



associação para a
Promoção e desenvolvimento
da Sociedade da Informação

***Fórum da Arrábida – Repensar o
Futuro da Sociedade da Informação:
O Papel do Poder Local***

**9 e 10 de Outubro de 2009
Convento da Arrábida**

António Nogueira Leite

Patrocínio:



Patrocinadores Globais





JOSÉ DE MELLO

The Crisis within the crisis:
Portugal

Fórum Arrábida
Arrábida, 9/10 October 2009





1. Portugal and the challenges of the crisis



1. Portugal and the challenges of the crisis

1.1 The symptoms

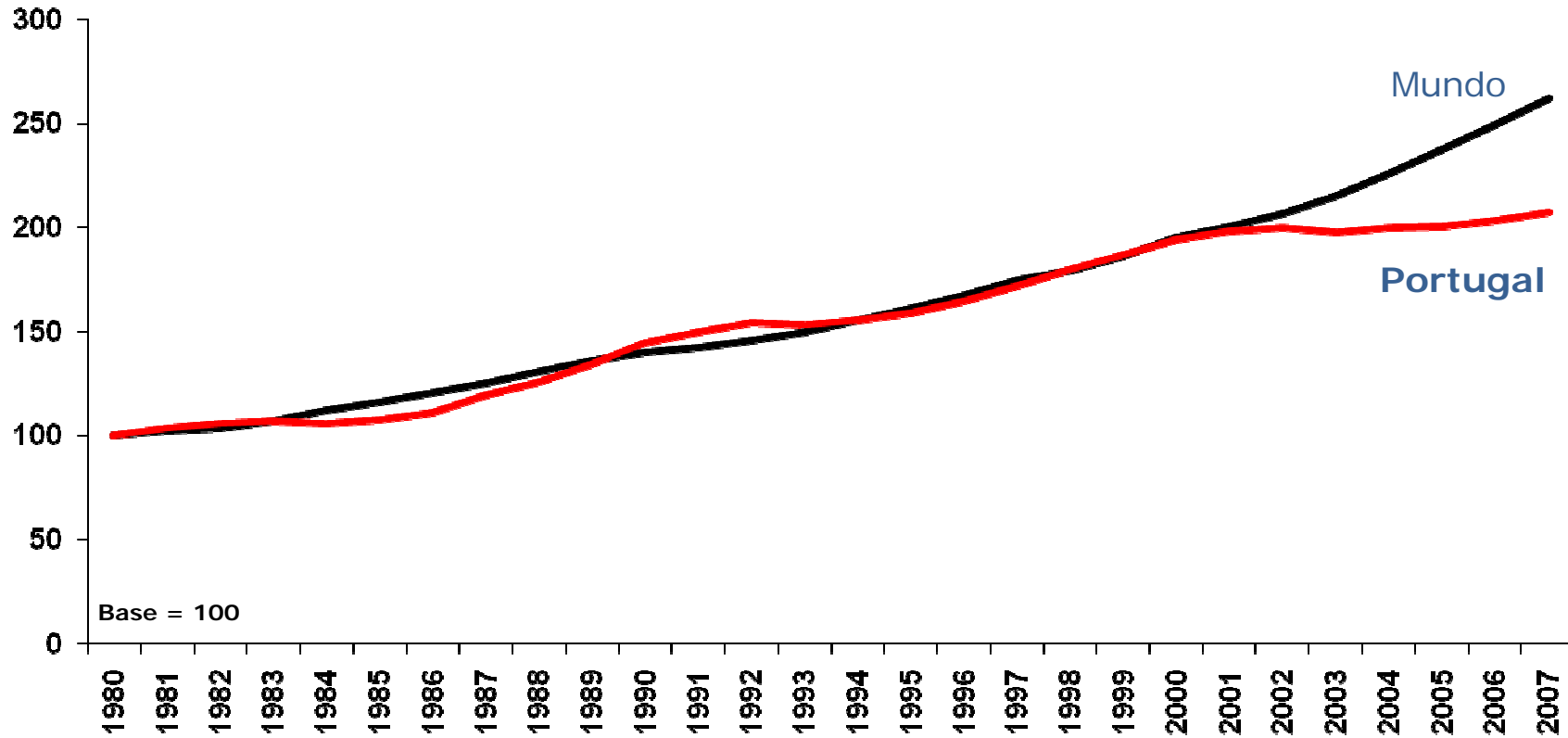
Low growth



JOSÉ DE MELLO

Problems have been visible for a decade...

Crescimento do PIB Real
(1980 = 100)



