

Portugal Economic Outlook

“From Russia with love and 3000 km away”

Manuel Puerta da Costa, CFA

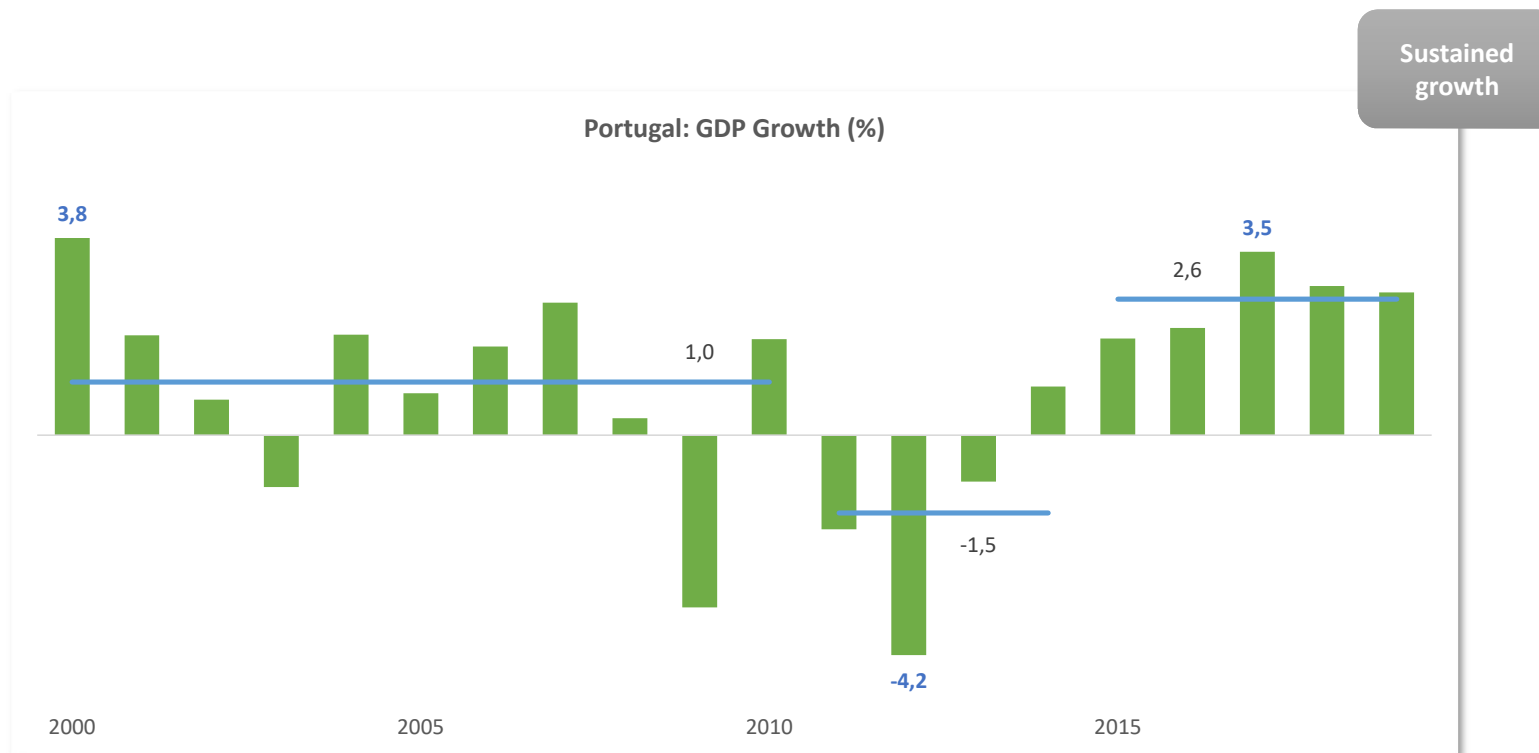
APFIPP Real Estate Funds

October 18th, 2022



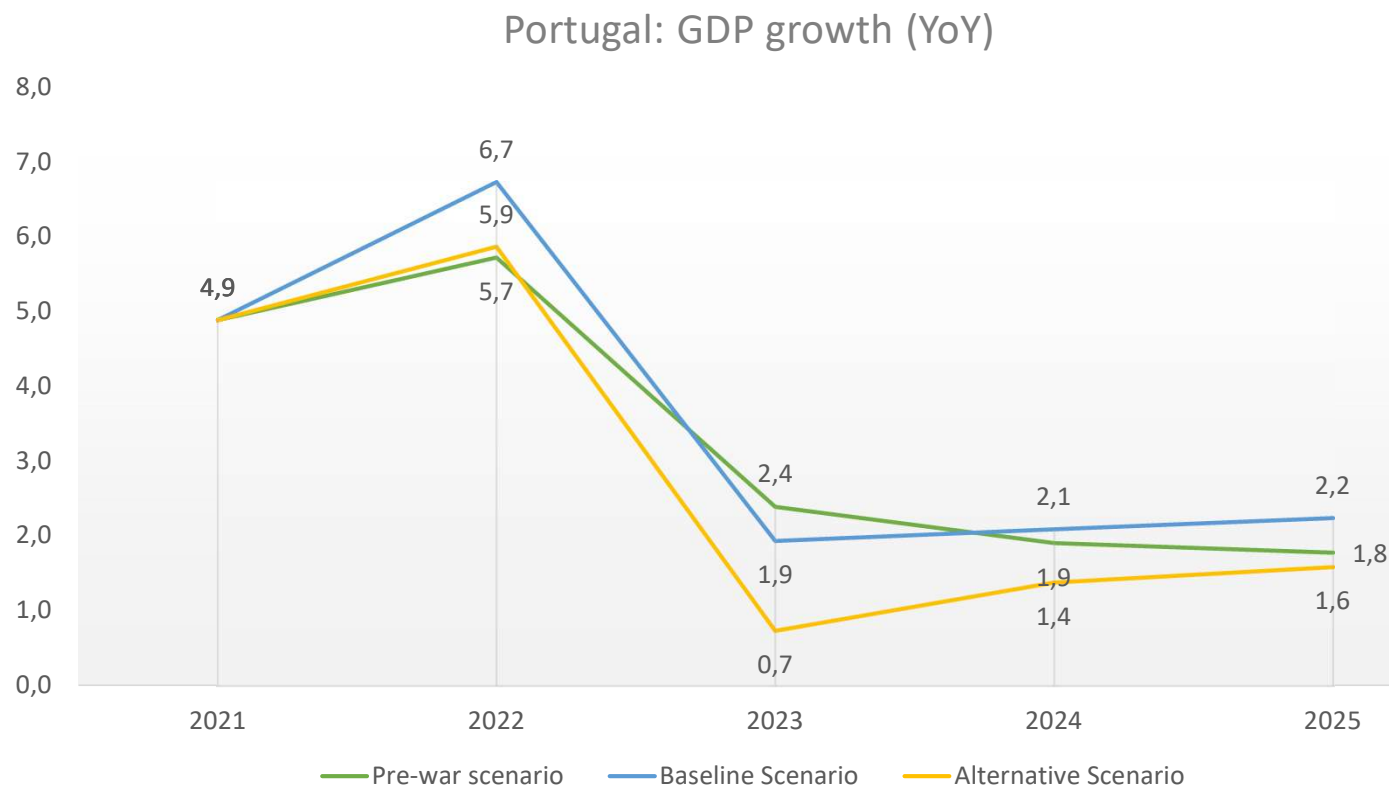
Economic Growth has been subdued last 20 years, but ... 2022 is a turnaround year

- The largest GDP's growth in Euro zone, outpacing largest economies (Germany, France, Italy and Spain)



In 2023, 20/21 “base effect” is not present

GDP will be impacted, but a recession is likely to be avoided according to IMF and Portuguese Gov.

