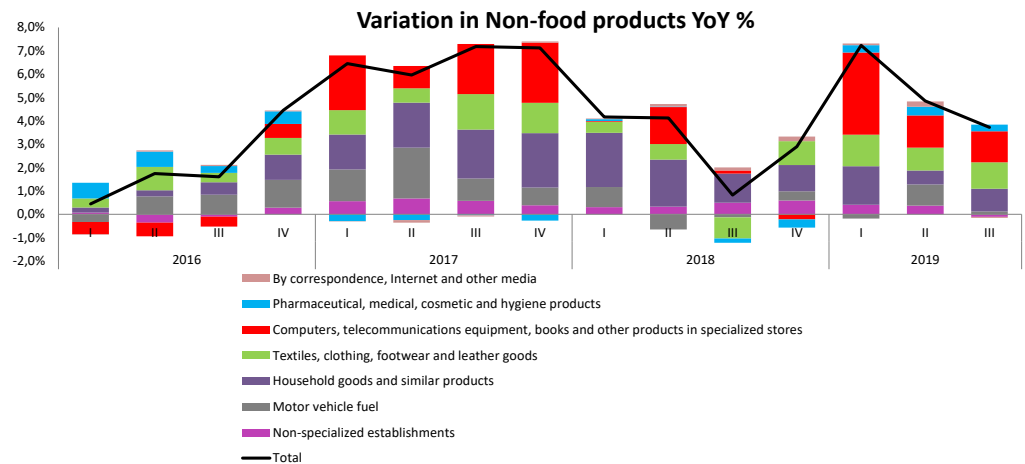
1.1.1 Non-food products

Retail sales in the Non-food products have been rising at a high pace YoY (+3.7% in 3rd quarter). Both declines that were analyzed in the previous section resulted from a sharp decline in Non-food products. Here we examine the reasons that led to that decline.

Source: Portuguese Institute for National Statistics

PT Consumer Confidence %

Source: Portuguese Institute for National Statistics

Variation in Non-food products YoY %

Legend:
- By correspondence, Internet and other media
- Pharmaceutical, medical, cosmetic and hygiene products
- Computers, telecommunications equipment, books and other products in specialized stores
- Textiles, clothing, footwear and leather goods
- Household goods and similar products
- Motor vehicle fuel
- Non-specialized establishments
- Total

Source: Portuguese Institute for National Statistics

What contributes the most to non-food sales are clearly, household's goods and computers and telecommunications equipment. However, these goods present a higher volatility in periods of reduced growth, mainly the computers and telecommunications equipment, as those are luxury goods. We can see that in the first quarters of 2016, both these indicators showed a bad performance, with computer and telecommunications equipment sales displaying a negative growth. In 2018, once again, these indicators are responsible for the huge decline in non-food products. The household's goods growth slowed, while the computers and telecommunications equipment did not grow in the first and last two quarters. Textiles products presented a good steady growth during this period, with only one set back in the third quarter of 2018.
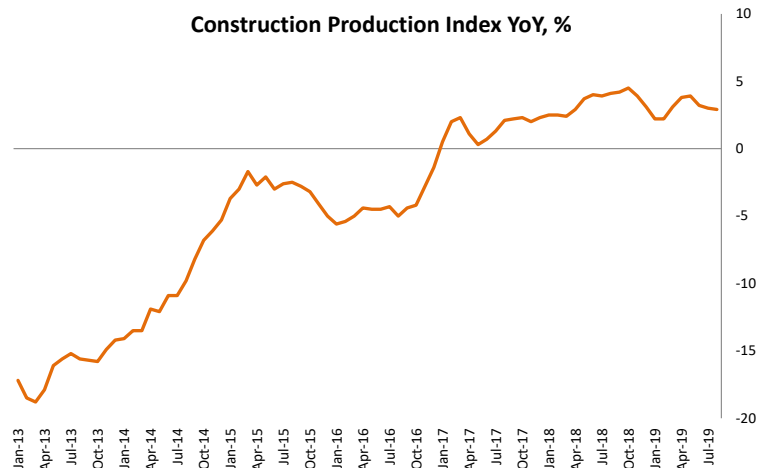
1.2 Construction

Construction is an important sector of the Portuguese economy, and since the Subprime Crisis it has not recovered its previous contributions. However, it has been growing since 2017, with a YoY variation of 2.9 % in August 2019.

The variation of the construction production was highly negative during 2013 and 2014, this reflected a negative contribution to the GVA growth and particularly no contribution during 2015. In 2016, the production index worsens again, which reflects a negative impact on the GVA during the first two quarters of the year. In the last quarter of 2016 the construction production started to regain strength and became positive in January 2017. From that date onward, construction has had a positive impact on the growth of the GVA.
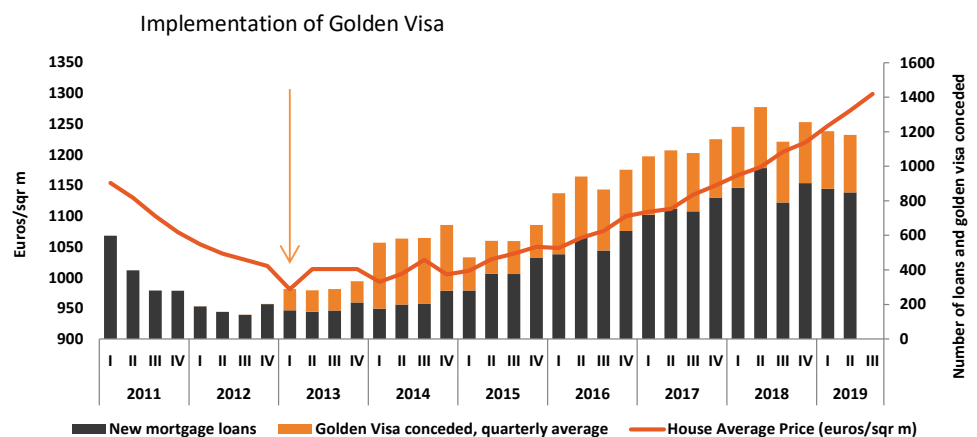
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Migratory Balance	
2018	11,570
2017	4,886
2016	-8,348
2015	-10,481
2014	-30,056
2013	-36,232
2012	-37,352
2011	-24,331

Source: Portuguese Institute for National Statistics

Construction Production Index YoY, %

Source: Portuguese Institute for National Statistics

In the period that the construction production growth was negative, the average house price in Portugal was declining, reaching the minimum in the first quarter of 2013 (981 EUR per sqr m). The average price has been increasing at a high pace since the end of 2014. Currently, as of 3Q of 2019, the price sits at 1299 EUR per sqr m.

