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Assessment of the 2013 national reform programme and stability programme for PORTUGAL

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Economic Outlook

The recession deepened in the final quarter of 2012 and GDP contracted by 3.2% last year, more than previously expected. The Commission has revised downwards its outlook for 2013-15 and predicts GDP to contract by 2.3% this year and grow by 0.6% in 2014 and 1.5% in 2015. The larger-than-expected decline in economic activity was driven by a marked contraction of domestic demand and strongly decelerating net exports. Unemployment was also higher than expected, at 17.3% in the last quarter of 2012, and is forecast to peak at 18.5% in 2014. Meanwhile, the rebalancing towards more export-oriented growth continues at a good pace and the current account is projected to be balanced in 2013 for the first time in more than 40 years.

The 2012 deficit reached 6.4% of GDP, also resulting from the statistical treatment of several one-off operations. At the seventh Programme review, the staff from the Commission, the European Central Bank and the IMF supported a revision of the deficit targets from 4.5% to 5.5% of GDP in 2013 and from 2.5% to 4% of GDP in 2014 to allow the operation of automatic stabilisers. In early April the Constitutional Court ruled against a number of measures in the 2013 Budget Law worth about 0.8% of GDP, and to cover the resulting fiscal gap the government adopted a package of permanent expenditure-reducing measures with cumulative yields of EUR 4.7 billion (2.8% of GDP) over 2013-14. Fiscal consolidation is expected to continue beyond the programme period to bring the deficit clearly below the 3% threshold by 2015. Public debt rose to 123.6% of GDP in 2012, and is projected to decline gradually after peaking in 2014.

Key Issues

The implementation of the Economic Adjustment Programme is broadly on track. Significant fiscal consolidation has been achieved since the start of the programme, the stabilisation of the banking sector is progressing according to schedule and major structural reforms are being implemented.

Nevertheless, significant challenges remain, and the authorities will need to engage in further fiscal consolidation to put public finances on a sustainable footing and tackle the rapid increase unemployment, in particular among the young and older workers. Households and the corporate sector need to continue the ongoing process of deleveraging, which is a major prerequisite to restore confidence and set the conditions for sustainable economic growth. In addition, significant structural reforms are still needed for instance to further reduce excessive costs in the energy sector and in ports and to lower the administrative and licensing barriers to doing business.

- **Fiscal policy**: While a significant structural adjustment has already been achieved, compliance with the fiscal targets will require a strict implementation of the 2013 budget and of the measures identified in the ongoing public expenditure review. Further consolidation will be needed after the programme period to comply with the new EU fiscal governance framework. 2013 will be a crucial year to make further important healthcare savings, particularly on pharmaceuticals and in the hospital sector to achieve the targets set in the programme.

- **Banking sector**: The recapitalisation of the banking sector has been completed, banks' funding and liquidity conditions have improved further, and the strengthening of bank supervision and resolution frameworks is almost complete. New tools for restructuring corporate and household debt are in place and gaining traction, although the effectiveness of these tools will need to be monitored closely. Access to credit remains costly and difficult compared to the euro area average, in particular for small and medium-sized enterprises.

- **Structural reforms**: The pace of implementation of the structural reform agenda is overall satisfactory, with important progress made in public administration reform, privatisations, education, road concessions, housing, services sector and on regulated professions. Tackling the high level of unemployment is a top priority in the policy agenda, and a comprehensive labour market reform was adopted and entered into force in 2012. However, the rise in unemployment, which is particularly high among young people, has implications on poverty and inequality, with around a quarter of the population at risk of poverty and social exclusion in 2012. Meanwhile railway reform has been slow. There also needs to be faster progress in the setting up of the Point of Single Contact (PSC) portals for entrepreneurs to reduce the administrative burden for businesses and attract investment.

1. INTRODUCTION

Following a request by Portugal on 7 April 2011, the Troika consisting of the European Commission, the European Central Bank (ECB) and the International Monetary Fund (IMF) negotiated with the Portuguese authorities an Economic Adjustment Programme. The programme approved by the ECOFIN Council and the Board of the IMF in May 2011 covers the period 2011-14 and mobilises EUR 78 billion for possible fiscal-financing needs and support to the banking system. It includes contributions of (up to) EUR 26 billion from the European Union under the European Financial Stabilisation Mechanism (EFSM), another third by the European Financial Stability Facility (EFSF) and EUR 26 billion from the IMF under an Extended Fund Facility.

The programme seeks to restore confidence, put public finances on sustainable footing, enable the economy to return to balanced growth and safeguard financial stability. To this end, the programme provides for comprehensive action on three fronts:

> (1) A credible and balanced fiscal-consolidation strategy, supported by structural fiscal measures and better fiscal control over Public-Private-Partnerships (PPPs) and state-owned enterprises (SOEs), designed to put the gross public debt-to-GDP ratio on a firm downward path in the medium term. The authorities are committed to reducing the deficit to 2.5 % of GDP by 2015.
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> (2) Efforts to stabilise the financial sector through market-based mechanisms supported by back-up facilities. Central aspects here are measures to foster a gradual and orderly deleveraging, strengthened capitalisation of banks and reinforced banking supervision.
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> (3) Thorough frontloaded structural reforms to boost potential growth, create jobs, and improve competitiveness. In particular, the programme entails reforms of the labour market, services and network industries, the judicial system, licensing and the rental market in order to strengthen the economy's growth potential, improve competitiveness and facilitate economic adjustment.

Progress in implementing the economic adjustment programme is monitored by the Commission, ECB and IMF on a quarterly basis, in line with the provisions of the Memorandum of Understanding (MoU). Compliance with the terms set out in the MoU and in the IMFs Memorandum of Economic and Financial Policies (MEFP) is assessed prior to every quarterly loan disbursement. Given the conditionality attached to the programme under the MoU and the regular reporting and monitoring requirements, programme countries have been exempted from the obligation to submit national reform programmes (NRP) and stability or convergence programmes [1]. However, Portugal chose to submit an updated stability programme on 30 April 2013 and an update of the national reform programme on 2 May 2013 outlining information on structural reforms in key policy areas contributing to achieving the Europe 2020 targets. Both of them are consistent and in line with the objectives of the Economic Adjustment Programme. This Staff Working Document under the 2013 European Semester provides a summary of the recent progress on programme

[1] As per the Secretariat General's letter to ambassadors of 13 September 2012 (Ares(2012)1063684).

implementation and achieving the Europe 2020 targets. Additional details can be found in the reports on the state of programme implementation that the European Commission publishes following each review mission[2].

The Support Group (SGPT) has provided assistance to the Portuguese Government in various policy areas. The SGPT was created late 2011 and has been assisting the government by providing technical assistance in areas such as public finance management (regional and local budgetary frameworks, tax administration), structural funds, transport, agriculture, internal market, judicial reform and education. The creation of the SGPT by the European Commission represents a strong gesture of helping and easing the implementation of the Adjustment Programme in Portugal, aimed at pooling resources and building confidence to restore growth, competitiveness, jobs and social stability in the country.

2. ECONOMIC SITUATION AND OUTLOOK

Real GDP decreased by 3.2% in 2012. The larger-than-expected decline in economic activity was driven by a marked contraction of domestic demand as well as strongly decelerating net exports towards the end of the year.

The rebalancing towards a more export-oriented economic structure is progressing at a good pace. Export performance was remarkable in 2012 despite the decline observed in the last quarter of the year, maintaining the upward trend observed over the last few years. The share of exports in GDP progressed from 28% in 2009 to 38.7% in 2012. As a result, the current account deficit fell from over 10% in 2010 to under 2% in 2012. The current account is projected to be balanced this year for the first time in more than 40 years.

The outlook in the labour market has deteriorated with the unemployment rate now expected to peak at 18.5% in 2014. The unemployment rate reached 17.5% of the labour force in the first quarter of 2013 and continues to increase. The worse-than-expected developments are due to the stronger-than-expected contraction of economic activity and the significant adjustment in employment in the public sector. Youth unemployment remains of a particular concern as its rate increased to 38.2% in the first quarter of 2013. The employed population decreased by 4.2% during 2012 and the employment rate was reduced by 2.6 p.p. The number of underemployed part-time workers, corresponding to 5.9% of total employed population, increased by 16.6% since end of 2011. The percentage of young people aged 15-24 neither in employment nor in education or training (NEET) has also been increasing and reached 14.1% in the last quarter of 2012 and 32.8% of unemployed people under 25 have been unemployed for more than 12 months. Another issue of major concern is the increase in long-term unemployment, which accounted for 51.1% of the total unemployment at the end of 2012.

Real GDP is forecast to contract by 2.3% this year and to grow by 0.6% and 1.5% in 2014 and 2015, respectively. The last quarter of 2012 turned out significantly worse than expected with respect to both economic activity and labour market developments. The 3.2% contraction of GDP in 2012 was driven by a drop in domestic demand of close to 7%, which

[2] These reports along with other information related to the Economic Adjustment Programme can be found on http://ec.europa.eu/economy_finance/assistance_eu_ms/portugal/index_en.htm

was only partially offset by net exports. Beyond the negative carry-over effects of the larger-than-expected contraction in the fourth quarter of 2012, the downward revision of the macroeconomic forecast in 2013 is primarily due to a deterioration of the growth outlook in Portugal's export markets as well as a stronger and more persistent fall in private consumption on the back of higher than previously expected unemployment and tax increases. While economic activity is expected to bottom out in the second half of the year, subdued domestic demand and the weak labour market are expected to continue exerting downward pressure on wages and prices. Economic growth is expected to become more balanced in 2015 when the contribution of domestic demand is forecast to turn positive.

Portugal has started to partially regain access to capital markets. Successful sales of 5-years and 10-years debt amounting to EUR 2.5 billion and EUR 3 billion respectively have taken place in 2013. On top of that, the Portuguese Treasury has been auctioning regularly three, six, twelve and eighteen month bills supported by a strong demand and at yields significantly lower than in 2011. As a result, the Treasury has built a substantial cash buffer in the beginning of 2013. The buffer removes funding pressure and provides a backstop in case market conditions for bond issuance would deteriorate. In addition, the Eurogroup and the ECFIN Council have agreed to lengthen the maturities of the EFSM and EFSF loans to Portugal by increasing the weighted average maturity by 7 years as a result of its successful programme implementation.

