

JAIDE

ISSN : 3032-1077

<https://doi.org/10.61796/jaide.v1i11.1174>

PORTUGAL'S ECONOMIC SITUATION OVER THE LAST 10 YEARS

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Received: Oct 22, 2024; Accepted: Oct 29, 2024; Published: Nov 10, 2024;

Abstract: Objective: Analyze the recent economic developments in Portugal, particularly in the context of global economic changes. The research aims to assess the country's political and economic approaches, as well as the impacts of global factors, with a focus on post-pandemic recovery. **Methods:** The methods employed include an analysis of statistical data and macroeconomic indicators to evaluate Portugal's economic policies and fiscal measures. **Results:** The results indicate that Portugal's growth prospects until 2030 are promising, with significant developments expected in green energy investments and the tourism sector. Additionally, there is a knowledge gap in accurately assessing the country's prospects in green energy and technological advancement. **Novelty:** The novelty of this research lies in its emphasis on the intersection of green energy and technological growth as crucial areas for future economic development. These findings hold substantial importance for economic policy planning, especially in guiding investments toward green technologies and the digital economy.

Keywords: portugal, fiscal policy, green energy, pandemic impact, tourism sector, investment



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Introduction

Choosing a country for permanent residence forces foreigners to carefully study its economic, political, and legislative aspects [1], [2]. With a population of 10 million, Portugal's 49th position in the global economy is a respectable indicator. The country's unique populism and socialist approach to a planned economy coexist peacefully with market mechanisms and the bureaucratic directives of the European Union. How will Portugal's economy develop in the coming years?.

When selecting a country for permanent residence, it is essential for foreigners to thoroughly assess the economic, political, and legislative frameworks of their potential new home [3], [4]. This process ensures that individuals can make an informed decision based on stability, opportunities, and personal needs. Portugal, a nation with a population of 10 million, stands out globally with its remarkable position as the 49th largest economy. This achievement reflects a blend of its historical legacies, modern-day strategies, and its commitment to economic and social development [5].

Portugal's economic landscape is marked by a unique combination of populist and socialist policies alongside market-driven mechanisms. Its approach to governance, which balances state planning with free-market principles, is further shaped by its membership in the European Union, bringing both opportunities and constraints from EU bureaucracy [6]. In recent years, the Portuguese

government has worked to navigate these challenges, striving for economic growth while addressing domestic issues. How Portugal's economy evolves in the coming years remains a subject of much interest and analysis among economists and policymakers alike [7], [8].

As the global economy becomes increasingly interconnected, Portugal's fiscal policies and approaches to national debt management will be under constant scrutiny [9]. The country has faced several economic challenges, such as the 2008 global financial crisis, leading to Portugal being one of the "PIGS" countries (Portugal, Italy, Greece, Spain) during the 2010s. However, its recovery from near-bankruptcy, marked by a mix of austerity measures and financial aid from the European Union and the International Monetary Fund, has demonstrated the resilience of the Portuguese economy [10]. This recovery phase continues to inform the nation's current fiscal policy, especially as the country looks to ensure sustainable economic growth in the years ahead.

Portugal's public debt, once a major point of concern, is gradually moving toward stabilization. The country has made significant strides in reducing its debt-to-GDP ratio, from a peak of 132.9% in 2014 to a forecasted 76.88% by 2029. These efforts are aided by national projects like Portugal 2030, which focuses on boosting innovation, digitalization, and regional development. At the same time, the transition to green energy is playing a crucial role in reshaping Portugal's economic future, positioning the country as a potential leader in renewable energy exports by 2050.

Despite some unpredictable global factors, such as trade tensions, military conflicts, and shifts in energy markets, Portugal's economic outlook remains positive. In the face of these challenges, the government continues to implement strategies to support long-term economic growth, making Portugal an increasingly attractive destination for investment and residence.

This introduction highlights the various factors that contribute to Portugal's economic trajectory, focusing on fiscal management, public debt, and the country's future as a hub for green energy development. In the subsequent sections, we will delve deeper into the specifics of Portugal's fiscal policy, economic forecasts, and key projects shaping the country's development in the coming decades.

Methods

The research utilizes a combination of quantitative and qualitative methods, focusing on the analysis of statistical data and macroeconomic indicators to predict Portugal's economic outlook. This includes the examination of historical economic data such as Portugal's GDP, public debt-to-GDP ratio, external trade, and other key indicators from 2014 to 2023. Regression and correlation techniques are applied to identify trends and make future projections, especially regarding GDP growth, fiscal policies, and public investments. A significant focus is placed on the impacts of Portugal's fiscal measures, such as austerity policies, and the effects of its green energy transition, particularly in the context of the Portugal 2030 project. This analysis also evaluates the green energy sector's growing importance, including investments in renewable energy and green hydrogen, which are expected to play a major role in Portugal's economic growth. By combining sector-specific insights with broader macroeconomic analysis, the study offers a comprehensive forecast of Portugal's economic trajectory through 2030.

