Rating Report

Report Date:
May 15, 2015

Previous Report:
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Insight beyond the rating.

Republic of Portugal

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Ratings

Issuer	Debt Rated	Rating	Trend
Portugal, Republic of	Long-Term Foreign Currency – Issuer Rating	BBB (low)	Stable
Portugal, Republic of	Long-Term Local Currency – Issuer Rating	BBB (low)	Stable
Portugal, Republic of	Short-Term Foreign Currency – Issuer Rating	R-2 (middle)	Stable
Portugal, Republic of	Short-Term Local Currency – Issuer Rating	R-2 (middle)	Stable

Rating Rationale

DBRS Ratings Limited has confirmed the Republic of Portugal's long-term foreign and local currency issuer ratings at BBB (low) and short-term foreign and local currency issuer ratings at R-2 (middle). The trend on all ratings remains Stable.

The rating confirmation reflects DBRS's assessment that Portugal has made substantial progress in reducing its fiscal and external imbalances. Improvements in the public debt profile as well as the commitment at the Euro area level to ensure financial stability in the region, including potential stress in the government debt markets, provide additional support to the ratings. However, these positive credit factors are balanced by significant challenges, including elevated levels of public sector debt, low potential growth, high corporate sector indebtedness, and medium-term fiscal pressures.

The Stable trend indicates that risks to the ratings are fairly balanced, given the emerging economic recovery – as evidenced by the return to positive growth in 2014 – as well as DBRS's view that prudent fiscal policy will be sustained over the electoral cycle. The ratings could come under downward pressure if there is an unexpected weakening in the political commitment to sustainable fiscal policy or if weaker-than-expected growth over the medium term leads to a material deterioration in public debt dynamics.
(Continued on page 2).

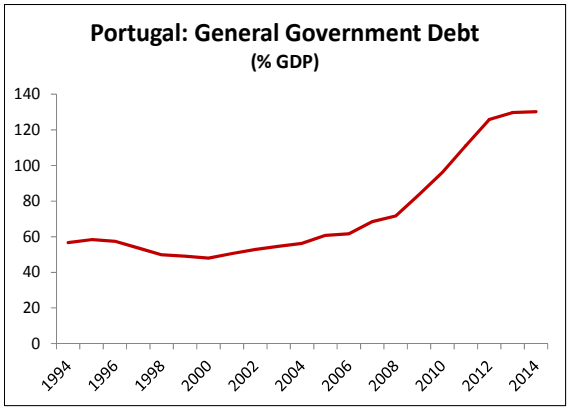
Rating Considerations

Strengths
(1) Declining macroeconomic imbalances
(2) Improving public debt repayment profile
(3) Benefits of Euro zone membership

Challenges
(1) High public sector debt
(2) Low potential growth
(3) High corporate sector indebtedness
(4) Ongoing fiscal pressures

Summary Statistics

For the year ended December 31	2012	2013	2014	2015F
Nominal GDP (Euro billions)	168.4	169.4	173.1	177.6
GDP per capita (Euro)	16,015	16,199	16,650	17,070
Real GDP (% change yoy)	-4.0	-1.6	0.9	1.6
Unemployment rate (%)	15.5	16.2	13.9	13.1
Inflation (%)	2.8	0.4	-0.2	0.6
Current account balance (% GDP)	-2.1	1.4	0.6	1.4
External debt (% GDP)	237	228	235	n.a.
General gov't balance (% GDP)	-5.5	-4.8	-4.5	-3.1
Primary balance (% GDP)	-1.9	0.1	0.5	1.7
Gross public debt (% GDP)	125.8	129.7	130.2	124.4
Human Development Index	0.816	0.822	n.a.	n.a.



Rating Rationale (Continued from page 1)

Conversely, the ratings could be upgraded if the improvement in the fiscal accounts is sustained and the economic recovery proves durable, thereby improving the outlook for public debt sustainability.

Portugal has made substantial progress unwinding macroeconomic imbalances. Public accounts have already undergone a sizable adjustment, with the fiscal deficit narrowing from 11.2% of GDP in 2010 to 4.5% (including one-off measures) in 2014. Moreover, the government remains committed to prudent fiscal policy, even after exiting the three-year EU/IMF financial assistance programme in June 2014. The government is targeting a deficit below 3% in 2015. Importantly, the improving deficit position is expected to put public debt dynamics on a downward trajectory this year. On the external side, improved export performance – together with import compression – has led to a large adjustment in the external accounts. The current account has shifted from a deficit of 12.1% of GDP in 2008 to a small surplus of 0.6% in 2014. In sum, the fiscal and external adjustments have placed the economy in a better position to support the recovery.