3. ECONOMIC CHALLENGES

3.1 FISCAL POLICY AND TAXATION

The 2012 general government deficit reached 6.4% of GDP in national accounts terms, above the 5% target. Several large one-off operations such as the capital injection into the state-owned bank CGD and the re-routing of the conversion of shareholder loans to a state-owned enterprise (Sagestamo) contributed to this. In addition, the sale of the Lisbon airport concession was not recorded as a deficit-reducing operation as originally planned. The end-year general government cash deficit target was met as a result of a significant tightening of outlays to offset broad-based tax revenue shortfalls due to weaker economic activity. Expenditure restraint was achieved notably through a reduction of public employment ahead of schedule, savings in intermediate consumption and the freezing of budgetary appropriations for new investment projects. Regional and local budget execution turned out better-than-expected.

Fiscal consolidation is set to continue over the coming years. At the seventh quarterly Programme review, the EC-ECB-IMF staff supported a revision of the deficit targets from 4.5 % to 5.5 % of GDP in 2013 and from 2.5 % to 4 % of GDP in 2014. This path maintains a structural primary adjustment of nearly 9% over the period 2011-15, while allowing the operation of automatic fiscal stabilizers and taking into consideration financing and debt constraints as well as the social costs of the adjustment. Consolidation is expected to continue beyond the programme period so as to bring the deficit clearly below the 3% threshold by 2015.

At 33.2% in 2011, the total tax-to-GDP ratio in Portugal is below the EU-27 average of 38.8%. The tax structure is characterised by a strong reliance on indirect taxes, whose share in the total is 42.2%. After a sharp drop in 2009, corporate income tax and VAT collection have improved in percentage of GDP. Notably, the standard and reduced VAT rates have been increased in several steps since 2010. The implicit tax rate on labour is the third lowest in the EU at 25.5% Environmental taxes to GDP are at par with the EU average but property taxes are at 1.1% GDP below the EU average of 2.1%.

The fiscal adjustment path for 2013 and 2014 is underpinned by a permanent targeted consolidation effort based on discretionary measures. The 2013 Budget Law includes on the expenditure side reductions in the public sector wage bill, rationalisation efforts in the health sector, SOEs and PPPs and streamlining of social spending. On the revenue side, it foresees a restructuring of the Personal Income Tax (PIT), a surcharge of 3.5 % imposed on the part of taxable income above the minimum wage and a solidarity surcharge on the highest levels of income, an extraordinary and progressive social contribution on pensions to cope with ageing-related sustainability challenges, higher excises on tobacco, alcohol and natural gas and the broadening of property taxation after the revaluation of properties. Overall, the budget measures amount to over 3% of GDP. However, on 5 April the Constitutional Court ruled against some of the 2013 budget measures involving an estimated 0.8% of GDP.

In the course of April and May 2013 the government adopted a package of permanent expenditure-reducing measures with cumulative yields of EUR 4.7 billion (2.8 % of GDP) over 2013 and 2014. These measures have been mainly drawn from the comprehensive review of public expenditures recently undertaken and identifies most of the savings necessary to cover the fiscal gap created by the Constitutional Court ruling and to meet the 2013-14 deficit targets. These permanent spending-based measures aim at rationalising and modernising public administration, improving the sustainability of the pension system and achieving additional cost savings in line ministries.

The debt-to-GDP ratio attained some 123.6% in 2012, partly reflecting the statistical treatment of the transfers of privatisation receipts from Parpública to the State. Going forward the general government debt is projected to decline gradually after peaking in 2014 as a result of the expected fiscal consolidation together with specific measures to curb the increase in debt.

The budgetary framework is being reinforced. The Budget Framework Law was amended in January 2013 with the aim to incorporate the requirements for a reinforced domestic fiscal governance framework, stemming in particular from the 'Six-Pack' and the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union[3], which was ratified by Portugal. The regional and local policy frameworks are also being strengthened**.** Draft Regional and Local Finance Laws were adopted, applying the principles of the Budgetary Framework Law and the strengthened EU fiscal policy framework. The laws set improved coordination mechanisms between the central and the local and regional administrations, a multi-annual budgetary framework and tighter fiscal rules. The law on the administrative reorganisation of local entities entered into force last year, allowing for the reduction in the number of parishes by at least 25 %. In addition, the new framework law of local attributions and competences was adopted in Parliament and will provide the legal basis for a more efficient division of labour between the central and local administrations. The

[3] The transposition deadline for the Directive 2011/85/EU on requirements for the budgetary frameworks of the Member States is 31 December 2013 and 1 January 2014 for the inter-governmental Treaty.

regional government of Madeira has made progress in budget consolidation and public finance management reforms. Despite disappointing revenue, the regional deficit target for 2012 was achieved owing to good expenditure control.

Policy implementation in the health sector is continuing broadly in line with targets and starts to deliver significant savings. Revenues from moderating fees (co-payments) and fees charged to cross-border/foreign patients doubled in 2012 compared to 2011 (additional EUR 110 million). A wide set of measures have been implemented to streamline spending in pharmaceuticals and improve the cost-effective use of medicines. These measures are leading to important savings in both public (EUR 470 million since 2010) and private spending (about EUR 100 million). Significant savings have also been realised in the hospital sector. Operational costs in 2012 went down by 6% compared to 2011 (about EUR 316 million). About EUR 1.5 billion of overdue debt and arrears have been paid and an additional amount of EUR 432 million is available to pay off a large part of the remaining arrears. 2013 will nevertheless be a crucial year: further important savings are necessary both in terms of pharmaceutical and in the hospital sector to achieve the targets set in the MoU. More specifically, the hospital reorganisation plan to which authorities have committed should start being implemented.

3.2 Financial sector

Financial stability risks remain well managed. The recapitalisation of the banking sector has been completed and has made the sector more resilient to the macroeconomic conditions. Banks' funding and liquidity conditions have improved further. Some banks have tapped international markets with covered bonds and unsecured lending. Borrowing from the European Central Bank has declined, partly reflecting better system liquidity. Deposits remain similar to pre-programme levels. The strengthening of banking supervision and resolution frameworks is almost complete. New tools for restructuring corporate and household debt are in place and gaining traction, although the effectiveness of these tools will need to be monitored closely. Bank lending rates remain at high levels when compared with other euro area countries.

Credit conditions for firms have improved somewhat but remain difficult, particularly for SMEs, with lending rates on new loans often elevated relative to the euro area average. Measures to ensure adequate funding to viable SMEs include a review of the effectiveness of government-guaranteed credit lines. To mitigate the impact of banks' deleveraging strategies on their ability to finance the corporate sector, new options of financing are being considered such as the development of a commercial paper market for SMEs and improved information sharing on credit quality through the credit registry.

3.3 Labour market, education and social policies

The employment rate peaked in 2008 at 73.1% and started to decline since then. In 2012, it attained a historically low level of 66.5%. This very negative trend is explained by the fast deterioration of the labour market during the economic crisis. The achievement of the national target of 75% by 2020 proves now challenging. The labour market reform adopted last year, the implementation of a set of Active Labour Market Policies co-financed by the

Structural Funds and the reform of the Public Employment Services are aimed at reversing the negative trends and fostering employment creation.

A comprehensive labour market reform was adopted and entered into force last year. The new legal framework has reduced severance payments, eased the definition of individual fair dismissals, increased working time flexibility, widened the scope for bargaining at firm level and revised the unemployment insurance benefits system to increase incentives for a rapid return to work, while guaranteeing a sufficient level of protection, especially during the current recession. The promotion of longer working lives and postponed retirement decisions will also help improve the adequacy of future pensions. In addition, sectorial collective agreements will need to fulfil a representativeness threshold before being considered for extension to the whole sector. More recently, a draft law on a further reduction in severance payments has been submitted to Parliament. In parallel, the authorities have strengthened active labour market policies by stepping up activation, launching a wage subsidy scheme, improving the training on offer and implementing specific actions to target youth unemployment such as internships and hiring incentives in the context of the youth opportunities initiative launched by the European Commission. A reform of Public Employment Services, with a view to increasing its efficiency, is also underway. However, despite all these measures, achievement of the Europe 2020 employment will prove challenging. Moreover, Portugal aims at reducing the number of people at risk of poverty or social exclusion by 200000 persons by 2020.

The reduction of early school leaving rates has been significant. Early school leaving has been gradually declining over the last decade from 45% in 2002 to 20.8% in 2012. However it remains among the highest in the EU and significantly above the EU average. The most relevant policy actions to reach the national target of 10% are the development of a monitoring tool which provides the means to follow results by school and student, the strengthening of the external evaluation of schools, the enlargement of the networks of schools with autonomy agreements and the setting-up of a dual training system in secondary education by which a share of the teaching will be developed in cooperation with the business community.

The percentage of people aged 30-34 with tertiary education is gradually increasing. It reached 27.2% in 2012, which compares with 17.7% in 2005, but remains significantly below the EU average. In addition, there are very significant parts of the society with low levels of education. The objective of reaching 40% by 2020 will require significant efforts and commitment from the Portuguese authorities. Revision of the upper education system to align it better with market needs and the reinforcement of the capacity and quality of institutions of upper education to make them more flexible are among the main measures in this area.

Portugal committed to reduce the number of persons at risk of poverty by 200,000 by 2020. Despite the economic crisis, from 2008 to 2011 the number of persons at risk of poverty decreased by 92,000, but remains high at 2.6 million people. In general, the measures adopted in the context of the implementation of the Economic Adjustment Programme have been devised so as to protect the most vulnerable groups of the society. In addition, these groups have been particularly targeted by active labour market measures aimed at facilitating their access to the labour market.

