



REPÚBLICA  
PORTUGUESA

XXII GOVERNO CONSTITUCIONAL

---

STABILITY PROGRAMME

2020



Prepared based on data as of May 7<sup>th</sup>, 2020.

**MINISTRY OF FINANCE**

Av.ª Infante D. Henrique, 1

1149-009 LISBOA

• Telephone: (+351) 21.881.6820 • Fax: (+351) 21.881.6862

[portugal.gov.pt](http://portugal.gov.pt)



**CONTENTS**

<b>Introduction</b> .....	<b>7</b>
<b>Executive summary</b> .....	<b>9</b>
<b>Chapter I</b> .....	<b>11</b>
I.Framework – Budgetary policy response to the COVID-19 outbreak .....	11
<b>Chapter II</b> .....	<b>39</b>
II.Macroeconomic background .....	39
II.1. Current developments.....	39
II.2. Outlook for 2020 .....	41
<b>Chapter III</b> .....	<b>49</b>
III.Budget Balance and Debt of General Government .....	49
III.1. Recent developments in public finances.....	49
III.2. Fiscal Outlook .....	51
<b>Annexes</b> .....	<b>55</b>
Annex 1 – Response to the epidemiological crisis .....	55
Annex 2 – National and International Projections.....	67

**GRAPHS**

Graph I.1 Confirmed new cases of COVID-19 in Portugal .....	13
Graph I.2 Confirmed new cases of COVID-19 – international comparison.....	13
Graph II.1 Imports net contributions for GDP real growth .....	40
Graph II.2 Unemployment rate and employment .....	41
Graph II.3 Physical and online purchases with banking cards .....	44
Graph II.4 Index of global economic policy uncertainty .....	46
Graph II.5 Economic activity composite indicator .....	46
Graph II.6 Contributions for the impact of -6,5 pp.....	47
Graph II.7 Sectorial impact of the confinement* in Portugal .....	48
Graph III.1. Contribution to changes in the General Government budget balance (2018 and 2019) .....	50
Graph III.2. Public Debt Dynamics 2017-2019 .....	51
Graph III.3. Evolution of the average residual maturity and interest rate in the primary market..	51
Graph A1.1 Comparison exponential curve/actual growth .....	64
Graph A1.2 Trend of the effective reproductive number (Rt).....	64
Graph A1.3 New confirmed cases .....	64
Graph A1.4 Number of tests and positive results .....	64
Graph A1.5 Positive results (as percentage of the number of tests) .....	64
Graph A1.6 Number of hospitalized cases .....	64
Graph A1.7 Number of cases in ICU beds.....	65
Graph A1.8 Deaths (daily evolution).....	65
Graph A1.9 Number of recovered cases.....	65
Graph A1.10 Tests per million population.....	65
Graph A1.11 Distribution of active cases .....	65
Graph A1.12 Daily rate of ICU occupation.....	65

## TABLES

Table I.1 Implementation of restrictive measures - counting the number of days after 100 confirmed cases.....	15
Table I.2 COVID-19 – Plan for lifting restrictive measures.....	31
Table II.1 Enterprises reporting a reduction in economic activity.....	42
Table II.2 Enterprises reporting a reduction in economic activity.....	42
Table III.1 Discretionary measures in response to COVID-19.....	53
Table III.2 Discretionary measures in response to COVID-19.....	54
Table A2.1 Macroeconomic projections for Portugal and the euro area.....	67
Table A2.2 Macroeconomic projections for Portugal and the euro area.....	67





## INTRODUCTION

The 2020 Stability Programme is published at one of the most critical moments for the Portuguese society in recent decades. The action by the State and the Portuguese society has been changed substantially since the beginning of March 2020, with the aim to tackle COVID-19. This shift has had a massive impact on the economy, the labour market and, consequently, on the public finances.

The full assessment of the economic impact of confinement, will only be possible to undertake after the gradual lifting of the restrictive measures implemented since the outbreak of the new coronavirus. The result of this assessment will depend on the extent to which the deconfinement process is carried out successfully. In fact, the return to the trajectory of economic growth and consolidation of public accounts will only be possible and sustainable when the health crisis is fully behind us.

Therefore, it is the Government's priority to prevent the disease, contain the pandemic, save lives and ensure the fundamental supply chains for essential goods and services. It is urgent to adopt the measures that are essential, adequate and necessary to restrict certain rights in a proportional way, as required by the Constitution and our legal framework, so to preserve public health and the life of all Portuguese citizens.

Along this process, the exemplary behaviour of the population stands out. It is evidenced by the broad compliance with the measures and initiatives to prevent and cure the disease, as well as in the acceptance and support to the declaration of the state of emergency and the situation of calamity. Keeping the fight against the pandemic as a priority, is essential to gradually lift the containment measures in order to launch the recovery phase for the economy and society. It is essential that such a process is progressive and gradual, and that the effects of the planned measures on the evolution of the pandemic are systematically assessed, in permanent coordination with public health authorities, so that economic activity and social life can be resumed, while ensuring the epidemiological situation remains under control.

Prevention measures must ensure that the efforts made so far will not be wasted. The initial effects of the discretionary measures the Government has adopted confirm the effectiveness of the current strategy, but caution is warranted, ensuring clear and timely communication and transparency towards citizens and companies.

For the success of the Government's strategy, which is being implemented alongside the gradual lifting of restrictions enacted during the state of emergency, it is essential that the containment of the pandemic lay the ground for a gradual path of recovery of economic activity, together with the permanent assessment of the epidemiological, health, social and economic frameworks.

The 2020 Stability Programme focuses on identifying the COVID-19-related measures with an impact on the economy, included in the emergency response, which was implemented in a very short timeframe. This document also includes an assessment of the cost of the lockdown period, both in economic and financial terms.





## EXECUTIVE SUMMARY

*The 2020 Stability Programme follows the simplified structure proposed by the European Commission for this year, due to the exceptional situation arising from COVID-19<sup>1</sup>. It focuses on the effects of the pandemic on public health, on its economic and financial costs, on the discretionary and temporary measures adopted by the Government and their budgetary impact.*

The 2020 Stability Programme is presented against the backdrop of a pandemic outbreak with a disruptive impact on global economic activity.

The health crisis caused by COVID-19 forced governments to adopt highly restrictive measures to economic activity, which significantly altered the patterns of social interaction.

In Portugal, upon the declaration of the state of emergency, the Government implemented a package of sanitary measures aimed at mitigating the transmission of the disease, protecting citizens, preserving the response capacity of the National Health Service and mitigating the impact of the crisis on the regular functioning of supply chains for essential goods.

At the economic level, these measures represent a shock of supply and demand. A shock that is unprecedented in the recent past and with effects whose magnitude and scope are particularly complex and difficult to predict. Forecasting the evolution of economic activity, in this context, means predicting the evolution of the epidemiological situation, which is something that remains shrouded in uncertainty.

For this reason, the Stability Programme does not present a forecast for economic growth in 2020, nor does it speculate about the evolution of economic activity in the following years. It assesses the impact on economic growth of measures of social containment, on the basis of sector-by-sector data on level of participation in the financial support programme for the maintenance of employment contracts (the so-called “simplified lay off scheme”), framed by other coincident indicators of economic activity (e.g. automatic payments, surveys to companies and unemployment). In this way, it is estimated that, on average, every 30 working days of confinement have a negative impact on the annual GDP growth rate of 6.5 percentage points.

To try to mitigate the economic and social impact of health measures, the Government has been adopting an increasingly wide range of initiatives aimed at strengthening the

---

<sup>1</sup> Note from the European Commission of 6<sup>th</sup> of April of 2020 to the Economic and Financial Committee *Guidelines for a streamlined format of the 2020 Stability and Convergence Programmes in light of the COVID-19 outbreak.*

social protection of workers and their families, protecting jobs and supporting liquidity for companies.

Taken together, these measures represent a fiscal package of around EUR 2 billion per month (0.9% of GDP), including one-off measures. In addition, there is a package of more than EUR 25 billion (11.8% of GDP) of discretionary measures with a financial impact, but no budgetary impact, including liquidity support to companies, financial incentives, corporate and households' loans and rents' moratoria, and tax and social security contributions deferrals.



# CHAPTER I

## I. Framework – Budgetary policy response to the COVID-19 outbreak

The health crisis caused by the pandemic of SARS-CoV-2, commonly known as COVID-19, forced a wide range of countries to adopt highly restrictive measures in economic and social terms, unprecedented in contemporary history, with an impact only comparable to a war scenario.

There are several signs that the measures to suppress the transmission of the virus adopted in Portugal and in the European Union (EU) are being effective and that the health crisis is receding, albeit with different degrees of success and timelines among countries.

In most cases, however, the duration of restrictive epidemiological-control measures remains uncertain. In addition, the ability of countries to find a path that allows them to simultaneously abandon or gradually remove sanitary restrictions and, at the same time, resume economic activity, without compromising the progress achieved in terms of epidemiological control, remains to be determined.

Drawing up economic projections in this context is a particularly complex exercise. The time horizon of such an exercise cannot go beyond the short term, otherwise it will lose its analytical value. The results are especially sensitive to the assumptions made about the evolution of the epidemiological situation. At this point, these assumptions are surrounded by great uncertainty.

This is the context in which the Stability Programme is presented. In this exceptional situation, the current document presents significant changes (in its format and content), in relation to the previous ones, being based on the guidelines of the European Commission<sup>2</sup>, and is delivered under Law No. 151/2015, of September 11<sup>th</sup>, combined with Law No. 9-A / 2020, of April 20<sup>th</sup>.

### *Epidemiological situation regarding COVID-19 and response from national authorities*

COVID-19 was first identified in late 2019, in the Chinese city of Wuhan (Hubei), having since spread to 210 other countries and territories worldwide. As of May 6<sup>th</sup>, the World Health Organization (WHO) recorded a total of 3,672,238 confirmed cases of COVID-19 infections and a total of 254,045 deaths from the disease.

---

<sup>2</sup> Guidelines for a streamlined format of the 2020 stability and convergence programmes in light of the COVID-19 outbreak.

Portugal detected its first case of COVID-19 on March 2<sup>nd</sup>. On May 6<sup>th</sup>, according to the Directorate-General for Health (DGS), there was an accumulated number of 26,715 infections and 1,105 deaths. As of May 5<sup>th</sup>, there were 2,258 recovered cases and 23,352 cases with active disease, 96% of them with mild illness and recovering at home.

In view of the exponential increase in the number of cases, the state of emergency was declared by the President of the Republic on March 18<sup>th</sup>, having been renewed on April 2<sup>nd</sup> and April 17<sup>th</sup>, and remaining in effect until May 2<sup>nd</sup>; the situation of calamity was then decreed by the Government and has been in effect since May 4<sup>th</sup>.

Following the declaration of the state of emergency, the Government adopted a set of measures aimed at mitigating the transmission of the disease, protecting citizens and ensuring the response capacity of the National Health Service (NHS), as well as ensuring the normal functioning of the supply chains for essential goods.

The main lines of action include, on the one hand, adapting the response capacity of the NHS to this exceptional reality, especially with regards to public procurement and human resources; on the other hand, to promote social distancing and prophylactic isolation.

In the health area, measures were taken to ensure the existence of human and material resources appropriate to the pandemic situation, with emphasis on the hiring of workers and the payment of overtime, the purchase of medicines, personal protective equipment (e.g. masks), diagnostic tests and ventilators.

Between March 1<sup>st</sup> and May 4<sup>th</sup>, 470,234 diagnostic tests for COVID-19 were carried out, of which 40,238 tested positive (8.6% of the total tests). In April, an average of 11,575 tests per day was performed. Indeed, Portugal is the fifth country in the EU with the greatest testing capacity, with 46,116 tests per million inhabitants.

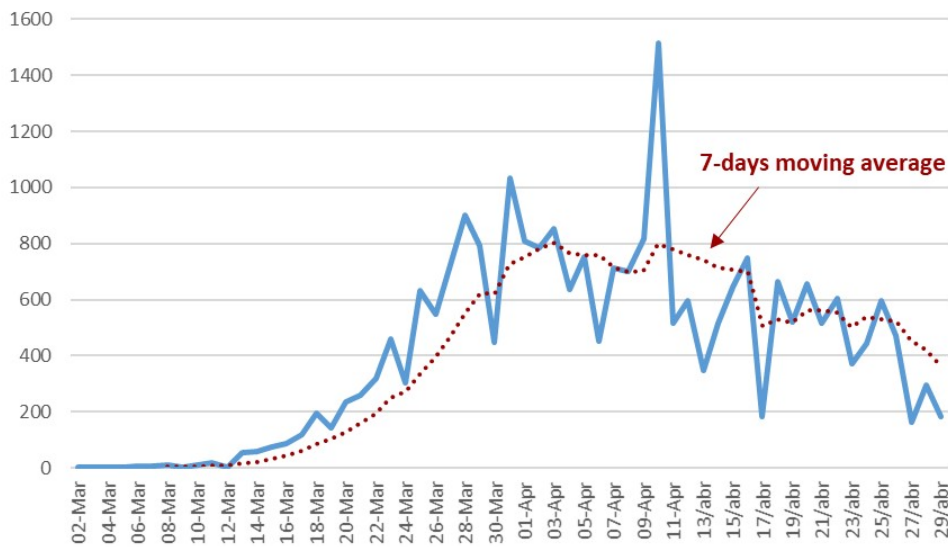
Within social distancing rules, a special highlight is due to the temporary suspension of classroom teaching and non-teaching activities at all levels of education; restrictions on borders and ports with international traffic; and the limitation of the domestic movement of people, to work purposes when physical presence is indispensable, as well as for other activities considered essential, as those linked to the provision of food or medicines, and to minimum leisure activities. Annex 1 provides a detailed description of the implemented measures.

In the meanwhile, there are already clear signs that the adopted measures had an important containment effect on the transmission of the virus, as shown by the downward evolution of the  $R_t$  transmissibility rate<sup>3</sup>.

---

<sup>3</sup> Average number of secondary cases originating from an infected person, measured over time.

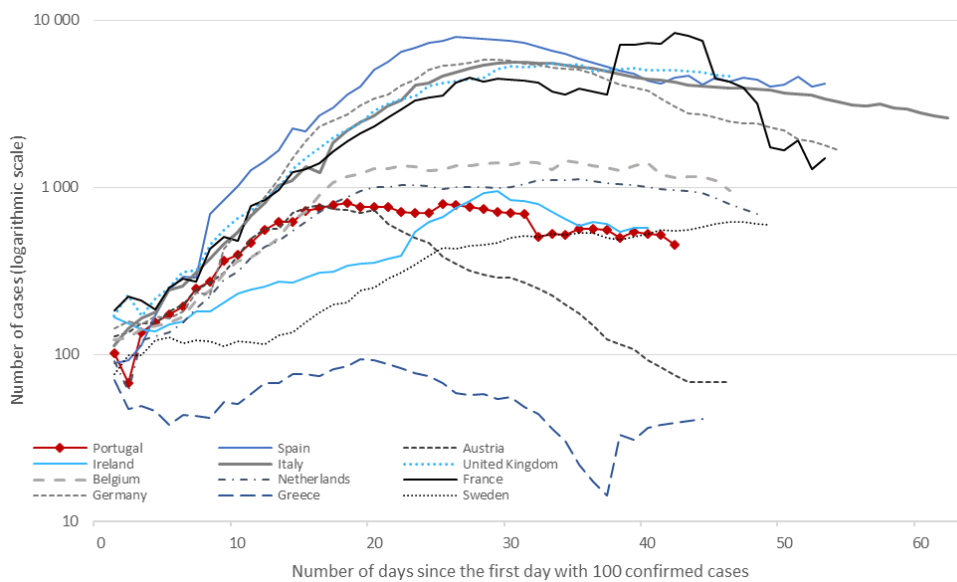
**Graph I.1 Confirmed new cases of COVID-19 in Portugal**  
(Seven-day moving average)



Source: Calculations from the Ministry of Finance, based upon Directorate-General for Health data.

The speed and effectiveness of the response produced important results. In comparison with other countries, Portugal is at the forefront of a swift response to tackle COVID-19.

**Graph I.2 Confirmed new cases of COVID-19 – international comparison**  
(Seven-day moving average)



Source: Calculations from the Ministry of Finance, based upon John Hopkins University data.

**Economic impact of COVID-19**

The most impactful public health crisis in the last generations has resulted in an economic shock that is unprecedented in the recent past. It hit simultaneously the supply and the demand side of the economy, with effects whose magnitude and reach are not yet

possible to quantify satisfactorily. From an economic point of view, the transmission channels of this shock are multiple and interconnected, with a strong impact in terms of production (reductions and closures of activities), employment (with an increase in unemployment) and productivity (via production and employment disruptions).

#### *Supply*

Interruption of several value chains due to sharp impact on the supply side; disturbances in the distribution circuits of raw materials, intermediate goods and final goods; increased absenteeism, either due to illness or through the application of restraint measures; temporary closure of several industrial and commercial establishments; reduction of activity in the services sector.

#### *Demand*

Drastic reduction in activity related to the movement of people, whether for business or leisure purposes, namely in travel, accommodation and catering; reducing demand for consumer durables and non-essential or non-urgent proximity services; reduction in education, entertainment and leisure services; high demand for specialized health services in response to COVID-19.

Repercussions on international trade, including, since March 2020, in highly integrated value chains with European Union partners.

#### *Confidence*

Significant reduction in the confidence levels of economic agents, associated with the escalation of the degrees of uncertainty, with an impact on the decisions for investment (which may be deferred or even cancelled) and consumption of goods and services (which may be reduced, delayed or even cancelled in favour of savings).

#### *Financial system*

Increased volatility in financial markets, including in capital markets; increase in risks of corporate over-indebtedness, namely pressure on non-performing loans.

#### *Public finances*

The pressure on the NHS, automatic stabilizers and the discretionary support packages for citizens and companies, will have a strong impact on the budget balance, either by a high increase in public expenditure or by a significant drop in tax and contributory revenue. The deterioration of public accounts and increased financing needs will have an impact on interest expense and debt charges.

