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PORTUGAL
2023



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THE BUSINESS YEAR: PORTUGAL 2023

When asked, “What are the advantages of doing business in Portugal?” our interviewees for *The Business Year: Portugal 2023* struggled to elicit an answer that did not sound obvious. The advantages are plentiful and apparent. Somehow pointing them out explicitly is an exercise so straightforward that it becomes tricky. Many interviewees focused on the weather, the quality of the Portuguese workforce, and political stability. Some answers even seemed to cross between the business and lifestyle realms.

Portugal is attracting investment of astounding magnitude because the investment rationale is simple: Portugal is an idyllic place to live and work.

Matters of lifestyle are the anchor via which Portugal boosts critical sectors. The education sector, with private universities, has tapped into lifestyle to promote the country as a destination for higher learning. Universities are flooded with international students who understand that Portugal offers an unmatched student experience. Nova SBE, a leading business school in Portugal, hosts almost as many international students as Portuguese. Simultaneously, the real estate sector has also tapped into lifestyle to promote real estate investments in Portugal, residential or hospitality. The residential real estate market is dominated by international buyers who, in addition to the regions of Algarve and Alentejo, are eyeing cities like Lisbon and Porto to live and retire in. As Rui Miguel Nabeiro, President of the Chamber

of Commerce and Industry Portugal, summarized succinctly: “Portugal offers an excellent environment to live and do business.”

This unbreakable link between lifestyle and business is a unique asset driving economic growth in Portugal. It accounts for the internationalization of business. Moreover, it is a fundamental quality that surpasses economic cycles and motivates investor spending even in today’s sellers’ market. Being a great place to live permeates all business decisions regarding investment in Portugal.

The dynamic shaping business in Portugal is internationalization. Accelerated by COVID-19, Portugal is luring a swathe of digital nomads and roving entrepreneurs. In money terms, this reflects as a potent capital inflow. The Portuguese business leaders and economic experts we interviewed for this report mentioned that that inflow is precisely what the country needs. The business conditions in Portugal are the fertile soil for foreign-financed projects to take hold. The ripple effects of this economic boom have the Portuguese unemployment rate at record lows. They are also creating life-changing opportunities for the local business community, with service provision opportunities or complementary businesses.

Portugal is experiencing a moment of extraordinary economic momentum. The interviewees in this publication are savvy business leaders taking advantage of the juncture, utilizing it as a multiplier of prosperity. ✖

This publication has been produced by The Business Year International's expert cadre of journalists, writers, editors, and designers. The content contained within is original and was compiled by our team on the ground.

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Image: Michele Rinaldi

GLOBAL POWERHOUSE

Portugal has turned things around superbly since the 2010s and is today leveraging EU funds and its strong appeal to foreign investors, especially in real estate, to build a more sustainable economy.

THE INFLOW OF FOREIGN CAPITAL shaped the Portuguese economy during 2023. The main sectors boosted were hospitality, real estate, and education. The US ranked as the number one country by investment volume for the first time. The increase in investment is creating inflation pressures and affecting low-income nationals strongly. The government is adjusting critical aspects of the policy to correct inflationary pressures.

REAL ESTATE BOOM

The construction of high-end residential projects and renovation are occupying the time of Portuguese construction companies. EUR30.7 billion was spent on residential real estate in 2022, representing 40% of Portuguese GDP. The construction ecosystem caters to expats with high purchasing power lured to Portugal by hypermobility options, lifestyle, and incentives such as the non-habitual residency agreement (NHR). This trend is driving residential prices and contributing to an expansion outward of urban centers. The government is weighing possible solutions to increase the availability of housing. Some proposals are strengthening law protections for tenants to encourage more properties to the market. The Mais Habitação program raised eyebrows with radical proposals such as granting properties with a commercial-use license the right of use as residential spaces.

A DESTINATION FOR LEARNING

The country's higher education institutions are building a solid rep-

utation worldwide. Five Portuguese business schools appear on the Financial Times' Top 100 ranking of business schools worldwide. Portugal is a unique option for Europeans considering school abroad in a post-Brexit landscape. Heightened collaboration with the private sector is another dynamic strengthening higher learning. Universities are designing curricula together with industry to ensure that teaching reflects the application of knowledge post-graduation. This situation contrasts starkly with the reality of public universities, where low wage salaries have motivated teacher strikes.

BEM-VINDO

Portugal was selected as the top European tourism destination by the World Travel Awards 2022. The country has extensive experience receiving travelers. It has become a source of substantial economic development, as services linked to tourism take advantage of the industry's spillover. Hospitality-related construction is one such sector. The country's levels of English proficiency are another advantage that contributes to Portugal's unique value proposition in tourism.

THE WHITE COAT

Portugal's healthcare system ranks among the best in the world in the verticals of quality and coverage. Pharmaceutical companies are aware of the strong professionalism of local health workers and believe in the country's potential as a home to carry out clinical trial studies. Red tape is one factor that impedes R&D spending in the

country. In parallel, the country struggles with a scarcity of doctors, especially in rural areas. To correct this, Portugal incentivizes foreign-born professionals to choose Portugal for residency through attractive work conditions and benefits packages. The country is also attempting to expand the number of school graduates choosing a career in medicine.

IN ONE HOUR AND 15 MINUTES

This year, President António Costa announced one of the decade’s most notable projects of national interest: constructing a high-speed train line between Lisbon and Porto. To be finalized by 2030, the project will connect the two largest Portuguese cities via a new high-speed rail, with an estimated travel time of one hour and 15 minutes. EUR10.5 billion has been allocated to this project. Portugal is highly competitive in transport-specific metrics with a developed railway network and ample port capacity. The country is investing heavily in the modernization of ports and is expanding its urban and suburban transport network links.