Moreover, favorable market conditions combined with active debt management operations have lowered the government's funding costs and improved its public debt maturity profile. Government bond yields have fallen below pre-crisis levels, with the 10-year bond yield averaging 2.8% over the past 12 months. Since returning to debt markets in 2013, the government has also carried out several debt management operations and more recently has started to repay part of its IMF loans ahead of schedule, thus mitigating risks arising from its high public debt and large financing needs.

As a member of the Economic and Monetary Union (EMU), Portugal benefits from the strong credibility of Euro area institutions, in particular that of European Central Bank (ECB) and its range of available monetary policy tools. In this respect, Portugal has benefited from the ECB's programs, which have helped ease market tensions and lower sovereign bond yields. The quantitative easing (QE) program launched in March 2015 should help contain the risk of deflation and help keep government borrowing costs in the markets low. DBRS believes that additional EU financial support would likely be available if necessary.

However, these positive credit factors are counterbalanced by several underlying credit weaknesses. First, gross general government debt – at 130.2% of GDP in 2014 - is very high. As a result, the government has limited fiscal flexibility and the country is vulnerable to adverse shocks.

Moreover, Portugal's potential growth remains low. Although structural reforms have been implemented over the past four years, the economy continues to show low levels of investment, insufficient competition in the non-tradable sector and rigidities in the labour market. With weak investment and high long-term unemployment, the contributions from capital accumulation and labour supply to medium-term economic growth appear limited.

Adding to the challenges facing Portugal is the high level of indebtedness of non-financial corporates. Corporate sector debt is among the highest in the Euro Area. Not only does high corporate debt weigh on investment, it could also adversely affect the performance of the banking sector.

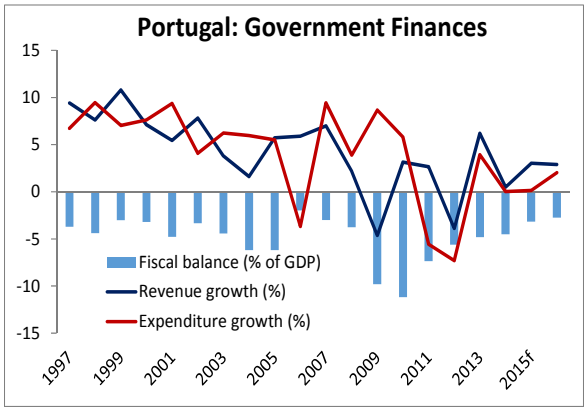
Finally, additional structural fiscal adjustment could be needed to firmly place debt dynamics on a downward trajectory. Some of the austerity measures implemented under the EU/IMF programme are being reversed, and offsetting measures have yet to be identified. At the same time, medium-term growth assumptions appear slightly optimistic. The Government is largely relying on the cyclical recovery to progress with deficit-reduction, but over the medium term, further structural measures could be needed to support the sustainability of public finances.

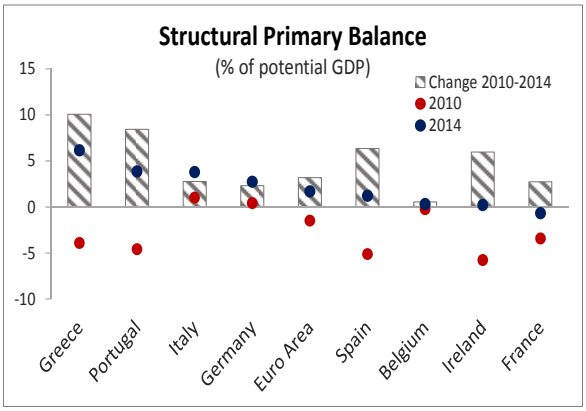
Foreign versus Local Currency Ratings

The Portuguese government issues predominantly in euros, with non-euro debt (after swaps) standing at 1% of total debt at end-March 2015. DBRS maintains its foreign and local currency ratings at the same level because the Portuguese government's ability to refinance the bonds in foreign currency is commensurate with its ability to refinance Euro-denominated instruments.

Fiscal Management and Policy

Portugal's fiscal deficit has improved markedly in recent years, owing to the significant fiscal consolidation effort implemented under the three-year EU/IMF Economic and Financial Adjustment Programme, which was completed in May 2014. The deficit narrowed from 11.2% of GDP in 2010 to 4.5%, including one-off measures (3.4% excluding one-offs), in 2014. Moreover, the deficit reduction process is expected to progress, driven by ongoing restraint in public expenditure and the recovery in economic activity. However, the outlook remains challenging, as there is uncertainty regarding some fiscal measures and the medium-term growth assumptions could prove optimistic.





