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Report No. 730a-PO

Current Economic Position and Prospects of Portugal

July 1, 1975

Europe, Middle East and North Africa Region

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CURRENCY EQUIVALENTS

Until 1971	1 US dollar	= 28.75 escudos
	1 escudo	= 0.035 US dollar
1972	1 US dollar	= 27.25 escudos
	1 escudo	= 0.037 US dollar
1973	1 US dollar	= 24.67 escudos
	1 escudo	= 0.041 US dollar
1974	1 US dollar	= 25.41 escudos
	1 escudo	= 0.039 US dollars

CURRENT ECONOMIC POSITION AND PROSPECTS OF PORTUGAL

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STATISTICAL APPENDIX

This report is based on the findings of a mission which visited Portugal in January/February 1975. The mission included Messrs. O. Maiss (chief), S. Rangachar (general economist), E. Greenshields (agricultural economist, consultant), S. El Serafy (industrial economist), V. Wouters (transport economist) and M. Botti (education economist, UNESCO).

COUNTRY DATA - PORTUGAL

AREA	POPULATION	DENSITY
92,072 km^2	8.57 million (mid-1974) Natural growth: 0.9% p.a. Actual growth, 1960-74: -0.2% p.a.	93 per km^2

POPULATION CHARACTERISTICS 1973	
Crude Birth Rate (per 1,000)	20.1
Crude Death Rate (per 1,000)	11.1
Infant Mortality (per 1,000 live births)	50

HEALTH	
Population per physician	896
Population per hospital bed	160

NUTRITION (1970)	
Per capita calorie intake as % of requirements	118
Per capita protein intake (grams per day)	85

EDUCATION (1973)	
Adult literacy rate %	65
Primary school enrollment %	100

LAND OWNERSHIP (1968)

(in % of total)	Owners	Land holding
up to 4 ha.	78	15
4-50 ha.	21	34
over 50 ha.	1	51

GROSS NATIONAL PRODUCT IN 1974

ANNUAL RATES OF GROWTH (%, constant prices)

	US$ Mln.	%	1963-73	1972	1973	1974 e/
GNP at Market Prices	14,990	100	7.9	8.3	11.6	0.8
Private and Public Consumption	13,410	89	7.3	5.7	12.0	9.2
Gross National Saving	1,590	11	11.3	21.0	10.0	-35.6
Gross Domestic Investment	2,460	16	9.2	15.4	12.5	- 8.2
Current Account Deficit	870	6				
Exports of Goods and NFS	3,270	22	9.8	9.5	9.8	-0-
Imports of Goods and NFS	5,390	36	11.3	8.7	11.2	12.7
GDP at Factor Cost	12,890	100	7.7	11.7	11.9	2.3
of which:						
Agriculture	1,920	15	1.5	5.9	6.5	1.4
Industry	5,710	44	10.0	13.1	14.6	2.9
Services	5,250	41	6.7	12.2	10.1	1.6

LABOR FORCE AND PRODUCTIVITY IN 1974

	Labor Force		V. A. Per Worker	
	1,000	%	US $	%
Agriculture	804	28	2,260	52
Industry	998	35	5,600	130
Services	1,084	37	4,650	108
Total/Average	2,886	100	4,320	100

GOVERNMENT FINANCE

	1971	1972	1973	1974	
	(----- billion escudos -----)				(% of GNP)
Current Receipts	36.9	41.6	48.4	57.8	15.?
Current Expenditures	32.2	35.0	42.1	62.2	16.?
of which: defense	15.3	15.4	17.8	24.0	6.?
education	3.3	4.5	5.8	8.1	2.1
Current Surplus/Deficit	4.7	6.6	6.3	- 4.4	- 1.2
Capital Expenditure	6.2	7.8	8.5	12.9	3.4
Overall Deficit	-1.5	-1.2	-2.2	-17.3	- 4.5

COUNTRY DATA - PORTUGAL (Cont'd)

MONEY, CREDIT, WAGES AND PRICES

	End 1974 p/ bil. escudos	Annual Percentage Increase 1972	1973	1974
Money and Quasi-money	335	20.6	23.4	10.6
of which: currency	70	13.1	6.0	81.9
sight deposits	140	19.5	35.3	- 8.8
time deposits	125	25.2	15.9	12.6
Bank Credit	302	24.0	30.1	21.3
of which: private sector	290	23.0	32.6	19.6
public sector	12	49.1	-23.6	83.0
Wages (Lisbon)		8.5	11.8	35.6
Wholesale Prices (Lisbon)		5.9	11.1	28.2
Consumer Prices (Lisbon)		10.7	12.9	25.1

BALANCE OF PAYMENTS

	1971	1972	1973	1974
	(------ US$ Million			-------)
Exports, fob	987.8	1,225.7	1,739.0	2,168.4
Imports, fob	1,638.3	1,981.7	2,756.4	4,195.1
of which: crude oil (cif)	97.4	99.1	129.7	440.8
Trade Deficit	-650.5	-756.0	-1,017.4	-2,026.7
Tourism, Gross	212.2	260.6	320.2	499.8
Other NFS, net	-121.7	-77.1	-239.2	- 590.3
Factor Income, net	678.3	895.4	1,183.6	1,243.6
Current Balance	118.3	322.9	247.2	- 873.6
MLT Capital, net	83.4	29.4	-52.7	
of which: direct investment	41.7	66.1	56.7	114.1
loans	41.7	-36.7	-109.4	
ST Capital and Errors and Omissions	156.5	7.3	190.5	
Changes in Reserves (- = increase)	-358.3	-355.9	-385.1	759.5
Official Reserves, end of year	1,864.3	2,322.9	2,950.9	2,255.0
of which: gold	973.9	1,053.2	1,240.4	1,212.1
foreign exchange	890.4	1,269.7	1,710.5	1,042.9

RATES OF EXCHANGE

Through Dec. 1971	US$1.00 = Esc. 28.75
Jan. 1972 - Feb. 1973	US$1.00 = Esc. 27.25
Feb. 1973 - Jan. 1974	US$1.00 = Esc. 24.67

The exchange rate has been floating since January 22, 1974.
The average rate during 1974 was US$1.00 = Esc. 25.41

MERCHANDISE EXPORTS, 1973

	US$ Million	Percent
Agricultural and Forestry Products	583.7	34
Textiles and Footwear	539.1	31
Machinery and Equipment	231.0	13
Chemical Products	121.6	7
Others	263.5	15
Total	1,738.9	100

EXTERNAL DEBT, 1974
(Including Undisbursed)

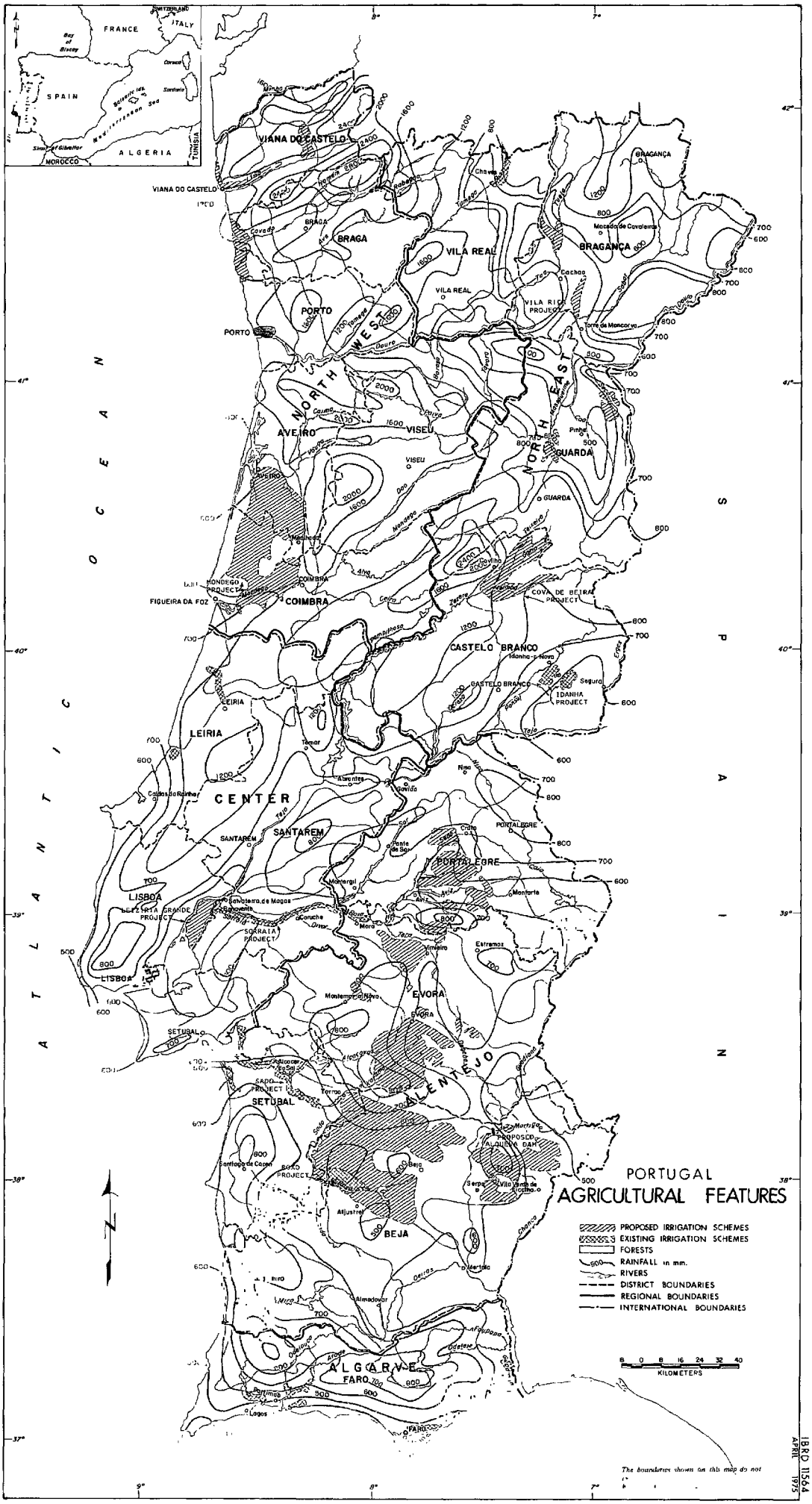
Public Debt (year end)	US$839 million
Debt Service Payments, 1975 e/	US$158 million
Debt Service Ratio, 1975 e/ (goods, NFS and FS)	3.9%

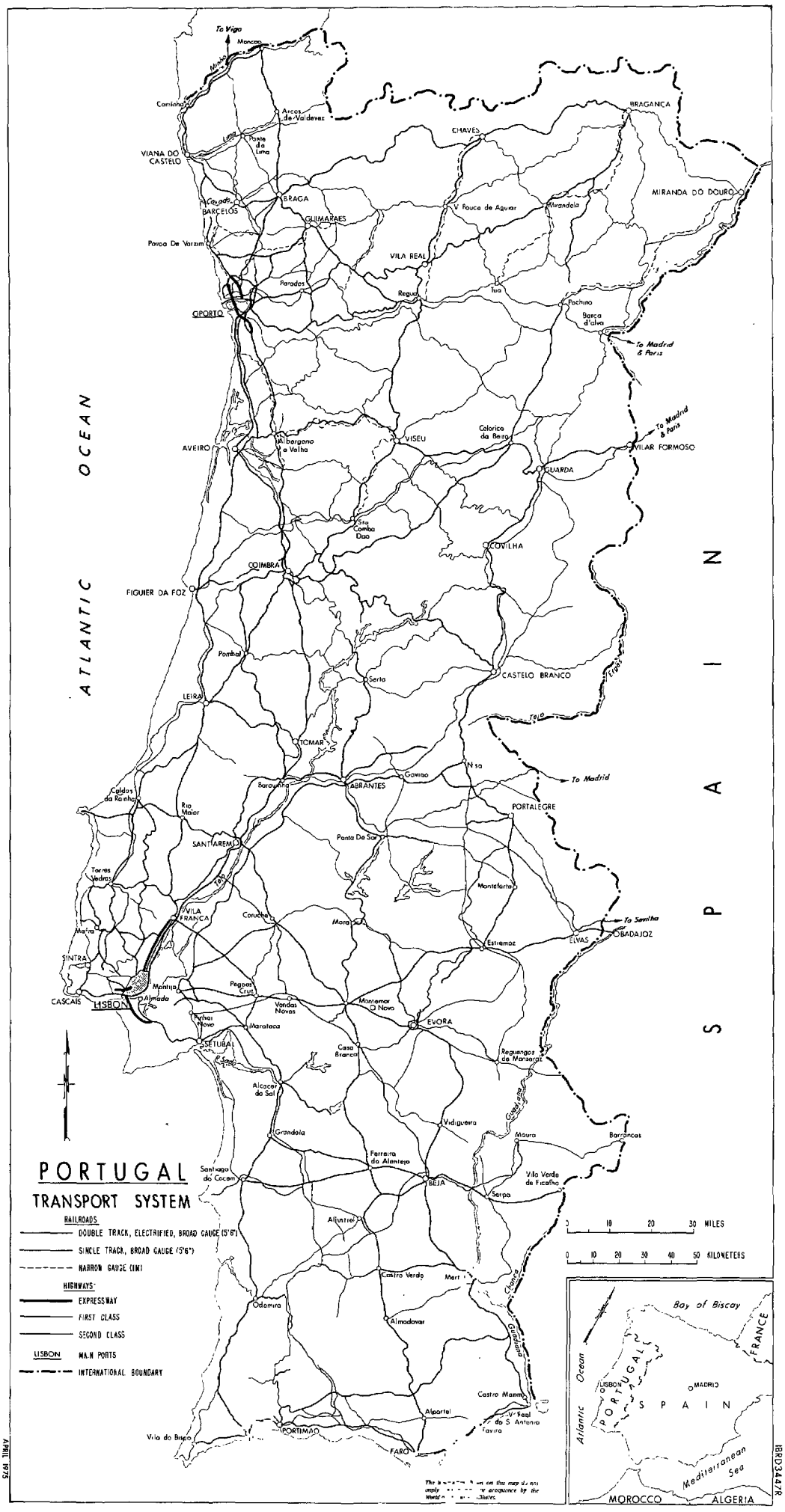
IBRD LENDING, December 31, 1974

	US$ mln.
Total Loans Outstanding and Disbursed	57.5
Principal Repayments	15.4
Effective Loans Held by Bank	42.1

e/ Estimate
p/ Preliminary

Revised 6/20/75


PORTUGAL
AGRICULTURAL FEATURES
PROPOSED IRRIGATION SCHEMES
EXISTING IRRIGATION SCHEMES
FORESTS
RAINFALL in mm.
RIVERS
DISTRICT BOUNDARIES
REGIONAL BOUNDARIES
INTERNATIONAL BOUNDARIES
KILOMETERS
The boundaries shown on this map do not
IBRD 11564
APRIL 1975
ATLANTIC OCEAN
SPAIN
FRANCE
MOROCCO
ALGERIA
VIANA DO CASTELO
BRAGA
VILA REAL
BRAGANÇA
PORTO
AVEIRO
VISEU
GUARDA
COIMBRA
FIGUEIRA DA FOZ
CASTELO BRANCO
LEIRIA
SANTAREM
PORTALEGRE
LISBOA
SETUBAL
EVORA
BEJA
FARO
ALGARVE
NORTH WEST
NORTH EAST
CENTER
ALENTEJO


To Vigo
Monção
Minho
Caminha
Arcos de Valdevez
BRAGANÇA
CHAVES
Lima
Ponte da Lima
VIANA DO CASTELO
Cavado
BARCELOS
BRAGA
GUIMARÃES
V. Pouca de Aguiar
Mirandela
MIRANDA DO DOURO
Povoa De Varzim
VILA REAL
Paredes
Régua
Tua
Pocinho
OPORTO
Barca d'alva
To Madrid & Paris
Douro
To Madrid & Paris
AVEIRO
Al. Borgano e Velha
VISEU
Caloríco da Beira
VILAR FORMOSO
GUARDA
Sta Comba Dao
COVILHÃ
COIMBRA
FIGUEIR DA FOZ
Pombal
Serta
CASTELO BRANCO
Tejo
LEIRA
TOMAR
N sa
To Madrid
Caldas da Rainha
Barquinha
ABRANTES
Gavião
PORTALEGRE
Rio Maior
SANTARÉM
Ponte De Sor
Torres Vedras
Tejo
Montalvo
VILA FRANCA
Coruche
Mora
To Santiba
Mafra
Estremoz
ELVAS
BADAJOZ
SINTRA
Montijo
Pegoes Cruz
CASCAIS
LISBON
Almada
Vendas Novas
Montemor O Novo
EVORA
Palmela
Marateca
SETUBAL
Casa Branca
Reguengos de Monsaraz
Alcacer do Sal
Guadiana
Vidigueira
Grandola
Moura
Barrancos
Ferreira do Alentejo
Santiago do Cacem
BEJA
Vila Verde de Ficalho
Serpa
Aljustrel
Castro Verde
Mert
Odemira
Almodovar
Guadiana
Castro Marim
Alportel
V. Real do S. Antonio
Vila do Bispo
PORTIMÃO
Faviro
FARO
ATLANTIC OCEAN
SPAIN
PORTUGAL
TRANSPORT SYSTEM
RAILROADS
DOUBLE TRACK, ELECTRIFIED, BROAD GAUGE (5'6")
SINGLE TRACK, BROAD GAUGE (5'6")
NARROW GAUGE (3'6")
HIGHWAYS:
EXPRESSWAY
FIRST CLASS
SECOND CLASS
LISBON MAIN PORTS
INTERNATIONAL BOUNDARY
0 10 20 30 MILES
0 10 20 30 40 50 KILOMETERS
Bay of Biscay
FRANCE
Atlantic Ocean
PORTUGAL
LISBON
MADRID
SPAIN
Mediterranean Sea
MOROCCO
ALGERIA
IBRD 3447R
APRIL 1975

CURRENT ECONOMIC POSITION AND PROSPECTS OF PORTUGAL

SUMMARY AND CONCLUSIONS

i. During the 1960s and early 1970s Portugal's GNP grew at an average rate of 8 percent per annum. Yet, growth was concentrated in the urban areas while little was done for the outlying regions. Moreover, agriculture which still provides the livelihood for a large segment of the population, was neglected and experienced little growth in real terms. This together with a lopsided pattern of land ownership, a slow increase in real wages, a regressive tax system and underdeveloped social services, created a distorted income distribution. The neglect of rural areas and lower income groups induced a mass exodus of able-bodied people towards the industrial countries of Western Europe which strengthened the balance of payments and eliminated open unemployment at home but which also drained the country of human resources and proved to be incompatible with a strategy for long-term national development.

ii. The economic and social situation in Portugal changed substantially during 1974. Partly this was due to the rapid increase in international prices for oil and other raw materials and their impact on Portugal's economy and the economies of its major trading partners. Equally important and perhaps even more so in the longer run, was the change in government following the revolution staged by the Armed Forces Movement on April 25, 1974. Though primarily politically inspired, the revolution had important economic and social motivations. Foremost among those was the issue of inequitable income distribution, which had left major groups of the working population outside the economic prosperity enjoyed by the privileged classes. Another urgent problem causing social as well as economic pressures was the unpopular colonial war to which substantial human and material resources had been committed by the previous regime.