A HOME FOR TECH

The two most sought-after skills within tech are tech-savviness and foreign language skills. Portugal is a powerhouse in terms of English proficiency. It ranks ninth out of 111 countries in the EF English Proficiency Index 2022. This, coupled with low salaries by European standards, has made the country attractive as a base for tech talent. Foundever, for example, made Portugal its hub for the multilingual region. Other advantages make Portugal interesting for IT development, such as an attractive lifestyle brand that lures digital nomads. Portugal is keen to tap into that potential with symbolic gestures such as hosting the Web Summit.

THE REG-TECH BOOM

Portugal’s cultural links with Africa and Latin America make the country strategic for disseminating technology. Portugal has taken this on board, hosting technology consultants and fintech companies with a global projection to their business. One area where this is evident is in technology for financial compliance, or regtech. International

compliance requirements are increasingly stricter, with pressure on lenders for complete client information. This has spurred a breeding ground for fintech companies in Portugal. Compliance experience is aplenty in Portugal, making the country a leader that can share its experience. Institutions abroad are importing Portuguese regtech, for example, AML, or anti-money laundering technology. This is further strengthened by the fact that former colonies have been seen to draft legislation based on Portuguese or European standards.

THE EFFICIENCY RUSH

The energy crisis has spurred a frenzy of investments in energy optimization, in Portugal like all of Europe. This injection of economic activity is driving job creation. It is also renovating assets such as production plants and buildings, anticipating the environmental compliance laws of tomorrow. The need for energy security accelerated a green energy transition already underway because of net-zero emissions targets.

The renewable energy sector has also benefited from pressure on energy pricing. Energy inflation supports the rationale for renewable energy generation projects. The country is leading the way with innovative methods such as offshore wind. One of the biggest obstacles in the renewable energy vision is a tight grid capacity.

RECOVERY & RESILIENCE

The Recovery and Resilience Plan (RRP) is an investment blueprint based on three structuring dimensions: resilience, climate change, and digital transition. It is the Portuguese roadmap within Europe’s Next Generation package. It includes reforms to increase the efficiency of the labor market, public spending, and the healthcare sector. It also has reforms to contribute to income convergence, i.e. narrowing the productivity gap between Portugal and other European economies. Portugal is anchoring its economic program for the future on the RRP. The plan consists of 83 investments and 32 reforms. They will be supported by EUR13.9 billion in grants and EUR2.7 billion in loans. 38% of the plan will support climate objectives, and 22% of the program will foster the digital transition. All reforms and investments must be implemented by August 2026. ✘

GDP PER CAPITA (2021)

SOURCE: WORLD BANK

USD24,567.5

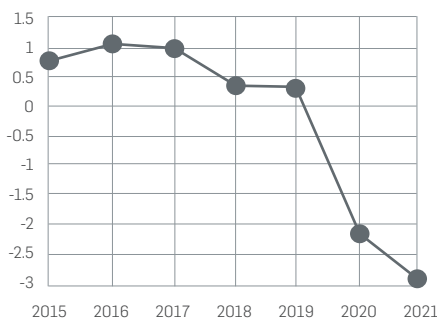
INFLATION (2022)

SOURCE: EC

5.4%e

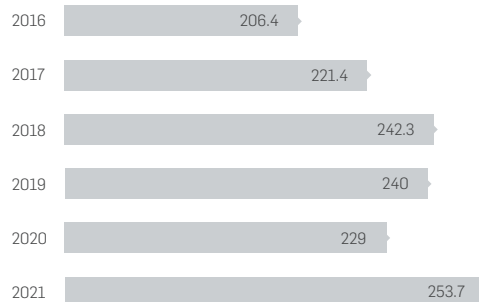
TRADE BALANCE (USD BN)

SOURCE: THEGLOBALECONOMY.COM



GDP (CURRENT PRICES, USD BN)

SOURCE: THE WORLD BANK



**2022
JUNE**

The government creates a new type of visa for foreign workers

**2022
AUGUST**

Portugal's government unveils a EUR9.2-billion plan to modernize and expand the country's rail network

**2022
SEPTEMBER**

The Council of Ministers approves a package of EUR2.4 billion to help families amidst the cost-of-living crisis

**2023
JANUARY**

The government announces plans to invest EUR7 billion in renewable energy over the next five years

**2022
JULY**

The EU approves a partnership agreement with Portugal, with the country receiving a total of EUR22.6 billion in EU funding for the 2021-2027 period

