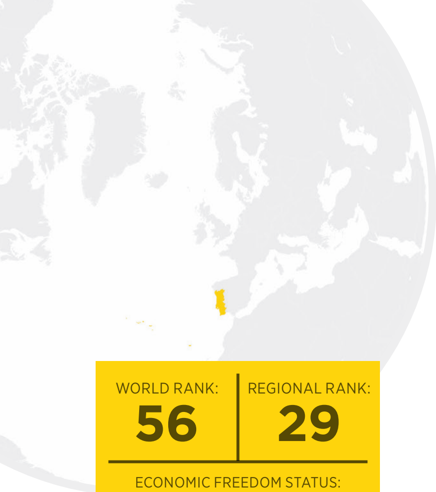


# PORTUGAL

WORLD RANK: **56** | REGIONAL RANK: **29**

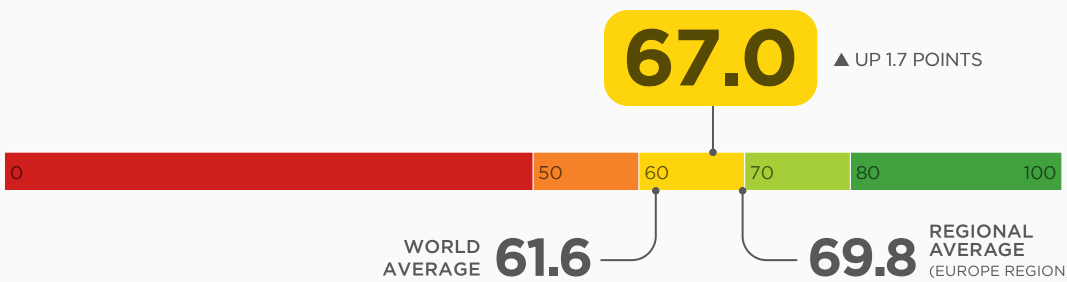
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Portugal's economic freedom score is 67.0, making its economy the 56th freest in the 2020 *Index*. Its overall score has increased by 1.7 points due primarily to an increase in the **government integrity** score. Portugal is ranked 29th among 45 countries in the Europe region, and its overall score is slightly below the regional average and well above the world average.

The Portuguese economy has been rated moderately free since the inception of the *Index* in 1995. GDP growth has been soft for the past five years as investment growth and exports have contracted in the context of weaker eurozone momentum.

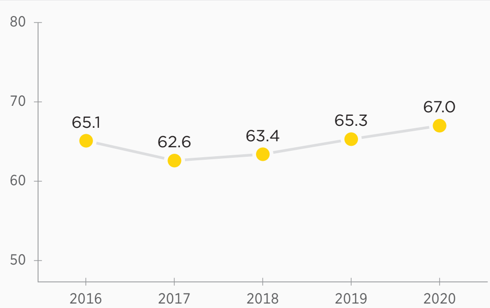
The two lagging *Index* indicators that the last conservative government tried to improve (government spending and labor freedom) are still the main problems holding back economic freedom in Portugal. Now, however, with GDP growth slowing and a weak financial sector posing risks, there is a growing political consensus around the types of fiscally prudent policies that the socialists recently rejected.

## ECONOMIC FREEDOM SCORE




HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +4.6

## RECENT FREEDOM TREND




## QUICK FACTS

**POPULATION:**
10.3 million

**GDP (PPP):**
$329.2 billion
2.1% growth in 2018
5-year compound annual growth 1.9%
$32,006 per capita

**UNEMPLOYMENT:**
6.9%

**INFLATION (CPI):**
1.2%

**FDI INFLOW:**
$4.9 billion

**PUBLIC DEBT:**
121.4% of GDP

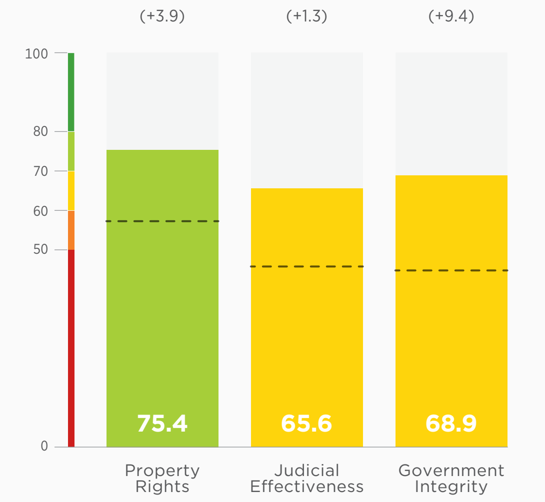
*2018 data unless otherwise noted. Data compiled as of September 2019*

