Rating Report

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13 November 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 of Portugal's improved credit profile in recent years, following the substantial progress in the reduction of the fiscal and external imbalances. Improvements in the public debt repayment profile as well as the commitment at the Euro area level to ensure financial stability in the region provide additional support to the ratings. However, Portugal also faces significant challenges, including elevated levels of public sector debt, ongoing fiscal pressures, low potential growth, and high corporate sector indebtedness. Moreover, political uncertainty has increased following inconclusive election results in October.

Portugal is benefiting from an ongoing economic recovery, the continued narrowing of the fiscal deficit, and the incipient decline in the government debt ratio. Recent election results suggest a more gradual fiscal consolidation path. However, DBRS does not currently expect a return to large fiscal imbalances and believes that risks remain broadly balanced. The ratings could come under downward pressure if there is a weakening in the political commitment to sustainable economic policies, if weaker-than-expected growth leads to a deterioration in public debt dynamics, if a reversal of structural reforms were to occur, or if political uncertainty persist. (Continued on page 2).

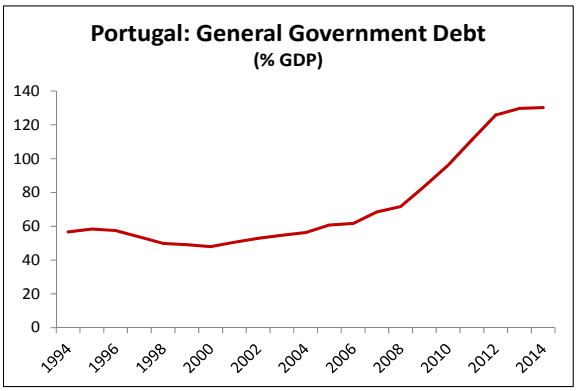
Rating Considerations

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

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

Summary Statistics

For the year ended December 31	2013	2014	2015F	2016F
Nominal GDP (Euro billions)	170.3	173.4	177.5	182.7
GDP per capita (Euro)	16,199	16,648	17,063	17,543
Real GDP (% change yoy)	-1.1	0.9	1.7	1.7
Unemployment rate (%)	16.2	13.9	12.3	11.3
Inflation (%)	0.4	-0.2	0.6	0.5
Current account balance (% GDP)	1.3	0.6	0.7	1.6
External debt (% GDP)	226.4	235.5	n.a.	n.a.
General gov't balance (% GDP)	-4.8	-7.2	-3.0	-2.9
Primary balance (% GDP)	0.0	-2.3	2.0	1.6
Gross public debt (% GDP)	129.0	130.2	128.2	124.7
Human Development Index	0.822	n.a.	n.a.	n.a.



Notes: Fiscal balances for 2014 include one-offs (bank recapitalization costs and capital transfers to SOEs). Gross public debt ratio for 2016 assumes sale of Novo Banco.

Rating Rationale (Continued from page 1)

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

Following the October general elections, which failed to produce a majority government, the outlook for macroeconomic policy has clouded. The presentation of 2016 budget has been delayed, which increases the uncertainty over the pace of further fiscal adjustment. Nevertheless, DBRS does currently not expect a turnaround of the substantial progress that Portugal has made in unwinding macroeconomic imbalances. Public finances have undergone a sizable adjustment, with the fiscal deficit narrowing to a projected 3.0% of GDP in 2015 from 11.2% in 2010. Importantly, the improving deficit position has placed 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 shifted from a deficit of 12.1% of GDP in 2008 to a small surplus of 0.6% in 2014. Overall, the fiscal and external adjustments have placed the economy in a better position to support the recovery. Real GDP growth is forecast to average 1.7% in 2015-2016.