Implementation of Golden Visa

■ New mortgage loans ■ Golden Visa conceded, quarterly average — House Average Price (euros/sqr m)
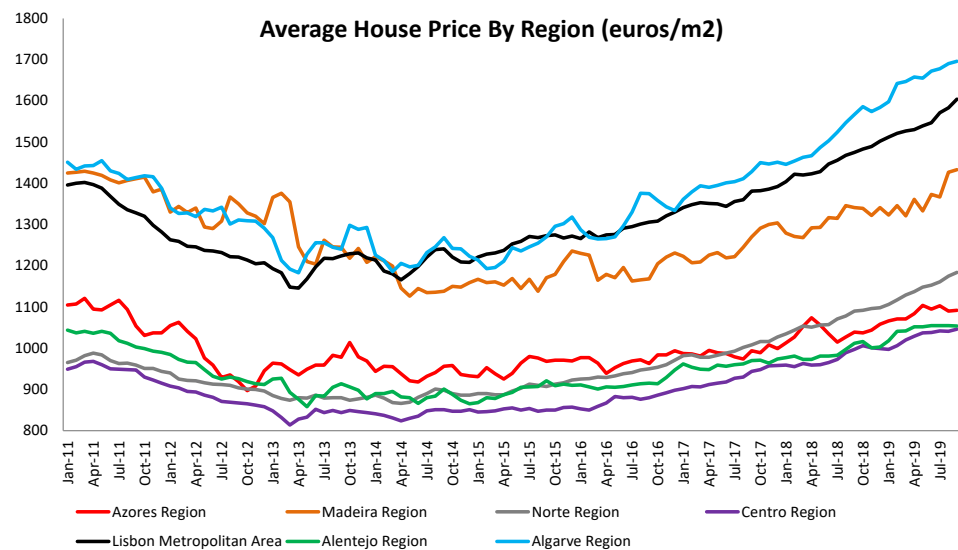
Source: Portuguese Institute for National Statistics, BPstat

Since the end of 2014 there has been a positive trend in terms of mortgage loans conceded, which has been supporting house prices. Adding to that, there have been a significant number of golden visas conceded. Since this project was initiated, in October 2012, there were around 8000 permits emitted to foreign investors, from those permits 7498 were obtained through real estate investment, accounting for a total amount of EUR 4.18 billion invested in real estate. This external demand has contributed in great part to the increase in prices. In case this law is abolished, we anticipate a significant impact in the prices, as the number of loans conceded is cooling down.
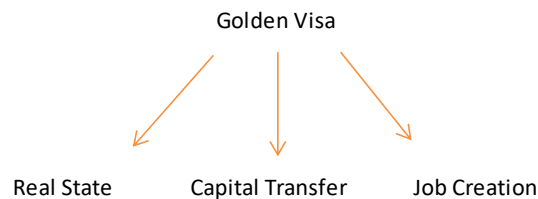
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Average House Price By Region (euros/m2)

Legend: Azores Region, Madeira Region, Norte Region, Centro Region, Lisbon Metropolitan Area, Alentejo Region, Algarve Region

Source: Portuguese Institute for National Statistics

The average price by region shows that some regions are now at around the same price level as they were in 2011, while others have seen a significant increase.

Golden Visa → Real State, Capital Transfer, Job Creation

Portugal has a Residence Permit programme for investors; this programme enables Non-EU residents to acquire a temporary residence permit. Investors can obtain a Visa through the following instruments:

Real Estate -

- Acquisition of real estate in the value of, at least EUR 500 ths; or

- Acquisition of real estate constructed more than 30 years ago, or located in urban regeneration areas, to be renovated, for a total value at least EUR 350 ths.

Capital Transfer –

- Capital transfer in the minimum amount of EUR 1 m, including investments in shares; or

- Capital transfer in the minimum amount of EUR 350 ths, which has to be used for research activities developed by public or private scientific institutions; or

- Capital transfer in the minimum amount of EUR 250 ths, which has to be used in

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investments to support artistic production, recovery or maintenance of national cultural heritage; or

- Capital transfer in the minimum amount of EUR 350 ths, used for the acquisition of investment funds, or venture capital funds dedicated to the capitalization of companies.

1.3 Industry

Below are the contributions of the main segments of the industrial production. This sector has seen some volatility in the recent years.

Industrial Production growth, YoY %
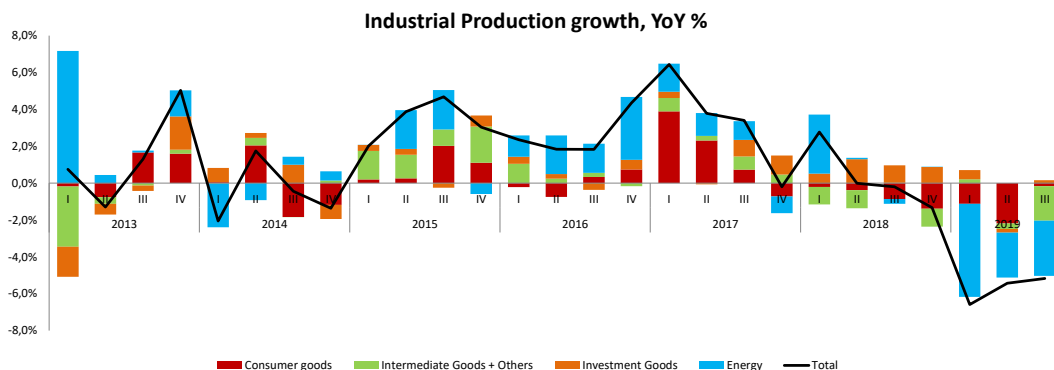
Source: Portuguese Institute for National Statistics

What drove the industry growth during this period was mainly Consumer goods and Energy. The impact of the Industry in the GVA growth has been stable and positive from the 1st quarter of 2014 until the 3rd quarter of 2018, which is reflected here in the graph, from 3rd quarter of 2018 until the 3rd quarter of 2019, the industry showed a negative growth, resulting from a huge decline in the Energy and the Consumer goods growth.

