

VALDIS DOMBROVSKIS  
Vice-President of the European Commission

PIERRE MOSCOVICI  
Member of the European Commission

Brussels, 27 October 2017

Mr Mário Centeno  
Minister of Finance  
Ministry of Finance  
Av. Infante D. Henrique, 1, 1°  
PT - 1149 – 009 Lisboa

Dear Minister,

Thank you for the submission of Portugal's Draft Budgetary Plan (DBP) for 2018, which we received on 16 October, as well as for the updated DBP tables which we received on 20 and 23 October. We are writing to ask for clarifications on the compliance of Portugal's planned fiscal effort in 2018 with the requirements of the preventive arm of the Stability and Growth Pact.

The DBP plans a structural effort for 2018 of 0.5% of GDP at face value, which once recalculated by the Commission services according to the commonly agreed methodology for the calculation of potential growth amounts to 0.4% of GDP. Although significant, this effort appears somewhat below the at least 0.6% of GDP required according to the commonly agreed adjustment matrix under the Stability and Growth Pact, as set out in the Council recommendation of 11 July 2017. Also the planned nominal growth rate of net primary expenditure exceeds the recommended rate of 0.1%, pointing to a gap of 1.1% of GDP in 2018. In 2017, the gaps amount to 0.5% and 1.0% of GDP based on the structural balance and the expenditure benchmark respectively. According to the Commission's preliminary analysis, this points to a risk of a significant deviation from the required effort in 2017 and 2018 together. We would thus welcome further information on the precise composition of the structural effort envisaged in the DBP.

The Commission seeks to continue a constructive dialogue with Portugal in order to come to a final assessment. We would welcome your views by 31 October 2017, close of business, to allow the Commission to take it into account in its further analysis. Our services stand ready to assist you in this process.

Yours sincerely,



Valdis Dombrovskis



Pierre Moscovici