Moreover, active debt management operations combined with favourable market conditions have lowered the government's funding costs and improved its debt maturity profile. Since returning to debt markets in 2013, the government has also carried out several debt management operations and it started to repay part of its IMF loans this year, thus mitigating risks arising from its 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). In this respect, Portugal has benefited from the ECB's programmes, which have helped ease tensions in the sovereign bond markets. The quantitative easing programme launched in March 2015 should 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 important underlying credit weaknesses. First, gross general government debt – at 130.2% of GDP in 2014 – is very high. As a result, the government's fiscal flexibility is limited and the country is vulnerable to adverse shocks.

The reduction of the deficit is now largely relying on the cyclical recovery, and thus additional structural fiscal adjustment might be needed to firmly place debt dynamics on a downward trajectory and support the sustainability of public finances. Some of the austerity measures implemented under the EU/IMF programme are also being reversed, and offsetting measures are not yet clear. At the same time, medium-term growth assumptions could prove optimistic. DBRS does not currently expect major deviations in the fiscal position, but given that the fiscal adjustment is now expected to be more gradual than anticipated, we would be concerned if durable economic growth fails to materialize. We would also be concerned if any fiscal slippage turns persistent and if privatizations are reversed.

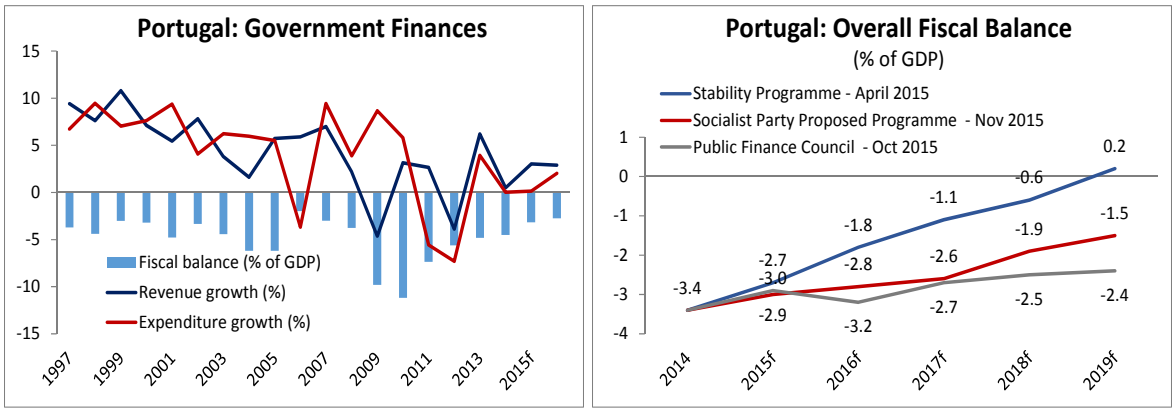
Moreover, Portugal's potential growth remains low. Although structural reforms have been implemented over the past four years, the economy continues to show low levels of investment, insufficient competition in the non-tradable sector and rigidities in the labour market. With weak investment and still-high long-term unemployment, the contributions from capital accumulation and labour supply to medium-term economic growth appear limited. Therefore, we would be concerned if reforms are reversed. Finally, adding to the challenges facing Portugal is the high level of indebtedness of non-financial corporates. Corporate sector debt, at 108% of GDP at end-2014, has weighed on investment and affected the performance of the banking sector.

Foreign versus Local Currency Ratings

The Portuguese government issues predominantly in euros, with non-euro debt (after swaps) standing at 2% of total debt at end-September 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

After several years of large fiscal deficits, Portugal's budget position has improved markedly. However, uncertainty over further fiscal adjustment has increased, which could pose a risk to the sustainability of public finances over the medium term.



Source: IMF, European Commission, Haver Analytics, Portuguese Public Finance Council, Socialist Party, DBRS. Notes: 2014 deficit excludes one-offs related to bank recapitalization costs and capital transfers to SOEs outside the General Government perimeter. Forecasts by the Public Finance Council are based on a no-policy-change assumption.