Source: IMF, European Commission, Haver Analytics, DBRS

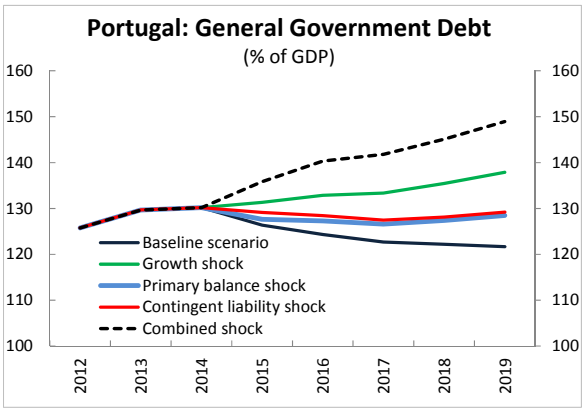
The government expects the fiscal deficit to decline to 2.7% of GDP in 2015 and 1.8% in 2016, partly driven by containing expenditure. In particular, the reduction in interest payments, staff costs, social benefits and pensions, is set to contribute the most to the reduction in spending. Tax revenues, on the other hand, are set to fall, although only slightly. The privatization process and efforts to reduce tax fraud and evasion are also expected to continue. Reducing the deficit below 3% this year would bring the European Commission's excessive deficit procedure (EDP) for Portugal, which was opened in 2009, to an end. Moreover, the government expects the structural deficit, which has declined significantly from 8.3% of GDP in 2010 to 0.8% in 2014, to achieve the EU official target of 0.5% of GDP by 2016.

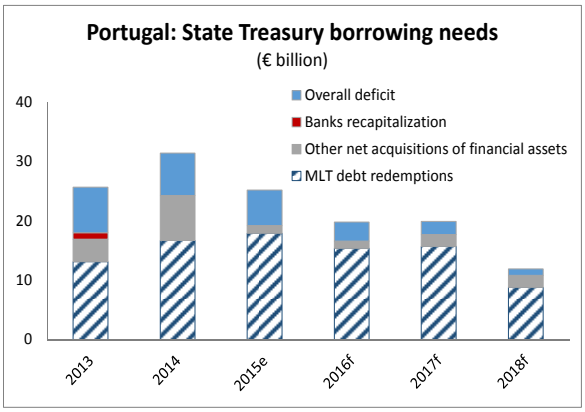
The Stability Programme 2015-2019, presented by the government in mid-April, reaffirms the government's commitment to comply with the EU fiscal rules and to support sustainable public finances. However, the Programme also comprises the gradual reversal of some austerity measures adopted under the financial assistance Programme, including the public-sector salary cuts, the extraordinary tax on personal income and the extraordinary levy applied on companies in the energy sector. In addition to the reversals, and in line with the reform on the corporate income tax (IRC), the tax rate will continue to be gradually reduced. The government expects to offset the effects of these measures through efficiencies in the fiscal administration and savings measures in the social security system, although specific measures have not yet been identified. Although improving economic conditions will support the reduction in the headline deficit, the reversal in austerity measures – in the absence of offsetting measures – could weaken Portugal's underlying fiscal position.

Overall, the fiscal targets for 2015 and 2016 look achievable and the growth projections for the initial years of the Stability Programme are broadly in line with those of the Banco de Portugal and the European Commission. However, the fiscal targets beyond 2016, including turning the deficit into a small surplus of 0.2% of GDP by 2019, appear ambitious. The reversal of some austerity measures and reliance on the cyclical recovery to reduce the headline deficit raise concerns about the durability of the fiscal adjustment. Moreover, the long-term growth assumption of 2.4% appears optimistic, especially if judged against the pre-crisis potential growth rate of about 2% or compared to IMF forecasts. The government's plans are also subject to a significant degree of the uncertainty over revenues from anti-fraud measures and uncertainty associated with the impact of some policy measures and reforms on the Portuguese economy. Furthermore, social pressures could intensify and legal challenges by the Constitutional Court could pose limitations to the implementation of certain fiscal measures.

