Rating Report

Report Date:
November 17, 2011

Previous Report:
November 15, 2010

Republic of Portugal

Analysts

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Ratings

Issuer	Debt Rated	Rating	Trend
Portugal, Republic of	Long-Term Foreign Currency – Issuer Rating	BBB	Negative
Portugal, Republic of	Long-Term Local Currency – Issuer Rating	BBB	Negative

Rating Rationale

On 19 October 2011, DBRS Inc. (DBRS) downgraded the Republic of Portugal's long-term foreign and local currency debt to BBB from BBB (high). The trend on both ratings remains Negative. In spite of strong political support to implement the EU-IMF programme, the downgrade reflected increased risks to fiscal consolidation and a weaker growth outlook. As a result, prospects for debt stabilisation are more challenging.

The Negative trend reflects downside risks to growth, particularly given the worsening economic outlook in Europe and ongoing turbulence in financial markets. A sharp deterioration in Europe-wide macroeconomic conditions or material deviations from deficit targets could derail the adjustment in Portugal and exert downward pressure on the ratings.

The BBB ratings are underpinned by the strong political commitment of the coalition government to fully and expeditiously implement the EU-IMF programme. The programme covers most of Portugal's funding needs through mid-2013, spells out a series of far-reaching structural reforms to increase growth, and provides capital and liquidity support to the banking system. In September 2011, the IMF concluded that the programme is broadly on track. Initial steps have already been taken to carry out the reform agenda, including a reduction in severance payments for new contracts and the elimination of golden shares. Furthermore, the government, which took office in June 2011, presented an austere budget that aims to reduce the deficit to 4.5% of GDP in 2012.

(Continued on page 2)

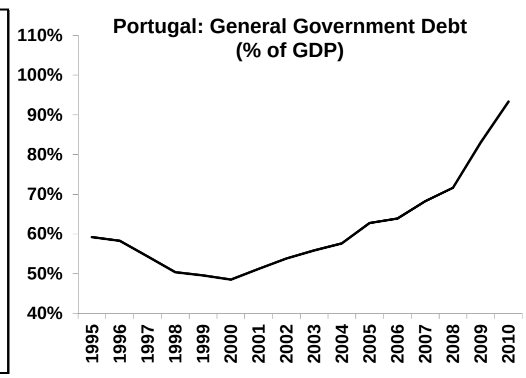
Rating Considerations

Strengths
(1) Benefits of EMU membership
(2) Political commitment to reform
(3) Moderate fiscal impact of age-related expenditure

Challenges
(1) High fiscal deficit and public debt
(2) Low growth
(3) Large external imbalances
(4) Private sector indebtedness

Summary Statistics

For the year ended December 31	2009	2010	2011E	2012P
Nominal GDP (EUR billions)	168.6	172.8	171.2	169.4
GDP per capita (EUR)	15,864	16,244	16,099	15,922
Real GDP growth (% chg yoy)	-2.5%	1.4%	-1.9%	-2.8%
Unemployment rate	9.5%	10.8%	12.5%	13.4%
Inflation (year end, %)	-0.9%	1.4%	3.4%	2.1%
Current account bal (% GDP)	-10.9%	-10.0%	-8.4%	-5.5%
General gov't balance (% GDP)	-10.2%	-9.8%	-5.9%	-4.5%
Primary balance (% GDP)	-7.3%	-6.8%	-1.6%	0.7%
Gross public debt (% GDP)	83.0%	93.3%	101.9%	110.5%



Rating Rationale (Continued from page 1)

The announcement of improved lending terms on EU loans is also positive for Portugal (see DBRS Commentary: *Policy Announcements Positive but Euro Area Debt Sustainability Still a Concern* published on 27 July 2011). Portugal's previous loan programme was scheduled to have an average maturity of 7.5 years and an average interest rate of approximately 5.5%. Depending on the maturity structure and cost of funds, the new loans could alleviate post-program refinancing pressures and lower annual interest payments by approximately €1 billion, or 0.6% of GDP.

However, the sustainability of Portugal's public finances primarily depends on fiscal consolidation and economic growth. While the government expects to meet the deficit target of 5.9% of GDP in 2011, budgetary shortfalls – estimated at 2% of GDP – are being primarily offset by temporary measures. As a result, the adjustment required to achieve the deficit target in 2012 will be significantly larger than previously anticipated amid a more difficult economic environment.

Budgetary weaknesses and contingent liabilities also represent fiscal risks. State owned enterprises (SOE), public-private partnerships (PPP) and local and regional governments have contributed to expenditure pressures. Previously unreported spending in the region of Madeira led to an upward revision of the general government deficit from 9.1% of GDP to 9.8% of GDP in 2010, and support for a SOE and PPP added approximately €500 million (0.3% of GDP) to the deficit in 2011. In response, the government is restructuring SOEs, reviewing PPPs, enhancing supervision of local and regional governments, and reforming the fiscal framework to strengthen expenditure control.

