

TRADE IN VALUE ADDED: PORTUGAL

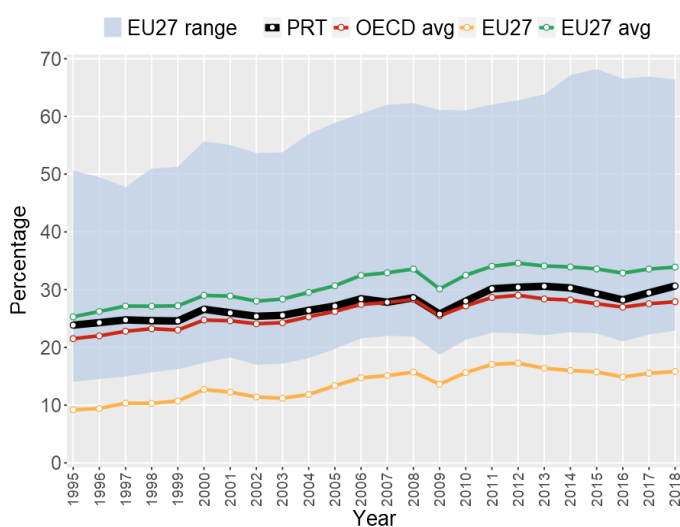
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Trade in Value Added (TiVA) indicators offer new insights into the commercial relations among economies and provide a broad view of where value is created along each stage of global value chains (GVCs). Painting a more complete picture than gross trade measures alone, the TiVA approach better reflects the significantly higher contribution made by services in GVCs, the role of imports in export performance, and the true nature of economic interdependencies. The 2021 version of the TiVA database covers 66 economies and 45 industrial sectors, for the years 1995 to 2018, and brings together indicators based on the value-added origins (both country and industry) of exports, imports and final demand. This note highlights the trade patterns in value-added terms for Portugal, with a view to informing policy making for a range of areas including trade, innovation and investment.

Key findings

- ▶ The foreign content of Portugal’s exports increased slightly between 2008 and 2018, growing from 28.6% to 30.6% (Figure 1). *Other transport equipment* (9.7 percentage points (pp)), *Electrical equipment* (6.9pp) and *Motor vehicles* (6.4pp) saw the largest increase in foreign content in exports (Figure 3b), suggesting increased GVC activities in these sectors.
- ▶ The export-orientation of all Portuguese industries increased over the last decade. Overall, roughly 60% of domestic value added generated by Portugal’s manufacturing sector was driven by foreign final demand in 2018, with the highest shares in *ICT and electronics* (84.7%) and *Motor vehicles* (83.8%) (Figure 2).
- ▶ Spain, France, the United States and Germany were Portugal’s main trading partners in value-added terms in 2018. Comparing value-added and gross terms, part of Portuguese value added arrived indirectly in other countries (e.g. the United States) via exports to Spain and part of third country value added arrived in Portugal through imports from Spain, reflecting some GVC integration with the Spanish economy. Spain was also the source of over 80% of Portugal’s re-imported domestic value added embodied in manufactures imports, further highlighting the role of Spain as a GVC partner (Figures 5 and 6).
- ▶ Services are a major contributor to Portugal’s economy, accounting for 57.1% of Portugal’s gross exports and 34% of value added content of manufactures exports in 2018 (Figure 7).

Figure 1. Foreign value-added content of gross exports
As a percent of total gross exports, 1995 to 2018



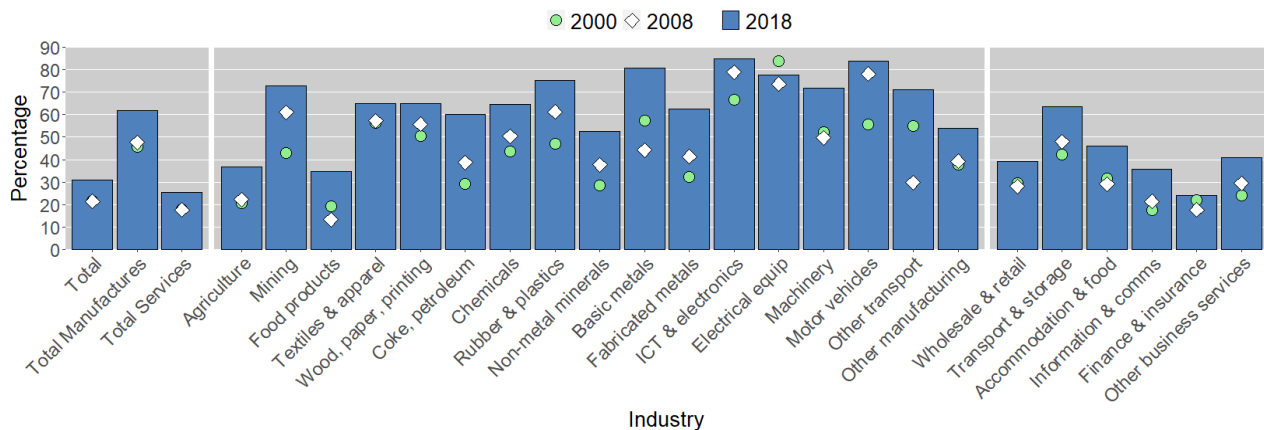
At the global level, the new TiVA indicators confirm that there has been a slowdown in GVC integration since the Financial Crisis in 2008-2009 (Figure 1). However, in general, foreign value added in trade increased between 2016 and 2018.