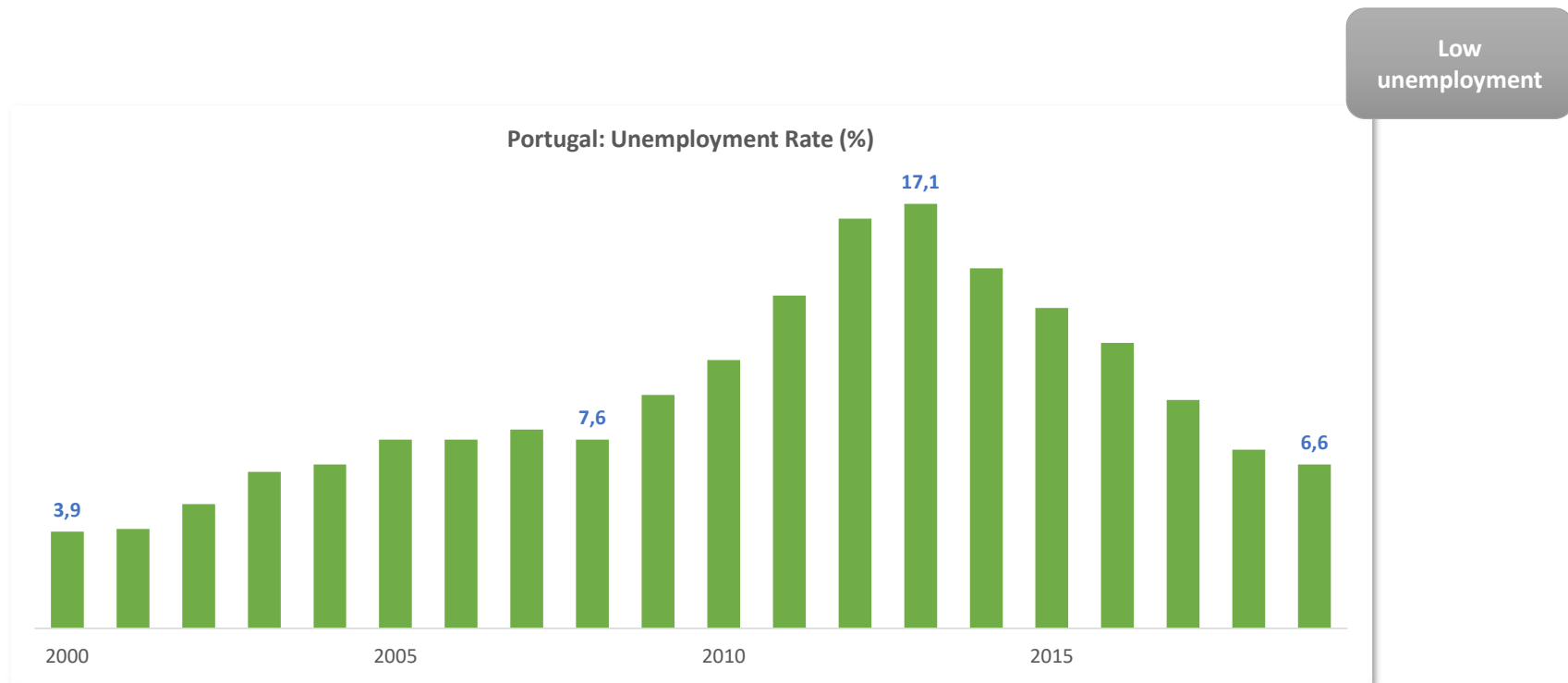


CENÁRIO MACROECONÓMICO		
Taxa de variação anual, em %		
	2022	2023
PIB	6,5	1,3
Consumo privado	5,4	0,7
Consumo público	1,8	2,3
Investimento	2,9	3,6
Exportações	18,1	3,7
Importações	12	4
Inflação	7,4	4
Desemprego (% população ativa)	5,6	5,6
Saldo externo (balança corrente % PIB)	-1,3	-1,1
Défice orçamental (% PIB)	-1,9	-0,9
Dívida pública (% PIB)	115	110,8

