

# The Portuguese Economy

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CENTER OF ECONOMICS  
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# Main characteristics

# Portugal has structural growth struggles, but has sustained its dynamic recovery from the pandemic

0.7  
%

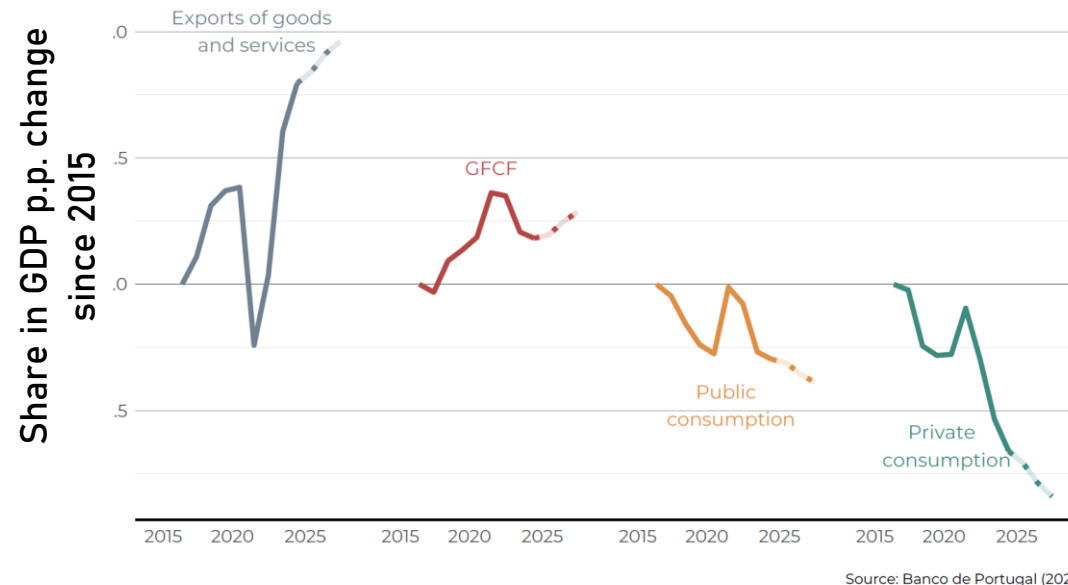
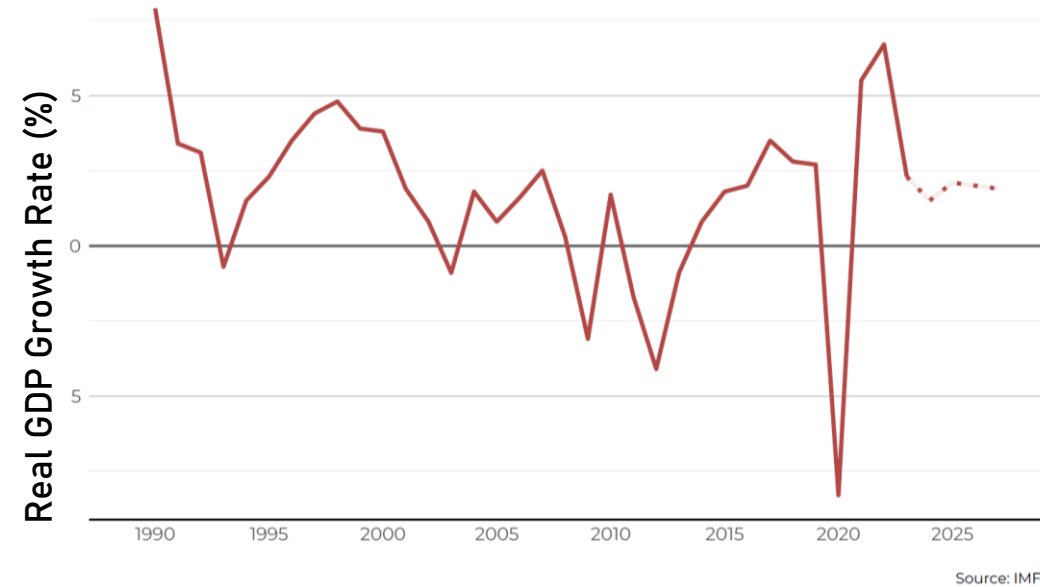
annual average real GDP growth rate last 20 years.

11  
years

of the last 20 years in crisis (or recovering from a crisis).

0.5  
pp

higher predicted GDP growth in Portugal than globally between 2024-2026, driven by exports and investment.



# A profound transformation: skilled younger generation

Higher

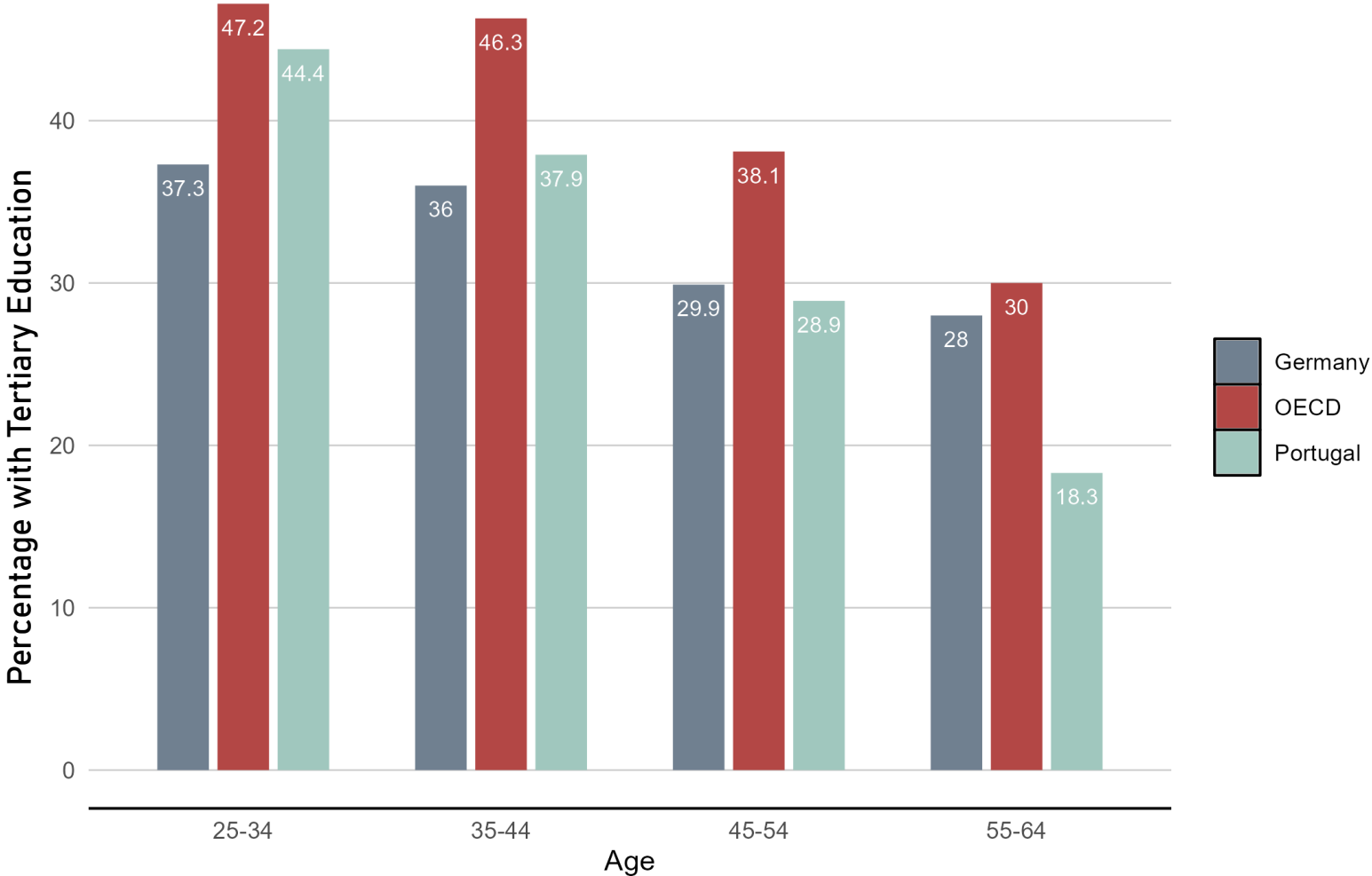
share of college-educated young people in Portugal than in Germany.

