

Portugal announces new set of austerity measures

By Ian Wishart

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Fresh wave of cuts declared as eurozone leaders meet in Brussels.

Portugal has announced a new series of austerity measures, as eurozone leaders meet in Brussels to discuss ways to strengthen the area's emergency fund.

The [Portuguese government](#) announced that it would cut spending in a bid to reduce the country's deficit by an extra 0.8% of gross domestic product (GDP) this year and prevent it having to request a bail-out.

Fernando [Teixeira dos Santos](#), Portugal's finance minister, said that the new austerity measures, which include cuts of up to 10% in state pensions above €1,500 a month and reductions in health spending and welfare benefits, would help the country meet strict deficit-reduction targets.

He said: "There can no longer be any doubt that we will achieve our goals."

Ensuring fiscal stability

[Olli Rehn](#), the European commissioner for economic and monetary affairs, welcomed the news, which came shortly before eurozone leaders started their meeting. He said in a statement that the commitments confirmed Portugal's efforts "to ensure fiscal sustainability, strengthen the financial system and raise the growth potential and flexibility of the Portuguese economy".

He said: "I welcome and support this package of far-reaching and concrete measures. It is an important strengthening of the Portuguese macro-economic policies."

In addition to the immediate fiscal consolidation measures of 0.8% of GDP in 2011, the announcement proposes consolidation of 2.5% and 1.2% of GDP in 2012 and 2013 respectively, aimed at reaching deficit targets of 4.6% of GDP in 2011, 3% in 2012 and 2% in 2013.

"We also welcome the commitment to far-reaching structural reforms, notably regarding further labour market reforms and the financial sector, which will foster economic growth and correcting other imbalances," Rehn said.

Enhanced surveillance

"The announced package will help Portugal regain control over debt dynamics and put an end to uncertainties. We will continue to closely monitor the situation in the context of enhanced surveillance.

"The commitments of the Portuguese government clear an important building-block of the needed comprehensive response to the sovereign debt crisis, and call for progress concerning the other blocks, notably linked to the reinforcement and increased flexibility of the financial backstops."

The announcement was welcomed by eurozone leaders who are meeting in Brussels this evening to discuss ways to boost the European Financial Stability Facility (EFSF) and the permanent European Stability Mechanism (ESM), which will come into force in 2013.

Before the meeting, [Angela Merkel](#), the German chancellor, said: "Portugal has today taken an important step that is very helpful for our discussions this evening."

Tonight's discussions are aimed at forming a "comprehensive response" to the sovereign debt crisis.

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