**2022
SEPTEMBER**

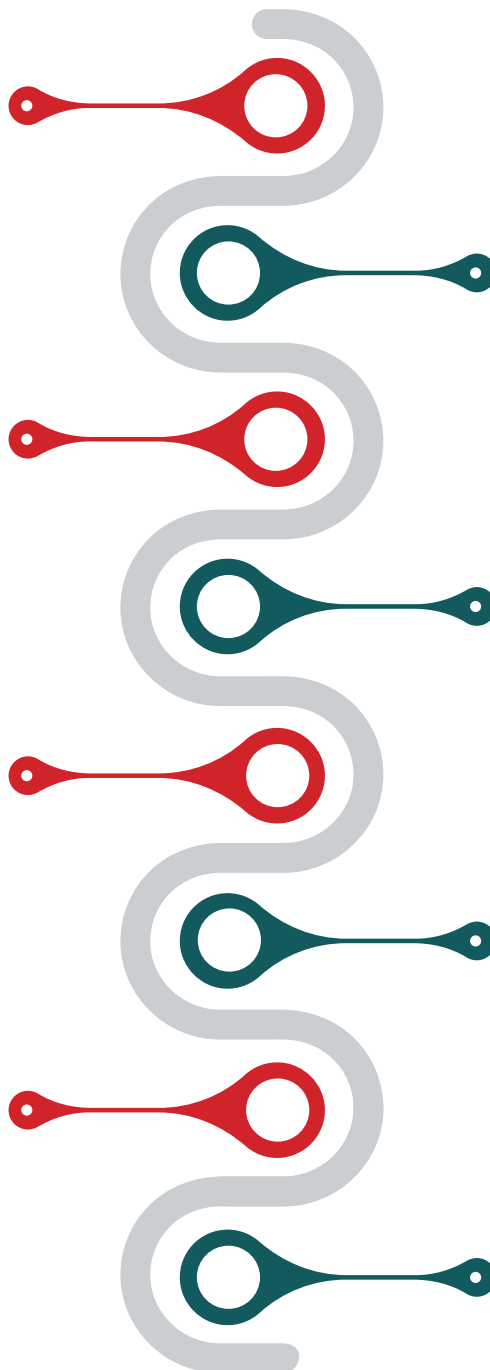
Portugal's unemployment rate falls to 6.1%, the lowest level in over a decade

**2022
DECEMBER**

Portugal's exports reach a record high of EUR60.5 billion in 2022

**2023
MARCH**

Portugal's government approves a EUR5.5 billion investment plan for the country's healthcare system





reliable PARTNER

In light of global conflicts and the pressing need for climate change action around the world, Prime Minister António Costa highlights Portugal's commitments to upholding peace and keeping to its energy transition and climate actions.

António Costa
PRIME MINISTER,
REPUBLIC OF PORTUGAL

IN 1945, DELEGATES FROM 51 COUNTRIES met in San Francisco to found the United Nations. They made a commitment to maintain international peace and security, develop friendly relations among nations, and “spare future generations the scourge of war.”

77 years later, we still haven't achieved these goals. Around the world, many children—and even adults—have never known peace. In Europe today, we are confronted with the unjustified and unprovoked invasion of Ukraine, in flagrant violation of international law, primarily of the United Nations Charter. We cannot, therefore, fail to condemn once again the Russian aggression and here to reinforce Portugal's support for the sovereignty, independence and territorial integrity of Ukraine.

Peace was not definitively won in 1945, but the world has changed radically since then. We need a representative, agile, and functional Security Council that is able to respond to the challenges of the 21st century without becoming paralyzed, and whose actions are scrutinized by the other members of the UN. A Security Council that incorporates a comprehensive view of security, recognizing, *inter alia*, the role of climate change as an accelerant of conflict. A Security Council where the African continent, and at least Brazil and India, have seats. And where small countries are more fairly represented. A global vision of security is essential, with the New Agenda for Peace advocated by the Secretary General. An agenda focused on conflict prevention and capable of ensuring adequate, predictable, and sustainable funding for peacebuilding.

Over the past decades, my country has established itself as a reliable partner for

global peace and stability. Currently, at the service of the UN, we are present in four theaters of peacekeeping operations, namely in MINUSCA. I am very proud of the recognition our military and security forces have received for their contribution to crisis and conflict management on all continents under the aegis of the UN, NATO, or the EU.

It is undeniable that there is a link between climate and security. Today, more than ever, we are feeling the effects of climate change. Countries like Portugal, which suffer from coastal erosion, increased droughts, and the drama of forest fires, clearly understand the urgency of climate action. We hope that COP-27 in Sharm-el-Sheik can be a moment that leads to an inclusive transition, ensuring a more balanced allocation of climate finance between mitigation and adaptation.

Portugal has been at the forefront of the decarbonization process, having been the first to commit to achieving carbon neutrality by 2050, as early as COP 22 in Marrakech. We believe that this goal is feasible from an economic and technological point of view, a promoter of employment and a generator of social justice.

We will seek to accelerate these commitments as we have already done with our goal of ending electricity production through coal, which we achieved last year. By 2026, we want to increase from 60% to 80% the weight of renewables in the electricity consumed. To this end, we will continue the strong investment we have been making in solar, wind, and ocean energies, and invest in the use of renewable gases such as green hydrogen.

The sea is one of the platforms where climate is projected. We welcome the active participation of all states in the sec-

ond Oceans Conference, which we had the honor of co-organizing with Kenya. The Lisbon Declaration constitutes a real action plan for achieving SDG14 on the conservation and sustainable use of ocean resources. As part of the commitments made by the various countries and entities present, Portugal also reiterated its commitment to protect at least 30% of marine areas by 2030. We went further—by then we want 100% of the maritime space under Portuguese sovereignty or jurisdiction to be assessed as being in good environmental status.

After Lisbon, there is still a lot of work to do on the ocean agenda and I am sure that France and Costa Rica will pursue this mission with redoubled energy.* ✕

** Sourced from an address given at the 77th General Assembly of the UN in September 2022.*

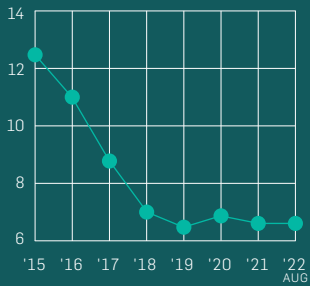
BIO

António Costa has been the Prime Minister of the Republic of Portugal since 2015. He has 24 years' experience of political activity and has been the Secretary General of the Socialist Party of Portugal since 2014. In Portugal, he was the Mayor of Lisbon between 2007 and 2015 and was first elected MP in 1991. In 2004, he assumed the Vice-Presidency of the European Parliament and has a long experience in the Council, in the European Parliament, and in the Committee of the Regions.