◢ External Trade

Trade 2018	
Imports (EUR bn)	75
Imports EU (EUR bn)	57
Imports Non-EU (EUR bn)	18
Exports (EUR bn)	57
Exports EU (EUR bn)	44
Exports Non-EU (EUR bn)	14

Source: Portuguese Institute for National

Portugal has a negative trade balance, equal to EUR 18 bn in 2018. Its main trade partner is Spain, representing around 20% of Portuguese exports and 30% of its imports.
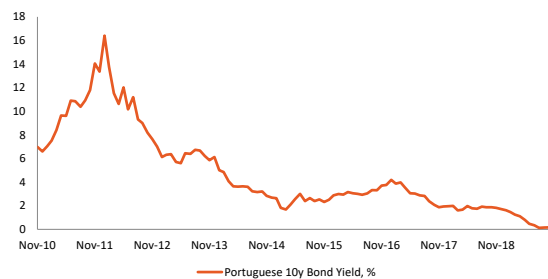

Main Export Partners, %

Main Import Partners, %

Main Export Products, %

Main Import Products, %

Source: OEC

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◢ Government Debt and Deficit

Portugal is a highly indebted country, with a debt over GDP around 121% in June 2019. The debt increased excessively after the global financial crisis, hitting its peak in August 2014 at 135% of GDP. Since then, debt has been decreasing at a slow pace as a percentage of GDP.
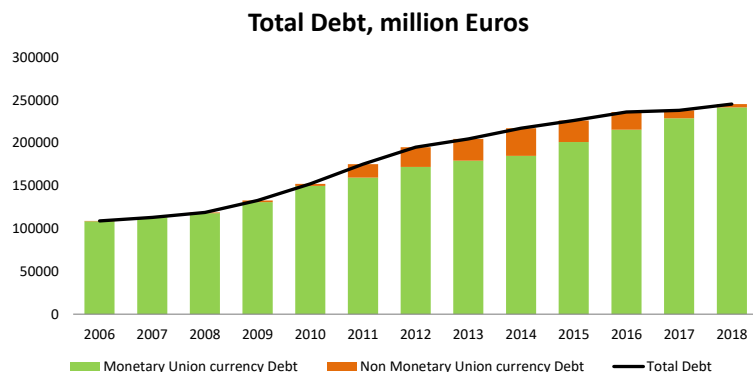

Source: Bloomberg

Debt over GDP, %

Source: Eurostat

Total Debt

In this section we analyze the Portuguese total debt, decompiling it into Monetary Union currency debt and Non-Monetary Union Debt.

Total Debt, million Euros

Source: Banco de Portugal Statistics

Total Debt increased a lot in total terms in the previous years, reaching EUR 245 bn as the end of 2018.

The Non-Monetary Union currency debt was part of the programme package Portugal received after the Sovereign Crisis, since the IMF debt was denominated in USD. However, the Monetary Union currency debt occupies the biggest chunk of total debt. With that in mind we analyze that component in the next section.

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1.1 Monetary Union Currency Debt

Here we analyze what has been driving the growth in the biggest component of the Portuguese debt.

Monetary Union Currency Debt, million Euros

Source: Banco de Portugal Statistics
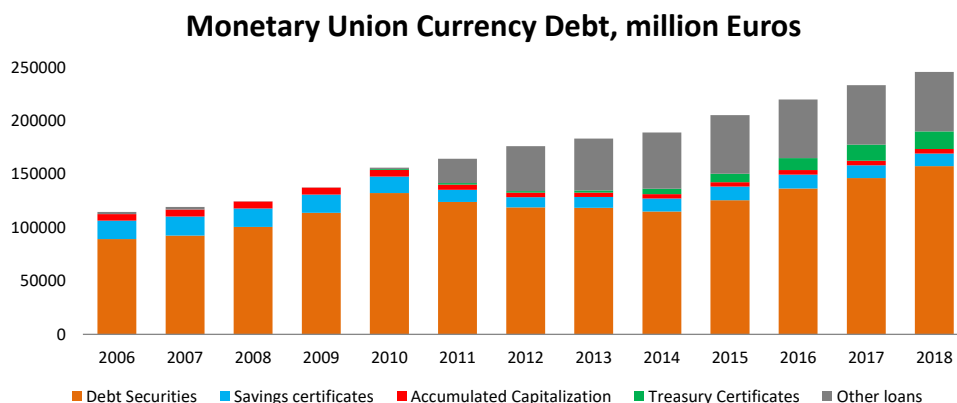
What constituted to the huge increase in total debt in recent years were the other loans and the debt securities components. Given that, the debt component represents more than 50% of Total Monetary Union Currency debt, we analyze it in the next section.

1.2 Debt Securities

Looking at the graph we can understand what type of maturities Portuguese titles have been emitted the most.

Total Securities Debt, million Euros
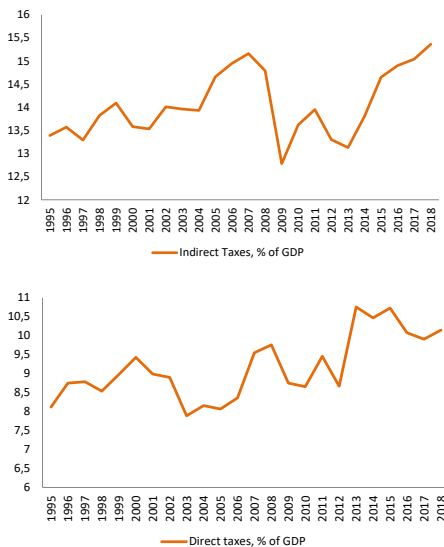

Source: Banco de Portugal Statistics
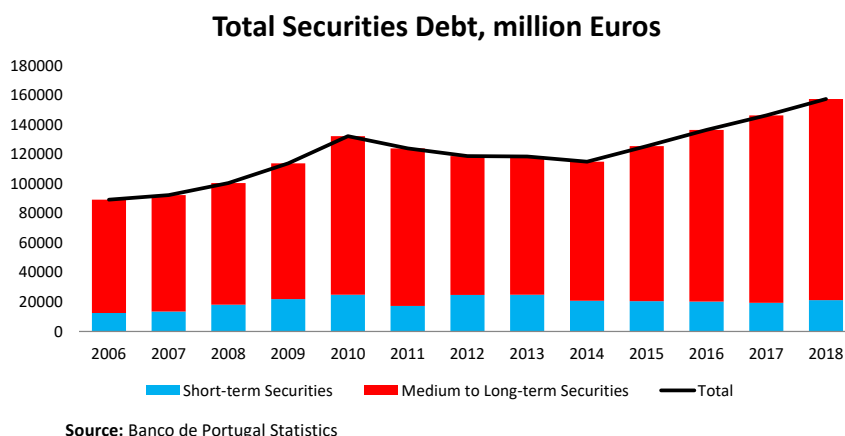
The biggest component of the Portuguese debt titles is medium to long-term debt, while short-term has been fairly stable, the MLT has been increasing at high pace.
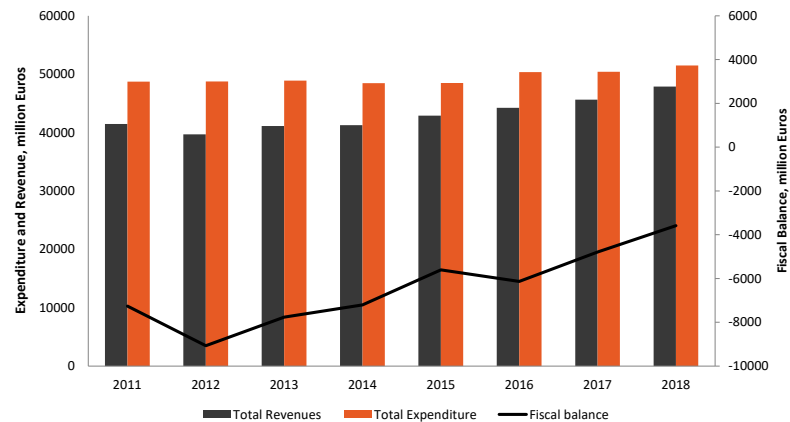
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◢ **Government Budget**

