

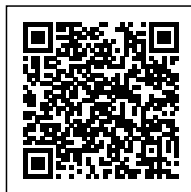
POLITICAL CRISIS PARALYSING PROJECTS PIPELINE - ABBC

Posted on 27/04/2011



Luís Filipe Carvalho

Category: [Uncategorized](#)



The resignation of the Prime Minister, José Sócrates, and the subsequent downgrading of its financial institutions, has left the country's economy in unprecedented territory. Investors, funds and projects are unable to move until stability returns, says ABBC Partner Luís Filipe Carvalho.

"The major players are paralysed. Investors are extremely worried about the short-term fate of Portugal and the relevance of the crisis-fighting plans that should be negotiated and determined by the major political parties or by the new government after elections."

With no lead political entity to guide Portugal's ability to cut borrowing through austerity measures, Carvalho joins the chorus of lawyers who believe the country's debt crisis will likely get worse before it gets better.

Sócrates' resignation has put Portugal into a deep political crisis just as it faces huge debt repayment deadlines and desperately needs market confidence to avoid an international bailout,

which is now considered imminent by many.

The major credit rating agencies subsequently downgraded their view of the major Portuguese banks, having previously cut Portugal's sovereign debt rating after the government's collapse. In this environment, as expected, international and national investment, in particular, real estate investment is seriously affected, he says

Some projects have already begun but have stalled in light of the poor economic situation and precarious banking system. This may lead to a need for refinancing, but it will likely be short-lived, says Carvalho. Portuguese banks will struggle to find liquidity as a result of the State's poor credit rating, leaving it unable to borrow from the international capital markets.

"Negotiating the refinancing of some operations and of major leases, and assisting on sale and leaseback transactions, may be a new trend until the year end but, in any case, clients must clearly take a very conservative and cautious position in respect of any new opportunities."