Debt and Liquidity

After a period of moderate increase in the years before the global financial crisis, Portugal's general government debt increased significantly from 2010 to 2014 as a result of large fiscal deficits, state support to the financial system and the severe recession. More recently, the reclassification of off-balance items and entities into the general government perimeter has also added to public debt. Compared to 96% of GDP in 2010, general government gross debt reached 130.2% in 2014, among the highest ratios in the Euro area, leaving the government with very limited fiscal flexibility. Nevertheless, the government debt ratio is expected to start declining, albeit gradually, this year, while the debt repayment profile has also improved, reducing rollover and liquidity risks.





Note: Other net acquisition of financial assets include refinancing of other public entities (namely SOEs and regions), as well as ESM participation, capitalization of the resolution fund, and redemption of CoCos.
Source: IGCP, IMF, European Commission, Haver Analytics, DBRS.

With the fiscal deficit on a declining trend and the economic recovery gathering some momentum, government debt is projected to fall to about 124% by 2016, under our baseline scenario. The primary surplus required to reduce debt is estimated at just below 2% of GDP over the next five years, which seems achievable, although a larger primary surplus would be needed to reduce debt below 120% by 2020. Indeed, under the recently-published Stability Programme, the government forecasts the primary surplus to average 3% of GDP from 2015 to 2019, contributing, together with the expected sale of Novo Banco, to a reduction in government debt to 107.6% by 2019.

However, government debt dynamics are susceptible to adverse shocks, particularly to a negative growth shock. Under the growth shock scenario depicted above – which assumes a GDP fall of 0.7% in 2015, zero growth in 2016 and 0.5% growth thereafter, the debt ratio would not stabilize over the five-year horizon and would reach 138% of GDP in 2019. On the other hand, the risk arising from contingent liabilities has moderated following the restructuring of operations in state-owned enterprises (SOEs) since 2013, the renegotiation of concessions with public-private partnerships, and the strengthening in banks' capital ratios. Under the contingent liability shock scenario, the debt burden remains stable over the forecast period.

While debt dynamics remain susceptible to shocks, Portugal's debt repayment profile has improved, which mitigates some of the risks stemming from its high public debt and large financing needs. The government has extended debt maturities, successfully raising €11.4bn in medium to long-term bonds so far in 2015, out of a total of €17.9bn planned for this year. The average maturity of government debt is 8 years as of end-March 2015, which compares favorably to Italy (6.4 years) and France (7.0 years) and lessens the risks from the relatively high interest burden. The government has also conducted a number of bond debt swap operations to improve its debt repayment schedule. These debt management operations have allowed the government to build a comfortable level of cash reserves (€12.4bn at end-2014) which, taken together with the MLT debt issued this year, fully cover the projected government financing requirements of €25.2bn for 2015.

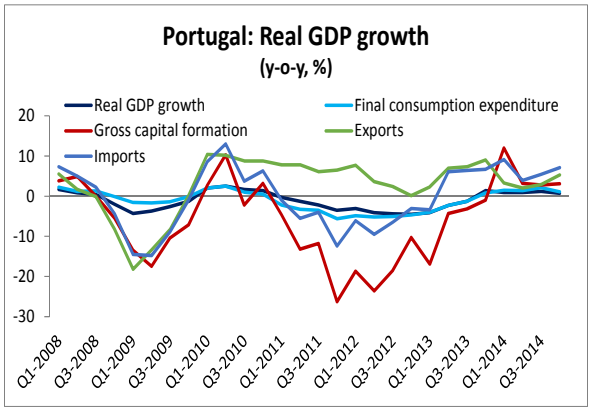
Furthermore, the Portuguese government has started to repay a part of its loans to the IMF. In March, the Portuguese debt agency (IGCP) paid €6.6bn, equivalent to 22% of the total obligations to the IMF, and expects to repay another €4bn later this year, €7.8bn in 2016 and €6.9bn in 2017. In total, the government plans to repay about half of its total obligations to the IMF ahead of schedule. Early repayment to the IMF will improve further

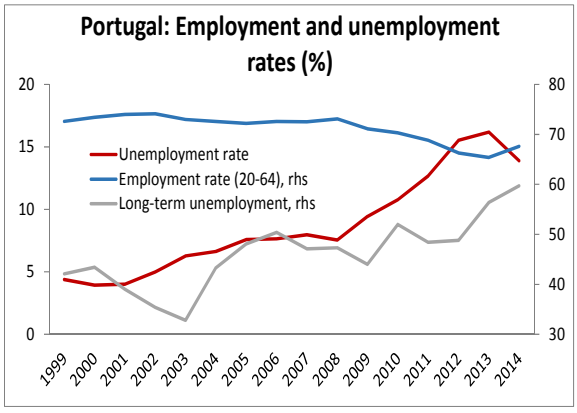
the government's debt repayment profile by replacing IMF loans with funding from the markets, which currently carry lower interest rates than the IMF loans (around 4%). As a result, the early repayment is expected to result in interest cost savings of €1.36 billion over the next five years, and thus contribute to the projected fall in interest payment from 5.1% of GDP in 2014 to below 4% in 2018. A lower interest burden reduces Portugal's vulnerability to rises in interest rates and changes in market sentiment.

