

Portugal forced into a billion in additional austerity

13 Sept, 2011 Luís Reis Pires and Margarida Peixoto

The government is going to have to adopt additional austerity measures next year equivalent to 0.6% of GDP.

The most recent version of the memorandum of understanding with the 'troika', published on the finance ministry site today, the international authorities say that "additional measures will be taken, mostly on the expense side, to cover the hole caused by the 2011 deviations".

About two weeks ago, at the presentation of the Budget Strategy Document, the finance minister had already warned of this requirement. While explaining the extraordinary measures that would be taken this year to cover the deviation in the budget implementation – of about €2.5 billion – Vitor Gaspar said that "in 2012, an additional effort would be needed to replace the temporary measures taken in 2011 with permanent ones".

The minister emphasised that this effort "implies going further than the measures specified in the memorandum of understanding", but did not quantify its amount. The 'troika' have now announced the number: the additional austerity that will be needed in 2012 will be equivalent to 0.6% of GDP or about €10 billion.