

Economic Context

GLOBAL SITUATION

Despite the return of turbulence to international financial markets, in 2011 global GDP grew by nearly 4% (4.6% in 2010), with the major developed economies and those of emerging markets performing quite positively, except for the downturn in Japan, strongly punished in human and material terms by the March earthquake and the Fukushima plant disaster.

The Euro-zone crisis was at the centre of attention and generated a widespread loss of confidence among economic players, caused by the lack of political resolve to take steps to tackle the sovereign debt crisis and prevent it from spreading.

Reduced credit and the measures applied to achieve budget consolidation targets strongly contributed to the gradual cooling of the economy and consequent rise in unemployment, a trend which should continue in the next few years.

In 2012 the main international bodies anticipate a panorama of global GDP growth slowing to about 3%. The major emerging economies should continue to grow at a sustained pace, albeit more moderate than in the recent past, partly offset by weaker performance of the developed economies.

SITUATION IN PORTUGAL

As indicated by the Bank of Portugal, the year was marked by the Portuguese state's request for financial assistance from the European Union and the International Monetary Fund. This led to formalization of an Economic and Financial Assistance Programme (EFAP) in which the Portuguese government pledged to adopt structural measures to adjust macroeconomic imbalances accumulated over the last several years which have led to the growing need for external financing.

The request was made in April during a period marked by major tension in international financial markets, during which the public sector and the financial system lost access to credit in normal conditions, putting external debt solvency at risk.

The adjustment programme signed with international creditors had an inevitable contraction effect aggravated by the sliding public accounts deficit in the first half of 2011 (8.3% of GDP), which meant additional steps had to be taken to achieve the 5.9% goal set for the whole year.

The latest figures published by the INE (National Statistics Institute) indicate a 1.5% retreat of the economy in 2011, slightly less than the 1.6% anticipated by the Bank of Portugal.