Results and Discussion

A. Portugal's Fiscal Policy and Public Debt Outlook

At the beginning of the 2010s, Portugal was one of the four countries that implemented the so-called "pig" policy alongside Italy, Greece, and Spain, derogatorily referred to as the PIGS. Many

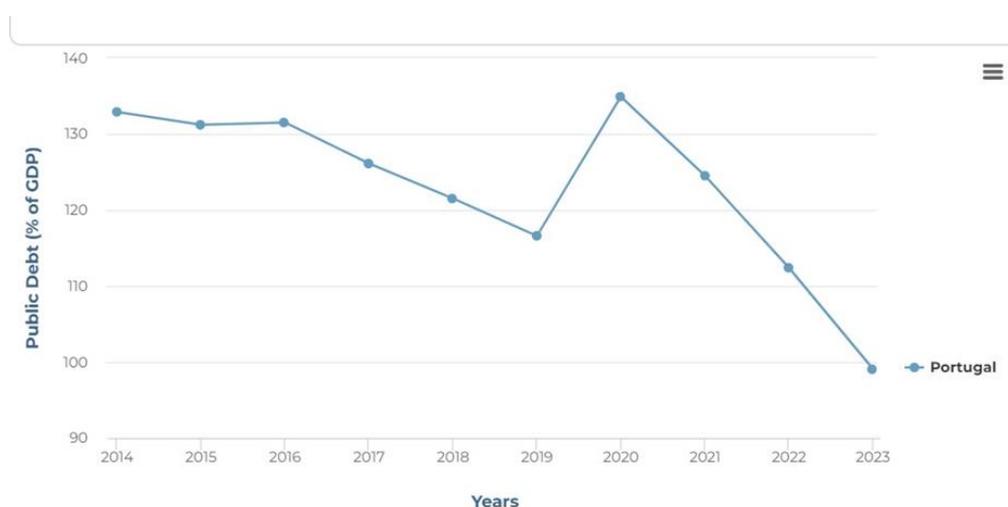
reputable economists pointed out that Portugal's "pig policy" and the country's near-bankruptcy were largely caused by internal problems. Corruption, anti-market populist laws, excessive protection of workers' rights, financial speculation, and an abundance of government agencies were actively criticized by the European Union, the International Monetary Fund (IMF), and the Organization for Economic Co-operation and Development (OECD).

In 2010, Moody's downgraded Portugal's sovereign bond rating from Aa2 to A1, and the unemployment rate rose to 11%. Public debt grew rapidly; despite the strict decisions of the "Troika" and financial aid of 78 billion euros in the spring of 2011, by June 2014, the public debt-to-GDP ratio reached 132.9%.

Strict austerity measures, reductions in the number of civil servants, and the general recovery of the global economy led to a decrease in the public debt-to-GDP ratio to 116.6% by 2019. Amid the pandemic, Portugal's economy became unstable, with public debt rising to 134.9% of GDP. However, a series of strict measures quickly returned the country to normal conditions. Since then, Portugal's public debt-to-GDP ratio has been steadily decreasing.

B. By the End of the 2023 Fiscal Year

For the first time in many years, the public debt-to-GDP ratio fell below the psychological threshold of 100%, reaching 99.1% (compared to the European Union average of 81.7%). According to expert estimates, by 2029, Portugal's public debt-to-GDP ratio will reach 76.88% (Statista infographic).



Примечание. На этой диаграмме показан государственный долг (% ВВП) Португалии с 2014 по 2023 год.
Источник: ЕВРОСТАТ.

Figure 1. Changes in Portugal's GDP from 2014 to 2023.

C. Portugal 2030 Program

Parallel to the recovery plan, the Portugal 2030 project, with a total budget of €23 billion, is being implemented. This project includes several regional and national programs, offering funding opportunities for socially significant projects. The complete list of programs can be found here.

Examples include:

- Compete 2030 – €3.9 billion for digitalization and innovation in the country's autonomous and underdeveloped regions.
- Norte 2030 – €3.5 billion, including €60 million to mitigate the consequences of closing the Matosinhos oil refinery.

- c. Alentejo 2030 – €1.1 billion, including €99 million to reduce the impact of shutting down the coal power plant in Sines.