New Policy Orientation

iii. Soon after assuming power the new Government ceased hostilities in the overseas territories and commenced negotiations for a speedy decolonization of these areas. At the same time, determined efforts were being made to eliminate the most blatant inequities in the distribution of national income and wealth. In this context, the Government sponsored a strong increase in wages, especially of lower income groups; initiated land reforms; and nationalized private banks, insurance companies and some basic industries (with the exception of foreign-owned property).

iv. The increase in wages and salaries stimulated domestic consumption and substantially augmented the demand on local consumer goods industries. But it also raised production costs significantly, generally affecting small and medium-scale enterprises more than larger firms. The cost push was reinforced by higher prices for imported materials reflecting the sharp increase in world prices for primary products. Many firms were hard pressed to absorb the additional costs, and experienced financial difficulties. Yet,

the Government made special credit facilities available to assist financially troubled enterprises. It also encouraged redundant workers to go back to their villages where the big landowners were obliged to hire them. Thus, despite setbacks in some industries (especially construction, investment goods and exports) the level of production increased during 1974, albeit at a slower pace than in previous years, and a significant layoff of workers was avoided.

v. A sharp increase in public and private consumption put pressure on domestic resources and (together with higher import prices) led to a significant acceleration in the rate of inflation. Budget deficits rose and the rate of national savings dropped substantially. This coincided with a deterioration in the country's external financial position. Mainly due to the large increase in import prices the total import bill rose by over 50 percent. Exports, on the other hand, suffered some setback mostly because of marketing constraints resulting from the slowdown of economic activity in Western Europe; interruptions in deliveries due to strikes; and perhaps some weakening of competitiveness following the high rate of inflation. Income from tourism also declined and the traditional surplus on current account changed to a large deficit in 1974.

The Major Socio-Economic Tasks

vi. The major socio-economic tasks faced by the Government at this time can be summarized as follows:

(a) Launch a program of import savings and export promotion which will help reduce the current deficit in the balance of payments.

(b) Strengthen the management of recently nationalized enterprises and define the scope for private sector operations.

(c) Increase the level of production and investment.

(d) Contain public and private consumption and increase domestic savings to generate the resources required for the financing of an expanded investment program.

(e) Develop effective programs (e.g. low cost housing schemes) to create employment for the expected increase in the labor force resulting from a decline in net emigration, demobilization of soldiers, and settlers returning from the overseas territories.

(f) Initiate structural changes in major sectors (especially agriculture, small- and medium-scale industry, transport and education) to set the stage for sustained long-term growth of the economy.

(g) Further pursue the objective of more equitable income distribution through regional development programs, effective and progressive income taxation, and strengthening of social services.

vii. The increased state control over economic resources following the nationalization of banks and basic industries enables the authorities to exert a strong influence on production and investment. Because of the hesitation of private investors there is now a backlog of viable development projects which could be used as a basis for an expanded investment program. In addition, there is much scope for infrastructure investment in transportation, power, irrigation, housing and other communal services. However, to exercise effectively the enlarged management functions of the State, a significant strengthening and modernization of the public administration would be required, including the creation of an efficient organizational structure for public enterprises and of a competent management cadre in the public sector.

Demand Management

viii. Important decisions have also to be taken by the authorities to reestablish the country's internal and external financial balance. The 1975 government budget estimates an overall deficit of escudos 18 billion (US$700 million), slightly above that of 1974. Partly this is due to a major increase in the development budget although current spending is also expected to be much higher than in the previous year. In shaping this budget the Government's primary concern has been to maintain an acceptable level of total demand in the light of declining private investment, so as to avoid a significant drop in economic activity. But having recently gained a much stronger influence over production and investment (see paragraph vii) the Government will now have to give priority to establishing a proper balance in the use of resources, and measures aimed at containing overall demand for consumption with a view to raising national savings, are becoming increasingly important.

ix. On the external side, there are several factors which could facilitate a reversal of recent trends in the balance of payments. The changed international image of Portugal has opened new markets for its exports especially in Africa, the Middle East and Eastern Europe. Trade agreements with some of these countries have already been signed or are being negotiated. Present negotiations with the EC and EFTA could result in further trade concessions for Portugal. These measures will have to be supported by a conscious export drive to recover the losses which Portuguese enterprises have experienced in foreign markets during recent months. Special incentives may also have to be granted to attract workers' remittances. At the same time, significant restrictions on imports may become unavoidable if the current account deficit is to be kept within manageable proportions. The Government already took steps to curtail automobile imports and in June 1975, it introduced a 20-30 percent surcharge on most imported goods. However, stronger measures may be required to restrain the volume of imports.

x. Even a successful program of export promotion and import saving is unlikely to eliminate the current deficit quickly. For some time Portugal will thus require substantial amounts of foreign capital -- up to $1 billion a year -- to supplement national savings. Although external reserves are

still relatively high ($2.3 billion at the end of 1974) much of it is held in gold which would be difficult to liquidate quickly on a large scale. Limited amounts of official aid have been offered by Germany, the US, the Netherlands and Scandinavian countries. A $250 million credit facility was recently negotiated with the Bank for International Settlements. Foreign direct investment may recover after the Government introduces a new investment code which is presently under preparation. Other private capital flows may be constrained by the recent nationalization of financial institutions. Mobilizing the foreign funds needed will therefore be no easy task and will require the full attention of the authorities.

Economic Planning

xi. A comprehensive development plan for 1976-78 is presently under preparation focussing on policies and projects designed to bring about the necessary structural changes in the principal economic sectors. Major emphasis will be given to employment creating activities such as housing and rural development. Agricultural programs will be shaped to support agrarian reform, and to increase the supply of domestic foodstuffs. A new agency has been established to assist labor intensive medium- and small-scale enterprises maintain their economic viability. Special programs are to be launched for the reorganization and modernization of the textile and glass industries. In addition, the development plan will contain investment programs for transport, urban renewal, rural electrification and heavy industries. There will also be efforts to improve the education system, including adult education.

xii. Assuming that the Government succeeds in strengthening the management of public enterprises, that it clearly defines the future role of the private sector, that it initiates structural reforms in the principal economic sectors, and that it launches effective programs to contain public and private consumption, to promote exports and to mobilize foreign capital, the economic outlook appears reasonably favorable in the medium run. Notwithstanding present constraints from high import prices and depressed demand in the industrialized countries, a real GDP growth around 5 percent per annum would appear feasible over the next few years. Focussing on the development of regional poverty pockets and low income sectors the growth objective could be combined with the aspiration for a more equitable income distribution. The task of restructuring the economy and creating the conditions for sustained growth will be difficult and a great challenge. International assistance from bilateral and multilateral sources could play an important role in helping the Government to achieve its objectives.

CURRENT ECONOMIC POSITION AND PROSPECTS OF PORTUGAL

I. THE SETTING

1. Portugal is one of the smaller European countries both in terms of area (92 thousand km^2) and population (8.6 million). Although distinguished by a long history of civilization, trade and traditional skills, it had a late start in modern economic development. As a result, Portugal's per capita income is at the lower end of the European spectrum, reaching only about one-third of per capita incomes in the industrialized countries.

2. A major part of the population still lives in rural areas depending mainly on agriculture for their livelihood. Ownership of land is unequally distributed and many farms are too small to be economically viable. In the urban areas an increasing number of modern factories coexist with numerous small enterprises, many of them inefficient. The infrastructure is relatively well developed although some parts of it, especially the railways, have fallen into neglect. The educational system has not been very effective as evidenced by a high rate of adult illiteracy (over 30 percent). There are few known mineral resources, the topography is often rugged, and soils are generally not of good quality. However, a moderate Mediterranean climate allows a wide range of agricultural pursuits and attracts tourists from northern and central Europe. The relatively small size of the country and its geographical location close to the crossroads of major international trade routes have traditionally encouraged an outward orientation of economic activities.

3. The 1970 census showed a resident population for continental Portugal, the Azores and Madeira of 8.7 million. For 1974, the population was estimated at 8.57 million. The natural population increase is relatively low, less than one percent per annum, with an estimated crude birth rate of 20 per thousand and a crude death rate of 11 per thousand. For more than a decade, however, the total population has marginally declined owing to large-scale emigration of workers, who left the country for want of employment opportunities at home. Most of the emigrants went to the industrial centers of Western Europe, especially France, and their total number is now estimated to exceed one million or the equivalent of one third of Portugal's present labor force.

Economic Growth

4. Economic growth was slow during much of the first half of the century but accelerated significantly in the late 1950's and early 1960's. Real GNP more than doubled during the decade 1963-73 growing at an average rate of 7.9 percent a year. In the face of a stable population, GNP per capita rose from about $670 in 1963 to $1,490 in 1973. 1/ However, impressive

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1/ Both years at 1973 prices and exchange rates; GNP includes workers' remittances while permanent emigrants are excluded from the resident population. The comparable figure for 1973 calculated according to the World Bank Atlas methodology would be $1,200.

as this overall rate of economic expansion may be, it conceals wide differences at the sectoral level and as between income groups. Rapid growth in the industrial sector (+159 percent) and to a lesser extend in the service sectors (+92 percent) contrasted with near stagnation in agriculture. As a result, the share of agriculture in total GDP fell from 22 percent in 1963 to 16 percent in 1973 (at current prices), while the share of industry increased from 39 to 44 percent, respectively. Most of the growth was thus concentrated in urban areas while rural areas were neglected. The increasing gap between urban and rural communities was, however, somewhat mitigated by the rapid rise in workers' remittances which in large part augmented rural incomes in the northern and eastern regions, where most of the migrant workers came from.

Table A: MACRO-ECONOMIC INDICATORS

	1963	1973	Change (percent) total	Change (percent) annual
GNP, market prices (bln. esc., 1963 prices)	90.3	193.1	+114	+7.9
GNP per capita (US$, 1973 prices and exchange rate)	670	1,490	+122	+8.3
GDP, f.c. (bln. esc., 1963 prices)	81.5	164.2	+101	+7.2
Agriculture	18.2	21.2	+ 16	+1.5
Industry	31.7	82.2	+159	+10.0
Services	31.6	60.8	+92	+6.8
Gross Investment (bln. esc., 1963 prices)	15.9	37.9	+138	+9.1
Agriculture	1.4	2.2	+57	+4.6
Industry	6.3	14.7	+133	+8.8
Services	8.2	21.0	+156	+9.8
Employment (in thousand)	3,120	2,937	-6	
Agriculture	1,228	827	-33	
Industry	952	1,019	+7	
Services	940	1,091	+16	

5. The momentum of economic growth was sustained by a relatively high rate of investment averaging some 18 to 20 percent of GDP during the past decade. Much of this capital formation took place in the industrial sector, but substantial investments were also made in transport, housing and other services. Agriculture, on the other hand, received only about 6 to 7 percent of total investment funds. The share of machinery and equipment in total investment was comparatively high -- over 50 percent if one excludes housing -- suggesting efficient investment allocation and low costs of construction.

6. The growth of modern sectors at the expense of agriculture led to a massive exodus of labor from depressed rural areas. Some of these migrants were absorbed in local industries, construction, services and the growing Armed Forces. But many more emigrated abroad. In fact, outward migration was so strong that the domestic labor force declined (by about 6 percent during 1963-73). Agricultural employment was greatly reduced during this period (by about one third) while employment in industry and services increased. As a result of these movements, open unemployment was practically eliminated and scarcities developed for skilled labor in the early 1970s.

7. Average labor productivity rose in all sectors, including agriculture. However, while impressive productivity gains were made in manufacturing and some services, the increase of agricultural output per worker was mainly due to the decline of excess labor rather than increased productivity of those who are fully employed. Industrial workers benefitted relatively little from the productivity gains. Average real wages in manufacturing rose by not more than about one fourth during 1963-73; this compares with an increase in real value added per worker of almost 150 percent.

8. The development process took place within a paternalistic economic and social structure based largely on private enterprise and financial austerity. Labor organizations were tightly controlled by the state and workers had no right to form independent trade unions. Economic policies leaned heavily on the initiative of the private sector where ownership was concentrated and which flourished in the prevailing socio-economic climate. Low interest rates and easy access to credit together with heavy protection of domestic producers fostered private investment (including foreign investment), while an outward-looking trade policy and low domestic wages encouraged exports.

9. Official development planning was essentially indicative and government spending for development stayed at a low level partly because of fast rising military expenditures. Stated objectives were economic growth, a more equitable distribution of incomes, and reduced regional imbalances. But while the growth objective was by and large achieved, with the notable exception of agriculture, little progress was made on income redistribution and regional development. Social objectives were not well defined and effective policies were lacking to implement social change.

Domestic and External Finance

10. Substantially augmented by large and fast rising workers' remittances national savings reached high levels -- about 20 percent of GNP on average during the early 70's -- enabling the country not only to finance all its investments from own resources but beyond that to accumulate substantial foreign reserves. Most of these savings were generated in the private sector, much of it in the form of profits, income from property and individual savings. A regressive tax system based largely on indirect taxes, favored this type of capital accumulation which together with artificially low wage levels created the conditions for a lopsided income distribution. Government

savings were adequate to finance most of the not very high public investments. At the same time, defense expenditures claimed a large and increasing share of government revenue -- about 30 percent in recent years -- leaving inadequate scope for social expenditure and education.

11. The fast rise in production and investment could initially be absorbed by existing capacities. But bottlenecks developed in the late 1960's creating pressure on resources and leading to price rises. Simultaneous large-scale emigration created shortages for skilled labor, and competition among employers pushed nominal wage levels up thus reinforcing the inflationary pressure. With a continuing policy of low interest rates and easy access to bank credit the inflationary spiral accelerated, and prices rose by more than 10 percent a year in the early 1970s.

Table B: FINANCIAL INDICATORS
(Bln. escudos, current prices)

	1971	1972	1973
Gross investment	37.7	46.7	56.9
National savings	41.1	55.4	63.0
of which:			
Private sector	32.8	48.2	54.9
Government sector	8.3	7.2	8.1
Tax revenue/1	43.5	49.8	59.1
Defense expenditure	13.9	15.2	16.4
Education expenditure	3.5	4.2	5.2
Health expenditure	4.4	5.4	8.0
Increase (in percent) of:			
Consumer prices/2	+11.9	+10.7	+12.9
Industrial wages/2	+10.7	+8.5	+11.8
Bank credit to private sector	+22.8	+23.0	+32.7
Maximum interest rates			
Discount	3.75	3.75	4.0
Short-term credit	5.5	5.5	5.75
Medium- and long-term credit	7.0-8.0	7.0-8.0	7.25-8.25
Exports of goods and NFS	49.7	58.7	71.6
Net factor income/3	19.5	24.4	29.2
Imports of goods and NFS	65.8	74.4	94.7
Current account surplus	3.4	8.7	6.1

/1 Including social security contributions.
/2 Lisbon.
/3 Mostly workers' remittances.

12. The excess of national savings over gross investment was reflected in a large and rising current surplus of external payments. This was primarily the result of a dynamic export sector and of the fast growth of workers' remittances. Exports of goods and non-factor services more than doubled in real terms during 1963-73 growing at an average annual rate of 10 percent a year. Strong gains were made in exports of manufactured consumer goods, especially textiles and footwear. Other leading export commodities were chemicals, pulp and paper, and more recently, capital goods. In addition, substantial increases were achieved in traditional exports such as cork and timber, wines and other agricultural products. Tourism became the most important source of exchange from non-factor services, outranking the traditional earnings from shipping and transport. The thrust of Portugal's export drive was directed towards Western Europe, especially the United Kingdom which gave significant trade concessions after Portugal joined EFTA in 1962.

13. Imports rose as fast as exports reflecting the needs of a rapidly expanding economy. In 1973 they were equivalent to 30 percent of GNP revealing a high degree of outward orientation. Machinery and equipment accounted for a large share of the import bill. Other major industrial imports were chemicals, metals and metal products, and minerals including crude oil. Foodstuffs and textiles represented the most important consumer goods imports. Import policies were designed to facilitate the supply of the economy with essential industrial inputs and consumer goods while at the same time according some degree of protection to domestic industries.

14. Attracted by good investment opportunities and favorable domestic legislation, foreign investment became a significant factor in the establishment of new industries. In addition, foreign capital was used to purchase real estate in Portugal mainly for recreational and touristic purposes. Direct investments thus were an important source of long-term foreign capital, averaging some $80-100 million a year during 1971-73. With high national savings and current surpluses in the balance of payments there was little need to borrow abroad, resulting in a relatively low foreign indebtedness. The inflows of foreign capital were partly offset by Portugal's own aid program in the overseas territories which cost the country on average more than $110 million (net) a year during 1971-73. Some of these funds may, however, have been spent for military purposes.

15. Portugal's medium and long-term external public debt (including undisbursed) at the end of 1974 amounted to $839 million. Over 60 percent of the total ($517 million) was direct government debt owed mainly to South Africa ($150 million), the USA ($133 million), Germany ($126 million) and France ($97 million). A large part of the direct debt ($251 million or 30 percent of total public debt) was incurred for the construction of the Cabora Bassa dam in Mozambique. Debt guaranteed by the government totalled $322 million, of which $42 million represented loans from the World Bank. The remaining guaranteed debts were owed mostly by large public and private corporations such as airlines, railways, electricity companies, postal administration, Lisbon municipality and the National Development Bank. Debt service payments for 1975 are estimated at $158 million or the equivalent of about 4 percent

of expected gross foreign exchange earnings. No reliable information is available on the amount and terms of non-guaranteed private debts although it can be assumed that such obligations were also relatively low. On the other hand, Portugal had large foreign reserves ($3.1 billion 1/ at the end of 1973), much of which were accumulated in the late '60s and early '70s.

Summary

16. Portugal's economic policies up to 1973 resulted in high growth rates of production and exports, and a rapid increase of average per capita incomes. However, growth was concentrated in the urban areas while little was done for the outlying regions. Moreover, agriculture which still provides the livelihood for a large segment of the population, was grossly neglected and experienced little growth in real terms. This together with a lopsided pattern of land ownership, a slow increase in real wages, a regressive tax system and underdeveloped social services, created a distorted income distribution. Some indicators for the wide income differences are given below:

Table C: INDICATORS FOR INCOME DISTRIBUTION

Value added per worker in 1973: (in percent)	Agriculture	52
	Industry	130
	Total	100

Average monthly wages, January 1974 (excluding agriculture and public administration)	Percent of Total
less than $100 per month	28
$100 - $130 per month	20
$130 - $200 per month	33
$200 - $300 per month	12
above $300 per month	7
	100

Land ownership, 1968 (in percent of total)	Owners	Land holding
up to 4 ha	78	15
over 50 ha	1	51

Distribution of national income, 1973 (in percent)	Income from Work	Income from Enterprise and Property
	52	48

Regional distribution of GDP, 1970 (as percent of total GDP)	Highest	Lowest
	216	45

The neglect of rural areas and lower income groups induced a mass exodus of able-bodied people towards the industrial countries of Western Europe which strengthened the balance of payments and eliminated open unemployment at home, but which also drained the country of human resources and proved to be incompatible with a strategy for long-term national development.

