

## Statistical Yearbook

The Statistical Yearbook of Portugal (Anuário Estatístico de Portugal), the main reference publication of Statistics Portugal, has been released. The 2010 issue is divided into four main chapters - Territory, People, Economic Activity and State – and 28 sub-chapters with detailed statistical tables. It also includes a summary of developments based upon the main indicators compared with 2009 and comparisons between Portugal and the European Union.

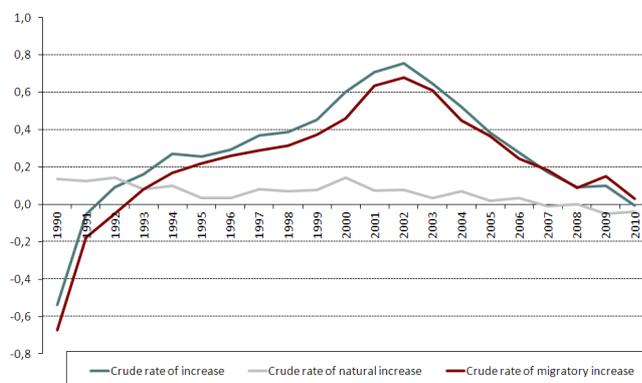
### Demographic framework<sup>1</sup>

The resident population has decreased in 2010, which had not occurred since the early 1990s. The population is slightly less than in 2009, which translated into an actual growth rate of -0.01%. This decline was fully determined by the trend of the rate of natural increase, which recorded a more marked fall than the increase recorded in the migration rate. This rate decelerated strongly, from 0.15% to 0.03% between 2009 and 2010, accounting for net migration in the past year at around 1/5 of the figure recorded in the previous year.

The migration rate has been the key factor to the resident population development profile. Population growth rates between 1990 and 2010 stood, on average, at 0.283%, as a result of the 0.224% and 0.059% contributions from the migration rate and the rate of natural increase respectively. Considering the 1990s and the decade started in 2000 separately, these contributions were 0.081% and 0.088% in the first decade and 0.387% and 0.040% in the second (Chart 1).

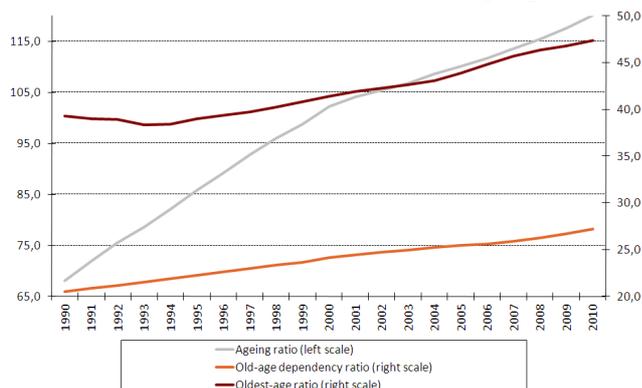
<sup>1</sup> The analysis is performed based on Resident Population Estimates (INE) not adjusted to the provisional results of the 2011 Census recently available.

Chart 1 – Dynamics of population growth



The weight of the elderly population continued to follow an upward trend, as a consequence of a decline in fertility and an increase in longevity. As of 1990 the share of persons aged less than 24 has been showing a systematic downward trend. In the 1990s it accounted for 33.4% of the total on average, while in the following decade it stood at slightly over 28.0%, albeit following a downward trend. In 2010 it accounted for 26.0% (Chart 2).

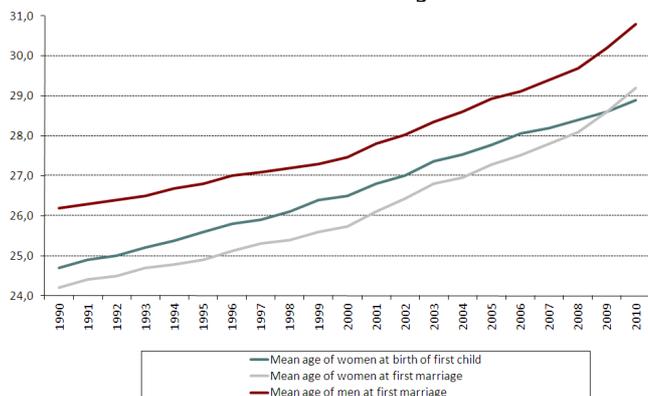
Chart 2 – Outcome of population ageing



The general fertility rate was 39.8 per 1,000 in 2010, rising by 0.9 points per 1,000 from 2009. This pace was contrary to the downward although irregular trend started in 2000. In turn, the old-age ratio was 47.4, reaching the highest level recorded since 1990, thus following a clear upward trend since 1995, when this indicator had stood at 39.0%. The ratio of population aged 65 and over to population aged less than 14 (ageing index) also reached a peak, i.e. 120.1%, compared with 102.2% in 2000 and 68.1% in 1990.

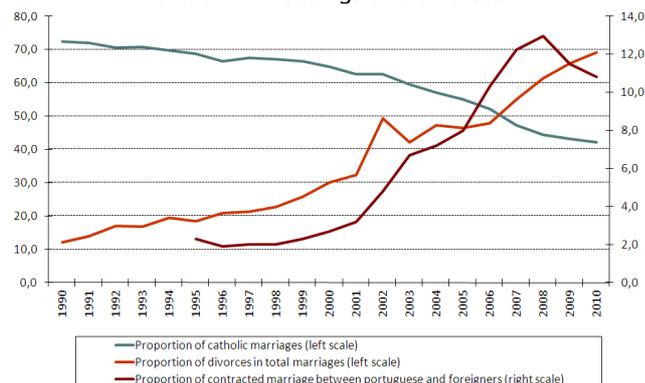
According to a number of indicators, changes in social behaviour have contributed to the trends observed during the past few years. The average ages of women at first marriage and at the birth of the first child have been increasing systematically since 1990, both showing a parallel behaviour most of the time, although in the past four years the first indicator showed a greater increase, reaching a higher level than the second. Hence, in 2010 the age at first marriage was 29.2 (25.7 and 24.2 in 2000 and 1990 respectively), i.e. higher than the age at the birth of the first child, which was 28.9 (26.5 and 24.7 for the same periods). The average age of men at first marriage also increased, to 30.8 in 2010 (27.5 and 26.2 in 2000 and 1990 respectively). The age difference between men and women at first marriage was 2 years in 1990, 1.8 years in 2000, stabilising at 1.6 years as of 2002 (Chart 3).

Chart 3 – Indicators of marriage and births



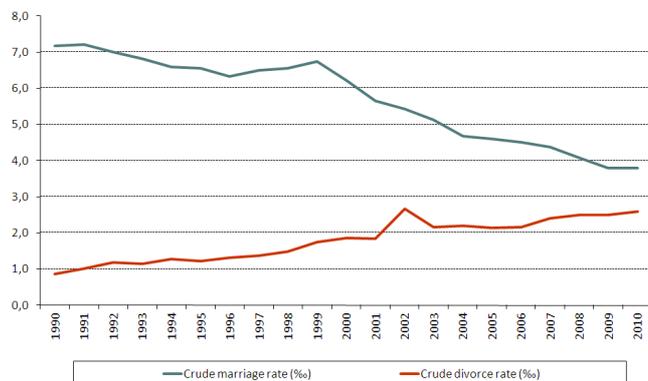
In parallel, the number of marriages tended to decline, especially from 2000 onwards. In 2010 marriages accounted for less than 60.0% of those recorded in 1999. The number of Catholic weddings has been evolving in parallel with this downward trend, and even more sharply, in 2010 accounting for 36.6% of the 1999 figure. Since 2007 the ratio of Catholic weddings to total weddings declined to less than half of the total, reaching 41.8% in 2010 (compared with 64.8% and 72.5% in 2000 and 1990 respectively). The share of marriages between Portuguese and foreign citizens followed an opposite trend up to 2008, but since then it has also declined, to 10.8%, although increasing fivefold from 1995 (Chart 4).