FONTE: PROPOSTA DO OE PARA 2023

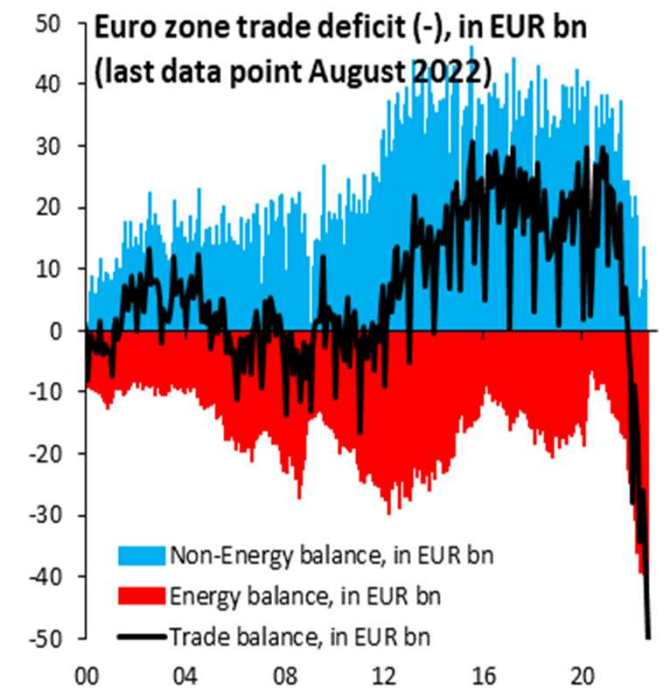
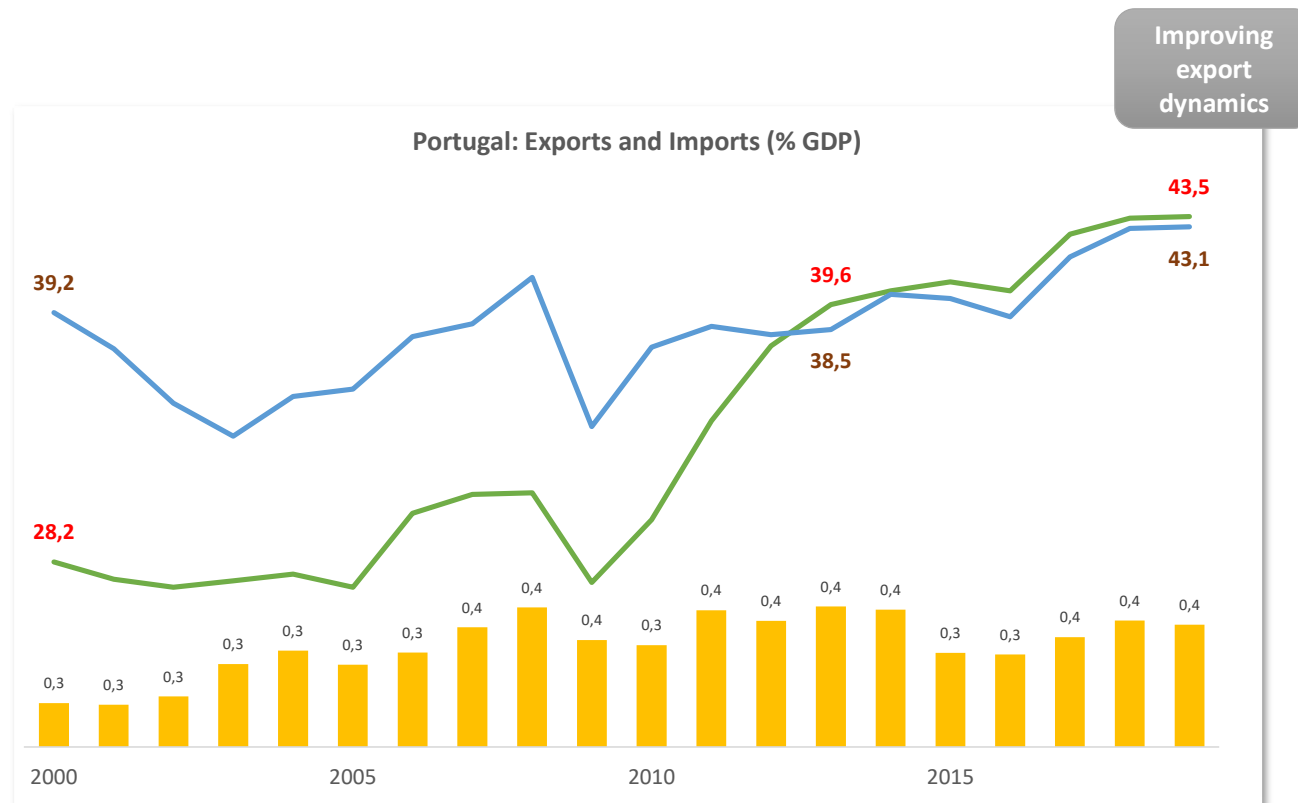
Despite Economic Growth being subdued employment creation has been on a steady pace

