

MASTER FILES

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SM/85/237
Correction 1

CONTAINS CONFIDENTIAL
INFORMATION

September 4, 1985

To: Members of the Executive Board
From: The Secretary
Subject: Portugal - Staff Report for the 1985 Article IV Consultation

The following corrections have been made in SM/85/237 (8/19/85):

Page 19, Table 2, last column, line 4: for "2,694" read "2,699"
line 6: for "3,016" read "3,015"

Page 21, Table 4, column 1, last line: for "22.2" read "22.3"

Page 22, Table 5, line 8: for "-0.9" read "-0.3"

Corrected pages are attached.

Att: (3)

Other Distribution:
Department Heads

Table 2. Portugal: External Debt Outstanding and Debt Service Ratio, 1982-84

(In millions of U.S. dollars; end of period)

	1982		1983		1984	
	Total	Of which: Short-term	Total	Of which: Short-term	Total	Of which: Short-term
General Government	2,865	—	3,435	—	3,843	—
Bank of Portugal	670	120	1,089	300	1,051	200
Other monetary institutions and nonmonetary financial sector	1,469	51	1,805	71	1,799	13
Public enterprises	7,747	3,514	7,380	2,907	7,644	2,699
Nonfinancial private sector	910	177	776	144	601	103
Total	<u>13,661</u>	<u>3,862</u>	<u>14,485</u>	<u>3,422</u>	<u>14,938</u>	<u>3,015</u>
Of which:						
Government and government- guaranteed	4,730	176	5,855	343	6,191	...
Bank guaranteed	816	6	660	10	474	...
Memorandum items: (in percent)						
Share of short-term debt	28.3	...	23.7	...	20.1	...
Ratio of debt to GDP	58.4	...	70.4	...	77.4	...
Ratio of debt to foreign exchange earnings ^{1/}	158.0	...	169.6	...	158.6	...
Ratio of debt to gross international reserves ^{2/}	117.9	...	146.1	...	169.5	...
Ratio of debt service ^{3/} to foreign exchange earnings	27.1	...	27.6	...	35.5	...

Sources: Bank of Portugal; and staff estimates.

^{1/} Foreign exchange earnings from exports of goods and services plus remittances.

^{2/} With gold valued at the quarterly average London market price.

^{3/} Excluding amortizations of short-term debt.

Table 3. Portugal: Monetary Survey, 1983-85

(In billions of escudos; end of period)

	1983	1984		1985	1983		1984		1985
	Outturn	Program	Outturn	Official forecast	Program	Outturn	Program	Outturn	Official forecast
					Percentage changes				
Net foreign assets of the banking system	760.1	764.0	1,039.9	1,200.0	...	...	...	...	...
(In millions of U.S. dollars)	(4,850.0)	(4,850.0)	(5,192.0)	(5,981.0)	...	...	...	...	...
Total domestic credit	2,528.3	3,096.0	3,102.7	3,820.0	27.5 <u>3/</u>	19.9 <u>3/</u>	21.0 <u>3/</u>	21.4 <u>3/</u>	21.9 <u>3/</u>
Of which:									
To enlarged public sector	943.9	1,158.0	1,236.1	1,503.1	...	23.9 <u>3/</u>	19.2 <u>3/</u>	26.3 <u>3/</u>	19.0 <u>3/</u>
To General Government	582.7 <u>1/</u>	710.0	774.3	1,055.3	26.5	19.1 <u>3/</u>	16.9 <u>3/</u>	25.5 <u>3/</u>	29.8
To public enterprises	361.2	448.0	461.8	447.8	...	35.3	24.0	27.9	-3.1
To private sector <u>2/</u>	1,584.4	1,938.0	1,866.6	2,316.9	...	17.5	22.3	17.8	24.1
Total assets	3,288.4	3,860.0	4,142.6	5,020.0	24.0 <u>3/</u>	23.0 <u>3/</u>	16.5 <u>3/</u>	24.7 <u>3/</u>	20.4 <u>3/</u>
M1	651.9	730.0	750.8	...	10.0	8.7	12.0	15.2	...
Time deposits of residents <u>4/</u>	1,274.5	1,562.0	1,645.2	...	25.4	21.1	23.3	29.1	...
M2	1,926.4	2,292.0	2,396.0	3,031.0	19.9	16.6	19.5	24.4	26.5
Emigrants' deposits	650.8	866.0	885.2	1,177.0	36.5	33.1	33.0	36.0	33.0
Nonmonetary financial institutions	25.7	28.0	35.5	35.0	...	...	...	...	...
M2*	2,602.8	3,186.0	3,316.7	4,243.0	23.1	20.3	22.8	27.4	27.9
Nonmonetary liabilities	105.2	113.5	124.4	141.0	...	...	...	...	...
Exchange rate valuation	392.7	390.0	526.9	506.0	...	...	...	...	...
Other items, net	187.6	170.5	174.7	130.0	...	...	...	...	...
Memorandum items:									
Percentage change in total domestic and external credit <u>5/</u>	...	...	...	...	23.1	17.9	21.0	20.1	22.8
Percentage change in total domestic and external credit to the enlarged public sector	...	...	...	...	...	20.9	21.7	24.5 <u>6/</u>	23.4 <u>6/</u>
Percentage change in velocity of M2* <u>7/</u>	...	...	...	...	0.8	5.0	-0.8	-4.6	-3.1
Interest rate on six-month deposits <u>8/</u>	...	...	...	...	28.0	28.0	28.0	28.0	24.0