Thus, the budgetary impact of COVID-19 can predictably be broken down into at least five categories:

- A. Direct impact on public expenditure, resulting from increased demand for health services and epidemiological containment measures (public security, e.g.);
- B. Direct impacts on public expenditure, namely as a result of measures to increase transfers to families and companies with a view to maintaining income, and on tax and contributory revenue due to measures to reduce tax and social contributions;
- C. Impact of automatic stabilizers, on fiscal and contributory expenditure and revenue resulting from the economic crisis, following the pandemic;
- D. Direct impact on public expenditure from the recovery plan and its financing;
- E. Additional impact on public expenditure of a possible increase in the cost of financing associated with instability in the financial markets.

It is expected that the impacts of types A and B, regardless of their magnitude, are temporary and non-recurring, while impacts of types C and D would have a prolonged duration in time, probably beyond the current year.

#### *Economic policy measures in response to COVID-19*

The epidemiological scenario and the related state of emergency implied the closure, suspension of activity or reduction in the working hours of many companies. In particular, the impact on global supply chains and restrictions on the movement of people and goods are particularly noteworthy, affecting, first and foremost, export-oriented companies, as well as those whose activity depends on the import of goods or services, and activities related to trade, services and tourism.

**Table I.1 Implementation of restrictive measures - counting the number of days after 100 confirmed cases**  
(accumulated)

	Cancellation of public events	Closing of schools	Restrictions on international mobility	Restrictions on domestic mobility	Restrictions on public transport	Limitations to face-to-face work
Germany	0	0	0	17	39	21
Austria	2	7	0	4	4	3
Belgium	3	7	0	11	n.a.	6
Spain	7	6	7	6	12	6
France	0	2	0	16	15	16
Greece	0	0	4	9	n.a.	21
Ireland	0	0	n.a.	13	6	0
Netherlands	4	6	12	0	n.a.	6
Portugal	0	0	0	5	5	2
United Kingdom	11	17	n.a.	16	n.a.	10
Sweden	5	n.a.	12	28	38	n.a.

Source: Hale, Thomas, Sam Webster, Anna Petherick, Toby Phillips, and Beatriz Kira (2020). *Oxford COVID-19 Government Response Tracker*, Blavatnik School of Government.

n.a.: not available.

In this context, the Government has adopted a set of measures aimed at mitigating economic impacts, reinforcing the social protection of workers and their families, protecting jobs and supporting the availability of liquidity for companies.

These measures will be periodically reviewed in order to ensure the preservation of employment and the safeguard of viable companies. They may also be extended and revised according to periodic assessments. They cover fundamental areas such as health, social protection, the availability of liquidity, the possibility of postponing taxes and social contributions, and more flexibility in financial incentives, namely within the scope of Portugal 2020 (EU funds).

### **Increased the response capacity of the National Health Service**

In healthcare, the Government implemented measures to ensure the existence of adequate resources (HR and equipment) to respond to the pandemic. This required a significant increase in public expenditure on health, compared to the State Budget for 2020 (which already included more than EUR 941 million, compared to 2019). This is associated with hiring workers and paying overtime, but also with purchasing drugs, personal protective equipment (e.g. masks), diagnostic tests and ventilators<sup>4</sup>.

### **Measures to support the economy, secure jobs and of social protection**

#### *Measures to support the labour market and social solidarity*

Recognizing the exceptionality of the emergency situation triggered by this outbreak, and having heard the social partners, the Government approved a set of extraordinary and temporary measures to grant immediate support to workers and employers affected by this pandemic, with a view to secure jobs and mitigate the crisis and thus protect families, workers and companies

- **Telework**

During the state of emergency, it is mandatory (if possible) to adopt a teleworking regime, regardless of the employment relationship. From March 16<sup>th</sup> on, civil servants must be in the teleworking regime, whenever possible.

- **Prophylactic Isolation**

In a first phase, the Government adopted measures to safeguard the social protection of workers who are temporarily prevented from exercising their professional activity as ordered by the Health Authority, due to COVID-19. In this case, workers are entitled

---

<sup>4</sup> For additional information, see Annex 1 – Response to the epidemiological crisis.



to the payment of an allowance corresponding to 100% of the reference remuneration.

- Sickness Benefit

The provision of the sickness benefit is not subject to a waiting period, meaning that, exceptionally, it applies from the application day on. The reference remuneration to be considered is the total remuneration registered in the first six months preceding the second month prior to the month in which the temporary incapacity for work began.

- Outstanding support for the maintenance of employment contracts in companies in a situation of business crisis (temporary suspension – total or partial – of the employment contract)

Temporary measures with the aim of having a swift and immediate response to the urgent needs of supporting the maintenance of employment in companies especially affected by the outbreak of COVID-19, as a result of a total or partial interruption of economic activity, suspension or cancellation of orders, or break of 40% of the billing (30 days before requesting the support from Social Security services, referring to the monthly average of the two months prior to that period, or compared with the same period of the previous year, or, even, for those who started the activity less than 12 months ago, the average of that period). The financial support is 2/3 of the employee's gross remuneration, up to a maximum of three national minimum wages (EUR 1,905); Social Security ensures the payment of 70% and the other 30% is ensured by the employer (excluding Social Security contributions). Under this measure it is not possible to dismiss workers. This support lasts from a minimum of one month and up to three months.

- Development of an extraordinary training plan

Extraordinary training support for companies that, due to a decision from the Health Authority, cannot work properly. Each worker covered by this plan receives an extraordinary support ensured by the Institute for Employment and Vocational Training, referring to the hours of training to be attended, up to the limit of 50% of the gross remuneration and not exceeding the value of the National Minimum Wage.

- Extraordinary financial incentive to support the resumption of the company's activity

Extraordinary financial incentive to support the resumption of the company's activity (that benefited from support for the maintenance of employment contracts) having as reference one national minimum wage per worker for one month.

This value aims to support companies returning to *normality*, in order to support the maintenance of jobs.

- Temporary exemption of employer's Social Security contributions payments

During this period, companies benefiting from the above-mentioned measures are exempted from Social Security contributions payments.

- Exceptional regime of justified work absences

The following work absences are justified: i) assistance to a child or other dependents under 12 years of age or, regardless of age, with a disability or a chronic illness; ii) during school holidays, assistance to a grandson of a teenage mother or son, under the age of 16, both living with the worker; iii) assistance to a spouse or person living in a *de facto* union or common economy with the worker, relative or similar in the descendent direct line in charge of the worker and who frequent social equipment whose activity is suspended by order of the health authority or by the Government, as long as there is no other alternative; iv) within the scope of COVID-19, provision of assistance or transport by volunteer firefighters with an employment contract with an employer from the private or social sector, called by the corresponding fire department.

- Outstanding support for workers due to family assistance

Due to the closure of schools, one of the parents can stay at home to take care of their children under 12 years with a guaranteed income of  $\frac{2}{3}$  of his/her average wage. Social Security pays  $\frac{1}{3}$  and the employer the other  $\frac{1}{3}$  with a minimum of one national minimum wage and a maximum of three national minimum wages. It is not applied to teleworking situations.

- Extraordinary automatic extension of unemployment benefit and social benefits

Extraordinary automatic extension of unemployment benefit and social benefits granting minimum income, when the concession period or renewal term ends before June 30<sup>th</sup>, 2020.

- Extraordinary support for the Reinforcement of Workers of Social and Health Facilities

Extraordinary support for the reinforcement of Workers of Social and Health Facilities from Private Institutions of Social Solidarity with short-term staff need by integrating:

- Unemployed (regardless of whether they are registered in the Public Employment Service);
- Workers with a suspended contract or reduced working hours;
- Workers with part-time employment contracts;
- People that are receiving the social allowance guaranteed minimum income;
- Students and trainees aged 18 or over.

Those working under this measure will receive a monthly financial contribution as a complement to any allowance already being received. 90% is paid by the Institute of Employment and Vocational Training and 10% by the beneficiary institution.

The support lasts for one month and can be extended up to a maximum of three months.

- Increase of the monthly scholarship for Employment-Insertion Contract

Participants in CEI / CEI + measures integrated in projects in the activities of health care or social support will benefit from an increase in their scholarship, whether they are part of ongoing projects or part of projects still to be approved.

- Guarantee of essential services

On March 23<sup>rd</sup>, the Government determined the guarantee of essential services in the country, such as the supply of water, energy, electricity, gas and fuel, garbage collection and transport operations, ensuring the continuity of the provision of public services. Subsequently, on April 8<sup>th</sup>, the Parliament passed legislation that prevents, during the emergency period and in the following month, the cutting of essential services such as electricity, gas, water and communications, even if customers default in their contracts

- Rights of migrants

On March 27<sup>th</sup>, the Government determined that, at the date of the declaration of the state of emergency, all foreign citizens with pending cases at the Immigration and Borders Service (SEF) are in a situation of regular permanence in Portuguese territory.

This ensured, unequivocally, the rights of those foreign citizens, insofar as the proof of the process is valid for access to public services, namely to obtain the Social Security number, to the National Health Service or other healthcare rights, to social support benefits, for signing lease agreements, employment contracts, opening bank accounts and contracting essential public services.

#### *Aid measures providing (liquidity) support to corporations and families*

- Deferral of tax and social security obligations

The Government determined the deferral of some tax and Social Security obligations regarding the second quarter of 2020. In particular: i) deferral of various corporate income tax obligations (payments on account of the final tax due, submission of the corporate income tax return and simplified business information file and organization of the tax dossier); ii) deferral of the obligation to deliver to the Portuguese Treasury the tax withheld on both personal and corporate income tax, as well as the monthly or quarterly VAT due (its payment is fractioned into 3 or 6 monthly instalments, starting

in April); iii) deferral of 2/3 of the employer's Social Security contributions for the months of March, April and May 2020 (its payment is fractioned into 3 or 6 monthly instalments, starting in second semester).

- Suspension of tax and Social Security enforcement proceedings

Enforcement proceedings already pending or to be initiated by either the Tax Authority or the Social Security will be suspended until the end of the exceptional period (yet to be determined) or June 30<sup>th</sup> 2020, whichever ends last.

- Support for liquidity and credit grants

In order to preserve the productive capacity of companies and jobs quickly and effectively, the Government implemented a set of measures to support firms' liquidity.

The *Capitalizar* Credit Line 2018-COVID-19 was launched on March 12<sup>th</sup>, as the first response to support companies' liquidity. In view of the high demand, this credit facility was extended from EUR 200 to 400 million on March 27<sup>th</sup>.

Within the Temporary State Aid Framework, the European Commission approved a scheme worth EUR 13 billion to support the Portuguese economy in the context of the coronavirus outbreak. On March 18<sup>th</sup>, the Government approved a set of credit lines to support economic activity for companies with treasury difficulties, in the global amount of EUR 3 billion (targeted at tourism, travel agencies, restaurants and industry, and then applicable to all the economic sectors), for micro and SMEs, small midcaps and midcaps. It should also be noted the inclusion of sole owners and companies established less than 2 years ago.

The Government also launched a credit line for micro companies in the tourism sector, in the amount of EUR 60 million. A specific debt line of EUR 20 million was created under the *de minimis* regime, aimed at companies in the fisheries' sector.

The export promotion and markets' diversification, in particular regarding markets outside the European Union, will be supported by increasing the ceiling for export credit insurance lines, with State guarantees: i) from EUR 100 to 200 million in the line for the metallurgical, metallomechanical and mold sectors; ii) from EUR 100 to 200 million in the surety bond line for construction works abroad; and iii) from EUR 250 to 300 million in the short-term export credit insurance line.

- Internacionalizar 2030 Programme

The *Internacionalizar 2030* Programme aims at contributing to the rapid recovery of the national export sector. To achieve this goal, it establishes actions on seven different areas: i) financial liquidity; ii) international risk management; iii) digital promotion; iv) e-commerce logistics; v) e-commerce distribution channels; vi) internationalization of value chains; and, vii) nearshoring promotion. These measures

will also impact several different areas like international trade finance, cohesion funds for the digital transition, digital skills development, labour force and customer service digital transition, online business matchmaking, online internationalization acceleration, digital marketing, internationalization fiscal support, OECD markets' insurance guarantees, e-commerce promotion, value chains' internationalization and FDI attractiveness.

- Credit moratorium

The Government has established the possibility of a moratorium on credit obligations to financial institutions, to be in force for 6 months, that is, until September 30<sup>th</sup>, 2020. The objective of this measure is to support families and companies in the challenging context of a sharp decline in income.

This moratorium is targeted to households, individual businesses, private social solidarity institutions, non-profit institutions, small and medium enterprises and other non-financial corporations. Regarding households, it covers mortgage credit for the purchase of permanent residential property. For individual businesses, private social solidarity institutions, non-profit institutions, small and medium enterprises and other non-financial corporations, the measure covers loans and other credit operations essential to their activity.

During this period, credit agreements are suspended (beneficiaries will not be required to pay neither capital nor interests); simultaneously, credits are extended, in the future, for 6 months.

- Extraordinary provisions regarding rental contracts

The Parliament issued the suspension of rental contract termination procedures for the period of state of emergency and the month after. During that period, tenants facing severe loss of income may defer the payment of rents (the deferred rents shall be payed along the following 12 months). This applies both to residential and non-residential tenants, including companies forced to shut down or to a drastic reduction of activity due to the restrictions imposed by the declaration of state of emergency. Additionally, a public loan is made available for tenants in severe loss of income, and other supports were granted for public housing tenants.

- Support for self-employed workers and individual entrepreneurs

All temporary exceptional measures implemented due to COVID-19 aimed at self-employed workers are also covering individual entrepreneurs.

Therefore, individual entrepreneurs, with or without organized financial accounting, have access to the following support: i) sickness benefit; ii) exceptional family support; iii) temporary suspension of the activity (total or partial); iv) deferral of payment of

contributions (not removing the obligation to submit the quarterly declaration); v) tax deferrals; vi) credit moratorium.

- Support for managing partners, members of statutory bodies of foundations, associations or cooperatives

Managing partners and members of the statutory bodies without employees that in 2019 had a turnover of less than EUR 60,000 and those with employees that in 2009 had a turnover under EUR 80,000, are entitled to the extraordinary support foreseen for the self-employed. They may also use the following support: i) credit moratorium; ii) credit lines to support liquidity; iii) deferral in the payment of rents; iv) financial incentives with EU funds; and v) tax deferrals.

- Support for start-ups

The Government presented a package of measures to support more than 2,500 start-ups, with five new measures standing out, with a global value of over EUR 25 million: i) StartupHR COVID-19 (financial support equivalent to a minimum wage per worker); ii) extension of the Start-up Voucher (for 3 months of the benefit of the previous scholarship already awarded by an entrepreneur); iii) Incubation Voucher COVID-19 (support for start-ups with less than 5 years, through the contracting of incubation services); iv) “Mezzanine” financing for start-ups (loan convertible into capital); v) COVID-19 -Portugal Ventures (call for investments in start-ups). In this context of a pandemic, start-ups can also resort to support adapted for more effective responses: vi) 200M fund (co-investment with private investors in Portuguese start-ups and scale-ups, with a public minimum of EUR 500,000 and a maximum of EUR 5 million); and, vii) Co-investment fund for social innovation (co-investment with private investors in companies with innovative and social impact projects with a public minimum of EUR 50,000 and a maximum of EUR 2.5 million).

- Support to the social sector

Due to the epidemiological situation induced by COVID-19, an extraordinary support was settled for the social and solidarity sector in order to support a response under the responsibility of the institutions of social solidarity, social solidarity cooperatives, non-governmental organizations of and for people with disabilities, namely:

- In the circumstance of suspension of the activity of some social responses, Social Security ensured the payment of the financial contributions under the cooperation agreements celebrated with those institutions, certifying that the payment was made by reference to February 2020, according to the rules in force at the time;
- Financial co-participation of the situations where care began to be provided at home;

- iii. Family co-payments reduction autonomously decided by the institutions;
  - iv. The opening of social support establishments with ongoing licensing processes has been streamlined;
  - v. It became possible to resort to voluntary actions to ensure functions that cannot be guaranteed otherwise;
  - vi. Outstanding support for the maintenance of employment contracts; during this period exemption of social security contributions;
  - vii. Social Services workers equated to workers in essential services;
  - viii. Extension of the deadlines for the presentation of the institutions' annual account reports;
  - ix. Tax and contributory obligations deferrals;
  - x. Protection and support of the treasury and liquidity;
  - xi. Establishment of a credit line for the support of social economy sector;
  - xii. Technical support from the Social Security Institute for applications to the non-refundable financing line build up by Calouste Gulbenkian Foundation;
  - xiii. Deferment of the payments from the Solidarity Sector Restructuring Fund.
- Adaptation of Portugal 2020

In order to mitigate the damage in the functioning of the Portuguese economy, PT2020 introduced a set of measures to facilitate and accelerate payments to promoters.

Thus, in order to respond to the promoters' liquidity problem, the following measures were introduced:

- i. prompt payment of expenses already incurred to suppliers;
- ii. automatic deferral of reimbursements payments for a period of 12 months.

Taking into account the emergence of constraints on the activity of the beneficiaries, the COVID-19 pandemic situation will be considered as a reason of force majeure not attributable to the promoters, which will enable a simplified way to adjust the projects, both in terms of calendar, financial programming, maximum costs or other limits imposed by law or in tender calls, the composition of objectives, activities and investments, or of the contractual goals for outputs and results.

Equally, expenses incurred by promoters resulting from the cancellation or postponement of actions and / or initiatives, such as in the areas of internationalization, research and development and professional training, will be considered eligible, thus allowing full reimbursement of expenses. At the same time, and bearing in mind the current suspension of vocational training activities, professional rehabilitation, active employment measures and other non-training measures, training grants and other social support will continue to be paid, as well as internal costs associated with these areas financed by the European Social Fund, aware that the activity of these institutions must be maintained.

