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Portugal - 30 Years of European Integration 1986 - 2015

30 Years of European Integration

How did the Portuguese society evolved between 1986 and the present, when 30 years of joining the EC/EU went by?

Overall, these three decades coincided with considerable improvements in relevant areas for the citizens' welfare, such as health, education, and housing conditions. There was an increase in skilled labor, as assessed by a rise in the Portuguese educational levels.

Regarding the economic dynamics, in general two periods may be considered. The first, from 1986 to 2000, when the economy grew at a faster pace than the EU15 average. The second, from 2001 to the present date (2014), was marked by an almost stagnant economy, while the EU15 and the EU28 on average experienced economic growth (average annual growth rates slightly above 1.0%).

Overall, the 30 years of EC/EU membership coincided with considerable improvements in relevant areas for the citizens' welfare, such as health, education, and housing conditions. Hence, there was an increase in skilled labour, as assessed by a rise in the Portuguese educational levels. With regard to the strictly economic dynamics, in general two sub-periods may be considered. The first from 1986 to 2000, when the economy grew at a faster pace than the EU15 average. This sub-period was marked by the dismantling of Eastern European economies and its reformulation within the framework of market dynamics, the German unification, the growing integration of financial areas, and efforts towards an european single currency. The second sub-period, from 2001 to date (2014), was marked, by an almost stagnant Portuguese economy, while the

EU15 and the EU28 on average experienced economic growth (average annual growth rates slightly above 1.0%). This sub-period evolved amid the stabilisation of Eastern European economies and the integration of the People's Republic of China into the World Trade Organisation, the sub-prime crisis, its worldwide propagation, joining the financial crisis with an economic crisis, and its transformation in a sovereign debt crisis. In other words, the conditions for this small open economy trying to find its place in the new international environment became much more unfavourable, with the additional aggravating circumstance of having to meet the fiscal targets within a financial rescue programme.



Territory

Accessibility infrastructures and means of transport

The evolution of the density of motorway kilometres per 100 km² since 1986 is a good illustration of the efforts made in terms of road infrastructures. In 2012 the figure for Portugal was higher than for most of the EU28 countries, only exceeded by Germany and Slovenia. The share of road traffic in freight transport showed a constant pattern of systematically higher values than those observed in the EU15 and EU28. From 1986 to 2006 travelling time from Lisboa to a number of distant district capitals such as Guarda, Bragança, Viana do Castelo, and Vila Real were shortened by about one half; is also quite relevant the travelling time reduction between Lisboa and Porto (from 5h13 in 1986 to 2h38 in 2016).

Environment

Portugal's gas emission values were lower than those of the EU28 and of the countries selected for comparison. Emission values tended to move in line with the business cycle. In the period under review waste production showed a dynamic behaviour similar to that of the EU28, although at a lower level. After 2008 the behaviour was somewhat different from the EU's, suggesting that the Portuguese economic recession may have impacted the local waste production.

Population

In the 2001-14 period resident population in Portugal declined by around 0.2%. At the level of NUTS 2 regions, the Algarve (10.1%), the *Área Metropolitana de Lisboa* (4.9%), Açores (1.6%) and Madeira (4.35%) increased their population, while Alentejo was the region with a higher population loss (-5.6%). From 2011 to 2014 all NUTS 2 regions lost population, which led to a 1.8% decline in population nationwide.

Characterisation and evolution of the population

Following a period of decline in population between 1988 and 1992, there was a demographic recovery up to 2003. Growth was subsequently more moderate and in the most recent years the population eventually recorded a downward trend. Overall, the demographic growth pace was slow, in line with European standards, in spite of a number of significant changes in the period under review (the main one being the already mentioned population decrease).

From 1993 onwards population growth in Portugal was mainly due to immigration flows, which reached a peak in 2000. However, the crude rate of net migration has been following a negative trend since 2011, as was already the case with the crude rate of natural increase. The evolution of the Portuguese age pyramid illustrates a gradual ageing of the population. Its base tends to narrow slightly and to increase throughout the different age cohorts. From 1991 to 2014 the weight of the population aged under 34 declined by 13.8 p.p., and that of the population aged 65 and over increased by around 6.7 p.p., compared to changes of around 6.4 p.p. and 3.2 p.p. from 1991 to 2005 respectively.