1/ About 40 percent of the reserves were held in gold, valued at $42 per

II. RECENT DEVELOPMENTS

17. The economic and social situation in Portugal changed substantially during 1974. Partly this was due to the rapid increase in international prices for oil and other raw materials, and their impact on Portugal's economy and the economies of its major trading partners. Equally important and perhaps even more so in the longer run, was the change in government following the revolution staged by the Armed Forces Movement on April 25, 1974. Though primarily politically inspired, the revolution had important economic and social motivations. Foremost among those was the issue of inequitable income distribution which had left major groups of the working population outside the economic prosperity enjoyed by the privileged classes. Another urgent problem causing social as well as economic pressures was the unpopular colonial war to which substantial human and material resources had been committed by the previous regime.

New Policy Orientation

18. Soon after assuming power the new Government ceased hositilities in the overseas territories and commenced negotiations for a speedy decolonization of these areas. At the same time, it issued a program outlining its principal domestic policy objectives in the economic and social fields. The program, published on May 15, 1974, emphasized the need for more active government intervention to ensure that development would reach all layers of the population and all regions in the country. More specifically, the program called for the elimination of internal monopolistic protection and the creation of more efficient market channels; the promotion of cooperative movements; the strengthening of international trade relations; a reform of the credit and banking system to meet the institutional requirements of accelerated development; measures to stimulate agricultural production and to reform land tenure; and effective regional development policies. It recommended higher investments in the public sector, especially in infrastructure, education and low-cost housing; incentives for private savings and investments; assistance to small and medium-scale industry; and an improved training and education system.

19. The program envisaged a more balanced income distribution through the introduction of minimum wages; a reform of the tax system with the view to easing the burden for lower income groups while reducing tax evasion in the higher income brackets; and measures to maintain the purchasing power of lower income groups, independent of accidental fluctuations in earnings from employment. Related to this is the demand for improvements in the social security system, including the introduction of minimum pensions for disabled and old persons; the creation of a new family allowance scheme; and the establishment of a national health system available to all citizens.

20. To cope with the most urgent social problems the Government immediately introduced minimum wages and supported the newly formed trade unions in their quest for higher wages and better working conditions. As a result, average industrial wages increased by 25 percent during the second quarter of 1974, and another 10 to 15 percent during the rest of the year. Wages and salaries of government employees were raised by 40 percent, and minimum pensions by about 45 percent. At the same time, prices for essential goods and services, including rents, were temporarily frozen although substantial price increases had to be allowed later in the year. New tax legislation was passed increasing the burden for higher income brackets, and measures were taken to improve the efficiencey of tax collection. In addition, the Government introduced new legislation given labor a stronger representation in enterprises and making it more difficult for employers to dismiss workers.

Production, Investment and Employment

21. The increase in wages and salaries stimulated domestic consumption and substantially augmented the demand at local consumer goods industries such as food processing, textiles, furniture and household appliances. But it also raised production costs significantly, generally affecting small and medium-scale enterprises more than larger firms. The cost push was reinforced by higher prices for imported materials reflecting the sharp increase in world prices for primary products. Many firms were hard pressed to absorb the additional costs, and experienced financial difficulties. But the Government arranged that special credit facilities were made available through the banking system to assist financially troubled medium and small-scale enterprises. It also encouraged redundant workers to go back to their villages where the big landowners were obliged to hire them. Thus, despite setbacks in some industries (especially construction, investment goods and exports) the level of production increased during 1974, albeit at a slower pace than in previous years, and a significant layoff of workers was avoided. Real GDP is estimated to have grown around 2 percent with industrial production rising at 3 percent, and agriculture and the service sectors at less than 2 percent.

22. While the authorities succeeded in maintaining an acceptable level of production and employment they were less effective in winning the confidence of private investors, both domestic and foreign. The profit squeeze and a general feeling of uncertainty about the future role of the private sector in the new political setting, caused entrepreneurs to hesitate. In addition, the sharp decline in national savings (see para. 23 below) and the reluctance of foreign investors to commit funds created serious constraints for the financing of new projects. As a result, private investments which in previous years accounted for the bulk of national capital formation, declined during 1974. Public investments have not been able to make up for the slack, largely because of administrative constraints.

23. Overall employment seems to have declined marginally during 1974, mainly due to the slowdown in investment. At the same time, the domestic labor force is assumed to have risen as the natural population increase was no longer absorbed by outward migration. With continued economic difficulties

in Western Europe in the wake of high energy prices there is little prospect that in the near future net emigration will again become the safety valve it had been until 1973. Moreover, the demobilization of a large part of the Armed Forces which became possible after the new Government had stopped the colonial war of the previous regime, will add significantly to the civilian labor force. Some Portuguese settlers in the overseas territories have also returned to the Mainland and more may follow. Unemployment has thus become a major policy issue.

Table D: SHORT-TERM ECONOMIC INDICATORS

	1973	1974
Growth of real GDP, percent	+11.9	+2.3
of which: Industry	+14.6	+2.9
Services	+10.1	+1.6
Agriculture	+ 6.5	+1.4
Change in real investment, percent	+12.5	-9.1
Employment (in 1,000)	2,937	2,885
Government finance (bln. esc.)/1		
Current receipts	48.4	57.8
Current expenditures	41.1	62.2
Current surplus/deficit	7.3	-4.4
Capital expenditure	9.5	12.9
Overall deficit	-2.2	-17.3
Increase in consumer prices, percent	+12.9	+25.1
Balance of payments (bln. esc.)		
Exports of goods and NFS	71.6	83.1
Net factor income	29.2	31.6
Imports of goods and NFS	94.7	136.9
Current surplus/deficit	6.1	-22.2

Financial Situation

24. The higher salaries for government employees (including military personnel) and increased subsidies to offset the sharp rise in world prices for imported foodstuffs put great strain on the government budget. Despite some increase in taxation, government savings which had averaged some 14 percent of current revenue during 1971-73, were completely wiped out in 1974 and gave way to a large current deficit. The overall deficit of the government budget 1/ rose to Escudo 17 billion (equal to over 4 percent of GNP) compared with Escudo 1 to 2 billion in the preceeding years. Most of it had to

1/ Including Supply Fund (see Table 5.3 of Statistical Appendix).

be financed through domestic bank credit. At the same time, there was a significant drop in private savings reflecting the expansion in individual consumption and the squeeze on enterprise profits following the wage increases during 1974 and the concurrent sharp rise in import prices. Consequently, national savings dropped from 20 percent of GNP in 1973 to 11 percent in 1974. The increase in public and private consumption put pressure on domestic resources and (together with higher import prices) led to a significant acceleration in the rate of inflation. Wholesale and consumer prices are estimated to have risen by some 25-28 percent during 1974, more than twice as fast as in 1973.

25. Domestic inflation coincided with a sharp deterioration in the country's external financial position. Mainly due to the large increase in import prices the total import bill rose by over 50 percent. Higher world prices for oil and foodstuffs were responsible for much of this increase. Exports, on the other hand, suffered some set back mostly because of marketing constraints resulting from the slowdown of economic activity in Western Europe; interruptions in deliveries due to strikes; and perhaps some weakening of competitiveness following the high rate of inflation. Income from tourism declined by about 7 percent again reflecting the economic slack in industrial Europe. Workers' remittances fell after the Revolution, due to the political uncertainty, but recovered later in the year especially after the Government raised interest rates to attract savings to the banking system. As a result of these changes in foreign earnings and payments, the traditional surplus on current account changed to a large deficit estimated at Escudos 22 billion in 1974 (US$870 million).

Nationalization of Banks and Basic Industries

26. Although stronger state intervention was a major policy objective of the new Government, only few private firms (mainly banks) and some large farms were nationalized soon after the Revolution. However, in March 1975 the authorities decided to nationalize all remaining private banks and insurance companies. Since financial institutions in Portugal generally own substantial participations in other private companies, the nationalization gives the Government a strong hold on the private sector. Direct government control was further strengthened in April 1975, when several basic industries (electric power, transport enterprises, steel, cement, pulp, tobacco and oil companies) were taken over by the State. Other basic industries (e.g. chemicals, fertilizer, shipbuilding, heavy mechanical equipment and mining) are to be brought under State control. Important objectives of the nationalization were (a) to reinforce the authorities' control over the flow of financial resources; (b) the desire to overcome the present slack in private investment through stronger government intervention; and (c) the determination to tackle the problem of income distribution in a more direct way. It should be noted that no foreign property was nationalized.

III. AGRICULTURE

Structure and Potential

27. Agriculture (including fishing and forestry) is still an important sector in the Portuguese economy, providing employment for about 28 percent of the active population, accounting for one third of commodity exports, and contributing about 15 percent to the country's GDP. Owing to a moderate Mediterranean climate and distinct differences in topography the production pattern is rather diversified. The major field crops are wheat, barley, oats, rice, corn and potatoes; they are supplemented by a variety of vegetables, fruits and nuts. Wines and tomatoes are important cash crops and livestock is raised on most of the farms. Two important potential crops are not grown, sugar and tobacco, because their production was allowed only in the overseas territories. Farm holdings vary in size with fragmented smallholdings prevailing in the north and centre, and large estates dominating the southern regions where rainfall is limited. There is also a large production of cork and timber, and an important fishing industry.

28. Agricultural output has grown slowly during the past, at a rate of about 1 percent a year since the early 1960's. Production of food grains, wine and olive oil has actually declined while that of some fruits and vegetables, especially tomatoes, has increased. Output of livestock products has expanded at higher rates, but not enough to keep pace with the growing demand. The supply of fish, an important staple diet in Portugal, has not grown over the last 10-15 years. This stagnation in agriculture together with fast rising incomes and a shift of consumer demand towards more valuable types of foodstuffs, has created a sizable food gap in Portugal's external trade. While in the early 1960's food exports were roughly in balance with food imports, the latter exceeded exports by some 40 percent during the early 1970's. Progress in agricultural production has been constrained by a variety of factors, the most important ones being (a) land tenure conditions which impeded the introduction of modern farming techniques in the north and encouraged poor land use in the south; (b) conflicting price policies which often were aimed more at keeping food costs low rather than providing incentives to farmers; (c) inadequate arrangements for agricultural credit; and (d) lack of effective extension services backed up by practical, farm oriented research.

Table E: TRENDS IN AGRICULTURE

		1972	1973	1974
Agricultural Production (1961-65 = 100)				
Total		107	109	112
Plant products		96	93	94
Livestock products		130	141	145
Foreign Trade	1963	1971	1973	1974
(bln. escudos, current prices)				
Food exports	3.2	5.6	6.6	8.0
Food imports	3.1	7.3	9.5	11.8

29. Portugal does not possess the natural resource base for a major and rapid expansion of agriculture output. Soils are of relative poor quality, much of the country with adequate rainfall has rough topography and in the south where the topography is more favorable, the rainfall is not only inadequate, but unevenly distributed throughout the year. Yet, there are many opportunities to improve the use of existing resources through irrigation, pasture development and most important of all, more intensive exploitation of presently irrigated lands. There is also scope for forest development and improvements in the fishery sector. Recent studies indicate that there are good prospects for developing quality pastures on at least 400,000 ha out of a gross total potential of over 2 million ha. Various projects under investigation could bring irrigation from presently 620,000 ha to over 800,000 ha. Considerable enhancement in output is possible on at least 500,000 ha of crop land now used for general field crops. Sugar beets could be introduced and a sizable production target would appear feasible.

Institutional and Policy Requirements

30. In order to utilize the existing agricultural potential, effective steps will have to be taken to overcome the institutional and economic constraints to production. The Government has already initiated a land reform which will strengthen the position of small tenant farmers thus enhancing their creditworthiness and facilitating the introduction of modern farming techniques. Lease contracts will have to be documented; payments are to be made in money rather than in kind; no subleasing will be permitted; and the period of leases will be extended from 6 to 18 years. Land holdings will be restricted to 50 ha of average soil quality in irrigated areas, and 500 ha in dry-land areas. Owners of large dry-land farms will be expropriated if they leave their land fallow or underutilized. In a few cases land has already been taken over by the state and is being farmed by government appointed administrators. In some other cases, farm workers have occupied land and begun cultivating it for themselves. These are measures which in due time

could have their positive impact on agricultural output. It is important that land reform be implemented in a rational way, however, lest it becomes counterproductive. The farm structure aimed at by the reform should be based on the requirements for modern farming techniques. An irrigated fruit and vegetable farm in the north of say 3 to 6 ha may be the optimum size for the employment and marketing conditions of that area, while dry-land cereal farming in the south, where rain occurs only in winter, would best be done on large estates which are fully mechanized.

31. To increase agricultural output, improved structuring of farms needs to be supplemented by price relations which would enable the producers to generate an adequate income. The present system of agricultural price controls and subsidies is complex and pursues conflicting objectives by trying to provide incentives to farmers while at the same time protecting consumers against excessive food costs. A large number of agencies are involved in setting minimum prices to consumers, maximum prices to producers and rigidly fixed margins for the processors, wholesalers and retailers. In September 1974 responsibility for all prices was given to the Secretary of State for Supply and Prices. This consolidation of responsibility for price regulation and determining the amount of subsidies offers the possibility for a streamlining and rationalization of present price policies and procedures. However, agricultural prices should be subject to approval by the Minister for Agriculture. His office should be equipped to analyze market conditions and production cost for each major crop in different physical regions and under various sizes and types of farms so as to guide the intervention of the Government in the agricultural sector. As the present Ministry for Agriculture does not possess sufficient staff to carry out such analyses, a strong agricultural economic service needs to be established at the national level.

32. Strengthening the administration and coordination of agricultural services at the district and local levels is also required. At present the Directorate of Agricultural Services is organized into 16 regional offices which probably need some consolidation in order to correspond more closely to the main agricultural areas. Some attempt is being made to step up regional planning. For example, regional agricultural organizations are being formed in the centre and south to implement agrarian reform at the local level. They will absorb the existing agricultural services and support local farmers through extension aid, management advice, agricultural credit and cooperative structures. These regional organizations will work closely with the Ministry of Agriculture, the trade unions and local authorities. In the north, similar but less integrated organizations were introduced with a view to strengthening regional agricultural planning.

33. The extension service is weak. Its limited staff has been concerned mainly with the technical aspects of narrowly conceived lines of research and has given little attention to marketing and farm management. A new approach to manpower training and assignment of personnel is esential to establish effective extension services. At present most extension agents are secondary

school graduates with very limited technical agricultural training. The manpower in extension services should be upgraded to college trained personnel as rapidly as possible. The education system should be geared up to meet this requirement for a higher caliber staff capable of assisting farmers in the adoption of scientific agricultural practices. At the same time there is need for some reorganization of extension services. Some of the staff concentrated in Lisbon could be more productive in the countryside. In addition, a means must be found to coordinate the field work of the several functional services. Working level linkages are being established with the Institute of Agrarian Reform.

34. With few exceptions, research has been too piecemeal in scope and academic in nature to serve well the needs of agriculture. Literally hundreds of projects with very narrow objectives have been carried out pretty much as one-man efforts. A significant exception has been the relatively effective joint research and extension project in one region on pears, apples, peaches and almonds. Research and extension has been linked together, but extension aspects were given little attention. In addition, too much of the work and staff has been concentrated in Lisbon. A thorough examination of the research service is now being undertaken by the new Director-General. He hopes to decentralize the staff and to consolidate the work into fewer lines of endeavor of priority needs. The weakness of research has not been due to lack of staff and budgetary support. There are over 300 university graduates and nearly 600 technicians in the agricultural research organization. One of the Government's main aims for the future is to better orient research toward extension.

Investment and Input Requirements

35. Low capital formation in agriculture coupled with a small use of fertilizers and other modern inputs have been a significant factor in the slow growth of the sector. The amount of investment relative to output has remained depressed for many years. The proportion of total investment going to the agricultural sector declined from 9 percent in 1963 to 6 percent in 1973. The minimal flow of capital to agriculture is in part due to lack of available credit on terms and conditions that could be met by farmers. The collateral requirements virtually eliminated tenants from obtaining production credit (roughly 60 percent of all land is tenant operated). The main source of credit for agriculture has been the Instituto de Reorganizacao Agraria (IRA). The Caixa Geral, the Banco de Fomento National and local mutual agricultural credit banks have made some loans to the agricultural sector. Relative to need these institutions can be said to have granted insignificant credit to farmers. The IRA in 1974 for example made only 510 loans in total amount of escudos 242 million (US$9.5 million). After the nationalization of banks in March 1975, the Government made special credit facilities available to supply small farmers with working capital (Esc. 5 billion or the equivalent of $200 million). Improvement in agricultural credit will, however, also require staff qualified to appraise individual projects. Close cooperation with extension and research services would be desirable.

36. A number of large-scale resources development projects offer promise for the long-range expansion of agriculture. These include afforestation, pasture land development, rehabilitation of existing irrigation projects including tertiary canals and drainage works, and several large new irrigation schemes. A major irrigation program is under study for the lower Alentejo region, which would include the construction of the large multipurpose Alqueva Dam on the Guadiana River. This scheme is being planned to ultimately provide water for the irrigation of 135,000 ha. Other programs under active investigation and with some construction work already underway include the development of the Mondego River basin, and a rural development project in the Northeast which would provide water for 1,200 ha of new irrigation. The Mondego River Basin project would provide flood protection in the winter months and improved summer irrigation for some 18,000 ha. The present irrigation is by pumping from the river. In addition, the Cova de Beira scheme is in a preliminary state of preparation; it would encompass an area of around 15,000 ha, of which 40 percent is now irrigated. The program would improve irrigation on about 25 percent of the area and bring new irrigation to the rest by means of 4 reservoirs.

Prospects

37. Agriculture is unlikely to respond quickly to measures designed to increase production. Output in 1975 will do well if it equals the level of 1974. Drought conditions extending from early 1974 through January 1975 have adversely affected grazing conditions and may result in lower grain yields. The increased cost of key inputs - fuel and fertilizer in particular - is likely to place marginal producers in economic jeopardy. The greatly increased costs of coarse feed grains and other feed concentrates can adversely affect the economic viability of modern dairies, the broiler industry and livestock fattening operations. The re-employment of returning agricultural workers could slow down the needed adoption of mechanization and other modern inputs required to raise production levels. Progress, therefore, is likely to be slow in the short run and substantial efforts along the lines suggested above will be needed to accelerate the growth of production in the medium and long-run.