After the government regained access to financial markets in 2013, market conditions have remained favourable, despite heightened concerns over Greece. Government bond yields have remained below pre-crisis levels, with the 10-year bond yields at around 2% in April 2015. Yields are expected to remain low, in large part as a result of the ECB's quantitative easing (QE) program. Given the high level of government debt and still relatively large medium-term refinancing needs, maintaining low funding costs for an extended period is important for the reduction of the government debt ratio to more sustainable levels.

Economic Structure and Performance

The Portuguese economy has continued to recover from the double-dip recession suffered between 2008 and 2013. The subsequent need for economic rebalancing and balance-sheet repair in the private sector – following a period of credit expansion and large macroeconomic imbalances – has been made even more challenging by the significant structural rigidities of the Portuguese economy. Important structural reforms have been adopted since 2011, under the EU/IMF Economic and Financial Adjustment Programme, but the rebalancing of the economy toward the export sector is still in progress, while growth remains weak and unemployment high.





Note: Long-term unemployment as a percentage of the total unemployment.
Source: Instituto Nacional de Estatistica Portugal, Eurostat, European Commission, Haver Analytics, DBRS.

The Portuguese economy returned to growth in 2013 Q2, among the first Euro area peripheral countries to exit recession. However, the pace of the recovery has been moderate. In 2014, the economy grew by 0.9% and real GDP remains 7.5% below its pre-crisis levels and might not return to that level until 2020. Growth has lately been largely driven by private consumption, supported by diminished uncertainty, a rise in real disposable income and stabilization in labour market conditions. The unemployment rate has indeed fallen from a peak of almost 18% at the beginning of 2013 to below 14%, although it is still high. Fixed investment has also started to recover but only to some extent, in part supported by a reform of the corporate income taxation, which entered into force in 2014 and that has had a positive impact on business investment. Export growth, one of the initial drivers of the recovery, slowed during 2014.

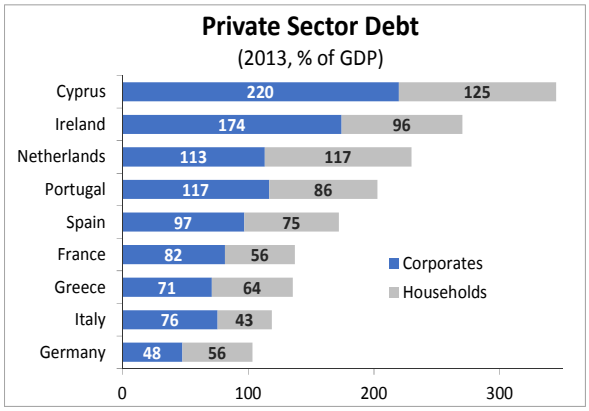
Real GDP growth is forecast to accelerate to 1.6% in 2015, followed by 1.8% in 2016, partly reflecting cyclical factors, as exports are set to gain from a weaker Euro and the robust recovery of the Spanish economy, while private consumption is also expected to continue to benefit from lower energy prices and stabilizing conditions in the labor market. Nevertheless, downside risks are significant, including a weaker-than-expected recovery in external demand, financial turmoil stemming from adverse developments in Greece, renewed geopolitical tensions affecting sentiment in the Euro zone and potential uncertainty over the outcome of the coming general elections in Portugal.

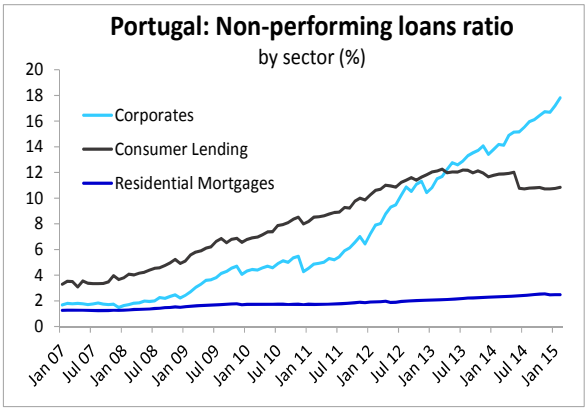
Notwithstanding the expected recovery in 2015 and 2016, growth prospects look modest in the longer term. The upside potential for exports is restrained by still-weak competitiveness, and investment is partly held back by high corporate debt. Labour market reforms have reduced employment protection and introduced changes to collective agreements and more work-time flexibility, but labour regulations are still considered restrictive. Weaknesses also persist in services markets and regulated professions, and competition in product markets is still relatively low. Moreover, fixed investment, which fell by a cumulative 38% in 2008-2013, remains subdued, despite its incipient recovery and some easing in credit conditions.