From 1990 to 2014 there were considerable changes in the structure of foreign nationals residing in Portugal. On the one hand, there was a decline in the share of foreign nationals from Western Europe (United Kingdom, Spain, Germany, and France, in descending order of importance in 1990) from little over 35.0% to less than 11.0%. The share

of Portuguese-speaking African countries (Cape Verde, Angola and Guinea-Bissau, also in descending order of importance) also fell, by the same magnitude as the previous group (12.8 p.p.), but continued to rank first (the decline only affected residents from Cape Verde). On the other hand, these declines were more than offset by the following increases: Brazilian nationals, which increased strongly in 2008; nationals from Eastern European countries, namely Ukraine and Romania, virtually inexistent in 2000 and increasing strongly in 2006-07; and Chinese nationals, also playing a minor role in 2000 and increasing progressively ever since.

The fertility rate in Portugal has been following a slow but persistent downward trend. This was due to a complex set of socio-economic phenomena, including changes in urban integration types, in the conditions of integration of youth into working life, in the socio-economic status of women, with new standards being imposed as regards the age for marriage and birth of the first child. Contrary to most countries selected for comparison and the EU average, the fertility rate in Portugal did not recover at the end of the 1990s.

Population's educational attainment – Education and training

The secondary/vocational education level of the Portuguese population aged 25-64 was much lower than the EU average and the average of the countries taken as reference. In 2014, while in Portugal the share of the population with those education levels stood at 21.6%, in the EU15 the corresponding share was approximately double. The difference is even higher when compared to the EU27 standard, which includes countries that generally have an average per capita income lower than that of the EU15, evidencing a high degree of labour force competitiveness, both as regards costs and qualification level.

Pre-primary education recorded a markedly positive trend. In 1998 the share of children aged 4 enrolled in pre-primary education was 63.3%, i.e. around 6 p.p. below the EU28 share. The opposite was observed in 2002, with this rate reaching 91.6% in Portugal, i.e. above the EU28 share.

Information society

The increase in the share of households with Internet access has been broadly based across Europe. In Portugal it stood at 15.0% in 2002, but in 2015 it reached 70.0%. The intensity of this trend was not sufficient to cancel out the difference from the EU28 average and the countries used as reference. The share of households in Portugal with access to the internet through broadband rose from 1.5% in 2002 to 20.5% in 2011 (last common date), although showing an increased gap to the European average.

Health

The trend of the infant mortality rate clearly shows the improvement in the living conditions of households in Portugal. The indicator is also one of the best placed in the comparison between the European average and the countries taken as reference. From 1986 to 2013 mortality per 1,000 inhabitants declined almost continuously, with the indicator decreasing from 15.8‰ in 1986 to 2.9‰ in 2013. This downward trend was also visible at the European scale, but the average level (EU28) in the most recent period was higher than in Portugal, similarly to a comparison with France. Life expectancy at birth, which is another synthetic indicator, also revealed a favourable evolution of the living conditions of

households in Portugal. This indicator increased from 73.4 years in 1986 to 80.9 years in 2013. There seems to be a convergence of the indicator towards the EU16 level, which stood at 81.8 years in 2013, although Spain apparently recorded a more positive trend, moving away from the average in most recent years.

Unemployment

The trend of the unemployment rate in Portugal has been markedly cyclical, rising in recessions and falling in economic expansions. However, the pace of the indicator as of 2000 showed that there were other determinants of the unemployment rate. In fact, the unemployment rate in Portugal was one of the lowest at the European level up to that year. From that period onwards it followed an upward path, which became more marked between 2009 and 2013. Only recently did it decline, although not reaching the average level of the 1986-2004 period. Consequently, the unemployment rate exceeded the average EU15 and EU28 levels.

Social cohesion

The latest information points to an increase in the inequality of income distribution in Portugal, similarly to other cases taken as reference. After a relative stabilisation of the Gini coefficient between 1995 and 2000, this indicator increased up to 2005, followed by a noticeable downward trend. However, from 2011 onwards the index increased slowly and this most recent evolution was also observed in other countries. In Spain the upward trend had been observed at least since 2008 and in the latest observation available its index exceeded Portugal's, which had always been higher than the European average. Indices for Ireland and Slovenia were similar to Portugal's, albeit at lower levels. However, in France there was a decline in 2014, countering the previous trend.