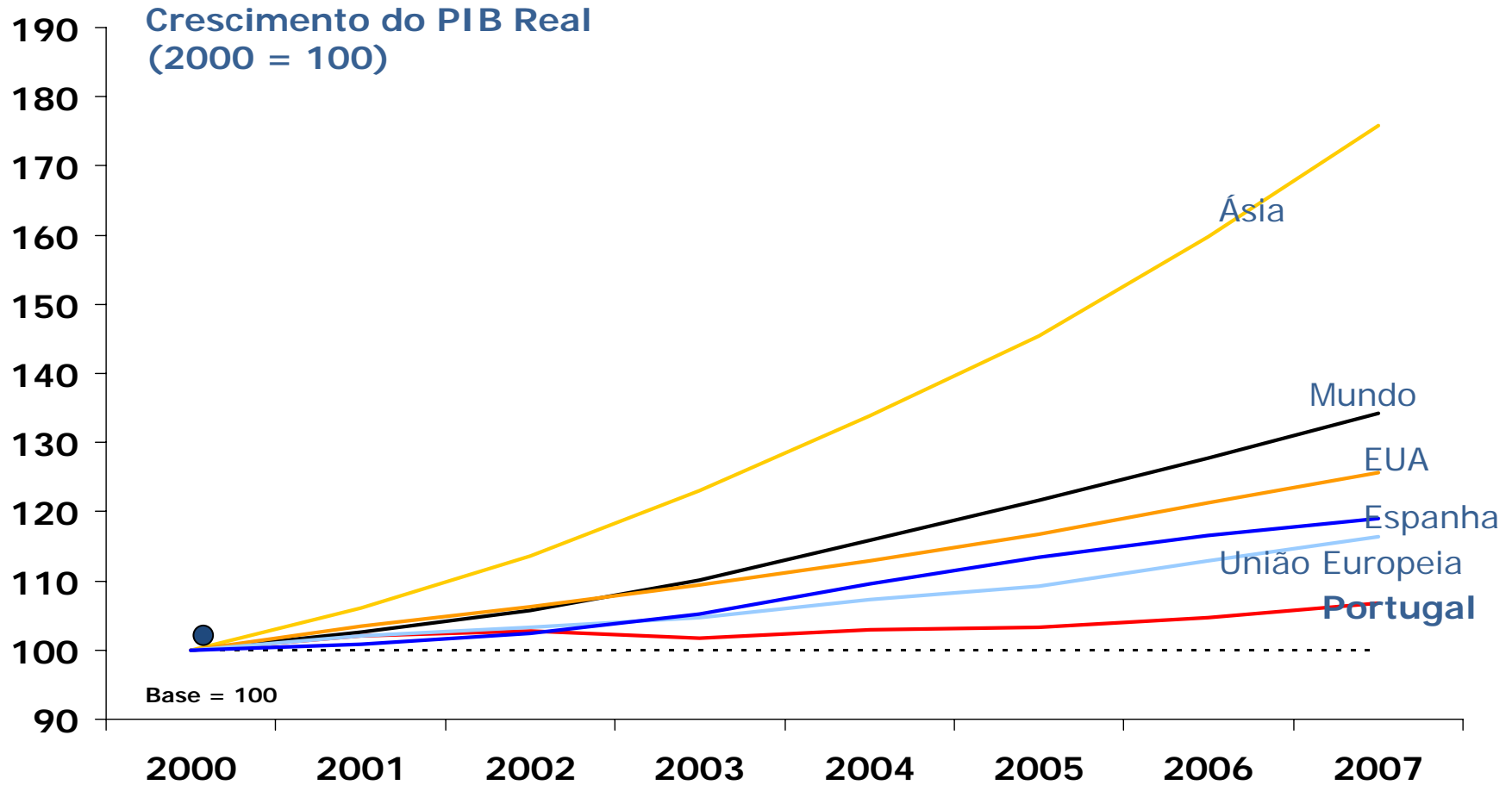
Source: FMI

Low growth



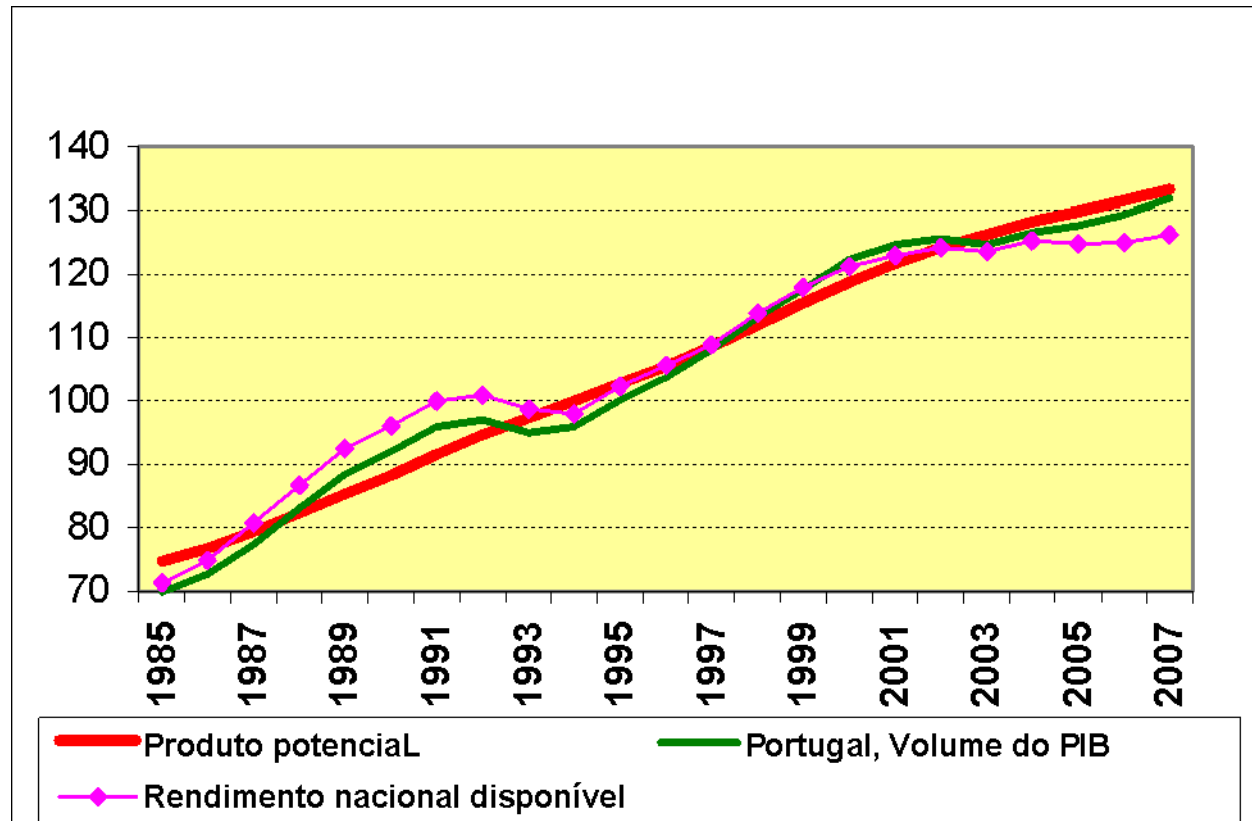
JOSÉ DE MELLO

Problems have been visible for a decade...