To participate in the Portugal 2030 program, it is necessary to develop a well-justified business plan and submit an application.



Figure 2. Portugal 2030.

D. Portugal's GDP Forecast for the Next 5 Years

In 2023, Portugal's Gross Domestic Product (GDP) amounted to €265.508 billion, placing the country 49th globally. Exports accounted for 50% of GDP. The GDP per capita was €25,730, positioning Portugal 43rd in the world by this measure.

Economists predict that after the recession caused by rising energy prices in the Eurozone in 2023, Portugal's GDP will experience steady growth starting in 2024. Over the next five years, GDP is expected to increase by €60.7 billion, representing a growth of +20.3% by 2029.

This is a significant indicator: the average GDP growth forecast for the Eurozone is +0.7% in 2024 and +1.5% in 2025. Global GDP growth is projected to be +3.2% by 2025.

According to Banco Portugal, the share of business investments in Portugal's GDP is forecasted to be 3% in 2024 and 5% in 2025-2026. Public investments are expected to reach 11% in 2024-2025 and 2.5% in 2026.

The Statista infographic clearly illustrates Portugal's positive economic development over the next five years.

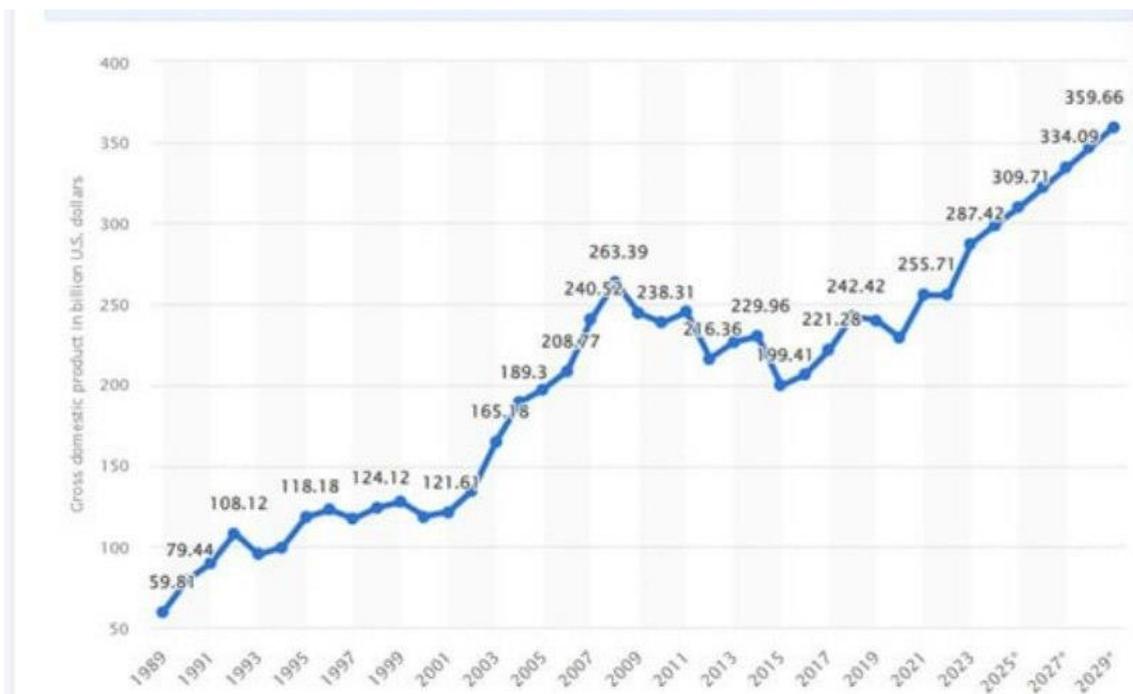


Figure 3. GDP in billion U.S Dollars.

Potential local and large-scale military conflicts, unexpected global factors, trade wars, and intense competition in the energy market could drastically alter the situation. The pandemic has proven this. For now, economists' forecasts remain positive.

Table 1. Key Economic Indicators: GNI, External Balance, and Imports of Goods and Services.

Indicator Name	GNI (current US\$)	External balance on goods and services (current US\$)	Imports of goods and services (constant 2015 US\$)
2014	2,25E+11	3,44E+08	7,36E+10
2015	1,94E+11	1,47E+09	7,95E+10
2016	2,01E+11	2,37E+09	8,35E+10
2017	2,16E+11	2,23E+09	9,03E+10
2018	2,36E+11	1,12E+09	9,47E+10
2019	2,34E+11	1,09E+09	9,94E+10
2020	2,25E+11	-4,9E+09	8,77E+10
2021	2,53E+11	-7,2E+09	9,84E+10
2022	2,52E+11	-6,1E+09	1,09E+11
2023	2,82E+11	2,39E+09	1,12E+11

Table 2. Regression Analysis of GDP in years 2014-202.