The share of the population with an income below 60% of the mean income is one of the most used indicators for assessing the poverty rate. Income distribution including distributed pensions but excluding social transfers results in what is represented in the following chart. Overall, there is no considerable difference between Portugal and the EU15 and EU28 averages. In 2014 the difference between Portugal and the EU15 was 6.2 to 5.2.

Human development

In 30 years of publication of the Human Development Index (UN's HDI), Portugal's indicator improved up to 2000, remaining at the same level in 2004, although with a less favourable position with regard to most of the countries used for comparison, at any point in time. The improvements resulted from a more favourable situation in education indicators, as well as the evolution of per capita income and the indicator of life expectancy at birth. After 2004 a fall was recorded in 2010 and some recovery in 2014. Portugal is part of the group of countries with a high Human Development Index and in 2014 it ranked 43rd among 177 countries, compared with 28th in 2004.

Economic activity

Macroeconomic structure

Gross domestic product per inhabitant measured in purchasing power standards rose considerably in Portugal since accession to the EU, with Portugal moving in line with the EU. The annual average rate of change is higher in Portugal than in the EU15, recording, in the period under review, a differential of 0.8 p.p. (4.2% against 3.4%). Starting from a level below €7,000 per inhabitant in 1986, Portugal reached around €21,000 per inhabitant in 2014, accounting for 78% of the EU28 average (72% of the EU15 average compared to 58% in 1986).

The Portuguese economy's relative stagnation after 2008 compared with a positive evolution in the EU28 led to Portugal's slight diverging trend vis-à-vis the EU in the indicator under review. The annual average rate of change in per capita GDP in Portugal in the second half of the period under review was three times lower than in the first half (2.3% in 2000-14 against 6.1% in 1986-2000). The annual rate of real GDP growth in Portugal moved in line with the EU's business cycle trend, and the Portuguese economy experienced a larger downturn in almost all recession periods. The national economy's openness, jointly with an intra-EU export rate of 73% (at the end of 2015), warrants the monitoring of the EU series. Portugal has been growing at rates below the EU average as of 2001.

Monetary and financial situation

If the 2% line is considered as a relevant inflation rate benchmark for the purposes of European monetary policy, there are two distinct periods. In the second half of the 1990s the expansion translated into a trend acceleration of prices, reaching 4.4% in 2001, in contrast to the subsequent trend, which initially converged to 2% and subsequently followed a cyclical trend (below 2% for five years). On the other hand, the pattern of price fluctuations is similar in the group of countries selected for comparison. Slovenia moved sharply towards the 2% inflation rate criterion in the period prior to its accession to the EU in 2004. Thereafter, it had a similar behaviour to the other countries chosen for comparison.

After 1996 developments in the short-term real interest rate in Portugal and the EU15 followed a similar pattern. In addition, the short-term real interest rate in Portugal became lower than in the EU15, even showing negative or close to zero values in the midst of the recession (first half of the decade started in 2000 and after 2008).

External trade

The evolution of the external current account deficit has tracked the cyclical behaviour of economic growth in Portugal closely, with a tendency to worsen in expansions. This shows the impact of Portuguese economic growth – relying on the domestic demand component – on imports. This behaviour pattern is also visible in the recession of the first half of this decade, in which the pattern of worsening of the external current account deficit could be reversed.

In spite of the growth trend seen in Portugal up to 2000, the quality of Portuguese exports (as measured by the share of exports of high technology products in total exports) did not move in line with the European Union. There was a slight improvement in the six subsequent years, and from 2008 onwards the starting levels were resumed.

Direct investment

Since its accession to the European Union, Portugal has opened up its economy to international capital flows, both through inward foreign direct investment in Portugal and outward investment of Portuguese capital. The sum of flows, weighed by the economy's size, results in an indicator of foreign direct investment intensity.

The behaviour of foreign direct investment intensity in the Portuguese economy has not been very stable, although up to 2006 it was almost always higher than European figures, which showed a remarkable degree of openness of the Portuguese economy. Between 2007 and 2010 this indicator was always lower than the European average.