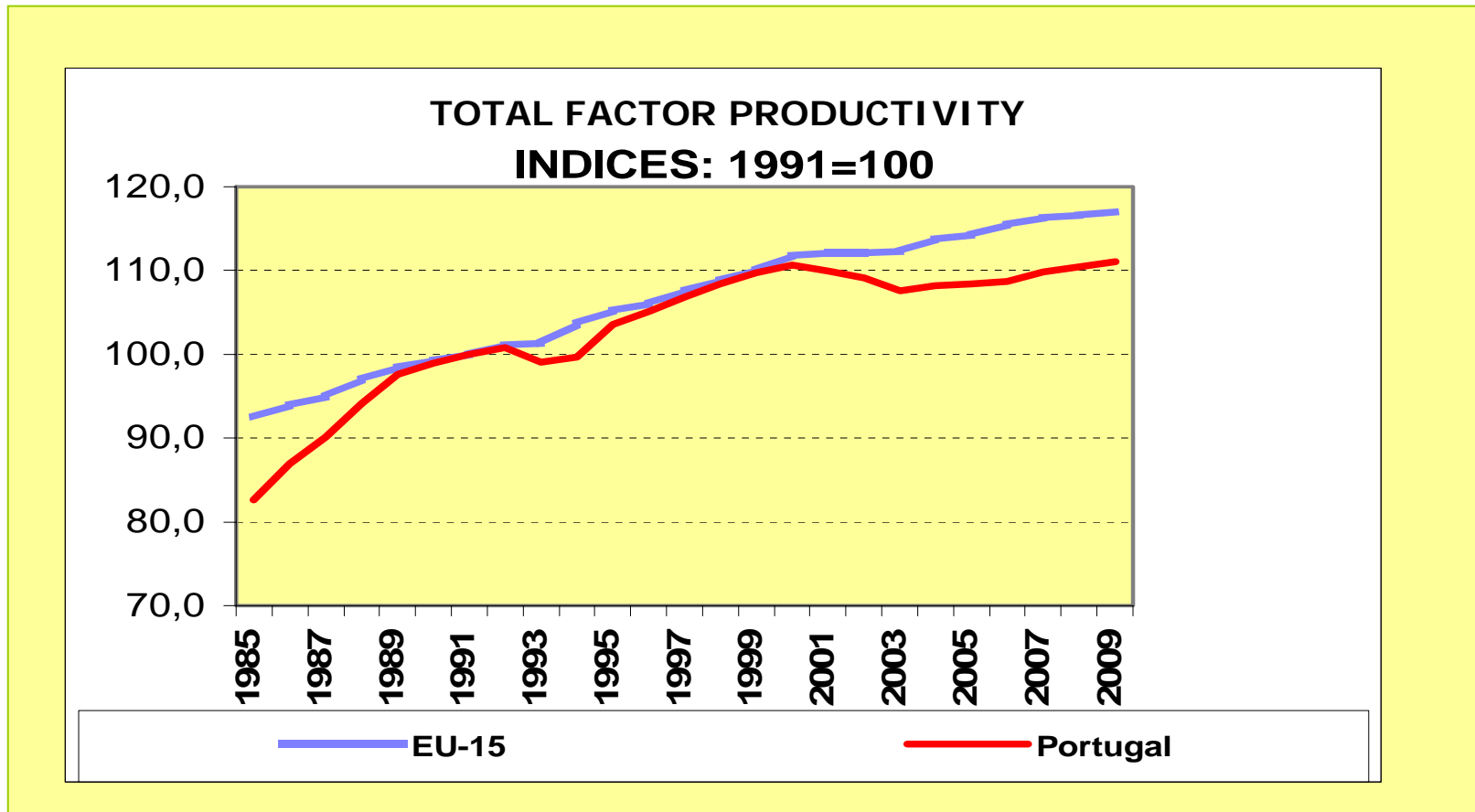


Source: FMI

Decreasing Per Capita National Income



Total productivity

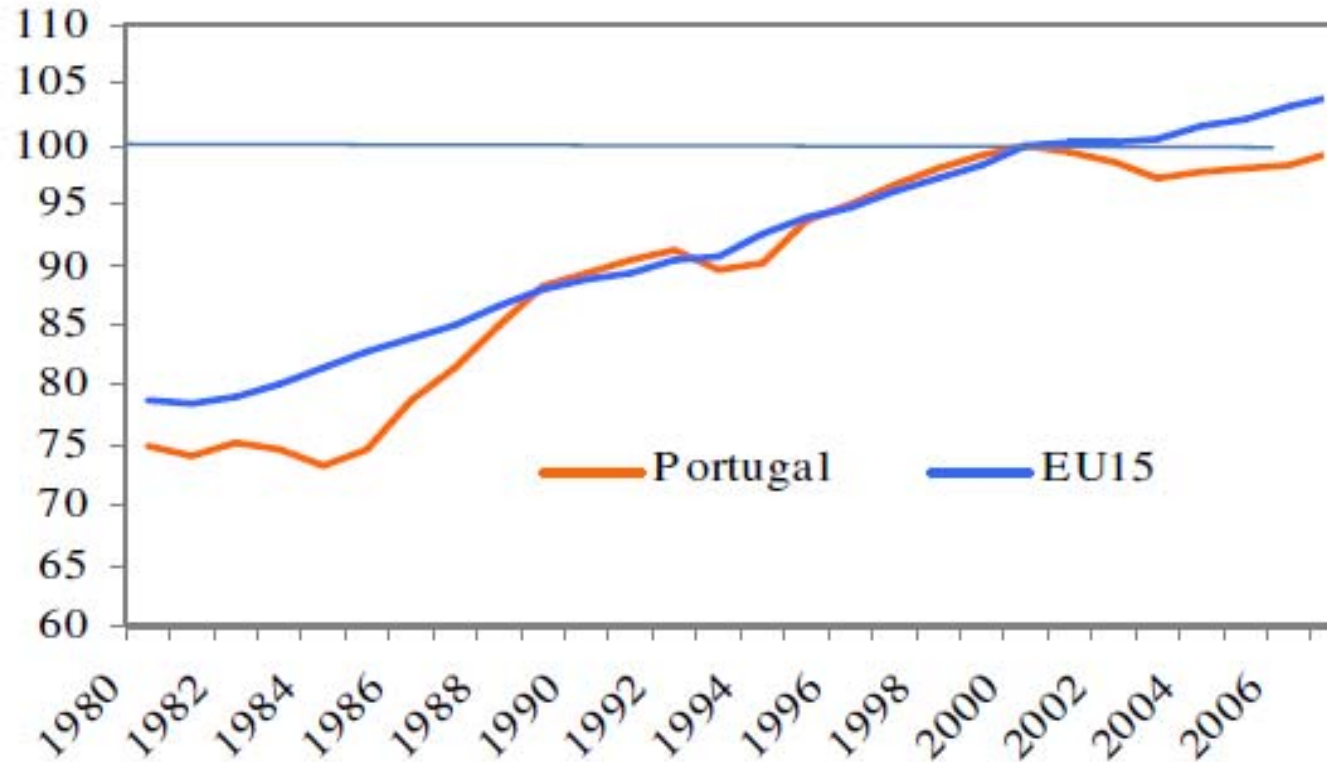


Productivity



JOSÉ DE MELLO

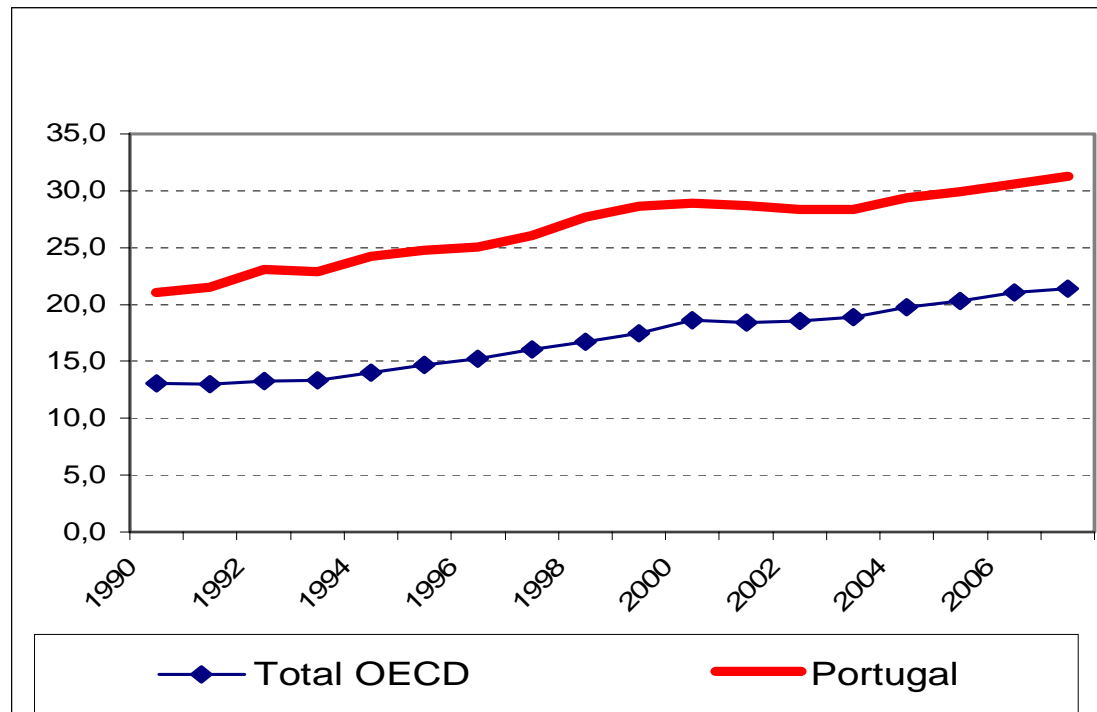
Total productivity (2000= 100)