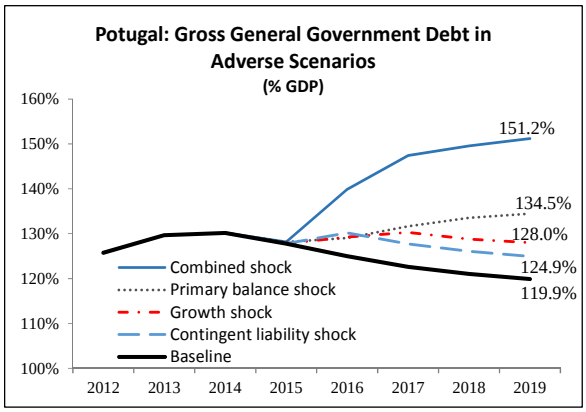
Portugal's fiscal deficit has improved notably, owing to the fiscal consolidation measures implemented under the 2011-2014 EU/IMF Economic and Financial Adjustment Programme. The deficit narrowed from 11.2% of GDP in 2010 to 3.4%, excluding one-offs (7.2% including recapitalization of Novo Banco and capital transfers to SOEs) in 2014. Strong tax revenues, reflecting the recovery in economic activity, and a decline in unemployment benefits have supported the deficit reduction this year, despite the increase in employee compensation. However, the 2.7% deficit target is unlikely to be met, although a 3.0% might still be achieved, which would allow Portugal to exit the European Union's excessive deficit procedure. The restructuring of a large proportion of state-owned enterprises and the privatization process have also progressed. At the same time, the fiscal framework is being enhanced. The Budgetary Framework Law, approved in July 2015 and set to be implemented over a three-year period, aims at a more efficient budget process, by adopting an improved accounting system and a binding multiyear expenditure ceilings mechanism.

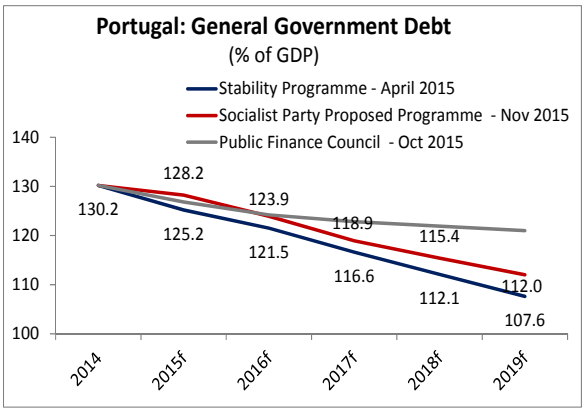
Looking ahead, further fiscal adjustment is needed to bring down the high level of public debt and increase Portugal's fiscal flexibility. However, uncertainty over the fiscal outlook has risen. Following the general elections in October and the voting down of the economic programme of centre-right minority government in November, a formal budget for 2016 has not been presented yet. The proposed economic programme of the Socialist Party, which could be likely to be adopted, envisages the easing of austerity, with the further reversal of some measures adopted under the financial assistance programme, including the public-sector salary cuts and the extraordinary tax on personal income, and a gradual increase in the minimum wage. Improving economic conditions, efficiencies in the fiscal administration and some tax measures are expected to offset the impact from the reversal of austerity, although the estimated impact of offsetting measures is still unclear. According, the proposed programme, the fiscal deficit is projected to fall to 2.8% in 2016 and reach 1.5% in 2019. The Socialist Party has also assured its EU fiscal commitments. Under a government led by the Socialist Party, DBRS would expect a slower pace of fiscal adjustment than previously anticipated, but still compliant with Portugal's EU commitments, including the fiscal rules under the Stability and Growth Pact.