9.6

Average years of education of the workforce. It increased almost 10% in just 10 years.

+50 %

Since 2019 more than half of the youth is enrolled in higher education.



Source: OECD, Education at Glance (2023)

# Low wage reality: most private sector workers earn less than 1000 €/month (net)

50%

of workers receive 1167€ or less (around 951€ net)

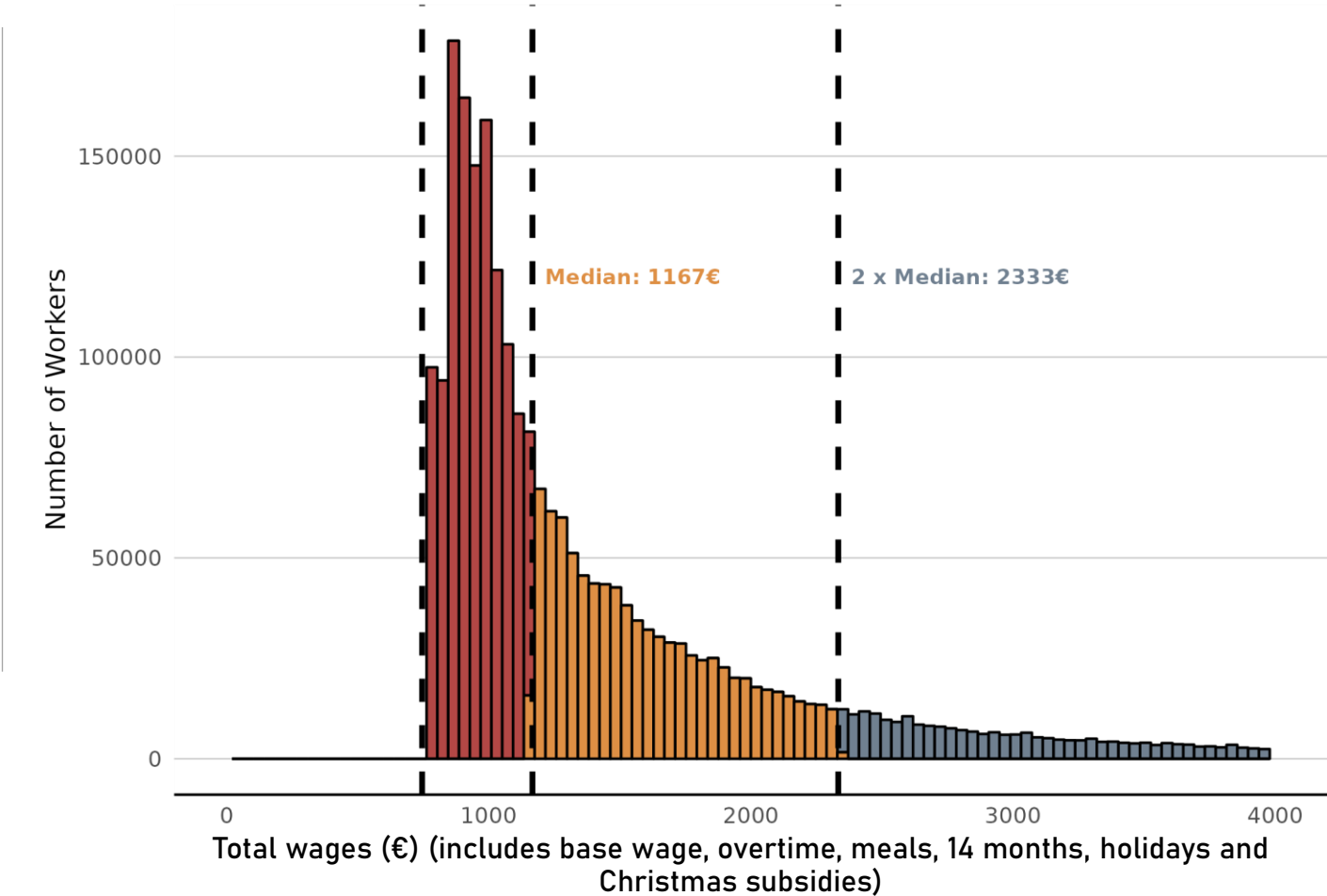
10%

of workers receive more than 2667€ (around 1621€ net)

1438 €

Average wage in 2023 (around 1233€ net)

Wage distribution (Pre-Tax and Social Contributions)



Source: Quadros de Pessoal, 2021.

# Large wage gap vis a vis other countries among skilled workers

2436 €

average wage of university graduates in Portugal (1676€ net)

4551 €

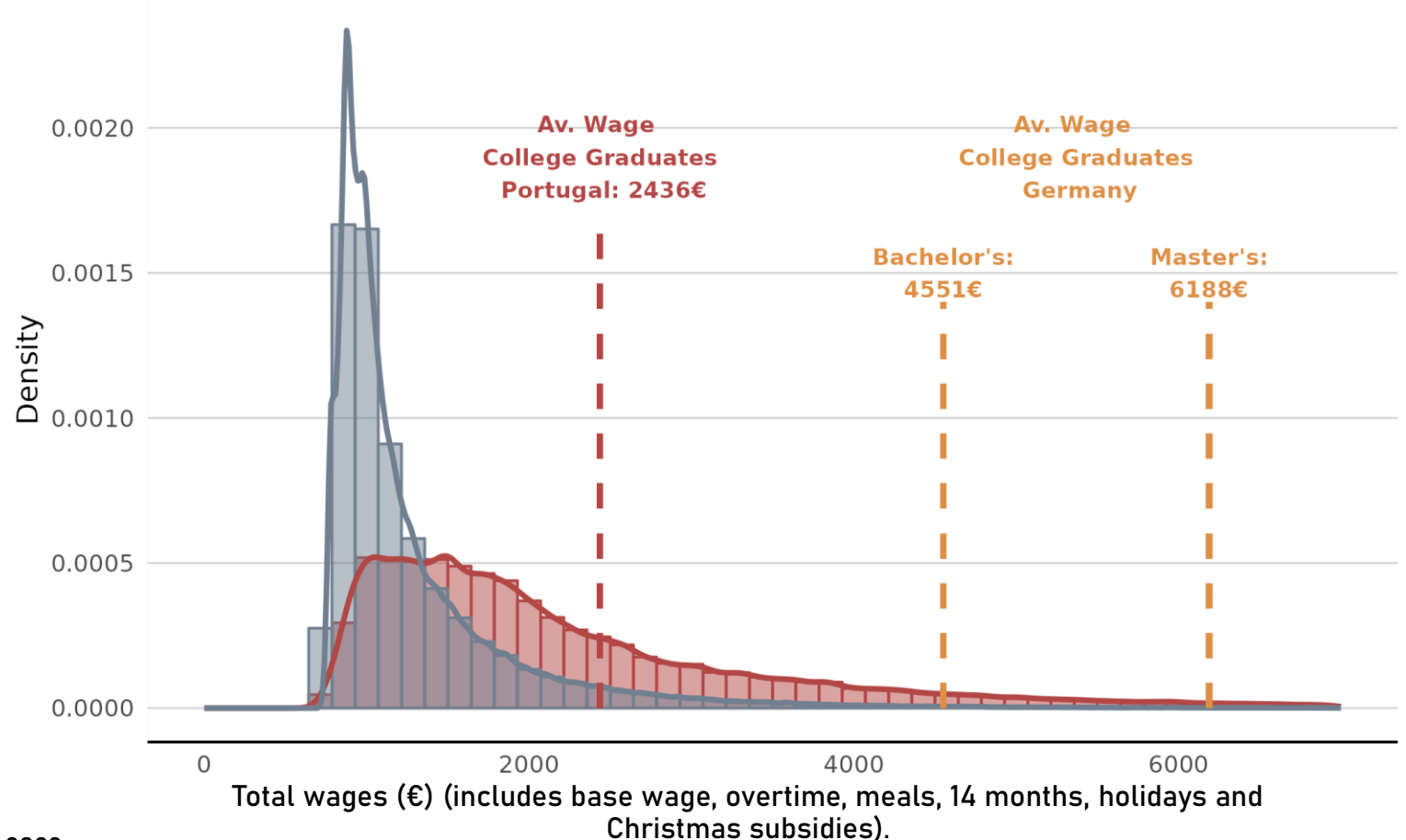
average wage of university graduates in Germany (2X PT)