Relative Unit Labor Costs



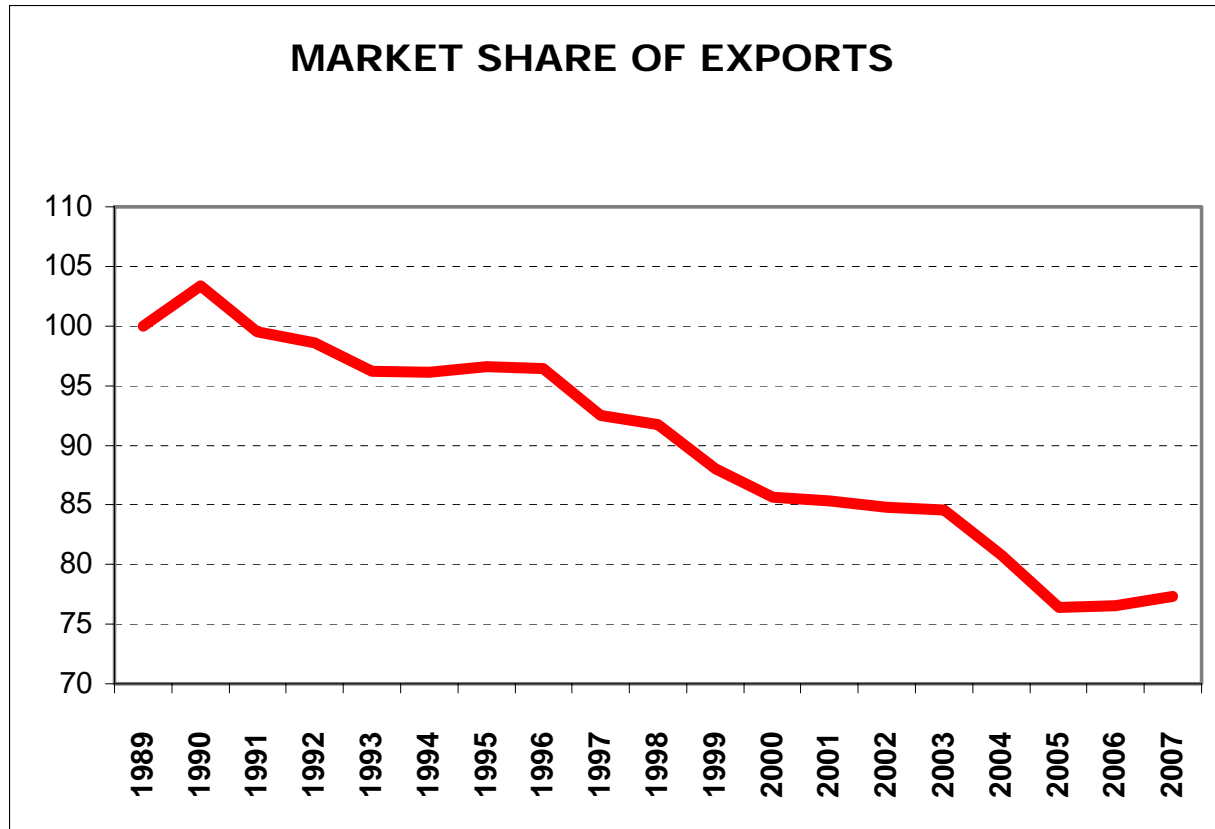
Import Penetration



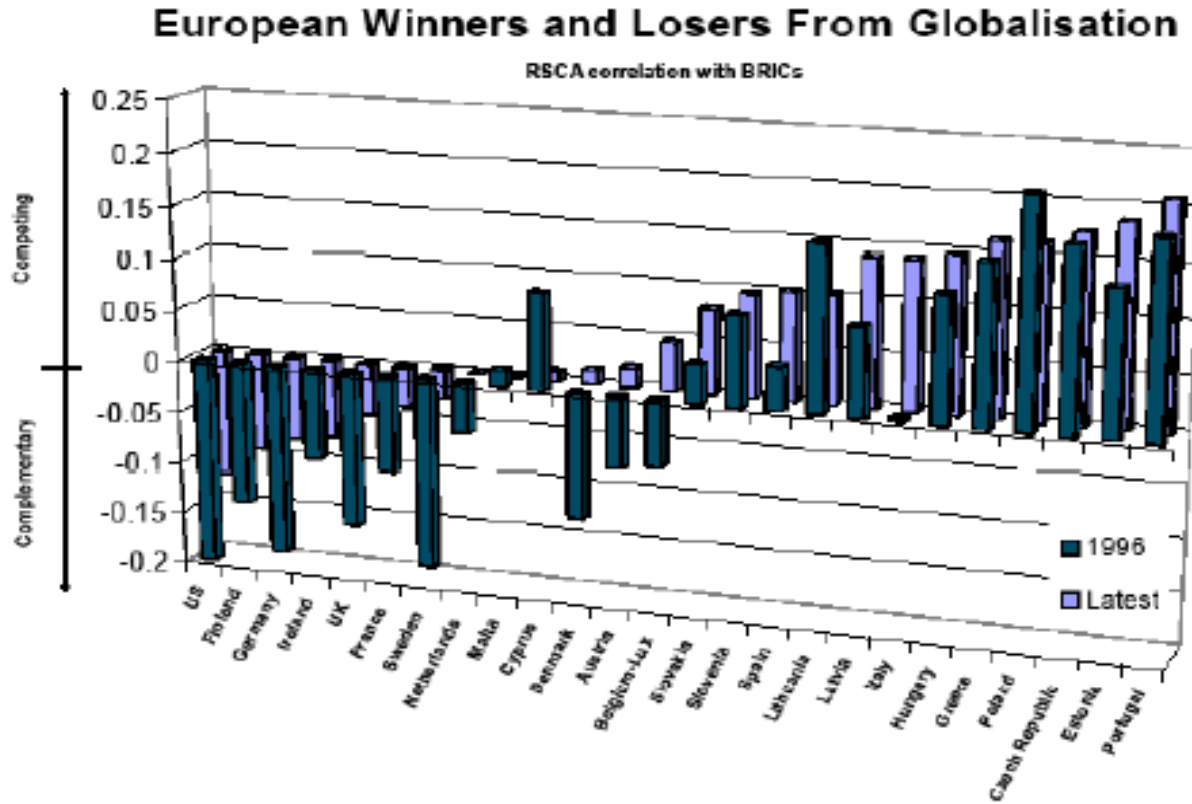
Penetração das importações: importações de bens e serviços em % da Procura Final a preços de 2000