Nevertheless, reducing the deficit and addressing these risks is likely to be challenging while the economy is in recession. The government estimates the economy will contract 1.9% in 2011 and 2.8% in 2012. Fiscal tightening, rising unemployment and private sector deleveraging are likely to weigh negatively on domestic demand. Credit conditions are tightening as banks face acute funding pressures. The only demand component expected to make a positive contribution to growth in 2011 and 2012 is net exports. However, downside risks to the economic outlook in Europe could dampen external demand and further weaken Portugal's growth prospects.

As a consequence, prospects for debt stabilisation remain challenging. The government estimates debt-to-GDP will increase from 100% at the end of 2011 to 106% in 2012. If bank recapitalisation funds are included, the debt ratio would reach 111% in 2012. At such high levels, Portugal would have limited room to maneuver in the event of further economic or financial shocks.

It is not clear when Portugal will be able to reenter the long-term debt markets. Private sector involvement in a restructuring of Greek debt could perpetuate uncertainty and delay Portugal's return to market funding. Nevertheless, the ratings incorporate DBRS's expectation that additional financing would be provided to Portugal, if necessary, as long as there are strong efforts to meet the performance criteria and structural benchmarks outlined in the programme.

Rating Considerations Details

Strengths

(1) Benefits of Economic and Monetary Union membership. Euro area membership has supported price stability in Europe, facilitated trade and capital flows and lowered interest rates. Lower transaction costs are particularly beneficial for a relatively small economy such as Portugal. In addition, the European Financial Stability Facility (EFSF) and European Financial Stabilisation Mechanism, in coordination with the International Monetary Fund, provided Portugal with a EUR 78 billion financing package in May 2011, helping cover sovereign funding needs through mid-2013.

(2) Political commitment to reform. The May 2011 elections delivered a coalition government that is committed to fiscal consolidation and structural reform, in accordance with the EU-IMF programme. The opposition Socialist Party has also expressed support for the programme. The 2012 budget presented to

Parliament is austere and aims to narrow the fiscal deficit from 5.9% of GDP in 2011 to 4.5% of GDP in 2012. The reform agenda, parts of which have already been implemented, aims to boost productivity by fostering competition, attracting foreign direct investment and increasing the flexibility of the labour market.

(3) Moderate fiscal impact of expected increase in age-related expenditure. Portugal faces only moderate increases in age-related expenditures through 2060. This is, in part, due to major pension reform in 2006-07, which sharply reduced the projected increase in public pension expenditure. While further reforms will be needed over the long-term, particularly if productivity or employment assumptions do not materialise, Portugal's aging costs compare favorably to other EU countries.

Challenges

(1) High fiscal deficit and public debt. Fiscal deficits and weak economic growth have led to rising public debt ratios. From 2000 to 2010, debt-to-GDP increased from 48.5% to 93.3%. The government projects debt-to-GDP will increase to 110.5% by 2012 before stabilising in 2013. However, putting public financing on a sustainable path will require a large and sustained fiscal adjustment.

(2) Low growth. From 2000 to 2010, the Portuguese economy expanded at an average annual rate of 1%, the slowest growth rate in the Euro area after Italy. Moreover, labour productivity in Portugal, measured as GDP per hour worked, is one of the lowest among advanced economies, and productivity growth has been stagnant. From 2000 to 2010, income per capita in Portugal (in PPP terms) remained 19% lower than in the European Union. Portugal's productivity performance reflects structural weaknesses in the economy, including rigid labour markets and insufficient competition in the non-tradable sector.

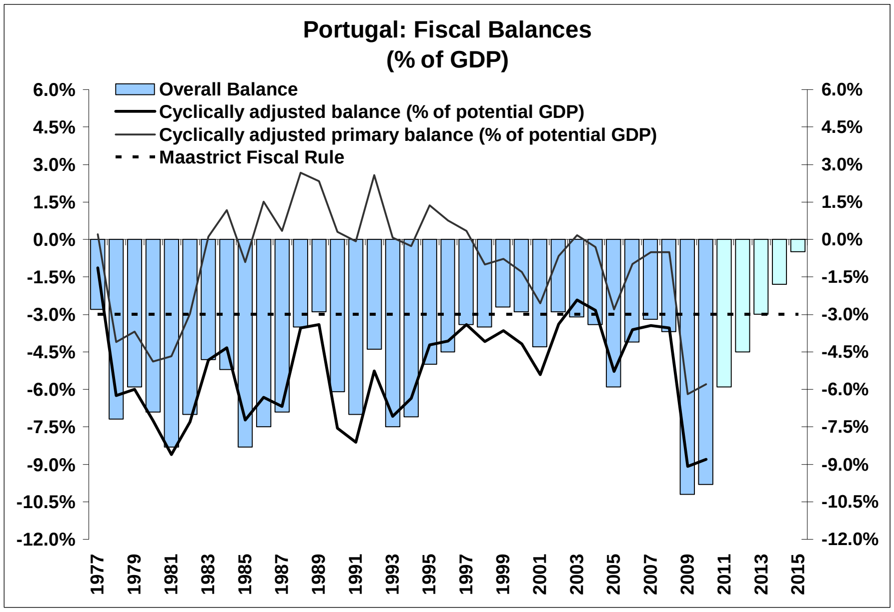
(3) Large external imbalances. Wage and price inflation have outpaced productivity gains, undermining the cost competitiveness of the tradable sector, and Portugal's comparative advantage in low-tech exports is being challenged by new global players, especially China. The loss of competitiveness is reflected in widening external imbalances, driven in part by a declining national savings rate. In 2010, the current account deficit was 10% of GDP and the negative international investment position was 107% of GDP, the highest in the Euro area.

