

PORTUGAL'S ECONOMIC BOUNCE WILL BENEFIT LISBON AND BEYOND - AVM ADVOGADOS

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With GDP growth of 1.7 per cent expected in each of the next three years, an economic resurgence will be felt not only in Portugal's capital, but also elsewhere in the country

Portugal's "clean exit" from its EU/IMF bail-out in May 2014, along with a successful return to sovereign-bond markets, has been the catalyst for a resurgence in the country's economy, according to António Vicente Marques, partner at AVM Advogados. He points to anticipated GDP growth in coming years as well increased M&A activity as evidence of a new mood of optimism. In addition, Vicente Marques highlights international investors' growing interest in the Portuguese tourism, textiles, chemistry and pharmaceuticals sectors. "The exit and bond markets enabled the government to begin repaying its IMF loan ahead of schedule in 2015," he says. "The forecast real GDP growth is 1.5 per cent in 2015, and 1.7 per cent a year during the period 2016-19." Vicente Marques adds: "In comparison, the economies in Lusophone Africa are based on very different grounds – for instance, Portugal is not dependable, in a significant

way, on the fluctuations of commodities prices, namely, oil and derivatives."

Portugal has also benefitted from the European Central Bank's recent programme to enable the stable performance of interest rates associated with Treasury Bonds and similar instruments of sovereign debt, removing a possible heavy burden on the state budget.

Surge in 'Golden Visas'

Vicente Marques says that, in the last 12 months, the Portuguese legal market benefited as a result of the economic recovery. He adds that there has been a surge in the volume of 'Golden Visas' as well as an uptick in M&A. "This year will be marked by major privatisations of public companies, particularly in the banking and aviation areas," Vicente Marques says. "In addition to these areas, during this year the growing concern to expand legal opportunities to other points of interest – such as Africa – was manifest, specifically in the Lusophone part of Africa."

There is a belief that it is not only Portugal's capital that will benefit from the economic resurgence. Vicente Marques argues that the economic bounce back will go beyond Lisbon, and will include developments in the north part of the country, specifically in Oporto's metropolitan zone. "Industries such as textiles, chemistry or pharmaceuticals keep coming up and attracting not only the investors' attention, but international recognition," he says. Vicente Marques adds that the tourist industry is also booming. "Tourism has also experienced a huge increase in the north part of the country, essentially due to the fact that several prizes have been attributed to Oporto, as the most recommended city 'off the radar' to visit – this obviously represents a huge development not only for the country, but also for regional and local business."

Despite the mood of optimism, there is concern among some lawyers about possible challenges ahead. One potential issue is possible political changes brought about as a result of parliament elections and presidential elections. With an undecided result in prospect, some observers expect a complex situation to arise that will be prolonged for some weeks.

Legislative delays

There are concerns in the legal sector that such a situation could create uncertainty due to delays in the legislative process, including the approval of the state budget, which could lead to a number of legal problems. Indeed, political instability in Portugal during the past year resulted in a diminishing of confidence among some foreign investors.

Another development that law firms will be monitoring is the development of multidisciplinary firms. It is not yet certain whether the Lisbon market will undergo a significant change in this respect in the coming year, but the Portuguese Bar Association is working on a project for a new statute that intends to introduce, for the first time, the multidisciplinary firm concept in Portugal.

Yet the economic recovery in Portugal is expected to continue, due to high demand from international investors, a weaker euro, and lower oil prices. As a result, the outlook for 2016 is positive with further investment anticipated.