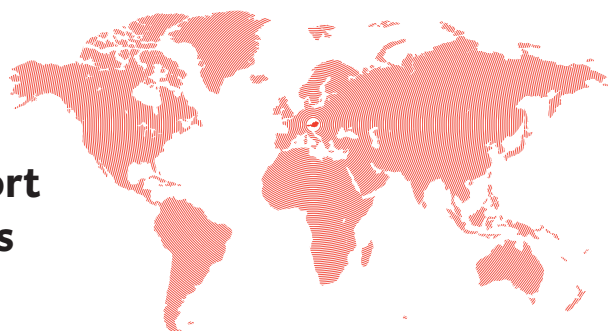


Oberbank

Economic and Banking Report

Global Financial Institutions



Portugal

Economic situation

> Full braking after full speed

Portugal's economy had made a **strong comeback in recent years**: The drastic austerity and restructuring measures were having an effect. After a ten-year valley of tears that the Portuguese had been going through since 2009 - with a trough in 2013 - economic output exceeded the peak value of 2008 again for the first time in 2018.

The successful course continued in 2019. A GDP of +2.2 % was achieved in the country. However, Covid-19 hit the country with full force. An **almost two-month lockdown** with reduced production and plant closures, combined with a decline in exports and tou-

risism, will lead to a historic recession. Portugal has been particularly affected by the pandemic as, on the one hand, it is a country heavily dependent on tou-

2019: pre-crisis level of ten years ago exceeded
2020: severe setback

risism and, on the other hand, its business sector is almost entirely made up of small and micro enterprises whose fragile financial situation has now been severely tested.

The growing **importance of foreign trade** for Portugal is remarkable. In eleven years, the share of exports in GDP rose from 33 % to a full 44 %. Tourism, which accounts for 20 % of jobs, has a large share in this. This sector is now being severely challenged because of the coronavirus. The theme "sustainable tourism" is supposed to bring about a recovery.

As of 4 November, Portugal went back into a lockdown light, limited to municipalities with a 14-day incidence of 240 and higher. At the beginning of the measures, this affected about 70 % of the population.

Crisis management

> Strategy for economic recovery

As across the globe, combating the negative impact of the coronavirus pandemic on the economy and population is the predominant issue in the country. Several packages of crisis management measures and an economic recovery strategy have been developed.

Strong economic linkages with China only emerged with the Tiger State's investments after the 2008 financial crisis, despite the fact that there is a long-shared history between the two countries. Macau, China's Special Administrative Region, was part of Portugal from the mid-16th century and was only returned to China in 1999.

Portuguese companies are also strongly positioned and very well established in infrastructure projects in Africa and Latin America as a result of joining forces with China through historical background.

Moreover, Portugal is considered a European hub for China's Silk Road due to its location at the crossroads of Atlantic, Pacific and Mediterranean shipping routes.

In the first half of 2021, Portugal will take over the EU Presidency from Germany. This could be an opportunity to set its own accents in the community of states and to formulate goals.

Summary:

- After a 2,2 % increase in 2019, a decline in economic output of at least 8 % is expected for 2020
- Unemployment rate increased to 9–12 %
- Austria's exports in 2019 +7 %
- Foreign trade in 2020 strongly slowed down (by the largest part passenger cars)
- Exciting business opportunities: Lisbon as Europe's hub to Africa and for China's "new Silk Road"

Key economic figures	2018	2019	2020*	2021*
Nominal GDP in billion EUR	204	212	190	201
GDP/capita at purchasing power parity in USD	34,318	35,963	33,708	35,500
Population in millions	10.3	10.3	10.2	10.2
Real economic growth in %	2.6	2.2	-8.0	4.0
Inflation rate (average) in %	1.2	0.3	0.3	0.6
Unemployment rate in %	7.0	6.5	8.9	9.3
Goods exports of the country in billion USD	66.4	65.2	54.5	60.4
Goods imports of the country in billion USD	85.1	83.8	69.5	77.2

* Forecast

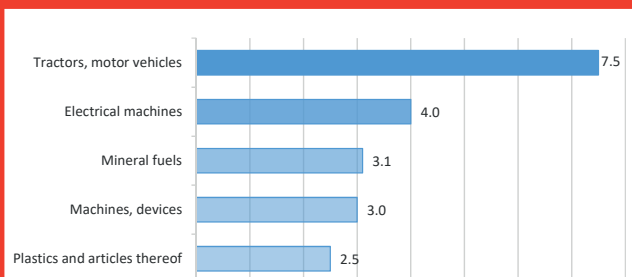
Source: WKO, August 2020

Exports/Imports

> Increasing export orientation

The growing importance of Portugal's foreign trade is remarkable; in the last eleven years the share of exports in GDP rose from 33 % to 44 %. Three countries in particular are noteworthy for Portugal in terms of trade: more than 50 % of trade takes place with Spain, Germany and France. The country was able to establish itself as a high-quality producer and benefited from the trend towards nearshoring in Europe.

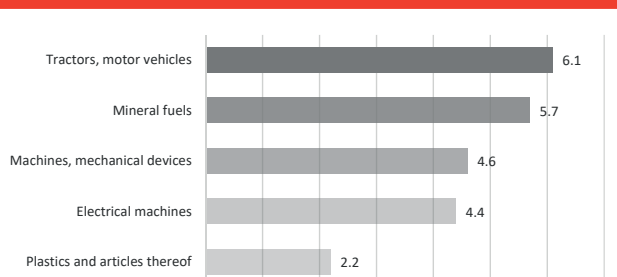
Top 5 Exported goods



2019, in %

Source: WKO, April 2020

Top 5 Imported goods



Economic relations with Austria

> Imports to Austria

Imports were clearly dominated by car deliveries. Car imports accounted for 40 % of total imports in the last two years.