(4) Private sector indebtedness. The decade in Portugal prior to the global financial crisis was characterized by a sharp increase in private sector debt. From 1999 to 2010, household debt rose from 67% of GDP to 105% of GDP, largely the result of an increase in mortgage financing and a decline in the household savings rate. Non-financial corporate debt increased from 110% of GDP to 148% of GDP over the same period. Consequently, the private sector in Portugal is one of the most heavily indebted among advanced economies. The process of household and firm deleveraging is likely to temper the recovery.

Fiscal Management and Policy

The economic and financial crisis led to a marked deterioration in Portugal's public finances. The general government deficit widened from 3.7% of GDP in 2008 to 10.2% of GDP in 2009 and 9.8% of GDP in 2010. The deterioration was partly due to automatic stabilisers but also reflected a significant increase in discretionary spending. Total expenditure increased from 44.8% of GDP in 2008 to 51.3% of GDP in 2010. The government, in accordance with the EU-IMF programme, has designed an ambitious consolidation strategy to put public finances on a sustainable path. The plan aims to reduce the deficit to 5.9% of GDP in 2011, 4.5% of GDP in 2012 and 3.0% of GDP in 2013.

Budgetary deviations in the first six months of 2011, however, highlight weaknesses in Portugal's fiscal framework and could complicate efforts to meet deficit targets. The shortfall is largely the result of expenditure overruns on employee compensation and intermediate consumption, as well as weaker-than-expected outcomes from state-owned enterprises and public-private partnerships. Temporary offsetting measures, including an income surcharge and the transfer of bank pension funds to the state social security regime, will ensure the deficit target of 5.9% of GDP is achieved. However, if one-off measures are excluded, the deficit would reach 7.9% of GDP.



Sources: Banco de Portugal, AMECO, DBRS

As a result of fiscal slippage in 2011, the adjustment required to achieve the deficit target in 2012 will be significantly larger than previously anticipated. The 2012 budget proposal includes austerity measures equivalent to 5.3% of GDP, well above the 3.0% of GDP adjustment assumed in the May 2011 EU-IMF programme. The consolidation is expenditure-based and focused on permanent measures. Compensation for public employees and social transfers, the two largest components of government spending, are expected to decline by 14.8% and 4.3%, respectively, in 2012. Approximately one-quarter of the adjustment will come from the revenue side, mainly by reducing tax deductions and adjusting VAT rates. In DBRS's view, meeting the deficit target will be very challenging, particularly in a weak economy.

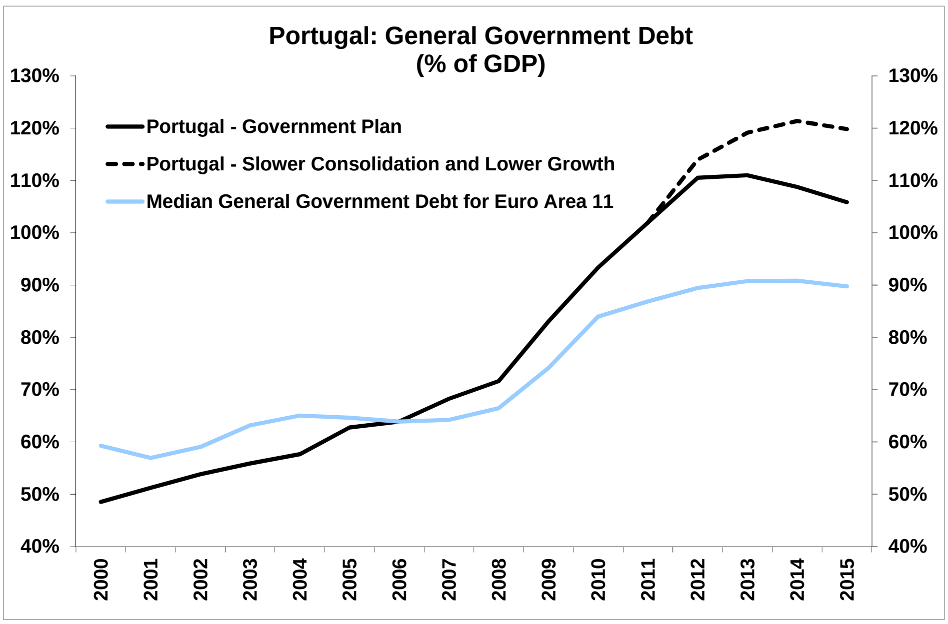
State-owned enterprises pose additional risks to fiscal consolidation. Explicit and contingent liabilities, operational deficits, accumulating arrears and significant financing needs (at least 3.8% of GDP in 2012) could add to budgetary pressures. Problems are concentrated in the transportation, infrastructure and healthcare sectors. To tackle these concerns, the government is designing a SOE restructuring plan that aims to: (1) reduce SOE participation in the economy through the liquidation of non-essential entities and privatizations, (2) bring SOEs into operational balance through mergers, higher tariffs, staff reductions and the elimination of some benefits, and (3) seek secure financing as the sector reorganises and deleverages. Nevertheless, comprehensive reform of the SOE sector will take time and meeting financial targets could prove difficult during a recession.