The Government also launched the “COVID-19 Innovation” initiative, consisting of support for companies wishing to establish, reinforce or revert their production capacities for goods and services, focusing on products intended to combat the COVID-19 pandemic. The measure also covers the construction and modernization of testing facilities for the relevant products in the context of combating the pandemic, as well as the creation of additional capacities for production of the goods necessary to respond to the outbreak. This includes relevant drugs and treatments (including vaccines), their intermediate products, active pharmaceutical ingredients and raw materials, medical devices, medical and hospital equipment (including ventilators and protective clothing and equipment, as well as diagnostic instruments) and the necessary raw materials, disinfectants and their intermediates and basic chemical substances necessary for their production and tools for data collection and processing.

The “R&D COVID-19” initiative was also launched, which allows supporting research and development activities to combat the pandemic, facilitating and stimulating R&D and innovation projects and initiatives between technological interface centres and collaborative laboratories and companies, which respond to the immediate and medium-term needs of the National Health Service.

In another strand, a state aid system for micro-enterprises (up to 10 workers) to adapt their activities to the COVID-19 context was launched, which aims supporting micro-enterprises in their effort of refit and investment in their premises, adjusting their work methods and the relationship with customers and suppliers to the new conditions in the context of the COVID-19 pandemic, ensuring compliance with the established rules and recommendations of the competent authorities. At the same time, there is another state aid system to support SMEs adapting to the phasing out of restrictive measures, guaranteeing security for workers and customers.

- Banking fees

Credit institutions cannot charge any fees for transactions using digital applications or online platforms, for as long as social isolation measures due to COVID-19 are in force.



Until June 30<sup>th</sup>, 2020, also the fixed part of card and POS's transaction fees is suspended, promoting the use of cards for the purchases of goods or services, regardless of its amount.

#### *Acquisition of equipment and goods necessary to fight the COVID-19 outbreak*

The Council of Ministers approved a Draft Law that provides for a full VAT exemption (or zero tax rate) for the transmission and intra-Community acquisitions of equipment and goods necessary to fight the COVID-19 outbreak by the State and other public bodies, as well as non-profit organizations (in line with an earlier decision by the European Commission, covering Portugal, that provided a similar VAT exemption on imports of equipment and goods necessary to fight the COVID-19 outbreak). The Draft Law also provided for a reduced VAT rate for import, transmission and intra-Community acquisitions of respiratory protection masks and skin disinfectant. Both measures have since been approved by Parliament and have entered into force, with temporary effects.

#### *Public Administration*

The ability of the local administration to support citizens' needs has been enhanced through the approval of extraordinary measures. To improve the liquidity of municipalities the following measures were adopted: i) postponement of EUR 46.7 million of cash reimbursements to the Municipality Recovery Fund (EUR 29.2 million related to the initial constitution of the fund and EUR 17.5 million concerning the suspension of loan reimbursements of municipalities with a financial assistance programme); ii) anticipation of one twelfth of the transfers from the national budget to the local administration, accounting for EUR 261 million (if all municipalities ask for this facility); iii) flexibility in the debt limit; iv) simplification in the approval and use of short-term debt. To support citizens: i) ability to exempt fees, rents, and payments of goods and services; ii) use transited results immediately after approval by the municipal chamber; iii) suspension of the financial equilibrium rule allowing to spend more than the forecasted revenue; iv) support to vulnerable groups; and, v) temporary transfers of workers from central government administration to the local administration with the cost being supported by the home entity. In municipalities with a financial assistance programme, the expenditure limits have been relaxed to accommodate measures to support families and firms' disposable income, namely, with ability to redefine the calendar for the payment of social housing rents and to concede (total or partial) exemptions of: i) fees, tariffs and licenses related to the economic activity; and, ii) sewage tariffs applied to the firms.

The Government promoted the Public Administration digital response, based on the Simplex programme, with the improvement of online communication of public services and the release of video tutorials explaining how to use the most needed digital services. The website *ePortugal* was defined as the gateway to hundreds of public services, and as the preferential forum to disclose information on FAQ and public services contacts.

### *Agriculture*

In order to support the cash-flow of companies affected by the impact of the SARS-CoV-2 pandemic, the Government will anticipate payments up to EUR 60 million to settle requests under the Rural Development Programme 2014-2020 (PDR2020), the Fruit and Vegetables Operational Programmes and the National Support Programme for the Wine Sector, with subsequent regularisation.

A set of measures was also established to promote and expedite marketing channels for local food products, by widening outlets to local markets and specific concentration points located in the geographical area of production.

### *Sea*

The Government has established a compensatory mechanism for the loss of income to ensure that those working in the fishing industry, particularly small-scale fishermen, receive support of a social nature due to stoppages as a result of the epidemiological situation and the decrease in demand for seafood products. The Government has allocated to the *Fundo de Compensação Salarial dos Profissionais da Pesca* (a wage compensation fund for professionals of the fishing sector) EUR 3.5 million resulting from balances carried forward from previous years.

To ensure more favourable conditions for the maintenance of the fishing activity, the Government established the suspension for 90 days of the mooring fee for fishing vessels; and implemented free access to the online auction with an adjustment of the auction hours and the suspension of some auctions aiming to improve prices. On the other hand, the Government promoted the speeding up of the payment requests under the “Mar2020” Operational Programme. Finally, the European Maritime and Fisheries Fund was amended in order to allow the reallocation of funds to increase the amount earmarked for wage compensation.

### *Education*

All face-to-face educational and training activities (academic and non-academic) in Portuguese schools were suspended from March 16<sup>th</sup>, replaced by distance education practices whenever possible. A school was kept open in each territory, in order to assure the daily meals for students living in vulnerable conditions, as well as the reception of children of professionals in essential services.

The situation was reevaluated on April 9<sup>th</sup>: the third period in basic and secondary education resumed on April 14<sup>th</sup>, with distance learning being instituted, using mainly digital media, complemented by educational content in television format (for basic education), broadcast daily in RTP Memória (a public open channel and available in all devices), and other means when necessary. From May 18<sup>th</sup>, students in the 11<sup>th</sup> and 12<sup>th</sup> years (and in the 2<sup>nd</sup> and 3<sup>rd</sup> years of professional courses) will return to face-to-face

classes, in the subjects in which national examinations are held, remaining the other subjects in the distance learning system. It was also decided to cancel the national tests and exams in basic education, as well as to postpone the national exams in upper secondary education, with the first phase taking place in July and the second in September, in a restricted format that will only have effect in the national contest to access higher education, not being considered for the internal evaluation of students, nor required for the completion of secondary education.

This solution considered the measures observed in many other countries, as well as the recommendations of intergovernmental entities such as the European Commission, the OECD and UNESCO. In most European countries, face-to-face classes in basic and secondary education were suspended in mid-March, having been transitioned to distance learning models. There was also a postponement and reduction of national examinations. The reopening of schools before the end of the school year is foreseen only in a minority of European countries and, even in these, it will occur in a very limited and gradual way, starting in some cases by students in the terminal years of secondary education, in other cases by younger children.

#### *Science & Technology*

Within support measures in the area of science and technology, the Government launched a funding line for research in projects that respond to the needs of the National Health Service “Research 4 COVID-19” (EUR 4 million) and a line supporting research in Data Science and Artificial Intelligence in Public Administration “AI 4 COVID19” (EUR 3 million).

On May 4<sup>th</sup>, Portugal joined the "Global Response to COVID-19 – Donors Conference", organised by the European Commission. The initiative aims at bringing together efforts by governments, entrepreneurs, foundations and citizens of the European Union to collect EUR 7.5 billion to accelerate development, production and equitable access to vaccines, diagnosis and treatments. The significant financial support of EUR 10 million includes contributions from both the public and private sectors, national R&D centres and the pharmaceutical industry are prepared to integrate international partnerships into the three areas covered by the Global Response in all stages: research, production and distribution.

#### *Culture*

The Government launched a EUR 1 million extraordinary funding programme supporting performative and visual artists and artistic entities, including intersectoral domains.

The Government has also sought to ensure special protection to cultural agents and consumers rights concerning cancelled or postponed cultural activities between February 28<sup>th</sup> and 90 days beyond the end of the state of emergency period.

All cultural and artistic venues are closed, namely museums, theatres, concert rooms, cinemas, archaeological sites, libraries and others.

The Government decided to anticipate EUR 15 million in the acquisition of institutional advertising through TV and radio broadcasts, as well as newspapers. Of the total amount, 75% will be devoted to nation-wide social media and the remaining 25% to regional media, within the framework of Law no. 95/2015, of August 17<sup>th</sup>, which regulates the procurement of institutional publicity.

#### *Support provided to Portuguese citizens abroad*

In face of the growing mobility difficulties faced by nationals abroad due to containment measures imposed in the context of the pandemic, the Portuguese Government devoted its action to assisting in the return of national citizens:

- i. Supporting the return of tourists and other occasional travellers who found themselves stranded abroad – be it in consequence of flight cancellations; be it because of locally imposed restrictions to circulation and mobility (on May 4<sup>th</sup>, a total of 5,497 requests for support had been registered, whereas 4,880 had already been resolved, 89% of all situations);
- ii. Individualised support to Erasmus students abroad (with 441 requests for support registered of which 437 had already been resolved, 99% of all Erasmus situations reported).

The Portuguese diplomatic and consular network was instructed to assist in seeking solutions for stranded nationals abroad. Namely, in coordination with our European partners and specifically in the Framework of the Union Civil Protection Mechanism (UCPM).

A total of 323 nationals were able to return home aboard 77 UCPM flights from 37 different countries. Germany, France and Spain rank top of all EU Member States helping Portuguese nationals return to Portugal through UCPM flights.

#### *Development cooperation*

In the area of development cooperation, the programs, projects and actions within the scope of the various strategic cooperation programs signed bilaterally by Portugal with African Portuguese Speaking Countries (PALOP) and Timor-Leste (TL) are under assessment, in order to evaluate to which extent it will be possible and necessary to redirect activities in order to support the efforts undertaken by partner countries to address the impacts of the COVID-19 pandemic. This reorientation will mainly cover social sectors: health, employment and social security, energy and WASH (Water, Sanitation and Hygiene).

A new line of financing to co-fund NGOs projects has been created, with a budget of EUR 750,000, and will give priority to the establishment of partnerships with Portuguese public institutions in the health sector. At the same time, the already existing line to co-finance Development Projects presented by Portuguese NGOs, whose tender is underway, and which has EUR 1.8 million available, will preferably support projects aimed at fighting against COVID-19.

In addition, it was decided to make early disbursements of the Portuguese annual contributions to general budget support (AGO) in Cabo Verde and sectoral support in Education (FASE) in Mozambique, in the amounts of EUR 500,000 and EUR 250,000, respectively.

Detailed continuity and mitigation plans have been submitted to the EU regarding the programs implemented by Portugal under the EU Delegated Cooperation mechanism, while the analysis of possible reorientations to face COVID-19 is ongoing.

Furthermore, Portugal has already announced an additional financial contribution of more than EUR 1 million, to be allocated to several agencies, funds and programmes of the United Nations system that: i) are part of the appeal launched by the Secretary-General of the United Nations, António Guterres; ii) have the capacity to act immediately on the ground; and, iii) whose actions are primarily targeted at PALOP and TL.

\*\*\*

Given the characteristics of the unprecedented crisis, which is ongoing and has no perceived end-date, the total economic and social impacts are unknown. It is hence acceptable and even likely that these measures will be adapted to the specific characteristics of the social and economic confinement process, as the fight against the pandemic evolves. This adaptation may involve the adoption of additional policy initiatives to those listed above and the relief in some of the measures, when appropriate.

### **Deconfinement plan**

Over the course of two months, thanks to the effort of the population and in a context of broad consensus amongst sovereign institutions, it was possible to contain the pandemic and guarantee the security of the Portuguese. In the last few weeks, there has been a sustained reduction in the number of COVID-19 patients admitted to hospitals, as well as in the occupancy rate of Intensive Care Units. At the same time, Portugal significantly strengthened its testing capacity, ranking amongst the top European countries that carry out the most tests, reaching 46,116 tests per million inhabitants.

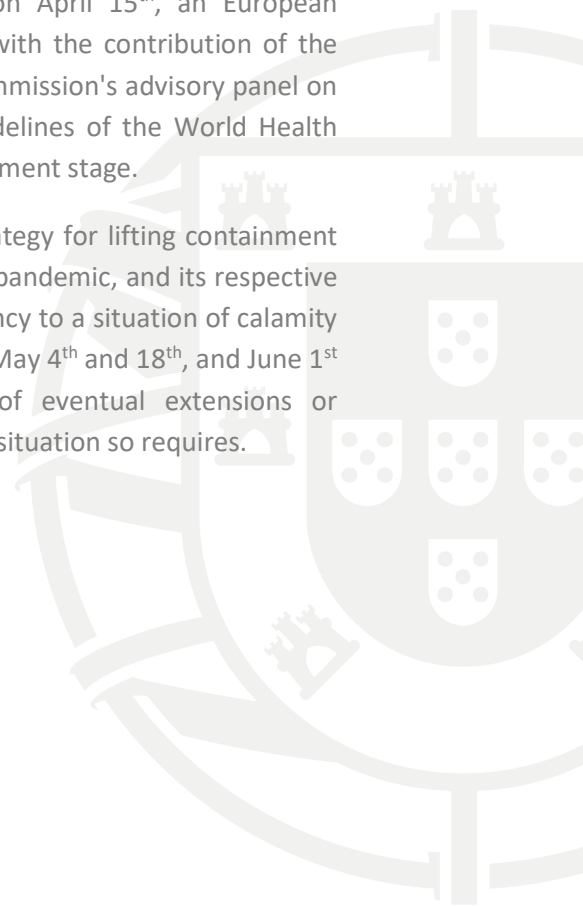
Keeping the fight against the pandemic as a priority, it is essential to gradually start lifting the containment measures in order to start the recovery phase of the economy and society. It is also essential that the lifting of measures is made in a progressive and gradual manner, and that the effects of the measures on the evolution of the pandemic are

systematically assessed, so that economic activity and life in society can resume with the guarantee that the epidemiological situation remains under control.

The gradual lifting of containment measures will inevitably lead to an increase in new cases of infection with the new coronavirus, so it is necessary to ensure constant monitoring of the epidemiological data, adapting measures, or introducing new ones. In this context, it is essential to ensure clear and timely communication and transparency towards citizens and businesses.

In the same vein, the European Commission presented on April 15<sup>th</sup>, an European roadmap towards lifting COVID-19 containment measures, with the contribution of the European Centre for Disease Prevention and Control, the Commission's advisory panel on coronavirus, the experience of Member States and the guidelines of the World Health Organization, outlining a European approach to the deconfinement stage.

Thus, on April 30<sup>th</sup>, the Government approved a gradual strategy for lifting containment measures in the context of combating the COVID-19 disease pandemic, and its respective timetable. The plan for the transition from a state of emergency to a situation of calamity is outlined and scheduled to enter into force every 15 days – May 4<sup>th</sup> and 18<sup>th</sup>, and June 1<sup>st</sup> – throughout the national territory, without prejudice of eventual extensions or modifications, insofar as the evolution of the epidemiological situation so requires.



**Table I.2 COVID-19 – Plan for lifting restrictive measures**

	Date	Measures
General Rules		Compulsory confinement for sick individuals and patients on active surveillance Civic duty of home confinement
	04/05	Prohibition of events and gatherings of more than 10 individuals Maximum capacity of 5 individuals/100m <sup>2</sup> in indoor spaces Funerals: the presence of relatives is allowed
	30-31/05	Religious ceremonies: community celebrations following rules to be agreed by the public health authorities and religious communities
Public Transports	04/05	Limitation of maximum capacity to 2/3
Work	04/05	Homework (telework) will continue in so far as professional duties allow
	01/06	Partial teleworking, with lagged schedules and shadow teams
Public Services	04/05	Reopening of decentralised offices (such as civil registries and tax offices)
	01/06	Reopening of Lojas do Cidadão (one-stop shops for public services)
Shops and Restaurants	04/05	Reopening of commercial establishments with a floor area up to 200m <sup>2</sup> Reopening of personal hygiene establishments (hairdressers, barbershops, nail salons, pedicures and similar businesses) by appointment only Bookshops and car businesses, regardless of floor area
		18/05
	01/06	Reopening of shops with a floor area larger than 400m <sup>2</sup> Reopening of shops in shopping malls
Schools and Social Facilities	18/05	Reopening of secondary schools for junior and senior years and 2 <sup>nd</sup> and 3 <sup>rd</sup> years of other educational programmes (10h -17h) Reopening of facilities for people with disabilities Reopening of nurseries (parents can still opt to continue at home)
	01/06	Reopening of nurseries, kindergardens and day-care services
Culture	04/05	Reopening of libraries and archives
	18/05	Reopening of museums, monuments, palaces, galleries, exhibition halls and similar facilities
	01/06	Reopening of cinemas, theatres, concert halls and auditoriums (with limited capacity, booked seats and physical distancing)
Sports	04/05	Authorisation for the practice of individual outdoor sports, such as tennis and golf (without the use of locker-rooms and pools)
	30-31/05	Restart of official soccer competitions for the Primeira liga ("Premier League") and Taça de Portugal ("National Cup")

### General Conditions

The following sanitary and physical distancing conditions will be in place:

1. Availability of masks and hand sanitiser;
2. Regular sanitization of spaces;
3. Reduced maximum capacity per square meter;
4. Hand hygiene and respiratory etiquette;
5. Minimum physical distancing (2 meters);
6. Facial masks will be required in all public transportation, schools, shops and other indoor spaces with several individuals;
7. Maximum capacity of 5 individuals/100m<sup>2</sup> in indoor spaces;
8. Revaluation of adopted measures between phases (every 15 days).

Source: Portuguese Government.

### *The European Union's response to COVID-19*

To support national efforts to combat the COVID-19 pandemic, which, in aggregate terms, amount to around 3% of the Euro area GDP in fiscal stimulus and to 16% of the Euro area GDP in liquidity support (public guarantee schemes and tax deferrals), the European Union has implemented, through its various institutions, several policy initiatives. New

programmes have been presented and existing policies and instruments have been reformulated to give a swift and flexible response to the current public health situation and its likely significant economic impact. The most relevant initiatives are presented below.