Chart 4 – Weddings and divorces



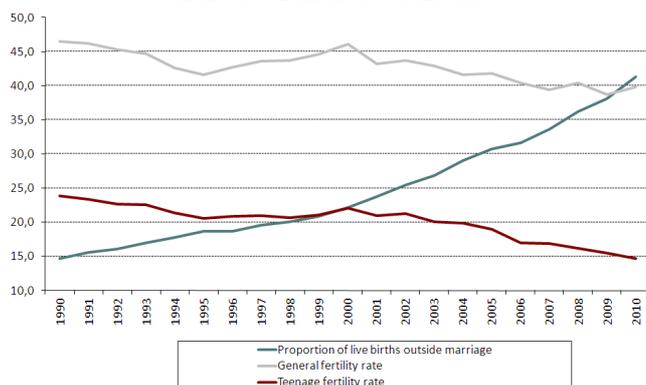
The number of divorces followed an opposite trend. Taking 1990 as a reference, this number doubled in 2000 and tripled in 2010. In the longer period, the number of divorces recorded an annual average growth rate of 6.0%, although from 2000 to 2010 the pace was more moderate, at 3.7% (Chart 5).

Chart 5 – Crude marriage and divorce rates



The number of births outside marriage also rose, from 22.2% in 2000 to 41.3% in 2010 (of which 77.6% were with cohabitant parents). The downward trend of the youth fertility rate has remained unchanged since 2000. That year the rate stood at 22.0‰, moving closer to the levels seen early in the previous decade, but since then it has recorded a noticeable downward pattern, declining to 14.7‰ in 2010. The general fertility rate also rose in 2000, but appears to have stabilised around 40.0‰, after the 46.1‰ and 46.5‰ peaks in 2000 and 1990 respectively (Chart 6).

Chart 6 – Indicators of Births

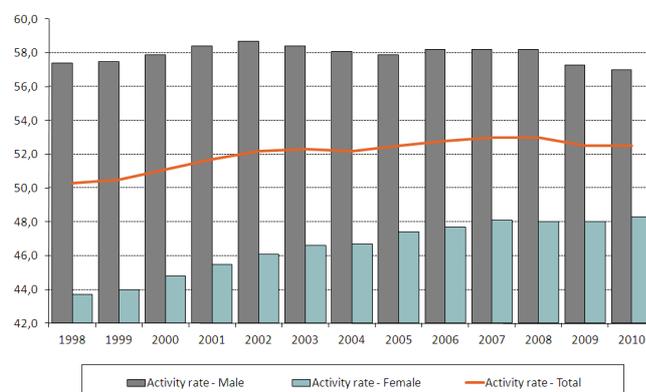


## Socio-economic framework

### Labour force, employment and unemployment

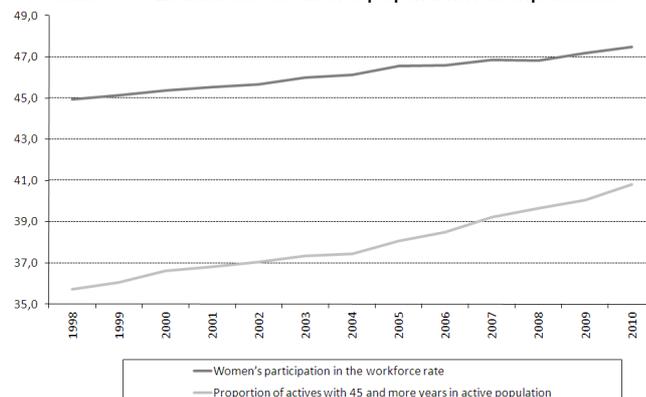
In 2010 the labour force remained rather close to the level of the previous year, and the activity rate stabilised at 52.5%, thus countering the upward trend seen between 1999 and 2008 (Chart 7).

Chart 7 – Activity rates



From 1998 to 2008 the labour force rose by about 10.4%, which corresponded to around 530 thousand persons. The trend of the two following years was negative, leading to an overall increase of 485 thousand persons vis-à-vis 1998. Growth since 1998 was chiefly due to an increase in women's participation in the labour market, and possibly to the postponement of retirement age and the dynamics of migration flows, although those impacts have eased in the most recent years (Chart 8).

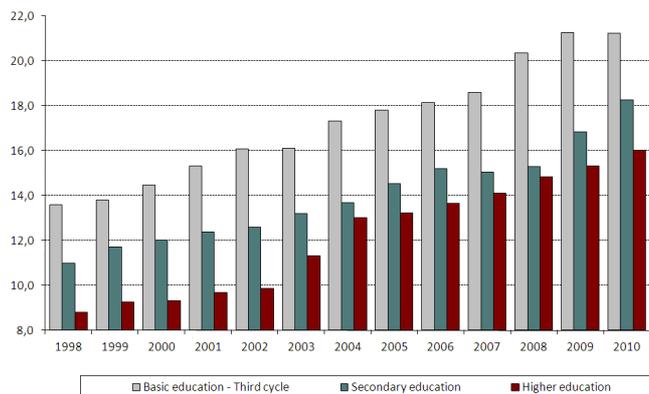
Chart 8 – Indicators of active population composition



The level of labour force qualification improved, judging from educational attainment: between 1998 and 2010 the said increase of 485 thousand persons corresponded to an increase of approximately 900 thousand persons with at least completed upper secondary education (around 450 thousand with completed tertiary education). Therefore, this group's weight accounted for around 34.3% of the total labour

force, compared with 19.8% in 1998 (Chart 9), with a systematic increase up to 2010. However, the share of the labour force with an educational attainment level corresponding to tertiary education has remained relatively low, despite a considerable increase between 1998 and 2010, of around 7.2 p.p., standing at 16.0% at the end of the period. In the year under review the share of employed persons holding a degree (Level 3 of ISCED97) was 16.0% in Portugal, compared with 28.9% in the EU27; this differential even widened vis-à-vis 2004, although it was identical to that recorded in 2001, even if in Portugal there has been inter-temporal improvements in that share (13.0% and 9.7% in 2004 and 2001 respectively).

Chart 9 – Proportion (%) of active population according to educational levels completed



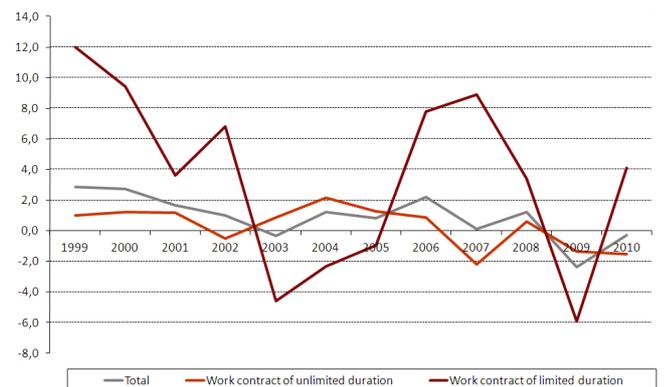
Employment declined by 1.5% in 2010, following the -2.8% fall observed in the previous year, in both years countering the trend of the five previous ones. In absolute terms, 2010 saw a decline of approximately 76 thousand jobs, i.e. less intense than in 2009, which exceeded 143 thousand jobs. The decline experienced in 2010 was especially due to developments in self-employment, which contracted by 5.4%, contributing with over 90.0% to the overall reduction. This was followed by a 1.5% fall and a contribution of around 60.0% of employees on a permanent contract. Dependent employment on fixed-term contracts, by contrast, increased considerably, generating a positive

contribution of approximately 46.0% to the trend of employment (Charts 10 and 11).