GNI (current US\$)	External balance on goods and services (current US\$)	Imports of goods and services (constant 2015 US\$)
Average	2,31883E+11	Average -7,2E+08
		Average 9,28E+10

The standard error	8191515383	The standard error	1,2E+09	The standard error	3,91E+09
Median	2,2961E+11	Median	1,1E+09	Median	9,25E+10
Fashion	#H/Д	Fashion	#H/Д	Fashion	#H/Д
Standard deviation	25903846100	Standard deviation	3,8E+09	Standard deviation	1,24E+10
Sample variance	6,71009E+20	Sample variance	1,44E+19	Sample variance	1,53E+20
Excess	0,266832139	Excess	-0,9218	Excess	-0,77469
Asymmetry	0,433010392	Asymmetry	-1,00496	Asymmetry	0,095423
Interval	87683482577	Interval	9,6E+09	Interval	3,82E+10
Minimum	1,94045E+11	Minimum	-7,2E+09	Minimum	7,36E+10
Maximum	2,81729E+11	Maximum	2,39E+09	Maximum	1,12E+11
The amount	2,31883E+12	The amount	-7,2E+09	The amount	9,28E+11
Account	10	Account	10	Account	10
Reliability level(95.0%)	18530495199	Reliability level(95.0%)	2,72E+09	Reliability level(95.0%)	8,84E+09

Table 3. Correlation analysis of GDP in years 2014-2023.

	GNI (current US\$)	External balance on goods and services (current US\$)	Imports of goods and services (constant 2015 US\$)
GNI (current US\$)	1		
External balance on goods and services (current US\$)	-0,31815	1	
Imports of goods and services (constant 2015 US\$)	0,832178	-0,2746	1
Regression Statistics			
Multiple R		0,837383	
R-Squared		0,70121	
Adjusted R-Squared		0,615841	
Standard Error		1,61E+10	
Observations		10	

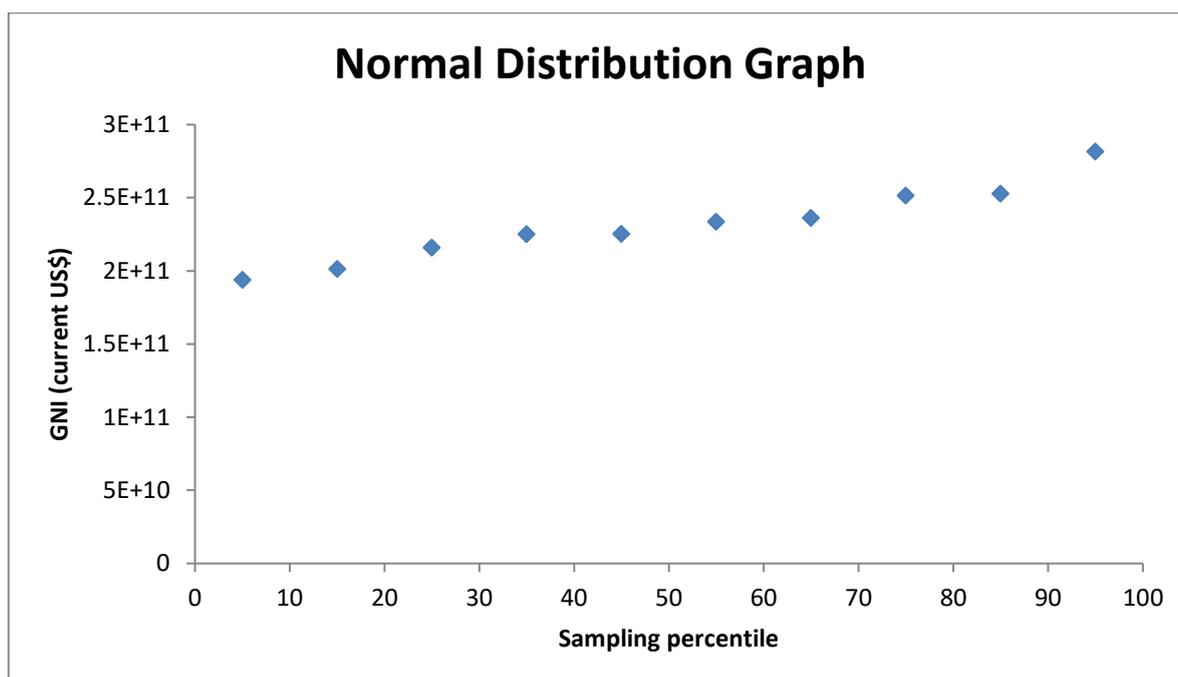


Figure 4. Normal distribution graph.