> Exports from Austria

Portugal is still a rather exotic market for Austria. Although Austrian exports to Portugal rose by a full 7 % in 2019, there was a sharp drop in 2020, which was reflected above all in car deliveries, which are significant in both directions. The importance as a hub to Africa and Latin America could also be used more by exporters.

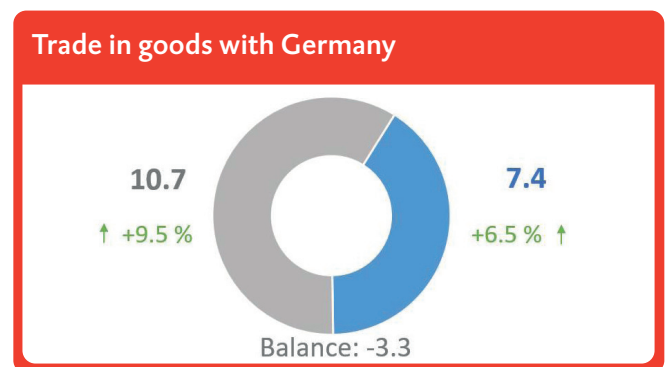
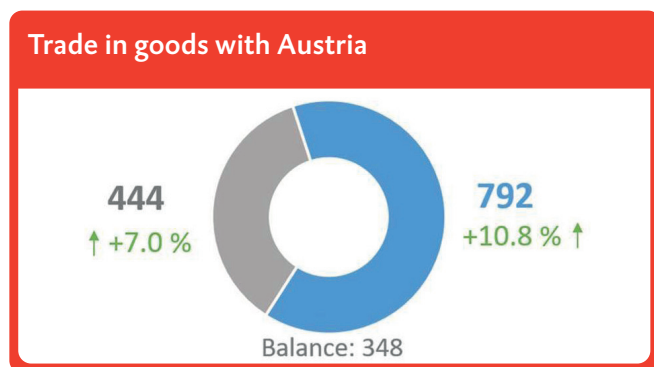
Imports of goods 2019: +10.8 %

Exports of goods 2019: +7.0 %

Economic relations between Austria and Germany	2018	2019	Change compared to previous year in %
Austrian exports of goods in EUR million	415	444	+7.0
Austrian imports of goods in EUR million	715	792	+10.8
Austrian exports of services in EUR million	109	109	-0.9
Austrian imports of services in EUR million	269	289	+7.4
German exports of goods in EUR billion	10.0	10.7	+6.5
German imports of goods in EUR billion	6.8	7.4	+9.5

Source: WKO and GTAI

Portugal's foreign trade



2019, Change YOY, AT in EUR million, DE in EUR billion
Imports, exports and balance from Portugal's perspective; own presentation

Assessment of the business environment

	Portugal
Ease of Doing Business 2020	Rank 39 out of 190 countries
Global Competitiveness Index 2019	Rank 34 out of 141 countries
Corruption Perceptions Index 2019	Rank 30 out of 198 countries
Rule of Law Index (World Justice Project) 2020	Rank 23 out of 128 countries
Most important export market for goods AT/DE 2019	Rank 43 / Rank 26

In the **Ease-of-Doing-Business** ranking, i.e., in the comparison of the ease of doing business of national economies, Portugal scores particularly well in the areas of "starting a business" and "cross-border trade". On the other hand, it scores lower in the categories

"access to credit" and "protection of minority investors". As this index is also used for business decisions by large companies, some governments are promoting reforms to improve their ranking.

Rankings of Oberbank regions in Global Competitiveness Ranking 2019:

Germany	7
Austria	21
Czech Republic	32
Slovakia	42
Hungary	47

The **Rule of Law Index** is intended to provide a picture of the rule of law in the countries on the basis of 44 indicators. Portugal is only two places behind the USA and a few places ahead of Italy and Poland.

Rating Portugal

> Investment grade

Agency	Rating	Outlook	Date
Fitch	BBB	Stable	17 April 2020
DBRS	BBB	Stable	4 October 2019
S&P	BBB	Stable	24 April 2020
Moody's	Baa3	Positive	9 August 2019

Consistently triple-B-ratings
for the country of Portugal

Banken

> Reduced perspective

Moody's changed the outlook for the Portuguese banking system from stable to negative in the first half of the year. Due to the economic downturn, the country's banks are expected to ex-

perience a **deterioration in asset quality and profitability** over the next 12-18 months. Government support measures should only be able to partially mitigate the adverse econo-

mic impact. The share of non-performing loans in the loan portfolio is expected to increase, depending on the duration of the crisis, while funding and liquidity are still considered stable.

Largest banks

Rank	Bank	Total Assets
1	Caixa Geral de Depósitos SA	96,194 *
2	Banco Comercial Português SA	91,559 *
3	Banco Santander Totta SA	58,658 *
4	Novo Banco SA	50,797 *
5	Banco BPI SA	35,675 *
6	Caixa Central de Crédito Agrícola Mútuo CRL	21,713 *
7	Caixa Económica Montepio Geral caixa económica bancária S.A.	19,895 *
8	Banco BIC Português SA	8,584
9	Banco BNP Paribas Personal Finance SA	3,250
10	Haitong Bank SA	2,924 *

Total assets as of 31.12.2019 in USD million; * consolidated
Source: Bankers Almanac

Oberbank expertise

Banks shaded in grey:

Oberbank has an active relationship with these relationship banks (SWIFT/RMA) and is thus able to provide documentary business for customers.

Payment transactions are also possible with all Portuguese banks via our clearing partners.

Sources:

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