The Colombo Shopping Centre in Lisbon

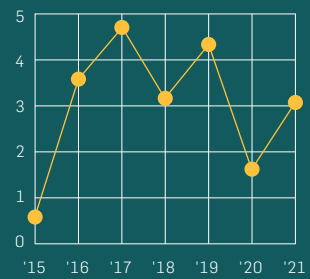
UNEMPLOYMENT (%)

SOURCE: MACROTRENDS, TBY RESEARCH



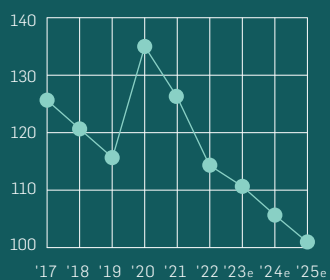
FOREIGN DIRECT INVESTMENT, NET INFLOWS (% OF GDP)

SOURCE: THE WORLD BANK



NATIONAL DEBT (% OF GDP)

SOURCE: STATISTA





Economy

STRENGTH IN NUMBERS?

One of the most illustrative facts about the Portuguese economy is that over 90% of companies in the country are SMEs. This is both an asset and a weakness. On the one hand, this means that there is diversity, which gives the economy balance and solidity.

On the other hand, having a small number of large companies hinders economies of scale and hurts their competitiveness on the global stage. Both António Saraiva and Rui Miguel Nabeiro, the two presidents of Portugal's leading business associations, stressed the importance of consolidation in Portugal's business community. The current pressure of interest rate hikes makes that consolidation more pressing and, indeed, more likely. With consolidation, Portuguese companies can achieve the size and efficiencies that will make them more competitive.

However, aside from M&As, there are already ways in which Portugal's business community is advancing economically. For one, companies are accessing finance and strengthening their business models. Portuguese companies are tapping into European Central Bank aid and, in the process, improving their bottom line. Application often requires the culling of inefficiencies.

In this context of SMEs, pedagogy and collaboration play an essential role. This is why com-

pany associations carry so much weight in Portugal. Sharing insights is a crucial strategy through which Portuguese businesses assist one another. At medium and small levels, pedagogy can unlock potential and ensure the viability of business long term. It is very encouraging to witness high levels of adherence to industry associations.

Internationalization is another aspect in which horizontal cooperation is crucial. Internationalization expands a company's market and can catalyze revenue. Companies of small and medium scale can explore the possibility of joint ventures in partner markets. Association membership is an essential step in a company's sustainability strategy. In these types of spaces, companies encounter case studies of successful international ventures and can plan accordingly.

The interviewees in this chapter demonstrate that Portugal is committed to private enterprise as a tool for development. At an association level, Portuguese companies help each other anticipate market needs and contour to changing conditions.

The bets on sustainability and digitalization demonstrate that Portuguese companies are committed to long-term business. Companies understand Portugal will play a role in the international marketplace of tomorrow. ✖

INTERVIEW



VOICE OF *experience*

CIP helps its members reach new markets through industry-specific chambers and advises the government on internationalization strategies and growth opportunities in the Portuguese economy.

BIO

António Saraiva is the Former President of CIP as well as Vice-President of the Economic and Social Council of Portugal. He has become one of the most influential figures in Portuguese society and has dedicated over 40 years of his life to supporting associations. Saraiva is chairman of Taguspark and was recently appointed chairman of the advisory board of FUTURE GROUP and chairman of SPAL. He also sits on the board of the Institute for Employment and Professional Training and is a member of the Strategic Council of SOFID, IFIC SA, and a board member of Global Media. Saraiva received the Order of the Prince by the Portuguese Republic for outstanding services.

António Saraiva
FORMER PRESIDENT,
CONFEDERAÇÃO EMPRESARIAL
PORTUGAL (CIP)

In 2024, CIP will celebrate its 60th anniversary. What values has the confederation maintained throughout its history?

Since the beginning, CIP has served as a meeting point for businesses, championing the values of an open market. CIP has witnessed all the changes in Portugal wrought by the revolution as well as by the entry into the EU. The revolution aimed to bring about democratization, decolonization, and development. The former two have been fulfilled, though development is progressing gradually. The economy needs to grow more than 4% per year. CIP always promotes reindustrialization by spreading the message at conferences, seminars, and congresses and sponsoring projects. Over these last three years, our objective remains to deliver to the country proposals on economic and business growth.

What are the main tasks of the CIP?

CIP's primary role is to anticipate future developments and participate in finding the best opportunities for companies in terms of the regulatory framework. This has been the confederation's role since its inception. As the fifth president since CIP was established, I uphold this objective to defend private enterprise and support entrepreneurs. CIP aims to serve as a guiding light for businesses to navigate the current challenges of the global economy, the sovereign debt crisis, the pandemic, and the war in Ukraine. Our primary objective remains supporting the economy by helping businesses.

What are the main industry trends in Portugal, and how does CIP help companies adapt?