Source: Data provided by the Portuguese authorities.

1/ Performance clauses.

2/ Including state participated enterprises and nonmonetary financial institutions.

3/ Percentage changes calculated including in total domestic credit (credit to the public sector) Esc 168.7 billion as counterpart of revaluation of gold reserves in February 1980.

4/ Excluding time deposits of public sector.

5/ The percentage changes in the external credit component are calculated by reference to the flow of borrowing in each year converted at average exchange rates.

6/ 23.9 percent in 1984 and 24.9 percent in 1985 including payments by the Exchange Guarantee Fund of the Bank of Portugal to selected public enterprises (see footnote 4, Table 7). These amounts are included with a negative sign in the exchange rate valuation item.

7/ Through the year.

8/ End of period.

Table 4. Portugal: Public Sector Operations, 1982-85

(In billions of escudos)

	1982	1983		1984		1985	1984 1/ 1985	
		Program	Outturn	Program	Outturn <u>1/</u>	Official forecast	Percentage changes	
General Government								
Current revenue	563.7	774.0	768.1	980.0	901.3	1,105.1	17.3	22.6
Direct taxes	138.9	196.0	195.0	228.0	232.3	304.4	19.1	31.0
Indirect taxes	261.0	361.0	359.5	478.0	423.9	531.2	15.2	25.3
Social security contributions	140.3	167.0	166.0	195.0	191.2	230.5	15.2	20.6
Nontax revenue	23.5	50.0	47.6	79.0	53.9	39.0	13.2	-27.6
Current expenditure	643.9	836.0	824.2	1,072.0	1,017.4	1,307.0	23.4	29.2
Wages and purchases	280.7	340.0	337.6	407.0	415.5	509.5	23.1	22.6
Subsidies <u>2/</u>	79.9	108.0	112.2	144.0	121.2	125.0	8.0	3.1
Transfers	182.2	227.0	227.5	282.0	280.6	364.5	23.3	29.9
Interest payments	101.1	161.0	146.9	239.0	200.1	308.0	36.2	53.9
Current deficit	80.2	62.0	56.1	92.0	116.1	201.9	...	...
Capital revenue	14.7	13.0	16.0	17.0	23.2	20.2	45.0	-12.9
Capital expenditures	100.2	114.0	122.0	121.0	124.6	145.2	2.1	16.5
Investment	71.4	78.0	81.0	83.0	80.7	86.6	--	7.3
Transfers	28.8	36.0	41.0	38.0	43.9	58.6	7.1	33.5
Net lending	25.8	27.0	30.3	49.0	37.1	37.0	22.4	--
Overall deficit	191.5	190.0	192.4	245.0	254.6	363.9	...	...
Treasury operations and other adjustments (net)	27.5	39.0	12.7	7.0	24.0	29.5	...	...
Borrowing requirements	219.0	229.0	205.1	252.0	278.6	393.4	...	...
Financed by:								
Domestic bank credit	156.9	167.0	119.0	127.0	193.4	281.0	...	...
External credit	53.4	60.0	80.0	120.0	76.2	97.9	...	...
Other	8.7	2.0	6.1	5.0	9.0	14.5	...	...
Public enterprises								
Borrowing requirements	191.5	...	140.2	163.0	217.6	210.4	...	...
Financed by:								
Domestic bank credit	24.2	...	106.7	86.5	99.6	-14.0	...	...
External credit	153.4	...	25.6	71.5	86.0	178.4	...	...
Other	13.9	...	7.9	5.0	32.0 <u>3/</u>	46.0 <u>3/</u>	...	...
Memorandum items: (In percent of GDP)								
Tax revenue	29.3	31.2	31.5	31.6	30.0	30.6	...	...
Total general government expenditure	41.7	42.2	42.7	43.5	41.8	42.8	...	...
Of which:								
Interest payments	5.5	6.9	6.5	8.3	7.1	8.9	...	...
General government borrowing requirements	11.9	9.9	9.0	8.7	9.9	11.3	...	...
Public enterprises borrowing requirements	10.4	...	6.1	5.7	7.7	6.0	...	...
Enlarged public sector borrowing requirements	22.3	...	15.1	14.4	17.6	17.4	...	...