### **Travel and trade restrictions**

The European Commission has issued guidelines for border management measures to protect citizens' health and ensure that essential goods and services remain available across Europe. It has also introduced a coordinated restriction of non-essential travel from third countries into the EU, with exemptions for specific categories of travellers and guidelines for border guards and visa issuing authorities, in order to ease the repatriation of European citizens stranded abroad. Subsequently, the European Commission has invited Member States and all Schengen Associated Countries to extend this regime until May 15<sup>th</sup>, 2020. The European Commission has also issued guidelines to guarantee the free movement of workers, particularly in the health care and food sectors, and to protect the health, repatriation and travel arrangements for cruise ship passengers and cargo ship crews.

On March 14<sup>th</sup>, the Commission adopted a regulation that requires exports of specific medical protection products out of the EU to be subject to an export authorization, for a period of six weeks. There is an ongoing consultation with the Member States on limiting the scope and extending the exemptions. On April 3<sup>rd</sup>, the Commission decided to temporarily waive customs duties and VAT on the import of medical devices and protective equipment from third countries. The measure has a duration of six months, applying from January 30<sup>th</sup> to July 31<sup>st</sup>, with the possibility of extension.

### **Efforts to mitigate the impact of COVID-19 on mobility**

The European Commission has issued guidelines on “green corridors” to ensure swift and continuous flows of goods within the Union, avoiding bottlenecks at the main internal border crossing points.

### **European repatriation effort**

A significant number of citizens (over 26,000) from countries such as China, Japan, USA, Morocco and Tunisia, have already been repatriated under the European Civil Protection Mechanism, which has provided logistical and financial support.

### **European public procurement of medical and protective equipment**

The European Commission will directly support the health systems of EU countries, with EUR 3 billion from the EU budget, to finance the Emergency Support Instrument and the common supply of equipment through RescEU. This proposal will allow the European Commission to directly launch public procurement procedures on behalf of the Member



States, financing and coordinating the transport of medical equipment and patients in cross-border regions. The European Commission has also adopted guidelines to optimize the supply and availability of essential medicines to treat patients, as well as medicines that may not be available due to the pandemic. The European Commission also issued antitrust guidelines, particularly for critical hospital medicines during the epidemic outbreak. Exports of personal protective equipment outside the EU are now subject to an export authorization by Member States (with some exceptions).

#### **European medical support measures**

Through the Innovative Medicines Initiative, the European Commission has created a funding pot of up to EUR 45 million from the Horizon 2020 Programme, to be matched by the pharmaceutical industry. EUR 47.5 million in funding were granted to 17 new research projects.

#### **Global response to the new coronavirus**

On May 4<sup>th</sup>, the European Commission raised EUR 7.4 billion from donors around the world during the conference held under the Global Coronavirus Response; this includes a pledge of EUR 10 million by Portugal. The amount constitutes a good starting point for the global fundraising marathon launched that day. The initiative answers the World Health Organization's and a group of players in the health sector's call to collaborate on a global scale in order to rapidly develop, produce and provide equal access worldwide to new essential health technologies to fight coronavirus. The *Global Response to Coronavirus* comprises three partnerships for the purpose of carrying out tests, treatment and prevention, aiming at strengthening health systems.

#### **Support measures for the gradual lifting of containment measures**

The European Commission adopted a Recommendation on the use of mobile applications and mobile data to fight against the COVID-19 pandemic, recommending the development of a common European approach (toolbox) for the use of these data and mobile applications. Subsequently, it adopted guidelines on the use of mobile applications (*apps*) to fight the pandemic, which aim to provide a framework that limits the intrusive nature of these applications and ensures that citizens' personal data are properly protected.

#### **Instrument for temporary support to mitigate the risks of unemployment in an emergency (SURE)**

The instrument for temporary support to mitigate the risks of unemployment in an emergency, with a financial capacity up to EUR 100 billion and with no pre-allocated envelopes by country, aims to provide financial assistance in the form of loans granted on favourable terms. These loans will help to cover the costs directly related to the creation or extension of national short-time work schemes, and other similar measures they have

put in place for the self-employed as a response to the current coronavirus pandemic. Loans provided under the SURE instrument would be underpinned by a system of voluntary guarantees from Member States with a minimum amount of committed guarantees (i.e. 25% of the maximum amount of loans of EUR 100 billion).

### **State Aid**

The European Commission has adopted a Temporary Framework to enable Member States to use the full flexibility foreseen under State aid rules to support the economy in the context of the COVID-19 outbreak. The Temporary Framework will be in for until the end of the year and provides for the following types of aid: i) Direct grants, selective tax advantages and advance payments; ii) State guarantees for loans taken by companies from banks; iii) Subsidised public loans to companies; iv) Safeguards for banks that channel State aid to the real economy and for bank assistance in the context of losses associated with COVID-19 (without derogating from the restrictions imposed by the BRRD); v) Short-term export credit insurance. The Temporary Framework has been extended in order to enable Member States to accelerate the research, testing and production of coronavirus relevant products, to protect jobs and to further support the economy in the context of the coronavirus outbreak.

### **Coronavirus Response Investment Initiative (CRII)**

The European Commission is promoting the mobilization of cohesion policy to flexibly respond to the rapidly emerging needs in the most exposed sectors, such as healthcare, SMEs and labour markets, and help the most affected territories in Member States and their citizens.

Specifically, the European Commission proposes i) frontload the use of the yet unallocated EUR 37 billion of cohesion policy funding within the 2014-2020 cohesion policy programmes and applying the maximum flexibility in the application of EU rules on cohesion, enabling Member States to use the funds to finance crisis-related action ii) enlarging the scope of the EU Solidarity Fund access through the inclusion of public health crises in emergency situations financed by this fund, ensuring that the most affected Member States have access to additional financial support of up to EUR 600 million. In addition to this first response package, the European Commission has recently published another package of initiatives (CRII+) aimed at introducing extraordinary flexibility to allow that all non-utilised support from the European Structural and Investment Funds can be mobilised to the fullest.

This flexibility provides, for example, transfer possibilities across the three cohesion policy funds, transfers between the different categories of regions and a 100% EU co-financing rate for cohesion policy programmes for the accounting year 2020-2021. The European Commission also proposes to reactivate the European Emergency Support Initiative in the amount of EUR 3 billion (plus any donations), in order to provide support to Member

States health systems' needs. The CRII + also changed the rules of Fund for European Aid to the Most Deprived (FEAD) in order to accelerate the implementation of support from public authorities and partner organizations. Regarding agriculture, fisheries and aquaculture, changes and derogations to the European Maritime and Fisheries Fund (EMFF) enable greater flexibility, scope and speed in the application of support measures to these sectors in order to facilitate the use of the financial resources still available in mitigation of the effects of the outbreak

### **Review of the proposal for the Multiannual Financial Framework for 2021-2027**

To support the economic recovery in the post-crisis period, the European Commission will propose changes to the current proposal for the Multiannual Financial Framework 2021-2027 to tackle the difficulties arising from the current crisis. This proposal should include a stimulus package that ensures the maintenance of cohesion and convergence, through solidary and responsible measures. In this context, it is important to stress the need and urgency to establish a recovery fund, with a commensurate financial dimension to accommodate the impact of this unprecedented crisis in the EU.

### **Stability and Growth Pact - General Escape Clause**

The activation of the general escape clause of the Stability and Growth Pact, the European Union's budgetary surveillance framework, was approved. The use of the clause will ensure the needed flexibility to take all necessary measures for supporting our health and civil protection systems and to protect the economies, including through further discretionary stimulus and coordinated action, designed, as appropriate, to be timely, temporary and targeted, by Member States. The general escape clause will allow the Commission and the Council to undertake the necessary policy coordination measures within the framework of the Stability and Growth Pact, while departing from the budgetary requirements that would normally apply, in order to tackle the economic consequences in the event of a serious economic slowdown. The clause will also help to prepare the foundations of an economic recovery in the EU and reduce risks to the sustainability of public finances in the medium and long term.

### **European Stability Mechanism (ESM)**

The Eurogroup approved a Pandemic Crisis Support based on its Enhanced Conditions Credit Line (ECCL) available to all euro area countries and adjusted to the specific challenges of the current pandemic scenario. This instrument should provide funds up to 2% of the respective member states' GDP to support its domestic financing of direct and indirect healthcare, cure and prevention related costs due to the COVID-19 crisis. This credit line will be available until the end of the pandemic crisis.

**European Investment Bank (EIB)**

The EUR 40 billion support package announced by the EIB includes measures designed to alleviate liquidity and working capital constraints for SMEs and mid-caps, such as bridging loans, credit holidays and other measures. A Pan-European guarantee fund was recently approved by the EIB, based on a Member States guarantee of EUR 25 billion, will enable the EIB in partnership with local lenders and national promotional institutions – to scale up its support to SMEs, mid-caps and corporates in the real economy by mobilizing up to EUR 200 billion.

**European Central Bank (ECB)**

The ECB has adopted a series of monetary policy measures to mitigate the impact of the COVID-19 pandemic. The Public Sector Purchase Programme (PSPP) was expanded by EUR 120 billion and a Pandemic Emergency Purchase Programme (PEPP) with an envelope of EUR 750 billion was introduced. This brings the aggregate volume of ECB purchases to more than EUR 1,100 billion until the end of this year. Purchases of sovereign debt from euro area countries under the PEPP are flexible, allowing fluctuations in the distribution of purchase flows over time, across asset classes and among jurisdictions in order to reduce market fragmentation and ensure an adequate transmission of monetary policy. ECB also announced more favourable terms for Targeted longer-term refinancing operations (TLTRO III) and wider eligibility criteria for collateral for monetary policy operations, in order to ensure that credit continues to reach the economy.

**Initiatives adopted within the scope of banking regulation and supervision by the Single Supervisory Mechanism (SSM) and the European Banking Authority (EBA)**

The SSM and EBA also adopted measures to mitigate the impacts of the epidemic in the context of banking regulation and supervision. Within the scope of banking supervision, some temporary relief was ensured for capital requirements, liquidity and other operational issues, and banks were encouraged to use their own capital reserves. This will allow to release EUR 120 billion. Banks can use these funds to increase lending to the economy and provide EUR 1,800 billion of new loans to companies and individuals and absorb their losses resulting from the crisis. Greater flexibility was also introduced for the prudential treatment of non-performing assets, non-performing loans (NPL), with banks being able to benefit from guarantees from public entities or grant moratoriums. Banks were recommended not to distribute dividends, buy back shares and adapt their remuneration policies for members of the governing bodies during the pandemic.

**The impact of COVID-19 on the DE-PT-SI Trio Programme – Portugal's view**

The programme of the Trio of Presidencies, which will be taking over the Presidency of the Council of the European Union from July 1<sup>st</sup> 2020 to December 31<sup>st</sup> 2021, shall reflect the need to respond to the challenges and impacts caused by COVID-19. The Germany-Portugal-Slovenia Trio Presidency programme is based on four priorities which will need

to be strengthened in the light of the pandemic crisis: i) Protecting citizens and freedoms; ii) Developing our economic base: the European model for the future; iii) Building a climate-neutral, green, fair and social Europe; and iv) Promoting Europe's interests and values in the world. Portugal considers that these priorities should be intensified through: i) Strengthening resilience and confidence in the European social model; ii) Coordination of exit strategies and implementation of an economic recovery plan; iii) Promotion of job creation and economic recovery; iv) Strengthening of the social and public health dimensions; v) Acceleration of the digital agenda as an engine for recovery; vi) Reaffirming the commitment to climate transition and the circular economy; vii) Establishment of a comprehensive crisis management system; and viii) Approval of the post-2020 Multiannual Financial Framework.





## CHAPTER II

### II. Macroeconomic background

#### II.1. Current developments

##### *International Background*

In 2019, global GDP recorded the lowest growth since the 2008-2009 international financial crisis, with a deceleration of world economic activity and trade to 2.9% and 1% respectively (3.6% and 3.7% in 2018), with that slowdown being more pronounced in emerging and developing countries. In the European context, the economic slowdown in international markets, which was particularly pronounced in the first half of the year, and the difficulties of the manufacturing industry, led to the slowdown of growth in the euro area to 1.2% (the slowest growth rate in the last six years).

In a scenario of absence of inflationary pressures (inflation in advanced economies decelerated to 1.4% in 2019), persistent high uncertainty and less economic dynamism, short-term interest rates in the euro area remained at historically low levels due to monetary policies of accommodative orientation. Inverting the trend of normalization of monetary policy between 2015 and 2018, the US Federal Reserve decided to lower federal interest rates (Fed funds) during 2019, to a range of 1.5% to 1.75% at the end of the year. In addition, the European Central Bank (ECB) decided, in September 2019, to lower the deposit facility interest rates, to -0.5% and to return, at the end of the year, to the asset purchase program in a monthly amount of EUR 20 billion.

##### *Portuguese Economy*

In 2019, the Portuguese economy recorded a real growth of 2.2% (2.6% in 2018), above the euro area average (1.2% in 2019), thus continuing the convergence path for the fourth consecutive year.

As in the previous year, this growth resulted from a positive contribution of domestic demand (2.7 pp), although of a lower magnitude compared to the value registered in 2018 (3.1 pp), partially mitigated by the negative contribution of net external demand (0.6 pp)<sup>5</sup>. This evolution resulted from a deceleration in private consumption, which grew by 2.2% (2.9% in 2018), with the remaining components of domestic demand accelerating, with emphasis on investment (GFCF) which grew by 6.3% (5.8%, in 2018). In turn, foreign trade decelerated in 2019, with exports growing at a slower pace than imports, deteriorating the negative contribution of net demand to GDP growth. Indeed, exports

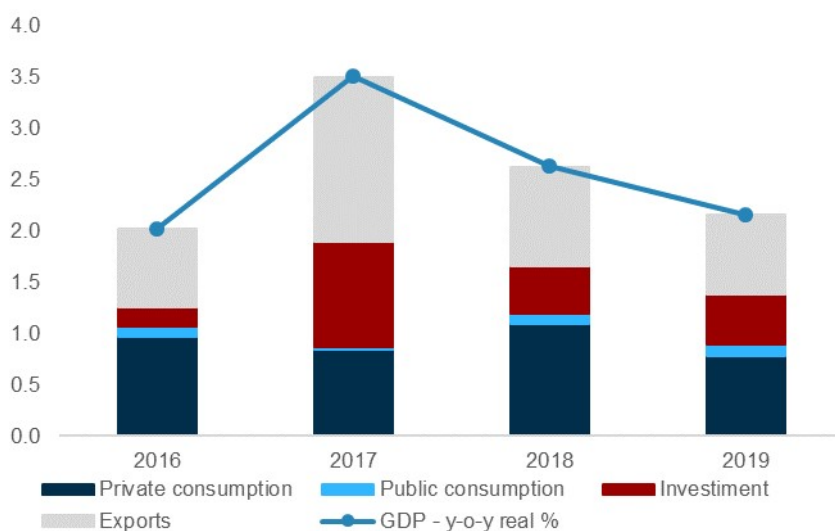
---

<sup>5</sup> Non-additivity of components can occur due to rounding procedures.

decelerated to 3.7% (4.5%, in 2018), due to the lower dynamism of the services component, which grew by 3.8% (6.3% in 2018). The growth of imports slowed slightly to 5.2% (5.7% in 2018), in line with the evolution of global demand.

The contributions of each component of the aggregate demand net from the imported content show that the slowdown in GDP growth in 2019 results mainly from a lower contribution from private consumption and, to a lesser extent, from exports. On the other hand, there was an increase in the contribution of net investment in imports.

**Graph II.1 Imports net contributions for GDP real growth**  
(percentage points)

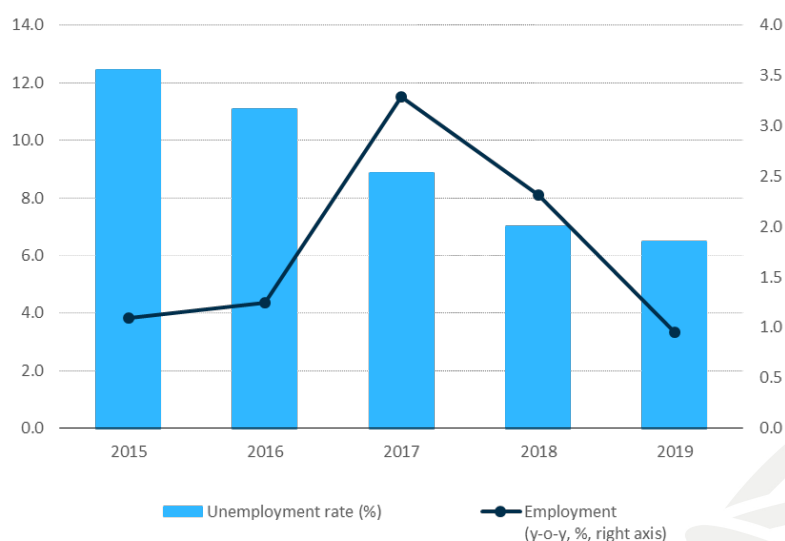


Source: Statistics Portugal, Ministry of Finance calculations.

In 2019, employment grew by 1% (2.3% in 2018), close to the rate observed in the euro area (1.1%). Labour force increased for the third consecutive year (0.4%). At the same time, in 2019 for the sixth consecutive year the unemployment rate fell, reaching the lowest rate since 2004 (6.5%). Long-term unemployment also decreased (9.3%), with the ratio between long-term unemployed and the unemployed population being 49.9%.



Graph II.2 Unemployment rate and employment



Source: Statistics Portugal.

Regarding inflation, the rate of change in the consumer price index (CPI) was 0.3%, decelerating 0.7 pp compared to 2018. Core inflation, which excludes unprocessed energy and food products, grew 0.5% (0.7% in 2018).