Business and productive structure

The trend of the sectoral structure of the Portuguese economy's GVA has been tracking the same trend in the EU15 closely. The services sector and industry are the most evident cases of an opposite structural discrepancy between the Portuguese and European developments. In 1990 services held a share of around 57% of GVA (6 p.p. below the EU15 average), in 2014 they reached a share of around 76% of GVA, compared with 74% in the EU15. By contrast, industry, whose share in GVA (25.5%) in 1990 was similar to that of the EU15, saw a constant reduction of its weight in total GVA up to 2014 (-8 p.p.), standing at a level below that of the EU15 (-2 p.p.). Construction activity associated with the importance of investments in infrastructures stood out considerably from the average pattern of the EU15 between 1996 and 2005. In the period under review the primary sector moved in line with the EU15 trend.

The evolution of Portugal's share in tourist demand remained virtually stable, in contrast to Spain, which recorded a visible upward trend and a remarkable increase in overnight stays in 1999 and 2000.

The trend of rates of change in overnight stays of non-resident tourists was irregular. For selected countries and in the period under review Spain recorded the highest annual average rate of change (5.3%), followed by Italy (3.4%). Portugal and Greece recorded very similar annual average rates of change (2.9% and 2.6% respectively).

Labour market and level of activity

Up to 2009 Portugal systematically recorded total and female employment rates higher than the corresponding rates for the EU15 and the EU28, showing strong conformity in terms of evolution trend. Recent developments in the 2010-13 period contrasted with the preceding period's pattern, given that there was a decline in the Portuguese economy's employment rate amid stable EU benchmarks. In addition, in the 1992-2014 period the female employment rate moved closer to total employment rate levels in Portugal, similarly to the EU.

With similar developments to those of the EU15, up to 2012 Portugal systematically showed a higher activity rate than the European. Up to 2007 the activity rate in Portugal always followed a stronger upward trend than in the EU15. This upward trend was interrupted that year, and the positive differential vis-à-vis the EU15 narrowed. The opposite situation is currently observed.

Technological effort

Sustained investment in R&D, as well as the quality of human capital, became one of the key pillars of development, essential in a strategy tending towards increasing the technological effort and the associated innovation and

competitiveness potential. The Europe 2020 strategy approved in 2000 aspires to increase its overall R&D expenditure level to 3% of its gross domestic product and points to a target between 2.7% and 3.3% of GDP for Portugal.

Notwithstanding the good performance of some of its members in this context, namely Nordic countries, the European Union is still relatively far from the proposed objective, with R&D expenditure levels close to 2% of GDP.

In spite of considerable growth in the second half of the last decade, investment in R&D as a percentage of GDP in Portugal (1.3% in 2014) was still relatively below the EU28 average, i.e. around 2%. The strong pace of convergence between 2005 and 2009 was followed by a reversal of the trend, which makes it difficult to reach the target set by the Europe 2020 strategy.

With regard to R&D performance, Portugal still differs from the EU28 pattern. There were relevant changes in the last decade, when the private business sector's R&D effort grew substantially, although still not exceeding the share assigned to universities and the Government as a whole. This shows difficulties in evolving from an R&D policy chiefly based on the scientific system to an R&D/ innovation policy more focused on business implementation and funding capacity. In 2014 the business sector was responsible for 46% of total national R&D expenditure (against 63% in the EU28). In addition, the State's R&D effort saw a relative reduction and in 2014 accounted for around half of the EU28 average (6.4% against 12.8%).

Concerning science and technology graduates, convergence towards the European average values has been quite significant, resulting from an upward trend in Portugal. In 2003 there were 8 graduates per every 1,000 inhabitants aged 20-29 in Portugal, compared with 12 in the EU28. In 2012 these figures were 19 for Portugal and 17 for the EU28. Still more remarkable is the exponential development of Portuguese scientific production, with regard to the production of scientific publications listed in global knowledge bases, namely in the ISI Web of Knowledge. Starting from 350 in 2001, Portugal reached an annual production of approximately 1,336 listed scientific publications per million inhabitants in 2014 (against 1,320 in the EU28).

