European Elections monitor

Slight lead for the rightwing opposition in the polls just one week before the general elections in Portugal

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7 days before the poll

The Portuguese are being called to ballot on 5th June to renew the 230 members of the Assembly of the Republic, the only chamber in Parliament. These early elections follow the resignation of outgoing Prime Minister José Socrates (Socialist Party, PS) and his government on 23rd March last after Parliament's rejection (by the rightwing opposition – Social Democratic Party PSD, the People's Party PP and those against economic liberalism – the Communist-Green Party coalition, CDU and the Left Bloc, BE) of the rescue plan it had presented – an austerity programme designed to guarantee the reduction of the country's budgetary deficit (which represented 9.3% of the GDP in 2010) to avoid Lisbon having to resort to international aid.

Portugal's economic growth is slow and the country is experiencing a political crisis. The ratings agencies Moody's, Standard & Poor's and Fitch did not hesitate recently in downgrading the country's rating. Lisbon, which has to find 4.9 billion € before 15th June next, was forced to borrow on the financial markets at very high interest rates (over 8% on ten year rates). In April Prime Minister José Socrates finally resolved to ask financial aid of the EU and the IMF.

The aid plan to Portugal, the third in the euro area after those granted to Greece and Ireland, was finalised on 6th May. Over three years it totals 78 billion € and is conditioned by the adoption of several austerity measures. The next Portuguese government will have to balance public finances and implement structural reforms to restore competitiveness and reduce the country's public debt. The European Union is demanding that Lisbon adopt an "adjustment programme" that includes on the one hand, budgetary savings measures, and on the other, structural reform. The programme is based on three pillars: budgetary consolidation (the deficit has to be reduced down to 5.9% of the GDP at the end of the first year; 4.5% in 2012 and to 3% the following year i.e. the limit set in the Growth and Stability Pact) reform of the healthcare system and labour market flexibility (minimum wage freeze at 485€, reductions in the remuneration of over time, a reduction in the time unemployment benefit is paid – 18 months – and also a reduction in the amount received), a privatisation plan (particularly in the energy, transport and postal areas) and the balance of the financial sector (deleveraging and recapitalisation of the banks). The plan also includes a decrease in pensions higher than 1,500€, a 500 million € reduction in healthcare spending, a rise in VAT on certain products and taxes on real estate and finally an increase in taxes on salaries and pensions over 1,500€.

The average interest rates requested of the Portuguese authorities total 5.1%. The IMFs lie at 3.25% over three years and then 4.25%; the EU's rate nears 5.5% i.e. above that granted to Greece. According to the European Commission Portugal will be in recession this year (-2.2%) and also the following year (- 1.8%). The country's debt is due to rise to 101.7 billion € in 2011. Outgoing Finance Minister Fernando Teixeira dos Santos (PS) said that the aid plan would also lead to a rise in unemployment to a total of 13% of the working population.

The IMF and the EU have demanded guarantees on the implementation of the rescue package, i.e. the promise that the political parties will respect and implement it. The Socialist Party in office, the Social Democratic Party led by Pedro Passos Coelho and the People's Party led by Paulo Portas have committed themselves. The anti-liberal parties – the Communist-Green Party Coalition and the Left Bloc – which were against any international intervention refused to take part in the negotiations.

In the near future Portugal will receive a first payment of the loan estimated at 18 billion €. One third of the aid will be paid in 2011. Two thirds of the sum will come from the EU and one third from the IMF.

On 19th May last a demonstration organised by the country's main union, the General Confederation of Portuguese Workers, rallied tens of thousands of people in the streets of Lisbon in protest against the rescue plan, claiming that this would just worsen the recession, unemployment and the inequality gap. "*The aid plan will add problems to existing problems because it demands the implementation of austerity measures which will weaken those who already have little wealth, ie a majority of the population,*" declared union militant Helder Pires.

According to a poll by the Catholic University for the daily *Diario* de noticias, the *TV channel RTP* and *radio Atenna 1* the Social Democratic Party and the Socialist Party are running neck and neck just one week before the elections on 5th June. Each of these two parties is due to win 36% of the vote. However a poll by Eurosondagem for the weekly *Expresso* and the *TV channel SIC Noticias* places the social democrats ahead with 33.1% and 32.6% for the socialists. Finally a third poll by Intercampus for the newspaper *Publico* and TV channel accredits the PSD with 39.6% and the PS with 33.2%.

With just one week to go the suspense hanging over this election in Portugal is complete.

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