However, the reversal of some austerity measures – in the absence of offsetting measures – and reliance on the cyclical recovery to reduce the headline deficit could raise concerns about the durability of the fiscal adjustment. A reversal of privatizations and restructuring processes of SOEs would also raise concerns, as this could have a material impact on the fiscal accounts. Moreover, the medium-term growth assumption of 2.6% on average in 2017-2019 under the Socialist Party's economic programme (presented in April) appears optimistic, especially if judged against the pre-crisis potential growth rate of about 2.0% or compared to IMF projections of 1.3% average growth for the same period. In the long term, unfavourable demographics also pose a risk to fiscal sustainability.

Debt and Liquidity

Portugal's high level of government debt and relatively large medium-term refinancing needs expose the country to adverse shocks. The government debt ratio, however, has started to decline this year, while the debt repayment profile has also improved, reducing rollover and liquidity risks.





Source: IGCP, Public Finance Council, Socialist Party, IMF, European Commission, Haver Analytics, DBRS. Note: Baseline scenario is drawn from IMF October 2015 WEO projections. Forecasts by the Public Finance Council are based on a no-policy-change assumption.

General government debt increased significantly from 2010 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 also added to public debt. In 2014, general government gross debt reached 130.2% of GDP, the third highest ratio in the Euro area, leaving the government with very limited fiscal flexibility and vulnerable to adverse shocks. Debt dynamics are particularly susceptible to a negative growth shock and a primary deficit shock. Under the scenario depicted above – which assumes a cumulative fall in real GDP of 4.7% in 2016-2018 – the debt ratio would rise above 130% again in 2017 and then would remain at 128% until 2019. Assuming a primary deficit of 1.8% of GDP on average in 2016-2018, the debt ratio would increase to 135% by 2019. On the other hand, the risk arising from contingent liabilities has moderated following the restructuring of most state-owned enterprises (SOEs) since 2013, the renegotiation of concessions with public-private partnerships, and the strengthening in banks' capital ratios.

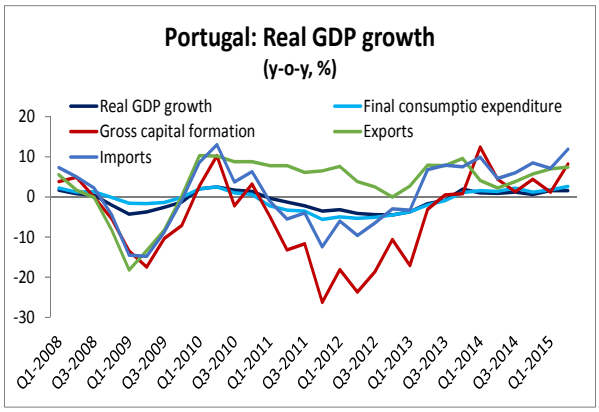
Nevertheless, with the fiscal deficit on a declining trend and the economic recovery gathering some momentum, government debt peaked in 2014 and is projected to fall gradually, to about 124% by 2016, under our baseline scenario. Other factors, including the sale of Novo Banco, are also expected to contribute to the reduction in government debt, although the timing of this remains uncertain.

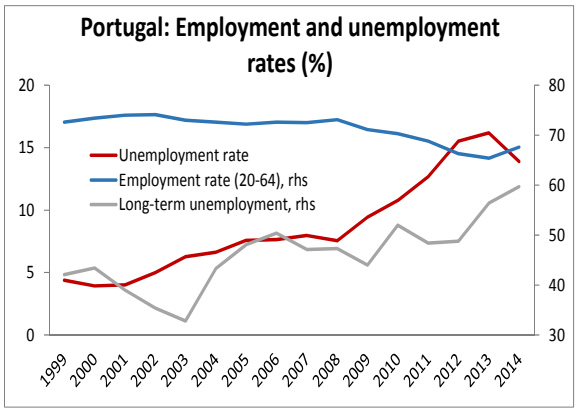
Portugal's debt repayment profile has also improved, which mitigates some of the risks stemming from its large financing needs. The government has extended debt maturities, successfully raising €19.0 billion in medium to long-term bonds in 2015. The debt average maturity was 7.8 years as of end-September 2015, which compares favourably to that of Italy (6.4 years) and France (7.0 years). Moreover, after fully covering its financing requirements for this year, the government has started to build cash reserves to meet part of its funding needs for next year. At the same time, the Portuguese government started to repay a part of its loans to the IMF ahead of schedule. This year, the Portuguese debt agency (IGCP) has paid €8.4 billion, equivalent to close to 30% of the total obligations to the IMF. Repayment to the IMF is improving 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 of around 4%. The early repayment is expected to result in important interest cost savings and thus contribute to the fall in interest payments from 4.9% 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, although markets have reacted recently to the uncertainty over the formation of a new government. Government bond yields have remained below pre-crisis levels, with the 10-year yields at around 2.4% year to date. Yields should remain low, in large part reflecting the ECB's quantitative easing programme.