## II.2. Outlook for 2020

The time lag in the availability of statistical information makes it difficult to assess the effects of the outbreak and containment measures on the economic activity, and a change in the dynamics observed in the first two months of the year is expected, with a strong negative impact on consumption, investment and foreign trade.

Notwithstanding, data on confidence indicators already reflect the effect of the pandemic, with most indicators showing a sharp reduction starting in February, a trend that became more pronounced in March. Consequently, the economic climate indicator decreased in the first quarter; yet, this only reflects a partial effect of the pandemic.

Some indicators that are immediately available, referring to the month of March and beginning of April, give some indication on the economic impact of the implemented measures:

- The survey conducted to monitor the impact of the pandemic on enterprises<sup>6</sup>, released on April 28<sup>th</sup> and comprising a non-representative sample of around 5,000 companies, reported that 83% of the companies surveyed are still operating despite the current state of confinement, percentage that is significantly lower in the accommodation and food services sector (41%).

<sup>6</sup> INE/BdP: Fast and Exceptional Enterprise Survey, COVID-19, week from 20<sup>th</sup> to 24<sup>th</sup> of April.

Despite this, about 16% of enterprises are temporarily closed due to the pandemic, while 1% of companies closed permanently. Some sectors of economic activity are expected to be more affected than others. In the survey, about 5% of the firms from accommodation and food services sector reported closures.

As for the effect of the pandemic on the turnover of enterprises, the large majority of enterprises (80%) report a reduction in their economic activity. Within these, micro-enterprises appear to be the most affected, with close to 43% of micro-enterprises reporting losses in turnover over 75%. The accommodation and food services sectors are clearly the most affected, with around 72% of companies reporting losses of more than 75%

When questioned about the causes behind the loss of business turnover, surveyed enterprises identified the absence of orders/clients and restrictions imposed by the context of the emergency state as the main reasons.

**Table II.1 Enterprises reporting a reduction in economic activity**  
(percentage by size-class)

	<i>Relative weight</i>	<b>Less than 10%</b>	<b>Between 0% and 25%</b>	<b>Between 26% and 50%</b>	<b>Between 51% and 75%</b>	<b>Over 75%</b>
Micro	19	5	13	24	15	43
Small	35	7	18	27	17	31
Medium	31	8	22	23	17	30
Large	15	12	19	22	19	28

Source: INE/BdP, Fast and Exceptional Enterprise Survey – COVID-19.

**Table II.2 Enterprises reporting a reduction in economic activity**  
(percentage by sector)

	<i>Relative weight</i>	<b>Less than 10%</b>	<b>Between 0% and 25%</b>	<b>Between 26% and 50%</b>	<b>Between 51% and 75%</b>	<b>Over 75%</b>
Accommodation and food services	7	2	6	8	11	72
Transportation and storage	4	10	13	22	14	41
Other services	16	7	16	24	16	37
Distributive trade	31	6	18	27	18	32
Information and communication	4	10	21	24	18	27
Manufacturing and energy	29	9	21	27	18	26
Construction and real estate	10	12	28	27	18	16

Source: INE/BdP, Fast and Exceptional Enterprise Survey – COVID-19.

- At the economic sector level, in a survey promoted by the Associação Industrial Portuguesa, in the second week of April, 79% of the companies indicated a reduction in their business turnover in March 2020 when compared to February 2020 (or March 2019), with only 16% reporting a higher business turnover in the same period. Of the companies that reported a reduction in their turnover, 53% indicated that the drop was already above 20% and 34% indicated a drop above 40%. About 13% of the

enterprises said they had already dismissed staff or plan to do so in the next six months.

In another survey carried out in early April, by the Associação da Hotelaria, Restauração e Similares de Portugal, 74% of the companies reported they were already closed, 49% were going ahead with the lay-off (74% of which applied it to all workers in the enterprise), 75% decided on a full suspension of work related activities and 18% decided on a partial reduction of hours, 30% failed to pay wages in March and 63% of companies will not be able to pay wages in April, with about 80% of companies estimating a total absence of invoicing in both April and May.

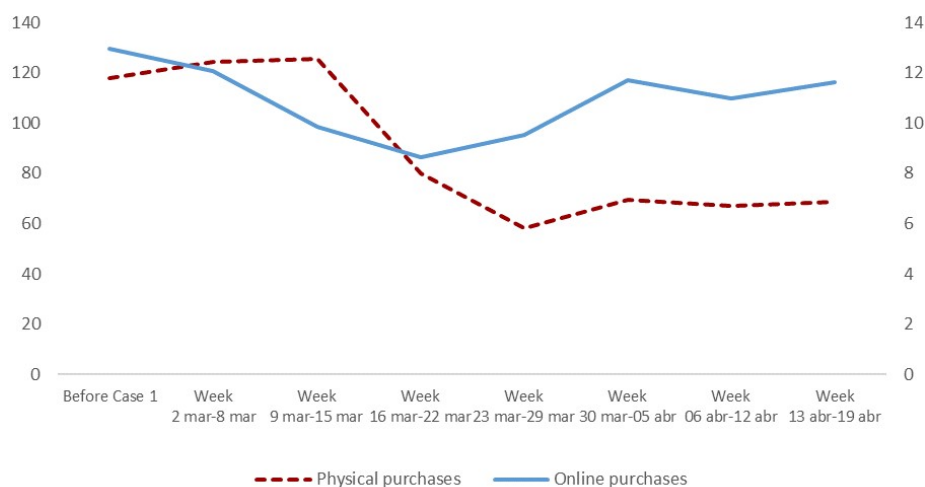
Estimates from the textile and wearing apparel industries indicate that, between March and April, about 60% to 70% of the companies were or would be in total or partial lay-off, affecting 95 to 100 thousand workers, which may correspond to a decrease in monthly exports of around 10% to 20% in March and around 50% to 70% in April, with a drop in revenues which will tend to be higher, given that customers would be delaying payments of orders which were already delivered.

Regarding farming activities, the Confederação dos Agricultores de Portugal reports the difficulty of carrying out operations on the ground due to a lack of labour, which may lead to a drop in production, and with farming activities already observing a drop between 40 to 50%.

Finally, according to the Confederação do Comércio e Serviços de Portugal, the group of companies they represent may fail to receive revenues of around EUR 344 million per day, while the group of enterprises that they do not represented may fail to invoice around EUR 306 million per day.

- According to SIBS data, since the first case of contagion by COVID-19 in Portugal, physical purchases through ATM declined abruptly (in the week of April 20<sup>th</sup> to 26<sup>th</sup> they were 46% lower than the one verified the week before the first contagion appeared). Moreover, purchases made online or through mobile financial applications had a value 15% lower, considering the same periods under comparison. Globally, for the total of payments made, it is noticeable the fall in the purchase of fashion accessories (-98%) followed by the education sector (-97%), leisure (-96%), tourist accommodation (-91%) and food' services (-74%). Conversely, purchases in the grocery sector (56%) and in large food-surfaces (22%) increased significantly.

**Graph II.3 Physical and online purchases with banking cards**  
(daily average, EUR millions)



Source: SIBS.

- In terms of unemployment, on May 4<sup>th</sup>, there were more than 373 thousand unemployed people, 4 thousand more than at the end of April and 52 thousand more than at the end of March (when 28 thousand new unemployed were registered); in April there were 2,121 new unemployed registered per day (1,659 in March) and 101 daily job offers (237 in March); in the first four days of May, 843 new unemployed people were registered per day and there were 56 daily job offers.
- In the first five days of May, there was an increase of 2,024 new unemployment benefits requests; since the beginning of March, this number has been over 100,000; concomitantly, there were 12,512 extensions of unemployment benefits.
- In March, 57 collective dismissals were registered for 786 workers; in April, there were 141 collective dismissals for 1,325 workers; in the first five days of May, there were already 5 collective dismissals for 40 workers.

As an indication of the magnitude of the substitution of presential work by teleworking, as well as of the presential learning activities by online alternatives, ANACOM outlines that the volume of voice data traffic, compared to the pre-COVID-19 period, increased 22%, 17% and 16%, respectively, in the weeks from April 6<sup>th</sup> to 12<sup>th</sup>, from April 13<sup>th</sup> to 19<sup>th</sup> April and from April 20<sup>th</sup> to 26<sup>th</sup>; within the same weeks, the volume of mobile data traffic increased by 63% in the first two weeks and 57% in the third week.

On the other hand, it is possible to have data regarding the application and adherence to extraordinary measures to support families and companies implemented in response to the economic and social disturbances resulting from COVID-19:

- The data (provisional on May 5<sup>th</sup>) of the simplified lay off and independent workers indicate that more than 104 thousand employers have used this measure, which

employ a total of about 1.3 million workers and represent about 1,282 million euros of payroll<sup>7</sup>; in sectorial terms, employers correspond to 23.4% of the accommodation, restaurant and similar sectors, 22.1% of the wholesale and retail trade; repair of motor vehicles and motorcycles, 9.6% of the manufacturing industries, 7.2% of human health and social support activities, 5% of other service activities, and 4.9% of natural persons with dependent workers; self-employed workers with reduced activity and support measures have already exceeded 188 thousand, with the registration of 112,000 cases of extensions, as well as support the for 13,000 members of statutory bodies.

- In terms of exceptional support to families, in relation to April (reference month March), it covers almost 150,000 employees for almost 66 thousand employers, close to 2,400 for domestic service and more than 20,000 self-employed workers; in relation to May (reference month April), according to data up to the 5<sup>th</sup> day, this covers almost 29,000 employees of about 13,000 employers, around to one thousand in domestic service and more than 4,000 independent workers.
- In terms of prophylactic isolation, on May 4<sup>th</sup> there were already more than 43 thousand leaves.
- In what regards the Credit Line Capitalizar 2018-COVID-19, which started on March 12<sup>th</sup>, then extended to March 27<sup>th</sup> and ended on April 6<sup>th</sup>, 1,164 operations were approved, corresponding to a total funding of EUR 400 million.
- The adherence to the credit line for micro-enterprises in the tourism sector has also been high, with 5,348 applications being submitted (for EUR 43.6 million) between March 19<sup>th</sup> to May 6<sup>th</sup>, 2,085 operations approved (EUR 32.1 million), and 2,833 already payed operations corresponding to an amount of EUR 22.5 million.
- The credit lines to support the COVID-19 economy, adding to a total of EUR 3 billion, include, on the 6<sup>th</sup> of May, 21,021 operations approved in a total funding of EUR 4,331 million, to be granted within the available plafond. Incoming operations were 43,830, for a total funding of EUR 9.3 billion, in an amount that exceeds the allocation of the lines.

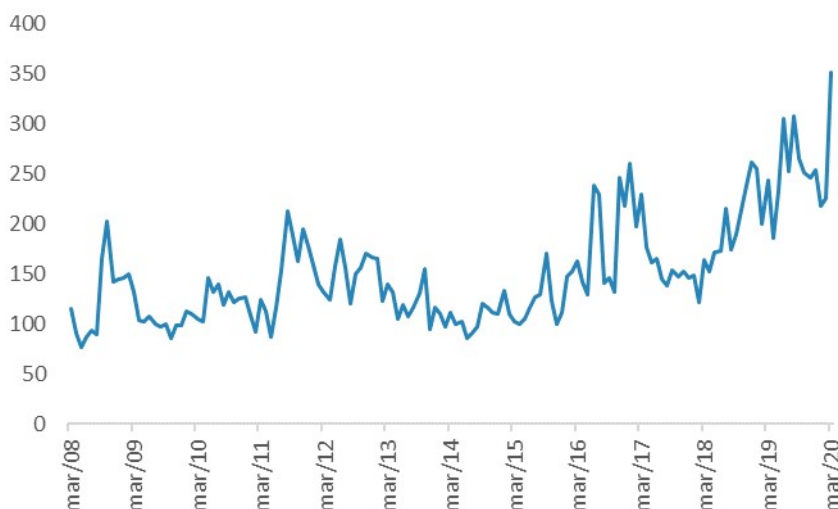
### *Impact of Confinement*

The mandatory confinement has very significant economic effects, affecting not only decisions on the economic supply side – with the abrupt interruption of the distribution and production chains – but also causing a severe drop in demand. The measures adopted for social distancing have a special recessive impact on all proximity services activities (e.g. hotels, restaurants, hairdressers).

---

<sup>7</sup> It should be noted that this figure does not correspond to the number of workers that may eventually belong to a company in a context of simplified lay-off, but to their respective staff in February 2020.

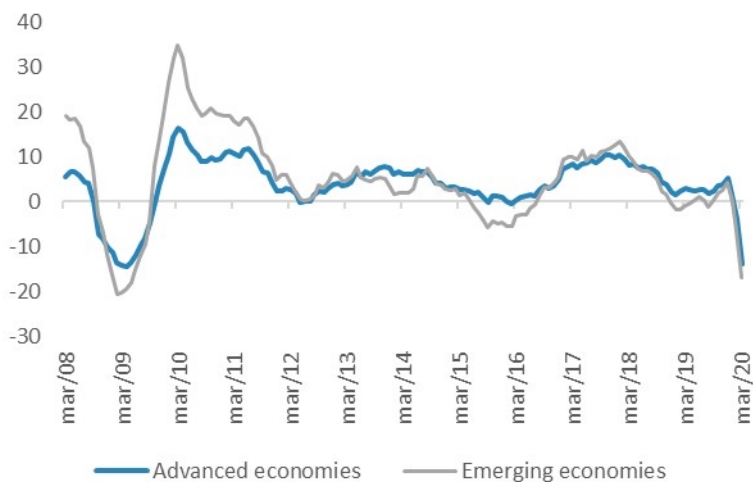
**Graph II.4 Index of global economic policy uncertainty**



Source: Davis, Steven J., An Index of Global Economic Policy Uncertainty.

The indicators available for the first quarter of 2020, in part, already reflect the impact of COVID-19 in the standstill of economic activity in some countries, through the suspension of the productive activity of industry/trade/services; the deterioration of the labour market and the greater instability of international financial markets. In this context, it is worth highlighting the year-on-year drop of more than two digits of industrial production in China, the decrease in confidence indicators in the USA and the EU and the large losses registered in the international stock market indices during the month of March.

**Graph II.5 Economic activity composite indicator**

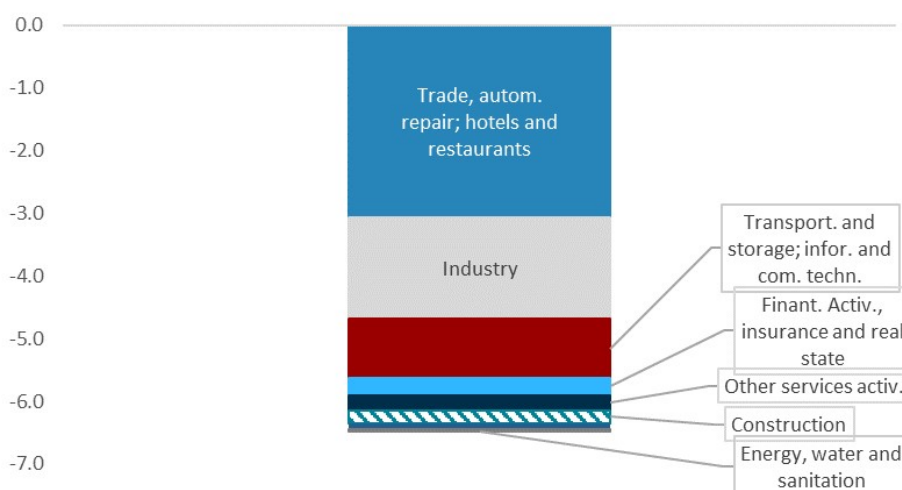


Source: Brookings, Tracking Indexes for the Global Economic Recovery.

Through a sectoral methodology similar to what is used by international institutions, such as the OECD and several central banks, where the available economic data is used to analyse the supply side of the Portuguese economy (e.g. information previously described about the evolution of ATM payments, surveys to companies and unemployment data, as well as data from the simplified lay-off scheme), it is estimated that 30 working days

(about a month and a half) of confinement have a negative impact on the annual GDP of 6.5 percentage points. This estimate should be interpreted as the estimate of the most severe impact of the containment period during the state of emergency period. The speed with which the economy will recover in the face of this moment of sharp decline will determine the total impact on the annual rate of change of GDP in 2020, which still is not reflected in this estimate.

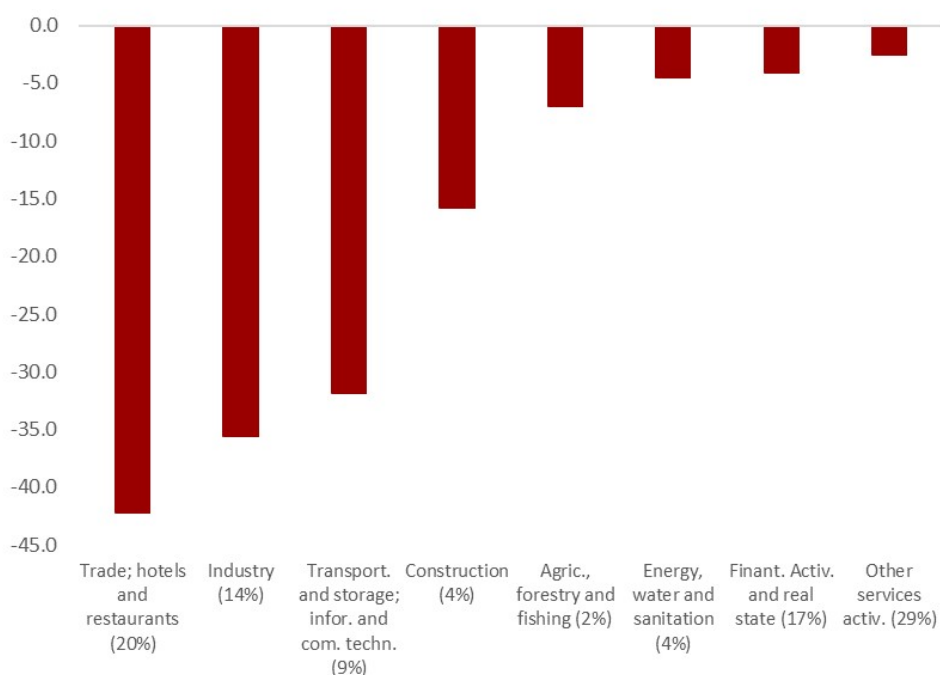
**Graph II.6 Contributions for the impact of -6,5 pp**  
(by activity sector)



Source: Statistics Portugal, Ministry of Finance calculations.