- Portugal never had so little number of unemployed. Wage pressures are on the rise with no slack



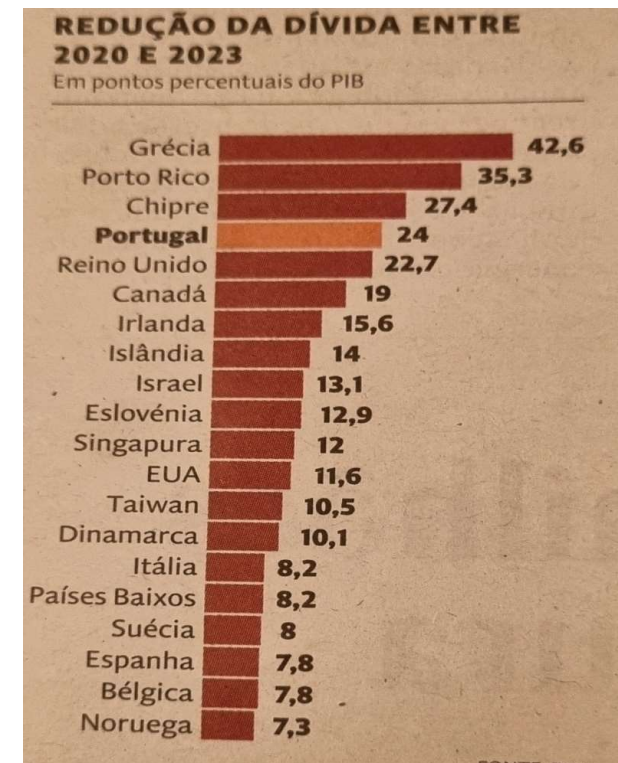
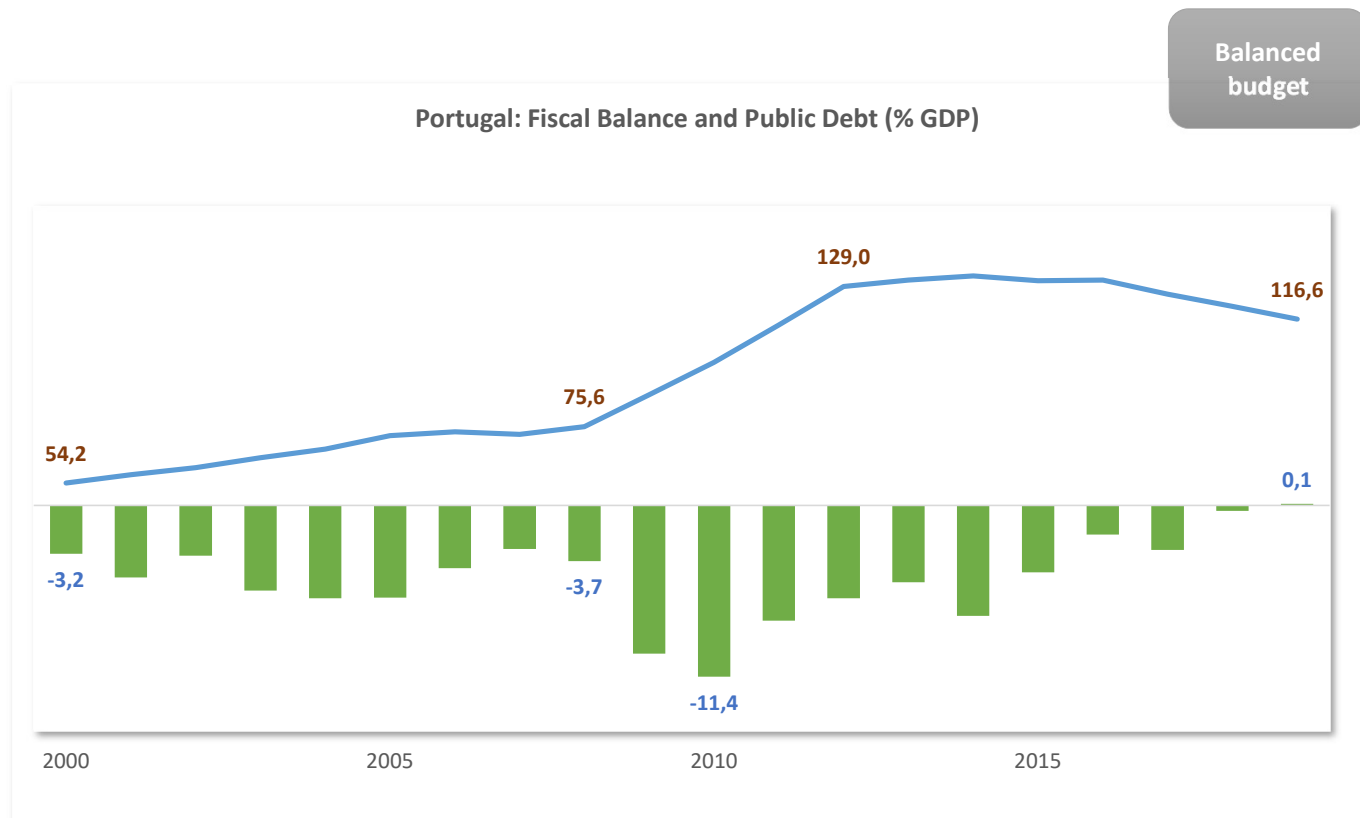
Economic Growth post Crisis years was re-oriented to external markets