Forestry

38. Forestry is an important industry providing about 15 percent of commodity exports (including pulp and paper). About one third of Portugal's area is covered with trees, mostly pines, cork oaks and some eucalyptus. The output of forestry products has expanded at an annual rate of 1.7 percent since the mid-1960's, and further increase of production is feasible. In addition to the present forest stands of 3 million ha which could greatly be improved and placed under better management, an estimated area of about 2 million ha of land not well suited for agriculture has a good potential for afforestation.

39. Two government agencies are concerned with forestry management and development. The Fund for Forestry Development (FFF) created in 1964/65, assists private owners in establishing new forest plantations with technical assistance and low interest credits (2-1/2 percent for terms up to 30 years). FFF grants credit only after an appraisal of each project and a finding of an internal rate of return at a level equal to the normal commercial rate which averaged 9 percent in 1974. Credits were granted in 1974 in amount of Esc. 35 million (US$1.4 million) for 7,000 ha of new forestry plantations. A small part of the new plantation were cork oak in the southern region, about 60 percent were eucalyptus and 40 percent were pine. FFF does not have responsibility for the management of forests once they are established, and management services to private forest owners have been neglected by the authorities.

40. The Director-General of Forest Services in the Ministry for Agriculture has been concerned mostly with public forests which cover only 12 percent of all forest lands. National forest parks include 48,000 ha and local authorities have roughly 300,000 ha of forest lands. A new national forestry law is under preparation which would give local authorities the option of continuing to manage their own forest, to adopt joint management with the Director General of Forest Services, or to turn the forest over for complete management by the State. The Forest Service is making a start in the provision of management assistance to private owners. Most private forests are on the mountainous areas and belong to owners of small subsistence farms in the valleys. These owners in the past have exploited their forests without much concern for forest stand maintenance. A cooperative arrangement whereby many small parcels of individually owned forests are managed as blocks would seem to offer the best chance of getting improvement. One such cooperative has been established in the Castelo Branco region with a potential of eventually bringing under joint management an area of 160,000 ha. A major problem thus far has been the reluctance of owners to enter into the cooperative for fear that they would loose their ownership.

Fisheries

41. Fishing is one of Portugal's traditional industries, and fish consumption of 50 kg per capita per year is among the highest in the world. However, no marked change in fishing output has taken place over the past 15 years. The global catches from the Portugal continental shelf and atlantic islands have averaged 350,000 tons for the period 1960 to 1973. Annual output varied from a low of 337,000 tons in 1972 to a high of 429,000 tons in 1965. Export of fish in general has declined and imports have increased. Many fishing companies have been inefficient and had to be subsidized in the past. The number of persons employed in the fisheries sector has declined from about 55,000 to 38,000 in the past 10 years. There is a need for rationalization in the fishing of the coastal waters through the adoption of more modern techniques

and cooperative efforts. Investments in vessels, equipment, cold plants and harbor facilities would be required. There is also a considerable potential for fresh water fish in the existing reservoirs.

42. However, the long-run growth potential of the fishing industry is limited by the narrowness of Portugal's continental shelf and the absence of any shelf in the Azores Islands. The possible world-wide extension of territorial waters could create a further constraint for the fishing sector as many Portuguese fishermen are presently operating in areas which in due course might be claimed by other nations.

IV. MANUFACTURING INDUSTRY

43. Manufacturing industry has been the leading sector in the Portuguese economy, spearheading its growth during the 1960s and early 1970s. In 1974 it contributed 36 percent of GDP, accounted for the bulk of merchandise exports, and provided employment to one quarter of the labor force. Industrial growth has been concentrated in larger-scale enterprises using modern and often capital-intensive technology. There has been considerable progress in industrial diversification, and production of new industries (chemicals, metals and metal products, transport and electrical equipment, cement, pulp and paper) now outrank the traditional ones (food processing, textiles and footwear, woodworking). Many branches are export oriented, competing successfully in European and North American markets. Association with EFTA and EC and close affiliation with foreign firms which provided capital, know-how and market outlets, have contributed much to the export orientation.

Industrial Growth and Structure

44. The manufacturing sector grew at an average rate of 10 percent a year during 1963/73. Much of the growth took place in the two largest subsectors: the metal industries (including machinery and equipment) and textiles, clothing and footwear. While demand for metal products and equipment came mainly from domestic markets, textiles received major growth incentives from export markets. In 1973, the textile group exported some 40 percent of production, about twice as much as the average of all manufacturing industries.

45. Portugal's manufacturing industry is rather dependent on imports both as a source of raw materials and equipment, but this dependence varies greatly by subsector. With the possible exception of textiles, for which raw materials are mainly imported, the traditional subsectors have relied on local sources for much of their inputs (e.g. fruit and vegetables, fish, wines, wood and cork, leather). Imports have been the main source of fuel for industry, many minerals, chemicals, steel products and scrap, and the bulk of modern equipment. Increasingly domestic sources are supplying textiles machinery, machine tools, industrial cranes, electrical equipment and many other products of heavy industry for use in local industry.

46. Despite rapid expansion of production, industrial employment increased very little. In 1973 the number of people working in the manufacturing sector was estimated at 713,000; that was only about 4 percent more than in 1963. To a large extent the relative stagnation in manufacturing employment is explained by the capital intensive nature of industrial growth. Moreover, traditional and labor-intensive enterprises have to some extent been replaced by modern factories.

47. However, the large and modern firms established in the last two decades still coexist with a great number of small enterprises which are backward in technology and management. The industrial census of 1972 showed a total of about 43,000 enterprises in manufacturing, of which about three quarters engaged fewer than five persons each. Only about 1,000 factories employed more than 100 persons each. Fragmentation affects all branches of industry in Portugal, but most of all the traditional subsectors of food and beverages, textiles, clothing and footwear, and wood and cork products. In these branches and also in metal working and machinery construction, about 90 percent of all enterprises engage fewer than 20 persons each. Very large enterprises, however, also exist in the same subsector, often side by side with the very small establishments, as in textile manufacture, paper making, metal products and machinery. In terms of management, organization, technology, labor skills, marketing and investment planning the smaller and larger units even in the same subsector apply highly disparate technologies. Owing to the relatively small size of Portugal's industry, the larger units often account for a large share of total production in the subsector concerned, a fact which has led to the notion that Portuguese industry is not only fragmented, but also concentrated.

48. A related aspect of size is ownership. The bulk of industry has been in private hands, often as family concerns. The smaller units tend to be confined to members of the same family, but may also offer some limited employment to outsiders. The larger firms exhibit the same tendency of relying on family members for management, but often have close connections with the banking system and with foreign firms. This close relationship between the industrial and the banking sectors meant that the larger units in industry generally had better access to finance for investment than the smaller units.

49. Although data on location are incomplete, enough is available to indicate a high concentration of industrial activity in two centers: Lisbon-Setubal and Porto, which accounted for over half of Portugal's manufacturing industry in 1970. Together with Aveiro and Braga, which are located in the same area as Porto, they contributed three-quarters of Portugal's industrial value added in the same year. If anything, the concentration of industry by location must have increased since then.

Table F: INDUSTRIAL INDICATORS
(manufacturing industry only)

	1963	1973	Annual Growth
Value added (bln. esc., 1963 prices)	24.8	65.2	10.2
Employment (in 1,000)	683	713	0.4
Investment (bln. esc., 1963 prices)	4.2	10.6	9.7
Gross value of: (bln. esc., 1973 prices)			
Production		151	
Exports		32	

Capital Formation and Industrial Finance

50. About 30 percent of all capital formation in Portugal in recent years has been in manufacturing industry. The pace of investment appears to have accelerated in the early 1970's and much of it was concentrated in the sub-sectors with above average growth such as metals, machine building, textiles and chemicals. Investment allocation seems to have been efficient as indicated by an average incremental capital-output ratio of less than two.

51. The bulk of these investments was financed from retained profits which tended to be high on account of the low levels of industrial wages and strong protective barriers. Other important sources of industrial finance were domestic bank credits and foreign capital. This pattern of finance has favored larger and modern firms which had low operating costs and close connections with banks and foreign capitalists. Small and medium-sized enterprises, on the other hand, have experienced difficulties in obtaining funds for investment, partly because of their lower profit margins, and were unable to break away from obsolete technology.

Industrial Policy

52. Past industrial policies in Portugal relied largely on the initiative of private enterpreneurs. The authorities provided incentives through extensive industrial licensing which closely regulated domestic competition, some tariff protection from foreign competition, tax concessions and low interest rates. The corporate system kept wages at artificially low levels and prevented interruptions in the production process through labor disputes and strikes. All these measures combined to ensure high returns on industrial investment. Direct government participation in manufacturing was of little significance.

53. Over the past two decades, import substitution offered substantial scope for industrial expansion. In addition, membership in EFTA since 1962 has been instrumental in opening up export markets to Portuguese manufacturers. Good product quality and reliable deliveries helped to make use of these opportunities, and over the years Portuguese merchandise steadily improved its position abroad. Heavy protection, however, also encouraged inefficient lines of production such as fragmented car assembly. Moreover, the large discretionary powers of government officials in industrial licensing which often strengthened the monopolistic position of individual firms, led to misallocation of resources and gave rise to claims of grave irregularities.

54. To strengthen the competitive element in the industrial sector and with a view to encourage rationalization of production, licensing of industrial activity was significantly relaxed in 1970. For a number of branches the principle of freedom of access was established and general criteria were introduced to guide industrial licensing. This was followed by a law defining the broad outlines of industrial planning (1972) which set the stage for a more comprehensive and focussed development policy. Further legislation amplifying the industrial priorities and ranking incentives for industrial investors accordingly, was passed shortly before the Revolution.

55. The present Government has opted for a more direct role in industrial development. The recent nationalization of banks which hold large participations in the private sector, has introduced a strong element of state control over manufacturing firms. This is being reinforced by nationalization or majority control through the State of basic industries such as mining, steel making, petroleum refining, petrochemicals, shipbuilding, heavy mechanical equipment, cement, pulp, etc. While facilitating the task of global industrial planning, the new ownership pattern greatly increases the management responsibilities of the public sector and calls for a significant strengthening of public administration.

56. A major task facing industrial policy makers in Portugal today is that of industrial employment. The problem was accentuated in 1974 when employment in manufacturing declined for the first time in many years. Government intervention has prevented further reduction in industrial employment, mainly through special credit programs to keep financially troubled enterprises going and through new legislation which protects the workers from being dismissed by their employers. But these measures can provide only temporary relief and need to be supplemented by industrial planning which places greater emphasis on employment creation. Large and capital intensive development schemes such as the industrial complex at Sines which had been inherited from the previous regime, will need to be reevaluated in the light of the new priorities. The project envisages the construction of a large oil refinery with a capacity of 10 million tons per year; of petrochemical and fertilizer factories; a deep sea port with loading facilities for pyrites; and a new urban center for some 100,000 people. Measured in 1974 prices, the total cost of the complex exceeds $2 billion, including $800 million for the port infrastructure, $560 million for the refinery, $400 million for the petrochemical plants and $120 million for the fertilizer factory.

57. A major part of industrial employment is still provided by small and medium-scale enterprises, many of which have run into difficulties after last year's cost increases. The competitive position of these firms will have to be strengthened through infusion of new technology, improved management and better marketing if they are to survive. The Government has recognized the importance of this issue and created a special Commission for Support of Small and Medium-sized Industries which is trying to initiate structural reforms aimed at strengthening the technical and economic viability of these firms.

58. Another important policy issue confronting the Government concerns Portugal's relations with the European Communities (EC) and the European Free Trade Area (EFTA). In 1972 a trade agreement was signed with the EC that offers significant concessions for Portugal's exports and also obliges the country to gradually reduce its protective barriers against industrial imports from the EC. The Government is now seeking further trade concessions and has asked for an extension of mutual cooperation into other fields. Invoking the evolutionary clause, Portugal has submitted proposals to the EC requesting a slower timetable for tariff dismantling; additional protection for infant

industries; improved conditions for major exports such as textiles, cork, paper, tomato paste, canned fish and vegetables, and wines; improved conditions for Portuguese workers within the EC and strengthening of their social security; financial cooperation with access to institutional credit from the EC; and closer industrial and technological collaboration. Formal negotiations with the EC on these points are expected to start soon. Parallel negotiations aiming at trade concessions and financial assistance have been initiated with EFTA in which Portugal is one of the founding members.

Prospects

59. A solid foundation exists for a diversified and viable industry. Notwithstanding present short-term constraints resulting mainly from the slowdown in world economic activity, there is much scope for expansion in the manufacturing sector. Above average growth potential exists for machine building and metallurgy, electrical and electronic equipment, ship building and repairs, synthetic fibers, pharmaceutical products and fertilizer. In addition, there is urgent need for the modernization and some expansion of traditional activities in food processing, textiles, footwear and woodworking. Continued rapid expansion of manufacturing in Portugal will require close cooperation between the public and private sectors with a view to maintaining effective industrial planning, organization and management. Access to international markets and technology are other key requirements for a country like Portugal which has a limited domestic market and which can afford relatively little technological research and development.

The Mining Sector

60. Portugal has few minerals that lend themselves to commercial exploitation, and since the early 1960's production has on the whole declined, as has employment. In 1973 the mining sector accounted for only 0.5 percent of GDP and provided 0.4 percent of total employment. The major mining products were coal (220,000 tons), ferrous ores (2,750 tons), tin, gold, silver, zinc, lead and wolfram ores (445 tons); kaolin (4,000 tons), pyrites (43,000 tons), quartz (19,000 tons) and salt (23,000 tons). In terms of value the most important branch of mining was the extraction of metallic minerals (accounting for nearly 60 percent of the total), followed by pyrites (18 percent) and coal (13 percent). Active exploration for petroleum is being carried out offshore by international interests, and until this exploration proves to be productive the sector will remain fairly small, though the exploitation of pyrites appears also to be a promising line of mineral activity.

V. CONSTRUCTION AND HOUSING

61. The construction industry has been one of the dynamic elements in Portugal's economic development, and provides a major portion of industrial employment. Its share in GDP increased from 5.4 percent in 1963 to 6.4 percent in 1973 with real output growing by about 9 percent a year during this period. In the latter year some 277 thousand workers were employed in the construction sector, equal to about two-fifth of employment in manufacturing. Construction activity slowed down in 1974 reflecting the deterioration in investment climate and difficulties in tourism and the housing sector. Building permits issued by the authorities fell by over 30 percent suggesting that construction will not recover quickly during the current year.

Table G: INDICATORS OF CONSTRUCTION ACTIVITY

	1963	1970	1973	1974
Employment (1,000)	232	247	277	267
Value added (bln. Esc., 63 prices)	4.4	6.6	10.2	10.7
Building permits issued (1,000)	27.3 /1	31.3	39.1	27.0
Dwelling units built (1,000)	n.a.	27.9	41.9	n.a.
Cement consumption (mln. tons)	n.a.	2.3	3.2	3.4

/1 1965.

62. There are about 11,000 enterprises in the construction sector, most of them medium and small firms. The larger ones (representing about 4 percent of the total) carry roughly half of the business. Many of the small firms suffered severely from the slowdown in investment activity and the sharp cost increases that occurred during 1974. These difficulties were compounded by management problems, under-capitalization and limited technical know-how. Only the special credit program launched by the Government in the fall of 1974 to support medium and small scale enterprises (see paragraph 21) prevented the closing down of many of the smaller construction firms.

63. The future of the construction industry is closely linked to the level of investment, especially in housing. Demand for housing has been growing strongly during the past because of population migration to urban centers and rising real incomes. However, house building has not kept pace with demand creating a deficit which is presently estimated to be in the order of more than 500,000 dwelling units. Shortage of credit, rising construction cost and high prices for land (which often exceeded 50 percent of total cost for new housing) were major factors of constraint. They were reinforced by the freezing of rents in May 1974 which made new private investment in housing unattractive.

64. In order to stimulate housing construction the new Government has decided to become more active in this sector. Previously, housing was left entirely to private initiative and government participation in the financing of houses did not exceed 10 percent of the total. Legislation passed after the Revolution permits the authorities to expropriate land for the purpose of urban housing. Such land will be offered to builders at fixed prices not exceeding 20 percent of total investment costs. A public housing program has recently been launched with a target of 100,000 dwelling units for middle and low income groups, much of it to be built over the next two years. Total housing construction, including privately built homes, is expected to reach 46,000 units in 1975 and 48,500 units in 1976. The bulk of the financing for house construction will come from public funds, including the state budget which in the current year has allocated one third of its development spending (Escudos 5 billion) for this purpose. Efforts have also been made to obtain financial assistance from abroad; the U.S. Government offered to guarantee up to $20 million housing loans from American financial institutions.

65. The official target for new housing is an average of 76,000 dwelling units per year during 1975-94, as compared to 42,000 units actually built in 1973. The program is expected to considerably exceed new demand for housing so that over the next 20 years the existing supply deficit would gradually be eliminated.

VI. ENERGY

66. Portugal's known energy resources are rather limited. They exist mainly in the form of water power, some uranium oxide and two minor coal and lignite deposits. Estimated technically-feasible hydro resources are 17,500 GWh/yr. (avg.), nearly 60 percent of which has been developed covering about 8 percent of the country's energy needs. A deposit containing some 12 million tons of poor-quality anthracite coal (2,700 cal/kg) near Porto provides about 200,000 tons per year to a 150 MW power station, while a 25 million ton deposit of lignite north of Lisbon is being explored for redevelopment (after production became uneconomic in 1970). Fissionable materials are adequate to supply possible future needs through the 1990's, with one uranium mine in preliminary operation. In addition, there are minor supplies of traditional materials such as firewood and oil pressings. In view of these limited indigenous resources, Portugal depends on imported fuel (mostly crude oil and oil products) to meet over 80 percent of its energy requirements.

Table H: SOURCES AND USES OF ENERGY

	1960		1973		1979/e		Annual % Change	
	A	B	A	B	A	B	1960/73	1973/79
Crude oil and oil products	1842	63	6255	82	8743	83	9.8	5.7
Hydro power	259	9	620	8	816	8	6.9	4.7
Coal	475	17	500	7	723	7	0.4	6.4
Others	330	11	230	3	195	2	-2.4	-2.7
Total energy supply used by:	2906	100	7605	100	10477	100	7.7	5.5
Industry	1131	39	3032	40	n.a.		8.0	
Transport	696	24	1951	26	n.a.		8.3	
Agriculture	145	5	306	4	n.a.		5.9	
Others	934	32	2316	30	n.a.		7.2	

A = 1,000 tons of oil equipment; B = percent.
/e Estimate.

67. Total energy consumption in 1973 was 7.6 million tons petroleum equivalent. At 890 kg per capita it was among the lowest in Europe (2,100 kg in Italy and 1,400 kg in Yugoslavia), reflecting the level of economic development and a favorable climate. Consumption has grown at an average rate of 7.7 percent since 1960 or somewhat faster than real GDP. The use of crude oil and oil products expanded at an annual rate of 9.8 percent while that of indigenous combustibles declined. Consumption pattern by major sectors have been relatively stable during the past with industry claiming around 40 percent of supplies, transport about 26 percent and other services and

households around 30 percent. Agriculture is a low energy consumer (4 percent of the total). Demand for electric power has grown at 10 percent a year over the last decade. Industry also accounts for the largest proportion of electricity consumption (60 percent).