Chart 10 – Annual rates of change (%) of employed population



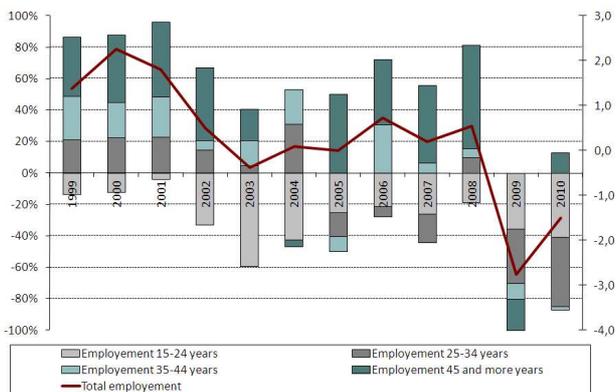
Chart 11 – Proportion (%) of active population according to educational levels completed



Considering a longer period, from 1998 onwards there was an increase of 134 thousand persons in employed population, and of 392 thousand employees. However, job creation occurred mostly in the 1998-2002 sub-period, when the total increase in employed population was 294 thousand persons. Conversely, in 2009 and 2010 employment contraction more than cancelled out job creation between 2004 and 2008. The pace in the past two years destroyed around 3/4 of jobs created between 1998 and 2002. The pace was somewhat different for dependent employment: the first sub-period was the most relevant, with around 295 thousand jobs created, but in the 2004-2010 period there was also a net increase in employment, of around

109 thousand jobs. This means that the contraction in 2009 and 2010 did not cancel out the increases observed until then (Chart 12).

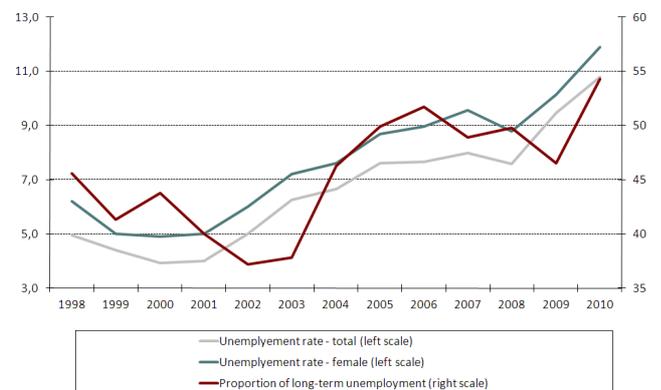
Chart 12 – Contribution (%) of employment age groups to total employment annual rate of change



The unemployment rate in 2010 was 10.8%, i.e. the highest rate recorded since the start of the series in 1998. This increase led to a broadly based deterioration of the unemployment rate in the categories considered. The male unemployment rate stood at 9.8% and the female's reached 11.9%. The age category with the highest unemployment rate, the 15-24 age group, saw the sharpest increase – 2.3 p.p. – the rate having worsened to 22.4%. It was followed by the 25-34 age group, whose unemployment rate stood at 12.7%. The unemployment rate stood for the fourth consecutive year above the European unemployment rates, such as those of the EU27 and the euro area's, which stood at 9.7% and 10.1% respectively.

The number of unemployed for more than one year rose by about 33.0% (i.e. approximately 81 thousand persons), and the rise in the number of unemployed for less than one year declined by 2.7% (around 7.5 thousand persons less). Hence, the share of long-term unemployment increased to 54.3% (Chart 13).

Chart 13 – Female and long term unemployment



This type of unemployment is currently higher in Portugal than the European average. In 2010, as a percentage of the labour force, long-term unemployment accounted for around 6.3% in Portugal compared with 3.9% in the EU27. This reflected a reversal from the situation observed up to the middle of the past decade (1.9% and 4% for Portugal and the EU27 respectively in 2000) (Chart 14).

Chart 13 – Unemployment rates in Portugal EU27 and euro area



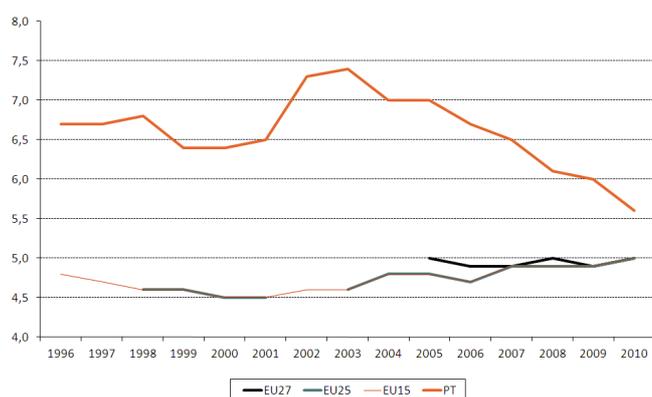
## Income and living conditions of households

In 2009 there was an easing of inequality in income distribution, which meant that the trend recorded since 2003 continued. In turn, ICT (Information and Communication Technologies) usage by households continued to be broadly based.

According to the results of the Income and Living Conditions Survey, in 2009 net equivalised monetary income received by the 20% of the population with the

highest income was 5.6 times the income received by the 20% of the population with the lowest income. This reflects an improvement from the results for 2008, and more significant advances compared with previous years (the index had stood at 6.7 and 7.0 in 2005 and 2003 respectively). However, the indicator continued to reflect greater inequality vis-à-vis the European average, even if to a lesser extent in the most recent years. This narrower differential was due to the improvements already pointed out for Portugal and a stabilisation or even some worsening observed in the past few years at European level. In the EU27 this indicator has been ranging between 4.9 and 5.0 since 2004 and in the EU15 there has even been a slight upward trend since 2001. A comparison of the Portuguese case with the euro area yields the same type of result, i.e. a greater degree of inequality in income distribution and an easing of such disparity since 2004, also due to opposite paces of indicators in Portugal and the euro area (Chart 15).

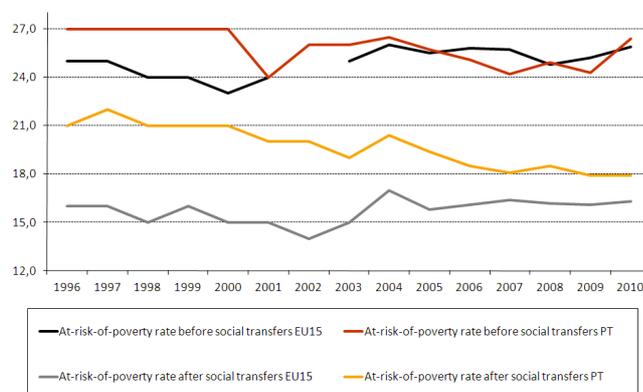
Chart 15 – Inequality of income distribution (S80/S20)



According to this survey's data, in 2009 the risk of poverty assessed by the share of population with a net equivalised monetary income below 60% of average income stood at 17.9% (Chart 16). This result is similar to that of the previous year, but is part of a downward although somewhat irregular trend, visible since 1995. Social transfers in the strict sense played an important

role, without which the risk rate would have stood at 26.4%, i.e. an increase of 2.1 p.p. from 2008.

Chart 16 – At-risk-of-poverty rates



In comparison with the EU27, the risk of poverty is higher in Portugal, which has been chiefly due to the effect of social transfers, which have a relatively more favourable impact on the European average, more than offsetting a higher risk rate before social transfers. However, in 2009 the risk rates increased in both areas, although this was more marked in Portugal, with the result that its risk rate before transfers was the highest. In turn, the impact of social transfers was wider-reaching, and thus the differential between risk rates after transfers declined somewhat.