- 1st Half22 marks the highest number in record for exports



PIGS in not anymore an acronym to label Portugal...

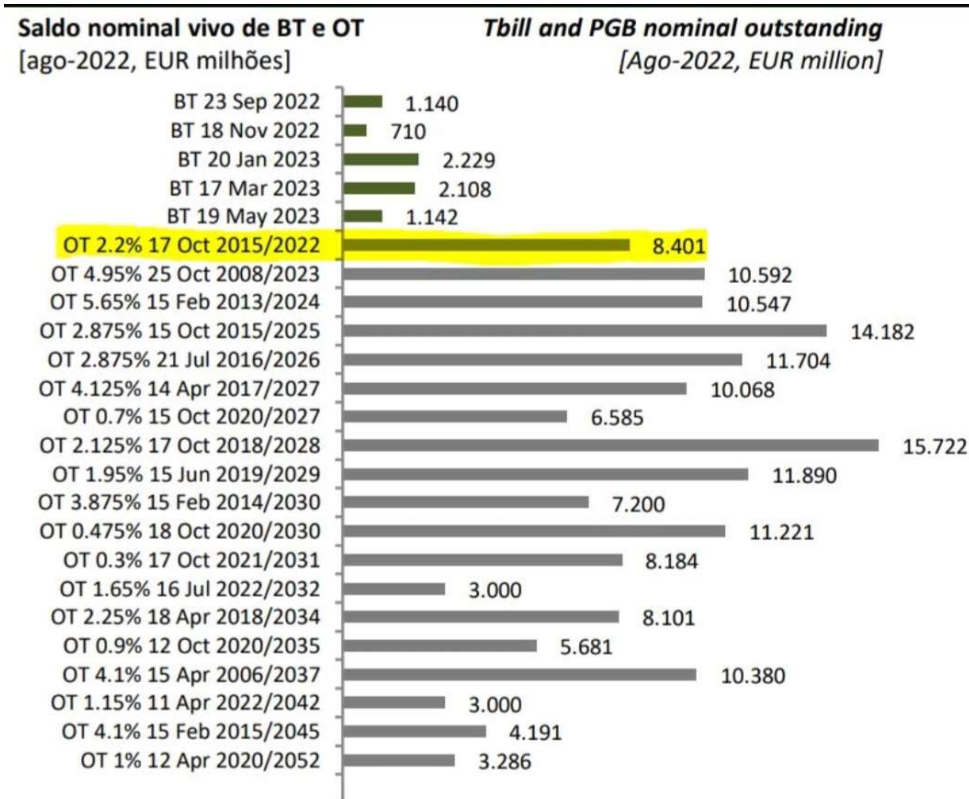
- One of the fastest countries in the World to