Aumento 1990-2007 em p.percentagem- OECD: 8,3; Portugal: 10,2

Loss in market share

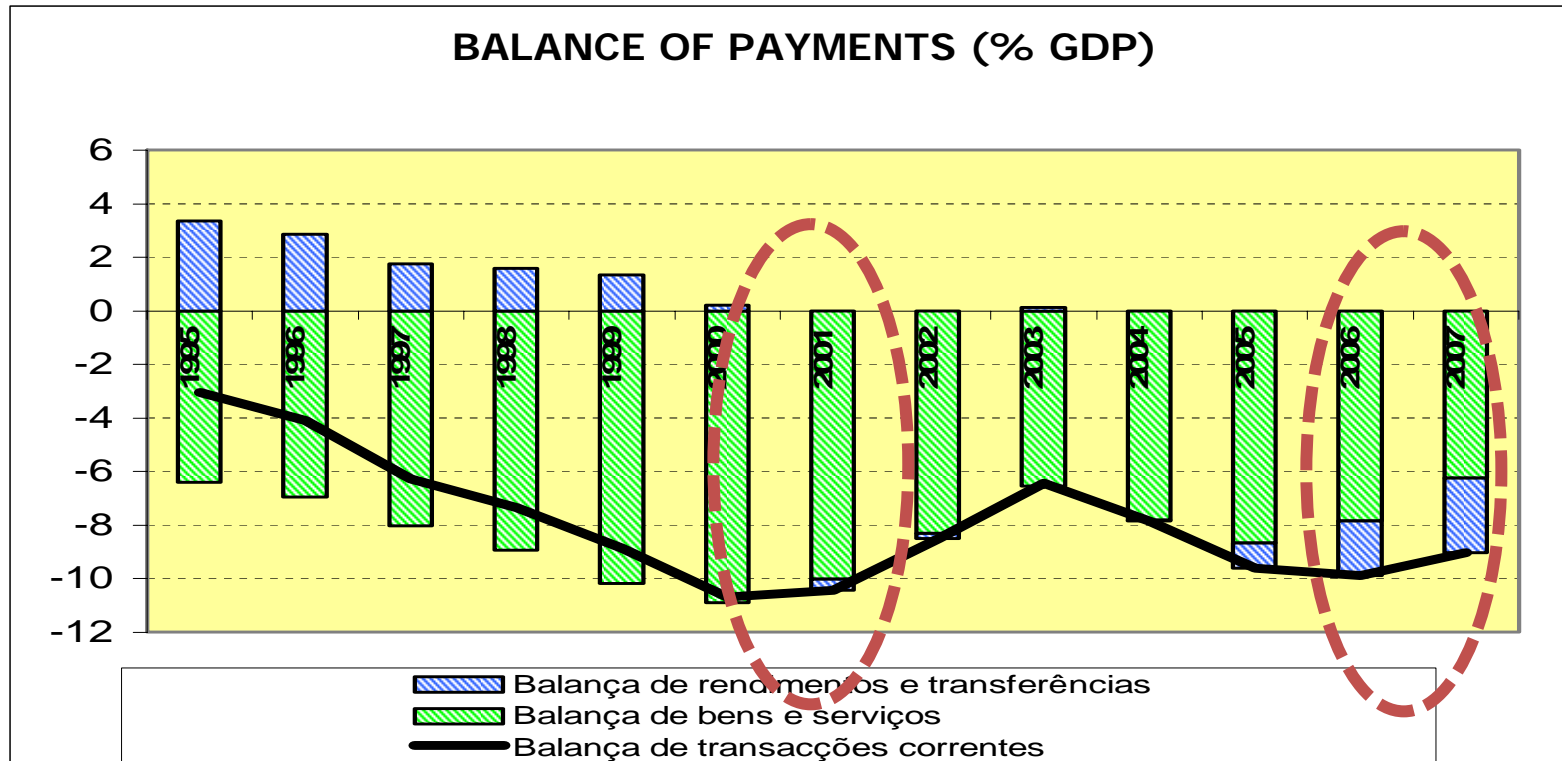


Portugal and the Globalization

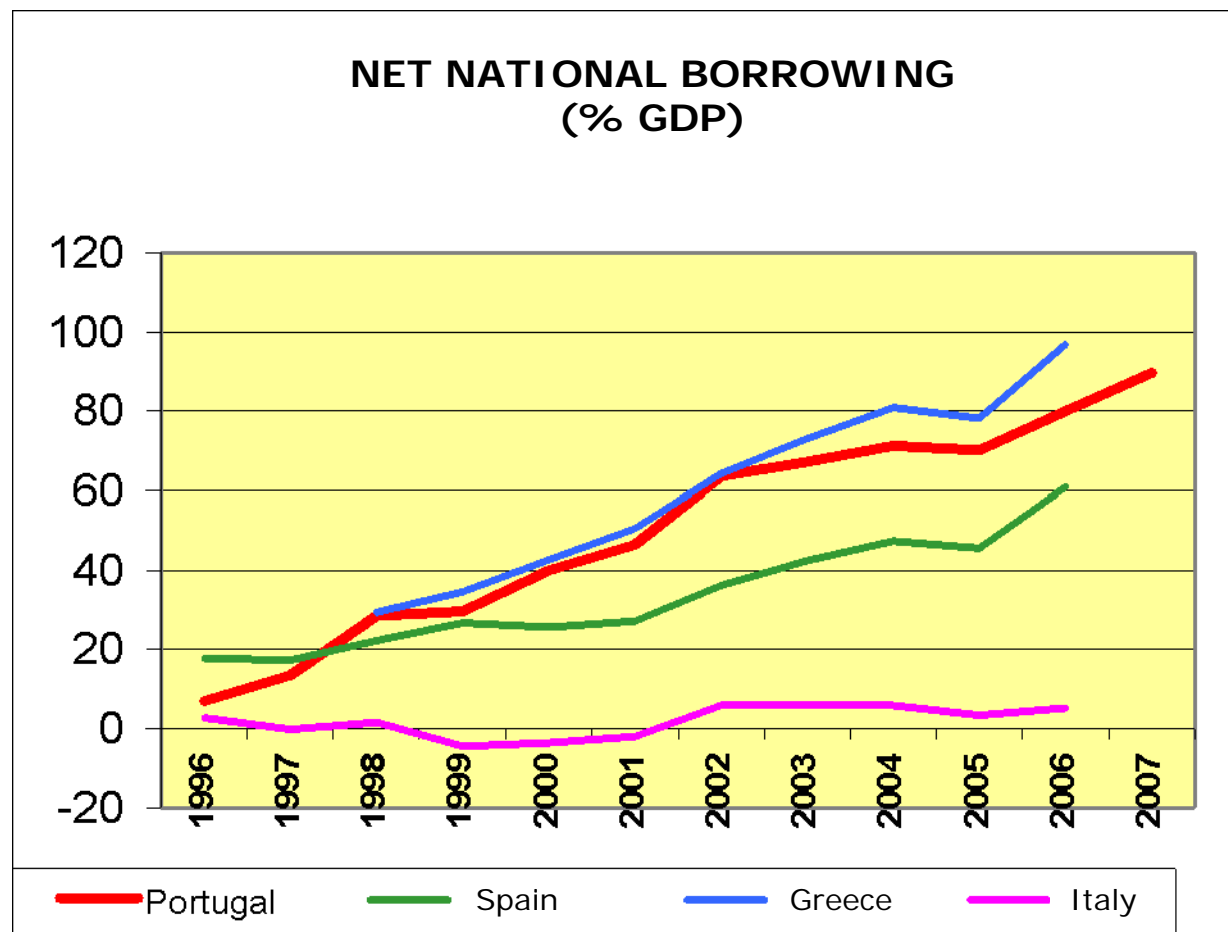


Source: Guillermo De la Dehesa, Goldman Sachs