33%

higher cost of living in Germany compared to Portugal (from the PPP ratio)

## Wage distribution by Education

Education: ■ College ■ No College



# Large Lisbon premium, limited returns to experience low-skilled

6%

wage gain from relocating to Lisbon (same sector & occupation), which more than doubles after 4 years of experience but depreciates fast when workers leave the city.

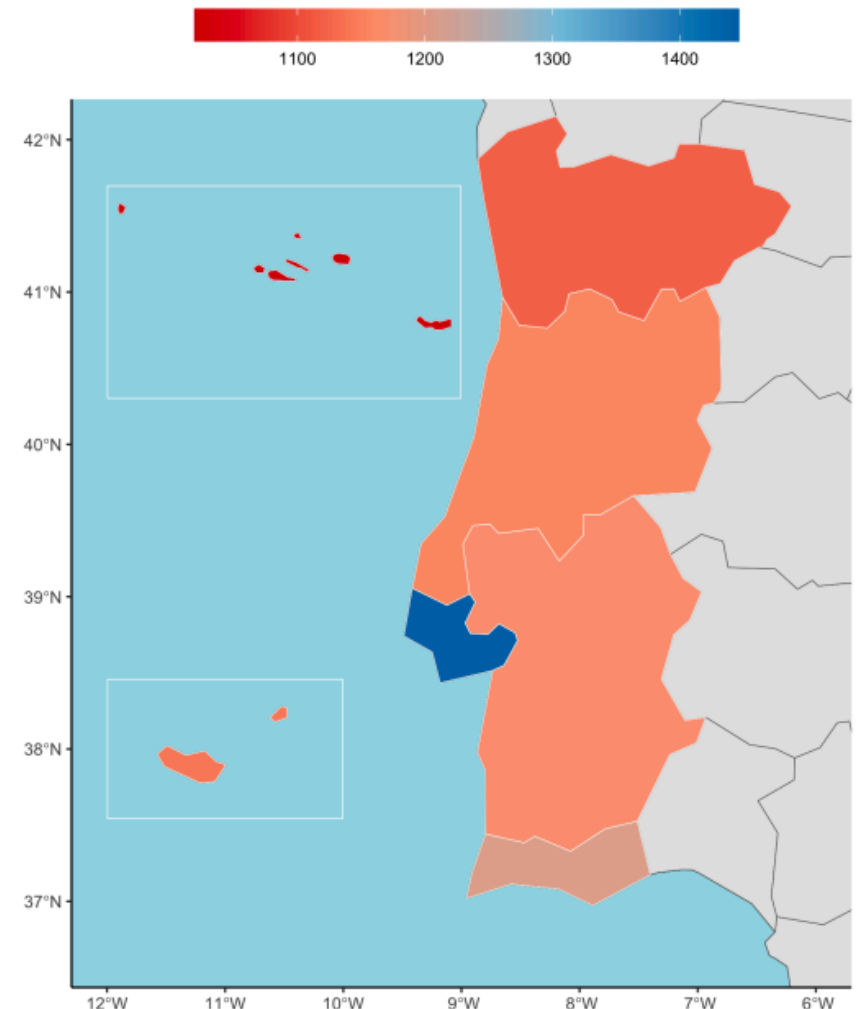
1/2

of the Lisbon wage premium explained by differences in scale and headquarters location

2X

the wage return for college-educated workers with an additional year of experience is more than double that of workers without college

Average Wage by NUT2 in Portugal



Source: Quadros de Pessal, 2019.