3.4 STRUCTURAL REFORMS PROMOTING GROWTH AND COMPETITIVENESS

On 23 April 2013 the Portuguese Council of Ministers approved a "Strategy for Growth, Employment and Industrial Development 2013-2020". The structural imbalances and the loss of competitiveness are identified as the underlying reasons for Portugal's weak growth performance in the last decade. A case for reindustrialisation is made as manufacturing is seen as a prerequisite for development in a globalised world. The strategy also refers to the 'new European industrial policy' put forward by the Commission. Weaknesses of Portugal's industry are seen in technology and innovation, a strong regional concentration, and a fragmented company structure. Other frequently mentioned weaknesses such as bureaucracy, education system links to business, ports and rail, low number of patents or judiciary are also outlined. The main competitive advantages are seen in the road and telecom infrastructure, Portugal's geostrategic position and language, the economic potential of the sea, natural resources, and some characteristics of the population. The strategy sets **quantitative targets** to be achieved by 2020: potential growth of 2% (0.7% 2000-2010), placing Portugal among top-5 EU countries in Doing Business ranking (12th in 2013), increase the export-to-GDP ratio to 50% (29% 2000-2010), bring the share of industry in total GVA up to 17% (14% in 2012), reach an employment rate of 75% (66.5% in 2012), reach 200,000 participants in dual professional training (140,000 in 2012) and increase expenditure in R&D to 3.3% of GDP (1.5% in 2011). The strategy consists of **eight axes of action** with several measures: (1) qualification and professional training; (2) financing of companies; (3) consolidation and revitalisation of the business sector; (4) reduction of "context costs" for investment; (5) more modern, competitive and stable taxation of companies; (6) internationalisation of the economy; (7) entrepreneurship; (8) logistics infrastructure.

The remarkable progress observed in increasing the level of gross domestic expenditure, both public and private, in research and development until 2008 has stagnated. Expenditure in this area was at 1.5% of GDP in 2011, which is still far from both the EU average and the national target of 2.7% of GDP by 2020. The main actions aimed at reaching the target are the national strategy for research, development and innovation; the programme for applied research and transfer of technology for business and the revamped system of financial incentives to research and business developments.

Significant progress has been made in the transposition of the Third Energy Package, and the electricity tariff debt reduction to ensure the sustainability of the system is on-going. There is still a high energy and carbon intensity of Portugal, in particular in the industrial sector. The Government has implemented several measures to address the energy tariff debt by decreasing costs/subsidies to generators. However, some of the savings foreseen have not been achieved. The deadlock in the negotiations concerning the Sines and Pego power plants and some external factors such as demand contraction will entail a reassessment of the projections of the tariff deficit path and additional measures might be needed. The policy costs reduction resulting from the downward revision of the stranded costs of the extinguished Power Purchase Agreement (CMEC) and the remaining two long-term agreements have resulted in cost reductions of EUR 120 million. Legislation to implement compensation to wind power producers was approved. A maximum duration of the feed-in tariff in small hydro plants was introduced. The new subsidy regime under the Power Guarantee mechanism was approved in 2012, with expected savings of EUR 440 million. On cogeneration, the remuneration scheme was revised and the new reference tariffs were approved with savings exceeding projections. The new legislation implementing the Third Energy Package giving the necessary autonomy, independence and sanctionary powers to the regulator was adopted. To accomplish the first milestone of the pan-Iberian gas market, i.e. the harmonisation of cross-border transmission tariffs between Portugal and Spain, a public consultation on a common tariff structure has been completed as a first step. The second milestone will be the introduction of a harmonised allocation and congestion management mechanism for the interconnector capacity. Monitoring the 20 % energy efficiency target in a harmonised format will follow the implementation of the Energy Efficiency Directive in April 2013.

Portugal reported energy savings of 16.5% in 2011 compared with 2005 in its recent update of the Europe 2020 targets. This places the country in a good position to meet the target of 20% by 2020. The share of renewables energies in final energy consumption was 24.9% in 2011 which is very close to the 24.6% in 2000. Despite being significantly above the EU average, the national target of 31% by 2020 will require significant efforts. Greenhouse gas emissions in 2011 were 8% lower than in 2005. This figure is however explained to a large extent by the reduction in the economic activity caused by the economic crisis.

In the transport sector, progress in reforming the railway sector has been slow, while reforms in the port sector are expected to reduce costs by 25-30% over the coming years. The rail infrastructure manager (REFER) has made progress towards achieving operational balance by 2015 through rationalisation, closure of loss-making lines and reduction of staff but its high debt remains a problem. The privatisation of CP Carga and the transfer of its rail terminals have been delayed. The lack of unbundling of freight rail terminals is one of the key barriers to entry in the sector. A Decree Law which provides the legal basis for the new transport regulator (IMT) and merges the three former regulators (rail, ports and road) has been adopted. Appropriate resources for this new body need to be ensured. Plans to launch concessions of the companies providing transport services in the metropolitan areas of Lisbon and Porto are underway and should be concluded by the end of this year. The new port work law entered into force in February 2013. In addition, the government has announced the revision of concession contracts with port operators, which is a crucial further step in reducing costs and increasing competitiveness of Portuguese ports. A reduction of 20% in the port tariffs entered into force in November 2012.

Significant steps have been taken in the liberalisation of both services and regulated professions while more decisive progress is needed in developing the Point of Single Contact. More than two thirds of the sector-specific amendments that are necessary to fully implement the Services Directive have been adopted or submitted to Parliament. These amendments are needed to reduce barriers to entry and facilitate the operation of businesses in 68 legal regimes of varying economic significance. Amendments to remaining sectorial legislation still need to be adopted, notably in the area of construction and higher education. In addition, a horizontal law reforming professional services governed by professional associations has been adopted. To complete the reform, professional associations will have to present proposals for amendment of their statutes and internal rules to bring them in conformity with the principles laid down in the law by removing requirements for the exercise of the profession that are not justified or proportionate. This is a decisive step in liberalising the exercise and activity of highly regulated professions. As regards deregulation of professions not regulated by professional associations, after the elimination of reserves of activity in seven of them a second phase has started to identify and ease requirements for accessing the profession that may no longer be justified or proportionate. In addition, amendments to the law transposing the Professional Qualifications Directive entered into force, aiming to facilitate free movement of professionals between Portugal and the other Member States. Faster progress in fully setting-up the Point of Single Contact is needed to complement progress achieved in transposing the Services and Professional Qualifications Directives and to enhance the visibility of the efforts to reduce the administrative burden for entrepreneurs and attract investment.

Many legislative acts are being revised to reduce excessive licensing procedures. This ambitious legislative reform should be completed by the end of year and concerns the areas of environment and territorial planning, land use, industry, commercial activities, geological production and tourism. It includes the revision of important legal regimes such as the Base Law of Soil and Territorial and Urbanism Planning, a new legal framework of National Ecological Reserves, a new legal regime for Urbanism and Building, a new framework for land registration and a revamped industrial licensing regime. The principle governing these reforms is moving from an 'ex-ante' approach, which requires prior control and authorisation by the administration towards a Zero Authorisation principle based on an 'ex-post' control by the administration. Furthermore, an inter-ministerial group is to be set up to carry out a full inventory and analysis of the costs of all regulations in the economy at central, regional and local levels. This should be the basis for a future roadmap for further regulatory simplification.

A comprehensive reform of the housing rental market entered into force in November 2012. The new legal framework should make the housing market more dynamic. It balances rights and obligations of landlords and tenants and phases out within a transitional period of maximum 5 years the old system of open-ended leases signed before the 1990s in which rents were frozen and contracts could not be terminated by landlords. It also provides for an updating of rents and more flexibility in the choice of contract duration, sets better incentives for renovation and provides a new and fast extrajudicial eviction procedure. A new law which simplifies administrative procedures for renovation works was adopted as part of the same package.

3.5 MODERNISING PUBLIC ADMINISTRATION

The authorities are making significant advances in rationalising the central administration. The reduction of the number of managers and administrative units according to the Programme for the Reduction and Improvement of the Central Administration (PREMAC) was concluded. New legislation on working time and geographical mobility has been adopted. A deeper reform is to be expected next year to support a broader public administration reform, addressing training and requalification for a better allocation of human resources including through the Special Mobility scheme. The reduction of personnel is progressing at a faster pace than initially foreseen with an overall reduction of 4.6% in 2012 compared with a 2% target, according to the authorities' latest estimates. The process of rationalisation of public support to foundations, a specific kind of quasi-public entities, is almost complete.

Several pieces of legislation adopted should strengthen the power of the regulators to preserve and foster competition and accelerate payments by the public administration

and business. The government submitted to Parliament the Framework Law setting the main principles of the functioning of the main National Regulator Authorities (NRA) and the competition authority, which is an important milestone in empowering the identified NRAs (regulators of insurances, securities market, energy, communications, aviation, transport, health and water and waste services as well as the competition authority) with strong independence and autonomy as a major prerequisite for an efficient functioning of the sectors involved and an effective enforcement of competition rules in the overall economy. A new Competition Law entered into force in June 2012. This law is meant to ensure that the Portuguese Competition Authority (PCA) is able to effectively enforce competition rules and is equipped with adequate investigation powers in line with other competition authorities in the EU. A revised legal framework for public procurement was adopted too. It addresses in particular the regime for the award of additional works and services, errors and omissions; eliminates exemptions permitting direct awards; and removes the requirement to invest in R&D projects on contracts above EUR 25 million. The government has also adopted the Decree Law for the transposition of the Late Payments Directive 2011/7/EC. According to the Directive the period of payments in commercial transactions where the debtor is a public authority should not exceed 30 calendar days and should not exceed 60 calendar days in transactions between undertakings. These deadlines must apply to commercial transactions concluded after 16 March 2013 and should help to alleviate the liquidity constraints of companies.

State Owned Enterprises have on aggregate reached operational balance. On the expenditure side, cost reductions mostly arise from the wage cuts (suspension of the 13th and 14th salary in 2012) and the reduction in employment combined with efficiency-improving measures. On the revenue side, tariffs have been increased and exemptions reduced. In 2013, the reinstatement of the 13th salary and 14^{th} salaries will be compensated by further measures lowering employment, containing salaries, cutting current expenditure and streamlining investments while ensuring a strict implementation of the commitments control law.