In the last years, Portugal has kept a negative fiscal balance, ranging from minus EUR 9 bn to most recently, minus EUR 3.5 bn in 2018.
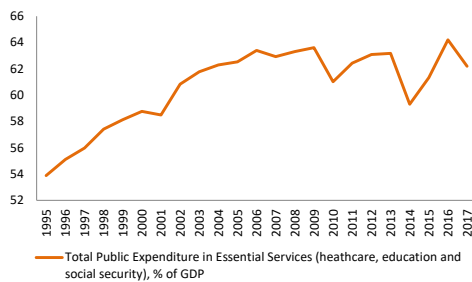

Source: Banco de Portugal Statistics

1. Government Revenue

Here we decompose the various contributors to the government revenues.

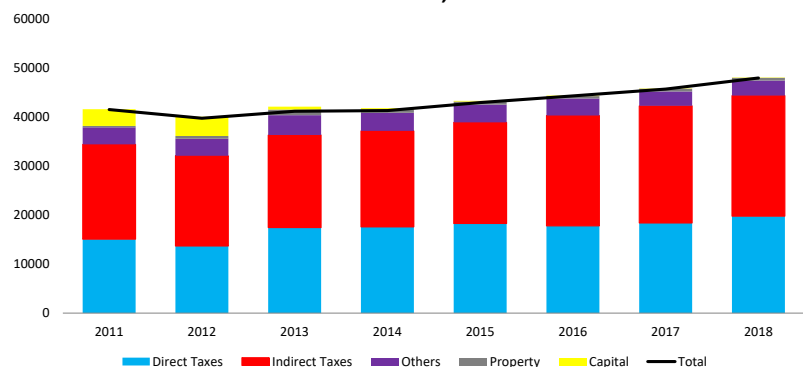**Government Revenues, million Euros**

Source: Banco de Portugal Statistics

The main contributors to the government revenues are the direct and indirect taxes. Direct taxes have been fairly stable, while indirect taxes have been increasing year after year. Capital revenues had a considerable weight in 2011 and 2012, however, its contribution has been inexistent in recent years.
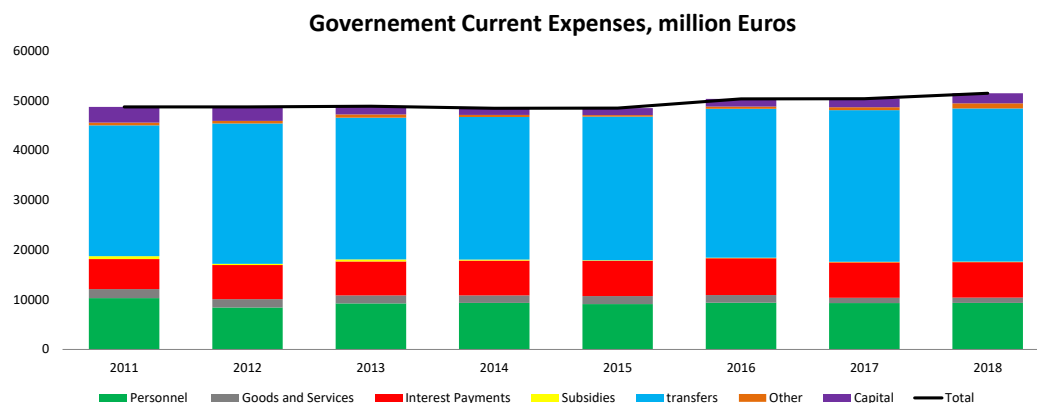
2. Government Expenditure

As in the previous section, here we decompose the government expenditure. Contrarily to the government revenues, which are much more cyclical, the government expenditure are almost constant across the years, however, since 2015 it has been steadily increasing. The main contributor is the public transfers. Personnel expenditure also has a very relevant weight in total expenditure. Interest rate payments due to the current low interest rate climate have been steady over time. However, it still constitutes an important fraction of total expenditure and if interest rates increase in the future, its contribution will increase substantially.

Source: Portuguese Institute for National

Source: Portuguese Institute for National

Personal Income Tax	
Up to 7,091€	14.50%
> 7091€	23%
> 10,700€	28.50%
> 20,261€	35%
> 25,000€	37%
> 36,856€	45%
> 80,640€	48%

Corporation Tax
21%

VAT	
Standard	23%
Intermediate rate	13%
Reduced rate	6.0%

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Governement Current Expenses, million Euros

Source: Banco de Portugal Statistics

3.1.   Unemployment subsidy

It can be required by workers with national residence, that are protected by the Social Security regime:

- Those who were working with contract and lost their job involuntarily;

- Those who suspended their work contract due to delays in wages payments,

- Those who ceased their working activity involuntarily;

- Former disability pensioners, considered fit to work.

The remuneration goes from (with some exceptions):

Unemployment Subsidy	
Minimum Amount	435.76 € (100% of social support indexer)
Maximum Amount	1089.4 (2.5 x SSI)

3.2.   Maternity, paternity and adoption subsidies

The condition to be eligible for this subsidy are the following:

- Portuguese residence;

- Need a minimum period of contributions to the Social Security of 6 months;

- Enjoy the respective unpaid leave, absence and leave under the Labor Code or equivalent periods;

- Social security contributions paid until the quarter that preceeds the month in which he/she stopped working because of the child's birth;

- Movable patrimony below EUR 104 582.40 (240 x SSI);

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- Monthly remuneration for each member of the family aggregate below EUR 348.61 (80% x SSI)

The remunerations is the following:

Social Subsidy	Duration	Subsidy amount
Initial Parent / Adoption	120 days	EUR 11.62 per day
	150 days	EUR 9.3 per day
Shared parenting	150 days	EUR 11.62 per day
	180 days	EUR 9.59 per day

3.3. Family Subsidy

Are eligible for the family subsidy, those who:

- Parents in de facto union or the legal representatives of the children,

- The person or entity that has the children's guard;

- The juvenile himself, if he is over 18 years old and is still studying or has a disability;

The subsidy amounts are presented below:

Reference income from the family aggregate	Pre-Christmas subsidy	Family subsidy to children					Study subsidy
		Age between 12 and 36 months				Age over 36 months	Age below 18 years old
		Age equal or below 12	1 child	2 childrens	3 or more children		
Até 2,949.24 €	148.32 €	148.32 €	91.99 €	129.07 €	166.15 €	37.08 €	37.08 €
De 2,949.24 € a 5,898.48 €	122.42 €	122.43 €	75.93 €	106.54 €	137.15 €	30.61 €	30.61 €
De 5,898.48 € a 8,847.72 €	96.32 €	96.32 €	61.53 €	89.24 €	116.95 €	27.71 €	-
De 8,847.72 a 14,746.20 €	-	28.61 €				-	-

3.4 Social Benefit for elderly

Years contributing to the SS	Age you are allowed to subscribe to the pension (2019)
41 years	66 years and 1 month
42 years	65 yearsn and 9 months
43 years	65 years and 5 months
44 years	65 years and 1 month
45 years	64 years and 9 months
46 years	64 years and 5 months
47 years	64 years and 1 month
48 years	63 years and 9 months
49 years	63 years and 5 months
50 years	63 years and 1 month
51 years	62 years and 9 months

This benefit is aimed to help pensioners who live with incomes below a certain threshold.

Every month the elderly receives 1/12 of the difference between his annual income and the reference value (EUR 5258.63 in 2019). The maximum amount he can receive is EUR 5258.63 per year, which represents EUR 438.21 per month.

4. Pensions

It is eligible for those who have an age equal or older than 66 years and 5 months (2019) and have discounted to the social security for at least 15 years. The retirement age is reduced 4 months for each years of contribution above the 40 years.

Necessary conditions to anticipate the pension:

- Be at least 60 years old with 40 years or more of contributions

- Be at least 60 years old with a career of 46 years or more of contributions (anticipation by the long careers regime)

- Be in a situation of long term involuntary unemployment

- Professional activity that is considered harmful by nature

- Protected by specific measures

Penalties from anticipated pension:

- **Pension anticipated by flexibility:** After 60 years old, with 40 or more years of contributions.

  - Penalty of 0.5% for each month anticipated relative to the retirement age.

- **Pensions anticipated by the long term career's regime:** No penalty.

- **Pension anticipated through the long term unemployment:** The reduction in the pension's value depends on the date of which the unemployment subsidy was applied, of the age and the years of contributions.

Sustainability factor: it is applied the pensions initiated from 1st of January 2014 and it is attributed to anticipated pensions. However, it is not applied to anticipated pensions that are protected by the 3 regimes mentioned above (flexibility, long term careers and long term unemployment). It is not applied to invalidity pensions.

- **When applied:** Attributed to the anticipated pensions initiated in 2019, it reduced the pension in 14.67%.

- **New law:** it will increase to 15.2% for anticipated pensions initiated in 2020.
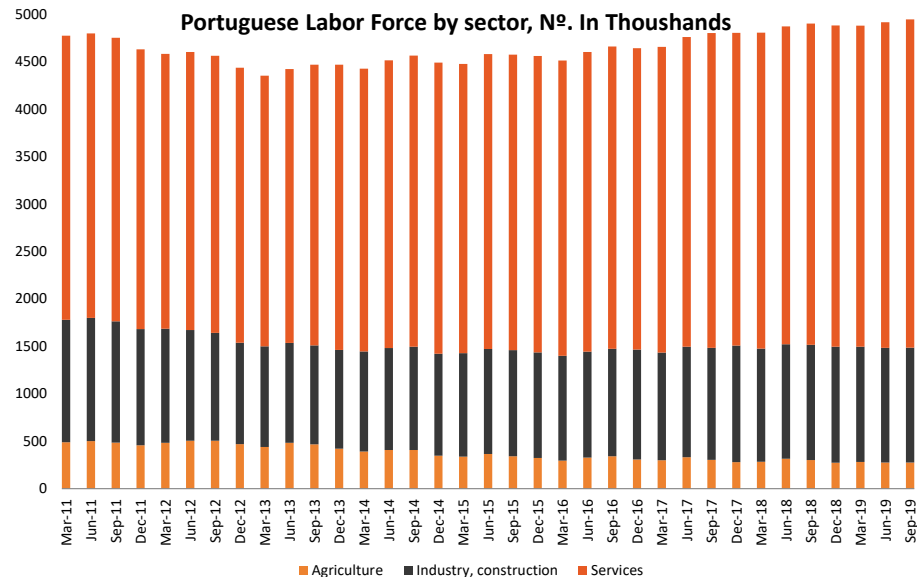
Years contributing to the SS	Minimum value (2019)
Below 15 years	273.39 €
15 to 20 years	286.78 €
21 to 30 years	316.45 €
31 years or more	395.57 €

Withholding		
Monthly Remuneration EUR	Married two holders/ single	Married only holder
Until 654	0.0%	0.0%
Until 683	0.2%	0.0%
Until 702	2.8%	0.0%
Until 762	4.4%	1.0%
Until 837	5.9%	2.9%
Until 912	8.2%	5.3%
Until 976	9.1%	5.3%
Until 1048	9.9%	5.7%
Until 1076	10.8%	6.1%
Until 1157	11.9%	8.6%
Until 1226	12.9%	8.6%
Until 1324	13.9%	9.6%
Until 1424	15.0%	10.6%
Until 1552	16.0%	11.6%
Until 1681	17.0%	13.1%
Until 1760	17.6%	14.1%
Until 1858	18.0%	14.6%
Until 1957	20.0%	15.6%
Until 2075	20.9%	16.5%
Until 2205	22.4%	17.6%
Until 2351	23.4%	17.6%
Until 2481	24.0%	18.6%
Until 2558	25.5%	18.6%
Until 2696	26.5%	19.6%
Until 2861	27.5%	21.1%
Until 3052	28.7%	22.8%
Until 3200	30.5%	24.0%
Until 3401	31.5%	25.0%
Until 3630	32.5%	27.0%
Until 3889	33.0%	27.5%
Until 4157	33.5%	27.5%
Until 4405	34.0%	27.5%
Until 4653	35.0%	28.5%
Until 4939	36.5%	30.0%
Until 5350	37.5%	31.0%
Until 7225	38.5%	32.0%
Until 7545	39.5%	33.0%
Until 8677	39.5%	34.0%
Above 8677	40.0%	35.0%

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◢ Labor Force

In this section is presented the evolution of the Portuguese labor force. Below is presented the Portuguese labor force divided by the three main sectors of the economy.