Portugal faces several challenges, including climate change and energy and digital transitions. The country's recovery and resilience plan (PRR) has outlined three key national objectives: resilience, resistance, and economic transition (digital and climate), with EU aid allocated to meet these goals. CIP is working to help companies adapt to these challenges and meet the objectives outlined in the PRR. One of the main challenges is the size of Portuguese companies, with 97% of them being micro or small companies with up to 10 workers. They must have the necessary dimension or size to face the economic challenges outlined. CIP aims to find ways to aggre-

gate Portugal's micro reality, for example through mergers, achieve greater scalability. The second objective is innovation, as businesses have to differentiate themselves in an increasingly efficient world and offer specialized products or services. This innovation requires investment and capital, which is not always easily available in Portugal today. CIP strives to find ways to assist companies further when talking about capital and investment. The third objective is internationalization, as having size and a focus on innovation will make it easier to achieve global reach. Portugal is currently on that path, with exports today representing 50% of the country's GDP up from 28% 10 years ago. The objective is to reach 70%, and to achieve this we must ensure the economy has scale and innovation.

How does CIP help members in regard to internationalization and reaching new markets?

CIP plays an active role by advising the Portuguese government on strategies to improve and define the internationalization of the economy. As a member of an advisory council, CIP works with partners and sectoral associations from all sectors of activity to define the best internationalization export strategies for each company type, taking into account trends, markets, opportunities, and risk. CIP also offers support to its members through industry-specific chambers, which provides guidance on how to enter new markets and expand their business.

Where do you see growth opportunities in the economy, and what is its outlook for the future?

The Portuguese economy has demonstrated its ability to reshape and transform itself. By adding value and innovation to their products and services, Portuguese companies are creating their own brands and expanding into new markets. The metal sector, for example, has achieved record export volumes, reaching major markets such as Germany. Other companies are also forging their own paths by transforming and innovating their offerings. We are now seeing the results from a strategy that began 10 years ago to create our own brands, innovate, and add value. The Portuguese economy continues to transform and see positive results. ✖

guided ASSISTANCE

CCIP supports the growth and internationalization efforts of Portuguese SMEs by providing training, information, and networking opportunities, as well as organizing missions to foreign countries.

Rui Miguel Nabeiro
PRESIDENT,
CHAMBER OF COMMERCE AND INDUSTRY PORTUGAL (CCIP)



What are your main objectives for CCIP?

CCIP must be a reference for Portuguese companies, helping them build a bridge to reach international markets. As around 90% of the companies that operate in Portugal are SMEs, our goal is to help them merge and become more prominent. Additionally, CCIP aims to support Portuguese businesses in their efforts to internationalize and gain scalability, which is essential to remain competitive internationally. The chamber has an important role to play in providing training, information, and networking opportunities to small companies seeking to expand their international presence. We can offer insights into the economics of a country and facilitate networking, creating strong relationships between members and sister companies abroad. We also contribute to attracting investment and assisting investors who are interested in investing in Portugal.

How else does the chamber support members?

In addition to providing networking opportunities, the chamber also supports its members by organizing missions to foreign countries. During these missions, we arrange meetings with potential clients and providers to facilitate business opportunities for our members. Furthermore, we offer extensive training to our members, and we are proud to host a landmark event in April that addresses the challenges faced by small companies during the internationalization process. The event seeks to educate companies on the risks and benefits of going abroad and raise awareness of the differences in regulations, fiscal requirements, and human resources practices in different countries. Providing knowledge is critical for com-

panies, and we strive to extend these educational tools so our members can better understand their markets and operate more effectively.

What types of challenges do SMEs face, and how can CCIP help them?

Companies are currently struggling with inflation and rising interest rates. Sustainability is not only about the environment but also applies to the economic survival of a company. For this reason, it is crucial for small companies to scale up and become bigger, as larger companies have a better chance of weathering crises like the ones we are currently experiencing. Larger companies can offer better pay and training for their employees. Portugal needs larger companies that are able to better address sustainability and internationalization challenges. Companies need to achieve economies of scale, which can be accomplished through mergers and acquisitions. There are numerous opportunities available for investing in financially struggling yet economically viable businesses. Lisbon has a thriving ecosystem of start-ups, with many young entrepreneurs bringing new innovative ideas and companies to the city. Lisbon offers an excellent platform for launching new products and ideas, as evidenced by the fact that many of the start-ups here end up going abroad.

What role do large companies play within the chamber?

Large companies provide networking opportunities that bridge the gap between small companies with good ideas and larger companies with the funds to invest in those ideas. CCIP is responsible for facilitating those connections

to foster business growth. Additionally, sharing knowledge is critical to the success of entrepreneurs, who may lack the managerial skills to turn their ideas into thriving businesses. Most start-ups fail because of financial miscalculations, and not because the business is not viable. The chamber has a key responsibility to help entrepreneurs become better managers, particularly in the early years when a business is not yet generating revenue.

How would you evaluate the potential for and advantages of setting up a business in Portugal?

Portugal offers an excellent environment to live and do business. Despite comparatively lower salaries, the country presents significant market opportunities, making it the ideal location for new businesses. Portugal's regulatory framework, though complex, is business friendly, and with the help of a good lawyer, setting up a business is easy. Fiscal stability and incentives offer added advantages of doing business here, particularly in rural areas, where there are attractive incentives to establish a company in industry or agriculture. Furthermore, Portuguese workers are highly skilled, talented, and proficient in English, which is essential for today's economy. ✖

BIO

Rui Miguel Nabeiro is the Executive Chairman of the Nabeiro-Delta Cafés Group. He graduated in business management and holds a master's in applied management from the Catholic University of Portugal. He took over the presidency of CCIP in 2022.

TBY ANALYTICS PORTUGAL 2023

108 interviews were conducted for *The Business Year: Portugal 2023* Analytics.

BUSINESS CONFIDENCE INDEX

How confident are you about the outlook for business in Portugal this year (1-5)?