The schedule of privatisations as set out in the economic adjustment programme has been confirmed. After the sale of the Government shares in Energias de Portugal (EDP) and Rede Eléctrica Nacional (REN) early 2012 for an overall amount of around EUR 3.3 billion, the airport operator Aeroportos de Portugal (ANA) was sold in 2013, yielding revenue of more than EUR 3 billion. The privatisation of the state-owned airline company TAP as well as the freight operator of the railway company Comboios de Portugal (CP) is expected to be signed this year.

The government has embarked on a renegotiation of the Private-Public Partnerships (PPPs) in the road sector, from which significant savings are expected. The first stage of negotiations, which focussed on a reduction of the scope of road sub-concession contracts still in a construction phase, was completed in October and aimed at savings of EUR 1 billion. A second stage of renegotiations will be carried out in compliance with the new legal framework for PPPs. The goal is to revise the baseline scenario of all road PPPs, allowing for more private partner risk-taking and imposing a lower internal rate of return for shareholders. Additional savings in the 2013 budget include operational measures in toll collection and by revising the service level requirements, stemming from the regulatory framework that is currently being updated. These re-negotiation efforts, if maintained, will have a significant positive impact on the public budget, while ensuring a sustainable reduction in government liabilities.

Reforms in the judicial sector continue to advance. The corporate insolvency law has been amended with a view to better supporting the early rescue of viable firms. Specialised courts on competition matters and on intellectual property rights became operational in 2012. Efforts to resolve the case backlog continue with a task force being set up to expedite the process and quarterly monitoring put in place. The total number of enforcement cases has been brought down by about 165 000 since November 2011. Concerning courts' organisation, a roadmap on judicial reform aiming to align judicial and administrative districts, streamline the court structure and improve the management of the courts was submitted to Parliament. The Portuguese government has also made significant progress in strengthening alternative dispute resolution to facilitate out-of-court settlement. After the adoption of a law on arbitration in 2011, the authorities have taken the necessary legal, administrative and other steps to make arbitration fully operational ahead of the deadline. In addition, the government has submitted to Parliament a proposal for an ambitious reform of the Code of Civil Procedure, including a number of measures to speed up judicial procedures.

4. PROGRESS ON EUROPE 2020 TARGETS

Progress towards achievement of the Europe 2020 targets is mixed. While the trend is satisfactory regarding the targets related to education and energy efficiency the positive trends in employment and R&D have been reversed over the last few years. So far, poverty indicators have remained overall stable but it is important to bear in mind that they reflect a time lag of two years.

Europe 2020 targets			
	Current situation	**Development over the last year**	**Europe 2020 target**
Early school leaving (%)	20.8% in 2012. Early school leaving has been gradually declining over the last decade from a rate of 45% in 2002. However, the rate of early school leaving remains among the highest in the EU and more than double the EU average. In terms of basic skills, 15-year olds' performance on PISA tests has evolved positively in the last decade. While in the PISA 2000 and 2006 surveys the percentage of low achievers was significantly higher than the EU average in all three areas assessed, in 2009 that percentage for reading and science literacy was already lower than the EU average.	Council Decision 2011/344/EU and the Programme urge the Portuguese authorities to address early school leaving and improve the quality of secondary education and vocational education and training, with a view to raising the quality of human capital and to facilitate labour market matching. In this context, the analysis, monitoring, assessment and reporting system in education and training is operational regarding the provision of fully reliable data on financial management and cost-saving measures. A revision of the curricular structure for basic and secondary education was carried out accompanied by the setting of curricular goals. New legislation on trust agreements has been passed, Dec-Lei nº137/2012, and Ordinance/Despacho n. º 265/2012. The VET offers and curricula were reviewed and the restructuring of the current VET model is on-going; the development of professional schools of reference in partnership with the private sector has been pursued.	10%
Tertiary education attainment (%)	27.2 % in 2012.	Recent measures aiming at contributing to attainment of that	40%

	There has been remarkable progress from rates of about 11 % at the beginning of the last decade. However, tertiary education attainment remains significantly below the EU average. In addition, there are very significant parts of society with low levels of education. More than 7 out of 10 Portuguese citizens have a low level of education attainment which is almost triple the EU average (28.1 %).	objective include: rationalisation and diversification of higher education and training offers, in particular measures to ensure labour market matching which include the creation of new level 5 courses provided by polytechnics (Cursos Superiores Especializados) ; strengthening of the capacity and quality of higher education institutions; and support to the employment of graduates. However, data on enrolment rates in 2011 show that the number of new students enrolled in higher education decreased for the first time since 2006. The reasons for this should be further investigated to identify the appropriate response in view of the attainment of Portugal's national target.	
Energy efficiency	Portugal reported a national 2020 target in the NRP. Significant improvements are reported in the residential and service sector primarily through measures to increase the number of energy performance certificates of buildings and to improve lightning and household appliances. Portuguese industries remain highly energy-intensive, clearly above the EU average despite the relatively low proportion of energy intensive industries. Portugal is currently revising its National Energy Efficiency Action Plan. Considering the	Monitoring the 20% energy efficiency target in a harmonised format will follow the implementation of the Energy Efficiency Directive in April 2013	Indicative national energy efficiency target for 2020: reduction of primary energy use in 2002 by 25% compared to projections. This implies reaching a 2020 level of 22.5 Mtoe primary energy consumption. Portugal has set an indicative national energy efficiency target in accordance with Articles 3 and 24 of the Energy Efficiency Directive (2012/27/EU). It has also expressed it, as required, in terms of an absolute level of primary energy consumption in 2020 and has provided information on the basis on which data this has been calculated.

	benefits of energy efficiency in terms of competitiveness, growth and job creation, Portugal needs to maintain a high level of ambition of its energy efficiency target. Moreover, Portugal has so far failed to notify to the Commission its implementation measures for the recast Energy Performance of Buildings Directive which were due by mid-2012. Low uptake of the possibilities under the Cohesion Funds is observed which, for example, could have been used to stimulate programmes for increased renovation of building stock (e.g. only 0.3% allocation rate to energy efficiency in 2010 with a low rate of selection at 35.6%). Allocation of more funding to energy efficiency is strongly recommended (in particular in industry, transport and residential sectors).		However, it has not clearly expressed it, as required, in terms of an absolute level of final energy consumption in 2020.
Renewable energies	Portugal reported a national 2020 target for overall RES of 31%. Concerning small hydro plants, a new law has been introduced.	We welcome the deal reached with wind power producers and the recently adopted legislation introducing a market-based support mechanism. In parallel work on implementing fully EU internal energy market rules and further developing interconnections with Spain as well as simplifying administrative and grid procedures will help develop RES further. On biofuels, Portugal could take a more cost-effective approach by allowing all biofuel types to enter its market on a level playing	31%

		field to benefit the overall economy and consumers.	
GHG reduction target	Greenhouse gas (GHG) emissions target: +1% (compared to 2005 emissions, ETS emissions not covered by this national target).	Change in non-ETS greenhouse gas emissions between 2005 and 2011: -11 %. According to the 2011 national projections submitted to the Commission and the European Environmental Agency and when existing measures are taken into account, the target is expected to be reached (with a margin of 17 percentage points).	+1%
R&D	Portugal has expanded its research and innovation system over the last decade, increasing its investment in research at a remarkable average annual real growth rate of 7% between 2000 and 2007. However, from 2009 onwards, the trend is negative and in 2011 Portuguese R&D intensity had fallen back to 1.5%, with a public sector R&D intensity of 0.69% and a business R&D intensity of 0.69%. The main problems faced by Portugal in the field of research and innovation include (i) the low density and limited scope of the linkages established between participants (businesses, universities and research and technological institutes) in the national research and innovation system, (ii) the partial mismatch between economic needs and university qualifications despite recent progress on PhD training and (iii) the general weak knowledge absorption capacity of	Portugal makes every effort to ensure the sustainability of its research and innovation system. and, together with other growth-enhancing and efficiency policies, stimulate knowledge absorption by enterprises. The SIFIDE programme, providing tax credits to investments in R&D, is seen as an important component of this stimulus system.	

	firms, which reflects the low share of research-intensive sectors in the total value added		
Employment rate	66.5% in 2012 The employment rate peaked in 2008 at 73.1% and started to decline since then. In 2012 it attained a historically low level of 66.5%. Despite the substantial labour market reform which creates conditions for fostering employment and potential growth creation, the contraction of the economic activity has led to a decrease in the employment rate in Portugal.	Several measures have been taken over the last year to improve the functioning of the labour market. Severance payments were reduced to 20 days per year of work for both open-ended and fixed-term contracts with a cap of 12 months, the definition of individual dismissal for economic reasons and workers' lack of competence was eased, the duration and amounts of unemployment benefits were reduced, maximum overtime pay was lowered by 50% and the scope of working time flexibility was increased to 150 hours per year. In December 2012, the Portuguese Government addressed to the Parliament a proposal to further reduce severance payments up to 12 days per year, a measure which is added to the significant labour market reform carried out last year. Additionally, the Portuguese Government is carrying out a reform of Public Employment Services with a view to increasing their efficiency and has adopted a number of ALMPs aimed at supporting employment creation, strengthening activation and offering more effective training opportunities. In August 2012, a strategic plan to fight youth unemployment - *Impulso Jovem* - was enacted. Its measures, co-financed by the Structural	75%

		Funds, include professional internships and support to contracting of people aged 18-30 years old via reimbursement of employer's social security contributions. 90.000 young people are expected to be covered. Measures are also being implemented to improve the quality of vocational training and the dual training system is being strengthened.	
Reduction of number of people at risk of poverty or exclusion	In 2011, one out of four Portuguese citizens was at-risk of poverty or exclusion (24.4%). After social transfers, 18% of the population were at-risk of poverty and 8.3% of the population faced severe material deprivation. Although poverty indicators remain overall stable, it is not excluded that the economic downturn and rising unemployment may have a negative impact in the levels of poverty and social exclusion.	Several measures have been adopted with a view to combating poverty and promoting social inclusion. Some of the measures adopted have taken into specific account the vulnerable position of people with lower disposable income: pension cuts and public wage cuts were implemented in a progressive way, the Solidarity Complement for the Elderly was maintained and the minimum wage was not reduced. Additionally, there was a 10% increase in the amount of unemployment benefits for couples in cases where both partners are unemployed and have dependent children. Also, the contributory period for eligibility to receive unemployment benefits was reduced from 15 to 12 months and unemployment protection was extended to self-employed who are economically dependent on a single contracting	Reducing the number of people at-risk-of poverty or social exclusion by 200 000 persons by 2020.

		entity. Active Labour Market Policies have been reformed aiming at the (re)integration of vulnerable groups in the labour market. The hiring incentive Estímulo 2013 is an umportant active labour market measure aimed at reintegrating long-term unemployed. Also, in the beginning of 2013, the Portuguese Government adopted a hiring incentive targeted at employees aged more than 45, a vulnerable group in terms of labour market reintegration, via reimbursement of employers' social security contributions. In the framework of the Social Emergency Plan – a four year plan which started in October 2011 - several measures were approved aiming at tackling poverty, such as: enlargement of the network of social canteens, *Passe Social+* supporting access to public transport for low-income families, adoption of a Microcredit National Programme and creation of a rental social market. Investment in education and vocational training continues to improve the level of qualifications to prevent poverty and social exclusion.	