68. The sharp rise in world prices for crude oil, the main source of energy in Portugal, created a heavy burden on the balance of payments. The value of imports of crude and petroleum products was estimated at $480 million during 1974 compared with $137 million during 1973. In order to ease the foreign exchange burden resulting from the higher oil prices, Portugal stepped up its crude imports from Angola which belongs to the escudo area and where payments can be made in local currency.

69. Energy requirements are expected to increase further as the country develops. However, projections made in 1973 have been scaled down reflecting the higher prices for energy and the concurrent slowdown in world economic growth. Present estimates anticipate a growth rate in energy consumption of 5.5 percent a year over the medium run, compared with an earlier growth target of 8.6 percent. To reduce the dependence on imported fuel, petroleum exploration both on-shore and off-shore has been stepped up in close cooperation with foreign firms, but prospects are uncertain. Geothermal resources are also being evaluated but again without definite prospects. It can be assumed, therefore, that for some time imported oil will continue to be the major source of energy.

70. In the light of the higher energy prices, the national power generating company (Companhia Portuguesa de Electricidade) is presently reevaluating hydroelectric projects, including pumped storage, to add peaking units to the national grid. However, the remaining hydro potential is limited and the company is pursuing an investment program based largely on completing the 4 x 250 MW oil-fired station at Setubal to be followed by several nuclear power plants.

71. The Government has taken measures to conserve energy. The most important step was a sharp price increase for petroleum products, reflecting not only the rise in world prices but adding to it a heavy tax burden. Retail prices for gasoline, for example, were raised from US$1.06 per gallon in 1973 to US$1.90 per gallon in 1974. Tariffs for electric power, on the other hand, have lagged behind cost increases. The average weighted rate presently charged to industrial consumers is around US¢2.1 per kwh during daytime, and slightly lower at night. A general tariff increase, coupled with some rationalization of tariffs is expected.

72. The Government is reviewing its energy policy in view of the changed situation in the supply and pricing of internationally traded fuels. Alternative investment programs based on different fuel inputs and financing pattern, are being studied and the institutional framework may have to be strengthened to improve coordination of energy planning. Financial constraints are likely to loom larger in the future than in the past not only because of higher fuel

prices but also because investment and foreign exchange costs are rising rapidly. Pricing policies will have to give due emphasis to the generation of adequate domestic resources required for future investments in the energy sector. The possibility of using coal, which may be less expensive than oil or nuclear power generation, is expected to be reconsidered, and the program of nuclear power generation with its high foreign exchange component may be reevaluated in the light of present and expected foreign exchange shortages. Although most regions and population groups of the nation have access to electricity, there may be scope for some increase in electricity's share of total energy consumption (now only 11 percent) through substitution for more expensive fuels.

VII. TRANSPORT

73. Portugal's transport system has been greatly influenced by the country's geography and historical development. Most of the transport network on the continent is concentrated along the western coastal plain, reflecting the country's traditional interest in overseas trade and the concentration of economic development within the 300 km long corridor between Lisbon and Porto. The transport system is considerably less dense in the south and in the eastern mountainous regions where the terrain is much more difficult and economic activities much less developed. Although less dense, the network serves all parts of these regions reasonably well.

74. Briefly, the continental transport system includes two major maritime ports at Lisbon and Porto, some 3,500 km of railways, about 32,000 km of roads, and 3 airports capable of handling jet planes. The port and airport facilities are generally adequate for current traffic, but the railways and roads are below standard for modern traffic requirements as a result of relatively low investments in previous years.

The Transport Market

75. Passenger traffic by land has expanded rapidly in recent years, mainly due to the increase in private cars. Between 1968 and 1973, total passenger traffic by land in terms of passenger - km grew at an annual rate of about 12 percent. The private car accounts currently for about three-quarters of total passenger traffic by land, buses for about 15 percent and the railways for about 11 percent. Although air travel accounts for a small share of domestic passenger transport, it has grown rapidly. For example, the number of domestic passengers embarking at Lisbon airport has increased at an annual rate of about 19 percent. Most international travellers come into the country by private car, although over one-third arrive by air.

76. The freight market also experienced considerable growth during 1968-73. According to partial indicators, freight traffic by road increased at an annual rate of about 6 percent to 8 percent. Railway freight increased by 2 percent annually. The railways play only a marginal role in the freight market, although they provide essential services for certain commodities. Their share in the freight market has been steadily declining and may now be less than 10 percent. An important feature of international freight is that about 95 percent of all foreign trade moves via the ports, because overland routes traverse difficult mountainous terrain, overland services are yet not very well equipped and organized and also because the Portuguese railway gauge is different from that in other European countries.

Table I: TRANSPORT DATA

	1968	1973	Annual Rate of Growth
Road traffic			
Mln. passenger-km	17,650	30,974	12
Rail traffic			
Mln. passenger-km	2,654	3,225	4
Mln. ton-km	771	864	2
Port traffic			
Mln. tons cargo	12.4 (1969)	17.5	9
Value added of total transport services (Esc. bln., 1963 prices)	6.4	10.9	11

Roads

77. The road network of about 32,000 km comprises 18,000 km of national roads and 14,000 km of municipal and rural roads. The network reaches all parts of the country because the Government has since 1959 been implementing a program of providing permanent access to all villages of more than 100 inhabitants. Investment and maintenance expenditure, expressed in constant prices, have barely increased during the past few years. The result is that, although the pavement is still in good condition, many roads which have not been resurfaced in over 10 years or suffer from poor shoulders and drainage may now deteriorate rapidly. Furthermore, many roads were designed for much less traffic than they carry currently and therefore require up-grading. A major part of the roads has a width of 6 m or less and the average travel speed on about three quarters of the network is less than 60 km per hour.

78. The Junta Autonoma do Estrades (JAE), which is the administration responsible for the national road network, has recently completed a number of basic studies including: comprehensive medium-term investment and maintenance plans; an organization study, and a program for reorganizing maintenance operations. At present, maintenance is carried out by highly labor intensive methods with the result that labor costs absorb a disproportionate share of the maintenance budgets, leaving too few resources for the purchase of materials. JAE intends to remedy this situation by introducing somewhat more capital-intensive methods and by allocating additional funds to materials. It has also planned a time-phased program of periodic maintenance. Government is aware of these issues and has already allocated increasing budgetary resources for 1975 to the road network; it is also considering JAE's proposals regarding maintenance, investment and organization.

79. The motor vehicle fleet in 1973 included about 700,000 light vehicles and about 45,000 heavy trucks and trailers. Private car ownership corresponded to one car per 13 inhabitants. Taxes on motor transport are high. For example, in 1974, the retail price for premium gasoline was equivalent to US$1.90 per gallon; this price was amongst the highest in Western Europe. In addition, motor transport is subject to other taxes and charges. The Government has estimated that the total revenue from taxes and other charges on road transport amounted in 1973 to about Esc. 5,730 million, while total expenditure on the national and municipal roads amounted to about Esc. 800 million.

Railways

80. The railways were operated by two private concessions. The Estoril line, 26 km long, serves the suburban traffic between Lisbon and Cascais. This concession expires in 1976 and the line will be operated by the main railways. The main railway network of 3,537 km is operated by Caminhos de Ferro Portugueses (CP). Although its concession is still valid for several years, CP had to rely on substantial Government support and has recently been nationalized.

81. The railway network is rather extensive, but only the mainline of CP between Lisbon and Porto and the Estoril line have double track and have been electrified. The mainline has recently been rehabilitated, but the remainder is in poor condition, mainly because overhaul has been postponed for several decades. However, traffic on most of these lines is light and about one-third of the network may be uneconomic. The railways also lack modern equipment and other facilities. One quarter of the motive power fleet consists of steam locomotives which are expensive to repair and to operate, while a major part of passenger cars and freight wagons are over-age. Sidings, loading docks and other support facilities are either insufficient or outdated. The relatively poor condition of the physical plant together with some deficiencies in organization, principally the lack of aggressive marketing and efficient planning, have resulted in slow and low-quality services and in the loss of potential customers.

82. The Government has imposed heavy social and financial obligations on the railways since they are being largely used as a suburban carrier. For example, four out of every five journeys on CP are suburban, mostly to or from stations around Lisbon and Porto; the average distance travelled by passengers in less than 25 km; and two-thirds of gross receipts are accounted for by passengers, which is a very high proportion compared to other countries. Also, Government measures which were originally intended to limit road comeptition for fertilizer, cereals, and cement have obligated the railways to carry these commodities at rates well below the transport costs of any mode. Government control of fares and rates at relatively low levels - the average fare is equivalent to about US¢1.25 per passenger-km and US¢2.2 per ton-km - has kept railway revenues depressed.

83. CP has experienced large deficits for several years. The deficit was especially large in 1974 due to a 50 percent increase in labor costs. Current revenue covered only about 60 percent of working expenditures; in fact, gross receipts were insufficient to cover the labor costs alone. Government has been providing financial assistance, however, enabling CP to cover its current deficit and to honor a major part of its financial obligations. For the rest, CP has had to rely on Bank credit and its liquidity position is very tight.

84. CP realizes that it will have to make major reforms to achieve financial viability. For this purpose, it has already commissioned studies to improve marketing and the information system, to determine the profitability of certain lines and services, and to modernize certain installations. CP is now considering the preparation of comprehensive investment, financing and action plans with the assistance of consultants. The Government has also indicated that it is, in principle, prepared to provide appropriate support, including revised tariff policies, to enable the railways to achieve financial viability.

Ports

85. Portugal has 19 recognized ports on the continent. Lisbon and Porto (Douro/Leixoes), which are the two major ports, handled about 17.5 million m tons of cargo in 1973. These ports have administrations with a considerable degree of autonomy and operate with a reasonable degree of efficiency. With investments under way or to be started soon the ports are expected to have adequate capacity for current traffic, including facilities for containers, and to be able to accommodate ships with a minimum waiting time. Financially, the ports are able to finance part of their investments from their own resources.

86. The Government is also considering the construction of a deepsea port at Sines, about 80 km south of Lisbon, together with a refinery and industrial complex for the production of petrochemicals and fertilizers, and a new railway line to Lisbon (see para. 56). Since this project was conceived before the energy crisis, the Government is now reevaluating its scope in the light of current conditions.

Transport Policy and Coordination

87. Transport policies and regulations have been formulated over the years to deal with specific issues. At present, they lack consistency and in several instances fail to achieve their original purpose; they therefore require updating. For example, government originally intended to protect the railways from road competition by special measures whereby the railways obtained the exclusive right - but also the obligation - to transport fertilizers at fixed rates. At present, the rate is a fixed flat rate irrespective of distance, which is only sufficient to cover transport of up to 100 km. The result is that the railways sustain large losses on any longer

distance shipments for this important commodity. With respect to road transport, Government has tended to regulate public transport through licensing, but in practice licences are distributed rather freely and are being circumvented by private operators. Consequently, there is keen competition in road transport, duplication of routes and schedules, and limited integration with other modes. The financial situation of small and even larger operators is difficult. To remedy the situation, Government has recently nationalized the ten largest road transport enterprises and intends to promote the formation of cooperatives and improve the system of licencing.

88. Government is aware of these deficiencies and is considering to undertake an in-depth review of all transport policies and regulations and to start preparing a master plan for the transport sector, including arrangements for improving coordination among modes. For these purposes, the most important government services dealing with transport matters have already been organized within the Ministry of Transport and have started to collect basic data and other relevant information.

VIII. EDUCATION

89. Although quantitatively well developed, the education and training system in Portugal is structurally weak. Major shortcomings are the traditional outlook in curricula and teaching methods, a low output efficiency, and neglect of low-income groups especially in rural areas. These deficiencies are reflected in a high illiteracy rate (over 30 percent of population) and in shortages of professionally qualified technicians and workers. Despite increasing emphasis given to education in recent years, government spending for this purpose is still relatively low (about 15 percent of total budgetary expenditure in 1974 or the equivalent of 2-1/2 percent of GNP).

Table K: KEY EDUCATION DATA

Enrollment Rates (percent)	1972/73 Total Population Enrolled	1972/73 of which: enrolled in the corresponding level of education
Age group 7-12 (primary education)	100	100
Age group 13-17 (secondary education)	43	27
Age group 18-20 (higher education)	22	4

Government Expenditures for Education (million escudos)	1970	1971	1972	1973	1974
Current	2,832	3,391	4,224	5,806	8,100
Capital	603	638	1,023	1,422	1,600
Total	3,435	4,029	5,247	7,228	9,700
as % of GNP	1.8	1.8	2.1	2.4	2.6

90. Compulsory education presently covers six years, including four years of primary and two years of preparatory schooling. Enrollment is virtually complete although in some outlying regions only the four years of primary education are provided. Secondary education comprises five years, subdivided into two cycles of three and two years, respectively. Vocational and technical training typically consists of three-year courses after the six years of compulsory education, or 3-4 year courses in technical institutes following the first cycle of secondary education. Enrollment of corresponding age groups (13-17 years) is relatively high (over 40 percent) but many of the students are enrolled in lower classes which suggests high repeater rates. Moreover, there are large regional differences in secondary education

favoring urban areas at the expense of rural ones. Access to higher education is still limited, and not enough emphasis is given to technical courses. Agriculture appears to be a particularly neglected subject, both in secondary and high education. Very little attention is also given to adult education and literate courses.

91. With few exceptions the programs and methods of education, especially in technical and vocational training, are obsolete and respond inadequately to the manpower needs of the labor market. This is partly due to shortages in qualified teaching staff but it also reflects the limited use of modern educational techniques and a rigid and overly centralized administration. As a result, the qualifications of graduates are often insufficient to meet modern job requirements.

New Policy Orientation and Constraints to Reform

92. A major reform of the educational system was initiated in 1973 proposing the extension of compulsory schooling from six to eight years, to be followed by three years of modernized secondary education. Higher education was to be broadened and diversified through the establishment of new universities and politechnic institutes. Vocational training courses were to be geared closer to the needs of the economy, and more emphasis was to be given to adult education. Educational facilities in the rural areas were to be strengthened, particularly at the secondary level.

93. Although the broad lines of this reform apparently have not been challenged by the new Government, its implementation has been delayed because, after the revolution, priority was first given to issuing new textbooks and teaching materials reflecting the new political situation, and a number of teachers were found to be unsuitable under the changed conditions. Efforts were made to increase the participation of students and teachers in the administration of education; the authorities also aim at better integrating socially neglected population groups into the education process, and try to decentralize and regionalize the management of the education system.

94. The changes in teaching staff and the withdrawal of politically offensive instruction material led to disruptions in the regular schedule of school operations which required the full attention of the responsible authorities and left them little time to pursue the reform plans. Long-term educational planning is further constrained by uncertainties about demographic movements (internal and external migration) and the vagueness of future manpower requirements. In addition, there is an acute shortage of technically qualified teachers.

Priority Areas

95. Given these constraints to carry out fundamental reforms, emphasis will need to be placed on increasing the efficiency of the existing education system. This could be achieved through a more effective use of available resources and greater participation of the private sector in the financing of

education. One priority area would be mass education programs, especially for the adult population, using modern techniques of diffusion such as radio and television. At the level of secondary education the existing differentiation between general and technical branches could be reduced, for example by way of introducing polyvalent schools which would prepare students better for their professional life. Higher education could be geared closer to the needs of the economy through the establishment of polytechnical institutes focussing on the needs of the main economic sectors (industry, agriculture, commerce, etc.). Integrated educational programs, comprising both general and technical education and open to all population strata, could be organized on a decentralized basis using all available local resources. Such programs would respond directly to the needs of the labor market and elicit a more active participation among the people.

96. To finance vocational and technical training programs a special fund could be established drawing on contributions from government and employers (training tax). The introduction of student loans would enable young people from lower income groups to participate in higher education. Volunteers of the civic service which is presently being formed could assist in organizing and implementing regional and mass education programs. Changes of this nature would require close collaboration among different branches of government as well as active participation of all institutions and population groups concerned.

IX. THE CHALLENGE OF THE FUTURE

97. The Revolution of April 25, 1974 has opened new development perspectives for Portugal and created the political setting for their realization. The outlook of the former regime has been abandoned while new concepts are being formed aiming at greater social justice in a more democratic society. Major structural changes will be required to pursue these concepts, and some dislocations would seem to be unavoidable. In the short- and medium-run the task of restructuring the country's economy is being made more difficult by the present slack in world economic activity. But the new Government's policy of granting independence to the overseas territories has brought Portugal back into the international community and greatly enhanced the possibilities for international cooperation.

The Major Socio-Economic Tasks

98. The major socio-economic tasks faced by the Government at this time can be summarized as follows:

(a) Launch a program of import savings and export promotion which will help reduce the current deficit in the balance of payments.

(b) Strengthen the management of recently nationalized enterprises and define the scope for private sector operations.

(c) Increase the level of production and investment through measures aimed at strengthening the administrative capacity of the public sector, and judicious allocation of financial resources.

(d) Contain public and private consumption and increase domestic savings to generate the resources required for the financing of an expanded investment program.

(e) Develop effective programs to create employment for the expected increase in the labor force resulting from a decline in net emigration, demobilization of soldiers, and settlers returning from the overseas territories.

(f) Initiate structural changes in key sectors (especially agriculture, small- and medium-scale industry, energy, transport and education) to set the stage for sustained long-term growth of the economy.

(g) Further pursue the objective of more equitable income distribution through regional development programs, effective and progressive income taxation, and strengthening of social services.

99. While the importance of these issues is clearly recognized by the Government, it has so far been slow in formulating effective action programs. Policy planning and economic programming have understandably suffered from the political changes and from manpower constraints. Notwithstanding these difficulties the Government has introduced some emergency measures and is making serious efforts to prepare a viable development program.

Recent Government Action

100. A set of guidelines 1/ defining the Government's economic and social objectives was approved by the Cabinet on February 7, 1975. These guidelines, which were more detailed than but consistent with, the program issued in May 1974 (see para. 18), were meant to set the frame for all socio-economic policy decisions and legislation during the three-year period 1975-77. Reaffirming the growing role of the public sector, the guidelines have to some extent been overtaken by events. Direct government control which had become significant after the nationalization of the banks, is being extended to basic industries (see para 26) and to marketing of essential foodstuffs. The Government will also assume a more active role in agriculture. The agrarian reform program mentioned in Chapter III will strengthen the position of small tenants, give increasing support to cooperatives, and limit the size of individual land-holdings.

101. The increased state control over economic resources enables the authorities to exert a strong influence on production and investment. This influence is to be reinforced through special legislation imposing production and investment programs on private companies holding privileged positions in the market. Because of the hesitation of private investors there is now a backlog of viable development projects which could be used as a basis for an expanded investment program. In addition, there is much scope for infra-structure investment in transportation, power, irrigation, housing and other communal services. However, to exercise effectively the enlarged management functions of the State, a significant strengthening and modernization of the public administration would be required, including the creation of an efficient organizational structure for public enterprises and of a competent management cadre in the public sector. In order to facilitate the transition, the Government has recently established a new Ministry for Planning and Economic Coordination which serves as a focal point for all national and public sector management functions.