The risk of poverty continued to show differences according to gender (not very significant), age (quite marked for youth and the elderly), household composition (penalising larger households and households with one adult and dependent children) and status in employment (the risk of poverty is higher for the unemployed). The following categories worsened between 2008 and 2009: households composed of one or more adults without dependent children, whose risk rate rose by 1.1 p.p., and households composed of one adult aged less than and over 65, whose rates rose by more than 2.0 p.p. (reaching 34.9% in the latter case). In 2010 the dissemination of ICT amongst households was maintained, judging from the series of indicators

available, which increased considerably from 2009, following clear upward trends. In 2010, 59.5% of households had a computer, i.e. 3.5 p.p. more than in the previous year, and 13.9 p.p. more than in 2005. 53.7% of households had internet access (47.9% in 2009), and over 50.3% had broadband internet access (little over 46.0% in 2007). In 2005 the corresponding shares were approximately 31.5% and 19.7%.

### Education

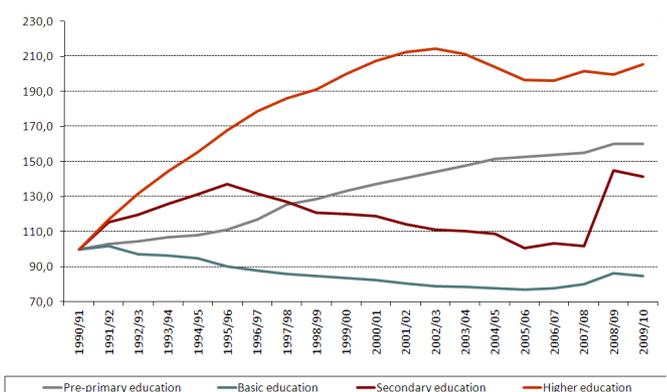
Developments in the school structure over the past two decades have been determined by factors with different impacts in terms of intensity and durability: the Basic Law of the Education System in 1986, the downward trend of the population's natural rate, the effort to expand pre-school education and reinforce tertiary education, the expansion of private education, the development of ICT, and the effort to implement them in the school system. More recently, there is a procedure in place for the certification of competences and an effort to expand professional education.

After the waning of the effect of implementation of the 1986 Basic Law of the Education System, which established nine-year compulsory education, the dynamics of school population went on to be determined by a decline in the rate of natural increase of population. Hence, as of 1991/1992 school population in primary education followed a downward trend, which started in the first cycle and extended to the remaining cycles (with lower secondary education starting to decline in 1995/1996). As a result, between 1990/1991 and 2000/2001 population in primary education declined by around 18.0%, and further by around 3.0% between the latter period and 2007/2008. However, in the two following years there were abrupt increases vis-à-vis the number of students enrolled in that year. These increases were chiefly due to the

enrolment of adults in the second cycle of primary education and especially in lower secondary education (each year the rise was higher than 100,000 students enrolled in primary education as a whole), mainly at the level of the System of Recognition, Validation and Certification of Competences (SRVCC).

The downward trend of upper secondary education started in 1996/1997, and between 1990/1991 and 1999/2000 there was still an increase of around 20.0% in population. It was followed by a 14.3% decline in 2007/2008 compared with 2000/2001, causing the final effect to be an almost stabilisation of population vis-à-vis the level recorded in 1990/1991. The most recent years saw a similar phenomenon to that of primary education: an increase of around 100,000 enrolments, of which a considerable share was by adults and SRVCC-related. Youth enrolments also increased, accounting for 18.0% and 29.1% of the increases recorded in 2008/2009 and 2009/2008 respectively, compared with the number of students enrolled in 2008/2007 (Chart 17).

Chart 17 – Index of enrolled students according to the level of education provided (1990/1991=100)



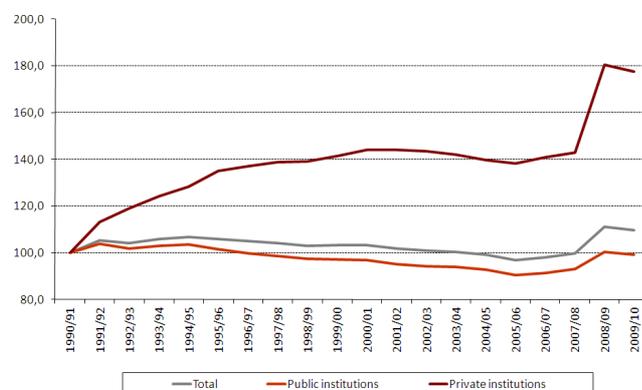
The available indicators on ICT implementation in education, which are still scarce in terms of timing and variables covered, point to substantial improvements. The “average number of students per computer” in primary education, referring only to the Mainland, was 2.1 in the 2008/2009 school year, compared with 9.5

and 7.9 in 2006/2007 and 2007/2008 respectively. In upper secondary education this indicator stood at 3.9, compared with 5.9 and 6.9 in the previous years.

The expansion of non-compulsory pre-primary education has been quite significant over the last 20 years. In 1990/1991 pre-primary education covered around half the children aged 3-5, whereas in 2009/2010 it covered 85.0% of them, this share following an evident upward trend between the two periods. This overall change had a decisive contribution from the expansion of the public pre-primary education network, which from 2000/2001 onwards exceeded private education in terms of the number of students enrolled. In 1990/1991 the share of public education in terms of students enrolled was around 44.0% and in 2009/2010 around 51.0%, although in each of the two latest years there was an average decline of 1.7 p.p. compared with a peak reached in 2007/2008.

Reference should also be made to the growing relative importance of private education at all levels of primary and upper secondary education, with the respective weights in terms of the number of students enrolled increasing from 1990/1991 onwards. In 2008/2009 weights were reinforced at all levels of primary education, especially lower secondary education, and also in upper secondary education. By contrast, pre-primary education experienced a clear downward trend until 2004/2005, followed by a relative stabilisation, to increase in 2008/2009 and 2009/2010. In tertiary education, the weight of private education increased up to the end of the first half of the 1990s, subsequently declining, to stand in 2009/2010 more than 5.0 p.p. below the 1990/1991 level (Chart 18).

Chart 18 – Index of enrolled students according to the nature of educational institutions (1990/1991=100)



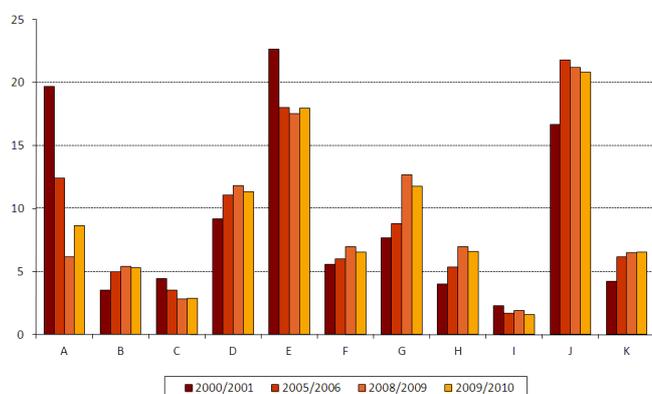
School youth population enrolled in professional education increased by approximately 107 thousand, which means a multiplication by 16.7 from 1990/1991 and by 3.5 from 2000/2001. This type of education, where level 3 (upper secondary education) is largely predominant, accounted for around 15.9% of school population in lower secondary and upper secondary education in 2009/2010. This represented a rise of over 11.0 p.p. compared with 2000/2001.

The school attendance rate in tertiary education remained on an upward trend, standing at 30.6% in 2009/2010, against 15.1% at the start of the series (1994/1995 school year). However, even though the number of students enrolled almost doubled between 1990/1991 and 2009/2010, it reached a peak in 2002/2003 and a relative stabilisation from 2005/2006 onwards, despite increases in 2009/2010 and 2010/2011.