Between 2008 and 2018, the foreign content of Portugal’s exports is estimated to have increased from 28.6% to 30.6% - above the OECD average of 27.9%. Compared to 2008, the foreign content of exports in 2018 was 2 percentage points higher.

The role of foreign final demand in domestic production

Overall, in 2018, 30.8% of Portugal's domestic value added was driven by foreign final demand, up from 21.4% in 2008. By industry, the shares ranged from ICT and electronics (84.7%) and Motor vehicles (83.8%) at the higher end to Financial and insurance (24.1%) at the lower end.

Figure 2. Portugal - domestic value added in foreign final demand
As a percent of value added, by industry, 2000, 2008 and 2018



The importance of imports for exports

The industries with the most foreign value-added contents in their exports (Figure 3a) were *Coke and refined petroleum products* (76.3%), *Motor vehicles* (55.4%) and *Other transport equipment* (48.7%). *Transport and storage* generated the greatest source of domestic value-added content of exports in 2018, accounting for 9.8% of gross exports (Figure 3b), followed by *Wholesale and retail trade* (8.4%) and *Accommodation and food services* (8%). The most foreign content in total exports came from *Motor vehicles* (5.5%).

Figure 3a. Portugal - foreign value-added content of gross exports
As a percent of gross exports, by industry, 2000, 2008 and 2018

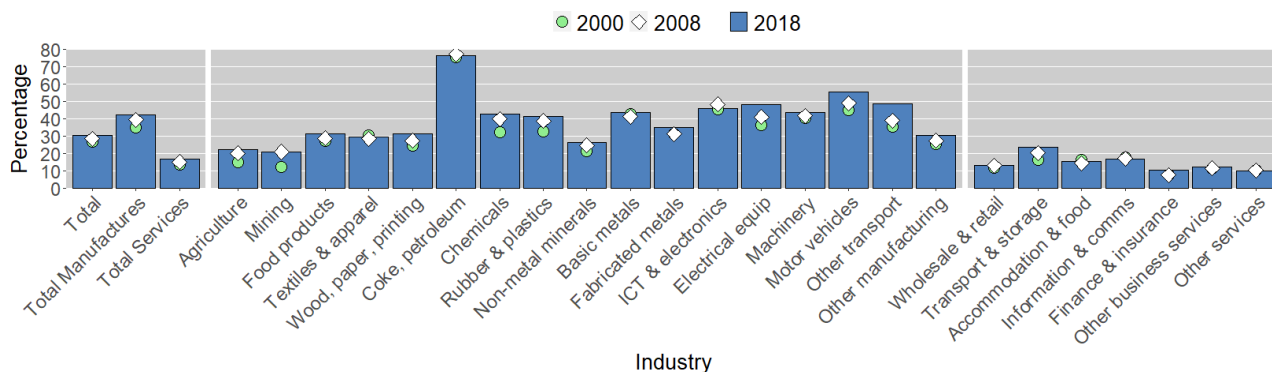
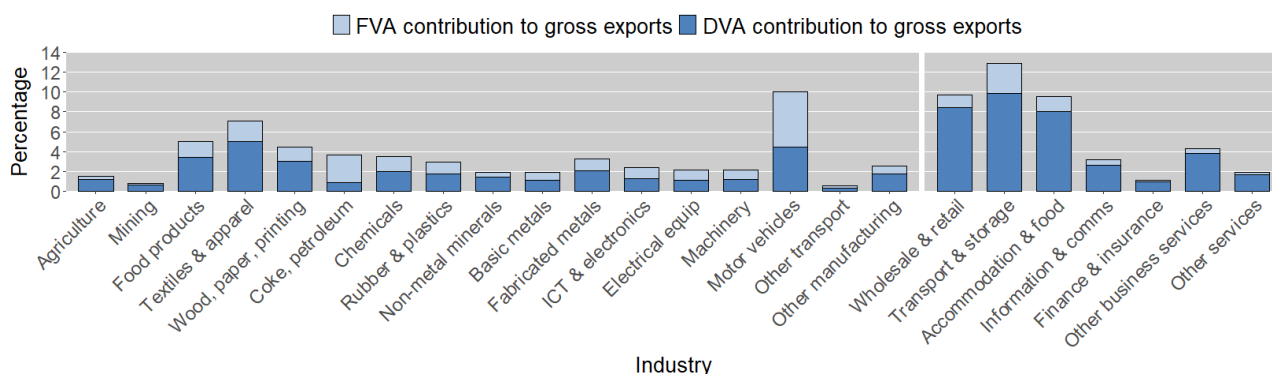
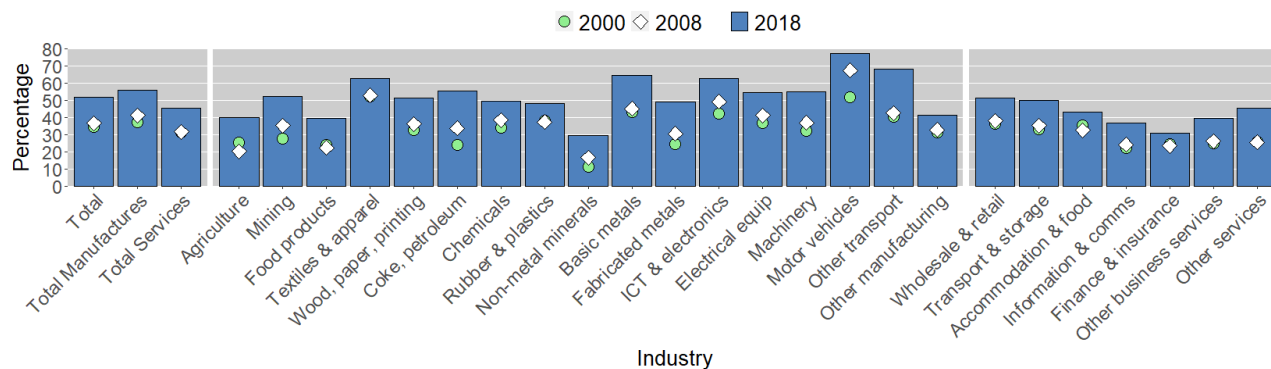