102. Concern about rising unemployment -- estimated to have reached some 10 percent of the labor force -- has led the Government to launch a National Employment Program (PNE). Guided by a steering committee with representatives from the technical ministries, the Armed Forces Movement and the trade unions,

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1/ Program of Economic and Social Policy, Lisbon 1975.

the program is to provide support to financially troubled enterprises; take measures to step up production in underutilized factories; and accelerate the implementation of major investment projects which were prepared during the past but on which decisions had been held up so far. The major objectives of the PNE are to be achieved within 70 days after the respective legislation was promulgated (April 15, 1975). Financial resources to carry out the program will be made available from the state budget, the insurance companies and the unemployment fund. Following the initiation of the PNE, the Government has started a sizable public investment program focussing on low-cost housing, transportation, schools, health and rural electrification.

Demand Management

103. Besides increasing production and investment, there is urgent need for higher domestic savings and a reduction of the balance of payments deficit. However, no decisive action has yet been taken by the authorities to reestablish the country's internal and external financial balance. The 1975 government budget 1/ estimates an overall deficit of Escudos 18 billion, slightly above that of 1974. Partly this is due to a major increase in the development budget although current spending is also expected to be much higher than in the previous year. In shaping this budget the Government's primary concern has been to maintain an acceptable level of total demand in the light of declining private investment, so as to avoid a significant drop in economic activity. But having recently gained a much stronger influence over production and investment the Government will now have to give priority to establishing a proper balance in the use of resources, and measures aimed at containing overall demand for consumption with a view to raising national savings, are becoming increasingly important.

104. Public consumption could be reduced through a significant cut in defense expenditures which appears feasible following the rapid and successful decolonization initiated last year. Measures to influence private consumption are to be guided by the newly established National Cost of Living Council which advises the Government on price and income policies. While there is need to limit the volume of total private consumption, there appears to be scope for a substantive redistribution of disposable consumer incomes aiming at satisfying the basic needs for food, clothing, shelter and social services of lower income groups at the expense of luxury consumption from higher incomes. The Government has already taken steps in that direction by placing an upper ceiling on higher incomes while at the same time increasing minimum wages and freezing retail prices for essential foodstuffs so as to maintain the purchasing power of lower income groups. Such a restructuring of private consumption could have the added advantage of shifting demand away from imports towards domestic resources (e.g. low cost housing, textiles, education), providing growth incentives and employment opportunities for local industries.

1/ Including Supply Fund.

105. On the external side, there are several factors which could facilitate a reversal of recent trends in the balance of payments. The changed international image of Portugal has opened new markets for its exports especially in Africa, the Middle East and Eastern Europe. Trade agreements with some of these countries have already been signed or are being negotiated. As mentioned before (paragraph 58) negotiations with the EC and EFTA could result in further trade concessions for Portugal. These measures will have to be supported by a conscious export drive to recover the losses which Portuguese enterprises have experienced in foreign markets during recent months. Special incentives may also have to be granted to attract workers' remittances. At the same time, significant restrictions on imports may become unavoidable if the current account deficit is to be kept within manageable proportions. The Government already took steps to curtail automobile imports, and in June 1975, it introduced a 20-30 percent surcharge on most imported goods. However, stronger measures may be required to restrain the volume of imports.

Foreign Capital Needs

106. Even a successful program of export promotion and import saving is unlikely to eliminate the current deficit quickly. For some time Portugal will thus require substantial amounts of foreign capital -- up to $1 billion a year -- to supplement national savings. Although external reserves are still relatively high ($2.3 billion at the end of 1974) much of it is held in gold which would be difficult to liquidate quickly on a large scale. Limited amounts of official aid have been offered by Germany, the US, the Netherlands and Scandinavian countries. A $250 million credit facility was recently negotiated with the Bank for International Settlements. Foreign direct investment may recover after the Government introduces a new investment code which is presently under preparation. Other private capital flows will be constrained by the recent nationalization of financial institutions. Mobilizing the foreign funds needed will therefore be no easy task and will require the full attention of the authorities.

107. The Government also envisages improvements in social legislation. Unemployment benefits have already been introduced guaranteeing a minimum income of escudos 1,100 per month for agricultural workers, and of escudos 2,200 per month for industrial workers. Family allowances are to be redefined with a view to progressively providing equal living conditions and education opportunities to all children. Mobile health units will be organized to service remote areas of the country, and medical care for the population will generally be improved. Better welfare conditions are also to be provided for incapacitated workers.

108. A comprehensive development plan for the years 1976-78 is presently under preparation focussing on policies and projects designed to bring about the necessary structural changes in the principal economic sectors. Major emphasis will be given to employment creating activities such as housing and rural development. Agricultural programs will be shaped to support agrarian reform, and to increase the supply of domestic foodstuffs. A new agency has been established to assist labor intensive medium and small-scale enterprises maintain their economic viability. Special programs are to be launched for

the reorganization and modernization of the textile and glass industries. In addition, the development plan will contain investment programs for transport, urban renewal, rural electrification and heavy industries. There will also be efforts to improve the education system, including adult education.

Conclusion

109. Assuming that the Government succeeds in strengthening the management of public enterprises, that it clearly defines the future role of the private sector, that it initiates structural reforms in the principal economic sectors, and that it launches effective programs to contain public and private consumption, to promote exports and to mobilize foreign capital, the economic outlook appears reasonably favorable in the medium-run. Notwithstanding present constraints from high import prices and depressed demand in the industrialized countries, a real GDP growth around 5 percent per annum would appear feasible over the next few years. Focussing on the development of regional poverty pockets and low income sectors the growth objective could be combined with the aspiration for a more equitable income distribution. The task of restructuring the economy and creating the conditions for sustained growth will be difficult and a great challenge to the Government. International assistance from bilateral and multilateral sources could play an important role in helping the Government to achieve its objectives and efforts have already been made by the Portuguese authorities to strengthen the country's ties with UN agencies, the OECD, the EC, EFTA and bilateral aid organizations.

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Table 1.1: POPULATION DATA

	1960	1970	1971	1972	1973	1974
Total Mid-Year Population (mln) a/	8.37	8.63	8.63	8.59	8.56	(8.57)
of which: Continental Portugal	8.27	8.09	8.10	8.06	8.04	(8.05)
Azores	0.33	0.29	0.28	0.28	0.27	(0.27)
Madeira	0.27	0.25	0.25	0.25	0.25	(0.25)
Males	4.25	4.09	4.09	4.07	4.05	(4.06)
Females	4.62	4.54	4.54	4.52	4.51	(4.51)
Net Emigration b/ ('000)	33	179	150	105	119	70
Crude Birth Rate (per '000)	24.1	19.8	21.9	20.3	20.1	(20)
Crude Death Rate (per '000)	10.7	10.7	11.4	10.5	11.1	(11)
Rate of Natural Increase (per '000)	13.4	9.1	10.5	9.8	9.0	(9)
Less Net Emigration (per '000)	3.7	20.6	17.4	12.2	13.9	(8)
Calculated Rate of Population Increase (%) c/	+1.0	-1.1	-0.7	-0.2	-0.5	(+0.1)
Proportion of Population:						
Aged 0 -14%	29.2	28.5	28.4	28.3	28.1	(28)
Aged 15 -64%	62.8	61.8	61.9	61.9	61.9	(62)
Aged 65 and over %	8.0	9.7	9.7	9.8	10.0	(10)

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a/ Resident population in continental Portugal, Azores and Madeira; data are adjusted on the basis of the end-year censuses of 1960 and 1970. Residents do not include persons absent from home for more than 6 months. 1960 data have been adjusted to show resident rather than "present" population.

b/ Data for returning migrants may be incomplete and this may result in an over-estimate of net emigration.

c/ The calculated rate of population increase which is based partly on migration data may differ from actual rates of population increase owing to inaccurate migration data, and the fact that migration may be unevenly spread during the year.

Source: National Institute of Statistics and Secretariat of State for Emigration.

Table 1.2: MIGRATION
(in 1,000)

	Gross Emigration	Of which to France	Of which to Germany	Returning Migrants a/	Net Emigration
1960	35	5	0	2	33
1965	92	60	12	2	90
1969	154	111	13	1	153
1970	180	136	20	1	179
1971	151	111	17	1	150
1972	105	69	14	0	105
1973	120	61	32	1	119
1974 b/	72	35	3	2	70

a/ Known returning migrants only.

b/ Estimates.

Source: Secretariat of State for Emigration.

Table 1.3: SECTORAL DISTRIBUTION OF EMPLOYMENT[a/]
(in thousands)

Sector	1960	1963	1970	1973	1974[e/]	Percent of Total
Agriculture, Forestry and Fishing	1333	1228	940	827	804	27.9
Mining and Quarrying	26	21	12	12	12	0.4
Manufacturing Industry	666	683	703	713	703	24.3
Construction and Public Works	215	232	247	277	267	9.3
Electricity, Gas and Water	14	16	17	17	17	0.6
Transport and Communications	117	127	141	150	152	5.3
Trade, Banking and Insurance	256	281	328	345	344	11.9
Other Services	497	532	601	596	586	20.3
Total	3124	3120	2989	2937	2885	100.0

a/ Continental Portugal only; figures refer to active population

e/ Estimate

Source: Secretariat of State for Labor and Technical Secretariat for Planning

Table 2.1: ORIGIN OF GROSS DOMESTIC PRODUCT
(Billions of Escudos)

	1963	1971	1972	1973	1974[e/]	1971	1972	1973	1974[e/]
	Current prices					1963 prices			
Agriculture[a/]	18.2	30.0	32.3	41.1	48.8	18.8	19.9	21.2	21.5
Industry	31.7	77.1	92.4	113.4	145.2	63.4	71.7	82.2	84.6
of which:									
Manufacturing[b/]	25.2	61.3	73.7	91.4	119.3	51.2	57.4	66.0	67.0
Construction	4.4	11.1	13.4	16.2	19.5	8.1	9.4	10.8	11.6
Power and water	2.1	4.7	5.3	5.8	6.4	4.1	4.9	5.4	6.0
Services	31.6	73.1	85.5	103.5	133.5	49.2	55.2	60.8	61.8
of which:									
Transport	4.7	11.6	13.3	15.8	N.A.	9.1	10.1	11.2	N.A.
Trade and banking	11.6	29.9	33.4	42.8	N.A.	17.8	19.1	21.9	N.A.
Dwellings	3.0	5.0)	)	)	)	4.2	4.3	4.5	N.A.
Public Administration	5.7	11.6)	38.8)	44.9)	N.A.)	8.6	10.1	10.6	N.A.
Others [c/]	6.6	15.0)	)	)	)	9.5	11.6	12.6	N.A.
GDP at factor cost	81.5	180.2	210.2	258.0	327.5	131.4	146.8	164.2	167.9
Indirect taxes less subsidies	7.0	19.5	22.2	27.1	21.9	14.1	9.7	10.8	10.7
GDP at market prices	88.5	199.7	232.4	285.1	349.4	145.5	156.5	175.0	178.6

a/ Including forestry and fishing
b/ Including mining
c/ Including education and health
e/ Estimate

Source: National Institute of Statistics and Technical Secretariat for Planning

Table 2.2: GROSS NATIONAL PRODUCT AND EXPENDITURE
(Billions of Escudos)

	1963	1970	1971	1972	1973	1974[e/]	1970	1971	1972	1973	1974[e/]
	(- - - - - - current prices - - - - - - - -)						(- - - -constant 1963 prices- - - -)				
Consumption	77.8	161.2	178.1	201.4	251.3	340.7	127.0	132.5	140.1	156.9	171.4
of which:											
Private	66.4	135.9	150.4	169.5	214.2	N.A.	109.0	113.3	119.3	134.5	N.A.
Public	11.2	25.3	27.7	31.9	37.1	N.A.	18.0	19.2	20.8	22.4	N.A.
Investment	15.7	30.5	37.7	46.7	56.9	62.5	25.0	29.2	33.7	37.9	34.8
of which:											
GFCF	15.9	30.8	37.0	47.1	56.9	62.5	25.1	28.9	33.9	37.9	34.8
Stocks	-0.2	-0.3	0.7	- 0.4	N.A.	N.A.	-0.1	0.3	- 0.2	N.A.	N.A.
Domestic expenditure	93.5	191.7	215.8	248.1	308.2	403.2	152.0	161.7	173.8	194.8	206.2
Exports, goods and NFS	16.3	42.8	49.7	58.7	71.6	83.1	32.7	34.6	37.9	41.6	41.6
Imports, goods and NFS	21.1	55.7	65.8	74.4	94.7	136.9	47.0	50.8	55.2	61.4	69.2
GDP at market prices	88.5	178.8	199.7	232.4	285.1	349.4	137.7	145.5	156.5	175.0	178.6
Net factor income[a/]	1.8	15.5	19.5	24.4	29.2	31.6	11.9	14.2	16.5	18.1	16.1
GNP at market prices	90.3	194.3	219.2	256.8	314.3	381.0	149.6	159.7	173.0	193.1	194.7
Gross national savings	12.5	33.1	41.1	55.4	63.0	40.3					

a/ Including workers' remittances
e/ Estimate

Source: National Institute of Statistics and
Technical Secretariat for Planning

Table 2.3: GROSS FIXED CAPITAL FORMATION
(Billions of Escudos)

	1963	1971	1972	1973	1974 e/	1971	1972	1973	1974 e/
	(current prices)					(constant 1963 prices)			
Residential construction	2.9	4.8	6.7	32.5	N.A.	3.6	4.7	21.6	N.A.
Other construction	7.7	15.1	18.3		N.A.	10.9	12.9		N.A.
Equipment and machinery	5.3	17.1	22.1	24.4	N.A.	13.4	16.3	16.3	N.A.
Total GFCF	15.9	37.0	47.1	56.9	62.5	27.9	33.9	37.9	34.8
Agriculture a/	1.4	2.4	2.6	3.4	N.A.	1.7	1.8	2.2	1.4
Industry b/	4.6	12.7	15.1	18.1	N.A.	9.8	11.0	12.1	12.2
Power and water	1.7	3.0	3.6	3.9	N.A.	2.3	2.6	2.6	3.3
Transport	2.8	7.1	10.5	10.4	N.A.	5.3	7.6	7.0	6.8
Housing	2.9	4.8	6.7	9.8	N.A.	3.6	4.7	6.6	5.5
Other services	2.5	7.0	8.6	11.3	N.A.	5.2	6.9	7.4	5.6

a/ Including forestry and fishing.
b/ Including construction and mining.
e/ Estimate

Source: National Institute of Statistics and Technical Secretariat for Planning

Table 2.4: DISTRIBUTION OF NATIONAL INCOME
(Billions of Escudos, current factor cost)

	1965	1970	1971	1972	1973 p/	1974 e/
Income from work	44.0	76.2	87.7	101.0	117.9	157.8
Wages and salaries	33.4	55.8	64.7	72.6	83.6	112.5
Public service remuneration 1/	7.8	14.5	15.8	19.4	23.3	30.3
Employees' contribution to social security	2.8	5.9	7.2	9.0	11.0	15.0
Income from enterprise and property	49.3	72.3	78.9	94.7	111.0	142.2
Individuals	40.7	59.2	64.3	79.4	89.4	N.A.
Corporations	8.1	12.1	13.7	14.2	20.6	N.A.
State	0.5	1.0	0.9	1.1	1.0	N.A.
National Income 2/	93.3	148.5	166.6	195.7	228.9	300.0
Memorandum Item: Income from work as percent of national income	47	51	53	52	52	53

1/ Including Armed Forces
2/ Excluding factor income from abroad
p/ Preliminary
e/ Estimate

Source: Technical Secretariat of Planning

Table 2.5: REGIONAL DISTRIBUTION OF GDP IN 1970

Region	Gross Added Value[a] (Esc. mln.)	Population (1,000)	GDP Per Capita (Escudos)	GDP Per Capita (Percent)[b]
Viana do Castelo	1,393	251	5,549	45
Braga	6,889	609	11,312	92
Porto	14,452	1,310	11,032	89
Vila Real	1,724	266	6,481	52
Braganca	1,985	180	11,028	89
Aveiro	9,772	545	17,930	145
Coimbra	5,583	399	13,992	113
Leiria	5,522	377	14,647	119
Viseu	4,889	411	11,895	96
Guarda	1,488	211	7,052	57
Castelo Branco	2,239	254	8,815	71
Lisboa	18,451	1,568	11,767	95
Setubal	12,529	470	26,642	216
Santarem	5,547	428	12,960	105
Portalegre	1,711	146	11,719	95
Evora	1,964	178	11,034	89
Beja	2,168	204	10,627	86
Faro	1,527	268	5,698	46
Total[c]	99,833	8,075	12,363	100

a/ Productive sectors only (agriculture and industry), excluding services.

b/ As percentage of national average.

c/ Excluding the Azores and Madeira.

Source: Technical Secretariat for Planning.

Table 3.1: BALANCE OF PAYMENTS
(Billions of Escudos)

	1970	1971	1972	1973p/	1974e/
Exports, f.o.b.	26.1	28.4	33.4	42.9	55.1
Imports, f.o.b.	39.9	47.1	54.0	68.0	106.6
Trade balance	-13.8	-18.7	-20.6	-25.1	-51.5
Tourism, gross	6.9	9.4	11.3	13.6	12.7
Other NFS, net	-6.0	- 6.8	- 6.3	-11.6	- 15.0
Investment income, net	0.9	0.4	0.6	2.1	3.6
Transfers, net a/	14.6	19.1	23.8	27.1	28.0
Current balance	2.6	3.4	8.8	6.1	- 22.2
Direct investment, net	0.5	1.2	1.4	1.4	1.5
M + LT loans, net	-0.6	0.6	-4.9	- 2.7	6.6
Private	0.8	1.0	0.3	N.A.	N.A.
Official	-1.4	-0.4	-5.2	N.A.	N.A.
M + LT capital, net	-0.1	1.8	-3.5	-1.3	8.1
ST capital, net b/	-0.2	0.5	-1.5	-0.8	-5.2
Overall balance	2.3	5.7	3.8	4.0	-19.3

a/ Mostly workers' remittances
b/ Including errors and omissions
p/ Preliminary
e/ Estimate

Source: Technical Secretariat for Planning, and Bank of Portugal

Table 3.2: EXPORTS AND IMPOPTS BY COMMODITY GROUPS
(Billions of Escudos)

	Imports (c.i.f.)				Exports (f.o.b.)			
	1963	1971	1972	1973	1963	1971	1972	1973
Food and agricultural products	3.1	7.3	9.5	12.5	3.2	5.6	6.6	8.1
of which:								
Cereals	0.7	1.6	2.2	3.5				
Wines					0.9	2.0	2.4	3.1
Oil Seeds	0.5	0.8	1.0	1.2				
Other raw materials	0.8	1.5	1.5	2.4	0.3	0.3	0.3	0.4
Processed food	1.1	3.4	4.8	5.4	2.0	3.3	3.9	4.6
Timber and cork	0.3	0.5	0.6	0.9	2.0	2.7	3.1	4.1
Pulp and paper	0.3	0.6	0.7	0.9	0.3	1.5	2.1	2.3
Mineral Products	1.3	3.3	3.4	4.0	0.3	0.5	0.3	0.5
of which:								
Crude oil	0.9	2.8	2.7	3.2				
Chemical products	2.3	6.3	7.4	9.6	1.2	2.6	2.8	3.0
Textiles and footwear	2.5	4.6	5.5	7.7	3.2	8.5	10.3	13.3
Metals and metal products	2.0	5.4	5.3	5.8	0.4	1.2	1.3	1.6
Machinery and equipment	4.5	15.1	18.1	21.0	0.4	2.9	4.2	5.7
of which:								
Electrical equipment	1.0	2.9	3.2	3.9	0.1	1.7	2.3	3.1
Transport equipment	1.3	4.3	5.2	6.1	0.1	0.4	0.6	0.7
Other machines	2.2	7.9	9.7	11.0	0.2	0.8	1.3	1.9
Other products	2.8	8.6	8.9	11.2	1.2	2.9	2.7	4.3
TOTAL	19.1	51.7	59.4	73.6	12.2	28.4	33.4	42.9
of which:								
Raw Materials	3.5	7.6	8.7	12.3	1.5	2.4	3.0	N.A.
Manufactured Products	14.4	39.5	45.9	56.1	10.3	24.9	29.6	N.A.
Non-classified	1.2	4.6	4.8	5.2	0.4	1.1	0.8	N.A.