CONCLUSION

Continued determination in the implementation of the Economic Adjustment Programme is crucial to put public finances on a sustainable footing, correct macroeconomic imbalances and create the conditions for sustainable economic growth. While a significant structural adjustment has already been achieved, compliance with the fiscal targets will require a strict implementation of the 2013 budget and of the measures identified in the ongoing public expenditure review. Further consolidation will be needed after the programme period to comply with the new EU fiscal governance framework. The correction of deep-rooted external imbalances, the ongoing process of deleveraging of households and the corporate sector and the implementation of the structural reforms should gradually pave the way for resuming economic growth and job creation. In particular, tackling the high level of unemployment is a top priority in the policy agenda. Programme implementation will continue to be assessed in quarterly review missions and it is expected that the authorities will continue to adhere to the priorities set under the updated MoU over the programme period.

Employment and social inclusion are critical areas where progress towards meeting Europe 2020 targets is needed. In a context of rapidly increasing unemployment, the employment rate, which has been traditionally relatively high in Portugal, has been declining markedly since the start of the economic crisis, from 73.1% in 2008 to 66.5 % in 2012. The rise in unemployment, which is particularly high among young people, has implications on poverty and inequality, even though the effect has been partly compensated by the social protection system. Progress towards achieving Europe 2020 targets is also needed across all other areas, despite the significant progress already made by Portugal in respect of R&D, energy, environmental and education targets.

ANNEX

Table I. Macroeconomic indicators

	1995-1999	2000-2004	2005-2009	2010	2011	2012	2013	2014
Core indicators								
GDP growth rate	3.9	1.5	0.3	1.9	-1.6	-3.2	-2.3	0.6
Output gap [1]	0.5	1.0	-0.6	-0.8	-1.8	-3.5	-4.5	-3.5
HICP (annual % change)	2.6	3.3	1.9	1.4	3.6	2.8	0.7	1.0
Domestic demand (annual % change) [2]	4.8	1.2	0.4	1.8	-5.8	-6.8	-4.2	0.0
Unemployment rate (% of labour force) [3]	6.3	5.9	9.0	12.0	12.9	15.9	18.3	18.6
Gross fixed capital formation (% of GDP)	25.3	25.4	22.1	19.6	17.8	15.8	14.5	14.9
Gross national saving (% of GDP)	20.2	16.9	11.6	9.8	10.6	14.1	14.7	15.1
General Government (% of GDP)								
Net lending (+) or net borrowing (-)	**-4.2**	**-3.8**	**-5.6**	**-9.8**	**-4.4**	**-6.4**	**-5.5**	**-4.0**
Gross debt	**55.2**	**56.5**	**72.2**	**94.0**	**108.3**	**123.6**	**123.0**	**124.3**
Net financial assets	**-30.1**	**-39.2**	**-53.8**	**-63.8**	**-54.1**	**n.a**	**n.a**	**n.a**
Total revenue	37.6	39.7	40.5	41.6	45.0	41.0	43.1	42.6
Total expenditure	41.8	43.5	46.1	51.5	49.4	47.4	48.6	46.6
of which: Interest	4.0	2.8	2.8	2.8	4.1	4.4	4.4	4.3
Corporations (% of GDP)								
Net lending (+) or net borrowing (-)	**-1.4**	**-5.5**	**-6.5**	**-3.6**	**-5.2**	**0.5**	**0.0**	**-1.6**
Net financial assets; non-financial corporations	**-130.6**	**-136.6**	**-149.7**	**-163.5**	**-168.6**	**n.a**	**n.a**	**n.a**
Net financial assets; financial corporations	**-9.6**	**-8.0**	**-7.1**	**-1.3**	**-0.9**	**n.a**	**n.a**	**n.a**
Gross capital formation	13.3	14.0	13.7	11.9	11.0	10.2	9.5	10.0
Gross operating surplus	20.6	20.8	20.6	21.0	21.0	22.1	22.5	23.2
Households and NPISH (% of GDP)								
Net lending (+) or net borrowing (-)	**1.9**	**2.2**	**2.5**	**4.5**	**4.1**	**6.4**	**7.4**	**7.5**
Net financial assets	**153.3**	**131.7**	**124.0**	**124.9**	**122.8**	**n.a**	**n.a**	**n.a**
Gross wages and salaries	38.8	39.2	38.8	38.8	38.7	37.2	37.0	36.0
Net property income	7.0	5.9	6.6	6.3	7.3	8.8	8.2	8.6
Current transfers received	19.8	21.2	23.4	25.5	25.8	26.2	27.8	26.6
Gross saving	8.2	7.4	6.2	7.4	6.7	8.7	9.1	9.1
Rest of the world (% of GDP)								
Net lending (+) or net borrowing (-)	**-3.7**	**-7.2**	**-9.6**	**-9.0**	**-5.6**	**0.4**	**1.8**	**1.8**
Net financial assets	**21.9**	**56.2**	**91.0**	**111.8**	**110.2**	**n.a**	**n.a**	**n.a**
Net exports of goods and services	-8.3	-8.9	-8.7	-7.7	-4.4	-0.5	1.8	2.6
Net primary income from the rest of the world	-0.4	-1.6	-3.1	-3.4	-3.8	-2.5	-2.9	-3.9
Net capital transactions	2.4	1.8	1.3	1.4	1.7	2.3	1.7	1.7
Tradable sector	46.4	43.3	40.9	41.3	41.9	42.7	n.a	n.a
Non tradable sector	41.2	44.1	45.8	46.3	45.4	44.4	n.a	n.a
of which: Building and construction sector	6.6	7.0	6.3	5.5	5.0	4.3	n.a	n.a
Real effective exchange rate (index, 2000=100)	88.9	93.7	100.1	98.5	97.5	91.6	92.0	90.3
Terms of trade goods and services (index, 2000=100)	100.3	101.0	100.7	102.8	100.2	100.0	101.0	101.8
Market performance of exports (index, 2000=100)	118.9	109.4	103.8	108.0	112.4	117.6	119.1	119.6

Notes:

[1] The output gap constitutes the gap between the actual and potential gross domestic product at 2005 market prices.

[2] The indicator on domestic demand includes stocks.

[3] Unemployed persons are all persons who were not employed, had actively sought work and were ready to begin working immediately or within two weeks. The labour force is the total number of people employed and unemployed. The unemployment rate covers the age group 15-74.

Source:

Commission services' 2013 spring forecasts (COM); Stability programme (SP).

Table II. Comparison of macroeconomic developments and forecasts

	2012		2013		2014		2015	2016	2017
	COM	SP	COM	SP	COM	SP	SP	SP	SP
Real GDP (% change)	-3.2	-3.2	-2.3	-2.3	0.6	0.6	1.5	1.8	2.2
Private consumption (% change)	-5.6	-5.6	-3.3	-3.2	0.1	0.1	0.9	1.0	1.2
Gross fixed capital formation (% change)	-14.5	-14.5	-7.6	-7.6	2.5	2.5	5.5	6.1	6.5
Exports of goods and services (% change)	3.3	3.3	0.9	0.8	4.4	4.5	4.8	5.0	5.0
Imports of goods and services (% change)	-6.9	-6.9	-3.9	-3.9	3.1	3.0	4.0	4.2	4.4
Contributions to real GDP growth:									
- Final domestic demand	-7.2	-7.0	-4.2	-4.1	0.0	-0.1	1.1	1.3	1.7
- Change in inventories	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Net exports	4.0	4.0	1.9	1.8	0.6	0.6	0.4	0.5	0.4
Output gap[1]	-3.5	-3.5	-4.5	-4.5	-3.5	-3.4	-2.1	-1.0	0.2
Employment (% change)	-4.2	-4.2	-3.9	-3.9	-0.5	-0.6	0.4	0.7	2.3
Unemployment rate (%)	15.9	15.7	18.3	18.2	18.6	18.5	18.1	17.5	16.7
Labour productivity (% change)	1.1	1.1	1.6	1.7	1.1	1.1	1.1	1.0	-0.1
HICP inflation (%)	2.8	2.8	0.7	0.7	1.0	1.0	1.5	1.5	1.5
GDP deflator (% change)	-0.1	-0.1	1.8	1.8	1.3	1.3	1.2	1.7	1.5
Comp. of employees (per head, % change)	-2.7	-2.7	3.1	3.1	0.0	0.2	0.7	1.1	1.5
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	0.4	0.4	1.8	1.4	1.8	2.0	2.2	2.4	2.6

Note:

[1]In percent of potential GDP, with potential GDP growth recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source :

Commission services' 2013 spring forecasts (COM); Stability programme (SP).