Energy production and use

It was clearly difficult for the Portuguese productive and economic growth model to be aligned with European trends to reduce energy intensity up to 2005. Developments were different and showed a dual challenge: the energy restructuring of the Portuguese growth model and the implementation of the Portuguese sustainable development strategy. Starting from an energy intensity lower than the EU's, up to 2005 there were opposite movements that from 2001 onwards resulted in energy consumption levels by reference to GDP higher than the European average.

From that year onwards there was a reversal of the diverging trend vis-à-vis the EU and a movement in line with the European. In Portugal the relevance of renewable energy-based consumption is higher than the EU28 average and follows a definite upward trend.

The State

Public accounts

The recurrent public accounts deficit was almost always higher than the 3% of GDP target, except for 1999 and 2007, when it virtually reached that reference value. The development pattern fluctuated and reached the most negative extreme value in 2010. Following a period of ongoing decline in the weight of public debt in GDP (between 1997 and 2000), this indicator recorded a persistent reversal of the trend from then onwards. As of 2004 it exceeded 60% and the EU28 average and saw an ongoing increase, diverging from the EU28, to reach 129.1% of GDP in 2015.

The tax burden as a percentage of GDP and excluding social security contributions followed an upward trend in the 30 reference years. For the period in which it is possible to make a comparison between Portugal and the EU15 the latter showed a greater stability trend compared with the increase seen in the former. This led Portugal to move in line with the EU15.

E-Government

The EU has been undertaking efforts to promote the use of information and communication technologies in general government. This process has led to the creation and provision of e-government tools, improving citizens' access and rationalising the intervention of public services. Portugal has been following a positive trend, although there is still wide room for manoeuvre towards stronger convergence. A more positive evolution is observed at the level of e-government availability.

In terms of the degree of actual online interaction and relationship between general government and citizens, Portugal's situation is positive. In 2013, 45 out of every 100 persons (Internet users in the previous year) used the Internet in the previous three months to interact with general government, resorting to at least one of the following activities: requests for information, request/sending of forms, submission of tax statements, and/or library consultation.

Portuguese society's integration and perceptions

Among the EU countries where voting is a civic duty (in Luxembourg, Belgium and Greece voting is compulsory), France showed the highest levels of participation in the European Parliament elections: 80.4% in 2011. Portugal recorded one of the worst participation levels, with only 58%.

The perception of the Portuguese as to the benefits of belonging to the European Union is quite favourable, more than the European feeling on average. However, as of 1999 this favourable feeling of the Portuguese fell, to stand at 51% in 2011 (against 82% in 1991), which is the share of the Portuguese considering that Portugal benefits from belonging to the European Union. 30 years after accession to the EU, the Portuguese, similarly to 2000, show an above-average level of confidence in EU institutions (except in the Council of Ministers). Over the past 15 years, however, both in Portugal and in the EU on average there was a decline in the levels of confidence in all institutions considered (European Commission, European Parliament and Council of Ministers). The European Commission is currently the EU institutions in which the Portuguese trust the most (approximately 46% of citizens).

Solidarity and development aid

Over the past 20 years the Portuguese behaviour in terms of public development assistance has shown quite a stable trend as a percentage of GDP (between 0.2% and 0.3%). From 2012 onwards there was a relative decrease in said public aid, which stood at 0.19% of GDP in 2014, as in most countries considered in the comparison. Compared with the EU and countries such as France and Ireland, Portugal is in an unfavourable situation.

Final Notes

With this publication Statistics Portugal aims to show how the Portuguese society evolved from 1986 to the present date, in a total of 30 years of EC/EU membership, and to facilitate analysis and assessment by third parties. It covers different areas of the socio-economic context as an attempt to show Portugal's participation and integration in the European area.

In this context, two aspects need to be highlighted: the convergence process, and the synchrony of developments. Convergence itself is twofold: it translates into levels and dynamics moving in line with behavioural (socio-economic) patterns, but it can also be understood as an appraisal of the evolution of societies. The intention is to grasp the first aspect, while providing reader with the elements to judge the second. In turn, the term synchrony refers to the comparison of the timing of events. These, when not cyclical, at least tend to occur somewhat regularly.