## **Position in the Global Market**



# Competitive in attracting foreign investments, but struggles to retain their value

In pair

FDI inflow of Portugal with EU, higher than OECD

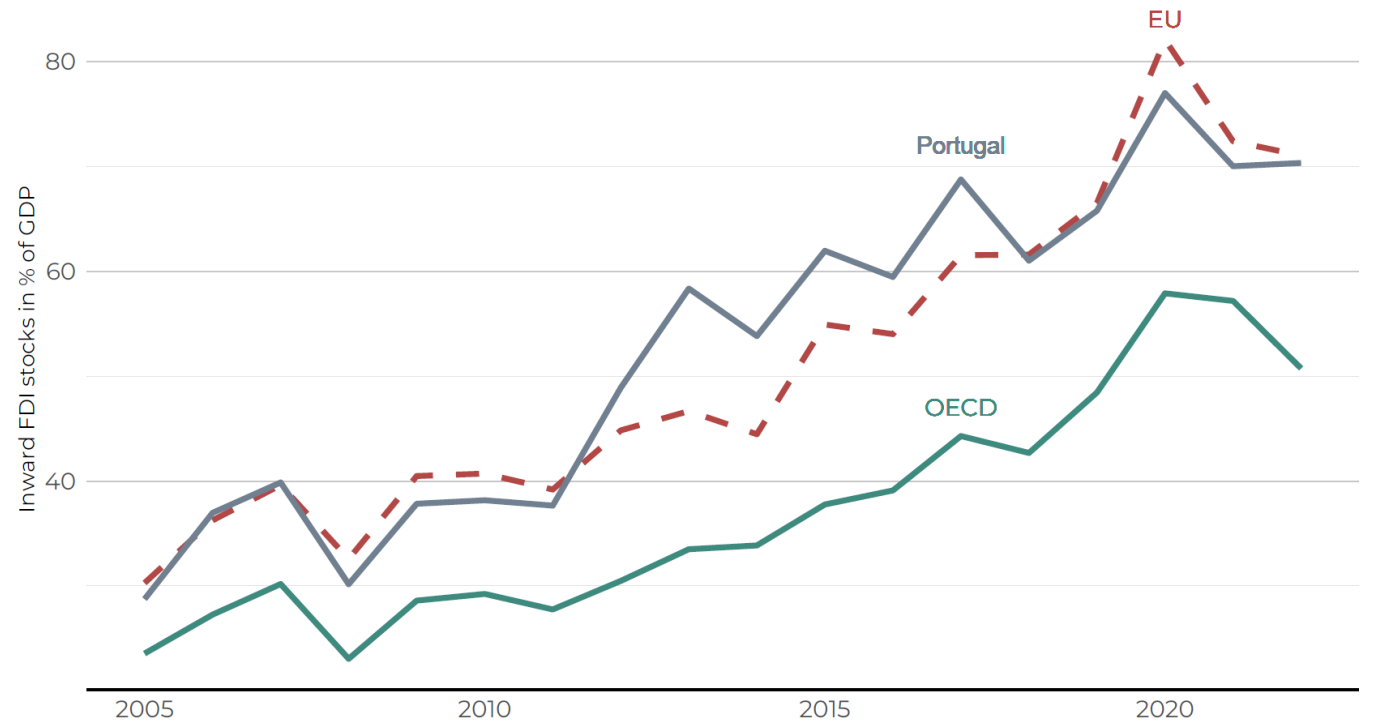
1 out of 6

For every worker of Google in Portugal, there are six in Ireland.

2X

Discrepancy in average salary within the same department at Google between Ireland and Portugal

FDI inflow (% of GDP, 2023)



Source: OECD (2023)

# Foreign firms are important for employment and productivity

7000

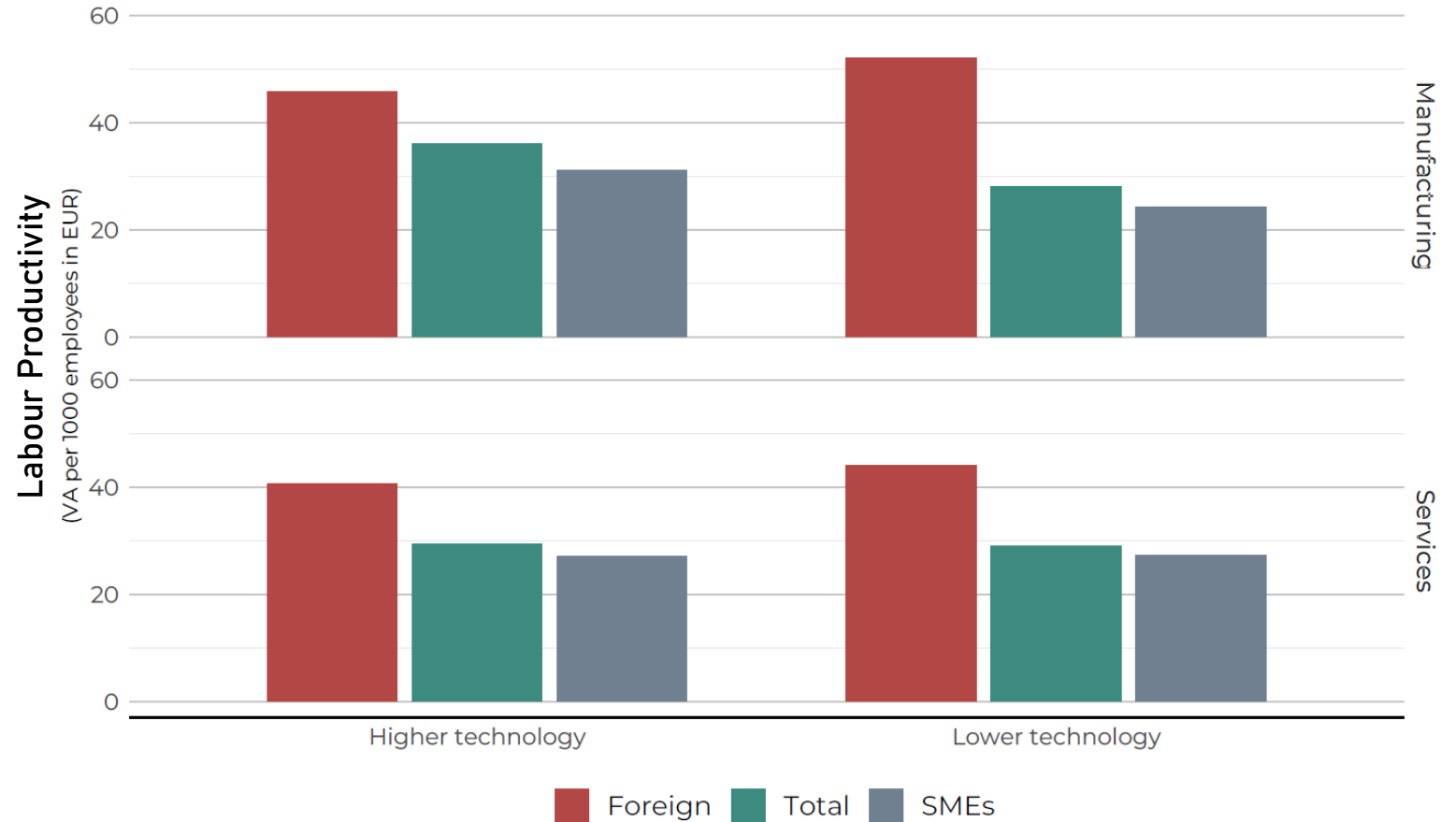
Number of exporting foreign firms in Portugal

16%

Their importance for employment, and represent and 46.3% of exports

70%

% in which affiliates of foreign firms in Portugal are more productive than domestic firms