Table III. Composition of the budgetary adjustment

(% of GDP)	2012	2013		2014		2015	2016	2017	Change: 2012-2017
	COM	COM	SP	COM[1]	SP	SP	SP	SP	SP
Revenue	**41.0**	**43.1**	**42.6**	**42.6**	**42.2**	**41.7**	**41.6**	**41.7**	**0.7**
of which:									
- Taxes on production and imports	13.6	13.3	13.2	13.3	13.3	13.5	13.7	13.9	0.3
- Current taxes on income, wealth, etc.	9.2	11.0	10.9	10.8	10.8	10.7	10.7	10.8	1.6
- Social contributions	11.6	12.3	12.0	12.2	11.9	11.4	11.1	11.1	-0.5
- Other (residual)	6.5	6.5	6.5	6.2	6.2	6.1	6.1	5.9	-0.6
Expenditure	**47.4**	**48.6**	**48.1**	**46.6**	**46.2**	**44.2**	**42.9**	**41.9**	**-5.5**
of which:									
- Primary expenditure	43.0	44.2	43.7	42.3	41.8	39.9	38.5	37.5	-5.5
of which:									
Compensation of employees	9.9	10.9	10.6	10.2	9.9	9.1	8.7	8.4	-1.5
Intermediate consumption	4.6	4.4	4.4	4.4	4.4	4.1	4.0	3.9	-0.6
Social payments	22.6	24.0	23.9	23.0	22.7	22.1	21.7	21.3	-1.3
Subsidies	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	-0.1
Gross fixed capital formation	1.8	1.8	1.9	1.8	1.8	1.7	1.6	1.5	-0.3
Other (residual)	3.5	2.6	2.4	2.4	2.5	2.3	2.0	1.9	-1.6
- Interest expenditure	4.4	4.4	4.4	4.3	4.4	4.3	4.4	4.4	0.0
General government balance (GGB)	**-6.4**	**-5.5**	**-5.5**	**-4.0**	**-4.0**	**-2.5**	**-1.2**	**-0.2**	**6.2**
Primary balance	**-2.0**	**-1.1**	**-1.1**	**0.3**	**0.3**	**1.8**	**3.1**	**4.2**	**6.2**
One-off and other temporary measures	-0.6	0.3	0.1	-0.3	-0.3	0.0	0.0	0.0	0.6
GGB excl. one-offs	**-5.8**	**-5.7**	**-5.6**	**-3.6**	**-3.7**	**-2.5**	**-1.2**	**-0.2**	**5.6**
Output gap[2]	-3.5	-4.5	-4.5	-3.5	-3.4	-2.1	-1.0	0.2	3.7
Cyclically-adjusted balance[2]	-4.8	-3.4	-3.4	-2.3	-2.4	-1.5	-0.7	-0.3	4.5
Structural balance (SB)[3]	**-4.2**	**-3.6**	**-3.5**	**-2.0**	**-2.1**	**-1.5**	**-0.7**	**-0.3**	**3.9**
Change in SB	*2.4*	*0.5*	*0.6*	*1.7*	*1.4*	*0.6*	*0.8*	*0.5*	-
Two year average change in SB	*2.3*	*1.5*	*1.5*	*1.1*	*1.0*	*1.0*	*0.7*	*0.6*	-
Structural primary balance[3]	0.2	0.7	0.9	2.3	2.3	2.8	3.7	4.1	3.9
Change in structural primary balance		*0.5*	*0.7*	*1.5*	*1.4*	*0.5*	*0.9*	*0.5*	-
Expenditure benchmark									
Applicable reference rate[4]	-1.09	-1.09	-1.09	-1.22	-1.22	-1.22	-1.22	n.a.	-
Deviation[5] (% GDP)	-2.8	-2.5	-0.1	-1.2	-1.6	-1.0	-0.2	n.a.	-
Two-year average deviation (% GDP)	-5.0	-2.6	-0.7	-1.8	-0.8	-1.3	-0.6	n.a.	-

Notes:

[1]On a no-policy-change basis.

[2]Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

[3]Structural (primary) balance = cyclically-adjusted (primary) balance excluding one-off and other temporary measures.

[4] Reference medium-term rate of potential GDP growth. The (standard) reference rate applies from year t+1, if the country has reached its MTO in year t. A lower rate applies as long as the country is adjusting towards its MTO, including in year t.The reference rates applicable to 2014 onwards have been updated in 2013.

[5] Deviation of the growth rate of public expenditure net of discretionary revenue measures and revenue increases mandated by law from the applicable reference rate. The expenditure aggregate used for the expenditure benchmark is obtained following the commonly agreed methodology. A positive sign implies that expenditure growth exceeds the applicable reference rate.

Source :

Stability programme (SP); Commission services' 2013 spring forecasts (COM); Commission services' calculations.

Table IV. Debt dynamics

(% of GDP)	Average 2007-2011	2012	2013 COM	2013 SP	2014 COM	2014 SP	2015 SP	2016 SP	2017 SP
Gross debt ratio[1]	**85.2**	**123.6**	**123.0**	**122.3**	**124.3**	**123.7**	**122.5**	**119.3**	**115.0**
Change in the ratio	7.8	15.3	-0.7	-1.3	1.4	1.4	-1.2	-3.2	-4.3
Contributions[2] *:*									
1. Primary balance	**3.1**	**2.0**	**1.1**	**1.1**	**-0.3**	**-0.3**	**-1.8**	**-3.1**	**-4.2**
2. "Snow-ball" effect	**2.3**	**8.1**	**5.0**	**5.1**	**2.1**	**2.1**	**1.1**	**0.2**	**0.2**
Of which:									
Interest expenditure	3.1	4.4	4.4	4.4	4.3	4.3	4.3	4.3	4.4
Growth effect	0.1	3.5	2.9	2.9	-0.7	-0.7	-1.8	-2.1	-2.5
Inflation effect	-0.9	0.2	-2.3	-2.2	-1.5	-1.4	-1.4	-2.0	-1.7
3. Stock-flow adjustment	**2.4**	**5.2**	**-6.9**	**-7.6**	**-0.4**	**-0.4**	**-0.4**	**-0.3**	**-0.2**
Of which:									
Cash/accruals diff.									
Acc. financial assets				-6.9		-0.4	-0.4	-0.3	-0.3
Privatisation									
Val. effect & residual									

	2012	2013 COM/SP[3]	2013 SP[4]	2014 COM/SP[3]	2014 SP[4]	2015 SP	2016 SP	2017 SP
Gap to the debt benchmark[5,6]	n.r.	n.r.	n.r.	n.r.	n.r.	n.r.	n.r.	n.r.
Structural adjustment[7]	n.r.	n.r.	n.r.	n.r.	n.r.	0.6	0.8	0.4
To be compared to:								
Required adjustment[8]	n.r.	n.r.	n.r.	n.r.	n.r.	0.5	0.4	-0.3

Notes:

[1]End of period.

[2]The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting, accumulation of financial assets and valuation and other residual effects.

[3] Assessment of the consolidation path set in SP assuming growth follows the COM forecasts.

[4]Assessment of the consolidation path set in the SP assuming growth follows the SP projections.

[5]Not relevant for Member Sates that were subject to an EDP procedure in November 2011 and for a period of three years following the correction of the excessive deficit.

[6]Shows the difference between the debt-to-GDP ratio and the debt benchmark. If positive, projected gross debt-to-GDP ratio does not comply with the debt reduction benchmark.

[7]Applicable only during the transition period of three years from the correction of the excessive deficit for EDP that were ongoing in November 2011.

[8]Defines the remaining annual structural adjustment over the transition period which ensures that - if followed – Member State will comply with the debt reduction benchmark at the end of the transition period, assuming that COM (SP) budgetary projections for the previous years are achieved.

Source :

Stability programme (SP); Commission services' spring 2013 forecasts (COM); Commission services' calculations.

Table V. Sustainability indicators

	PT		EU27	
	No-policy change scenario	**Programme (SCP) scenario**	**No-policy change scenario**	**Programme (SCP) scenario**
S2	0.0	-2.0	3.0	1.3
of which:				
Initial budgetary position (IBP)	-0.1	-2.0	0.8	-0.9
Long-term cost of ageing (CoA)	0.1	0.0	2.2	2.2
of which:				
Pensions	-0.3	-0.5	1.0	1.1
Health care	1.3	1.3	0.9	0.8
Long-term care	0.2	0.2	0.6	0.6
Others	-1.1	-1.0	-0.4	-0.3
S1 (required adjustment)*	2.8	0.6	2.2	0.5
of which:				
Initial budgetary position (IBP)	-0.9	-3.3	0.0	-1.8
Debt requirement (DR)	3.9	4.2	1.9	1.9
Long-term cost of ageing (CoA)	-0.2	-0.3	0.3	0.4
S0 (risk for fiscal stress)**	0.57		:	
Debt, % of GDP (2012)	123.6		87.0	
Age-related expenditure, % of GDP (2012)	25.7		25.8	

Note:
The 'No-policy change' scenario depicts the sustainability gap under the assumption that the budgetary position evolves according to the Commissions' spring 2013 forecast until 2014. The 'Programme (SCP)' scenario depicts the sustainability gap under the assumption that the budgetary plans in the programme are fully implemented.
* The required adjustment of the primary balance until 2020 to reach a public debt of 60% of GDP by 2030.
** The critical threshold for the S0 indicator is 0.44.

Source :
Commission services; 2013 stability programme.