A significant part of the negative impact of confinement comes from developments in the retail sector and in restaurant services and accommodation sector. These sectors would explain approximately for half of the total estimated impact on GDP, followed by the industrial sector (manufacturing and mining) whose evolution would contribute to an impact of -1.6 pp.

**Graph II.7 Sectorial impact of the confinement\* in Portugal**  
(year-on-year rate of change, sector weight)



Source: Statistics Portugal, Ministry of Finance calculations.

\* Considering the impact for each month of confinement.

This estimate also considers the disaggregated and already known data regarding the companies that applied for the simplified lay-off mechanism until April 27<sup>th</sup>, 2020.

From these figures, it is noteworthy that 38% of the 95 thousand companies that are candidates for the simplified lay-off procedure are restaurant services, accommodation and retail businesses. The restaurant services and accommodation sector are, predictably, the most affected, with close to 57% of companies having submitted their application for the simplified lay-off regime.



## CHAPTER III

### III. Budget Balance and Debt of General Government

#### III.1. Recent developments in public finances

##### *Budget Balance*

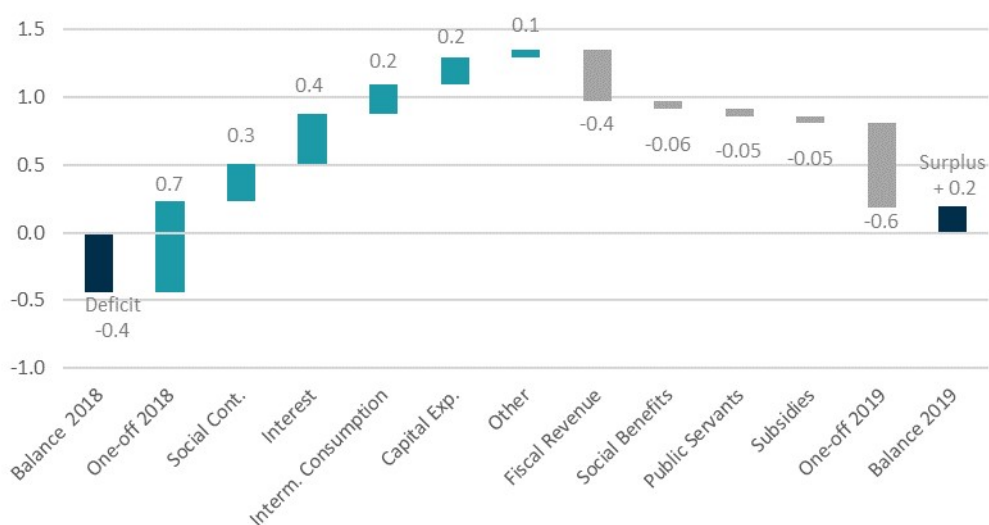
In 2019, the General Government's budget balance registered a surplus of 0.2% of GDP, overcoming the budget target of 2019 State Budget and of the 2019-2023 Stability Programme (-0.2%). This is the first budget surplus achieved since 1973, and the culmination of a path of consolidation of public accounts in parallel with the growth of the economy.

The primary balance reached 3.2% of GDP compared to the overall balance highlights the high level of the interest expenditure (3% of GDP), although this has been declining over the past years. The budget balance improved 0.6 pp of GDP when compared to 2018. The decrease of total expenditure (-0.7 pp of GDP) contributed to this result, while the total revenue remaining almost unchanged. Excluding one-off measures, the budget balance of General Government improved from 0.2% in 2018 to 0.8% in 2019.

The main contributions to the reduction of the deficit, as a percentage of GDP, were: i) the increase of social contributions revenue (+0.3 pp), justified by the positive behaviour of the labour market; ii) the decrease of the interest expenditure due to the reduction of the interest rate on primary market as well as the decrease of the public debt ratio on GDP; and iii) the reduction of intermediate consumption. On opposite side, should be highlighted: i) the loss of fiscal revenue weight, in particular specially taxes on income and wealth (-0.3 pp); ii) the increase of social benefits (0.06 pp); and, iii) the increase of the compensation of employees' expenditure (0.05 pp) fuelled by the career valorisation policy.

In 2019, the structural budget balance improved 0.5 pp. Although in 2019 the Medium Term Objective (MTO) – set in 0.25% of potential GDP for the 2017-2019 period – has not been fulfilled (0.1% do GDP), the accumulated adjustment of 1.3 pp of GDP in 2018 and 2019 allows to conclude that Portugal has fulfilled the adjustment path for the MTO.

**Graph III.1. Contribution to changes in the General Government budget balance (2018 and 2019)**  
(percentage points of GDP)



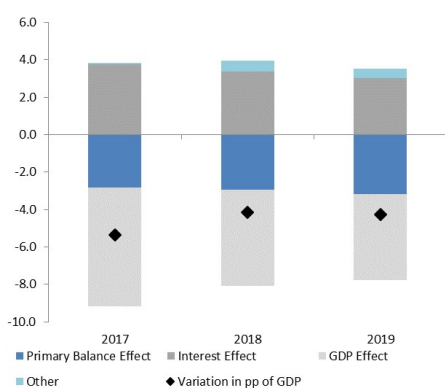
Source: Ministry of Finance.

### Public Debt

The General Government Debt ratio on GDP (Maastricht criteria) decreased 4.3 pp to 117.7% of GDP by the end of 2019. This value is lower than the planned on the last Stability Programme (118.6%) and on the 2020 State Budget Proposal (118.9%). The primary surplus contributed positively (3.2 pp) to the reduction of the public debt ratio, as well as the GDP nominal growth (4.6 pp), which more than offset the negative contribution of interest expenditure (-3 pp). The stock-flow adjustment had an effect of 0.5 pp of GDP<sup>8</sup> on debt. In line with the General Government debt, the General Government debt ratio net of General Government deposits decreased 2.9 pp, achieving 110.9% of GDP by the end of 2019.

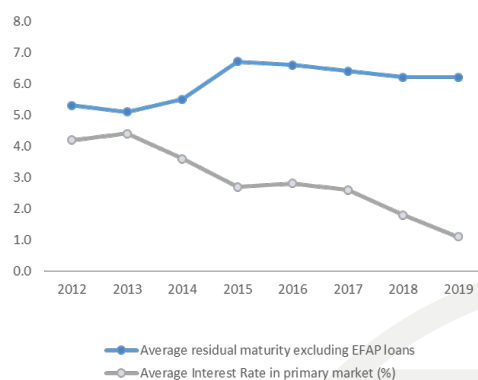
<sup>8</sup> The issuance of debt above nominal value and the difference between interest paid and accrued partially offset the decrease of General Government deposits.

**Graph III.2. Public Debt Dynamics 2017-2019**  
(percentage points of GDP)



Source: Ministry of Finance.

**Graph III.3. Evolution of the average residual maturity and interest rate in the primary market**  
(percentage)



Source: Ministry of Finance.

## III.2. Fiscal Outlook

### *Budget Execution*

The COVID-19 pandemic in Europe, and particularly in Portugal, affected the budget execution from mid-March onwards. These effects are both linked to the economic activity and to fiscal measures.

In this context, the General Government balance, in cash basis, recorded a surplus of EUR 81 million in the first quarter of 2020, which represents a decrease of EUR 762 million vis-à-vis the previous year. However, up to February the General Government surplus was EUR 1,274 million, maintaining the improvement trend of the last years. Until March, revenue increased 1.3%, due to an increase of Social Security contributions (5.7%) – though undergoing deceleration when compared to previous quarter (6.4%) – and of Personal Income Tax (3.2%). On the other hand, expenditure grew by 5.3%, due to increase of social security benefits (5.3%) and compensations of employees (4.6%). Furthermore, acquisition of goods and services grew (13.7%), owing to the payment of NHS arrears. Investment increased 20.5%, driven by the strong dynamism of the 2020 railroad investment plan and other structural investments, as well as the acquisition of medical equipment to fight against COVID-19 as of March.

### *Monetization of the impact of measures linked to COVID-19*

The depicted economic policy measures were adopted as an immediate response to the crisis due to COVID-19. Their duration and modulation should be adapted to the severity of the crisis and the way in which these restrictive measures are carried out.

Some of the measures are applied on a monthly basis and have a variable intensity, as for example those that depend on the number of workers in a *simplified lay-off* scheme or support to families due to the end of school activities. Others have a one-shot

implementation because the support mechanism is applied only once in the year or because it is an investment.

The following numbers, as presented in the next two tables, reflect the budgetary impact and the financial impact of these measures, assuming an estimate of their implementation and dimension. They must therefore be read as estimates that later must be compared with their effective execution.

The first table reflects the direct impact of the measures on the General Government budget balance. In this table, the indirect impacts of the measures are not evaluated, neither in net nor in economic terms.

The second table seeks to quantify the impact of the measures that, although being extraordinary and temporary, do not have a direct impact from a budgetary point of view, having still a financial impact on the economy through the transmission of liquidity to households and companies.

The budgetary impact of the measures listed in the first table reaches 0.9% of GDP in 2019 (including measures with an impact that is repeated over time and that are estimated only by their monthly value, and measures with a single impact and that are included by their amount). The value of the policy measures listed in the second table amounts to 11.8% of 2019 GDP.

The measures with the greatest monthly budgetary impact will be the *simplified lay-off* scheme and the support for the resumption of business activity (0.5% of 2019 GDP), the purchase of personal protective equipment and ventilators (0.1% of 2019 GDP), sickness benefits (0.07% of 2019 GDP) and the exceptional support to families (0.06% of 2019 GDP). In financial terms, we highlight the moratoria on housing rents and on credit to companies (5.3% of GDP in 2019), tax and Social Security contributions deferrals (3.7% of GDP in 2019) and the liquidity measures to support companies and local authorities (1.9% of 2019 GDP).

**Table III.1 Discretionary measures in response to COVID-19**  
 (with a budgetary impact, monthly values)

List of measures	ESA2010 code	Adoption Status	Impact	% GDP	Frequency
<b>Public Health</b>					
Protective equipment (e.g. masks, gloves, surgical gowns)	P.2	Decree law n.º 10-A/2020	155 972 301 €	0.07%	Monthly
Intensive care equipments (e.g. ventilators)	P.51	Decree law n.º 10-A/2020	60 000 000 €	0.03%	Single
Prophylactic isolation status (illness medical discharge)	D.62	Decree law n.º 10-A/2020	110 000 000 €	0.05%	Monthly
Illness subsidy (COVID-19)	D.62	Decree law n.º 10-A/2020	155 000 000 €	0.07%	Monthly
Other measures related to public health (1)	P.2	In force	94 419 706 €	0.04%	
			<b>575 392 008 €</b>	<b>0.27%</b>	
<b>Families</b>					
Exceptional family support (to children up to 12 yo)	D.75	Decree law n.º 10-A/2020	133 000 000 €	0.06%	Monthly
Other measures related to families (2)	D.62	In force	8 950 000 €	0.00%	
			<b>141 950 000 €</b>	<b>0.07%</b>	
<b>Economic Activity</b>					
Simplified lay-off regime (support for maintenance of employment contracts)	D.39	Decree law n.º 10-A/2020	373 333 333 €	0.18%	Monthly
Simplified lay-off regime - contributory exemption (for companies)	-D.61	Decree law n.º 10-A/2020	190 000 000 €	0.09%	Monthly
Special support to self-employed and managing partners	D.39	Decree law n.º 10-A/2020	60 000 000 €	0.03%	Monthly
Exceptional support to resumption of business activity	D.39	Decree law n.º 10-A/2020	508 000 000 €	0.24%	Single
Exceptional support for vocational training	D.39	Decree law n.º 10-A/2020	8 000 000 €	0.00%	Monthly
			<b>1 139 333 333 €</b>	<b>0.54%</b>	
<b>Other measures</b>					
Municipal fees' exemption	-D.2 -D.4 -D.75	Law n.º 6/2020	37 716 678 €	0.02%	Monthly
Other measures (3)	P.2 +D.75	In force	16 195 000 €	0.01%	
			<b>53 911 678 €</b>	<b>0.03%</b>	
			<b>1 910 587 019 €</b>	<b>0.90%</b>	

Source: Ministry of Finance.

(1) - Includes, among others: Diagnostic support material; Reinforcement of Human resources (hiring and overtime hours); Medicines; School hygiene campaign; Military Forces (Military Laboratory, equipments, transportation); Reinforcement of the continuous integrated System of Care network.

(2) - Includes, among others: Child and grandchild care allowance; Extraordinary extension of unemployment benefits and other social benefits.

(3) - Includes, among others: Innovation support line of ANI «INOV 4 COVID -19» (CEiiA); Foreign Affairs (consular network support and WHO contribution).

Note: The GDP percentage uses the value of GDP 2019.

**Table III.2 Discretionary measures in response to COVID-19**  
 (with a financial impact and without a budgetary impact)

List of measures	Adoption Status	Impact	% GDP
<b>Deferral of tax payments and social contributions</b>			
Withholding (CIT and PIT) and VAT (deferral of 2/3 to the 2 <sup>nd</sup> semester, paid until 6 month without interest)	Decree law n.º 10-F/2020	5 200 000 000 €	2.45%
CIT (Payment on Account, Special on Account, Additional on Account)	Legal order 104/2020.XXII (SEAF)	1 680 000 000 €	0.79%
Social contributions (deferral of 2/3 to the 2 <sup>nd</sup> semester, paid until 6 month without interest)	Decree law n.º 10-F/2020	1 000 000 000 €	0.47%
		<b>7 880 000 000 €</b>	<b>3.71%</b>
<b>Acquisition of goods necessary to fight the pandemic</b>			
Customs allowance for the acquisition of goods to combat the pandemic	Decision (UE) 2020/491 of the European Commission of 3 April 2020 + Legal order (SEAF n.º 139/2020 – XXII)	13 000 000 €	0.01%
VAT exemption on imports, intra-community acquisitions and acquisitions in the domestic market	Commission Decision (UE) 2020/491 of 3 April 2020 + Legal order (SEAF n.º 139/2020 – XXII) + Project Law n.º 288/XXII/2020	272 000 000 €	0.13%
		<b>285 000 000 €</b>	<b>0.13%</b>
<b>Moratorium</b>			
Credit to households (permanent residence), if there is a full accession	Decree law n.º 10-J/2020	2 300 000 000 €	1.08%
Credit to non-financial companies, individual entrepreneurs and private social solidarity institutions, if there is a full accession	Decree law n.º 10-J/2020	9 000 000 000 €	4.24%
Other measures related to moratorium (1)	In force	51 700 000 €	0.02%
		<b>11 351 700 000 €</b>	<b>5.35%</b>
<b>Ensuring access to essential services</b>			
		<b>203 294 434 €</b>	<b>0.10%</b>
<b>Credit lines with State guarantees (2)</b>			
		<b>3 000 000 000 €</b>	<b>1.41%</b>
<b>Other liquidity measures</b>			
Credit line for treasury support (3)	Resolution Council of ministers n.º 10-A/2020	400 000 000 €	0.19%
Other measures related to liquidity increase (4)	In force	382 500 000 €	0.18%
		<b>782 500 000 €</b>	<b>0.37%</b>
<b>Export credit insurance schemes with State guarantees (ceiling increase)</b>			
		<b>250 000 000 €</b>	<b>0.12%</b>
<b>Portugal 2020 and European Funds</b>			
Acceleration of payment of incentives within the framework of PT 2020 – to companies	Resolution Council of ministers n.º 10-A/2020	260 000 000 €	0.12%
Acceleration of payment of incentives within the framework of PT 2020 – other promoters	Resolution Council of ministers n.º 10-A/2020	300 000 000 €	0.14%
Moratorium on the amortisation of reimbursable subsidies (PT2020/QREN)	Resolution Council of ministers n.11-A/2020	216 000 000 €	0.10%
Digitization (equipment and support for teleworking and tele-education)	In force	226 500 000 €	0.11%
Other measures related to European Funds (5)	In force	285 800 000 €	0.13%
		<b>1 288 300 000 €</b>	<b>0.61%</b>
<b>Foreign Affairs (COVID-19 oriented External Cooperation with Portuguese-speaking African countries (PALOP) and Timor-Leste and repatriations)</b>			
		<b>97 438 000 €</b>	<b>0.05%</b>
		<b>25 138 232 434 €</b>	<b>11.84%</b>

Source: Ministry of Finance.

(1) - Includes, among others: Moratorium of housing rents (IHRU); Moratorium of capital increase to the Municipal Support Fund and on the amortization of loans of municipalities with a financial reorganization program.

(2) In the Temporary State Aid Framework, the European Commission approved a scheme of EUR 13 billion to support the portuguese economy in the coronavirus context. In 18<sup>th</sup> March, the Government approved a set of credit lines to support economic activity to companies with liquidity difficulties, in the global amount of EUR 3 billion, in tourism sector, travel agencies, restaurants and industry, for micro and SMEs, small midcaps e midcaps. It should also be noted the inclusion of sole proprietors and companies established less than 2 years ago.

(3) - A credit line Capitalizar 2018-COVID-19 was launched in 12<sup>th</sup> March, as the first response to support liquidity to companies. Due to high demand, the credit line was extended from EUR 200 to EUR 400 million on the 27<sup>th</sup> March.

(4) - Includes, among others: Credit line for micro-enterprises in the tourism sector; Credit line aimed at operators in the fishing and aquiculture sectors; Anticipation of a twelfth for municipalities transfer from the State Budget (if there is full accession); and financing package for start-ups.