E. Portugal's Budget Deficit and Surplus

In 2023, Portugal became one of the three European Union countries with a budget surplus. Although modest, at +1.2% (compared to the European Union's average deficit of 3.5%), this figure represents the largest in the country's democratic history. Given parliamentary initiatives aimed at reducing the IRS, supporting housing construction, cutting youth programs, and lowering VAT on electricity, Banco Portugal experts anticipate a negative trend in the surplus over the next three years: 2024 at +1%, 2025 at +0.8%, and 2026 at +0.6%.

F. Portugal's Stock Market

After some major international investors exited the Lisbon Stock Exchange, the dynamics of Portugal's stock market noticeably slowed compared to general European trends: annual growth was +1%, while European stock markets grew by +4.9%. In the medium-term outlook, no conditions are expected to significantly alter this trend. Leading companies in Portugal's market capitalization are Galp Energia, EDP, Banco Comercial Português, and Jerónimo Martins. Following major losses in Portuguese investment funds in 2022, by the end of 2023, 27 out of 368 funds reported profits, with just one recording a loss. The top 5 performers in the Portuguese stock market in 2023 were.

PSI – Top Valorizações

	COTADA	TICKER	SETOR	VALORIZAÇÃO 2023
1°	Mota Engil	MOTA	Industriais (engenharia de construção)	+238%
2°	BCP – Banco Comercial Português	BCP	Financeiro (serviços bancários)	+87%
3°	Ibersol	IBS	Consumo cíclico (hotéis e serviços de lazer)	+21%
4°	Jerónimo Martins	JMT	Consumo não-cíclico (retalho de alimentos)	+14%
5°	CTT – Correios de Portugal	CTT	Industriais (serviços de transporte e logística)	+13%

Figure 5. PSI-Top Valorizações.

G. Portugal's Economic Prospects in Green Energy

While many European countries were consuming energy resources from Russia, Portugal actively increased its green energy capacities. The Tâmega giga battery, wind and wave power plants were constructed, and the Sines LNG terminal (the closest to the U.S.) was established. Capacities for green hydrogen export were also expanded.

Investments in green energy exceeded €75 billion. In 2022, Portugal completely abandoned coal consumption. In October 2023, Portugal's national energy system produced surplus energy for 131 consecutive hours, exporting the excess.

The initial Energy and Climate Plan for 2030 aimed to achieve a 47% share of renewable energy sources in Portugal's decarbonization efforts. Measures successfully implemented in green energy led to a revision of this plan: by 2026, the goal is to achieve 80%, and by 2045, full 100% climate neutrality. Portugal's national hydrogen strategy doubled the targets: by 2030, reaching 5.5 GW. By 2031, the total capacity of renewable energy sources in Portugal will exceed 23 GW. Green energy is the most dynamic sector of the country's economy, and by 2050, Portugal is expected to become one of Europe's leading energy exporters

Conclusion

Portugal's economic outlook presents a promising trajectory, with notable growth prospects in several sectors, including green energy and tourism. The recovery from the economic challenges of the early 2010s, marked by austerity measures and financial aid, has gradually led to fiscal stability. The country's public debt-to-GDP ratio, which peaked during the crisis, has now dropped below 100%, signaling positive fiscal discipline. The ongoing implementation of the Portugal 2030 program, aimed at supporting digitalization, innovation, and regional development, plays a crucial role in shaping the nation's future economic landscape.

The green energy sector, in particular, stands out as a key driver of Portugal's future growth. With significant investments already made and ambitious goals for renewable energy production and climate neutrality, Portugal is poised to become a leader in the global energy market. The transition to green energy is not only pivotal for reducing the country's carbon footprint but also for bolstering its economic resilience in the face of global energy market fluctuations.

Portugal's tourism sector, as an essential pillar of the economy, continues to demonstrate its resilience, with strong prospects for development in the coming years. The combination of these sectors, along with the steady increase in GDP, positions Portugal for continued economic growth and stability by 2030. While global uncertainties remain, Portugal's robust fiscal and economic strategies offer a solid foundation for overcoming potential challenges, ensuring a bright and sustainable future for the country.

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