Although Portugal's fiscal track record is characterised by persistently large deficits and missed budgetary targets, the current consolidation plan could prove more successful than previous attempts. Deficit reduction plans in the past typically relied on temporary measures, as in 2010 and 2011, rather than structural measures and proved insufficient to provide durable consolidation. The current austerity package, on the other hand, is being reinforced with reforms to the fiscal framework that should improve budget execution across all levels of government, including SOEs. Expenditure ceiling and multi-annual budgeting, combined with the adoption of regional and local finance laws, will strengthen spending control and enhance fiscal planning and monitoring. Moreover, under the new Budgetary Framework Law, the general government is required to achieve a cyclically adjusted deficit of 0.5% of GDP by 2015. A fiscal advisory council will be established to provide an independent assessment of the fiscal stance given these budgetary rules and objectives.

Debt and Liquidity

High deficits and weak growth have led to a sharp rise in the public debt burden. General government debt increased from 48.5% of GDP in 2000 to 93.3% of GDP in 2010. The government expects debt-to-GDP to reach 101.9% in 2011 and 110.5% in 2012, stabilise in 2013 and gradually decline thereafter due to higher primary surpluses and a moderate economic recovery. However, DBRS believes that risks to this assessment are to the downside. In a scenario of weaker growth and a more gradual fiscal adjustment, debt-to-GDP would peak at 121% of GDP in 2014. At such a high level, Portugal would have limited room to maneuver in the event of further economic or financial shocks. Moreover, in this scenario, reducing the debt burden to 100% of GDP by 2020 would require consistently large primary surpluses and a favorable growth performance in the second half of the decade.

Government estimates assume bank recapitalisations will contribute EUR 8 billion (4.7% of GDP) to general government debt in 2012. It is important to note that capital injections add financial assets to the public sector balance sheet. Excluding bank capital support, debt-to-GDP is expected to reach 105.8% in 2012.



Note: Government plan scenario includes fiscal targets and assumes average nominal GDP growth of 1.3% from 2011-15. Slower consolidation scenario indicates an adjustment of 2 percentage points of GDP in the primary balance per year, excluding temporary measures, from 2011 to 2015 (-1.5% of GDP in 2012; 0.5% in 2013; 2.5% in 2014; 4.5% in 2015); lower growth assumes average nominal GDP growth of 0.0% from 2011-2015. Euro Area 11: Belgium, Germany, Ireland, Greece, Spain, France, Italy, Netherlands, Austria, Portugal and Finland.
Source: Eurostat, IMF Fiscal Monitor September 2011, Ministry of Finance and Public Administration, DBRS

Public-private partnerships have created significant future liabilities for the public sector, which are not included in general government debt. In October 2011, the present value of future cash payments was estimated at EUR 15.1 billion (8.8% of GDP), after considering expected revenues. These obligations will put pressure on the budget over the medium term. Annual expenditure is expected to increase from 0.8% of GDP in 2012 to 1.2% of GDP in 2015. If the expected revenue derived from PPPs underperforms, net costs to the government could be higher. The government is in the process of reviewing all PPPs and could seek to renegotiate some contracts.