Source: OECD and Eurostat

# Strong export performance and some competitive sectors

1/2

Importance of exports to GDP

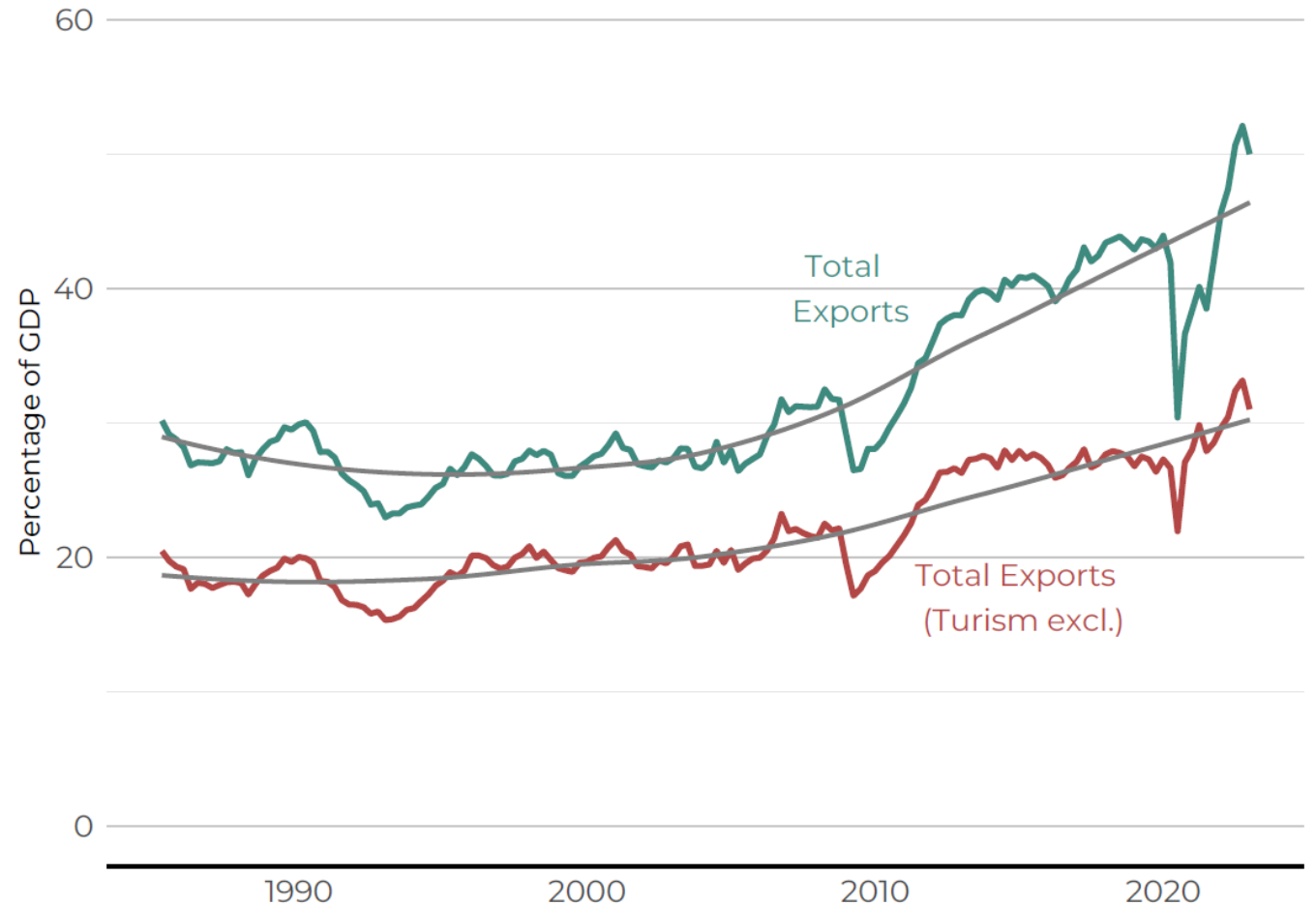
6%

average annual real growth rate of tourism exports between 2010 and 2022

4%

average annual real growth rate of non-tourism exports between 2010 and 2022

Goods and services exports (Non-Tourism) in Percentage of GDP



Source: Banco de Portugal

# Small number of large companies is a problem for productivity and internationalization

23%

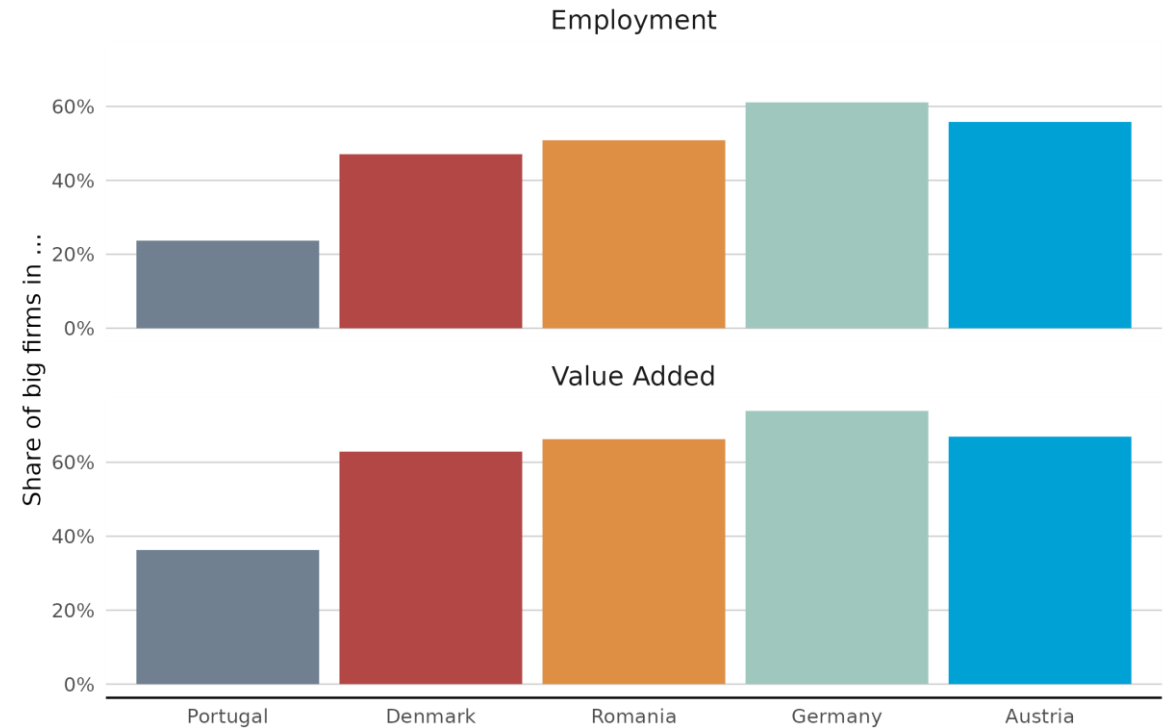
Share of manufacturing employment in large firms (>250 workers) (38% share of VAB)

893  
156  
10

Number of private firms with:  
> 250 workers  
> 1000 workers  
> 5000 workers

55%

Share of industrial exports made by the top 1% larger firms



Source: OECD, 2019. Only manufacturing is considered.