**BACKGROUND:** Portugal returned to democracy in 1976 and joined the European Union in 1986. Socialist Prime Minister António Costa, first elected in 2015, was able to form another minority government after October 2019 elections. To pass legislation, he will depend, as before, on the support of the Communists and other hard-left parties. Costa terminated many of his predecessor's reforms that had reduced the deficit, allowed a return to bond markets, and reduced labor market rigidities. Leading sectors include financial services, telecommunications, and a buoyant tourism industry. In April 2019, shareholders of Portugal's largest electrical utility blocked a takeover bid by its largest shareholder, a Chinese state-owned enterprise. Unemployment has fallen significantly since 2013, but joblessness among youth remains persistently high.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

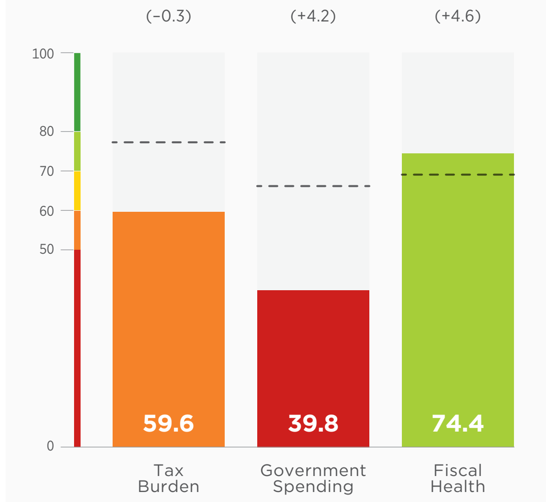
# 12 ECONOMIC FREEDOMS | PORTUGAL

## RULE OF LAW



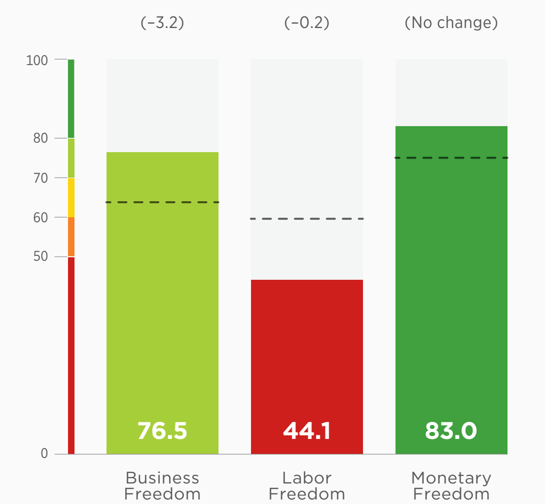

Enforcement of property rights is reliable. Online registration of property is fairly easy. The independence of the judiciary is respected, although staff shortages and inefficiency have created a large case backlog. Lawmakers have made progress in further criminalizing corruption, but a 2019 Council of Europe report found Portugal to be the least compliant European country in the upgrading of anticorruption measures.

## GOVERNMENT SIZE



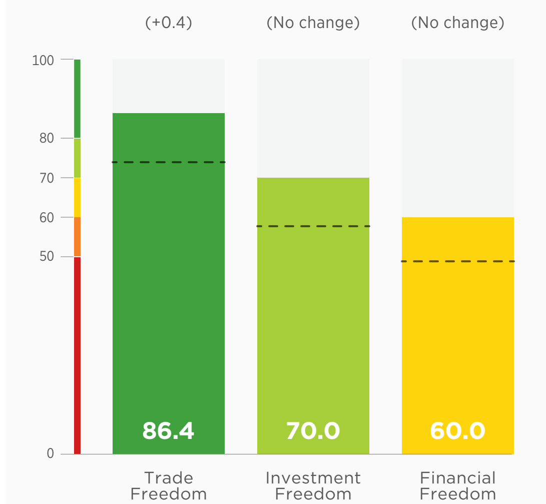

The top personal income tax rate is 48 percent, and the top corporate tax rate is 23 percent. Other taxes include a value-added tax. The overall tax burden equals 34.7 percent of total domestic income. Government spending has amounted to 41.3 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.9 percent of GDP. Public debt is equivalent to 121.4 percent of GDP.

## REGULATORY EFFICIENCY




With an efficient regulatory framework and transparent rules for forming and operating a private enterprise, the overall business environment is still attractive. The inflexibility of labor regulations remains burdensome and costly. Low labor productivity is also a challenge. In 2019, the European Commission approved a €320 million program to subsidize state-owned biomass energy production at stations with a high risk of forest fires.

## OPEN MARKETS




The total value of exports and imports of goods and services equals 87.0 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. The overall investment framework is efficient, but some sectors are restricted. The financial sector has undergone an intense restructuring process that has resulted in greater solvency, liquidity, and asset quality.