An analysis of the performance of tertiary education students between 2000/2001 and 2009/2010 shows that the number of graduates increased both in absolute terms (61.1 thousand against 78.6 thousand) and in the number of students enrolled (15.8% against 20.5%, although in the latter case a setback was maintained vis-à-vis 2006/2007 and 2007/2008, which also reflects a decline in absolute terms vis-à-vis the number of graduates in those years). In turn,

preferences changed between 2000/2001 and 2009/2010. There were considerable declines in the shares of graduates in Teacher Training, Business and Administration, and Humanities. Conversely, the main increases were observed in Health, Engineering and Engineering Trades, Architecture and Building, Social and Behavioural Science, and Social Services (Chart 19).

Chart 19 – Shares of Students graduated at higher education institutions by field of study



Legend

A - Teacher training and education sciences
B - Arts
C - Humanities
D - Social and behavioural science, information and journalism
E - Enterprises Sciences, Law
F - Physical sciences, mathematics and statistics, computer science
G - Engineering and engineering trades, manufacturing industries
H - Architecture and building
I - Agriculture, forestry and fishing, veterinary sciences
J - Health, social services
K - Other Services

Consequently, the relative positions of the various fields of study recorded the following main changes: Health moved from the third to the first position, Business and Administration remained in the second, Engineering and Engineering Trades changed from the fifth to the third position, Social and Behavioural Science remained in the fourth, Architecture and Building moved from the eighth to the fifth position, in parallel with Life

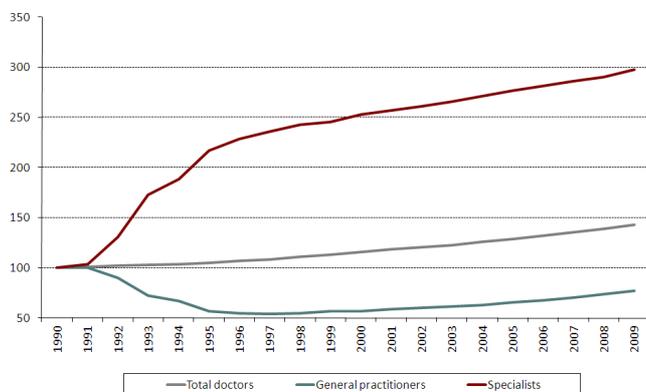
Sciences, Physics, Mathematics and Computer Science. A comparison of the structure of graduates between 2009/2010 and 2008/2009 shows a 2.5 p.p. increase in the area which lost more weight compared with 2000/2001 – Teacher Training and Education Sciences – and a marginal increase in Humanities. In most of the remaining cases there was a negative compensation, the greatest loss having been of around 0.9 p.p. in Engineering and Engineering Trades.

### Health

The information available, mostly only up to 2009, points to the persistence of previous trends of increase in the sector's human resources, a general decrease in installed supply capacity, although rising in more specialised segments, with a more intensive use of the available resources.

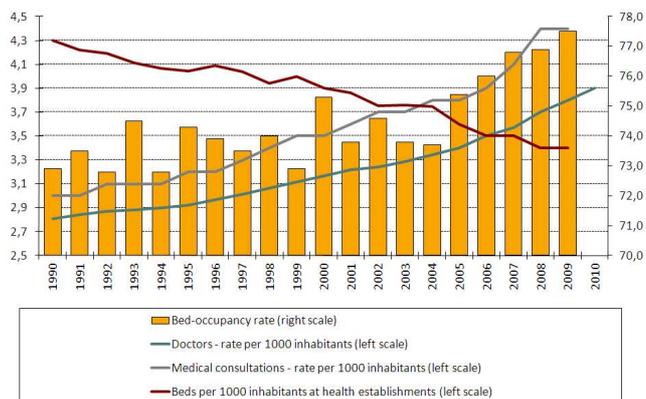
An analysis of human resources shows a continuing improvement in the number of doctors per 1,000 inhabitants, which was 3.9 in 2010 compared with 3.2 at the start of the decade. The same trend, and even sharper, continued to be observed in the number of nurses per 1,000 inhabitants, which reached 5.9 in the same year (against 3.7 in 2000). The number of specialist doctors continued to rise, although at a slightly slower pace than the number of doctors, which stood at 3.3%. In 2010 there were around 166 specialist doctors per every 100 non-specialist doctors, reflecting a slight albeit continuing decline as of 2001 (when this ratio was 187 to 100) (Chart 20).

Chart 20 – Doctors index according to main categories  
(1990=100)



With regard to in-patient capacity, in 2009 the number of beds in hospitals (actual capacity) was 35,635 (35,803 in 2008), accounting for a decrease of 1,737 and 2,530 from 2005 and 2000 respectively, with official clinics also declining (512 and 934 less beds for these years). In turn, the number of operating rooms in hospitals rose to 835 (74 and 105 more than in 2005 and 2000 respectively), in spite of a slight reduction from the previous year (Chart 21).

Chart 21 – Health services capacity and use indicators

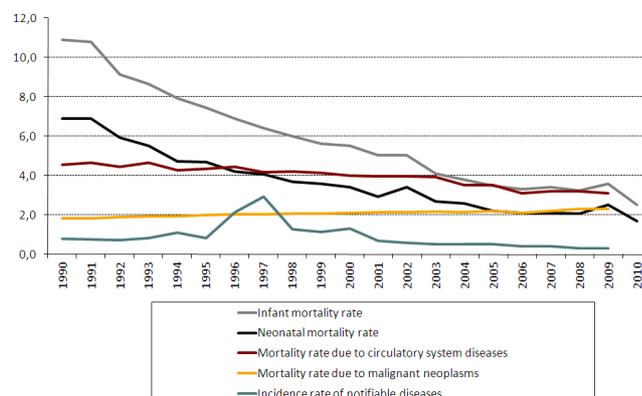


Services provided have followed an overall upward trend, judging from the available indicators. In 2009 the number of major and intermediate surgical procedures continued on an upward trend, which had been interrupted in 2005, with an increase of around 94 procedures/day, i.e. a less intense change than in the previous year (around 200). The number of external appointments in hospitals declined in comparison with

2008 and consultations in official clinics followed a similar trend, which in both cases corresponded to an interruption of the previous trends (as a percentage of the figures for 2008, falls amounted to 3.3% and 12.5% respectively). Consequently, the total number of consultations in hospitals and official clinics per inhabitant declined to 4.0, although remaining clearly above 3.9 and 3.5, as recorded in 2005 and 2000 respectively.

Within the scope of mortality-related health indicators (Chart 22), in 2010 the mortality rate was 2.5 deaths per 1,000 live births, resuming the downward trend interrupted in the previous year. In 1990 it had stood at 10.9, declining almost continuously until 2008, to reach 3.3. With regard to the main causes of death in Portugal in 2009, 31.9% of total deaths were caused by diseases of the circulatory system (0.4 p.p. decline from 2008) and 23.2% by malignant neoplasms (0.3 p.p. increase). With regard to the respective mortality rates, the former appears to have resumed a downward trend, while the latter stabilised, although within the scope of an upward trend.