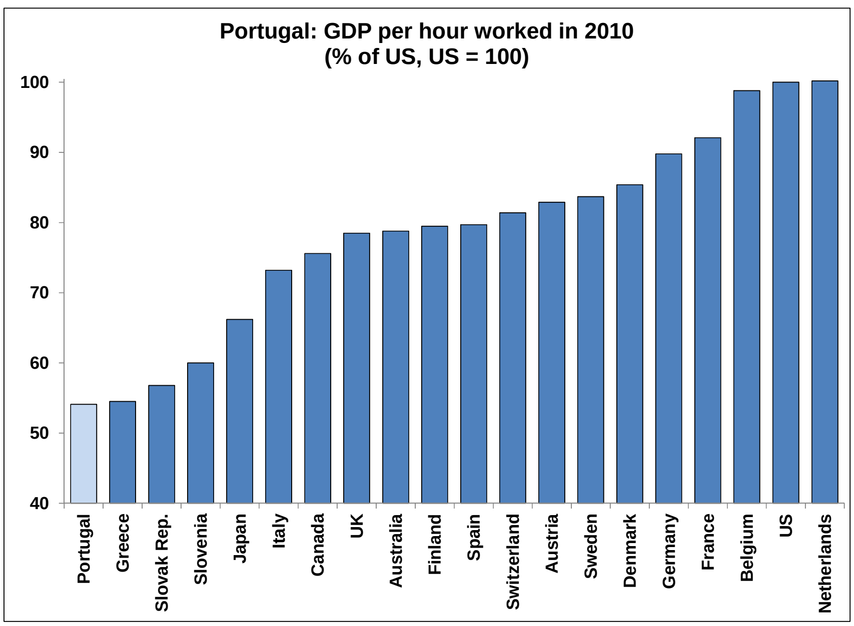
Sovereign support for state-owned enterprises and the financial sector has also led to a sharp increase in contingent liabilities. From 2005 to June 2011, government guarantees rose from EUR 8.3 billion to EUR23.1 billion (13.3% of GDP). SOE investment projects, primarily in the transportation and communication sectors, are the largest beneficiary of these guarantees. However, since the onset of the global financial crisis, public support for the financial system has increased as well, including EUR 4.9billion (2.8% of GDP) in guarantees provided under the 2008 State Guarantee Scheme.

The EUR 78 billion EU-IMF programme covers Portugal's long- and medium-term amortisations, deficit financing needs and up to EUR 12 billion in bank recapitalisations through mid-2013. Funding is divided equally among the EFSF, European Financial Stabilisation Mechanism and the International Monetary Fund. The announcement in July 2011 to lower EU lending rates and lengthen the maturities structure will reduce interest costs and alleviate post-program refinancing pressures. The programme anticipates Portugal will be able to access the markets in time to cover its EUR 9.7 billion bond redemption due in September 2013.

However, some funding pressures are emerging in the current programme. Competitive rates on bank deposits have led to a moderate outflow in government saving certificates. In the first nine months of 2011, certificates declined from EUR 15.5 billion to EUR 12.2 billion. In addition, there are signs of tension in the T-bill market. Since the announcement of the EU-IMF programme in May 2011, foreign demand for short-term debt has significantly diminished, yields have increased and maturities have shortened. Additional support from official creditors could be required if Portugal is unable to refinance approximately EUR 9-10 billion in T-bills throughout the programme, as anticipated.

Economic Structure and Performance

The Portuguese economy is expected to contract 1.9% in 2011 and 2.8% in 2012, as fiscal tightening, private sector deleveraging and rising unemployment weigh negatively on consumption and investment. Net exports, on the other hand, is expected to be the only positive contributor to growth as factor resources shift to the tradable sector and import demand is compressed. In the first half of 2011, net exports added 3.8 percentage points to GDP growth. However, both domestic and external sectors face downside risks. Lower growth prospects in Europe, in addition to heightened uncertainty in the global financial markets, could exacerbate domestic funding conditions and weaken external demand.



Source: OECD, DBRS

Portugal's ratings are constrained by its low economic growth and weak productivity performance. From 2000 to 2010, the economy expanded at an average annual rate of 1%. Labour productivity in Portugal, measured as GDP per hour worked, is one of the lowest among advanced economies, and productivity growth has been stagnant. Moreover, convergence with the rest of the Europe has stalled over the past decade. From 2000 to 2010, income per capita (in PPP terms) in Portugal remained 19% less than in the European Union.

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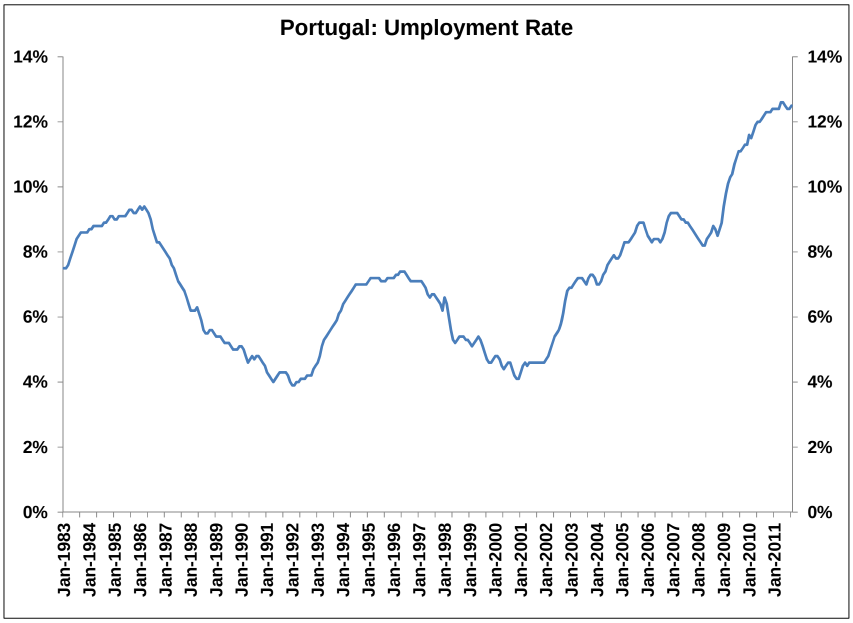
Portugal's poor productivity performance reflects structural weaknesses in the economy, including inadequate competition in the non-tradable sector, poor educational outcomes and labour market rigidities. According to OECD Product Market Regulation indicators, Portugal ranks among the more restrictive in the Euro area in terms of competition. Some evidence suggests that barriers to entry, particularly in the services sector, deter foreign firms from entering the domestic market and reduce the potential benefits derived from economies of scale. The government, in line with the EU-IMF agreement, is implementing a structural reform agenda that aims to foster competition and attract foreign direct investment.