3.89

AVERAGE
RATING

SECTORS TO WATCH



GREEN ECONOMY
& ENERGY

3.5



FINANCE

3.5



INDUSTRY &
AGRINDUSTRY

4



IT & MEDIA

4



TRANSPORT

4



CONSTRUCTION
& REAL ESTATE

3.5



HEALTH

4



EDUCATION

4



TOURISM

4.5

ADVANTAGES & CHALLENGES

What are the most commonly mentioned advantages and challenges of doing business in Portugal?

ADVANTAGES

- Strong renewable energy sector
- Political stability
- Human capital and education
- Foreign investor incentives
- English proficiency
- Geographic location on global shipping lanes
- Strong trading relationship with US
- Thriving start-up ecosystem
- Comparatively lower salaries
- Robust real estate sector

CHALLENGES

- Restrictive environmental regulations
- High debt-to-GDP ratio
- High taxes
- Inflationary and interest rate pressures
- Scale issues caused by high ratio of SMEs
- Rising real estate costs

I UNDERSTAND

What is the Lusophone world, and how can Portugal use these cultural links to benefit both itself and its former colonies?

PORTUGAL IS AN EXCELLENT EXAMPLE of a former maritime superpower that has succeeded in turning its post-colonial ties with countries in Africa and Latin America into something positive. The Portuguese Empire took its language to places from Macau in the East to Brazil in the West, where it is widely spoken to this day as an official language.

Of some 250 million individuals who speak Portuguese as a first language, just under 11 million are Portuguese citizens. This gives a unique soft power to modern Portugal, which is a dominant producer of knowledge, technology, and—in general—ideas.

The Community of Portuguese Language Countries (CPLP), often dubbed as the Lusophone Commonwealth, was established in 1996 and has amassed nine member states. The fact that CPLP is built on linguistic and cultural similarities rather than on the ruins of an empire has made it notably successful. The organization's activities range from defense cooperation and inter-parliamentary discussions to more youth-oriented activities such as student exchange programs.

Lusophone states influence each other in various ways. Portugal, for instance, plays a central role in knowledge-transfer. Thanks to the country's network of science and technology parks, many business ideas have come to life in Portugal in recent years. Low taxes for startups, the presence of a young and highly skilled workforce, and a variety of financing options are further factors that have turned the country into a hotspot of new business ideas. There is a growing list of unicorns coming out of Portugal such as OutSystems, Talkdesk, and Farfetch, but to name a few.

Many of these enterprises rely on an overseas market in the Portuguese-speaking world to flourish. Technological products emerging from Portugal often quickly spread to the rest of the lusophone world. A consumer market of over 230 million is far more interesting for a business than a home market of roughly 10 million, particularly as other Portuguese-speaking territories, and Brazil in particular, are continuously improving in terms of purchasing power. This is not to say that Portugal continues to have a form of post-colonial influence over its former dominions. In fact, Portugal is also an avid consumer of cultural products from the rest of the lusophone world. Music and television programs produced in Brazil, for example, often find popularity in Portugal. This, as such, has largely been a give-and-take relationship.

To sum it up so far, Portugal's historical ties with countries such as Brazil, Angola, and Mozambique have been largely a force for good in modern times, especially in areas such as technology-transfer. Portu-

gal has successfully emerged as a European powerhouse for creativity and entrepreneurship, with many Portuguese companies seeing a market for their innovation somewhere overseas where Portuguese is spoken.

Consultants such as Asseco, for example, have accelerated the digitalization of banking in Africa, where the number of unbanked individuals is significant. Such consultants have tried to capitalize on their knowledge of the target markets to streamline localization operations. "One of the primary challenges is meeting the ever-increasing demands of users who expect user-friendly technology," notes Daniel Araujo, CEO of Asseco Portugal, in an interview with TBY, adding that "regulatory compliance is another obstacle faced by companies."

Issue such as simplifying regulatory compliance for Portuguese companies is often beyond the control of companies themselves and takes shape within the larger context of diplomatic and economic relations between the Portuguese government and the rest of the Lusophone world.

Portugal-Brazil economic links are arguably the largest of the lot. Portugal exports roughly USD900 million worth of goods to Brazil, while importing twice that volume from the Lusophone Latin American nation. In terms of services, the game is quite one-sided, with Portugal exporting USD500 million worth of services to Brazil without importing any services. This perfectly suits Portugal's status as a service economy and that of Brazil as a rising manufacturing hub.

Not everything that Portugal is doing across lusophone Latin America and Africa is strictly profit-oriented. The country, at times, invests in long-term initiatives that are intended to lay the foundations of certain African nations' business ecosystem.

In 2022, for example, Portugal signed a deal with the African Development Bank (AFDB), offering a "big boost to business development initiatives for the Bank's non-sovereign portfolio in its Portuguese-speaking African member countries," according to the AFDB. Among the dignitaries in attendance during the signing ceremony were Mozambican president Filipe Nyusi and Portugal's prime minister António Costa, which is indicative of such event's high profile.

Portugal has promised to extend EUR400 million, in the form of guarantees, to private sector projects in Africa deemed worthy by the AFDB.

In addition to Angola and Mozambique, the list includes smaller African nations such as Cabo Verde, Equatorial Guinea, Guinea-Bissau, and São Tomé and Príncipe, where we are soon likely to witness the blossoming of Portugal-backed enterprises. ✖

Belém Tower, a 16th-century fortification that once served as an embarkation and disembarkation point for Portuguese explorers and as a gateway to Lisbon



promoting TIGHTER LINKS

AmCham Portugal serves as a two-way street for promoting trans-Atlantic business links, with objectives that include networking, advocacy, and providing services to members.