Portuguese Labor Force by sector, Nº. In Thoushands

Agriculture ■ Industry, construction ■ Services

Source: Portuguese Institute for National Statistics

The biggest chunk of the Portuguese labor force is dedicated to services, when we analyzed the GAV growth; we concluded that what contributes the most for the economy growth is the services sector, mainly retail. The employment in this sector was severely hit during the crisis; there was a significant reduction between 2011-2013. From 2,995,200 workers in March 2011 to the lowest point in June 2013 at 2,888,000 workers. However, the loss in labor force in the secondary sector was even sharper. From 1,290,100 workers in March 2011 to its lowest in December 2013 at 1,041,000 workers. Both sectors have recovered since then, with services presenting values higher than pre-crisis. The tertiary sector represents the lowest fraction and has been decreasing ever since the crisis.

Growth rate of Portuguese labor force by sector

Agriculture ■ Industry, construction ■ Services — Total

Source: Portuguese Institute for National Statistics
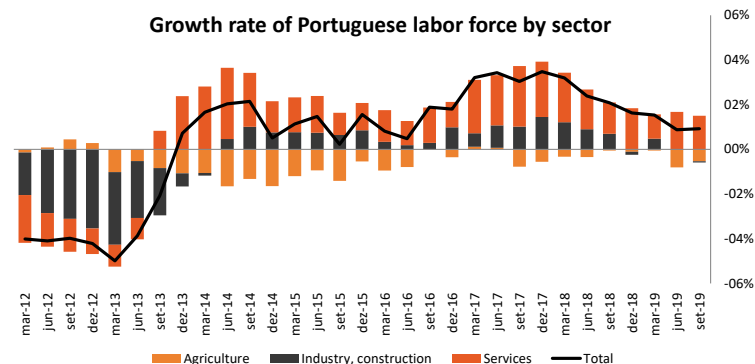
As mentioned, both the primary and secondary presented high negative growth during the crisis, but started to grow right at the end of 2013. The primary sector saw that highest grow ever since the crisis. In mid-2016 there was a deceleration in the labor force growth, the same can be seen in the GVA graph, there was a deceleration of the GVA growth, and this might explain the reduced growth in employment.

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1. Public and Private sector

To understand whether is the public or the private sector that is moving the labor market we have to decompose the labor force in these two components.
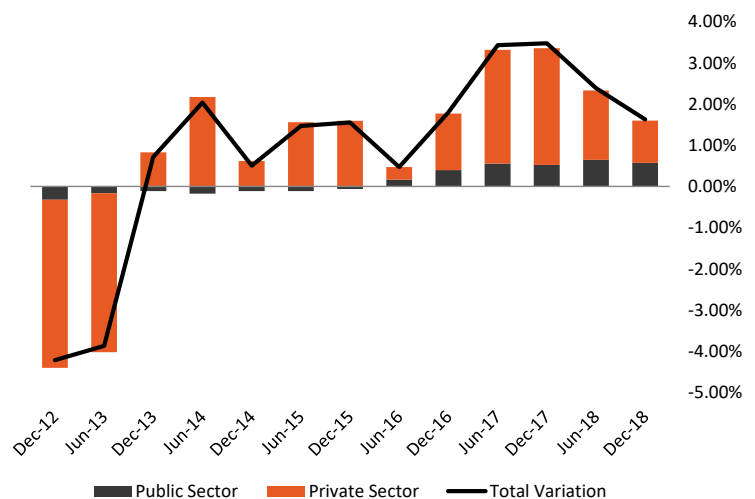

Source: DGAEP

The private sector employs the majority of the Portuguese workers, in December 2018 there were around 730,000 public servants, against 4,160,000 private workers.


Source: DGAEP

Source: DGAEP

Even though the public sector has been increasing a lot since 2015, it merely represents the changes in the total labor force. What has been moving the labor force in recent years is clearly the private sector, with the public sector accentuating the increase in these last 5 years.

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▲   **Tourism**

One of the main competitive aspects of Portugal is its history, good weather and food. Therefore, every year more and more tourist from all across the world decide to visit Portugal, leaving a great impact in its economy.
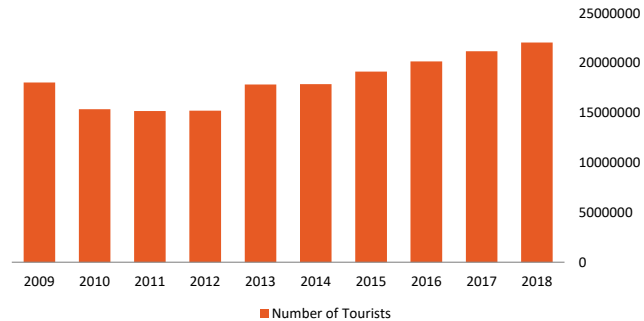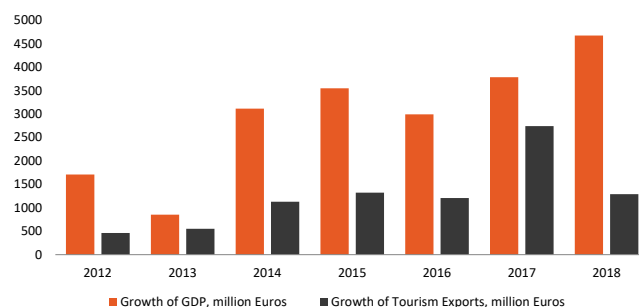

Source: Portuguese Institute for National Statistics

In 2018, around 22 million tourists visited Portugal, a number that has been increasing every year after the crisis. Tourism is highly correlated to economic cycles; we should expect a significant decrease in the number of tourist if there is a global recession impacting developed countries.
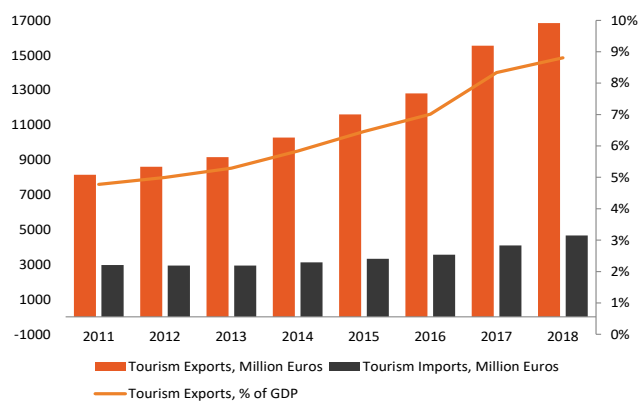
**Source:** Portuguese Institute for National Statistics

The revenues generated by tourism have increased significantly in these last years; in fact, in 2018 it already represents around 9% of the GDP. In terms of Tourism Imports it has also been growing in recent years, which might signal that more Portuguese families have a more stable financial situation.

Source: Portuguese Institute for National Statistics

Given its ample weight in total GDP, the growth of GDP in the last years has been particularly due to the increase in tourism. In 2017, tourism was the main contributor to economic growth (GDP grew EUR 3.78 bn against a growth of EUR 2.7 bn in the tourism revenues).