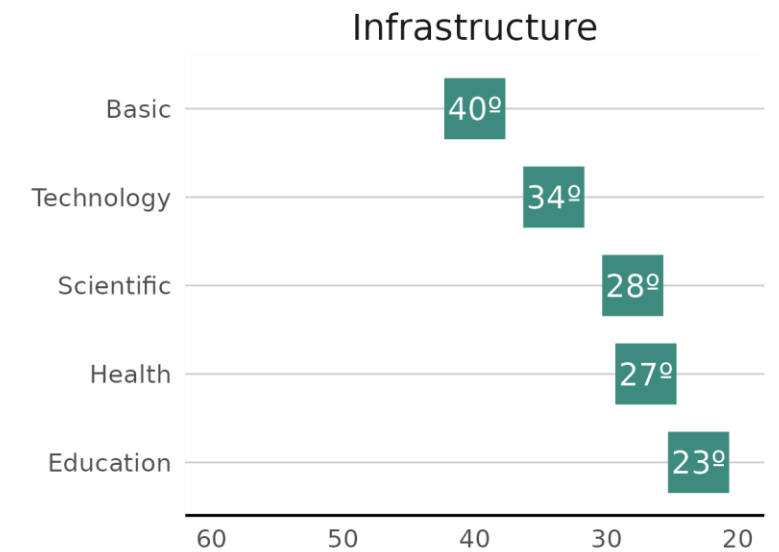
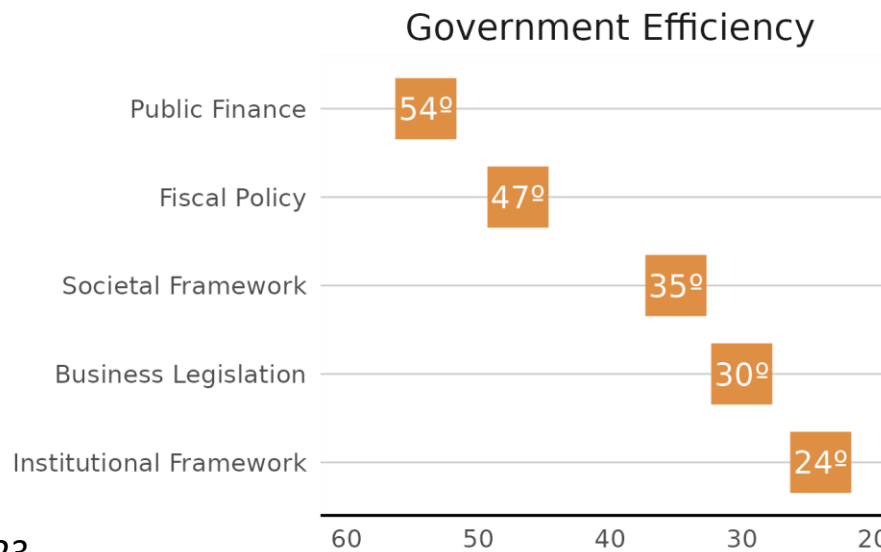
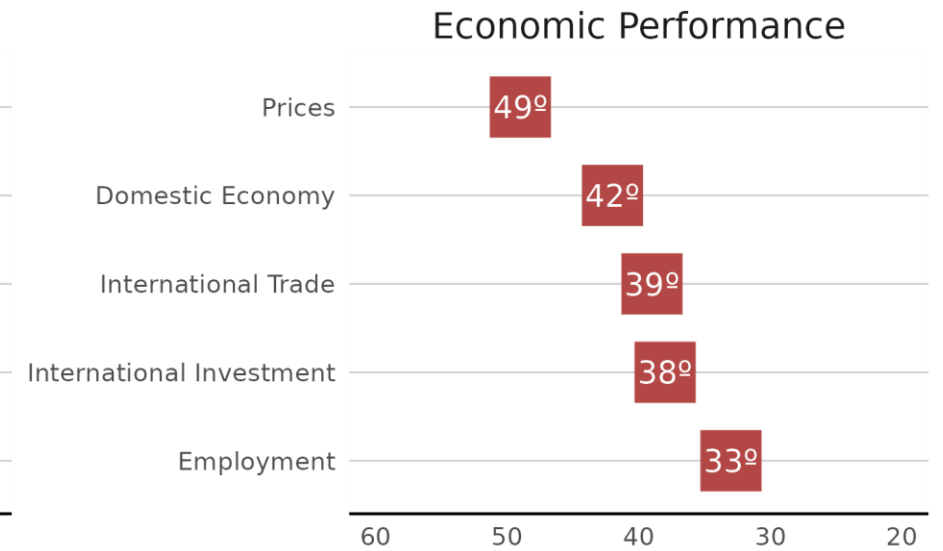
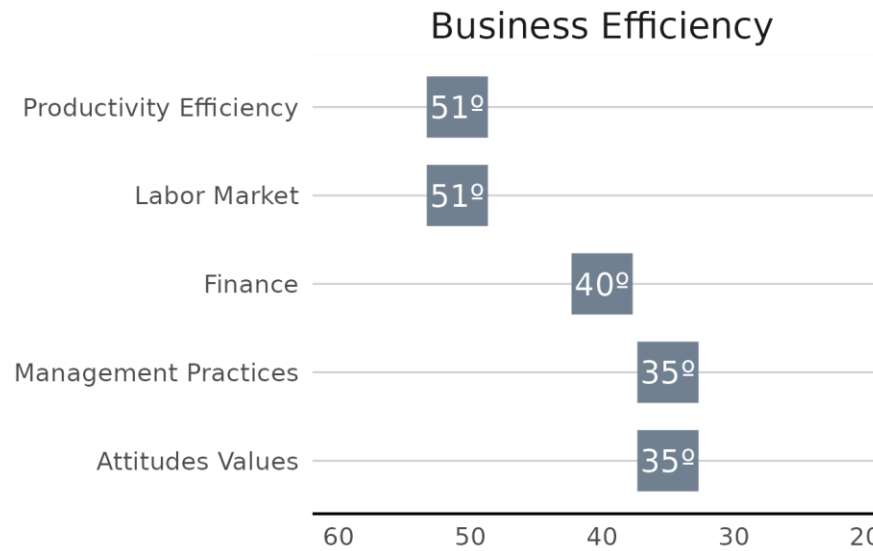
# A competitive economy in several dimensions



- Infrastructure
- Employment Level
- Quality of Life



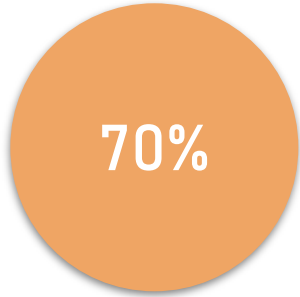
- Productivity
- Labor Flexibility
- Public Finances