The low level of formal education of the Portuguese workforce is another constraint to higher labour productivity. The share of the population over 25 years of age that has completed upper secondary or tertiary education levels was 26% in 2010. This compares with 65.5% in the EU. Educational outcomes also compare unfavourably to other high income countries. According to the 2009 PISA examination, Portuguese students score below the OECD average in the areas of mathematics and science. However, there have been clear improvements in the last decade. Enrollment rates in Portugal are increasing and student performance appears to be benefiting from reforms and investment.



Source: Haver Analytics, Eurostat, DBRS.

The deterioration in the labour market over the last ten years has been compounded by the negative effects of the recession. Employment growth was sluggish in the period prior to the recession. From the second quarter of 2000 to the second quarter of 2008, total employment in Portugal increased by 4.5%, or by 226,000 jobs. This compares to growth of 12% in the Euro area. During this time, the unemployment rate in Portugal increased from 4.5% to 8.5%. Although jobs losses since the onset of the recession in 2008 have not been as severe as in Ireland or Spain, employment has declined by 6.4%, or by 335,000 jobs, far outpacing the cumulative job gains since 2000. Furthermore, additional employment losses are expected in 2012.

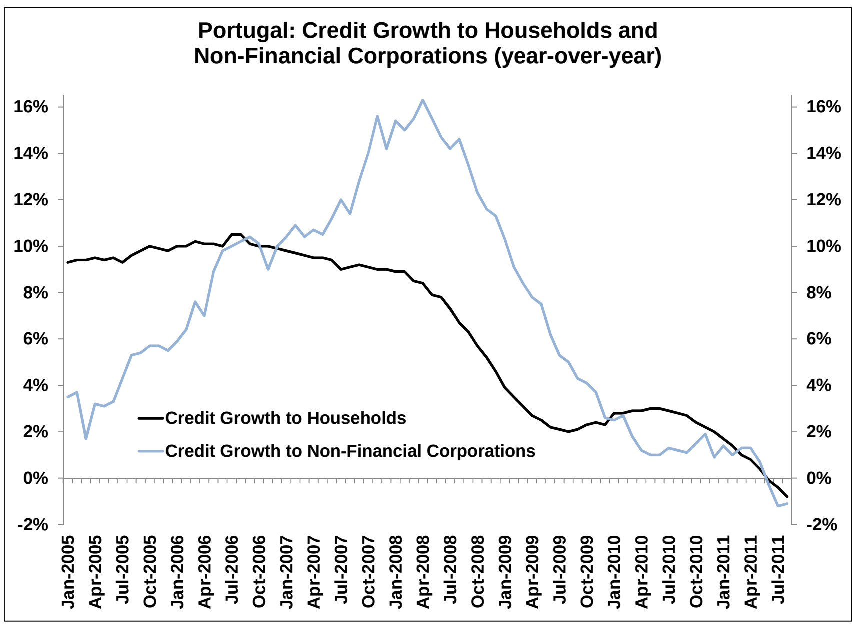
The economic downturn has been accompanied by rising long-term unemployment. In the second quarter of 2011, the share of unemployed in Portugal that has been without a job for one year or more rose to 50.8%, higher than the Euro area rate of 45.3%. A prolonged period of high unemployment could reduce levels of human capital and negatively affect potential growth.

Poor labour market outcomes reflect market segmentation, a generous unemployment insurance system and strong employment protection. These factors impede an efficient reallocation of labour to more productive sectors of the economy and increase the unemployment levels required for economic adjustment. To increase the flexibility of the labour market, the government has recently lowered severance payments for new contracts and plans to revise unemployment insurance.

Monetary Policy and Financial Stability

The sovereign debt crisis and weak macroeconomic outlook are putting increasing pressure on the Portuguese banking system. According to preliminary estimates from the European Banking Authority stress tests in October 2011, Portuguese banks need to raise EUR 7.8 billion in order to strengthen their core capital ratios to 9%, with capital of the highest quality, by June 2012. Included in this assessment is the need to mark-to-market European sovereign debt exposures. Deteriorating asset quality and higher funding costs negatively weigh on bank profitability and make plans to increase capital levels through retained earnings more challenging. If additional capital is needed, the EU-IMF programme provides EUR 12 billion as a backstop.