Figure 3b. Portugal - industry share of domestic and foreign value-added content of gross exports
As a percent of total gross exports, 2018



Of the total value of Portugal's imports of intermediate goods and services in 2018, 51.7% was subsequently embodied in exports, above the OECD average of 47.9%, and significantly above the share in 2008 (36.8%). The originating industries with the highest shares of intermediate imports used in Portugal's exports were Motor vehicles (77.3%), Other transport equipment (68.1%) and Basic metals (64.6%).

Figure 4. Portugal - imported intermediate inputs used for exports, by industry-origin of imports
As a percent of intermediate imports, 2000, 2008 and 2018



Portugal: international flows of goods and services, main players

In gross terms, Spain (18%), France (11.8%) and Germany (9.1%) were the three most important Portuguese export market destinations in 2018. The top three final destinations for Portugal's value added were Spain (13.7%), France (11.1%) and the United States (9.5%).

For imports in gross terms, Portugal's top three partners in 2018 were Spain (31.2%), Germany (12%) and France (8.5%), while in value-added terms, the top three were Spain (24.5%), Germany (11.5%) and France (8.2%).

Figure 5 Portugal - exports and imports: main partners
As a percent of total gross and value-added exports and imports, 2018

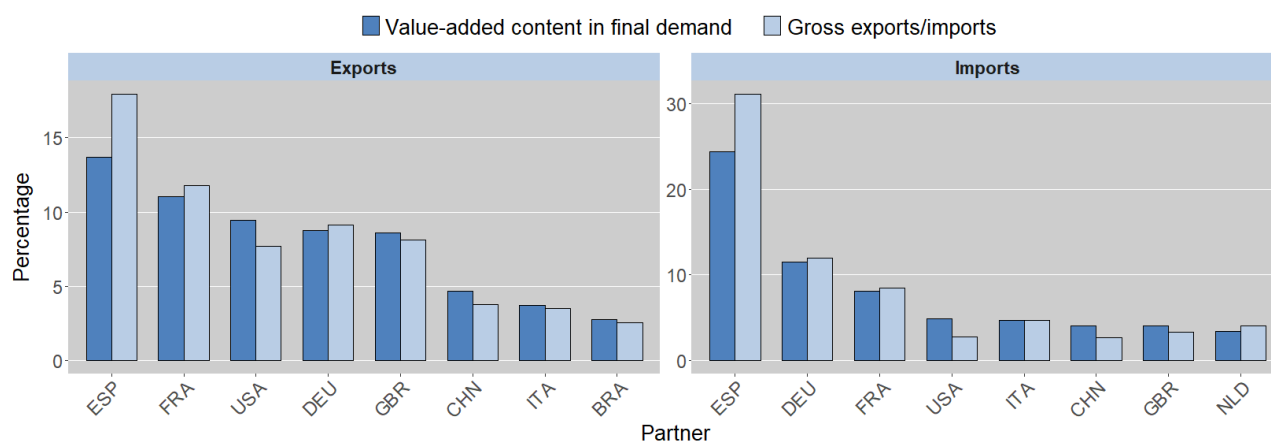
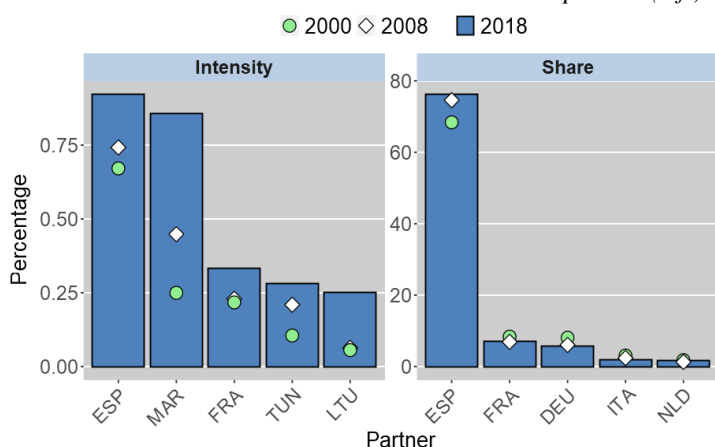