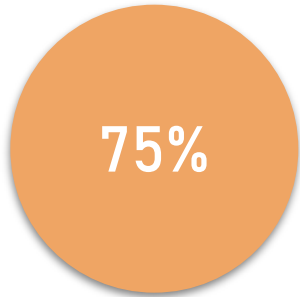


Policies

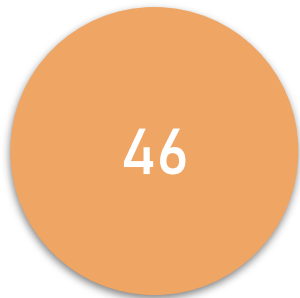
# Operating Challenges in Portugal



**% of top CEOs that identify sudden changes in laws and regulation as an obstacle to business**

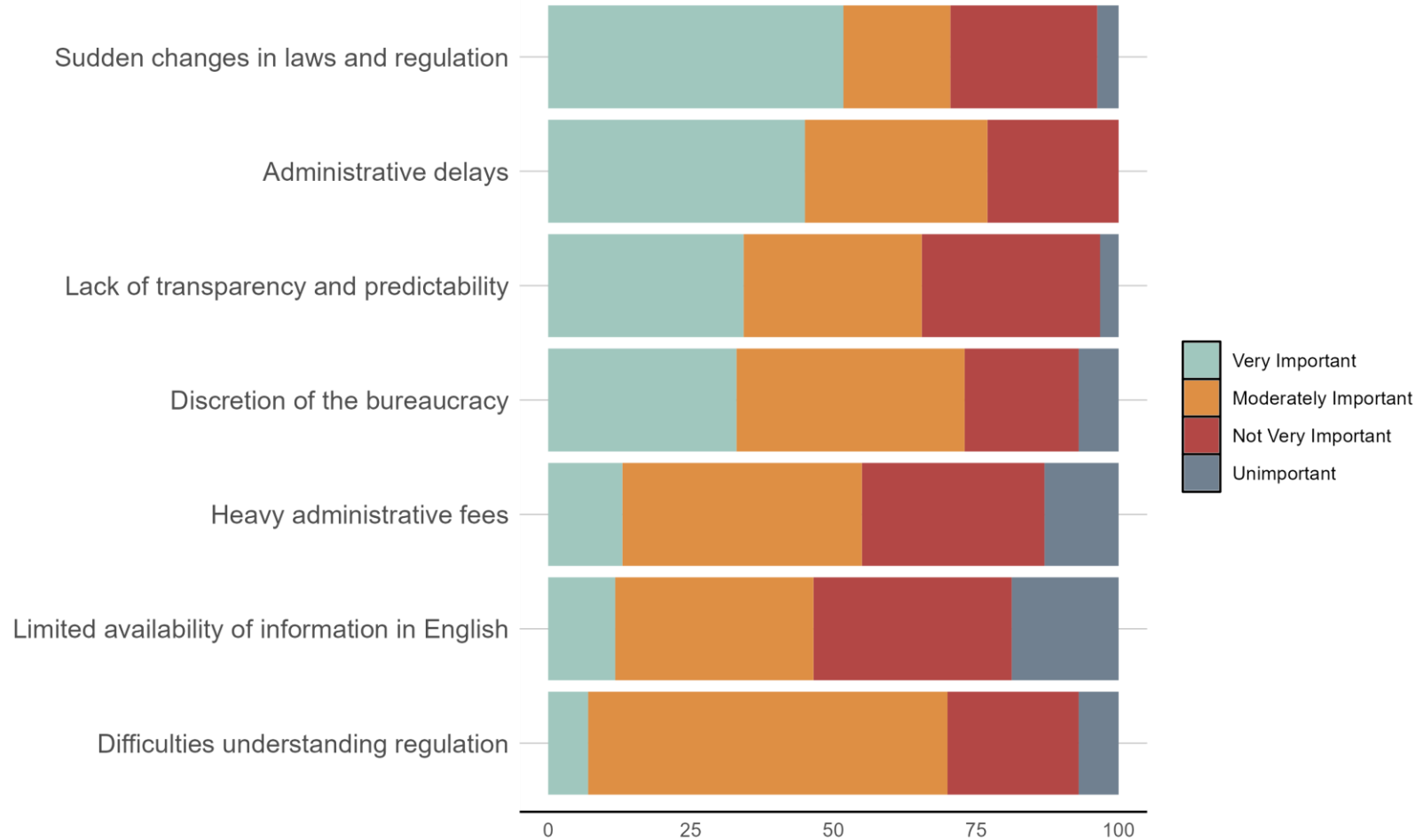


**% of top CEOs that identify administrative delays are an obstacle to business**



**average months it takes to settle a case in a fiscal court**

Top CEOs were asked to what degree the listed factors act as an obstacle to their company's operations in Portugal.



Source: OCDE - The Impact of Regulation on International Investment in Portugal

# Where Does Portugal Stand in Terms of Taxation in Europe?

Below

EU average in total tax revenue as % of GDP

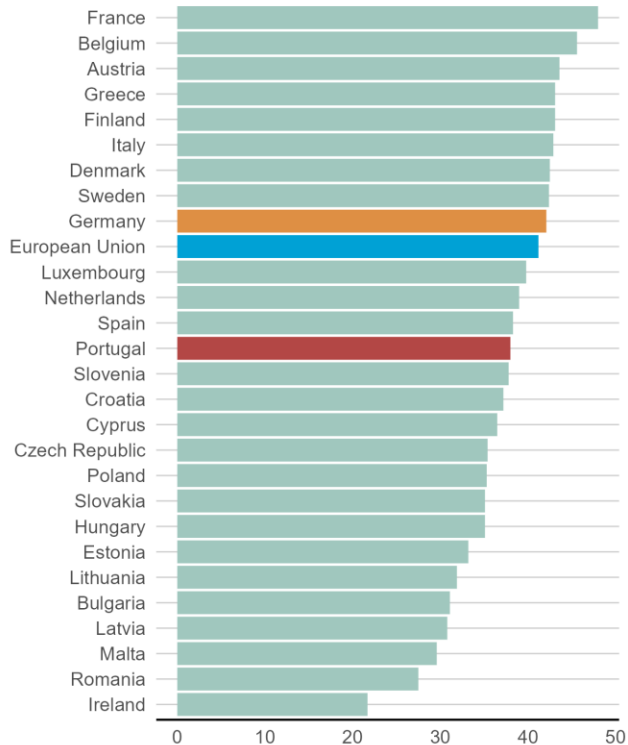
Similar

EU average in total tax revenue collected from corporations

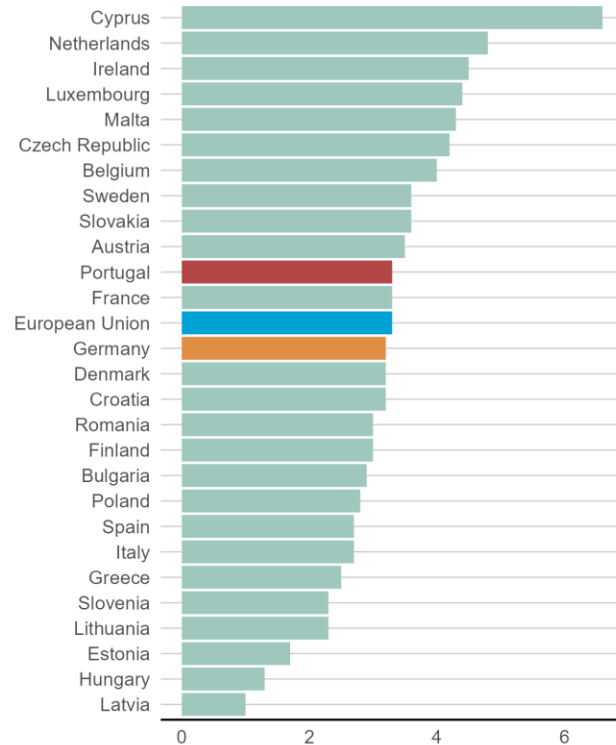
Above

EU average in effective tax rate

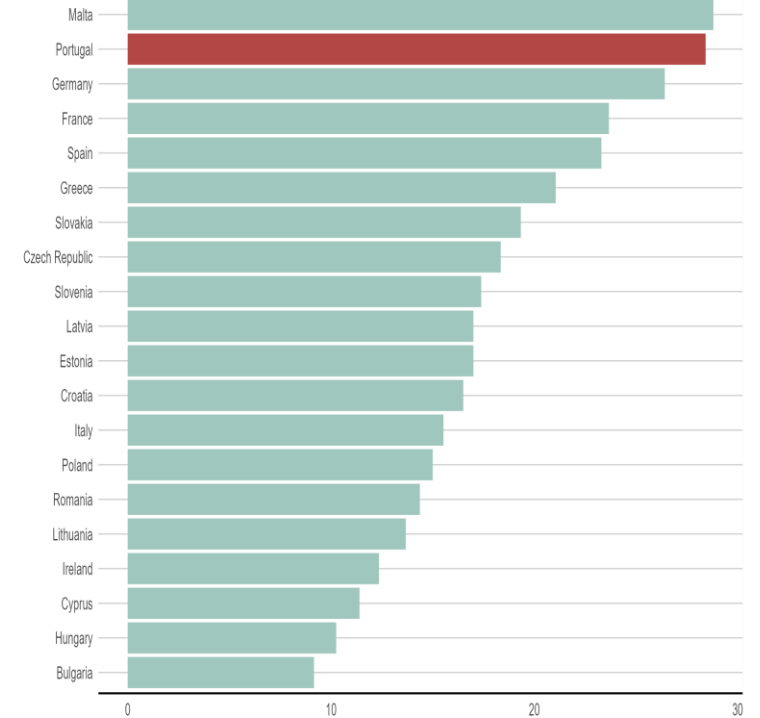
Total tax Revenue(% of GDP)



Tax revenue from Corporations(% of GDP)



Effective Average Tax Rate



Source: OECD

Eurostat; The right bar plot shows the taxes on the income or profits.



# Portugal Has Several Programs to Support Firms' Investments

42%

Percentage of IRC that is given back to firms as benefits.