Source: Technical Secretariat for Planning.

Table 3.3: DIRECTION OF FOREIGN TRADE
(Billions of Escudos)

	Imports (c.i.f.)				Exports (f.o.b.)			
	1971	1972	1973	1974	1971	1972	1973	1974
E.E.C. a/	17.2	19.1	33.1	N.A.	5.4	6.9	19.4	25.6
EFTA	13.0	14.8	8.5	N.A.	9.7	12.8	6.2	8.3
Other Europe	2.9	3.7	4.9	N.A.	0.8	1.1	1.2	1.4
U.S.A.	3.6	5.4	6.0	N.A.	2.9	3.8	4.4	5.7
Other Countries	8.1	9.4	13.6	N.A.	3.1	3.6	5.0	7.8
Overseas territories	6.9	7.0	7.5	N.A.	6.5	5.2	6.7	6.3
TOTAL	51.7	59.4	73.6	118.1	28.4	33.4	42.9	55.1

a/ Since 1973 including U.K., Denmark and Ireland

Source: Technical Secretariat for Planning

Table 3.4: TERMS OF TRADE

(percent)

Years	Export Prices	Import Prices	Terms of Trade
1963	100.0	100.0	100.0
1964	104.0	102.7	101.7
1965	107.1	104.5	102.5
1966	105.0	104.8	100.2
1967	109.1	102.4	106.5
1968	111.5	99.9	111.6
1969	109.8	100.7	109.0
1970	115.7	110.4	104.8
1971	121.2	112.1	108.1
1972	129.3	115.9	111.6
1973	148.3	132.4	112.0
1974 e/	192.8	191.5	100.7

e/ Estimate

Source: Technical Secretariat for Planning

Table 3.5: INTERNATIONAL RESERVES OF ESCUDO AREA
(Billions of Escudos, end of period)

	1970	1971	1972	1973	1974
Bank of Portugal and Treasury					
Gold	25.9	27.2	27.8	29.7	29.9
Foreign exchange	16.9	25.6	34.6	42.2	26.5
IMF gold tranche	.5	.8	.9	.9	.9
Official reserves, excluding Overseas Exchange Funds	43.3	53.6	63.3	72.8	57.3
Overseas Exchange Funds	.7	1.4	2.0	2.0	n.a
Total official reserves	44.0	55.0	65.3	74.8	n.a
Net reserves, including commercial banks	50.6	59.8	69.5	79.4	n.a

Source: Bank of Portugal.

Table 4.1: EXTERNAL PUBLIC DEBT
(US$ Millions)

I. Debt Outstanding as of December 31, 1974
(Including Undisbursed)

1.	Direct Government Debt, total of which:	516.9
	a) Debt incurred for the construction of the Cabora Bassa Dam (Mozambique)	250.6
	-- in France	(96.7)
	-- in Germany	(89.1)
	-- in South Africa	(64.8)
	b) Credits from the USA	132.9
	-- Marshal Plan	(18.8)
	-- US Savings Bonds	(37.2)
	-- Export-Import Bank	(51.8)
	-- Other	(25.1)
	c) Credits from South Africa	84.7
	-- Bond Issues	(5.5)
	-- Other	(79.2)
	d) Credit from Germany	37.2
	e) Sterling Pound Bonds	11.5
2.	Debt Guaranteed by the Government, of which:	322.1
	a) IBRD	42.1
	b) Other[1/]	280.0
3.	Total External Public Debt	839.0

II. Estimated Debt Service Payments

	1975	1976	1977	1978	1979	1980
Direct Debt	56.1	45.9	47.0	42.2	42.6	40.4
Guaranteed Debt	101.8	38.9	27.5	28.6	26.0	29.4
TOTAL	157.9	84.8	74.5	70.8	68.6	69.8

1/ Mostly owed by large public and private corporations, such as Portuguese airlines, railways, electricity companies, postal administration, Lisbon municipality and Banco de Fomento Nacional.

Source: Ministry of Finance

Table 5.1: CONSOLIDATED GOVERNMENT ACCOUNT[a/]
(Billion Escudos)

	1971	1972	1973	1974[p/]
Current revenue	46.4	53.8	63.2	75.0
Indirect taxes	22.4	25.2	30.5	35.9
Direct taxes	11.1	12.1	13.2	14.5
Social security contributions	10.0	12.5	15.4	20.0
Other	2.9	4.0	4.1	4.5
Current expenditure	38.1	46.6	55.1	79.1
Defense	13.9	15.2	16.4	22.2
Education	3.5	4.2	5.2	5.6
Health	4.4	5.4	8.0	6.9
Subsidies	3.0	3.1	3.4	17.7
Interest	1.0	1.5	1.2	2.3
Others	12.3	17.2	20.9	24.4
Government saving	8.3	7.2	8.1	-4.1
Capital expenditure	8.1	13.8	6.3	N.A.
of which:				
Fixed investment	5.1	5.9	5.9	6.2
Loans and transfers	3.0	7.9	.4	N.A.
Overall balance	+.2	-6.6	+1.8	N.A.
Domestic borrowing	.6	5.6	4.3	N.A.
Foreign borrowing	-.3	.1	.1	N.A.
Liquid assets (- = increase)	.5	-.9	6.2	N.A.

a/ Central government, special funds, social security system and municipalities.
p/ Preliminary

Source: National Institute of Statistics, and Technical Secretariat for Planning.

Table 5.2: CENTRAL GOVERNMENT BUDGET
(Billions of Escudos)

	1971	1972	1973	1974 p/	1975 e/
Current Revenue	33.8	38.3	45.2	52.2	59.6
Indirect taxes	15.3	18.6	21.5	26.0	29.4
Direct taxes	9.3	10.7	13.7	16.6	18.2
Other 1/	9.2	9.0	10.0	9.6	12.0
Current Expenditure	29.4	31.9	38.1	49.0	52.1
Defense	15.3	15.4	17.8	23.2	19.7
Education	3.3	4.5	5.8	8.4	10.4
Health	1.3	1.8	2.2	2.8	3.1
Other	9.5	10.2	12.3	14.6	18.9
Current Surplus	4.4	6.4	7.1	3.2	7.5
Capital Expenditure	6.2	7.8	9.5	12.9	21.4
Metropolitan Portugal	4.9	6.9	7.4	11.3	17.5
Overseas Development Aid	1.3	0.9	2.1	1.6	3.9
Overall Deficit	-1.8	-1.4	-2.4	-9.7	-13.9

1/ Includes extraordinary revenue

p/ Preliminary

e/ Budget estimate

Source: Ministry of Finance

Table 5.3: SUPPLY FUND[a/]
(Billion Escudos)

	Receipts	Expenditures	Surplus/Deficit
1971	3.1	2.8	0.3
1972	3.3	3.1	0.2
1973	3.2	3.0	0.2
1974 p/	5.6	13.2	-7.6
1975 e/	6.3	10.4	-4.1

---

a/ The Supply Fund regulates the domestic supply of essential foodstuffs (e.g. wheat, sugar) through purchases of these commodities in the world market and sales to domestic consumers. In the course of its transactions the Fund also stabilizes domestic consumer prices, generating surpluses when world prices are low and sustaining losses when (as in 1974 and 1975) world prices are high.

p/ Preliminary.

e/ Estimate.

Source: Technical Secretariat for Planning.

Table 5.4: SOCIAL SECURITY ACCOUNTS
(Billion Escudos)

	1971	1972	1973	1974 p/
Receipts	13.7	16.4	21.8	23.0
of which:				
Contributions	11.1	13.7	18.2	N.A.
Others a/	2.6	2.7	3.6	N.A.
Expenditures	10.4	14.1	19.2	24.3
of which:				
Benefits	9.0	12.4	16.7	N.A.
Others b/	1.4	1.7	2.5	N.A.
Surplus	3.3	2.3	2.6	- 1.3

a/ Includes income from property.
b/ Includes administration.
p/ Preliminary

Source: National Institute of Statistics and Technical Secretariat for Planning.

Table 6.1: MONETARY SURVEY

(Billion Escudos; end year)

	1970	1971	1972	1973	1974
Money supply of which:	*111.2*	*126.6*	*149.3*	191.5	209.5
Currency	*29.7*	*31.9*	*36.1*	38.3	69.7
Sight deposits	81.5	94.7	113.2	153.2	139.8
Time deposits	61.1	76.5	95.8	111.1	125.2
Other liabilities	*58.6*	*76.0*	*80.6*	95.7	101.6
Total liabilities/ /assets	230.9	279.1	325.7	398.3	436.3
Bank credit of which:	125.4	154.1	191.1	248.7	301.7
Private sector	120.8	148.4	182.6	242.2	289.8
Public sector	4.6	5.7	8.5	6.5	11.9
Foreign assets	51.1	58.9	69.2	76.7	63.4
Other assets	54.4	66.1	65.4	72.9	71.2

Source: Bank of Portugal

Table 6.2: MAXIMUM INTEREST RATES

(In per cent)

	1970 April	1971 February	1972 December	1973 December	1974 July	1974 Dec.
Bank of Portugal						
Discount	3.5	3.75	4.0	5.0	6.5	7.5
Rediscount	2.0-3.5	2.0-3.75	2.0-4.0	3.0-5.0	4.0-6.5	4.5-7.5
Commercial banks						
Deposit rates						
Sight deposits	1.0	1.0	1.0	0.5	no int.	1.0 [4]
Other deposits--notice or time deposits of up to:						
15 days	1.0	1.0	1.0	0.5	no int.	1.0 [4]
15-30 days	2.0	2.25	2.25	2.5	2.5	3.5
30-90 days	3.0	3.25	3.25	3.5	3.5	4.5
90-180 days	4.0	4.25	4.25	4.5	5.5	6.5
180-270 days	5.0	5.25	5.25	5.5	7.0	8.0
270 days - 1 year				6.0	8.0	9.0
Investment and savings banks						
Sight deposits	3.0 [1]	3.0 [1]	3.0 [1]	3.0 [2]	3.0 [2]	4.0 [5]
Other deposits--notice or time deposits of up to:						
15 days	3.0 [1]	3.0 [1]	3.0 [1]	3.0 [2]	3.0 [2]	4.0 [5]
15-30 days	2.0	2.25	2.25	2.5	2.5	3.5
30-90 days	3.0	3.25	3.25	3.5	3.5	4.5
90-180 days	4.0	4.25	4.25	4.5	5.5	6.5
180-270 days	5.0	5.25	5.25	5.5	7.0	8.0
270 days - 1 year				6.0	8.0	8.5
over 1 year	5.5	5.75 [3]	5.75 [3]	6.5 [3]	8.5 [3]	9.5
over 2 years		6.75 [3]	6.75 [3]	7.5 [3]	9.5 [3]	9.5-10.5
All credit institutions						
Lending rates						
Discount and loans up to:						
3 months	5.25	5.5	5.75	5.75	6.75	7.75
3-4 months						
4-6 months					7.25	8.25
6-12 months	6.0	6.25	6.5	6.75	8.25	9.25
1-2 years	6.75	7.0	7.25	7.75	9.5	10.5
2-3 years	7.25	7.5	7.5	8.25	10.0	11.0
3-5 years			7.75	8.5	10.5	11.5
5-7 years		7.75	8.0	8.75	11.0	12.0
over 7 years		8.0	8.25	9.0	11.5	12.5

Source: Bank of Portugal.

1/ Only for deposits by individuals up to Esc 50,000, otherwise 1.5 per cent.

2/ Only for deposits by individuals up to Esc 50,000, otherwise 1 per cent.

3/ Only for special cases.

4/ Only for deposits by individuals.

5/ Only for deposits by individuals up to Esc.70,000, otherwise 2.0%.

Table 7.1: OUTPUT OF MAIN AGRICULTURAL PRODUCTS
(1,000 tons)

Commodity	Average 1961-65	1966	1967	1968	1969	1970	1971	1972	1973	Prelim. 1974
Main Crops										
Wheat	550	312	637	748	454	540	794	604	584	577
Maize	560	565	577	548	553	581	526	519	509	492
Rye	147	145	175	199	167	157	168	164	134	155
Rice	167	154	146	149	176	195	162	164	168	148
Barley	61	49	73	94	54	54	84	62	57	72
Oats	87	63	111	129	79	72	125	85	79	94
Potatoes	1,025	923	1,296	1,083	1,126	1,148	1,129	1,139	1,086	1,124
Olive Oil (hectoliters)	828	414	883	581	790	785	458	588	461	419
Wine (hectoliters)	14,148*	8,930	9,740	11,690	8,081	11,328	8,835	8,196	11,086	13,081
Livestock Products										
Beef and veal	49	64	52	58	79	77	87	74	81	83
Mutton and lamb	20	25	20	23	25	28	26	22	23	25
Pork	89	90	72	98	100	101	102	110	124	129
Milk (Hectoliters)	362	368	397	417	459	472	446	460	462	465
Eggs	32	34	34	37	37	38	39	41	42	43

* 1962-65 Average

Source: National Institute of Statistics and Mission Estimates

Table 7.2: YIELD OF MAIN FIELD CROPS
(100 kg/ha)

	Wheat	Corn	Rye	Rice	Oats	Barley	Beans	Potatoes
1960	6.67	9.97	5.14	40.86	2.03	4.17	9.24	113.18
1961	6.53	12.77	3.97	46.68	2.43	4.10	8.99	97.74
1962	8.86	11.87	5.55	46.89	3.60	5.38	9.71	87.60
1963	8.00	10.73	6.77	44.95	3.33	4.86	10.52	106.99
1964	6.89	12.03	5.37	47.74	2.79	4.14	9.43	104.90
1965	9.75	9.48	6.61	39.65	3.65	5.71	7.06	87.92
1966	5.97	11.94	5.13	44.00	2.90	4.41	8.93	91.42
1967	10.87	13.23	7.31	45.63	4.90	6.87	10.94	110.74
1968	14.48	12.63	8.65	45.26	6.80	8.17	11.25	103.01
1969	9.59	12.95	7.32	46.85	4.56	5.41	10.14	105.03
1970	11.00	13.92	6.94	46.68	4.77	6.13	11.41	107.69
1971	15.60	13.39	7.49	38.30	7.45	9.17	7.0	102.26
1972	12.38	13.30	7.29	37.68	5.04	6.97	11.69	101.77
1973	12.32	13.66	6.47	42.76	5.04	7.00	11.61	99.37

Source: National Institute of Statistics

Table 7.3: SIZE OF FARMS

Size Class	Number of Farms		Surface owned	
	1,000	%	1,000 ha	%
Up to 1 ha.	314	39	125	3
1 to 4 ha.	315	39	617	12
40 to 20 ha.	153	19	1,182	24
20 to 50 ha.	18	2	504	10
Over to 50 ha.	9	1	2,546	51
Total	809	100	4,974	100

Source: National Institute of Statistics
1968 Agricultural Survey

Table 8.1: GROSS VALUE ADDED BY MANUFACTURING INDUSTRY

	1960	1963	1970	1971	1972	1973	1974 e/
	(millions of escudos at current prices)						
Total Manufacturing Industry	19,480	24,805	53,882	60,349	72,677	83,937	117,116
Food, beverages and tobacco	2,660	3,104	6,307	6,681	7,665	9,074	N.A.
Textiles, clothing and footwear	4,726	5,580	10,030	11,814	14,336	16,863	N.A.
Wood and cork products	1,990	2,223	3,314	3,575	4,592	4,875	N.A.
Chemicals and related products	1,921	2,742	6,304	7,179	8,484	10,413	N.A.
Non-metallic mineral products	1,351	1,775	3,924	4,629	5,536	6,269	N.A.
Basic metal industries	399	932	2,037	2,635	3,289	4,050	N.A.
Metal products, machinery & transport equipment	4,300	5,934	16,103	18,179	22,390	24,682	N.A.
Paper products and printing	1,101	1,268	2,671	2,728	2,846	3,563	N.A.
Miscellaneous	946	1,247	3,192	2,929	3,539	4,152	N.A.
	1960	1963	1970	1971	1972	1973	1974
	(millions of escudos at constant 1963 prices)						
Total Manufacturing Industry	20,427	24,805	46,820	50,507	56,771	62,012	65,765
Food, beverages and tobacco	2,762	3,104	5,065	5,124	5,609	5,997	5,863 a/
Textiles, clothing and footwear	4,567	5,580	9,987	11,552	13,061	14,608	14,961
Wood and cork products	2,041	2,223	3,150	3,237	3,247	3,359	3,443
Chemicals and related products	2,216	2,742	5,882	5,963	6,409	7,292	7,535
Non-metallic mineral products	1,451	1,775	3,312	3,577	3,908	4,394	4,509
Basic metal industries	348	932	1,518	1,837	2,106	2,536	2,598
Metal products, machinery & transport equipment	4,831	5,934	12,974	14,525	17,295	19,215	20,634
Paper products and printing	1,103	1,268	2,704	2,638	2,730	2,574	3,173
Miscellaneous	1,108	1,247	2,228	2,054	2,406	2,061	3,049 b/

a/ Excluding tobacco

b/ Including tobacco

e/ Estimate

Source: National Institute of Statistics and Technical Secretariat for Planning

Table 8.2: EMPLOYMENT IN MANUFACTURING INDUSTRY
(mid-year estimates)

	1960	1963	1970	1971	1972	1973	1974e/
			(thousands)				
Total	665.4	682.8	702.4	702.1	707.5	713.4	702.6
Food, beverages and tobacco	68.8	64.9	56.9	54.6	53.1	51.3	49.8
Textiles, clothing and footwear	238.6	236.5	235.4	232.3	229.9	229.5	220.1
Wood, cork and products	96.6	101.4	103.5	101.9	102.0	102.1	101.7
Chemicals and related products	36.8	37.2	38.9	38.8	38.8	38.3	38.7
Non-metallic mineral products	38.4	40.3	46.4	46.4	46.8	47.1	46.7
Basic metal industries	8.6	14.8	35.9	39.2	41.0	42.3	43.0
Metal products, machinery & transport equipment	129.7	131.3	123.6	127.1	133.3	138.6	138.5
Paper products and printing	26.7	31.3	31.2	30.3	30.2	30.0	29.8
Miscellaneous	21.2	25.1	31.1	31.5	32.4	33.2	32.8

e/ Estimate

Source: Censuses of 1960 and 1970; estimates of Secretariat of State for Labor and Technical Secretariat for Planning. Data refer to continental Portugal only.