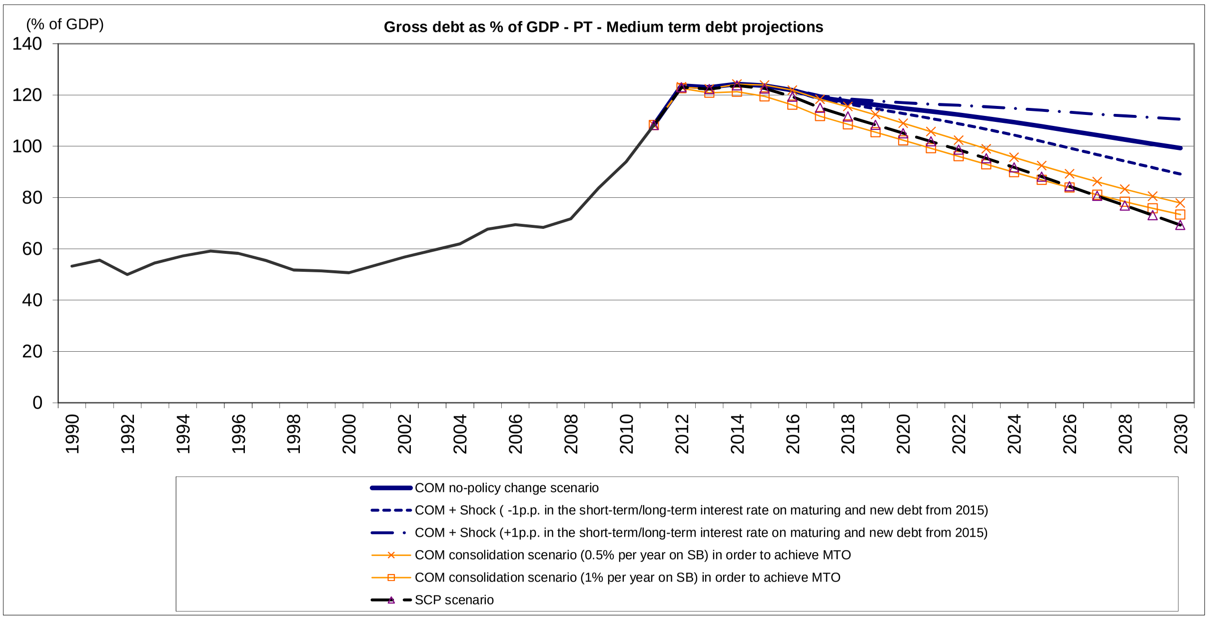
(% of GDP)
Gross debt as % of GDP - PT - Medium term debt projections
140
120
100
80
60
40
20
0
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024
2026
2028
2030
COM no-policy change scenario
COM + Shock (-1p.p. in the short-term/long-term interest rate on maturing and new debt from 2015)
COM + Shock (+1p.p. in the short-term/long-term interest rate on maturing and new debt from 2015)
COM consolidation scenario (0.5% per year on SB) in order to achieve MTO
COM consolidation scenario (1% per year on SB) in order to achieve MTO
SCP scenario

Table VI. Taxation indicators

	2002	2006	2008	2009	2010	2011
Total tax revenues (incl. actual compulsory social contributions, % of GDP)	31.4	32.1	32.8	31.0	31.5	33.2
Breakdown by economic function (% of GDP)[1]						
Consumption	12.0	13.2	12.3	10.9	11.8	12.2
of which:						
- VAT	7.6	8.6	8.4	7.1	7.8	8.3
- excise duties on tobacco and alcohol	1.0	1.1	0.9	0.8	0.9	1.0
- energy	2.1	2.0	1.9	1.9	1.9	1.8
- other (residual)	1.3	1.5	1.2	1.1	1.1	1.1
Labour employed	11.3	11.4	11.7	12.2	12.1	12.7
Labour non-employed	0.6	0.8	0.9	1.0	1.0	1.1
Capital and business income	5.1	4.4	5.5	4.5	4.3	4.8
Stocks of capital/wealth	2.5	2.3	2.4	2.4	2.3	2.3
p.m. Environmental taxes[2]	3.0	2.9	2.6	2.5	2.6	2.4
VAT efficiency[3]						
Actual VAT revenues as % of theoretical revenues at standard rate	53.3	52.9	53.4	44.3	46.8	46.3

Note:

1 Tax revenues are broken down by economic function, i.e. according to whether taxes are raised on consumption, labour or capital. See European Commission (2013) Taxation trends in the European Union, for a more detailed explanation.

2 This category comprises taxes on energy, transport and pollution and resources included in taxes on consumption and capital.

3 The VAT efficiency is measured via the VAT revenue ratio. The VAT revenue ratio is defined as the ratio between the actual VAT revenue collected and the revenue that would theoretically be raised if VAT was applied at the standard rate to all final consumption. A low ratio can indicate a reduction of the tax base due to large exemptions or the application of reduced rates to a wide range of goods and services ('policy gap') or a failure to collect all tax due to e.g. fraud ('collection gap'). See European Commission (2012), Tax reforms in EU Member States, European Economy 6/2012 and Taxation Papers 34/2012 for a more detailed explanation.

Source: Commission

Table VII. Financial market indicators

	2008	2009	2010	2011	2012
Total assets of the banking sector (% of GDP)	280.3	308.7	323.3	335.2	336.8
Share of assets of the five largest banks (% of total assets)	69.1	70.1	70.9	70.8	…
Foreign ownership of banking system (% of total assets)	22.7	23.1	…	…	…
Financial soundness indicators:					
- non-performing loans (% of total loans)[1), 2), 3)]	3.6	4.8	5.2	7.5	9.8
- capital adequacy ratio (%) [1), 2)]	9.4	10.5	10.3	9.8	12.3
- return on equity (%) [1), 2)]	5.7	7.3	7.5	-5.5	0.3
Bank loans to the private sector (year-on-year % change)	8.2	3.1	1.7	-3.3	-6.0
Lending for house purchase (year-on-year % change)	4.3	4.2	3.5	-0.5	-2.8
Loan to deposit ratio	137.4	133.3	128.6	116.1	119.6
CB liquidity as % of liabilities	2.3	3.5	8.1	8.8	10.6
Banks' exposure to countries receiving official financial assistance (% of GDP)[4)]	21.4	24.9	25.9	21.8	17.6
Private debt (% of GDP)	177.9	187.7	186.2	182.1	177.9
Gross external debt (% of GDP)[5)]					
- Public	51.4	58.8	55.6	57.5	74.2
- Private	38.2	42.8	40.2	45.5	48.9
Long term interest rates spread versus Bund (basis points)*	0.5	1.0	2.7	7.6	9.1
Credit default swap spreads for sovereign securities (5-year)*	65.4	80.1	291.9	852.1	884.4

Notes:

1) Latest data (September 2012).

2) Beginning in 2007, the series have more comprehensive coverage.

3) A new calculation method for nonperforming loans that follows the methodology of the FSI Guide was introduced in September 2011.

4) Covered countries are CY, EL, ES, LV, HU, IE, and RO.

5) Latest data 2012Q3.

* Measured in basis points.

Source:

Bank for International Settlements and Eurostat (exposure to macro-financially vulnerable countries), IMF (financial soundness indicators), Commission (long-term interest rates), World Bank (gross external debt) and ECB (all other indicators).

Table VIII. Labour market and social indicators

Labour market indicators	2007	2008	2009	2010	2011	2012
Employment rate (% of population aged 20-64)	72.6	73.1	71.2	70.5	69.1	66.5
Employment growth (% change from previous year)	0.0	0.5	-2.6	-1.5	-1.5	-4.2
Employment rate of women (% of female population aged 20-64)	66.3	67.0	66.1	65.6	64.8	63.1
Employment rate of men (% of male population aged 20-64)	79.1	79.4	76.5	75.4	73.4	69.9
Employment rate of older workers (% of population aged 55-64)	50.9	50.8	49.7	49.2	47.9	46.5
Part-time employment (% of total employment, 15 years and more)	12.1	11.9	11.6	11.6	13.3	14.3
Part-time employment of women (% of women employment, 15 years and more)	16.9	17.2	16.4	15.5	16.3	16.8
Part-time employment of men (% of men employment, 15 years and more)	8.0	7.4	7.5	8.2	10.7	12.1
Fixed term employment (% of employees with a fixed term contract, 15 years and more)	22.4	22.8	22.0	23.0	22.2	20.7
Transitions from temporary to permanent employment	2.7	4.5	4.4	3.2	3.8	:
Unemployment rate1 (% of labour force, age group 15-74)	8.9	8.5	10.6	12.0	12.9	15.9
Long-term unemployment rate2 (% of labour force)	4.2	4.0	4.7	6.3	6.2	7.8
Youth unemployment rate (% of youth labour force aged 15-24)	20.4	20.2	24.8	27.7	30.1	37.7
Youth NEET rate (% of population aged 15-24)	11.2	10.3	11.2	11.5	12.7	14.1
Early leavers from education and training (% of pop. 18-24 with at most lower sec. educ. and not in further education or training)	36.9	35.4	31.2	28.7	23.2	20.8
Tertiary educational attainment (% of population 30-34 having successfully completed tertiary education)	19.8	21.6	21.1	23.5	26.1	27.2
Formal childcare (from 1 to 29 hours; % over the population less than 3 years)	2.0	2.0	2.0	5.0	1.0	:
Formal childcare (30 hours or over; % over the population less than 3 year)	25.0	31.0	34.0	32.0	34.0	:
Labour productivity per person employed (annual % change)	2.4	-0.5	-0.3	3.5	0.0	1.1
Hours worked per person employed (annual % change)	0.7	-0.7	-0.2	-0.1	-0.8	0.7
Labour productivity per hour worked (annual % change; constant prices)	1.7	0.2	-0.2	3.7	0.8	0.4
Compensation per employee (annual % change; constant prices)	0.7	1.4	1.9	1.4	-1.2	-2.6
Nominal unit labour cost growth (annual % change)	1.1	3.5	3.1	-1.4	-0.7	-3.8
Real unit labour cost growth (annual % change)	-1.6	1.9	2.2	-2.1	-1.2	-3.7

Notes:

[1] Unemployed persons are all persons who were not employed, had actively sought work and were ready to begin working immediately or within two weeks. The labour force is the total number of people employed and unemployed.

[2] Long-term unemployed are unemployed persons for at least 12 months.