Indeed, high corporate indebtedness continues to weigh on private fixed investment, limiting the contribution of capital accumulation to potential growth. At the same time, working-age population is declining, youth unemployment remains high at 34% and the long-term unemployment is also elevated at 60% of total employment, all of which reduces human capital and the contribution of labour supply to potential growth. Moreover, average skill levels of the workforce remain low, which combined with remaining inefficiencies in product and labour markets, act as a drag on total factor productivity growth. Therefore, reflecting low levels of investment, limited contribution of labour supply and moderate total factor productivity, potential growth remains low.

Monetary Policy and Financial Stability

Weak economic conditions and very low inflation could pose challenges for the reduction of high levels of private sector debt, with negative implications for the financial sector. Annual headline inflation in Portugal was negative for most of 2014, averaging -0.2% for the year, reflecting falling food and energy prices. However, core inflation started to recover at the end of the year. Headline inflation turned positive in March 2015, partly as a result of growing wages and supported by the ECB's quantitative easing program, launched at the beginning of March and which has led to the depreciation of the Euro. Therefore, the risk of deflation appears contained, although the inflation rate is expected to remain low at just 0.5% on average this year, before rising above 1% in 2016.





Source: Eurostat, Banco de Portugal, DBRS.

One of the main risks to financial stability remains Portugal's high private sector indebtedness, which is among the highest in Europe. Non-financial corporate debt stood at 108% of GDP at end-2014, down from 117% in 2013, and household debt at 81%, down from a peak of 92% in 2009. Important policy measures have been adopted in recent years to address the financial situation of non-financial corporations (NFCs), including the overhauling of the corporate insolvency and restructuring framework, with a focus on recovery and restructuring of firms rather than on their liquidation. Banco de Portugal (BdP) is also encouraging debt restructuring for NFCs and has continued to implement tighter supervision of credit institutions. However, despite these efforts, there is still a long way to go in the corporate deleveraging process.

In the meantime, high corporate debt, ongoing bank deleveraging and the overall difficult operating environment have weighed on the performance of Portuguese banking sector. The non-performing loans in the corporate sector increased to 19% of total loans 2014Q4, well above the ratio for the overall system of about 12%, although some signs of stabilization have started to appear. The high level of provisioning, as a result of weak banks' asset quality, together with exceptionally low rates on mortgages and declining lending volumes

continue to put pressure on bank profitability. Although profitability of the banking system (excluding BES and Novo Banco) improved in 2014, most banks remained loss-making.

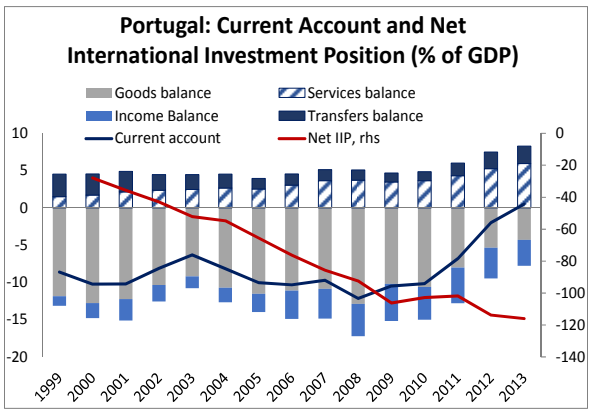
Nevertheless, Portuguese banks have strengthened their capital positions over the past two years and improved their funding profiles. As of 2014Q4, the banking system's Common Equity Tier 1 (CET1) ratio stood at 11.3%. Banks' loan-to-deposit ratio has also improved from over 140% in 2011 to 107% as of 2014Q4, helped by both a reduction in loans and growing customer deposits. This has allowed banks to reduce their reliance on Eurosystem refinancing operations, from €64.1 billion (12.5% of total liabilities) in 2012Q2 to €33.7 billion in 2014Q4 (8% of total liabilities).

