



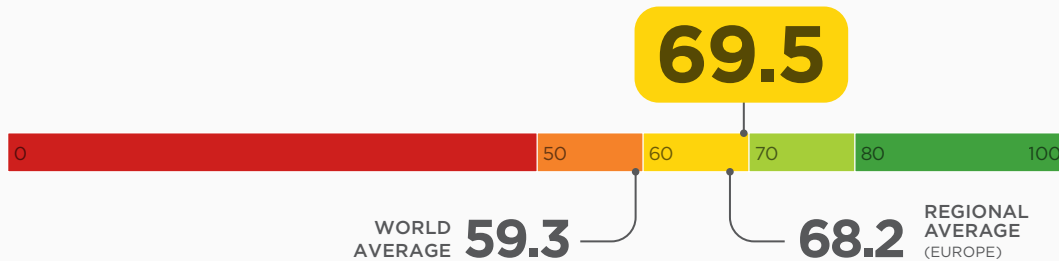
PORTUGAL

WORLD RANK: 30	REGIONAL RANK: 18
ECONOMIC FREEDOM STATUS: MODERATELY FREE	

Portugal's economic freedom score is 69.5, making its economy the 30th freest in the 2023 *Index*. Its score is 1.3 point worse than last year. Portugal is ranked 18th among 44 countries in the Europe region, and its overall score is above the world and regional averages.

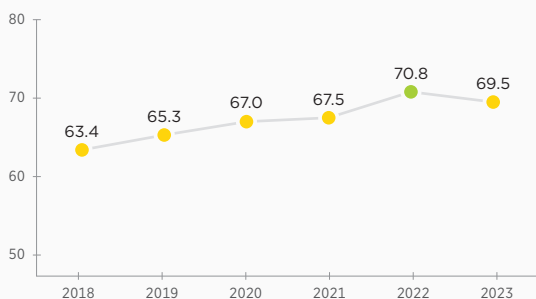
Portugal has been undergoing challenging economic adjustments. Despite relatively sound institutional processes such as an efficient business framework and a well-functioning judicial system, the indebted public sector has hurt private-sector dynamism and overall competitiveness. Comprehensive public-sector reform and greater labor market flexibility to improve competitiveness and productivity are needed to revitalize the economy.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +7.1

RECENT FREEDOM TREND



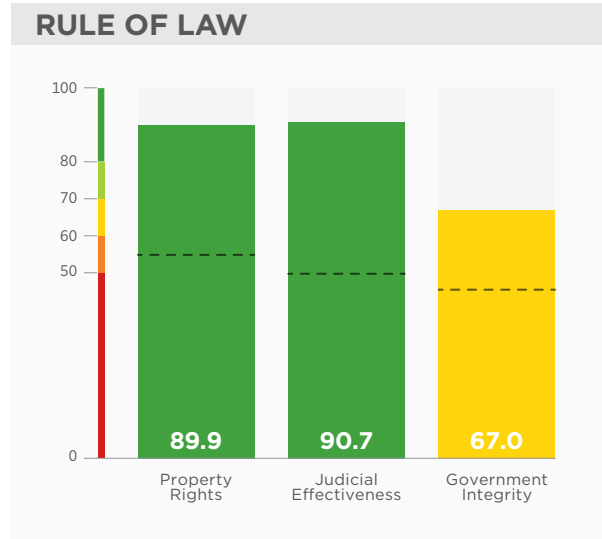
QUICK FACTS

POPULATION: 10.3 million	UNEMPLOYMENT: 6.8%
GDP (PPP): \$379.7 billion 4.9% growth in 2021 5-year compound annual growth 1.1%	INFLATION (CPI): 0.9%
FDI INFLOW: \$8.0 billion	PUBLIC DEBT: 127.4% of GDP