António Martins da Costa
PRESIDENT,
AMERICAN CHAMBER OF COMMERCE (AMCHAM PORTUGAL)



What is the history and structure of AmCham?

AmCham was founded in 1951 by a group of American expatriates in Portugal, and its initial focus was to attract American investment and trade to Portugal. Over the years, it has become a two-way street, which also promotes Portuguese investment to the US. AmCham is a road for businesspeople and partners that want to do business on both sides of the Atlantic. We are also members of AmCham Europe, which consolidates the views of all the European American chambers of commerce. In terms of membership, our community includes both corporations as well as individual associates. AmCham's board is composed of 25 members. Big boards and small structures allow the chamber to remain lean while attracting the key business figures in the country that can form and execute strategy. Of those 25 names on the board, according to our bylaws, the majority are American companies. In addition, AmCham is home to Portuguese companies from all sectors that are investing in the US. Finally, we also have institutional board members such as universities and the Luso-American Development Foundation (FLAD), a foundation created jointly by the Portuguese and US governments. One key partner of AmCham is the US Embassy, and AmCham liaises with the embassy's departments for economy, trade, and commerce.

What are AmCham's objectives, and what mechanisms are in place to promote trans-Atlantic business links?

The main objectives of AmCham are to promote networking, strengthen advocacy, and provide services to its members. To facilitate partnerships, we host two key annual events. One of them is AmCham Tributes, where companies that have made a difference in the relation-

ship between Portugal and the US are recognized. The second is the Trans-Atlantic Business Summit, a space that brings together Portuguese and American thinkers to discuss the bilateral relationship. Advocacy is focused on defending, through dialogue, the policies supported by our businesses research. Finally, the third component is a service to members. To our associates, we disseminate information around macroeconomic prospects concerning Portugal, the US, and the EU. AmCham's business missions are that extra step that serves to execute the findings of research. We have agents and special committees focused on research key areas of relevance such as technology, innovation, data science, cybersecurity, healthcare, R&D, education, tourism, sustainability, and the energy transition. By coordinating business tours for members, AmCham acts as the bridge between theory and execution.

Which areas of the economy pose opportunities for Portuguese and American companies going forward?

Having a shared understanding of needs helps Portuguese and American businesses collaborate and form partnerships. Two areas that offer attractive business opportunities are energy transition and digital transformation. There are also opportunities for businesses that address logistical challenges such as supply chain disruptions, inflation, and the scarcity of raw materials. These wider macroeconomic trends can benefit rapprochement between the US and Europe. One example is nearshoring. American companies are looking to locate important strategic assets in friendly markets such as Europe, which can be interesting for Portugal. The war on Ukraine is putting pressure on the reshuffling of logistics chains, and Portugal is a good candidate because of its

geographical location, competitive costs, and maritime experience. For example, Portugal and Spain are the two countries that can best receive the liquid natural gas (LNG) that is so needed in the center of Europe.

Why is Portugal an excellent place for American companies to locate investment?

The US is currently the fourth-largest market for Portuguese exports. In 3Q2022, Portugal exported USD6.5 billion worth of goods to the US and imported USD3.5 billion. This makes the US Portugal's fourth-largest partner and is the reason why this relationship is crucial, especially given that our trade balance is positive. American investment in Portugal performs steadily between EUR1.5-2 billion. As a final note, Portugal receives 1.2 million American tourists annually. This is the fifth-largest contingent of tourists, while their daily expenditures and duration of stay is also among the highest by nationality. ✖

BIO

António Martins da Costa is President of AmCham Portugal, President of the Strategic Council of Proforum, Vice-President of APGEI, Vice-President of the Portuguese Business Council for Sustainable Development, and a member of several boards of business schools in Portugal. He is an advisor to the executive board of Energias de Portugal, CEO & Vice-Chairman of the board of EDP Brasil, Chairman & CEO of EDP Renewables North America/US, and a member of EDP Renewables' board of directors. Before that, he worked in the financial sector. Da Costa is a civil engineer from the University of Porto with an MBA from Porto Business School and has completed programs from AESE/IESE in Lisbon, Wharton Business School in the US, and INSEAD in France.

FOCUS

Unlocking Portugal: Investment Insights & Opportunities

PORTUGAL'S POTENTIAL FOR FOREIGN INVESTMENT UNDER THE SPOTLIGHT

The Business Year gathered figures from across the local business community at its latest event, Unlocking Portugal: Investment Insights & Opportunities.



SENIOR EXECUTIVES from across the Portuguese business community gathered for Unlocking Portugal: Investment Insights & Opportunities, the first event held by The Business Year in Portugal.

Six high-level speakers from business associations and leading companies spoke to a C-level audience about their perspectives on the short- and long-term opportunities and challenges facing Portugal.

The event, which was opened by TBY Portugal Director Cristina Villegas, came shortly before the release of this publication, TBY's latest publication dedicated to the country, and delved into many of the same topics. To produce it, Villegas led a team that spent four months researching and conducting more than 130 interviews with senior executives from various sectors of the Portuguese economy.

Attractive tax incentives, highly skilled workforce, and social and political stability are some of the advantages highlighted by American Chamber of Commerce in Portu-



gal (AmCham Portugal) President António Martins da Costa, who opened the event with an overview of the Portuguese economy. Martins da Costa also referred to the resilience shown by the national economy to respond to some of the recent macro challenges, such as COVID-19 and the subsequent inflationary and interest rate pressure.