Source: Data provided by the Portuguese authorities.

1/ Provisional estimates.

2/ Including repayments of arrears of the Supply Fund to public enterprises which import essential foodstuffs and petroleum products.

3/ Including payments by the Bank of Portugal of arrears of the Exchange Guarantee Fund to public enterprises which import essential foodstuffs and petroleum products, amounting to Esc 27.3 billion in 1984 and Esc 40 billion in 1985.

Table 5. Portugal: Selected Economic Indicators, 1982-85

(Percentage changes)

	1982	1983		1984		1985 ^{2/}
		Program	Outturn	Program	Outturn ^{1/}	
Real demand and output						
Gross domestic expenditures	3.4	-3.7	-6.9	-4.7	-7.0	--
Private consumption	2.0	-1.6	-1.0	-2.0	-3.0	--
Public consumption	3.5	2.0	4.0	2.5	1.4	1.5
Gross fixed investment	2.9	-3.5	-7.9	-13.0	-18.0	-6.3
Increase in inventories ^{3/}	1.3	-2.6	-5.8	-0.5	-0.7	1.3
Foreign balance ^{3/}	-0.6	2.6	8.3	3.9	6.0	1.8
GDP at market prices	3.5	-1.1	--	-1.4	-1.7	1.8
Labor market						
Employment	-0.3	-1.0	... ^{4/}	-1.0	-1.0 ^{5/}	--
Unemployment rate (levels)	7.4	11.0	10.2 ^{4/}	11.0 ^{4/}	10.5	...
Wage bill	20.5	19.0	19.0	18.0	15.1	19.0
Unit labor costs in industry	14.7	20.0	15.0	18.0	14.3	16.0
Prices						
Consumer prices (average)	22.4	25.0	25.5	29.0	29.3	22.0
Consumer prices (through the year)	18.8	28.5	33.9	23.0	21.2	20.0
GDP deflator (average)	21.4	22.2	24.0	27.0	25.5	21.0
Disposable income of households	22.2	...	21.0	22.9	24.5	21.9
Households' savings ratio (levels)	27.5	...	25.1	21.8	24.6	24.5

Sources: Data provided by the Portuguese authorities; and Fund staff estimates.

^{1/} Provisional estimates.

^{2/} Official forecasts.

^{3/} Contribution to GDP growth.

^{4/} Based on a new methodology in the labor force survey adopted by the National Institute of Statistics since January 1983.

^{5/} Last three quarters of 1984 over last three quarters of 1983.