(5) - Includes, among others: Acceleration of payment of incentives within the framework of PDR2020 (Agriculture); Support for the adaptation of business activity to the context of COVID-19.

Note: The GDP percentage uses the value of GDP 2019.

## ANNEXES

### Annex 1 – Response to the epidemiological crisis

#### *Communication*

The first information for the public from the Directorate-General of Health on the novel Coronavirus was issued on 14<sup>th</sup> January. This information advised travellers in high risk regions on hand hygiene, respiratory etiquette, and to avoid contact with animals or close contact with people with respiratory symptoms.

As the epidemic evolved in China, more updated information to the general public was issued by the Directorate-General of Health, with new data from China and from the European Centre for Disease Control and Prevention (ECDC). People who had recently travelled to affected areas and experienced respiratory symptoms were advised to call the SNS 24 Contact Centre (808 24 24 24) for further information and health advice. On 25<sup>th</sup> January, the first suspected case of COVID-19 was identified in Portugal. Although the case was not confirmed, on 26<sup>th</sup> January the Ministry of Foreign Affairs advised against all but essential travel to China.

Besides general advice to the public, press conferences were conveyed by the Directorate-General of Health when the first suspected cases were identified in Portugal. Daily press releases were issued by the Directorate-General of Health from January 23<sup>rd</sup> to February 26<sup>th</sup>. Currently, daily press conferences take place at the Ministry of Health to communicate the epidemiological evolution in the country.

A dedicated website (<http://covid19.min-saude.pt>) was created to inform the general public on COVID-19 with advice on hand hygiene and respiratory etiquette, main symptoms of COVID-19, posters and leaflets for schools, public services and airports, videos, among others.

#### *Measures on social distancing*

Social distancing measures were first implemented in early March in Portugal, as the first confirmed COVID-19 cases were identified in the country.

The Government approved legislation on social protection of workers who had to self-isolate or assist family members in those conditions. This legislation was published before the closing of all educational institutions, which was announced on March 12<sup>nd</sup>, with effect on March 16<sup>th</sup>. All employers were also advised to adopt telecommuting when possible, so that most workers could be sent home.

On March 10<sup>th</sup>, the Directorate-General of Health recommended all mass gatherings with more than 100 participants to be postponed or cancelled, as well as all events that could

not assure social distancing between participants and events with participants that come from or were visiting areas with active community transmission of COVID-19. On that day, the Government also suspended flights to and from the most affected areas in Italy.

These measures were further strengthened on March 13<sup>th</sup>, when the Council of Ministers declared a State of Alert in the country, with effect on March 16<sup>th</sup>. Consequently, a package of measures was adopted, which included: i) banning access to restaurants or bars with dance floors; ii) restricted access to restaurants or bars up until 1/3 of maximum capacity and only until 9pm; iii) banning all school trips; iv) suspending all on-site educational activities, as well as all leisure activities and day care centres.

Since social distancing was strongly recommended, visits to nursing homes, long-term care facilities and prisons were discouraged. The Portuguese Episcopal Conference also announced on March 13<sup>th</sup> the suspension of all religious gatherings, including liturgical celebrations and other reunions.

On March 18<sup>th</sup>, the Parliament approved the Presidential Decree declaring a state of emergency, which was followed by specific legislation approved by the Government. The Government Decree established mandatory confinement for all COVID-19 patients and all those isolated according to health authorities' assessment.

People belonging to groups most-at-risk, including those aged 70 years and older and those with comorbidities (mainly serious chronic diseases), are subject to a special duty of protection, according to which they can only circulate in public roads and spaces under special circumstances, namely for the acquisition of goods and services, health care provision or pet walking.

For all the other citizens, besides acquiring goods and services, health care provision or pet walking, a number of exceptions are in place, including: going to work and returning home (if working from home is not possible), visiting vulnerable people who need help, volunteering, short walks, open-air physical exercise (as long as it is not collective), family reasons, judicial reasons, going to the bank or to the post office, etc.

Restaurants, pubs and cafes were ordered to close for all activities except for takeaway food sales. Supermarkets, pharmacies, bakeries, petrol stations and banks will remain open but must implement capacity restrictions.

The State of Emergency was renewed on April 2<sup>nd</sup> and 17<sup>th</sup>, lasting until May 2<sup>nd</sup>. The Government has determined that citizens cannot circulate outside of the municipality where they live between 9<sup>th</sup> and 13<sup>th</sup> April (Easter period) and between May 1<sup>st</sup> and 3<sup>rd</sup>, except for very urgent reasons.



### *Isolation and quarantine*

All suspected cases are advised to remain isolated at home and avoid going to health care facilities. Instead, they should call the SNS 24 Contact Centre and follow instructions. Initially, the Contact Centre validated clinical and epidemiological criteria using a second line, the Medical Support Line, where doctors were called to clinically evaluate the symptoms reported by the suspected case. In case of validation, an ambulance from the Medical Emergency Institute was activated to transport the suspected case to a designated reference hospital in order to collect samples to be tested. For confirmed cases, hospitalization in isolation beds was the procedure.

As the epidemic evolved, only confirmed COVID-19 cases with clinical criteria for hospitalization are currently being treated in hospital. Cases with mild symptoms are sent home and regularly contacted by health care workers for monitoring. They are subject to mandatory confinement, and the police is informed by the health authorities in order to ensure compliance.

The definition of suspected case has changed with the evolution of the pandemic, but it included symptomatic travellers returning from areas with active community transmission. With the evolution of the outbreak across the globe, those areas were also expanded: initially they included China, South Korea, Japan and Singapore; then, Iran and four regions in Northern Italy (Emiglia-Romagna, Lombardia, Piemonte and Veneto) were added, finally three States in Germany (Bavaria, Baden-Württemberg and North Rhine-Westphalia), two regions in France (Regions of Grand Est and Île-de-France) and four autonomous communities in Spain (Catalonia, La Rioja, Madrid and Basque Country) were added. Social distancing, hand hygiene and respiratory etiquette were recommended for travellers returning from those areas. They should monitor their symptoms and, in case of symptom onset, self-isolate and call SNS 24. Contacts of confirmed cases are traced by public health authorities and, according to exposure, they can be ordered to self-isolate at home for 14 days. During this period, they are monitored by health authorities.

Mandatory quarantine for public health emergencies is not foreseen in the Portuguese Constitution, but after the state of emergency came into force, restrictions on citizens' movements were put in place. As mentioned, mandatory quarantine is only applied to confirmed cases who are recovering at home and all those isolated by determination of the public health authorities. The rest of the population is strongly advised to stay at home and only leave under special circumstances, with more limited circumstances for those aged 70 years and older, immunocompromised patients and people with chronic conditions

### *Health System response*

The Directorate-General of Health has announced on March 9<sup>th</sup> the Contingency Plan to prepare the response and minimize the impact of the COVID-19 pandemic in Portugal. The

Plan established levels of alert and response, the coordination and control, as well as key elements on epidemiological surveillance, public health, case management, infection prevention and control, international health, communication and social mobilization, knowledge and research, training and capacity assessment.

#### *Physical infrastructure and equipment*

There are 107 public hospitals in Portugal, including 3 hospitals in Public-Private Partnership and 6 military or prison hospitals. There are microbiology laboratories in major hospitals across the seven health regions, including Azores and Madeira. The National Institute of Health Dr. Ricardo Jorge validated the methodology used in each hospital lab to diagnose SARS-CoV-2 infection, according to WHO guidelines. Currently, the National Institute of Health, the Military Laboratory, 29 public hospital laboratories, 22 University labs and 19 groups of private laboratories are processing samples for COVID-19 diagnosis.

Laboratory testing for SARS-CoV-2 diagnosis began early and across the country, with a pro-active monitoring of risky situations (e.g. testing in nursing homes began on March 30<sup>th</sup>). On April 30<sup>th</sup>, 16,345 samples for SARS-CoV-2 diagnosis were processed, roughly twice as in the beginning of the month. Overall, 470,234 samples for SARS-CoV-2 diagnosis were processed in public and private laboratories in Portugal, between 1<sup>st</sup> March and May 4<sup>th</sup>, of which 8.6% were positive – the number is higher than the confirmed cases due to repetition of samples in a number of patients tested. During April, an average of 11,575 samples for SARS-CoV-2 diagnosis were processed daily.

The Government has made efforts to ensure the provision of reagents and materials for PCR machines as well as diagnostic kits: on May 4<sup>th</sup>, the Ministry of Health had around 1 million test and 913 extraction kits in its stock. Since March 20<sup>th</sup>, 340,174 testing kits and 98,112 extraction kits have been delivered to all the regions, including the autonomous regions, according to their needs. Additionally, each hospital has also acquired diagnostic kits according to their needs.

A pilot survey to around 1,700 people will be launched on May in order to evaluate the immunity of the population to COVID-19. This project will make possible to better understand how serological tests work, their effectiveness in detecting antibodies and the logistics needed to expand their use to more people. The serological survey will estimate the proportion of immunized people in Portugal, although it is still not clear how long does the immunity last on individuals infected/exposed to the virus.

The initial capacity assessment undertaken in the Ministry of Health concluded that hospitals belonging to the National Health Service (excluding the Autonomous Regions) had:

- 1,142 mechanic invasive ventilators, of which 528 in general level 3 ICU for adults, 134 to be immediately added to the hospitals' capacity, and also 480 mechanic invasive ventilators in operating rooms;
- 528 general level 3 ICU beds for adults (excluding other types of ICUs: burn, coronary, neonatal and paediatric);
- 218 adult isolation beds with negative pressure and 25 paediatric isolation beds with negative pressure.

Either by acquisition or through donations, the country expects to double its ventilators' capacity in the short-term. By early April, the Ministry of Health had already acquired 1,151 ventilators, 119 were recovered, 388 were donated to the NHS and 156 were loaned. Overall, the country's ventilatory capacity was strengthened with 1,814 ventilators, being 74% of them invasive ventilators. A total of 531 ventilators were already delivered to hospitals, with the remaining stock expected to be delivered during May.

Hospitals were also able to optimize resources and create additional ICU beds. By the end of April, the NHS had further increased general level 3 ICU beds for adults by 25%.

Due to shortages of personal protective equipment (PPE), Portugal has acquired a significant number of PPE, including 11.3 million surgical masks and 1.2 million P2 masks. Donations of PPE and other equipment have also taken place. The private sector has around 250 mechanic invasive ventilators and, if needed, beds from the private or social sector will be used.

Health care for COVID-19 is mainly provided in public hospitals. However, the Portuguese Association of Private Hospitals showed its availability to support the NHS response to the pandemic.

#### *Health workforce*

By the end of February 2020, the Portuguese NHS had the following human resources:

- 30,172 doctors, including the following specialties: 133 Infectious Diseases, 389 Pneumologists, 1,803 Internal Medicine, and 359 Public Health;
- 45,560 nurses;
- 61,181 other professionals.

When the outbreak started in Portugal, NHS institutions were asked to report their needs for human resources. On March 15<sup>th</sup>, the Government established an exceptional regime for acquiring goods and services (including ventilators, personal protective equipment and tests), as well as hiring human resources for the public sector, including the health sector. Caps for extraordinary work payments were removed and hiring retired health care

workers without any age limit became possible. Either to increase human resources or to replace workers, NHS institutions are also authorized to directly acquire services and hire health care workers for up to 4 months and to renew those contracts. As of May 4<sup>th</sup>, 2,453 health care workers have been hired by the NHS under these new rules, including 112 doctors and 793 nurses.

Following the closure of educational institutions, the Government has decided to keep some schools open to ensure childcare for health workers and people with other essential activities. The same legislation also defines other rules to provide family support and ensure health care professionals' availability to work, so that the NHS response can be maintained.

Medical students and retirees have been invited into the workforce, with students' unions and professionals' associations establishing 'banks' of volunteers to collaborate in the national response. This allowed, for example, to double the number of health care workers simultaneously answering phone calls at the SNS 24 Contact Centre and to have four times more doctors answering the Medical Support Line.

To address the needs of deaf citizens, SNS 24 Contact Centre has launched on April 21<sup>st</sup> a specialized service to support deaf persons, through a video call platform. This platform can also be used by health care workers to communicate with deaf individuals in health care services.

As hospital and primary care activity has been reduced by postponing non-critical treatment, several health care workers can be redeployed to deal with COVID-19. Redeployment and schedules of health care workers is decided within each institution, according to the needs and available human resources, since some health care workers have also become infected by COVID-19. Each institution is also responsible for providing the necessary psychological support to their health care workers and to ensure they have all the necessary equipment to protect themselves and others. The Directorate-General of Health has issued guidance on the use of personal protective equipment both for health care and non-health care workers.

#### *Access to the National Health Service*

All Portuguese citizens and foreign citizens with permanent or temporary residence in Portugal have access to health care provided in the universal and comprehensive National Health Care, including documented and undocumented migrants and asylum seekers/refugees. However, the Government has decided to grant temporary residency rights to all immigrants and asylum seekers who applied for residency in the country before March 18, when the State of Emergency was announced. These rights will give immigrants and asylum seekers access to social and health benefits, including access to the Portuguese NHS, bank accounts and work and rental contracts, until (at least) July 1<sup>st</sup>, 2020.

Hence, all health care related to COVID-19 provided in the NHS, including transport, testing and hospitalization, are covered for all citizens in Portugal, irrespective of their nationality and legal status. In cooperation with a non-governmental organization, basic COVID-19 information from the Portuguese authorities was made available in 23 different languages and available online<sup>9</sup>.

#### *Other measures*

The Government also adopted measures to ensure the safety and support to victims of domestic violence given the increased risk of violence during the confinement imposed by the State of Emergency. All services in charge of supporting, sheltering and transporting victims, provided by the National Support Network for Victims of Domestic Violence, are considered essential services and remain active. Additionally, two new emergency shelter facilities with 100 vacancies were recently opened. Besides a broad dissemination of information about support services and helplines, the Government has strengthened and diversified the channels for victims to seek help.

To respond to the effects of COVID-19 in the mental health of the population, an emergency plan was activated by the Government, including a psychological helpline within the SNS24 Contact Centre. A dedicated website on mental health (<https://saudemental.covid19.min-saude.pt/>) was also launched, with information by region, Q&A, and specific information for health care workers.

Due to the increased risk of domestic violence during the pandemic, all services for assistance, rescue and transportation of victims in the scope of the National Support Network for Victims of Domestic Violence are considered essential. The Network adopted emergency contingency and action plans for this period, creating 100 more emergency host vacancies, extending the maximum deadlines for hosting the victims, defining a circuit with the National Institute for Medical Emergencies to fast-track testing of COVID-19 suspected cases among the victims hosted, and establishing a network of partnerships with companies and other organizations to supply essential goods to the hosting facilities, including computers to make possible to the rescued children to develop school activities online. The Network also created new ways for the victims to request assistance (email and SMS) with a defined a circuit with the police for immediate assessment, on the spot, of high-risk cases. A campaign and information materials were produced, in several languages and sign language, with safety advice for victims in isolation, with alerts for the community to know how to help, as well as the contacts of existing services available local level across the country, which was widely disseminated on social media, TV, radio and the newspapers, as well as in public services and spaces, such as transports, supermarkets, pharmacies, petrol stations, as well as through municipalities and other

---

<sup>9</sup> <https://www.medicosdomundo.pt/noticia/covid-19-guia-com-orientacoes-basicas-para-combate-dacovid-19-em-mais-de-20-idiomas>.

public services. The police intensified its actions, contacting with known cases of domestic violence to check possible situations of risk and to initiate measures to protect the victims, since this is a priority investigation crime. The National Commission for the Promotion of Rights and the Protection of Children and Young People issued guidance for the Commissions for the Protection of Children and Young People on how to act in cases of children and young people in situation of domestic violence during the pandemic.

Responses for other vulnerable populations (including homeless people, people who inject drugs, isolated elderly and others) are being implemented locally through the cooperation of community based-organizations, municipalities, parishes and health services.

### **Mobility and borders**

On the subject of the containment of international travel, as a response to COVID-19, Portugal has coordinated actions on its only land border with the Spanish Government.

With the determination of the temporary reintroduction of border control at internal borders with Spain, after a mutual agreement, the SEF - Immigration and Borders Service - the authority responsible for the control of persons at the borders, restored border control of passengers at 23:00 on March 16<sup>th</sup> at the nine authorized crossing points. On May 4<sup>th</sup>, a tenth authorized crossing point at the land border was reinstated. The purpose of this control is, in particular, to prohibit the movement of citizens in tourism/leisure between the two countries.

SEF is responsible for people documentary checks. GNR is responsible for road traffic and for monitoring the land border between the authorized crossing points identified above.

It is important to remember that road traffic on land borders is prohibited, regardless of the type of vehicle, with the exception of international goods transport, the transport of cross-border workers, emergency and rescue vehicles and emergency services.

The aforementioned traffic constraints are without prejudice to: i) the right of entry for national citizens and holders of residence permits in the respective countries; ii) the circulation of diplomatic staff, the Armed Forces and Security Forces and Services; iii) the circulation, as an exception, for the purpose of family reunion of spouses or similar and family members up to the 1<sup>st</sup> degree in the direct line; iv) access to health facilities, under the terms of bilateral agreements regarding the provision of health care; v) the right of exit for citizens residing in another country.

A quarantine regime does not apply in Portugal. However, sanitary cordons were implemented in the municipality of Ovar where the calamity situation has been in effect since March 18<sup>th</sup>; the Government of the Autonomous Region of the Azores, since April 3<sup>rd</sup>, also implemented sanitary cordons in six municipalities of São Miguel Island.

In addition to the suspension of commercial flights to and from Italy, implemented on March 11<sup>th</sup>, commercial flights to and from Spain were suspended on March 16<sup>th</sup>, as well as connections between the two countries, except for trade in goods.