reduce Public debt (forecast for 2023 is 110.8%)



PIGS is not anymore an acronym/letter to label Portugal...

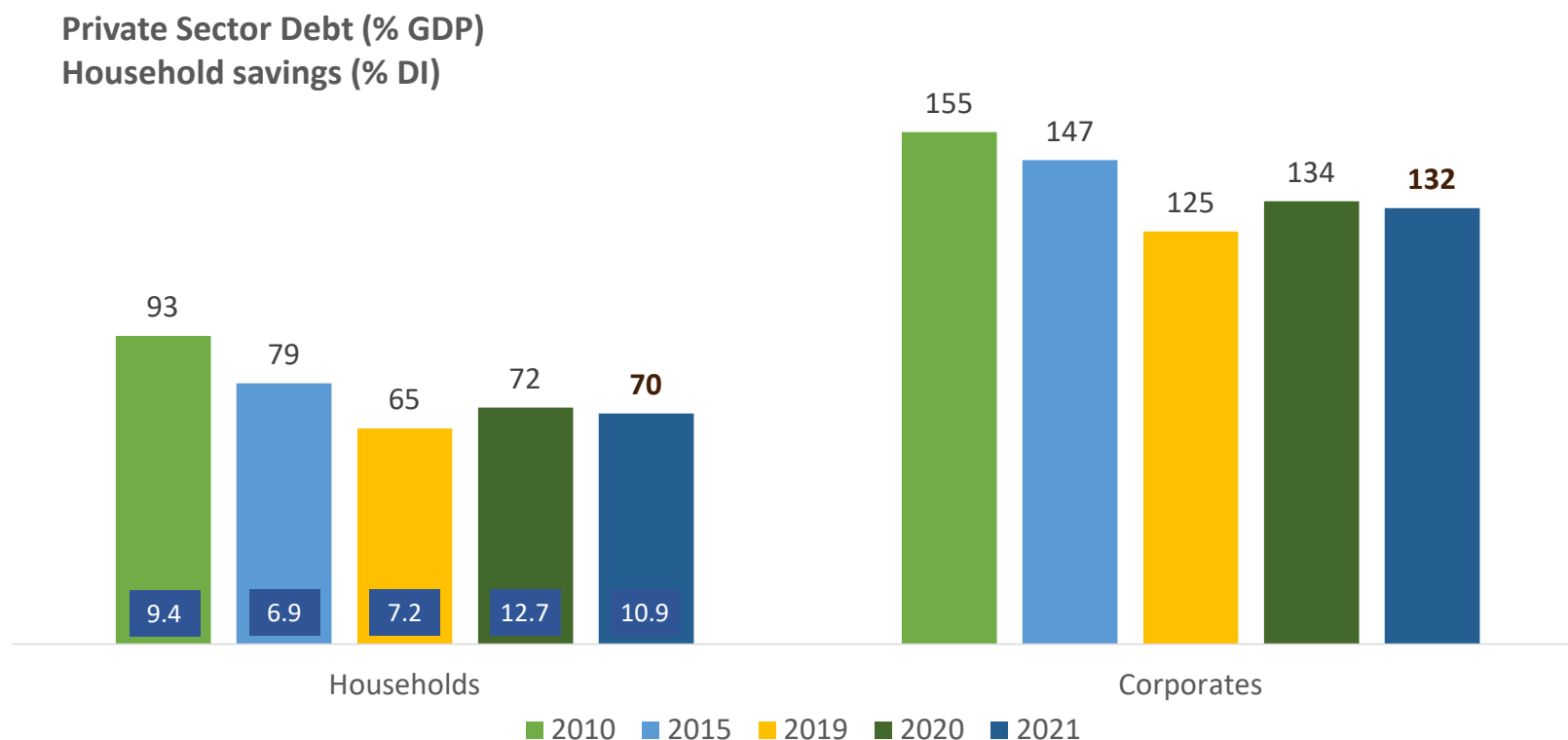
Improving Ratings from most credit ratings agencies