Worth EUR30.7 billion in 2022, residential real estate remained the leader in wider real estate investment last year, according to Hugo Santos Ferreira, President at the Portuguese Association of Real Estate Developers and Investors (APPII). In a speech that followed Martins da Costa's, Santos Ferreira spoke of the importance of the real estate sector as one of the main sources of FDI, describing it as a segment that is attracting particular attention from US investors despite the end of the Golden Visa program.

The end of the Golden Visa was the first topic addressed in a roundtable discussion featuring four speakers: Gonçalo Santos, Head of Capital Markets at JLL; Daniel Tareco, Board Member at Habitat Invest; Miguel Pernes, Managing Director Portugal at Hitachi Energy; and Bernardo Maciel, Partner at Yunit Consulting. During the discussion, panelists commented that the existence of other investment tax regimes will help mitigate the end of the Golden Visa program.

Other topics addressed included Portugal's leading position in the European renewables sector, the strength of its small- and medium-sized companies and the efforts they are making to digitalize, opportunities in the real estate sector beyond residential properties, and steps being taken to decarbonize the economy.

The debate was followed by a networking session at the Corinthia Lisbon to close the event.

The event was hosted in collaboration with the American Chamber of Commerce in Portugal (AmCham Portugal), the Portuguese Chamber of Commerce and Industry (CCIP), the Portuguese Association of Real Estate Developers and Investors (APPII), and the Spanish Chamber of Commerce in Portugal (CCILE), and supported by Revista Business Portugal, as media partner, Between Collective as video partner, A3 as graphic arts partner, and LXPRO as audio partner. ✖



INTERVIEW



Miguel Seco
PRESIDENT,
PORTUGUESE-SPANISH CHAMBER
OF COMMERCE AND INDUSTRY
(CCILE)

NATURAL *partners*

CCILE has been working to significantly increase its visibility and streamline internal processes, while growing the bilateral economic relationship between Portugal and Spain.

BIO

Miguel Seco holds a degree in economics and business studies from University of Santiago de Compostela followed by an MBA from ESADE, Barcelona. He was part of the team responsible for setting up the first branch of a Portuguese bank in Spain (BPA), and in the last 20 years he has been director of the Iberian Business Center of Millennium (bcp) and head of the Iberian Business area of Banco Sabadell Portugal. He was also president of the Galician Centre of Lisbon. Seco is the current president of CCILE and is a regular speaker at various business and social forums. In 2009, he received a Commendation of the Order of Civil Merit (Spain) and an honorary degree awarded by the Portuguese-Spanish Chamber of Commerce and Industry in 2017.

How is the chamber strengthening its faculties to support trade between Spain and Portugal?

We have implemented two main strategies, mainly to enhance the chamber's visibility and streamline internal processes. To increase our visibility with business leaders and political figures from both countries, we have resumed our business breakfasts and sector-specific seminars to promote partnerships between companies. We have also participated in international events to foster stronger relationships with bilateral chambers in Portugal, France, the UK, Germany, and Italy, attracting new multinational companies to our chamber. Internally, we are restructuring our staff and reassigning roles and responsibilities. We have received support from Spain to execute an ambitious digitalization plan, which includes updating our communications system and website. We are also setting up an editorial council to promote and enhance our magazine and have revamped the format of our monthly newsletter to focus more on economic content rather than advertising. In 2023, we will continue to organize business lunches to maintain our visibility, which typically attract 150-200 attendees and generate mass communications.

To what do you attribute the growing economic relationship between Portugal and Spain?

The economic relationship between Portugal and Spain has strengthened over the years, and both countries have benefited greatly. Despite the uncertainties caused by the pandemic, bilateral trade surpassed all expectations in 2021 and continued to grow over 29% in 2022. The total sum of exports and imports between the two countries surpassed EUR40 billion for the first time, reaching around EUR48 billion at the end of 2022. The open market policy, the proximity of the countries, the availability of knowledge, and the fact that Portugal is a natural expansion area for Spanish companies are some of the factors that have contributed to the increase. There are some 4,300 companies with Spanish capital in Portugal, and 90% of these companies are SMEs. It is easy to come to Portugal because of its logistics and financial support services. Spanish

companies find Portugal an attractive investment destination, with a similar culture and where language is not a problem. The country's market size, logistics services, financial and legal support, political stability, and legal system that are similar to Spain also make it easy to do business in Portugal. Legal support is easily available here as well, with 40 law firms that are members of CCILE. Finally, and importantly, Portugal's political stability supports a long-term investment rationale.

What are the most attractive aspects of Portugal's macroeconomic policy?

In the last five years, Portugal's economic policy has remained stable, resulting in an improved image of the country. The Prime Minister has been a guest of our chamber some months ago. Despite some initial problems during his first administration, he is aware of institutional policies regarding Portugal's position in the global economy. The government's goal is to provide the best conditions for foreign investment in the EU. Its economic diplomacy is excellent, there has been stability in monetary policy and public expenses are being controlled. Four years ago, Portugal had a public expense debt of 130%, and despite the pandemic, in 2022 its debt was lower than Spain's.

What industries are vital in the bilateral dynamic between Spain and Portugal?

The tourism and renewable energy sectors are essential areas where both countries have many joint projects. Spain and Portugal aim to establish themselves as a renewable energy producer for the entire EU and are collaborating on hydrogen-related projects. They are also studying the feasibility of investing in lithium installations in both countries or just having one facility for both nations. There will be significant investments from both countries in logistics and transport, with a strong railway system providing greater value to Portugal and Spain. Additionally, the automotive industry is an important area of cooperation, because Spain has local factories of almost all car brands. The high levels of production reaffirm Spain's role as an exporter. ✖



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