Commercial flights to and from the European Union territory have been suspended since March 19<sup>th</sup>, with the exception of flights to and from the European Economic Area; flights to and from Portuguese-speaking countries (but only flights to and from São Paulo and Rio de Janeiro, in the case of Brazil); flights to from and United Kingdom, USA, Venezuela, Canada and South Africa, due

to the large Portuguese communities living in these countries,

Road traffic is prohibited at the EU's internal land borders, with the exception of international carriage of goods, the transport of cross-border workers and the circulation of emergency vehicles.

Anchoring of recreational vessels and disembarkation of passengers and crews of cruise liners in national ports is suspended, except for Portuguese citizens and residents in Portugal.

On April 2<sup>nd</sup>, after reviewing the state of emergency, the Government determined that citizens cannot travel outside the municipality where they live between April 9<sup>th</sup> and 13<sup>th</sup> (Easter period), except for very urgent reasons.

Since the declaration of the state of emergency on April 2<sup>nd</sup>, internal travel has been limited to the exceptions provided by law. Public transport is operational, but with service restrictions and reduced capacity.

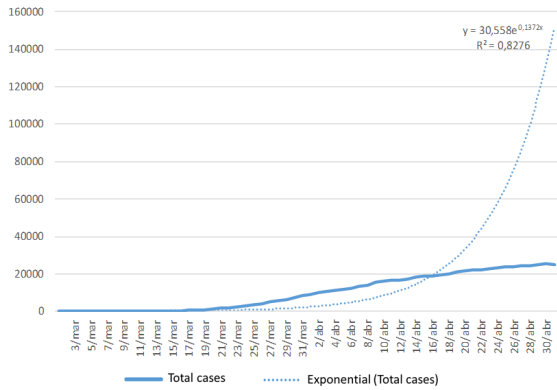
The repatriation efforts of Portuguese citizens abroad continue, including in coordination with the European Civil Protection Mechanism.

Information related to travel and relevant updates from the Ministry of Foreign Affairs can be found at: <https://www.portaldascomunidades.mne.pt/>.



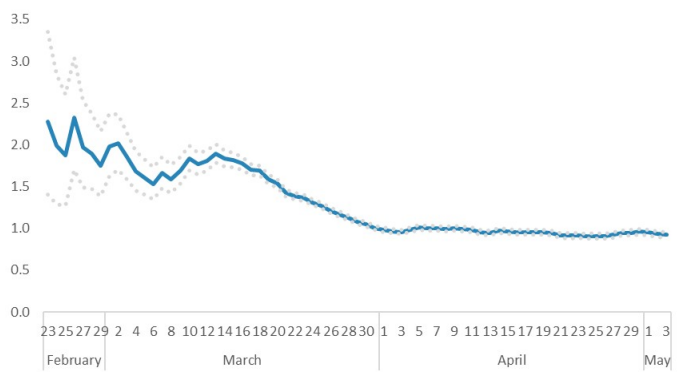


**Graph A1.1 Comparison exponential curve/actual growth**



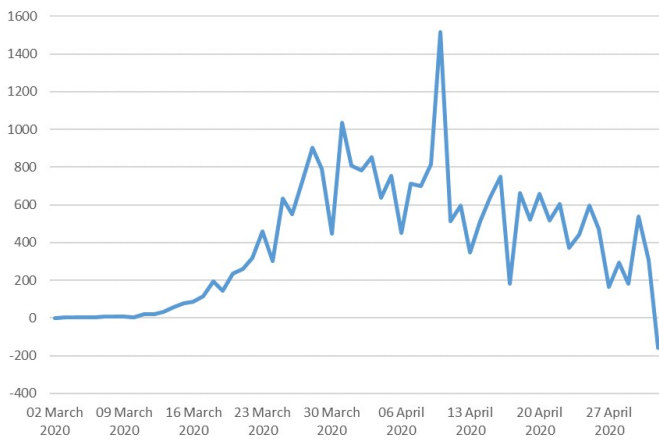
Source: Ministry of Health.

**Graph A1.2 Trend of the effective reproductive number (Rt)**



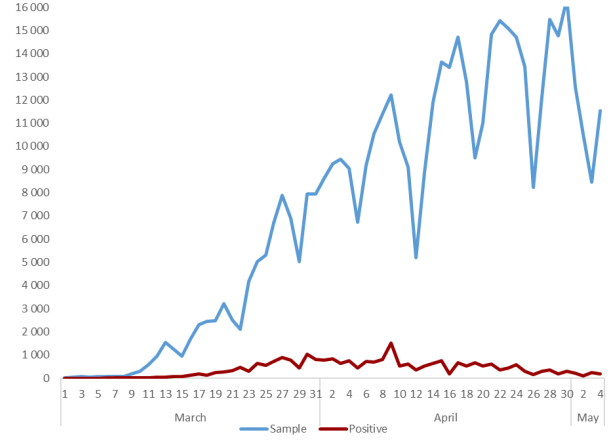
Source: Ministry of Health.

**Graph A1.3 New confirmed cases**



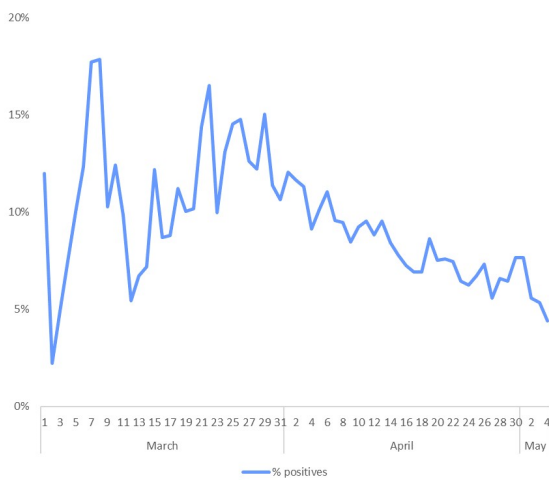
Source: Ministry of Health.

**Graph A1.4 Number of tests and positive results**



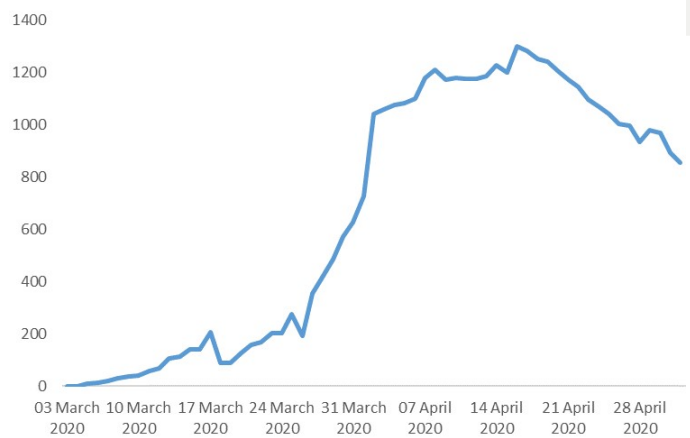
Source: Ministry of Health.

**Graph A1.5 Positive results (as percentage of the number of tests)**



Source: Ministry of Health.

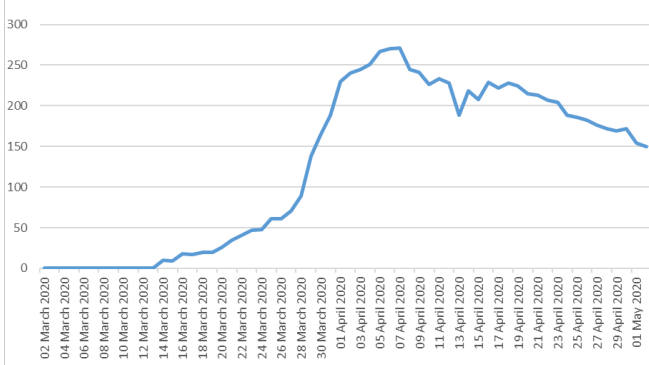
**Graph A1.6 Number of hospitalized cases**



Source: Ministry of Health.

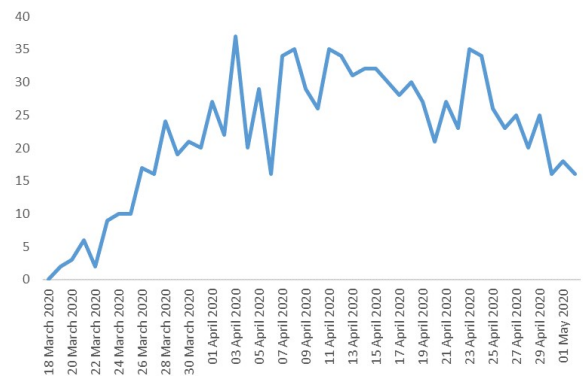


**Graph A1.7 Number of cases in ICU beds**



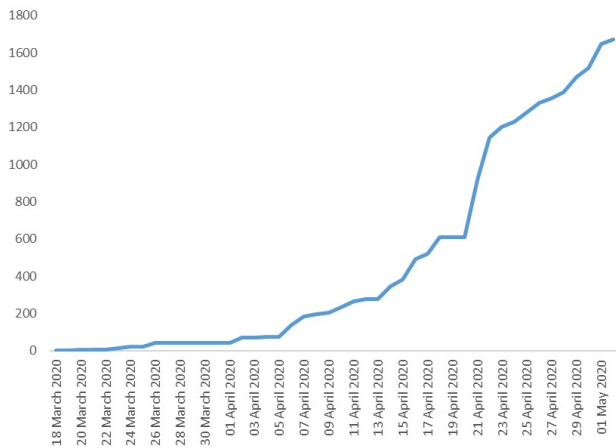
Source: Ministry of Health.

**Graph A1.8 Deaths (daily evolution)**



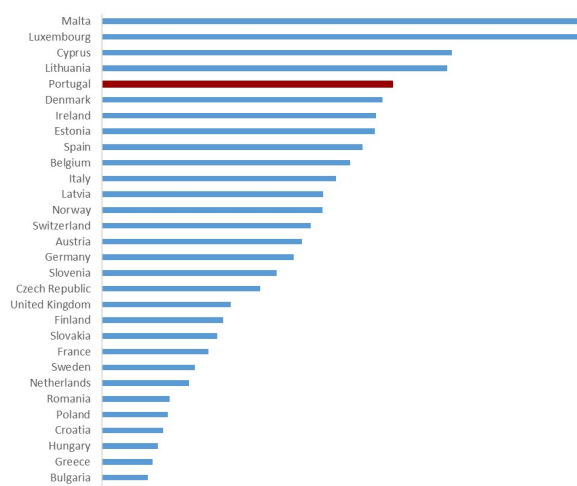
Source: Ministry of Health.

**Graph A1.9 Number of recovered cases**



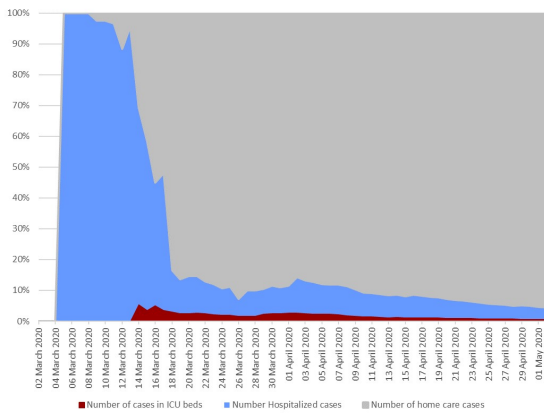
Source: Ministry of Health.

**Graph A1.10 Tests per million population**



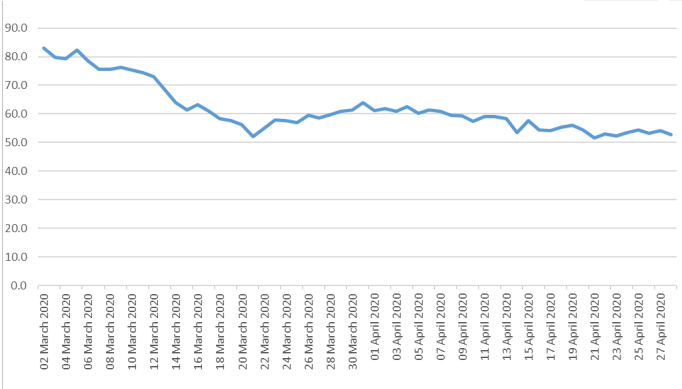
Source: Ministry of Health.

**Graph A1.11 Distribution of active cases**



Source: Ministry of Health.

**Graph A1.12 Daily rate of ICU occupation**



Source: Ministry of Health.



## Annex 2 – National and International Projections

**Table A2.1 Macroeconomic projections for Portugal and the euro area**  
(Official institutions)

	2020								2021															
	BdP Base scenario		BdP Adverse scenario		IMF		EC		OECD		ECB		BdP Base scenario		BdP Adverse scenario		IMF		EC		OECD		ECB	
	Portugal	Portugal	Portugal	Euro area	Portugal	Euro area	Euro area	Euro area	Portugal	Portugal	Portugal	Euro area	Portugal	Euro area	Euro area	Euro area	Portugal	Euro area	Portugal	Euro area	Euro area	Euro area		
<b>Real GDP and components (growth rate)</b>	-3.7	-5.7	-8.0	-7.5	-6.8	-7.7	0.8	0.8	0.7	1.4	5.0	4.7	5.8	6.3	1.2	1.3								
Private Consumption	-2.8	-4.8	-	-	-5.8	-9.0	-	1.2	1.4	1.8	-	-	5.3	7.1	-	1.2								
Public Consumption	2.1	3.0	-	-	2.4	3.2	-	1.7	-1.3	-2	-	-	-1.5	0.6	-	1.5								
Investment (GFCF)	-10.8	-14.9	-	-	-8.6	-13.3	-	0.4	2.9	3.4	-	-	8.9	10.2	-	1.9								
Exports of goods and services	-12.1	-19.1	-	-	-14.1	-12.9	-	1.6	4.2	7.4	-	-	13.2	9.5	-	2.5								
Imports of goods and services	-11.9	-18.7	-	-	-10.3	-12.9	-	1.8	5.5	7.5	-	-	10.3	9.7	-	2.7								
Unemployment rate	10.1	11.7	13.9	10.4	9.7	9.6	-	7.6	9.5	10.7	8.7	8.9	7.4	8.6	-	7.6								
Employment (growth rate)	-3.5	-5.2	-	-	-3.4	-4.7	-	0.5	0.7	1.2	-	-	2.7	3.9	-	0.3								
Harmonized index consumer prices (HICP)	0.2	-0.1	-0.2	0.2	-0.2	0.2	-	1.1	0.7	0.5	1.4	1.0	1.2	1.1	-	1.4								
Current and capital account (net lending) [IMF, EC, ECB: Current account]	2.0	2.0	0.3	2.6	-0.6	3.4	-	3.1	2.4	2.9	-0.4	2.7	-0.2	3.6	-	3.1								

Sources: BdP - Bank of Portugal, Boletim Económico, March 12<sup>th</sup> of 2020; IMF - World Economic Outlook, April 6<sup>th</sup> of 2020; OECD, March 2<sup>nd</sup> of 2020 (forecasts based on data from February 28<sup>th</sup>); EC - European Economic Forecast - Spring 2020, May 2020; ECB - ECB staff macroeconomic projections for the euro area, March 12<sup>th</sup> of 2020 (forecasts based on data from February 28<sup>th</sup>).

**Table A2.2 Macroeconomic projections for Portugal and the euro area**  
(Other institutions)

		2020				2021			
		Real GDP (growth rate)	Unemployment rate (%)	Inflation (CPI or HICP, %)	Current account (% GDP)	Real GDP (growth rate)	Unemployment rate (%)	Inflation (CPI or HICP, %)	Current account (% GDP)
<b>Portugal</b>									
UCP	Optimistic	-4.0	8.5	-	-	-	-	-	-
	Baseline	-10.0	10.4	-	-	-	-	-	-
	Pessimistic	-20.0	13.5	-	-	-	-	-	-
Unicredit		-15.0	-	0.2	-0.5	9.6	-	0.7	-0.5
Berenberg		1.7	6.4	1.1	-	1.8	6.1	1.4	-
<b>Euro area</b>									
UCP	Optimistic	-2.0	-	-	-	-	-	-	-
	Baseline	-5.0	-	-	-	-	-	-	-
	Pessimistic	-10.0	-	-	-	-	-	-	-
Fitch		-4.2	9.6	0.4	-	2.9	9.8	1.1	-
Moody's Analytics		-7.0	-	-	-	-	-	-	-
Unicredit		-13.0	-	0.3	1.8	10	-	1.2	2.7
HSBC		-6.4	-	-	-	6.1	-	-	-
PWC		0.7	-	-	-	1.1	-	-	-
Wells Fargo		-1.0	-	-	-	0.6	-	-	-
RBC Economics		0.5	-	-	-	-	-	-	-
Allianz Research	Optimistic	-1.8	8.5	0.3	-	2.1	8.0	1.6	-
	Baseline	-4.4	9.5	0.1	-	2.1	8.0	1.6	-
	Pessimistic	-7.2	11.0	-0.6	-	-1.8	11.5	0.2	-
ADB		-1.0	-	-	-	1.6	-	-	-
Berenberg		1.0	7.4	1.3	-	1.5	7.0	1.5	-
Capital Economics		-9.0	-	-0.3	-	10	-	-0.5	-
DekaBank		-5.3	-	0.7	3.0	4.9	-	1.2	2.9

Sources: UCP - Catholic University of Portugal - Núcleo de Estudos da Universidade Católica (NECEP), March 23<sup>rd</sup> of 2020; Fitch, April 2<sup>nd</sup> of 2020; Moody's Analytics, April of 2020; Unicredit - The mother of all recessions has arrived, April 2<sup>nd</sup> of 2020; HSBC, April 9<sup>th</sup> of 2020; PWC, March of 2020; Wells Fargo, March of 2020; RBC Economics, March 12<sup>th</sup> of 2020; Allianz Research, March 31<sup>st</sup> of 2020; ADB - Asian Development Bank, March 2020; Berenberg - Global Outlook 2020, January 6<sup>th</sup> of 2020; Capital Economics, April 17<sup>th</sup> of 2020; DekaBank, April 1<sup>st</sup> of 2020.