



REPRESENTAÇÃO PERMANENTE
DE PORTUGAL
JUNTO DA UNIÃO EUROPEIA
BRUXELAS

Brussels, 22 October 2018

Dear Mr. Marco Buti,

We acknowledge your 19th of October letter concerning the Portuguese Draft Budgetary Plan (DBP) for 2019.

The DBP that Portugal submitted reflects the continuation of a structural fiscal consolidation process that we have been implementing since the beginning of 2016, based on tight control of public spending, that enabled a growth-enhancing fiscal consolidation process, coupled with strong job creation. This has been a key feature of our policy, which led to the abrogation of the Excessive Deficit Procedure in 2017. A policy that has been deemed as successful by institutions, market participants and rating agencies.

The fiscal consolidation effort based on the structural balance included in the DBP for 2019 is 0.3% of GDP according to our best assessment. This largely reflects the impacts of the continuation and broadening of the public expenditure review, which provided for continued structural consolidation over the last few years. The fiscal effort for 2019 based on the structural balance follows an accumulated effort of 1.7 p.p. from 2016 to 2018.

The expenditure benchmark should also benefit from these policies and must be interpreted taking into account the recurrent updates on the structural effort (an accumulated revision of the initial estimates of close to 2.2 p.p. between 2016 and 2018). In addition, the sensitivity of the estimate for the compliance with the expenditure benchmark to the data available for the base year deserves further clarifications.

The Portuguese Government reaffirms all its commitments to keeping the public finances in a sustainable path, and is fully available to engage in constructive discussions at the technical level in order to provide all the information you may deem useful.

Portugal is, as always, fully available to engage in fruitful discussions.

Yours sincerely,

Nuno Brito

Ambassador Permanent Representative

Mr. Marco Buti
Director General
Economic and Financial Affairs
European Commission