Situation in Portugal

Portuguese GDP fell 1.5% in 2013, contradicting most forecasts, which predicted a slowdown in excess of 2%.

The continued good performance on the external front, especially as regards exports of goods and services, and a slight recovery in domestic private demand are the main factors explaining the less negative behaviour of the Portuguese economy.

The increase in unemployment, which, despite a slight dip in the last quarter, rose over the year as a whole from 15.7% to 16.6%, should be noted.

After three consecutive years of recession, the available indicators suggest that 2014 will see a return to moderate growth, estimated at 1% of GDP. No substantial improvement is expected in the employment market, although the unemployment rate is expected to decline slightly.

As regards the commitments assumed at European level, the process of fiscal consolidation will continue, based on cutbacks in public spending, which will mainly affect spending on public employees, pensions and welfare benefits.

The end of the Economic and Financial Assistance Programme will force a transition to a new market-based model of government financing. This will be a major challenge to the country's ability to maintain the confidence of international creditors and improve debt service conditions.

The great unknown, however, will be the sustainability of economic growth, considering the negative impact that implementation of the additional austerity policies envisaged in the 2014 national budget is likely to have on consumption and private investment.

Situation in Spain

Spanish GDP contracted by nearly 1.2% over 2013 as a whole. In the last half, after nine consecutive quarters of contraction, the economy finally showed clear signs of a change of trend, allowing predictions of moderate growth in the region of 1% for 2014.

The recovery is attributable to the strengthening of the export sector, thanks to the increase in competitiveness