Portugal — Economy

Among the countries belonging to the Organization for Economic Cooperation and Development (OECD), Portugal had the highest growth rate during the last five years (it was 4.2% in 1990), and is expected to maintain a 3% growth rate in 1992.

Although the positive impact of Portugal's joining the European Community (EC) in 1986 has been considerable, much remains to be done to bring the Portuguese economy and society closer to EC averages, notably with respect to infrastructure development, industrial diversity and access to the latest technologies.

Portugal's per capita income was $7,100 in 1990, about half that of Spain, and the lowest within the EC. Almost one quarter of its working population is employed in agriculture, which contributes less than 10% of the total national product.

Inflation, which decreased steadily after Portugal joined the EC (from 23% in 1985, to 9% at the beginning of 1988), climbed to about 11.4% by the end of 1991. This prevented Portugal from joining the exchange rate mechanism of the European Monetary System, and eroded some of the potential consumer gains.

Public sector deficits continue to be a chronic problem. To address this, the government aims to hold down government spending and modernise and streamline its public services. Portugal's unemployment rate is officially one of the lowest in the EC (it was 4.7% in 1990), but the percentage of term-contract employment remains relatively high. As Portugal adapts to the EC's single market, there have been increasing social dislocations, such as massive layoffs by multinational companies and the closing of uncompetitive state-owned industries, a restructuring process familiar to North American industry.

Prime Minister Cavaco Silva's government has implemented a program of reforms, including new legislation on labour, income tax, communications and agriculture. The government has followed an economic policy based on free enterprise, privatizing public enterprises (banks, manufacturing) that were nationalized immediately after the revolution.

In the summer of 1990, the government defined the country's economic objectives by adopting QUANTUM (National Adjustment Plan for Transition to Economic and Monetary Union). This was designed to manage the transition of the economy in preparation for stage two of the EC's economic and monetary union in 1994.

Portugal remains highly dependent on imported oil, which accounts for almost 70% of its energy supply. A new country-wide natural gas distribution project, including the Liquid Natural Gas (LNG) import terminal, will be ready by 1995. This project, which has received substantial financial support from the EC, should decrease Portugal's oil dependency to about 40%, with the remaining 30% of its imported energy supply based on gas.