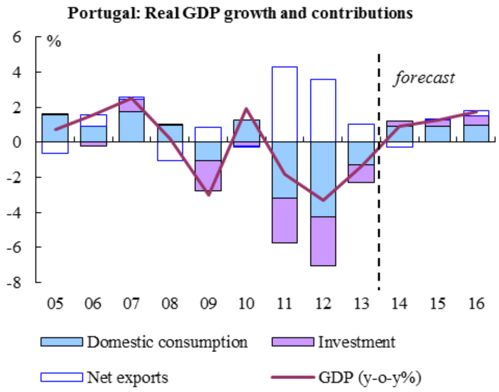
INVESTMENT IN PORTUGAL

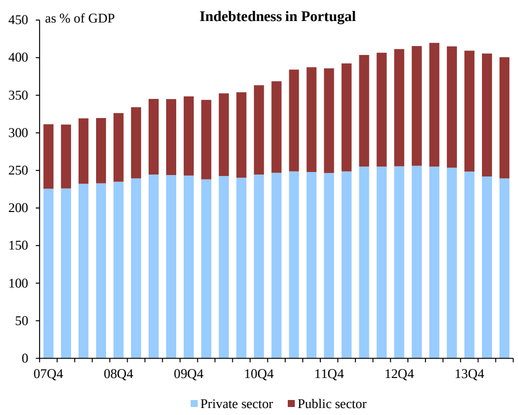
What is the situation in Portugal?



Source: European Commission 2014 Autumn Forecast

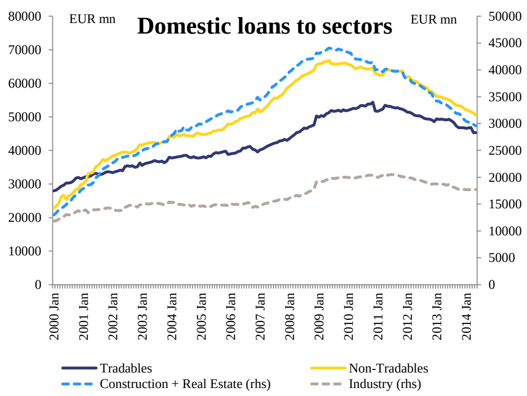
The economic and financial crisis seriously dented investment, which declined from 22% of GDP in 2008 to 15% in 2013. More recently, however, machinery and equipment has grown solidly, which more than compensated for the weaker-than-expected construction activity. This trend is set to continue in the short-term with construction activity staying below EU average and machinery and equipment is sustaining its strong momentum on the back of improving final demand, low interest rates and the need to renew capital stocks.

What is the main challenge?



The private and public sectors are highly indebted in Portugal and the ongoing pressure to reduce debt will continue to weigh on the investment outlook. Additional investments in the energy sector would help to reduce energy costs, increase energy efficiency in the economy and improve the cross-border integration of energy networks.

Opportunities for investment



The successful rebalancing in the Portuguese economy requires a reallocation of resources from non-tradable to tradable sectors, calling for greater private investment in machinery and equipment. Before the economic and financial crisis, fixed investment was concentrated in the non-tradable sector, such as construction, thereby contributing to the build-up of imbalances that eventually led to the crisis. In addition, the need to improve cross-border integration of the energy networks and to speed up the implementation of the electricity and gas interconnection projects require an acceleration of investment activity.

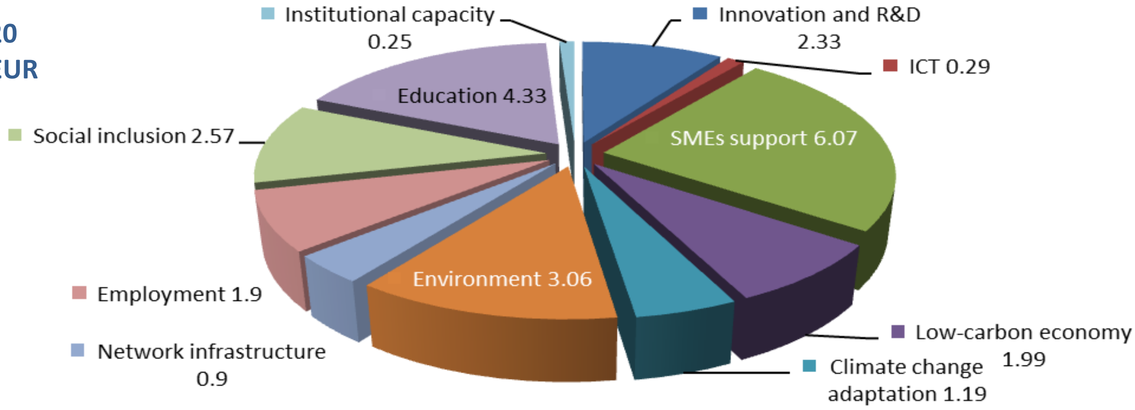
Reforms for investment

In the Country Specific Recommendations for Portugal, the European Union recommended

Necessary fiscal stability measures to achieve the fiscal targets and prevent the accumulation of new arrears	Enhance cooperation between public research and business and foster knowledge transfer
Review the tax system and make it more growth-friendly	Monitor banks' liquidity position and potential capital shortfalls
Continue to rationalise public administration	Reduce the energy costs for the economy, while eliminating the electricity tariff debt by 2020 Improve the cross-border integration of the energy networks and speed up implementation of the electricity and gas interconnection projects
Pursue the ongoing reform of active labour market policies	Implement the comprehensive long-term transport plan Strengthen efficiency and competition in railways

EU funding for investment

2014 - 2020
in billion EUR



Source: ***Partnership Agreement:***
http://ec.europa.eu/contracts_grants/agreements/index_pt.htm

Past or ongoing projects for investment

Electricity interconnections

Electricity Interconnection.
Commissioning date: 2016
(**Spain, Portugal**)

Transport interconnections

Connecting Europe Facility:
"Atlantic" core network corridor:
(**Portugal, Spain, France, Germany**)