The evolution of GDP in 2011 indicated a widespread fall in internal demand (-5.2%), partly offset by substantial growth in exports (7.3%) and a major drop in Gross Fixed Capital Formation (-11.2%).

Losses intensified in the last quarter of the year due to falling external demand addressed to the Portuguese economy, weakening exports, tighter credit in the economy caused by the process of deleveraging the banking sector, and the higher direct and indirect taxes which cut into families' available income.

Unemployment remained high (12.5%), while the higher VAT for some administered prices along with climbing oil prices drove inflation (3.6%).

Budget consolidation measures in the scope of the state budget and the expected slowdown of global economic growth heavily impacted the Portuguese economy's performance in 2012, with GDP estimated to have fallen by about 3.1%, which will result in the deepest recession since 1975.

Conditions of internal origin will lead to an unprecedented contraction of private consumption (-6.0%), due to the joint effect of the abrupt drop of available income for civil servants, state business sector employees and pensioners, salary freezes, higher income tax via lower earned income allowances and higher indirect taxes, specifically the VAT reclassification of many products and services, which shift from low and intermediate rates to the maximum rate.