Sources:
Commission (EU Labour Force Survey and European National Accounts)

Expenditure on social protection benefits (% of GDP)	**2006**	**2007**	**2008**	**2009**	**2010**
Sickness/Health care	6.71	6.40	6.48	7.28	6.98
Invalidity	2.28	2.26	2.14	2.16	2.10
Old age and survivors	11.31	11.30	11.94	12.99	13.18
Family/Children	1.18	1.19	1.28	1.49	1.46
Unemployment	1.27	1.15	1.05	1.37	1.44
Housing and Social exclusion n.e.c.	0.00	0.00	0.00	0.00	0.00
Total	23.01	22.57	23.17	25.62	25.50
of which: means tested benefits	2.12	2.09	2.29	2.74	2.68
Social inclusion indicators	**2007**	**2008**	**2009**	**2010**	**2011**
At-risk-of-poverty or social exclusion[1] (% of total population)	25.0	26.0	24.9	25.3	24.4
At-risk-of-poverty or social exclusion of children (% of people aged 0-17)	26.9	29.5	28.7	28.7	28.6
At-risk-of-poverty or social exclusion of elderly (% of people aged 65+)	30.0	27.7	26.0	26.1	24.5
At-Risk-of-Poverty rate[2] (% of total population)	18.1	18.5	17.9	17.9	18.0
Severe Material Deprivation[3] (% of total population)	9.6	9.7	9.1	9.0	8.3
Share of people living in low work intensity households[4] (% of people aged 0-59)	7.2	6.3	6.9	8.6	8.2
In-work at-risk-of poverty rate (% of persons employed)	9.7	11.8	10.3	9.7	10.3
Impact of social transfers (excluding pensions) on reducing poverty	25.2	25.7	26.3	32.2	29.1
Poverty thresholds, expressed in national currency at constant prices[5]	4544	4770	4726	4997	4777
Gross disposable income (households)	118384	123499	122959	126612	125024
Relative median poverty risk gap (60% of median equivalised income, age: total)	24.3	23.2	23.6	22.7	23.2

Notes:

[1] People at-risk-of poverty or social exclusion (AROPE): individuals who are at-risk-of poverty (AROP) and/or suffering from severe material deprivation (SMD) and/or living in household with zero or very low work intensity (LWI).

[2] At-risk-of poverty rate (AROP): share of people with an equivalised disposable income below 60% of the national equivalised median income.

[3] Share of people who experience at least 4 out of 9 deprivations: people cannot afford to i) pay their rent or utility bills, ii) keep their home adequately warm, iii) face unexpected expenses, iv) eat meat, fish, or a protein equivalent every second day, v) enjoy a week of holiday away from home once a year, vi) have a car, vii) have a washing machine, viii) have a colour tv, or ix) have a telephone.

[4] People living in households with very low work intensity: share of people aged 0-59 living in households where the adults (excluding dependent children) work less than 20% of their total work-time potential during the previous 12 months.

[5] For EE, CY, MT, SI, SK, thresholds in nominal values in Euros; HICP - index 100 in 2006 (2007 survey refers to 2006 incomes)

Sources:
For expenditure for social protection benefits ESSPROS; for social inclusion EU-SILC.

Table IX. Product markets performance and policy indicators

Performance indicators	**2003-2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Labour productivity[1] total economy (annual growth in %)	1.5	-0.5	-0.3	3.5	0.0	1.1
Labour productivity[1] in manufacturing (annual growth in %)	2.9	0.7	-2.5	11.1	3.2	3.3
Labour productivity[1] in electricity, gas, steam and air conditioning supply (annual growth in %)	8.2	14.7	-8.3	13.0	n.a.	n.a.
Labour productivity[1] in the construction sector (annual growth in %)	0.7	-2.4	-2.9	-0.8	-4.1	0.5
Total number of patent[2] applications per million of labour force	17.1	20.0	19.4	19.6	n.a.	n.a.
Policy indicators	**2003-2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Enforcing contracts[3] (days)	577	577	547	547	547	547
Time to start a business[3] (days)	45	6	6	6	5	5
R&D expenditure (% of GDP)	0.9	1.5	1.6	1.6	1.5	n.a.
Tertiary educational attainment (% of 30-34 years old population)	17.5	21.6	21.1	23.5	26.1	26.6
Total public expenditure on education (% of GDP)	5.17	4.89	5.79	5.62	n.a.	n.a.
	2007	**2008**	**2009**	**2010**	**2011**	**2012**
Product market regulation[4], Overall (Index; 0=not regulated; 6=most regulated)	n.a.	1.4	n.a.	n.a.	n.a.	n.a.
Product market regulation[4], Retail (Index; 0=not regulated; 6=most regulated)	n.a.	3.0	n.a.	n.a.	n.a.	n.a.
Product market regulation[4], Network Industries[5] (Index; 0=not regulated; 6=most regulated)	2.4	n.a.	n.a.	n.a.	n.a.	n.a.

Notes:

[1] Labour productivity is defined as gross value added (in constant prices) divided by the number of persons employed.

[2] Total number of patent applications to the European Patent Office (EPO) per million of labour force

[3] The methodologies, including the assumptions, for this indicator are presented in detail on the website http://www.doingbusiness.org/methodology.

[4] The methodologies of the product market regulation indicators are presented in detail on the website http://www.oecd.org/document/1/0,3746,en_2649_34323_2367297_1_1_1_1,00.html. The latest available product market regulation indicators refer to 2003 and 2008, except for Network Industries.

[5] Aggregate Energy, Transport and Communications Regulation (ETCR).

*figure for 2007.

Source :
Commission, World Bank - *Doing Business* (for enforcing contracts and time to start a business) and OECD (for the product market regulation indicators).

Table X. Green Growth

		2002-2006	2007	2008	2009	2010	2011
Green Growth performance							
Macroeconomic							
Energy intensity	kgoe / €	0.20	0.19	0.18	0.19	0.18	0.18
Carbon intensity	kg / €	0.64	0.57	0.56	0.56	0.52	n.a.
Resource intensity (reciprocal of resource productivity)	kg / €	1.44	1.58	1.61	1.49	n.a.	n.a.
Waste intensity	kg / €	n.a.	n.a.	0.26	n.a.	0.28	n.a.
Energy balance of trade	% GDP	-3.1%	-3.7%	-4.7%	-2.9%	-3.4%	-4.2%
Energy weight in HICP	%	n.a.	9	10	11	12	13
Difference between change energy price and inflation	%	n.a.	1.2	1.8	1.3	4.5	6.6
Environmental taxes over labour taxes	ratio	24.9%	22.6%	20.6%	19.2%	19.4%	n.a.
Environmental taxes over total taxes	ratio	9.5%	8.5%	7.9%	8.1%	7.9%	n.a.
Sectoral							
Industry energy intensity	kgoe / €	0.24	0.23	0.22	0.22	0.23	n.a.
Share of energy-intensive industries in the economy	% GDP	8.4	8.9	n.a.	n.a.	n.a.	n.a.
Electricity prices for medium-sized industrial users**	€ / kWh	n.a.	0.08	0.09	0.09	0.09	0.10
Gas prices for medium-sized industrial users***	€ / kWh	n.a.	0.03	0.03	0.03	0.03	0.04
Public R&D for energy	% GDP	n.a.	0.01%	0.01%	0.02%	0.02%	0.02%
Public R&D for the environment	% GDP	n.a.	0.03%	0.02%	0.03%	0.03%	0.03%
Recycling rate of municipal waste	ratio	33.7%	36.2%	35.5%	39.2%	38.1%	n.a.
Share of GHG emissions covered by ETS*	%	n.a.	38.8%	38.2%	37.6%	33.9%	35.6%
Transport energy intensity	kgoe / €	n.a.	0.73	n.a.	n.a.	n.a.	n.a.
Transport carbon intensity	kg / €	n.a.	1.95	n.a.	n.a.	n.a.	n.a.
Security of energy supply							
Energy import dependency	%	n.a.	82.0%	82.8%	81.1%	75.4%	77.4%
Diversification of oil import sources	HHI	n.a.	0.06	0.07	0.07	0.07	n.a.
Diversification of energy mix	HHI	n.a.	0.36	0.34	0.33	0.35	0.33
Share renewable energy in energy mix	%	n.a.	17.1%	17.2%	19.3%	22.5%	21.5%

Country-specific notes:
The year 2012 is not included in the table due to lack of data.
General explanation of the table items:
Source: Eurostat unless indicated otherwise; ECFIN elaborations indicated below
All macro intensity indicators are expressed as a ratio of a physical quantity to GDP (in 2000 prices)
Energy intensity: gross inland energy consumption (in kgoe) divided by GDP (in EUR)
Carbon intensity: Greenhouse gas emissions (in kg CO2 equivalents) divided by GDP (in EUR)
Resource intensity: Domestic Material Consumption (in kg) divided by GDP (in EUR)
Waste intensity: waste (in kg) divided by GDP (in EUR)
Energy balance of trade: the balance of energy exports and imports, expressed as % of GDP
Energy weight in HICP: the share of the "energy" items in the consumption basket used in the construction of the HICP
Difference between energy price change and inflation: energy component of HICP, and total HICP inflation (annual %-change)
Environmental taxes over labour or total taxes: from DG TAXUD's database "Taxation trends in the European Union"
Industry energy intensity: final energy consumption of industry (in kgoe) divided by gross value added of industry (in 2005 EUR)
Share of energy-intensive industries in the economy: share of gross value added of the energy-intensive industries in GDP
Electricity and gas prices medium industrial users: consumption band 500 - 2000MWh and 10000 - 100000 GJ; figures excl. VAT.
Recycling rate of municipal waste: ratio of municipal waste recycled over total municipal waste
Public R&D for energy or for the environment: government spending on R&D (GBAORD) for these categories as % of GDP
Share of GHG emissions covered by ETS: based on greenhouse gas emissions as reported by Member States to EEA (excl LULUCF)
Transport energy intensity: final energy consumption of transport activity (kgoe) divided by transp industry gross value added (2005 EUR)
Transport carbon intensity: greenhouse gas emissions in transport activity divided by gross value added of the transport sector
Energy import dependency: net energy imports divided by gross inland energy consumption incl. energy consumption international bunkers
Diversification of oil import sources: Herfindahl index (HHI), calculated as the sum of the squared market shares of countries of origin
Diversification of the energy mix: Herfindahl Index over natural gas, total petrol products, nuclear heat, renewable energies and solid fuels
Share renewable energy in energy mix: %-share in gross inland energy consumption, expressed in tonne oil equivalents
*Provisional figures provided by DG CLIMA. Final figures will be available on 15/04.
** For 2007 average of S1 & S2 for DE, LU, NL, FI, SE & UK. Other countries only have S2.
*** For 2007 average of S1 & S2 for IT, NL, FI, SE & UK. Other countries only have S2.