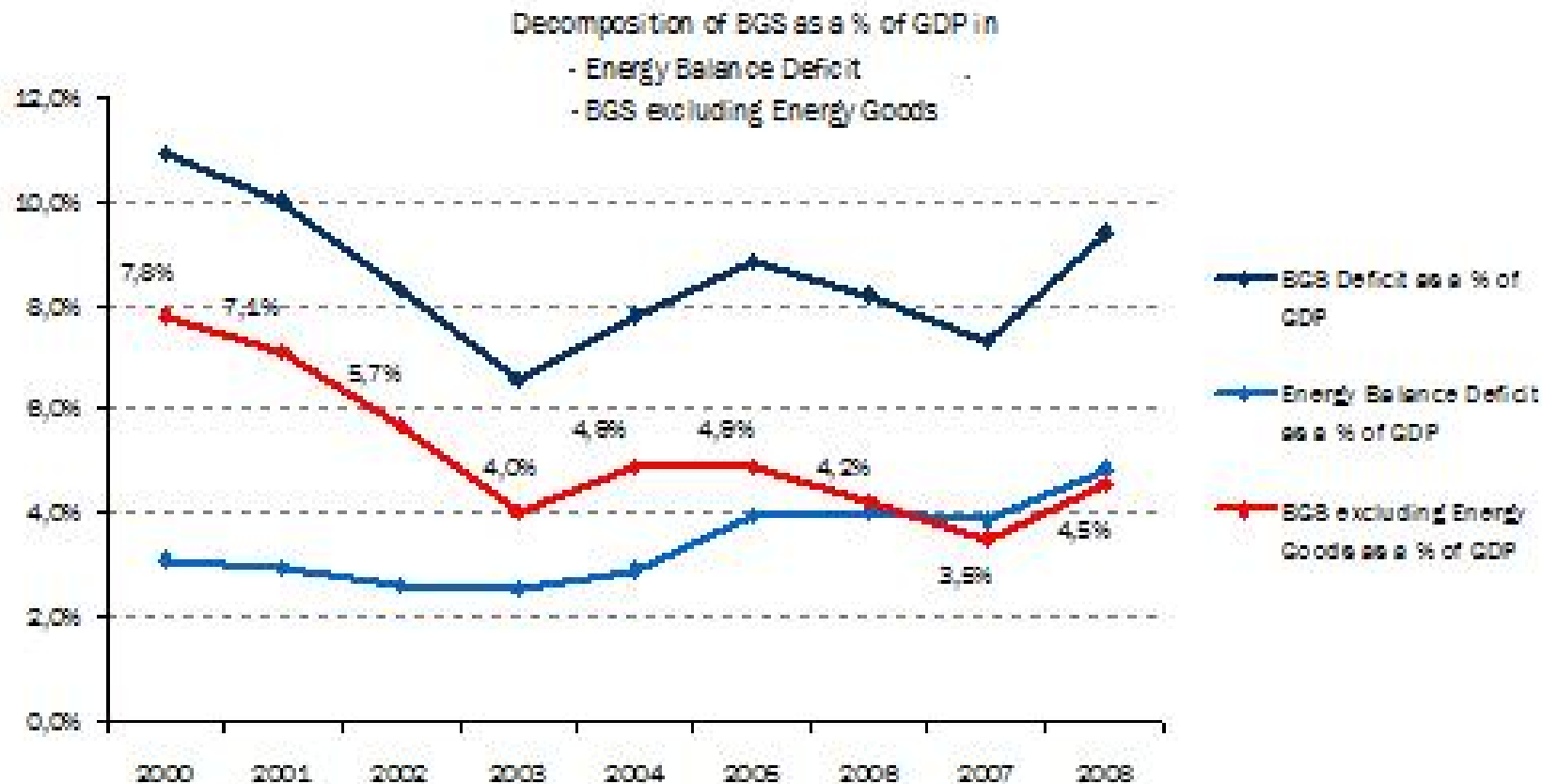
External Deficit



Foreign Borrowing



Energy Dependency

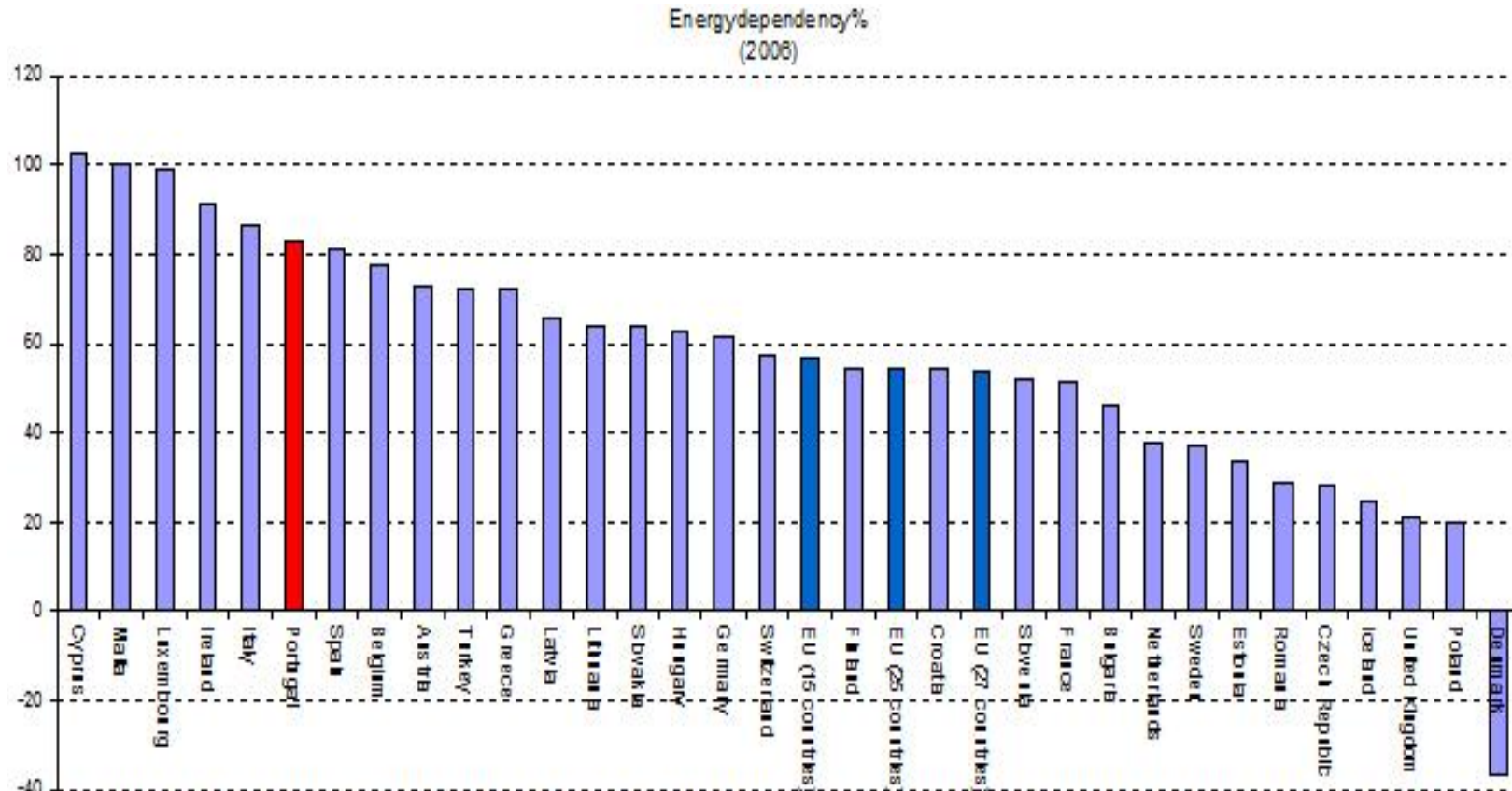


External Imbalance



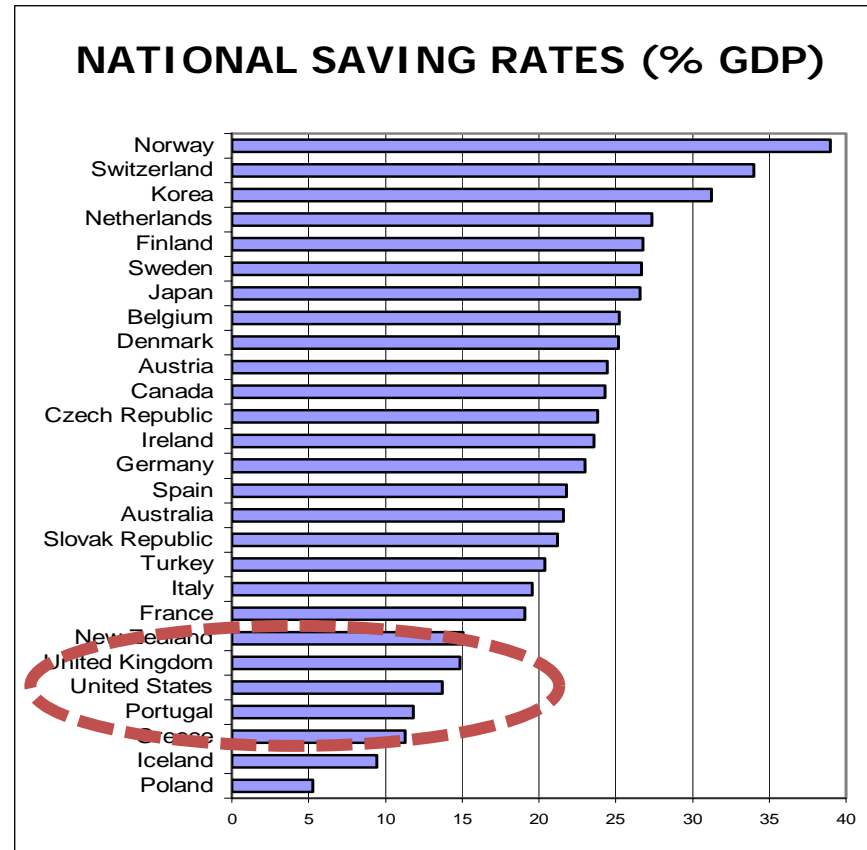
JOSÉ DE MELLO

Energy Dependency

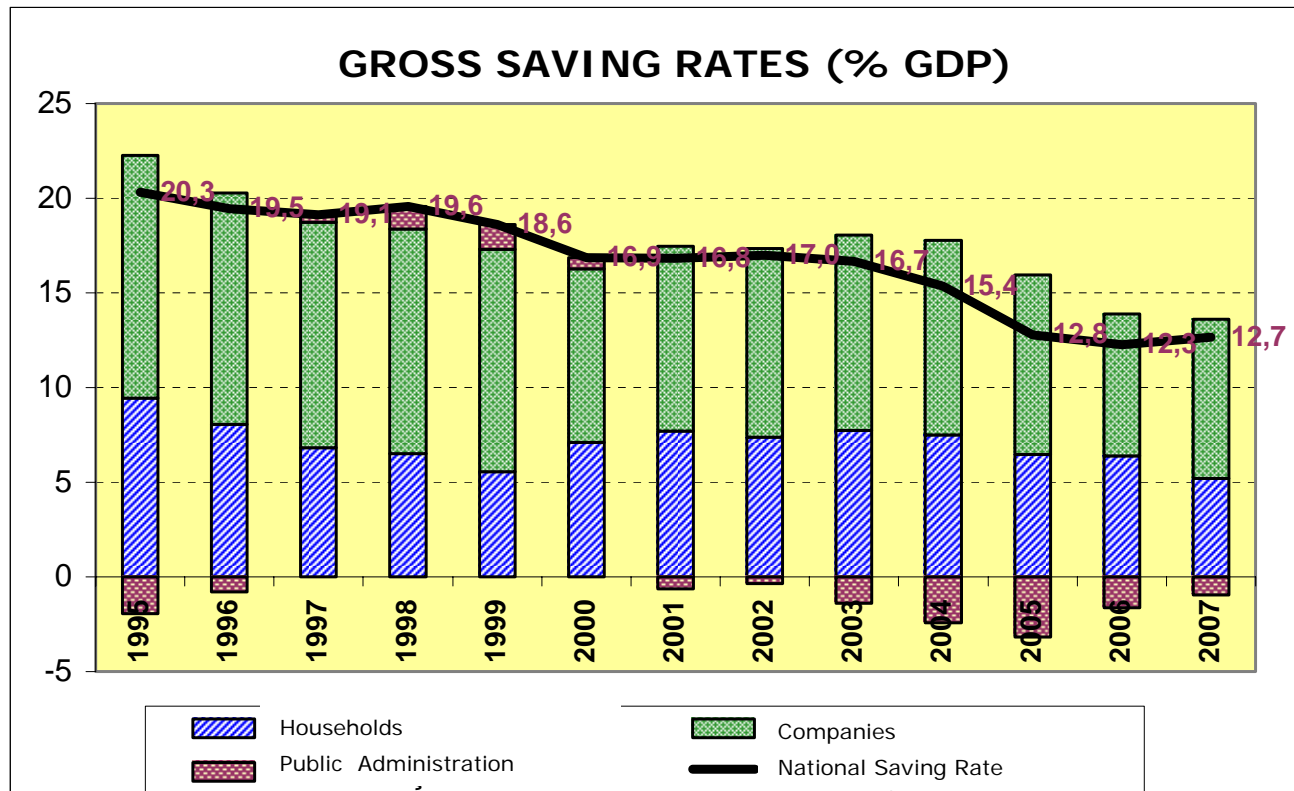


Data: Eurostat - Except Norway [Energy dependency shows the extent to which an economy relies upon imports in order to meet its energy needs. The indicator is calculated as net imports divided by the sum of gross inland energy consumption plus bunkers]