Chart 22 – Mortality-related health indicators

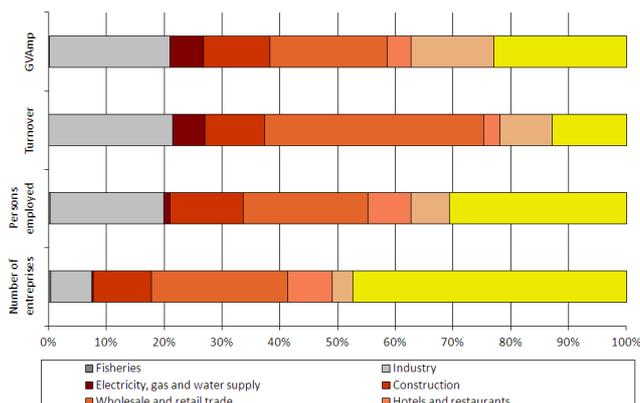


## Economic activity

### Enterprises

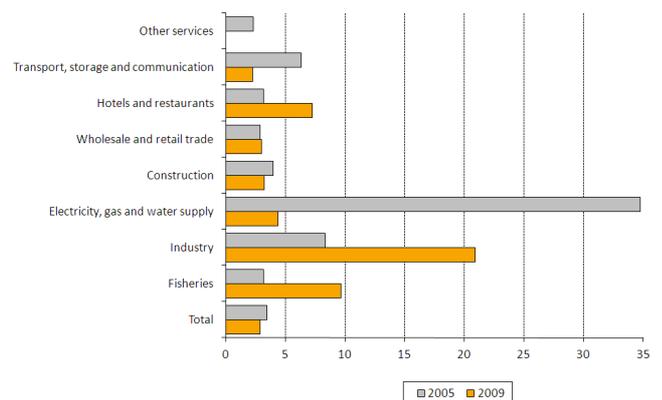
According to data from the Integrated Business Accounts System (IBAS), services, having been predominant in the business structure, rose in terms of relative importance vis-à-vis the previous year, taking into account different criteria. In 2009 around 82.0% of enterprises were concentrated in the services sector, covering 66.0% of the number of persons employed, and generating around 63.0% of total turnover and almost 62% of GVA. Only as measured by turnover was there no increase in this sector's importance vis-à-vis 2005. Trade sector played a predominant role regardless of the variable considered (its relative importance exceeded 20.0% of total activities considered and at least 34.0% of total services), although its weight declined from 2005. Conversely, and in comparison with the same year, the weights of Electricity, gas and water, Transport and communication, and Other service activities (business, real estate, health and education, among others) increased the most. Manufacturing continued to be instrumental, in view of a weight of over 20.0%, as assessed in terms of number of persons employed, turnover or GVA (Chart 23), although playing a less important role vis-à-vis 2005 (in terms of GVA its reduction amounted to almost 5.0 p.p.).

Chart 23 – Business structure



In turn, the production structure continued to be largely determined by the relative importance of small and medium-sized enterprises (Chart 24). Overall, in 2008 the average size of enterprises remained 3.5 persons employed, with no significant changes from previous years. In 2009 the share of enterprises with less than 10 persons employed in total enterprises was approximately 95.5%, covering 43.0% of persons employed, around ¼ of both turnover and GVA, and accounting for almost 30.0% of GFCF. Enterprises with less than 50 persons employed accounted for over 99.0% of the number of enterprises, corresponding to around 64.0% of the number of persons employed and more than 46.0% of turnover, GVA and GFCF.

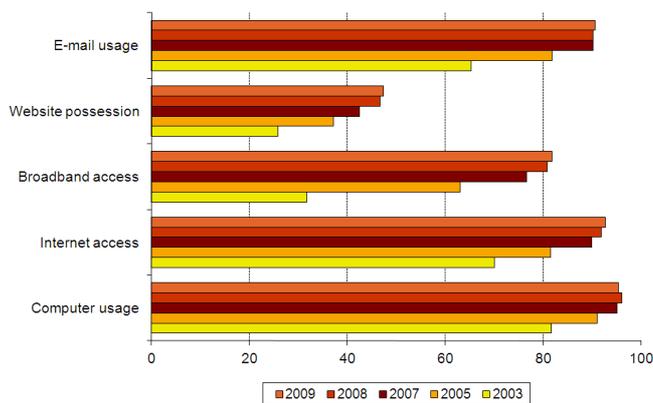
Chart 24 – Average number of employed persons



The use of ICT continued to be broadly disseminated. According to the Survey on ICT usage in enterprises, in 2010, 97.2% of enterprises had computers, which is almost 2.0 p.p. higher than in the previous year and 6.0 p.p. more than in 2005. In turn, more than 94.0% had internet access, while 83.0% of the total had broadband internet access: in both cases there were 1.3 p.p. increases vis-à-vis 2009. Increases were more marked compared with 2005, i.e. 12.6 p.p. and 20.0 p.p. for internet access and broadband internet access respectively (Chart 25). It is worth highlighting the share of enterprises with their own websites, which stood at around 52.1% in 2010, compared with 37.1%

in 2005. Electronic trade also progressed, given the increases in the share of enterprises that received electronic orders vis-à-vis 2009, i.e. around 3.8 p.p., and as regards orders made, which rose by 3.9 p.p., more than offsetting the relative setback observed in 2008, and reaching 18.8% and 22.3% respectively.

Chart 25 – Use of information and communication technologies (% of enterprises)



### International trade

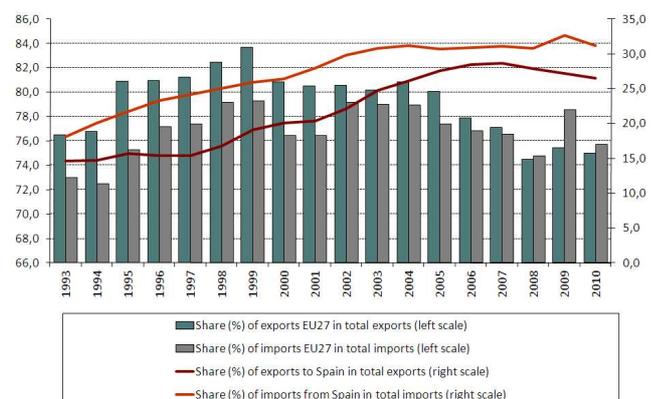
In 2010 the degree of openness of the Portuguese economy, as measured by the ratio of the sum of exports and imports of goods to GDP at current prices, was 55.1%, accounting for a 5.1 p.p. increase from the previous year. This was associated with economic growth in 2010, causing the figures for exports and imports to recover. Taking the 1995-2010 period as basis, fluctuations and pro-cyclical movements were visible in this indicator, which followed no noticeable trend.

In 2009 trade with abroad saw a clear recovery, both for exports and imports. The former increased by 15.5%, reflecting a 33.3 p.p. increase in the annual rate of change, while the latter grew by around 11.1%, which reflected a 31.0 p.p. rise in the respective rate of change. The import-export coverage rate was 69.3%, accounting for a 2.6 p.p. increase from 2009. This indicator has been fluctuating downwards since 1993, seemingly converging to around 67.0%.

Approximately 3/4 of exports had the European Union (EU27) as destination. This figure stabilised from 2008 onwards, although reflecting some change in terms of the diversification of trading partners. In fact, the importance of intra-EU trade increased between 1993 and 1999, when it reached its maximum relative importance, with 83.7% of total exports, declining ever since. Furthermore, from 2007 to 2008 it declined abruptly, by around 3.0 p.p. Imports have followed a similar trend, although only as of 2003, when imports from the EU accounted for 79.0% of the total. Since then, there was a continuing decline up to 2008, with a 3.8 p.p. increase in 2009, followed by a decline in 2010, and therefore the weight stood at 75.7% in the year under review.

The three most important markets of destination continued to be Spain, Germany and France, representing 51.4% of total exports (slightly less than in 2009). Of these, only the Spanish market declined in terms of relative importance (around 0.7 p.p. less), nevertheless continuing to be, by far, the main market (accounting for 26.6% of the total, while the weight of Germany stood at 13.0%) (Chart 26).

Chart 26 – Indicators of International trade (%)



In addition, eight partners as a whole – the United Kingdom, Angola, Italy, the US and the Netherlands – concentrated 73.3% of total exports in 2010 (2.6 p.p. less than in 2009). It should also be noted that the United Kingdom featured once again as the fourth main

market of destination, to the detriment of Angola, which fell to the fifth position.