Economic Structure and Performance

The recovery of the Portuguese economy continues to move forwards, alongside a gradual re-orientation of resources towards export-oriented sectors. Potential growth, however, remains low, weighed by remaining vulnerabilities and inefficiencies.





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

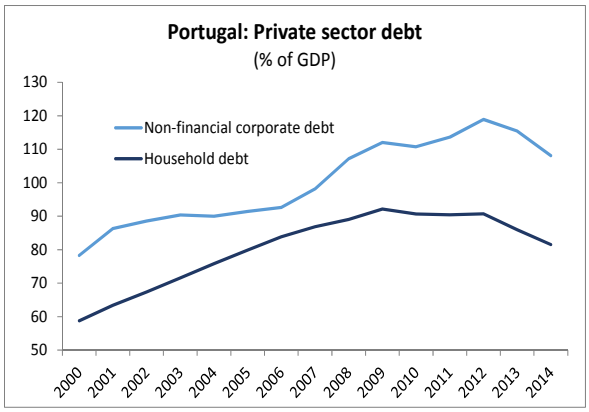
The Portuguese economy has continued to recover moderately from the double-dip recession suffered between 2008 and 2013, which followed a period of credit expansion and large macroeconomic imbalances. The subsequent need for economic rebalancing was made even more challenging by major structural rigidities of the Portuguese economy. Nevertheless, under the 2011-2014 EU/IMF Economic and Financial Adjustment Programme, important structural reforms were adopted. Private consumption remains the main driver of the economy, accounting for about 65% of GDP, but the reallocation of resources to economic sectors oriented to external demand has progressed, with exports increasing to 41% of GDP in 2014 from 27% in 2008.

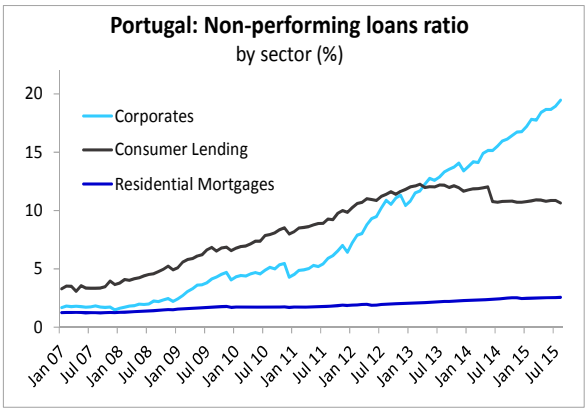
In the first half of 2015, real GDP grew by 1.6%, up from 0.9% in 2014, driven by domestic demand. Private consumption has been supported by improving sentiment, a rise in real disposable incomes and stabilization in labour market conditions. The unemployment rate has indeed fallen from a peak of almost 18% at the beginning of 2013 to 11.9% in Q3 2015, although it is still above a pre-crisis level of around 7.5%. Fixed investment, which fell by a cumulative 38% in 2008-2013, has been recovering from very low levels, reflecting the easing in credit conditions and the positive impact on business investment from the reform of the corporate income taxation, which entered into force in 2014. Exports have also performed well, largely benefiting from the robust recovery of the Spanish economy, although the contribution of net exports to growth has been offset by import growth as domestic demand recovers. For the year as a whole, the Portuguese economy is forecast to expand by 1.7%, followed by growth of 1.9% in 2016. Nevertheless, downside risks include uncertainty over the economic policy environment following the Portuguese elections in October, as well as from a weaker-than-expected recovery in external demand, financial turmoil stemming from adverse developments in Greece, and renewed geopolitical tensions affecting sentiment in the Euro area.