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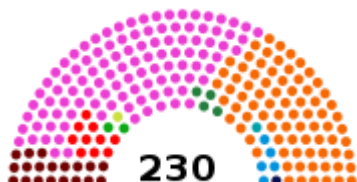
Parliament	
Socialist Party	108
Social Democratic Party	79
Left Bloc	19
Portuguese Communist Party	10
CDS - People's Party	5
People-Animals-Nature	4
The Greens	2
Chega	1
Liberal Initiative	1
Livre	1

◤ Government

- **Prime Minister – António Costa:** He is the currently the Prime Minister of Portugal, as leader of the Socialist Party.

  Costa was born in Lisbon in 1961, where he later graduated in the Faculty of Law of the University of Lisbon. Costa only practiced law for a very short period as he then entered the world of politics. He held various positions throughout the years. From 2007 until 2015 he was the Mayor of Lisbon, serving 3 mandates. In 2015 he resigned the position of Mayor, to run for Prime Minister of Portugal as the Secretary General of the Socialist Party. During the campaign he pledged that he would reduce the austerity measures and increase the disposable income of households.

  Although he did not win the elections in 2015, he was able to form a government by joining forces with other left-wing parties. In the most recent elections (October 2019), his party won the elections without reaching a parliamentary majority.

Government: After the elections, the President of the Republic elects the Prime Minister, after hearing all the parties with seats at the Parliament and taking into the account the electoral results.

Therefore, the Prime Minister tends to be the winner of the elections, not necessarily for having the highest number of votes but by electing more deputies. The Prime Minister then forms the government choosing the ministers himself. When the government is formed, it has to present the government program, which has to pass in the Parliament.

Elections: Every 4 years, the eligible citizens vote to elect the deputy from their electoral circle, where 230 deputies will be elected all across the country. The number of deputies elected is conducted through the Hondt system. Given this, the party that wins the elections does not need to have the most number of votes, it just need to elect more deputies than any other party. Due to the hondt system, small parties need more votes to elect a deputy.

Assembly of the Republic: It is composed by 230 elected deputies. It is in this house that deputies consider and propose new laws. When the government is formed, it proposes the government program, which has to be approved by a majority in the parliament. It is not passed; the President of the Republic may be forced to dissolve the parliament, leading to new elections.

Parties:

Socialist Party (PS): This center-left wing political party was founded in 1973, constantly disputes the governing of Portugal with its main opposition (PSD). The previous leader, José Socrates is under a juridical process over corruption in his term that preceded the European crisis, where Portugal was one of the most affected countries. This party hardly opposed the austerity measures implemented by PSD during the crisis, giving them a political boost, as a lot of Portuguese were revolted with the austerity measures. In 2015 after losing the elections, the party formed an alliance (Geringonça) with the other left parties and obtained the majority in the parliament. The current leader and Prime Minister is António Costa.

Social Democratic Party (PSD): Founded in 1974, this is a center-right wing political party that was governing Portugal during the European crisis, when Portugal had to be bailed out. Its previous leader, Pedro Passos Coelho was the prime minister during 2011-2015, a time where PSD had a lot of public support, as its opposition (PS) had been incautious during the years that preceded the crisis. The current leader is Rui Rio.

Left-Bloc: This left wing party was formed in 1999. This party is highly against austerity and politics implemented by the PSD, like the Golden Visa. The leader is Catarina Martins.

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Portuguese Communist Party: This party as the name identifies, is a left wing communist party, with its origin going back to 1921. This party has been losing some significance over the years, mainly because some of its voter switched to Left-Bloc. Jerónimo de Sousa has led this party since 2004.

CDS-People's Party**:** This conservative right wing party was founded in 1974. This party formed a coalition with PSD for the elections of 2015, where the coalition won the elections, however, they were not able to get majority, leading to the formation of the "Geringonça".

PAN/Greens/Livre: All this left wing political parties share similar views, all being very supportive of anti-climate change measures and animal rights.

Liberal Initiative: This right wing liberal party was formed in 2017. They defend a minimum intervention of the State and a significant reduction in the tax burden, with a flat 15% income tax on incomes over the minimum wage.
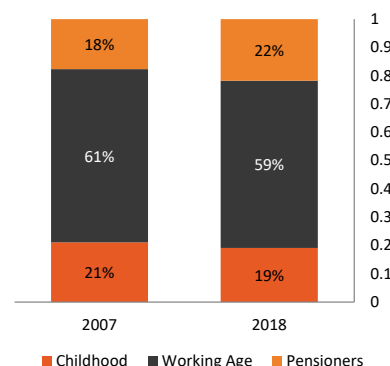
Chega: This is a right wing Nationalist party formed in 2019. This party has gained a lot of attention due to its controversial ideas. Some go from a reduction of the number of deputies to 180 (the minimum acceptable in the constitutions) to the increase in the maximum prison sentences to life-sentence (with possibility of ending the sentence every 25 years) instead of the 25 years maximum currently.

Indicator	
População (July 2019)	10 276 617
Male (July 2019)	4 852 366
Female (July 2019)	5 424 251
Pop Growth rate (2018)	-0.14%
Median age (Years)	43.7
Birth rate (2018)	8.2/1000 habitants
Death rate (2018)	10.6/1000 habitants
Urban Pop (2019)	65.80%
Mother Med. Age at 1st birth (2015)	30.2
Infant Mortality rate (2018)	2.6/1000 live births
Life expectancy at Birth (2018)	80.9
School Life expectancy (Years)	16

▲ Population

Its 10 million habitants are mainly concentrated in two great urban areas. The great metropolitan area of Lisbon has a population of around 3 million people and the metropolitan area of Porto has a population of around 1.3 million people.

According to 2011 estimates, most common religion is Roman Catholicism (81%) and Jewish and Muslims only represent 0.6%. The predominant ethnic group is white Mediterranean; however, a lot of citizens are black African descendants from those who immigrated to mainland during decolonization. There are also a significant number of Eastern Europeans who have migrated to Portugal since the 90s.

The Portuguese population is aging at a high pace; the population over 65 years holds represented 18% of the population in 2007 while in 2018 it rose to 22%. If the population keeps this aging rate, in the future will be very hard for the working population to support the pensioners.