The continued inability to access wholesale markets is negatively pressuring Portuguese banks' funding and liquidity profiles. Without market access since April 2010, Portuguese banks have become increasingly reliant on central bank funding. From December 2009 to October 2011, liquidity support from the ECB increased from EUR 16.1 billion to EUR 45.5 billion. Higher haircuts on collateral have put further stress on banks' liquidity positions. To help alleviate this pressure, Portuguese authorities increased the government-guaranteed bank bond issuance scheme to EUR 35 billion from the EUR 20 billion previously available.



Source: Haver Analytics, Banco de Portugal, DBRS.

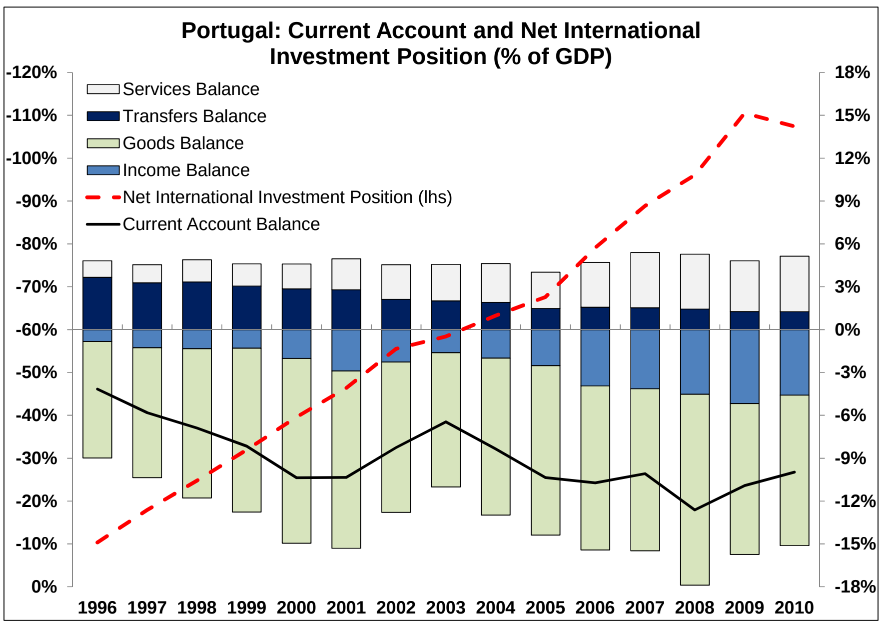
Portuguese banks are deleveraging to reduce their funding needs. Medium-term plans aim to reduce the loan-to-deposit ratio to 120% by 2014 from 156.7% in March 2011. Deleveraging strategies include selling non-core assets, reducing loans to SOEs and limiting mortgage lending, in addition to reinforcing deposits. Private individual deposits increased from EUR 119 billion to EUR 127 billion in the first eight months of 2011, although this was partly offset by a decline in non-financial corporate deposits from EUR 36 billion to EUR 30 billion. Divesting assets without incurring capital losses could be difficult given the weak economy and stressed financial conditions.

Although ECB liquidity helps alleviate immediate funding pressures, credit standards are tightening and lending to the private sector is contracting. In August 2011, loans to non-financial corporations and households declined at an annual rate of 1.1% and 0.8%, respectively. This reflects both weaker loan demand and credit supply factors. However, there is a risk that productive sectors of the economy could face credit constraints as the banking system deleverages, which would have negative implications for economic growth and delay the recovery.

Balance of Payments

In the run-up to euro adoption in the 1990s, expectations of higher growth, lower real interest rates and the elimination of currency risk led to increased consumption and lower savings in Portugal. From 1996 to 2008, investment averaged 25.4% of GDP, while national savings declined steeply from 19.8% of GDP to 10.6% of GDP. In this respect, greater trade, financial and monetary integration with Europe was accompanied by growing external imbalances. The current account deficit has been near 10% of GDP for over a decade, and in 2010 the net negative international investment position was 107% of GDP, the highest in the Euro area.

Large external imbalances combined with low growth suggest Portugal suffers from weak competitiveness. The real effective exchange rate (deflated by unit labour costs) appreciated 14.2% from 1995 to 2010, as wage inflation outpaced productivity growth and eroded the competitiveness of the tradable sector. Perhaps equally important, Portugal's comparative advantage in industries with low and medium technological inputs has been challenged by low-cost competitors, such as China as well as central and eastern European countries. Portugal has increased specialisation in some high-tech industries in recent years, but it is not clear the economy has a comparative advantage in these sectors, given the relative scarcity of educated labour.