Moreover, the effects on financial markets from the resolution of Banco Espirito Santo (BES) in mid-2014 were limited and the stability of the financial system was preserved. The collapse of BES resulted in a capital injection of €4.9 billion by the Resolution Fund, of which €3.9 billion was supported by a government loan. The sale process of Novo Banco, the bridge bank created as a result of the resolution, is now underway and expected to be completed later this year. However, the final cost of the resolution of BES will depend on the sale terms of Novo Banco.

Meanwhile, partly reflecting bank deleveraging, credit growth remains negative, but the pace of decline has moderated in recent months and overall financing conditions have improved. Loans to NFCs fell by 6.1% y-o-y in March 2015 compared to 6.8% in December 2014, while average interest rates on new loans to SMEs have declined from 5.8% in September 2014 to 4.4% in March 2015. This also gives an indication of a lower degree of financial fragmentation in the Euro Area, as interest rates paid by SMEs in Portugal, along with those in Italy and Spain, have declined at a faster pace than interest rates in France and Germany in recent months.

Balance of Payments

In the run-up to euro adoption in the 1990s, expectations of higher growth, low real interest rates and the elimination of currency risk led to increased consumption and lower savings in Portugal. From 1996 to 2008, investment remained between 22-25% of GDP while national savings declined from 20% of GDP to 11% of GDP. This imbalance was reflected in a growing current account deficit, which reached 12.1% of GDP in 2008, and led to the significant deterioration in the net international investment position. The external imbalance was the result of a substantial weakening in export performance from losses in international price competitiveness and challenges from other low-value goods exporters, such as China and Central and Eastern Europe. This deteriorating trend in export performance has been reversed and the large current account deficit has been corrected, with the deficit shifting into a surplus of 1.4% of GDP in 2013, followed by a small surplus of 0.6% in 2014. However, the stock of external debt remains high.



Note: A lower rank indicates a stronger competitive position
Source: IMF, Haver Analytics, World Economic Forum, DBRS.

While import compression was an important factor behind the correction of the external imbalance, structural factors accounted for most of the adjustment, with around 10% of the rebalancing in the current account in 2010-2013 due to the structural fiscal consolidation, according to the European Commission. The decline in private sector debt, the fall in construction activity, and the slowdown in private sector credit also contributed

to the adjustment, while another large part of the correction is estimated to have resulted from "residual structural factors", such as improved product and geographical specialization of exports.

Portugal's export market share in world exports has increased since 2009, thanks to a more favorable product mix and trade diversification with countries outside the European Union. Improved export performance has also been driven by some gains in external competitiveness. However, unit labor costs, which contributed to the improvement in competitiveness from 2009 to 2012, have started to rise again, albeit moderately. Moreover, Portugal continues to score relatively poorly in some global competitiveness rankings, although its rank has improved. Looking ahead, some deterioration in the current account surplus is likely as domestic demand continues to recover, but DBRS believes that the adjustment in the current account is unlikely to be reversed.

Nevertheless, while the current account has adjusted, the negative net international investment position remains large. The country's net external liability position remains among the highest in the Euro Area at over 115% of GDP. The position mostly accounted for by the government's net external debtor position, while the net external asset position of the non-bank private sector has improved somewhat over the past two years. On the financing side, FDI inflows have increased in recent years as a result of the privatization process. However, higher and sustained current account surpluses are needed to help reduce Portugal's sizable external liabilities.

Political Environment

Last election:	June 5, 2011
Next election:	By October 2015
Party in power:	Social Democratic Party (PSD)-led coalition with the People's Party (CDS-PP)
Government Structure:	Parliamentary democracy
Prime Minister:	Pedro Passos Coelho

The political landscape in Portugal has remained broadly stable during the term of the current centre-right PSD/CDS coalition government. Despite public opposition to austerity and legal challenges by the Constitutional Court, the government has managed to press ahead with fiscal consolidation and the adoption of structural reforms.

The next Parliamentary elections are expected to be held in September-October this year. While the mainstream parties are unpopular and public support for the reform agenda has waned, support for radical parties is very weak. The latest opinion polls, from March 2015, indicate that the opposition Socialist Party is leading, with 38% of voting intentions, followed by the centre-right PPD/PSD, with 25%. The Left Bloc (BE) and Livre, Portugal's most radical leftwing parties, currently poll 4.4% and 2%, respectively. Therefore, a political scenario under which a radical party reaches power through popular vote is unlikely to develop in Portugal.