Notwithstanding the ongoing rebalancing and recovery of the economy, growth prospects look modest in the longer term. Real GDP remains 6.4% below its pre-crisis levels and might not return to that level until 2020. Labour market reforms have reduced employment protection and introduced more work-time flexibility, but labour regulations are still considered somewhat restrictive. Weaknesses also persist in services markets, and competition in product markets is still relatively low, while inefficiencies in the judicial system and the public administration add to the constraining factors. Moreover, 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 32%, though declining, and the long-term unemployment is also elevated at 60% of total employment, all of which hampers human capital and the contribution of labour supply to potential growth. Therefore, we would be concerned if structural reforms are reversed.

Monetary Policy and Financial Stability

Moderate growth and very low inflation pose challenges to the ongoing corporate deleveraging process, with negative implications for the financial system. The banking sector, while well capitalized, has continued to perform poorly, as banks' asset quality has continued to deteriorate, albeit at a slower pace.





Note: Private sector debt on a consolidated basis, and according to Eurostat definition. Source: Eurostat, Banco de Portugal, DBRS.

Following a period of deflation in 2014, the annual inflation rate turned positive in March 2015, reflecting higher food prices, the waning effect of the fall in energy prices, and growing wages. Therefore, the risk of deflation appears contained. The inflation rate, nevertheless, is expected to remain low at just 0.5% on average this year, before rising above 1% in 2016.

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 a peak of 119% in 2012, and household debt at 82%, down from 92% in 2009. Policy measures have been adopted in recent years to address the financial situation of non-financial corporations, including the overhauling of the corporate insolvency and restructuring framework. Despite these efforts, inefficiencies in the legal system have complicated the restructuring of firms.

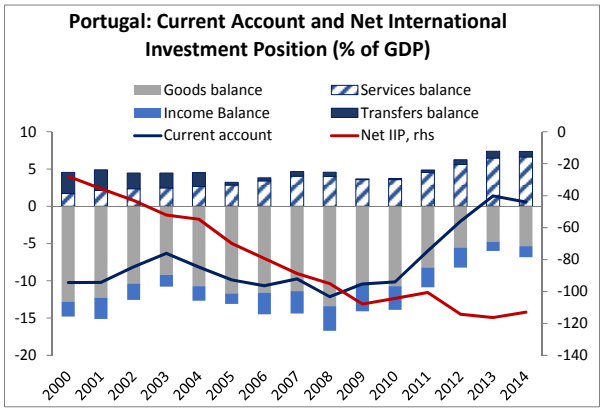
In the meantime, high corporate debt, ongoing bank deleveraging and the still difficult operating environment have continued to weigh on the performance of Portuguese banking sector. Non-performing loans in the corporate sector increased to 21.1% of total loans Q2 2015, well above the ratio for the overall system of about 12.6%, although some signs of stabilization have been evident. The high level of provisioning, together with exceptionally low rates on mortgages and declining lending volumes, continue to put pressure on bank profitability. After three years of losses, the overall banking sector posted profits in Q1 and Q2 2015, but profitability remains weak. The sector also remains exposed to Portuguese sovereign debt. Nevertheless, Portuguese banks have strengthened their capital positions over the past two years and improved their funding profiles. As of Q2 2015, banks' Common Equity Tier 1 (CET1) ratio stood at 11.6%, and their loan-to-deposit ratio declined to 106%, from over 150% in 2011, 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 Q2 2012 to €30.3 billion in Q2 2015 (7.2% of total liabilities).