Source: Haver Analytics, Eurostat, DBRS

Despite these competitiveness challenges, there are some preliminary signs that an external adjustment has begun. The current account deficit narrowed from 12.6% of GDP in 2008 to 8.9% of GDP in the second quarter of 2011, driven primarily by an improvement in the trade balance. Following a sharp contraction in 2009, goods exports rebounded strongly in 2010, growing by 15.2%, and continued to perform well in the first half of 2011, increasing 17.7%. Goods imports, on the other hand, have not recovered to pre-crisis levels. In addition, the services surplus continues to widen, helping offset the trade and income deficits. Service exports, which increased 10% annually between 1997 and 2008, expanded 10.3% in the first half of 2011. This trend reflects the increasing importance of services in the export base.

With limited external financing available from the private sector, financing from the EU, IMF and ECB has contributed to financial stability and prevented a more disruptive adjustment from taking place in the current account. Over the medium term, fiscal consolidation and structural reforms could facilitate a smoother rebalancing of the economy, gradually increasing domestic savings and reducing investment, while improving productivity performance to sustain growth.

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Political Environment

Last general election:	June 5, 2011
Next general election:	No later than 2015
Party in power:	Social Democrat (PSD)-led coalition with the People's Party (CDS)
Parliament:	PSD holds 108 seats (total of 230 seats in Parliament); Socialist Party (PS) holds 74 seats; CDS holds 24 seats
President:	Aníbal Cavaco Silva (PSD)

The Social Democratic Party, under the leadership of Pedro Passos Coelho, won the June 2011 general election and formed a majority coalition government with the center-right CDS party. The coalition holds 132 of 230 parliamentary seats.

There is a strong political commitment to fully implement the EU-IMF programme. All three major parties, including the opposition Socialist Party, have expressed their support for fiscal consolidation and structural reform.

The Parliament is scheduled to vote on the 2012 Budget on November 29, 2011. While some minor changes can be expected as the budget is debated, approval is almost assured, given the coalition's large majority. Structural reforms are also proceeding as planned. Measures already taken include the reduction of severance payments on new contracts, the elimination of golden shares and a revision of the Privatisation Law.

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Selected Indicators

For the year ended December 31 (€ billions unless otherwise noted)	2005	2006	2007	2008	2009	2010
Public Debt						
General Government	96.5	102.4	115.6	123.1	139.9	161.3
% GDP	62.8%	63.9%	68.3%	71.6%	83.0%	93.3%
Domestic Debt						
General Government					41.2	64.8
% GDP					24%	37%
External Debt						
General Government					98.8	96.5
% GDP					59%	56%
Private Sector					281.7	300.0
% GDP					167%	174%
Gross External	271.9	297.8	332.9	350.0	380.5	396.5
% GDP	177%	186%	197%	203%	226%	229%
Private Sector Debt						
Household	139.9	153.3	168.9	174.9	179.1	181.9
% GDP	91%	96%	100%	102%	106%	105%
Non-financial firms	186.7	191.0	215.6	236.2	245.3	255.2
% GDP	121%	119%	127%	137%	146%	148%
Fiscal Balances (% GDP)						
General Government Balance	-5.9%	-4.1%	-3.2%	-3.7%	-10.2%	-9.8%
General Government Primary Balance	-3.4%	-1.4%	-0.2%	-0.6%	-7.3%	-6.8%
Revenues	39.9%	40.5%	41.1%	41.1%	39.7%	41.6%
Expenditures	45.8%	44.5%	44.4%	44.8%	49.9%	51.3%
Interest Payments	2.4%	2.7%	3.0%	3.1%	2.9%	3.0%
Interest Payments (% Revenues)	6.1%	6.6%	7.3%	7.5%	7.3%	7.2%
Balance of Payments & Liquidity						
Current Account Balance	-15.9	-17.2	-17.1	-21.7	-18.4	-17.2
% GDP	-10.4%	-10.7%	-10.1%	-12.6%	-10.9%	-10.0%
Trade Balance (% GDP)	-11.9%	-11.5%	-11.3%	-13.4%	-10.6%	-10.5%
Net Foreign Direct Investment (% GDP)	1.0%	1.9%	-1.0%	0.8%	0.8%	4.3%
Net International Investment Position	-103.9	-126.8	-150.5	-165.3	-186.3	-185.6
% GDP	-67.6%	-79.1%	-88.9%	-96.1%	-110.5%	-107.4%
External Assets	255.7	279.2	299.7	284.2	308.0	320.3
External Liabilities	359.6	406.0	450.2	449.5	494.4	505.9

Source: SHCP, Banco de México, INEGI, BIS, JEDH, World Bank, IMF, DBRS

Source: Banco de Portugal, Ministry of Finance, Statistics Portugal, OECD, IMF, DBRS.
Note: Data for Domestic General Government Debt, External General Government Debt and External Private Sector Debt is not available until 2009.

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Ratings History

Issuer	Debt Rated	Current	2010
Portugal, Republic of	Long-Term Foreign Currency – Issuer Rating	BBB	A (low)
Portugal, Republic of	Long-Term Local Currency – Issuer Rating	BBB	A (low)

Note:
This credit rating has been issued outside the European Union (EU) and may be used for regulatory purposes by financial institutions in the EU.