Table 8.3: GROSS CAPITAL FORMATION BY BRANCH OF MANUFACTURING INDUSTRY

	1960	1963	1970	1971	1972	1973	1974[e/]
	(Million Escudos at Current Prices)						
Total Manufacturing Industry	4,182	4,205	9,737	11,478	13,821	15,987	N.A.
Food and beverages	634	695	1,369	1,558	1,810	N.A.	N.A.
Textiles, clothing and footwear	1,013	1,235	2,497	2,838	3,289	N.A.	N.A.
Wood, cork and products	222	150	374	477	567	N.A.	N.A.
Chemicals and related products	426	372	1,055	1,271	1,552	N.A.	N.A.
Non-metallic mineral products	504	426	773	881	1,023	N.A.	N.A.
Basic metal industries	178	111	204	241	290	N.A.	N.A.
Metal products, machinery and transport equipment	705	716	2,231	2,879	3,621	N.A.	N.A.
Paper products and printing	291	237	904	1,143	1,470	N.A.	N.A.
Miscellaneous[a/]	209	469	330	390	199	N.A.	N.A.

	1960	1963	1970	1971	1972	1973	1974
	(Million Escudos at Constant 1963 Prices)						
Total Manufacturing Industry	4,258	4,205	7,825	8,831	10,055	10,643	11,215
Food and beverages	646	695	1,100	1,198	1,317	1,360	1,401
Textiles, clothing and footwear	1,031	1,235	2,006	2,184	2,393	2,895	3,039
Wood and cork products	227	150	301	351	412	302	306
Chemicals and related products	433	372	847	977	1,130	1,166	1,199
Non-metallic mineral products	514	426	621	678	747	890	947
Basic metal industries	181	111	164	185	211	250	275
Metal products, machinery and transport equipment	718	716	1,873	2,215	2,634	2,709	2,909
Paper products and printing	296	237	726	880	1,070	803	857
Miscellaneous	212	263	187	163	141	268	282

a/ Including tobacco

e/ Estimate

Source: Technical Secretariat for Planning.

Table 8.4: SIZE OF ENTERPRISES IN MANUFACTURING INDUSTRY [a/]

	Number of Enterprises Employing:					
	4 Persons and fewer	5 - 19 Persons	20 - 49 Persons	50 - 99 Persons	100 Persons and more	Total Number of Enterprises
Food, Beverages and Tobacco	10,501	1,180	364	166	147	12,368
Textiles, Clothing and Footwear	6,777	1,624	773	353	399	9,926
Wood and Cork Products	5,415	1,651	535	137	81	7,819
Paper, Paper Products and Printing	500	562	211	56	51	1,380
Chemicals, Petroleum and Coal Derivatives, Rubber and Plastics	555	249	133	64	96	1,097
Non-metallic Mineral Products	1,219	510	222	93	78	2,122
Base Metallurgical Industries	103	83	40	12	24	262
Metal products, Machinery and Transport Equipment	4,467	1,044	423	205	224	6,363
Other Manufacturing Industries	933	242	56	18	12	1,261
TOTAL	30,470	7,145	2,757	1,104	1,112	42,588

a/ Preliminary data covering the last week of December 1971.

Source: National Institute of Statistics, Industrial Census, 1972.

Table 8.5: PRODUCTION AND EXPORTS IN MANUFACTURING

Industrial Branches	1972			1973		
	Production (billion Escudos)	Exports	Export share %	Production (billion Escudos)	Exports	Export share %
Food and beverages	27.3	3.9	14	31.8	4.6	14
Textiles and footwear	28.9	10.3	36	32.1	13.3	41
Machinery and equipment	24.2	4.2	17	24.8	5.7	23
Chemicals	14.6	2.8	19	17.3	3.0	17
Pulp and paper	8.4	2.1	25	10.2	2.3	23
Others	22.4	4.0	18	34.9	4.6	13
Total	125.8	27.3	22	151.1	31.5	21

Source: National Institute of Statistics

Table 8.6: NUMBER OF BUILDINGS CONSTRUCTED

	1965	1970	1971	1972	1973
Residential	20,641	14,437	18,056	19,057	20,009
(Dwelling units)	n.a.	(27,875)	(36,007)	(40,611)	(41,923)
Commercial	298	204	225	170	152
Industry	841	394	366	386	368
Agricultural	5,097	2,441	2,431	2,674	2,539
Others	431	2,215	2,885	3,162	3,308
Total	27,308	19,691	23,963	25,449	26,676

Source: Department of Housing, Technical Secretariat for Planning.

Table 8.7 : NUMBER OF PERMITS ISSUED FOR CONSTRUCTION OF BUILDINGS

	1970	1971	1972	1973
Residential	23,512	25,935	25,600	29,558
Commercial	165	213	289	244
Industry	444	416	470	585
Agricultural	2,719	2,494	2,733	2,855
Others	4,508	4,479	4,724	5,838
Total	31,348	33,537	33,816	39,080

Source: Department of Housing, Technical Secretariat for Planning.

Table 8.8: SOURCES AND USES OF ENERGY
(1,000 tons of oil equivalent)

	1960	1965	1970	1971	1972	1973	1974*	1975*	1979*
Oil Products	1,842	2,770	4,568	5,208	5,681	6,255	6,570	6,950	8,743
Coal	475	648	730	493	435	500	476	516	723
Domestic	(188)	(194)	(239)	(113)	(100)	(160)	(100)	(100)	(100)
Imported	(287)	(454)	(491)	(380)	(335)	(340)	(376)	(416)	(623)
Wood	330	285	250	243	236	230	224	218	195
Hydroenergy	259	342	498	528	609	620	647	729	816
Total	2,906	4,045	6,046	6,472	6,961	7,605	7,917	8,413	10,477
Consumption by:									
Industry	1,131	1,677	2,310	2,540	2,775	3,032	3,167	n.a.	n.a.
Transport	696	884	1,305	1,470	1,705	1,951	2,058	n.a.	n.a.
Agriculture	145	189	253	260	270	306	317	n.a.	n.a.
Others	934	1,295	2,178	2,202	2,211	2,316	2,375	n.a.	n.a.

* Estimates.

Source: Office of Director General for Energy.

Table 8.9: PRODUCTION AND CONSUMPTION OF ELECTRICITY
(in GWh)

	1963	1966	1970	1971	1972	1973	1974	1975*
Installed capacity of Power Plants (in MW) Total	1,484	1,707	2,004	2,126	2,188	2,443	2,663	2,921
Hydro	1,332	1,548	1,548	1,683	1,745	1,849	1,944	2,030
Thermal	152	159	456	443	443	594	719	891
Gross Production; total	4,285	5,548	7,380	7,815	8,773	9,311	10,000	11,154
of which a) Hydroelectric	3,987	5,263	5,795	6,146	7,086	7,455	7,729	8,050
b) Conventional thermal	298	285	1,585	1,669	1,686	1,866	2,271	3,104
Imports	-	3	61	205	150	68	337	-
Exports	55	14	43	27	112	78	295	-
Available for consumption: of which;	4,230	5,537	7,398	7,993	8,812	9,321	10,042	11,154
Industry	2,124	2,860	4,008	4,370	4,735	5,198	6,003	6,705
Transport	156	202	202	198	215	218	234	252
Domestic & Commercial	947	1,202	1,926	2,182	2,460	2,683	2,880	3,101
Agriculture	18	21	32	37	39	42	55	65
Consumption per capita in kWh	388	510	857	926	1,026	1,089	1,169	1,255

* Estimate.

Source: C.P.E. (Companhia Portuguese De Electricidad).

Table 8.10: TOURISM INDICATORS

	Foreign Visitors (In Thousands)				Tourist Earnings ($ Million)	Number of Hotels	Number of Beds	Nights Spent by	
	Tourists	Excursionists	In Transit	Total				Foreign Tourists (In Thousands)	Domestic Tourists (In Thousands)
1967	1,025	1,131	360	2,517	n.a.	1,322	67,597	3,302	3,575
1968	1,102	1,010	399	2,511	n.a.	1,337	69,830	3,128	3,661
1969	1,186	1,183	416	2,785	167	1,345	70,938	3,598	3,727
1970	1,586	1,363	393	3,342	221	1,373	73,236	4,392	3,978
1971	1,963	1,556	348	3,867	300	1,375	73,752	4,791	4,062
1972	2,173	1,435	318	3,926	390	1,433	80,495	5,291	4,195
1973	2,438	1,335	307	4,080	492	1,332	75,458	5,575	4,612
1974e/	1,800	613	209	2,622	410	1,331	78,543	4,391	4,724

e/ Estimates.

Source: Tourism Office, Ministry of Finance.

Table 8.11: TOURISTS BY COUNTRY OF ORIGIN

(In Thousands)

	Spain	U.K.	USA	France	Other	Total
1965	592	220	185	178	335	1,510
1966	836	254	225	185	429	1,929
1967	1,400	255	234	167	461	2,517
1968	1,345	289	237	140	500	2,511
1969	1,374	339	304	168	600	2,785
1970	1,713	406	355	204	665	3,343
1971	2,056	457	366	215	773	3,867
1972	2,013	493	386	233	800	3,925
1973	2,109	512	346	249	864	4,080
1974 1/	1,169	388	210	150	705	2,622

1/ Estimates.

Source: Tourism Office, Ministry of Finance.

Table 8.12: STUDENT POPULATION

Level and Type of Education	1969/70	1970/71	1971/72	1972/73	Priv. %	Growth Index 72/73 over 69/70
	(1,000)					
Pre-primary (up to 6 years)	15.2	17.1	18.7	19.0	100	1.25
Primary (7-10 years)	989.7	992.5	988.5	970.7	6	0.98
Preparatory (11-12 years)	138.5	153.7	172.7	202.7	19	1.45
Secondary (Gen.) (13-17 years)	120.4	137.3	155.7	178.5	44	1.48
Sec. Vocational	142.5	149.3	152.1	163.3	10	1.15
University	46.0	49.5	51.5	54.0	4	1.17
Teacher Training	4.6	5.9	8.1	7.5	12	1.62
Total	1,456.9	1,505.3	1,547.3	1,595.7	13	1.10
of which						
Boys	767.6	789.9	807.1	830.8		1.08
Girls	689.3	715.4	740.2	764.9		1.11
% Girls	47.3	47.5	47.8	47.9		

Source: National Institute of Statistics.

Table 8.13: TEACHING STAFF, ENROLLMENTS AND GRADUATES, 1972/73
(in 1,000)

Level and Type of Education	Teaching Staff	Enrollments	Graduates
Pre-primary	0.8	19.0	-
Compulsory[a/]	44.2	1,173.4	239.1
Secondary	20.1	341.8	49.2
of which			
General	9.1	178.5	29.4
Vocational	10.9	163.3	19.8
Commerce)	(9.2)	(77.5)	(10.1)
Industry)		(68.0)	(6.4)
Agriculture	(0.2)	(2.5)	(0.4)
Miscellaneous	(1.5)	(15.3)	(2.9)
University	3.4	54.0	3.6
of which			
Arts	1.2	25.5	1.2
Law	0.1	5.4	0.3
Medicine	0.6	10.3	0.8
Sciences	0.5	5.4	0.3
Engineering	0.7	5.6	0.7
Agriculture	0.1	1.0	0.1
Others	0.2	0.8	0.2
Teacher Training	1.0	7.5	3.7
of which			
Primary	0.3	4.8	2.2
Secondary	0.6	1.3	1.2
Other	0.1	1.4	0.3
Total	69.5	1,595.7	295.6

a/ Primary and preparatory education.

Source: National Institute of Statistics.

Table 8.14: MAIN ROAD NETWORK 1963, 1968 and 1973 /1
(km)

		1963	1968	1973
National		17,671	18,208	18,251
Paved		17,055	17,714	17,967
of which:	1st class	5,664	5,676	5,687
	2nd and 3rd class	11,391	12,038	12,280
Gravel and Earth		616	494	284
of which:	1st class	33	36	5
	2nd and 3rd class	583	458	279
Municipal		11,332	11,678	13,609
Paved		10,007	10,191	11,997
Gravel and Earth		1,325	1,487	1,612
National and Municipal		29,003	29,886	31,860

/1 Exclusing city and municipal streets and forestry roads.

Source: Annuario Estatistico 1963 and 1968 and Ministerio do Equipemento Social et do Ambiento

Table 8.15: RAILWAY NETWORK AND EQUIPMENT, 1963, 1968 and 1973 /1

	1963	1968	1973
Network (km)			
Total length	3,563 CP	3,563 CP	3,563 CP
of which:	26 SE	26 SE	26 SE
Narrow gauge	765 CP	759 CP	759 CP
Double track	399 CP	399 CP	399 CP
	26 SE	26 SE	26 SE
Electrified	256 CP	391 CP	391 CP
	26 SE	26 SE	26 SE
Equipment (units)			
Steam locomotives	328	281	121
Electric locomotives	19	35	58
Diesel and other locomotives	80	177	223
Self-proppelled trains	155	175	201
Passanger cars	1,026	1,157	715
Freight wagons	10,027	9,235	8,746

/1 Portuguese Railways (CP) and Sociedade Estoril (SE).

Source: Annuario Estatistico, 1963 and 1968 and Portuguese Railways.

Table 8.16: RAILWAY TRAFFIC, 1963 - 1974 /1

Year	Passenger Traffic			Freight Traffic		
	Million Passengers	Million Pass - km	Average Distance km	Million m ton	Million m ton-km	Average Distance km
1963	87,1	2,155	24,7	3,79	766,0	201,8
1964	89,4	2,258	25,3	3,78	762,4	202,0
1965	93,3	2,408	25,8	3,69	754,9	204,6
1966	96,1	2,510	26,1	3,27	676,4	206,6
1967	100,4	2,610	26,0	3,40	727,0	213,5
1968	103,3	2,654	25,7	3,58	770,6	215,2
1969	104,8	2,766	26,4	3,49	736,5	210,8
1970	104,5	2,821	27,0	3,93	776,3	197,7
1971	104,3	2,825	27,1	3,99	812,3	203,5
1972	110,3	2,982	27,0	4,40	828,8	188,2
1973	117,3	3,225	27,4	4,72	864,2	183,2
1974 /2	103,9	2,993	28.8	3,86	774,2	200,4

/1 Portuguese Railways only

/2 First ten months only

Source: Camihos de Ferro Portugueses.

Table 8.17: PORTUGUESE RAILWAYS: REVENUES AND EXPENDITURE, 1969-74
(in millions of Escudos)

	1969	1970	1971	1972	1973	1974 /2
Revenue						
Passengers	749	811	823	874	965	1,114
Baggage	5	6	6	11	11	10
Freight - HS	91	98	99	108	137	(523
- LS	294	319	286	313	313	(
Postal Transport	19	22	35	35	20 /3	19 /3
Miscellaneous	6	7	5	4	-	-
Total /1	1,166	1,262	1,254	1,344	1,447	1,666
Expenditure						
Working Expenses						
Personnel	710	812	854	1,004	1,010	1,761
Social Charges	346	331	355	392	340	291
Materials	265	253	293	270	276	(593
Services	53	80	84	90	117	(
Subtotal	1,374	1,476	1,576	1,756	1,743	2,635
Other Expenses						
Depreciation /4	22	24	23	25	87	73
Taxation	80	87	86	92	100	100
Debt Services /4	380	494	578	663	270	302
Subtotal /1	488	605	687	780	457	475
Total	1,856	2,081	2,273	2,536	2,200	3,120
Financing						
Financial Deficit	-690	-819	-1,019	-1,192	-753	-1,454
Government Subsidies	507	672	816	675	608	n.a. /5
Other receipts	21	69	37	57	36	n.a.
Balance	-162	-78	-166	-460	-109	n.a.

/1 Totals may not add because of rounding.

/2 Preliminary estimate.

/3 Less than Esc. 0.5 million

/4 The accounting system does not distinguish clearly depreciation charges from debt service charges.

/5 n.a. means not available.

Source: Caminhos de Ferro Portugueses

Table 9.1: PRICES AND WAGES

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
				A. Indices, 1963=100							
Consumer Prices											
Lisbon	103.4	107.0	112.4	118.6	125.8	136.9	145.6	163.0	180.5	203.8	255.0
Porto	103.5	107.9	115.7	120.8	128.2	142.5	146.7	158.3	176.0	195.5	246.5
Wholesale Prices (Lisbon)	100.8	104.2	108.3	112.5	116.7	120.8	125.0	127.5	135.0	150.0	192.4
Wages in Industry											
Lisbon	104.7	110.6	119.5	129.6	140.9	157.0	175.7	194.5	211.0	235.9	320.0
Porto	107.2	119.9	133.0	147.7	159.6	175.5	193.9	219.7	247.6	265.9	375.0
				B. Annual Rates of Increase (percent)							
Consumer Prices											
Lisbon	3.4	3.5	5.0	5.5	6.1	8.8	6.4	11.9	10.7	12.9	25.1
Porto	3.5	4.3	7.9	4.4	6.1	11.2	2.9	7.9	11.2	11.1	26.1
Wholesale Prices (Lisbon)	0.8	3.4	3.9	3.9	3.7	3.5	3.5	2.0	5.9	11.1	28.2
Wages in Industry											
Lisbon	4.7	5.6	8.0	8.4	8.7	11.4	11.9	10.7	8.5	11.8	35.5
Porto	7.2	11.8	10.9	10.5	8.1	10.0	10.5	13.3	12.7	7.4	41.3

Source: National Institute of Statistics

Table 10.1: HOSPITALS AND HEALTH PERSONNEL

	1970	1971	1972	1973
Number of Hospitals	634	619	587	593
Beds	55,514	54,477	53,524	54,478
Population/bed	178	163	160	158
Physicians	8,824	9,076	9,641	9,607
Population/physician	1,099	977	886	896
Pharmacists	6,571	7,959	7,022	7,562
Nurses	10,000	10,380	10,757	11,013

Source: National Institute of Statistics