Trade structure by economic classification underwent a number of changes, due to the external environment and the national juncture. On the export side, the weight of fuels and lubricants increased, as well as transport equipment and accessories, while consumer goods played a less relevant role (3.0 p.p. decline, to 29.0%). The relative importance of intermediate goods was more or less maintained, at around 34.0%. As for imports, fuels and lubricants recorded the most evident increase, followed by intermediate goods and transport equipment and accessories, whereas machinery and other capital goods, as well as consumer goods declined.

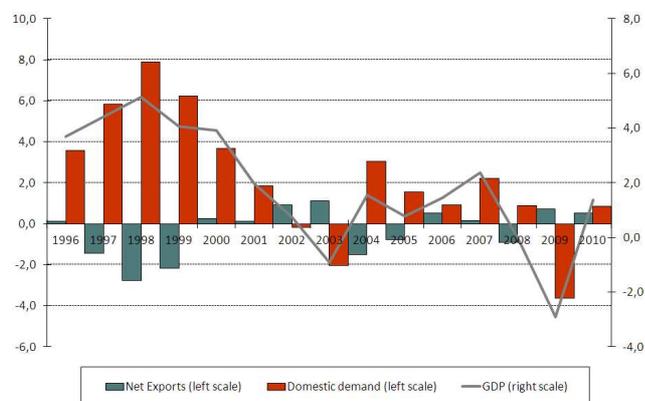
### National accounts

In 2010 GDP rose by 1.4%, in contrast to the previous year, when it had recorded the sharpest fall since 1996, the first year for which it is possible to compute developments in volume in accordance with the new National Accounts base (2006). GDP growth was associated with positive developments in both domestic demand and exports less imports. In the former case, the contribution to GDP growth was approximately 0.9 p.p., denoting a clear improvement from the -3.6 p.p. contribution recorded in the previous year. In the latter case, the contribution was approximately 0.5 p.p., slightly less than before. The rebound in domestic demand was mainly due to an improvement in the trend of gross capital formation, which saw a less negative rate of change, i.e. -3.6%, compared with -13.3% in 2009. In this expenditure component stress is laid on transport equipment, which grew by 1.7%, compared with a 21.8% fall in the previous year. Investment in construction and in machinery and equipment also recovered, albeit continuing to follow a negative trend. The pattern of final consumption

expenditure was also more favourable, growing by 1.8%, against a 0.7% fall in 2009. Household final consumption expenditure rose by 2.1%, compared with a decline of 2.4% in 2009. General government final consumption expenditure rose by 0.9%, clearly decelerating from the 4.7% change recorded in the previous year. With regard to external demand, exports of goods and services grew by 8.8% (-10.9% change in 2009), whereas import growth stood at 5.4% (-10.0% in 2009). This rate was affected by the accounting of imported military equipment.

In terms of GDP development, the 1995-2010 period can be divided into two phases: one between 1995 and 2000, of intense GDP growth at an average rate of 4.2%; the other from 2001 onwards, of quite moderate growth, of around 0.7%, which incorporated the 2003 and 2009 recessions (Chart 27).

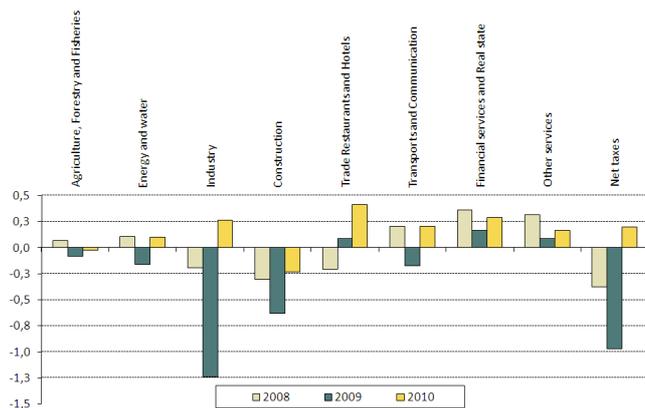
Chart 27 – Contribution of domestic demand and net exports (p.p.) to GDPmp real growth (%)



On the supply side, in 2010 the most positive developments were observed in energy and water, which grew by 3.6%, and also in trade, restaurants and hotels, and transport and communications, each growing by 2.6%, although contributing to different degrees to GDP growth. The trade, restaurants and hotels group was the most relevant, followed by financial and real estate activities, and manufacturing (that recovered from the 9.8% fall in 2009, growing by 2.2% in 2010). By contrast, construction fell further

considerably, by 4.3%, although less sharply than in 2009, which was around -10.7%. Agriculture, forestry and fishing performed similarly, albeit with less marked rates of change (Chart 28).

Chart 28 – Contribution of activity sectors (p.p.) to GDPmp real growth (%)



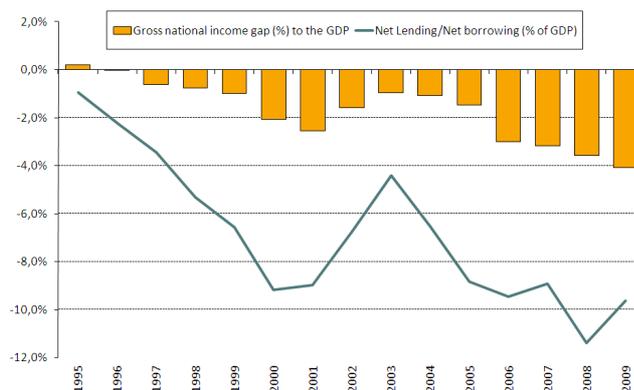
Although the separation between strong and moderate growth periods is also visible in most branches of production, the services sector has grown, on average, more than manufacturing and agriculture. In turn, the relative price of services increased. The resulting volume and price effects translated into a rise in the relative importance of services, to the detriment of manufacturing and agriculture.

The ratio of net borrowing requirements (equivalent to the overall current and capital account balance) to GDP widened in the course of the 1995-2009 period. However, a certain improvement was noticeable in recessionary periods, and some stabilisation at around -9.0% in the most recent stage of moderate GDP growth (the improvement was 2.3 p.p. in 2003 and around 1.7 p.p. in 2009, although the ratio stood at -9.6%). In 2010 this ratio improved to -8.3% (1.6% average in 1995-1996).

Systematic deficits in the current and capital accounts worsened the international investment position (value of the net external asset stock), bringing about a deterioration of the primary income balance (difference between income received from and paid to abroad). In

2009 the negative value of this balance accounted for 4.1% of GDP, bringing to an end the continued deterioration seen since 2006, and leading to a difference of the same amount between GDP and gross national income (GNI). In 2010 this ratio improved, standing at -3.3% (Chart 29).

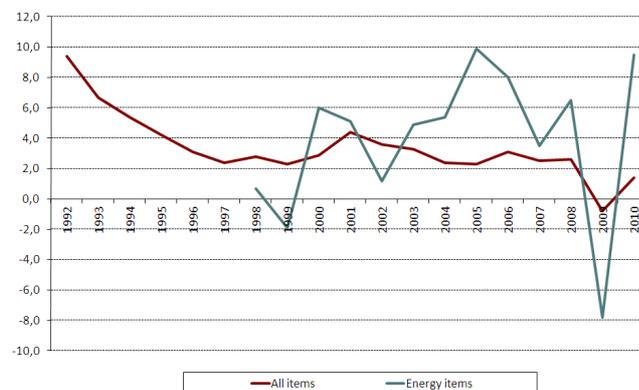
Chart 29 – Gross national income gap and net lending/net borrowing as % of the GDPmp



## Prices

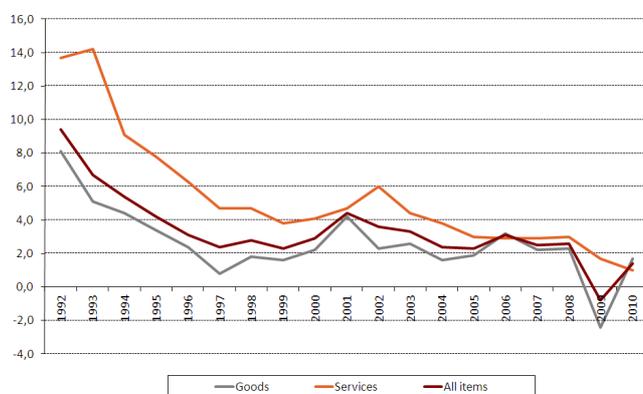
The rate of change in the consumer price index (CPI) was 1.4% in 2010, i.e. increasing by 2.2 p.p. from 2009. In terms of major CPI components, the annual change in the goods index also increased, by around 4.1 p.p., reaching 1.7%. By contrast, the annual change in the services index declined by 0.7 p.p., to 1.0% (Chart 30).