	2007	2018
Pensioners	18%	22%
Working Age	61%	59%
Childhood	21%	19%

Source: Portuguese Institute for National Statistics

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◢ **State's Budget**

The Government's main objective are:
- Decrease the public debt using budgetary surpluses;
- Decrease the labor market segmentation;
- Increase the number of university graduates, especially in the science and information technology domain;
- Investment in investigation and innovation, in railroad transports and port infrastructures. Also invest in the transition to sustainable energy sources;
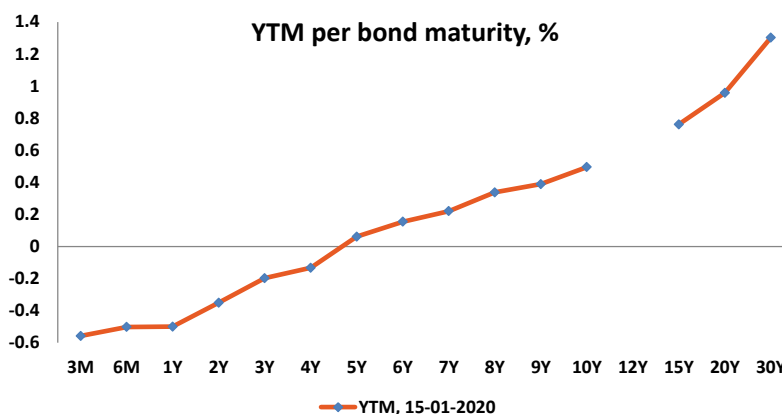- Decrease the barriers to business licenses.

Government's main goals:
- Employment rate: 75%;
- R&D: 2,7% - 3,3% of GDP;
- Greenhouse gases emissions: -1% (Base 2005)
- Renewable energies: 31%
- Superior education: 40%

Previsões Ministério das Finanças	2019	2020
PIB Real (variação, %)	1.9	2
Consumo Privado (variação, %)	2.2	2.1
Consumo Publico (variação, %)	0.9	0.9
Investimento (FBCF) (variação, %)	8.2	5
Exportações (variação, %)	2.9	3.9
Importação (variação, %)	5.4	4.1
IHPC, %	0.8	1.6
Taxa de Desemprego (% Pop. Ativa)	6.3	5.9
Remuneração média por trabalhador	2.8	2.9
Produtividade aparente do trabalho	0.8	1.2
Balança Corrente (% PIB)	-1	-0.8
Saldo Orçamental (% PIB)	-0.1	0

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Maturity	Bonds
3M	PORTB 0 01/17/20 Corp
6M	PORTB 0 03/20/20 Corp
1Y	PORTB 0 09/18/20 Corp
2Y	PGB 2.2 10/17/22 Corp
3Y	PGB 4.95 10/25/23 Corp
4Y	PGB 5.65 02/15/24 Corp
5Y	PGB 2 ⅞ 10/15/25 Corp
6Y	PGB 2 ⅞ 07/21/26 Corp
7Y	PGB 4 ⅛ 04/14/27 Corp
8Y	PGB 2 ⅛ 10/17/28 Corp
9Y	PGB 1.95 06/15/29 Corp
10Y	PGB 0.475 10/18/30 Corp
12Y	
15Y	PGB 2 ¼ 04/18/34 Corp
20Y	PGB 4.1 04/15/37 Corp
30Y	PGB 4.1 02/15/45 Corp

Debt Repayment Distribution, EUR Billion

Source: Bloomberg
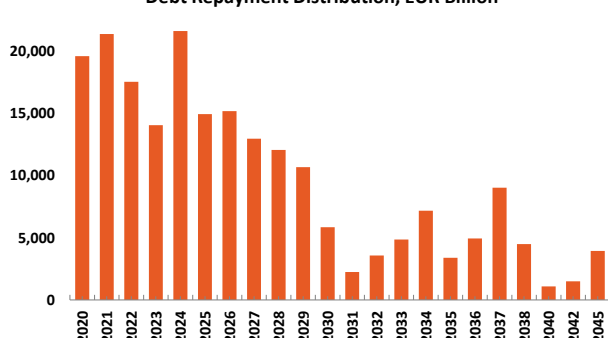
PSI20	
Price (15 Jan 2020)	5311.96
Volume	47.06 MLN
Index Market CAP	13.41 BLN
P/E	16.2
P/Book	1.46
P/Sales	0.83

PSI 20 Stocks	Sector
Altri	Basic Materials
Banco Comercial	Financial
Corticeira Amorim	Capital Goods
CTT Correios	Services
EDP	Utilities
EDP Renovaveis	Utilities
Galp Energia	Energy
Ibersol	Services
J.Martins	Services
Mota Engil	Capital Goods
Nos SGPS SA	Services
Pharol	Services
Ramada	Basic Materials
REN	Utilities
Semapa	Basic Materials
Sonae SGPS	Services
Sonae Capital	Utilities
The Navigator	Basic Materials

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▲ Market information

1. Public Debt

Below is presented the Yield curve for the Portuguese debt. Each dot corresponds to the Yield to Maturity received for the bonds of each different maturity. We can see that in the short-term the market has not priced any significant difference between 3 months or 1 year bonds.

YTM per bond maturity, %

Source: Bloomberg

The government is supposed to repay a significant proportion of its debt each year for the next following 9 years. This is positive since the government can take advantage of the current low interest rates to prolong its debt at a much lower average interest rate. This will provide a generous savings in the debt services, and further improve the government sustainability.
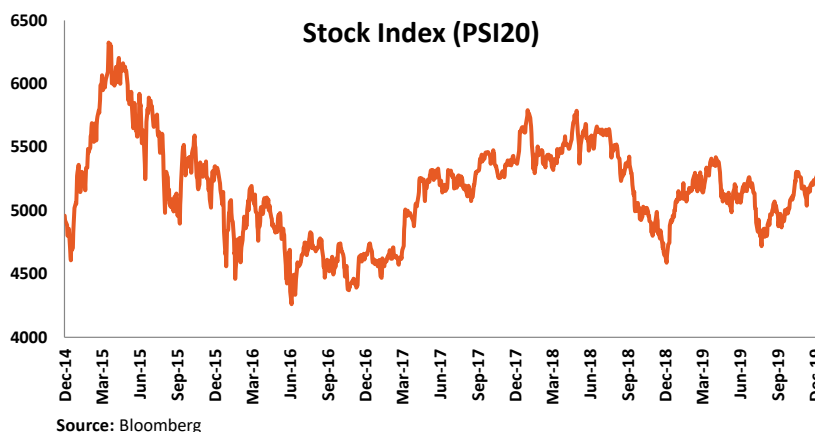
2. Stock market

The Portuguese Stock Index (PSI20) is a very small index composed by 18 companies, with a total capitalization of EUR 13.41 Billion and an average volume of 47.06 Million shares.

The index is currently at 5,311.96 points, which is way below the pre-crisis value of around 13,000 points at the end of 2007. The PSI20 is not very expensive at the moment with a current P/E of 16.2, however, it has underperformed all major markets in the last decade.

Stock Index (PSI20)

Source: Bloomberg

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  - Accumulate, expected absolute return between +5% and +15%;
  - Hold/Neutral, expected absolute return between -5% and +5%;
  - Reduce, expected absolute return between -5% and -15%;
  - Sell, expected absolute return below -15%;

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