5 May 2014

Eurogroup statement on Portugal

The Eurogroup welcomes the conclusion of the twelfth and final review mission by the Commission, the ECB and the IMF that Portugal's adjustment programme remains on track to be concluded and commends the Portuguese authorities for their successful implementation of the programme. The Eurogroup also commends the Portuguese people for their efforts and achievements under difficult circumstances. The success of Portugal's financial assistance programme also clearly illustrates our resolve to work together to ensure the cohesion and stability of the euro area.

The Eurogroup welcomes the programme achievements of consolidating public finances, stabilising the financial sector and bringing the economy back on a recovery path. Fiscal adjustment has been notable, as evidenced again recently by the significantly better than targeted budgetary outcome in 2013 and the confirmation of the 2014-2015 deficit targets. Wide-ranging structural reforms have helped to make the economy more flexible and competitive, significantly reducing external imbalances and rebalancing growth towards the tradable sector. This has contributed to confidence, the economic recovery and declining unemployment.

The Eurogroup welcomes that these positive developments have been instrumental in regaining investor confidence in the Portuguese economy, allowing the sovereign to refinance its debt on the market. The Eurogroup also concurs with the authorities that the current comfortable cash buffer represents a significant backstop against domestic and external risks. The Eurogroup and ECOFIN ministers' decision of April 2013 to extend EFSF and EFSM loan maturities has further contributed to supporting market sentiment and lowering the borrowing needs in the future, thus further improving Portugal's debt sustainability.

Against this background, the Eurogroup supports the Portuguese government's decision to exit its macroeconomic adjustment programme without successor arrangement.

The Eurogroup welcomes the reaffirmed commitment by the Portuguese authorities to sustain public finances consolidation and the reform momentum over the medium term, in order to address remaining vulnerabilities. This includes a prudent fiscal policy that also safeguards earlier achievements, notably in the area of pension and public sector wages reforms, to ensure the correction of the excessive deficit by 2015 and to keep the government debt-to-GDP ratio on a firm downward path. The current high indebtedness of the economy requires further efforts in the process of deleveraging for some time, while efforts to ensure an adequate private financing of the economy need to continue. The Eurogroup also urges the authorities to maintain their efforts in the implementation of structural reforms to enhance further the economy's capacity to generate jobs and growth by addressing remaining rigidities, including in the labour market, network industries and services, as well as by strengthening competition, competitiveness and a business-friendly environment.

The Eurogroup will continue supporting the continuation of the reform process in Portugal, inter alia in the context of the EU-related monitoring and post-programme surveillance framework. The Eurogroup considers that a broad-based support by all Portuguese stakeholders of an ambitious reform agenda remains important to allow the country to return to strong and balanced growth.