Agency	Rating	Outlook	Date
S&P	BBB+	stable	Sep 09 2022
DBRS	A (low)	stable	Aug 26 2022
Fitch	BBB	positive	May 06 2022
DBRS	BBB (high)	positive	Feb 25 2022
Moody's	Baa2	stable	Sep 17 2021



In an increased interest rate setting Debt would play a role in reducing growth

But both households and the corporate sector are much less indebted than in the past and mortgages were redirected to fixed to prevent risks (but the stock is largely variable rate)



EU and Public Funds are strong drivers for continuing growth

During the few years, Portugal will receive almost €60bn in EU grants (aprox 30% of 2019 GDP), which will continue to support growth. PT2030 will be most focused on corporate transformation...

2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PT 2020 €12,8bn (€3,7 bn / year)									
NEXT GEN EU									
REACT EU €1,8bn (0,6 bn / year)									
RECOVERY AND RESILIENCE PLAN (RRP)									
€12,9 bn grants + €15,7 bn loans (€2,2bn / year + €2,6 bn / year)									
Rural Development + Fair Transition Fund €445mn (€74mn / year)									
TOTAL: €15,3bn grants + €15,7 bn loans									
(€2,5bn / year + €2,6 bn / year)									
MULTIANNUAL FINANCIAL FRAMEWORK 2021-2027: €29,8bn (€3,3bn / year)									
PT 2020 + RRP + MAAF 2021-2027: €57,9 bn in grants (€6,4 bn / year)									
STATE BUDGETS (National Funds)									

The national Recovery and Resilience Programme (PRR) will cover much of Public Investment that has been on the sidelines in the past few years

Resilience €8.4bn + €2.7bn		Climate Transition €3.1bn		Digital Transition €2.5bn	
Investments	<ul style="list-style-type: none"> National Health Service Housing Social Responses Capitalization and Innovation Qualification and Competences Infrastructure Forests Water Supply Culture 	Investments	<ul style="list-style-type: none"> Sustainable Mobility Decarbonization in Manufacturing Sustainable Bioeconomy Energy efficiency in Buildings Sea Hydrogen and Renewables 	Investments	<ul style="list-style-type: none"> Digital School Companies 4.0 Quality / sustainability of public finances Economic Justice and Business environment Digital Government
Business Sector	<ul style="list-style-type: none"> Construction and Public Works Charities Water Healthcare equipments ICT 	Business Sector	<ul style="list-style-type: none"> Construction and Public Works Transportation equipment Manufacturing <ul style="list-style-type: none"> Textile, apparel, shoe, resin 	Business Sector	<ul style="list-style-type: none"> Construction Consulting Companies <ul style="list-style-type: none"> Microcompanies, retail, tourism