Chart 30 – CPI annual rates of change (%) of prices for all-items and energy items



These developments occurred in a context of acceleration in international commodity prices, in particular oil and by-products, and in general manufactured goods. According to the latest national accounts data, the import deflator recorded increasingly positive year-on-year changes in the third and fourth quarters, and an annual change of around 5.1% (Chart 31).

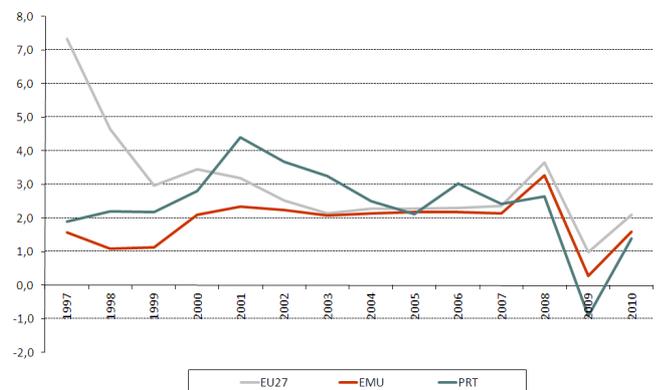
Chart 31 – CPI annual rates of change (%) of prices for all-items, goods and services indices



At domestic level, this environment was also reflected in the behaviour of industrial production prices, whose annual change moved from -3.8% to 3.7% between 2009 and 2010. By type of goods, the greatest accelerations and the strongest changes were recorded in energy and intermediate goods. The export deflator also rose by 5.3%, compared with a -6.1% change in 2009.

The acceleration in consumer prices in 2010 was also evident in the harmonised index of consumer prices (HICP), whose annual average growth rate stood at 1.4%, i.e. 2.3 p.p. more than in 2009. A comparison with developments in equivalent indices at European level points to negative differentials compared with the average, for the third consecutive time. The HICP for the European Union (EU27) showed a year-on-year change of 2.1%, and therefore the differential was -0.7 p.p. This differential was lower in the euro area, at about -0.2 p.p. (Chart 32).

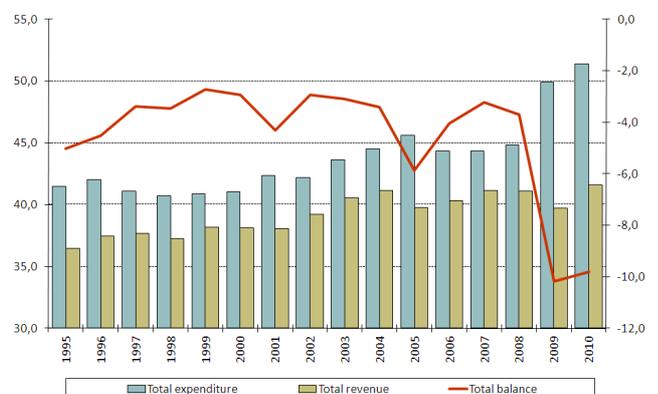
Chart 32 – Annual inflation rates for EU27, EMU and Portugal



## General government

In 2010 general government net borrowing requirements improved, amounting to 9.8% of GDP, i.e. 0.4% less than in the previous year. This reflected an increase of 1.8 p.p. and 1.5 p.p. in total revenue and total expenditure respectively (Chart 33).

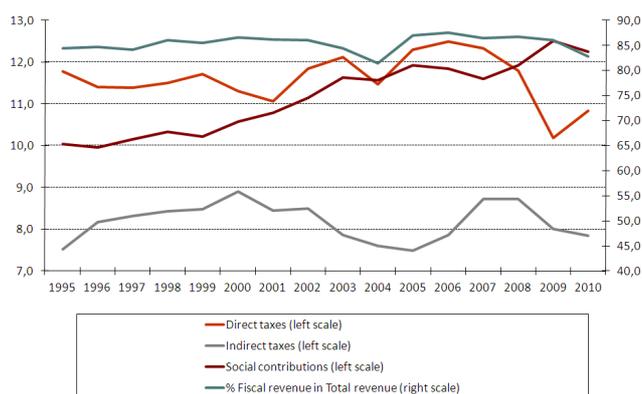
Chart 33 – Revenue, Expenditure and Net Borrowing of General government (% do GDPmp)



The increase in revenue was chiefly associated with a rise in capital transfers (the ratio to GDP was 1.7 p.p. higher than in the previous year), notably the transfer of the Portugal Telecom pension fund (corporations sector) to general government. Tax revenue rose by 0.2 p.p., accounting for 34.4% of GDP, falling short of the peak reached in 2007, of approximately 35.6%. This resulted from developments in taxes on production and imports (0.7 p.p. increase). Conversely, there was a decline of around 0.3 p.p. in social contributions, and

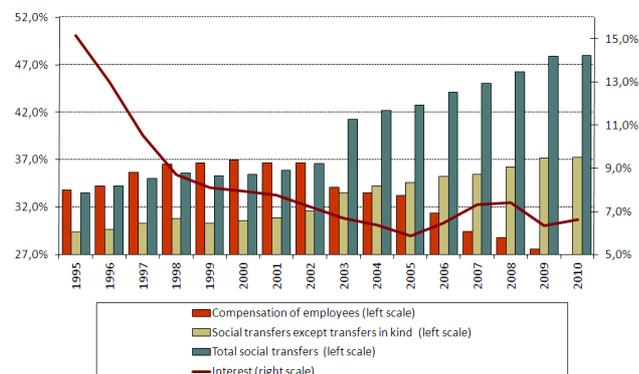
of 0.1 p.p. in taxes on income and wealth, in comparison with the respective 2009 ratios. These trends caused for the second consecutive time a reduction in the tax burden, which stood at 33.7% of GDP in 2009 (Chart 34).

Chart 34 – Tax burden (% do GDPmp) by kind of main tax groups and share of Fiscal revenue in Total revenue



The increase in the total expenditure ratio was due to capital expenditure, which rose by 1.5 p.p., largely due to the general government's assuming of the impairments of Banco Português de Negócios. In terms of current expenditure, primary current expenditure decreased by 0.2 p.p. and interest rose by 0.1, wherefore total current expenditure declined by 0.1 p.p. As regards current items, as a percentage of GDP, benefits in kind and social benefits other than social transfers in kind stabilised, and thus remained at the highest thresholds (4.9% and 17.0% respectively). Compensations declined by 0.2 p.p., moving closer to the minimum value recorded in 2007 (12.0% of GDP), bringing to an end the downward trend seen from 2002 to 2008 (in 2002 compensations accounted for 14.1% of GDP) (Chart 35).

Chart 35 – Share of main expenditure groups in Total current expenditure



Public debt remained on the upward trend started in 2001, standing at 93.3% of GDP, which accounted for a strong deterioration of 10.3 p.p. vis-à-vis 2009.

*Statistical Yearbook of Portugal 2010.*

*Cut-off date: 30 September 2011,*

*Including the December 2011 revision of national accounts*