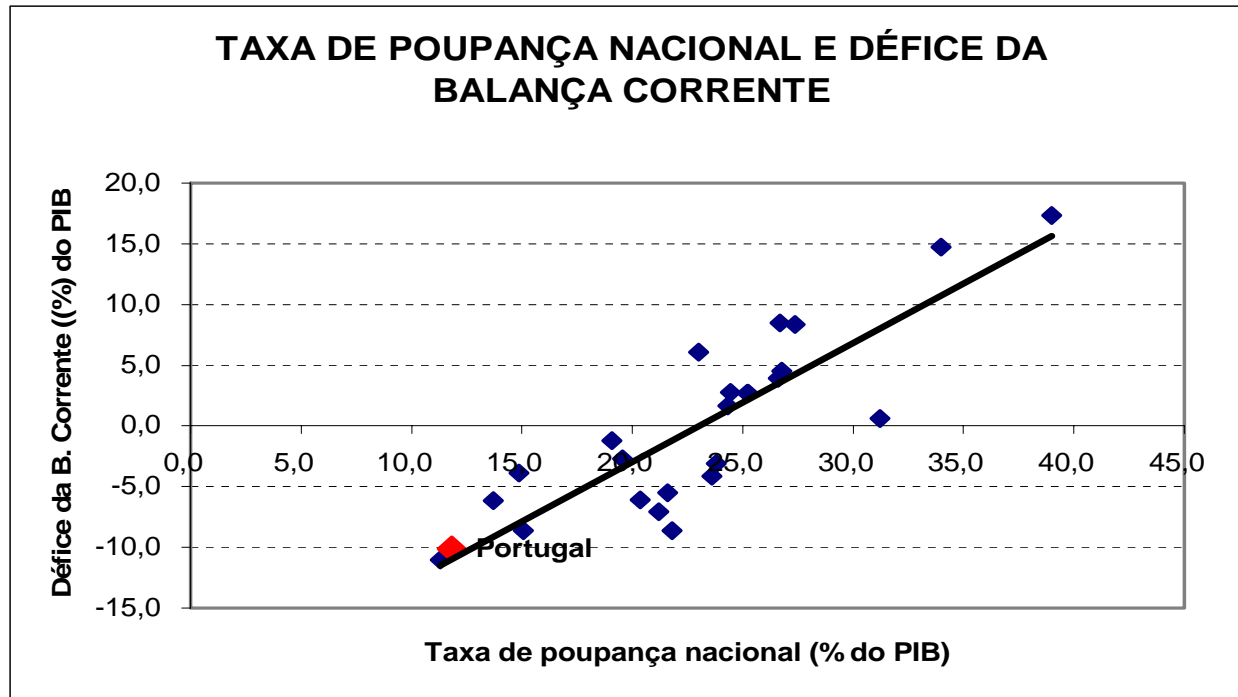
Saving Rates (% GDP), 2006



Sources of saving



Saving rate and external balance, 2006



In sum:

- **Low growth has reflected structural problems**
 - Loss of competitiveness
 - Has implied accumulated external debt

 - Low saving rate
 - Depletion of primary sources
 - Imply an ongoing financing problem

 - Lower energy prices mean a hiatus on the energy dependency burden



1. Portugal and the challenges of the crisis

1.1 The Symptoms

1.2 The Challenges

- **Risks persist, free-fall apparently stopped**
 - Financial stability improved but second wave of impacts may be significant
 - Output growth still uncertain
- **Need to address further shifts towards emerging economies**
- **New imbalances due to the collateral damage of remedies used (increased gov't debt)**
- **Need to improve functioning of input (eg labor) markets**
- **Reforms and improved functioning of the judiciary of utmost relevance.**



- Crisis comes at a moment of weakness: low productivity, growing external deficit;
- Hard versus soft landing?: cut wages/productivity increase versus sliding out;
- Structural problems imply supply side policies and solving the revenue/productivity gap



1. Portugal and the challenges of the crisis

1.1 The Symptoms

1.2 The Challenges

2. A World in Crisis

The financial crisis has been one of several constraints to World Growth

World growth has been facing several constraints:

The pressure that strong Demand growth for oil has set over oil prices today and in the foreseeable future

The same applies to many raw materials and foodstuffs

The environmental constraints due to the need to preserve a liveable planet

The unprecedented growth of the emergent economies has exarcebated the constraints and challenged the West with fierce competition...and new opportunities....

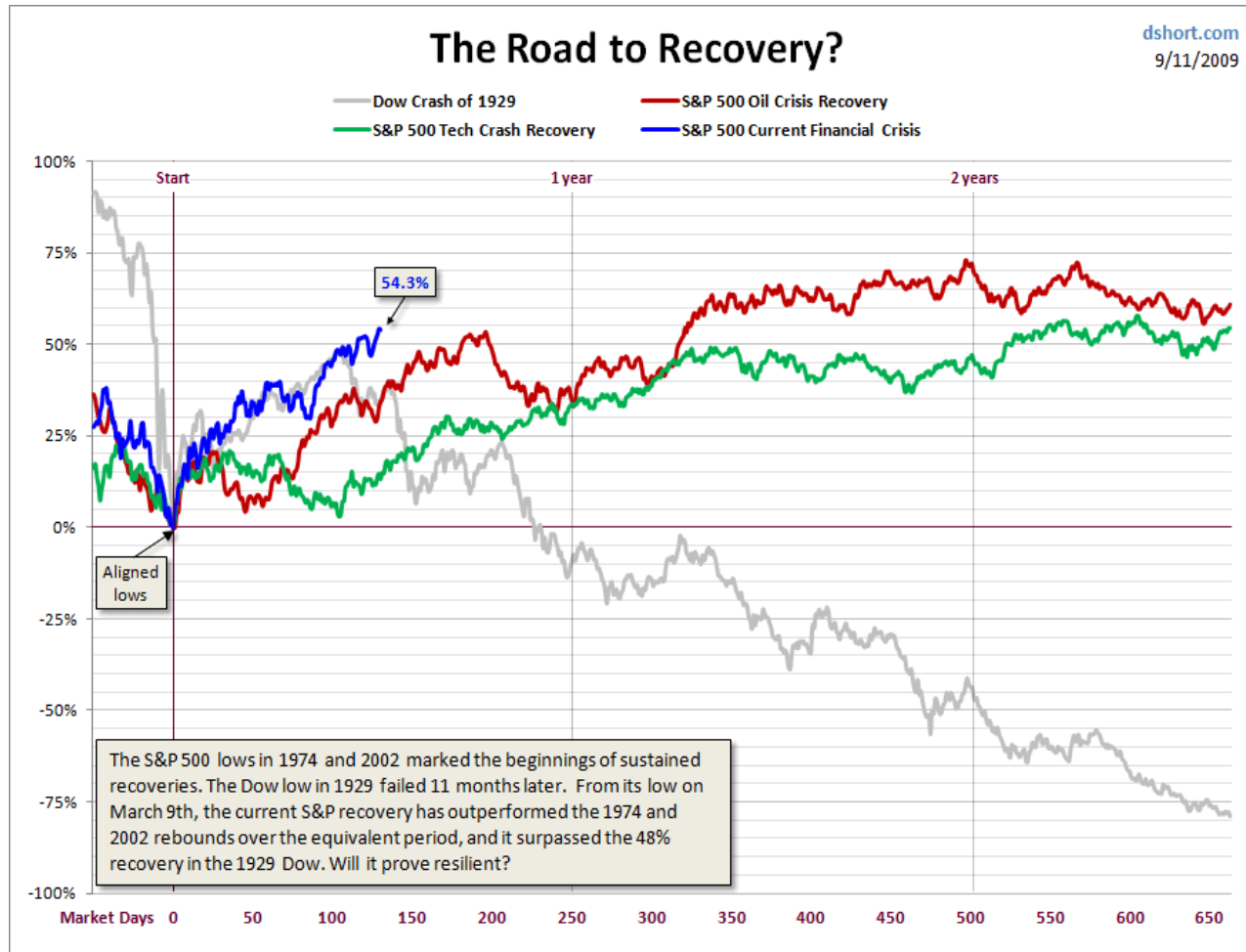
Many believe the worst might be over...

There are signs in both Europe and North-America that the free fall we all felt in late 2008/early 2009 may be reaching an end:

The FED, the ECB and the EU-Commission all have revised upward their projections

It could be the case that equity markets are now longer heading for a long-term free fall as in the 1930s

In any event, the near even if the rebound is consistent old problems will re-emerge....



Some constraints one should expect...

Demand pressures on oil and raw materials will re-gain momentum

Financial markets are working increasingly well but investments will be financed differently: leverage levels will remain much lower than in the pre-crisis world

The pressures of globalization on Western economies will be accentuated...as well as the opportunities

All of this will take an impact in Portugal