Meanwhile, the sale of Novo Banco, the bridge bank created as a result of the resolution of Banco Espirito Santo (BES) in mid-2014, was suspended in September. The sale process is expected to be resumed after the Bank of Portugal announces the additional capital requirements for Novo Banco later this year. However, the timing of the sale is uncertain, as it will depend on market conditions. If Novo Banco is sold for less than the capital injection of €4.9 billion provided by the Resolution Fund (with €3.9 billion lent by the government), Portuguese banks would most likely have to bear the losses.

Balance of Payments

Portugal's current account remains in small surplus, following a substantial correction of persistent deficits.

Exports continue to perform well, but imports are also rising as the economic recovery takes hold. Moreover, the country's net external liability position remains high.



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

The adjustment of the large current account deficit – which peaked at 12.1% of GDP in 2008 reflecting strong consumption, low savings and weak export performance – has been maintained. A modest current account surplus of 1.4% of GDP in 2013 was followed by another of 0.6% in 2014, and it is forecast at close to 1% in 2015. While import compression contributed to the correction of the external imbalance, structural factors also accounted for the adjustment. These factors include structural fiscal consolidation and private sector deleveraging, while improved product and geographical specialization of exports also explain part of the correction.

Reflecting a more favourable product mix and some trade diversification with countries outside the European Union, Portugal's export market share in world exports has increased since 2009. Improved export performance has also been driven by some gains in external competitiveness and strong tourist receipts. More recently, the effect on exports from a euro depreciation has been limited, as most Portuguese exports are still destined to the Euro area. Demand from Angola, Portugal's largest non-euro export market, has been severely impacted by the fall in oil prices, although exports to the US and UK have performed well. At the same time, as domestic demand continues to recover, imports have also accelerated. Moreover, risks to export performance include weaker-than-expected growth in Europe, particularly Spain; a further slowdown in emerging markets, especially Angola, Brazil and China; and developments in the domestic car manufacturing industry, following the Volkswagen scandal globally. Production at Autoeuropa, Volkswagen's assembly plant in Portugal, accounts for about 2.5% of total exports.

Meanwhile, the negative net international investment position remains large, leaving the country exposed to higher costs of external finance. The country's net external liabilities remain among the highest in the Euro Area at almost 115% of GDP in Q2 2015, mainly accounted for by the government's net external debtor position. The net external asset position of the non-bank private sector has improved somewhat over the past two years. However, higher and sustained current account surpluses are needed to help reduce Portugal's sizable external liabilities.

Political Environment

Last Election:	4 October 2015
Next Election:	By October 2019
Party in Power:	Social Democratic Party (PSD)-led coalition with the Popular Party (CDS-PP)
Government Structure:	Parliamentary democracy
Prime Minister:	Pedro Passos Coelho

Portugal has generally enjoyed a broadly stable political system. However, the results from the general elections, held on 4th October, and subsequent developments around the formation of the government have increased political risks and generated uncertainty.

After leading the opinion polls for several months, the opposition centre-left Socialist Party (PS) lost ground as the elections approached, while support for the centre-right PSD/CDS alliance – Portugal a Frente (PAF) – increased. However, although the centre-right alliance obtained the most votes (38.6%), it failed to gain a majority in the 230-seat Parliament. The Socialist Party (PS) secured 32% of the votes, while support for anti-establishment political parties proved higher than opinion polls had suggested. The Left Bloc (BE) obtained 10% of the votes and the Communist-Greens coalition 8%.

Subsequent talks between the centre-right PSD/CDS coalition and the Socialist Party over an agreement to support a stable government failed and the centre-right minority government took office at the end of October. But with only 107 seats in Parliament, its economic programme was voted down in November by the centre-left and left-wing parties, which together hold 122 seats. Moreover, the Socialist Party reached instead an agreement with the Left Bloc, the Communist Party (PCP) and the Greens (PEV) on an economic programme, which could allow it to form a left-wing coalition government.