However, even as political risks are limited, political commitment to the structural reform agenda appears to be weakening. The reform momentum has slowed somewhat since mid-2014 and further implementation of structural reforms is unlikely to move forwards ahead of the elections, as building political consensus could prove difficult.

Nevertheless, although uncertainty over the election outcome is high, DBRS believes that the fiscal adjustment will not be reversed and that the next administration is likely to remain broadly committed to fiscal prudence, adhering to the EU fiscal rules and ensuring a reasonable degree policy continuity.

Republic of Portugal

Report Date:
May 15, 2015

Portugal: Selected Indicators
For the year ended December 31

(EUR billions unless otherwise noted)	2009	2010	2011	2012	2013	2014
Public Sector Debt						
General Government Gross Debt	146.7	173.1	195.7	211.8	219.6	225.3
% GDP	83.6%	96.2%	111.1%	125.8%	129.7%	130.2%
General Government Net Debt	139.9	165.4	177.8	195.2	202.3	207.8
% GDP	79.7%	91.9%	100.9%	115.9%	119.4%	120.3%
Central Government Gross Debt	142.1	168.4	191.6	210.5	219.2	226.3
% GDP	81.0%	93.6%	108.8%	125.0%	129.4%	130.8%
Domestic Debt						
General Government	36.6	72.8	92.5	76.3	75.3	56.8
% GDP	20.9%	40.5%	52.5%	45.3%	44.4%	32.8%
External Debt						
General Government	110.1	100.3	103.2	135.5	144.4	168.5
% GDP	62.7%	55.7%	58.6%	80.5%	85.2%	97.4%
Private Sector	285.6	307.7	282.3	263.7	243.6	238.2
% GDP	162.8%	171.0%	160.2%	156.6%	143.8%	137.6%
Gross External	395.7	407.9	385.5	399.2	388.0	406.6
% GDP	225.5%	226.7%	218.8%	237.1%	229.0%	235.0%
Private Sector Debt						
Household	161.6	163.1	159.4	152.8	146.0	140.7
% GDP	92.1%	90.7%	90.5%	90.7%	86.2%	81.3%
Non-Financial Firms	196.6	199.3	200.2	200.1	197.1	186.4
% GDP	112.1%	110.8%	113.7%	118.9%	116.4%	107.7%
Fiscal Balances (% GDP)						
Revenues	40.4%	40.6%	42.6%	42.9%	45.2%	44.5%
Expenditures	50.2%	51.8%	50.0%	48.5%	50.1%	49.0%
Interest Payments (% Revenues)	7.4%	7.2%	10.1%	11.4%	10.9%	11.1%
Primary Balance	-6.8%	-8.2%	-3.0%	-0.7%	0.1%	0.5%
General Government Balance	-9.8%	-11.2%	-7.4%	-5.6%	-4.8%	-4.5%
Balance of Payments & Liquidity						
Current Account Balance	-18.3	-18.3	-10.8	-3.9	2.3	1.1
% GDP	-10.4%	-10.2%	-6.2%	-2.3%	1.4%	0.6%
Trade Balance	-6.7%	-7.1%	-3.7%	-0.1%	1.8%	1.2%
Net Foreign Direct Investment (% of GDP)	-0.8%	-5.1%	3.7%	-8.0%	-1.0%	-0.9%
International Investment Position	-186.4	-185.2	-179.4	-191.7	-196.6	n.a.
% GDP	-106.2%	-102.9%	-101.8%	-113.8%	-116.1%	n.a.
External Assets	467.6	458.1	406.1	404.3	402.5	n.a.
External Liabilities	737.4	706.8	639.4	658.3	674.7	n.a.

Source: Banco de Portugal, Instituto Nacional de Estatistica (INE), Ministry of Finance, Eurostat, IMF, Haver Analytics, DBRS.

Republic of Portugal

Report Date:
May 15, 2015

Ratings History

Issuer	Debt Rated	Current	2014	2013	2012
Portugal, Republic of	Long-Term Foreign Currency –Issuer Rating	BBB (low)	BBB (low)	BBB (low)	BBB (low)
Portugal, Republic of	Long-Term Local Currency – Issuer Rating	BBB (low)	BBB (low)	BBB (low)	BBB (low)
Portugal, Republic of	Short-Term Foreign Currency – Issuer Rating	R-2 (middle)	R-2 (middle)	R-2 (middle)	R-2 (middle)
Portugal, Republic of	Short-Term Local Currency – Issuer Rating	R-2 (middle)	R-2 (middle)	R-2 (middle)	R-2 (middle)

Notes:
All figures are in Euros unless otherwise noted.

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