Figure 6. Portugal's domestic value-added content of manufactured imports, top 5 partners

As a share of total Portugal's value added embodied in Portugal's imports (right) and as a percent of total imports by partner (left)



In 2018, the highest shares of Portugal's domestic value added embodied in Portugal's manufactured imports (Figure 6, right) came from Spain (76.2%), France (7.1%) and Germany (5.8%).

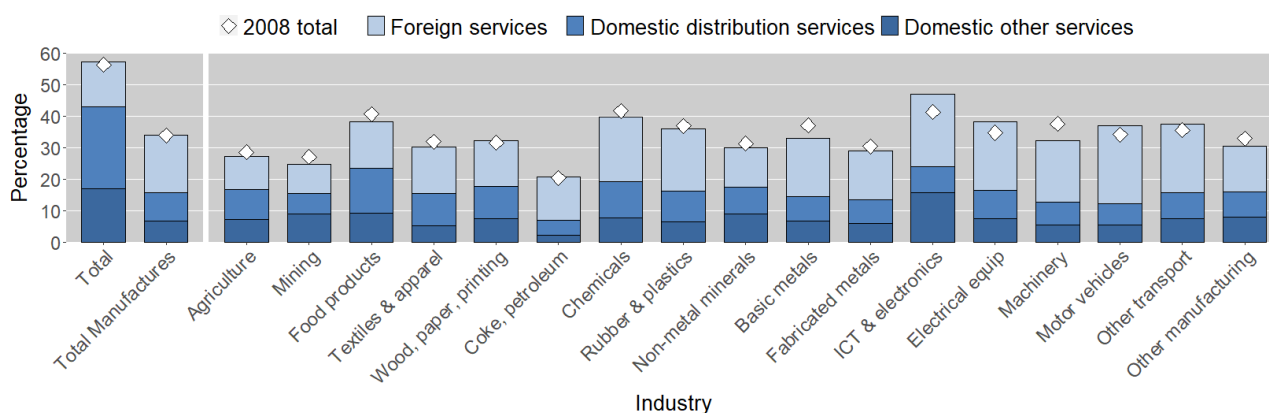
The trading partners with the highest shares of Portugal's value added in their exports of manufactures to Portugal (Figure 6, left) in 2018 were Spain (0.9%), Morocco (0.9%) and France (0.3%).

The importance of services in international trade

Services are a major contributor to Portugal's economy, accounting for 57.1% of Portugal's gross exports in 2018 (Figure 7) - close to the OECD average of 55.7%. Foreign services contributed 14% to the value of total gross exports. For manufactures, services value-added content was 34% of gross exports, with the highest shares in ICT and electronics (46.9%), Chemicals and pharmaceuticals (39.8%) and Food and beverages (38.3%).

Figure 7. Portugal - services content of gross exports

As a percent of gross exports by industry, 2018



Further information is available to supplement this country note:

- ▶ Access the data at: <http://oe.cd/tiva>
- ▶ Guide to TiVA 2021 Country Notes: www.oecd.org/sti/ind/tiva-2021-guide-to-country-notes.pdf
- ▶ TiVA indicators are based on the 2021 version of ICIO tables: <http://oe.cd/icio>
- ▶ Related indicators of Trade in Employment <http://oe.cd/io-emp> and Trade in Embodied CO2 <http://oe.cd/io-co2>
- ▶ Trade policy implications of global value chains: <http://www.oecd.org/trade/topics/global-value-chains-and-trade/documents/trade-in-value-added-2021.pdf>

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