These developments have increased the uncertainty over the political and macroeconomic policy outlook. Given the divide between the Socialist Party and the Left Bloc and the Communists on some political issues, concessions would be expected to be made under a left-wing alliance government. Moreover, the alliance could still prove unstable and therefore, early elections next year remain a possibility. Economic policy could also become less predictable, even if the alliance has a majority in Parliament.

Nevertheless, the Socialist Party has traditionally been pro-euro and it would be the leading party of a left-wing alliance. The Socialist Party, in its proposed economic programme agreed with the Left Bloc and the PCP and presented on 7th November, has assured its commitment to the fiscal rules under the Stability and Growth Pact. Therefore, under a government led by the Socialist Party, DBRS would expect broad adherence to the EU economic governance framework. Nevertheless, deviations from prudent economic policies, including a large fiscal slippage and a reversal of structural reforms, which threaten to return to large macroeconomic imbalances would be a clear indication of weak political commitment to sustainable economic policies.

Republic of Portugal

Report Date:
13 November 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	196.2	212.5	219.6	225.8
% GDP	83.6%	96.2%	111.4%	126.2%	129.0%	130.2%
General Government Net Debt	139.1	164.9	177.4	194.4	201.7	208.1
% GDP	79.3%	91.6%	100.7%	115.4%	118.4%	120.0%
Central Government Gross Debt	142.1	168.4	192.2	211.3	219.3	227.0
% GDP	81.0%	93.6%	109.1%	125.5%	128.8%	130.9%
Domestic Debt						
General Government	36.6	72.8	93.0	77.0	75.3	57.3
% GDP	20.9%	40.5%	52.8%	45.8%	44.2%	33.0%
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%	84.8%	97.1%
Private Sector	285.6	307.7	282.3	263.7	243.6	238.2
% GDP	162.8%	171.0%	160.2%	156.6%	143.1%	137.3%
Gross External	395.7	407.9	385.5	399.2	388.0	406.6
% GDP	225.5%	226.7%	218.8%	237.1%	226.4%	235.5%
Private Sector Debt						
Household	161.6	163.1	159.4	152.8	146.4	141.4
% GDP	92.1%	90.7%	90.5%	90.7%	86.0%	81.5%
Non-Financial Firms	196.6	199.3	200.2	200.3	196.5	187.4
% GDP	112.1%	110.8%	113.7%	118.9%	115.4%	108.1%
Fiscal Balances (% GDP)						
Revenues	40.4%	40.6%	42.6%	42.9%	45.1%	44.5%
Expenditures	50.2%	51.8%	50.0%	48.5%	49.9%	51.7%
Interest Payments (% Revenues)	7.4%	7.2%	10.1%	11.4%	10.8%	11.0%
Primary Balance	-6.8%	-8.2%	-3.1%	-0.8%	0.0%	-2.3%
General Government Balance	-9.8%	-11.2%	-7.4%	-5.7%	-4.8%	-7.2%
Balance of Payments & Liquidity						
Current Account Balance	-18.2	-18.3	-10.6	-3.7	2.2	1.1
% GDP	-10.4%	-10.2%	-6.0%	-2.2%	1.3%	0.6%
Trade Balance (% of GDP)	-6.7%	-7.1%	-3.7%	0.1%	1.8%	1.3%
Net Foreign Direct Investment (% of GDP)	-0.8%	-5.1%	2.5%	-8.4%	-1.4%	-1.4%
International Investment Position	-189.3	-187.7	-177.4	-192.4	-198.1	-196.1
% GDP	-107.9%	-104.3%	-100.7%	-114.2%	-116.3%	-113.0%
External Assets	478.7	465.2	410.0	417.0	423.8	396.2
External Liabilities	751.4	716.1	639.4	670.6	696.8	634.3

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

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.