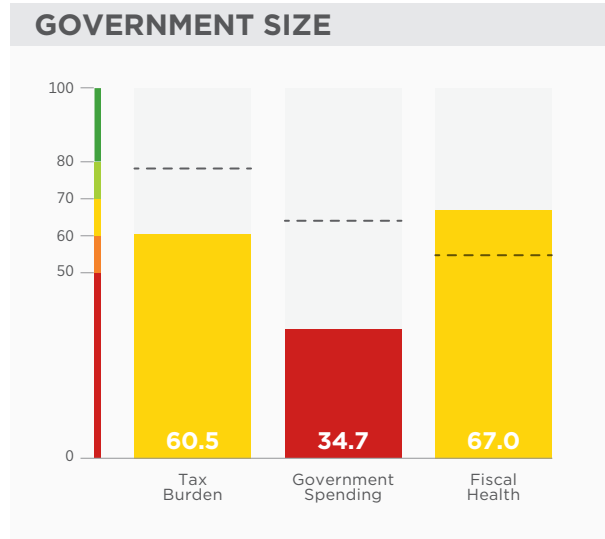
2021 data unless otherwise noted. Data compiled as of September 2022

BACKGROUND: Portugal returned to democracy in 1976 and joined the European Union in 1986. In January 2022, Prime Minister António Costa's Socialist Party defeated the center-right Social Democratic Party and the populist Chega to win a parliamentary majority. Major challenges include significant debt, high inflation and unemployment, burdensome public spending, and serious structural shortcomings. Leading economic sectors include financial services, telecommunications, and a tourism industry that began to recover in 2021. In 2019, shareholders of Portugal's largest electrical utility blocked a takeover bid by its largest shareholder, a Chinese state-owned enterprise. A state-owned development bank is handling EU bailout funds.

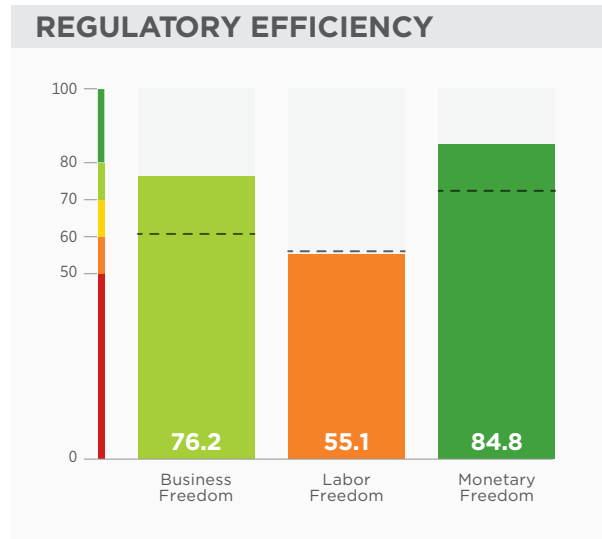
12 ECONOMIC FREEDOMS | PORTUGAL



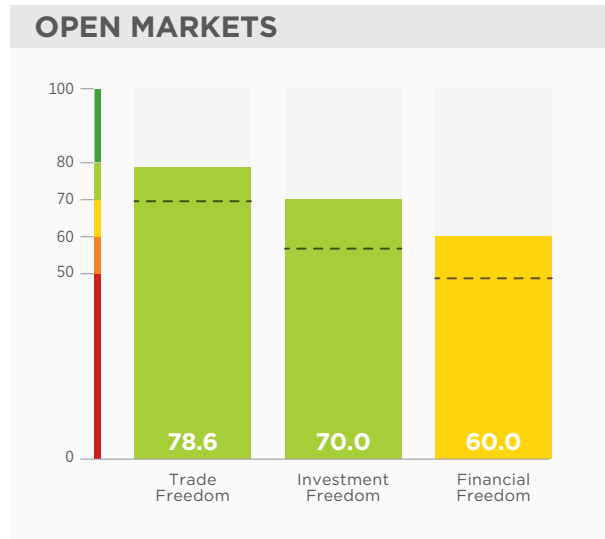
The overall rule of law is well respected in Portugal. The country's property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.



The top individual and corporate tax rates are, respectively, 48 percent and 21 percent. The tax burden equals 34.8 percent of GDP. Three-year government spending and budget balance averages are, respectively, 46.6 percent and -2.9 percent of GDP. Public debt equals 127.4 percent of GDP.



The overall regulatory framework is efficient. Rules on forming and operating private enterprises are now more straightforward, although regulations on dismissals and temporary contracts are burdensome and costly. Monetary stability is relatively well maintained. The most recent available inflation rate is 0.9 percent.



The trade-weighted average tariff rate (common among EU members) is 3.2 percent, and more than 600 EU-mandated nontariff measures are in force. The investment regime encourages new investment. The financial sector, dominated by banking, has regained stability and offers a range of financial services.