

## Location Spotlight – Portugal

May 2022: Complimentary Abstract / Table of Contents



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# This report provides perspectives on key aspects of the global sourcing market in Portugal

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## Portugal | at a glance



Established location in Western Europe for multilingual delivery, experiencing in CEE region

45,000-49,000 annual tertiary graduates

Current overview	Key drivers	Key challenges
<ul style="list-style-type: none"> <li>The Portuguese global services market is 65,000+ FTE strong, housing multiple scaled operations from Global Business Services (GBS) organizations and service providers</li> <li>Key location with high maturity for global services delivery is Lisbon (45,000+ FTEs), followed by Porto (11,000 FTEs)</li> <li>Portugal is emerging as an attractive location for companies looking to set up/expand in the European region due to geopolitical instability in the CEE caused by the Ukrainian-Russian conflict</li> </ul>	<ul style="list-style-type: none"> <li>Offers considerable cost arbitrage across functions over the UK tier-1 London (40-50%) and Spain tier-1 Barcelona (20-30%)</li> <li>Stable business environment; availability of top-ranked colleges and universities offering high-quality entry-level talent</li> <li>Multilingual talent supporting delivery in 10+ languages including English, Portuguese, French, Spanish, Italian, Dutch, and German</li> <li>Convenient time zone, with a maximum four-hour flight time to major European cities; proximity to North and South America</li> </ul>	<ul style="list-style-type: none"> <li>Higher cost of living in major cities like Lisbon and Porto</li> <li>Rising energy costs, particularly gas and electricity</li> <li>Experienced since the start of the Ukrainian-Russian conflict</li> </ul>



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## Portugal | risk profile (page 1 of 3)

Geopolitical stability; positive macroeconomic indicators with some concerns

Parameter	Everest Group rating	Comments
Geopolitical	Highly favorable	<ul style="list-style-type: none"> <li>Portugal ranks 32nd among 180 countries in the Corruption Perception Index, making it relatively clean in terms of corruption; however, bureaucracy remains a problem, as does corruption in public works contracts</li> <li>It has an average value of 1 point on the Political Stability Index provided by the World Bank where -2.5 indicates weak political stability and 2.5 indicates strong stability</li> <li>Portugal stood at the 28th rank worldwide in the Democracy Index 2021, compiled by the Economic Intelligence Unit, which measures the state of democracy in 167 countries</li> <li>The risk of interstate war in Portugal is likely to remain low                             <ul style="list-style-type: none"> <li>Being a member of NATO, the current Ukraine-Russia conflict can become a full-fledged war between NATO allies and Russia; however, the possibility of the same is very low</li> <li>Portugal has principal diplomatic disputes with the neighboring country of Spain over uninhabited islands in the Atlantic, fishing rights, and environmental concerns. Given their shared membership in EU and NATO, along with strong commercial relationship, disputes are extremely unlikely to degenerate into armed conflict</li> </ul> </li> </ul>
Macroeconomic	Favorable, some concerns	<ul style="list-style-type: none"> <li>Standard &amp; Poor's credit rating for Portugal stands at BBB with a stable outlook</li> <li>A strong labor market, lower political uncertainty, and an expected fiscal boost from the European Union are supporting the Portuguese economy to grow at a firm rate in 2022; however, the Bank of Portugal has cut its 2022 economic forecasts due to higher inflation and persistent global supply disruptions                             <ul style="list-style-type: none"> <li>Energy prices will continue to be the main driver of inflation in 2022, as the military conflict in Ukraine pushes up several commodity prices including oil, gas, and certain foods</li> <li>Higher inflation will dent households' purchasing power and lead to softer private consumption in 2022</li> </ul> </li> <li>Additionally, high private debt levels pose a risk to the banking sector</li> </ul>

Source: Everest Group (2022); EIU; Transparency International; WRR; WEF; interviews with market participants

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Published Planned Current release

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