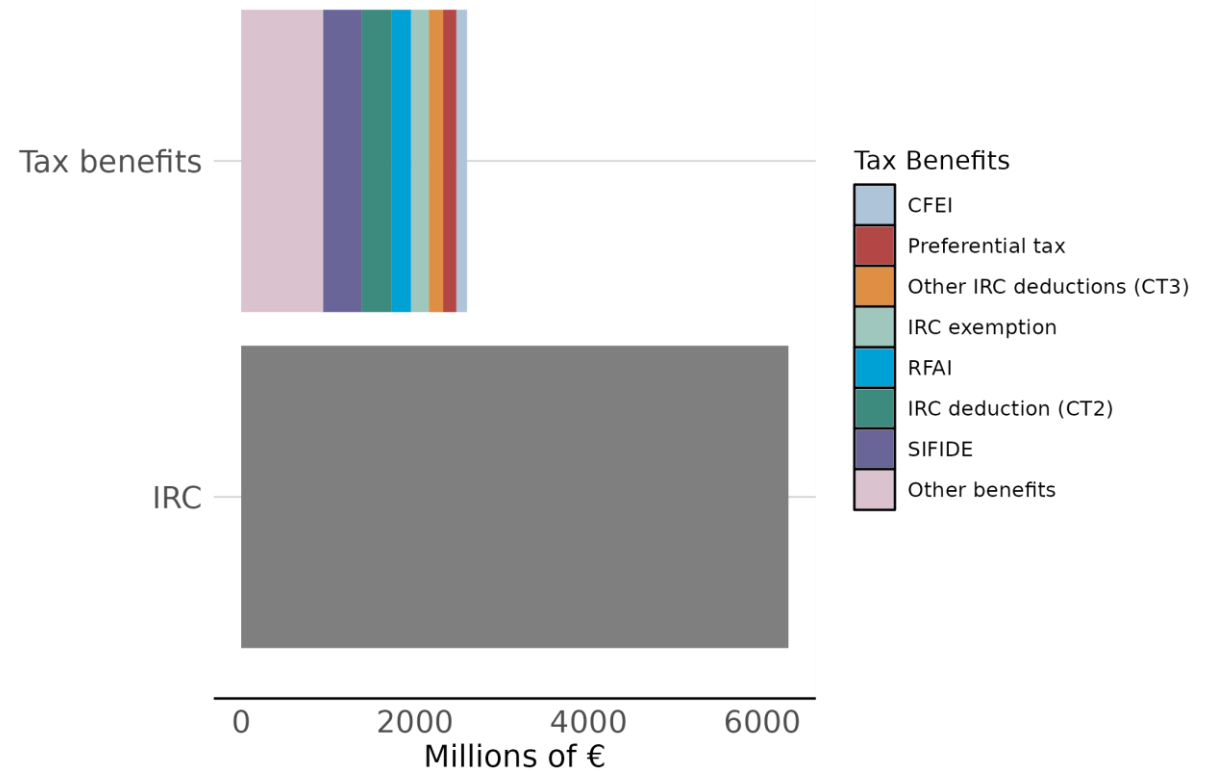
R&D  
tax  
credit

SIFIDE is one of the largest R&D tax credit programs in the world

48%

Growth of fiscal benefits from 2016 to 2022.

### IRC and Tax Benefits for Firms (2022)



Source: Conta Geral do Estado, 2022

# Portuguese Startup Ecosystem

1.1 %

Of GDP is the Portuguese startup ecosystem.

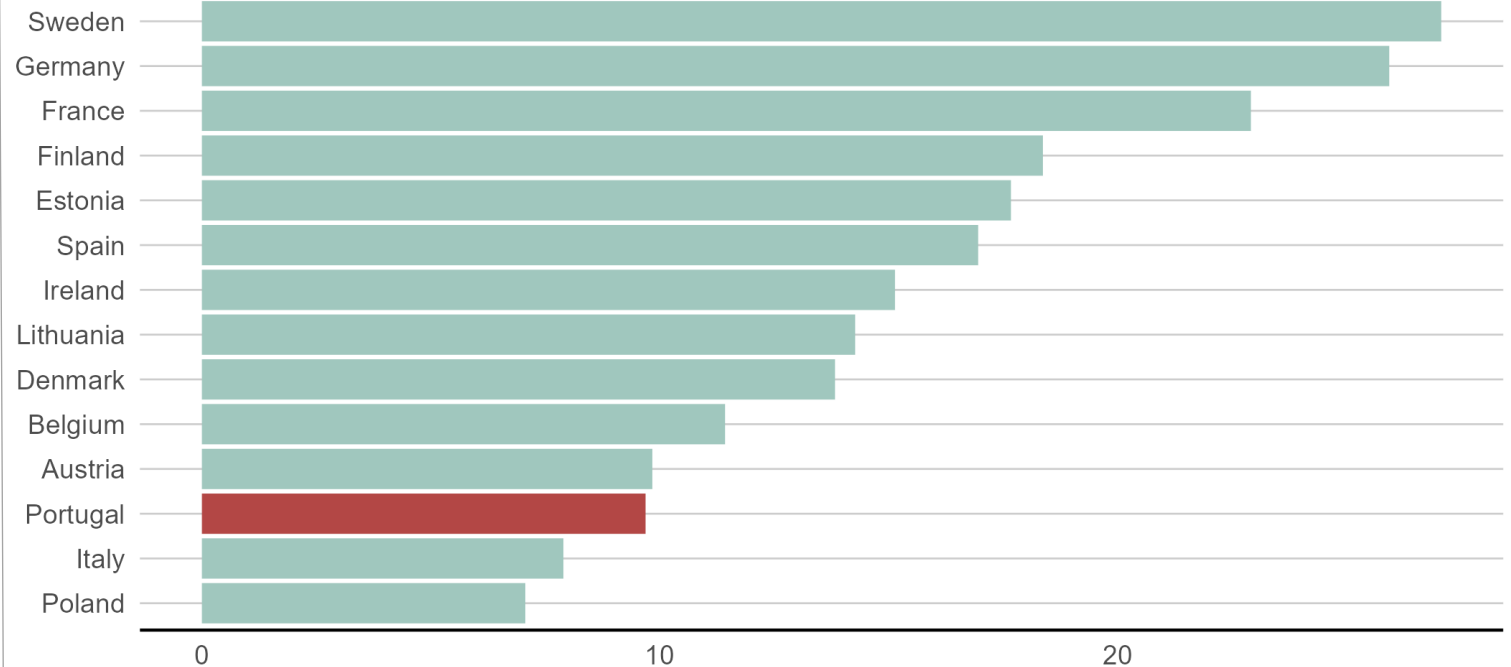
13%

Above the European average in average number of startups

6

Portuguese Unicorns: OutSystems, Feedzai, Talkdesk, Remote, SWORD Health, Anchorage

### Startup Ecosystem in European Union



Source: Startup Ecosystem Report 2023

26th Worldwide

14th in the Regional Ranking

12th in European Union

# Conclusion

## Portugal's Economic Outlook

- Portugal shows promise but faces challenges.
- Growing educated workforce and foreign investment potential drive growth.

## Addressing Challenges

- Wage disparities, difficulty in retaining value in FDI investments, small firm size, and productivity issues need attention.
- Investment in education, digitalization, and regulatory reforms planned.

## Striving for Growth

- Foster competitive business environment (regulatory environment, taxation).
- Promoting effective firm policies.
- Prioritize sustainability for global positioning and inclusive growth.