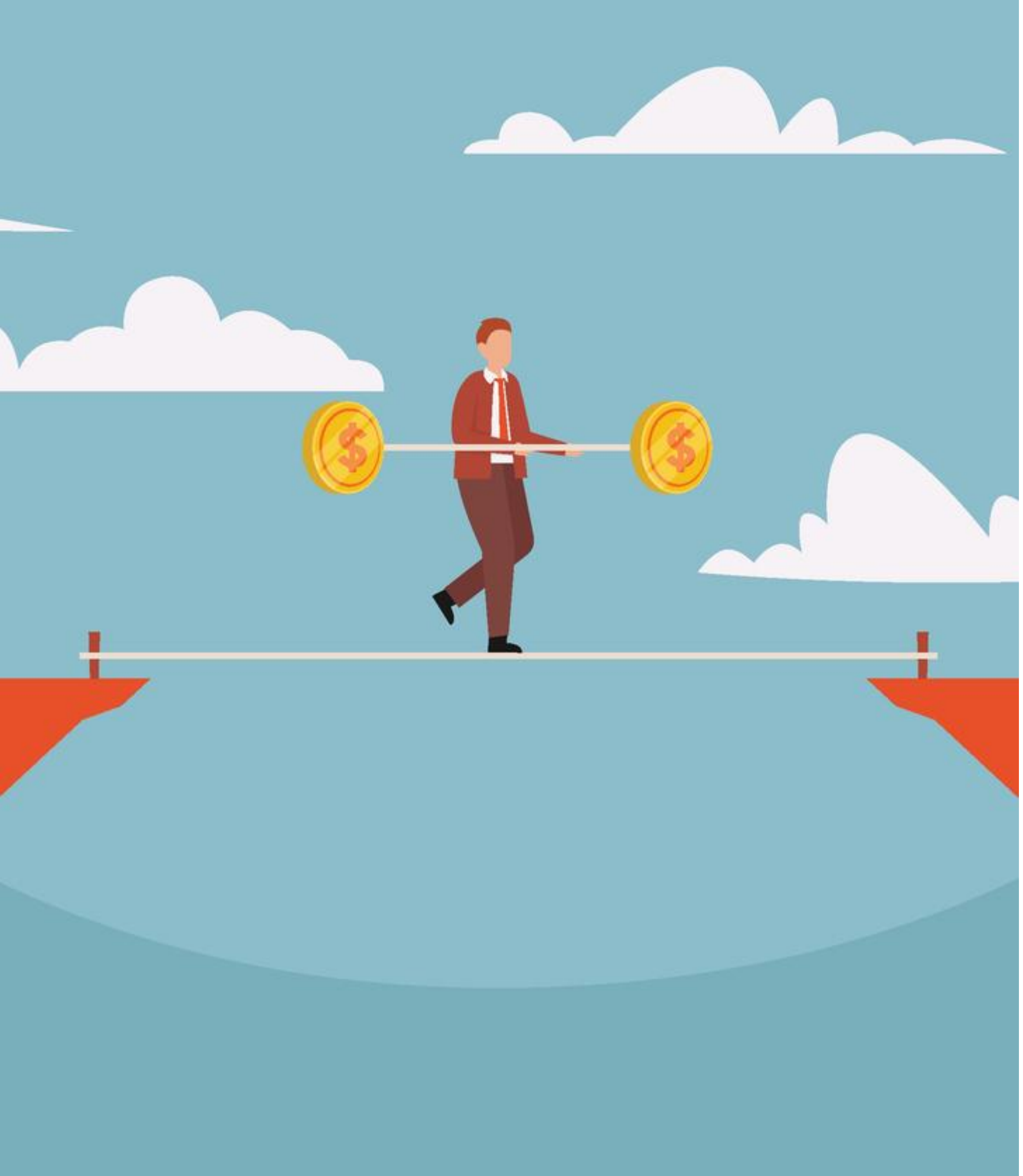


Public Finances in Portugal: Developments, Analysis and Lessons Learned

Session 1: Restoring public finances and budget oversight

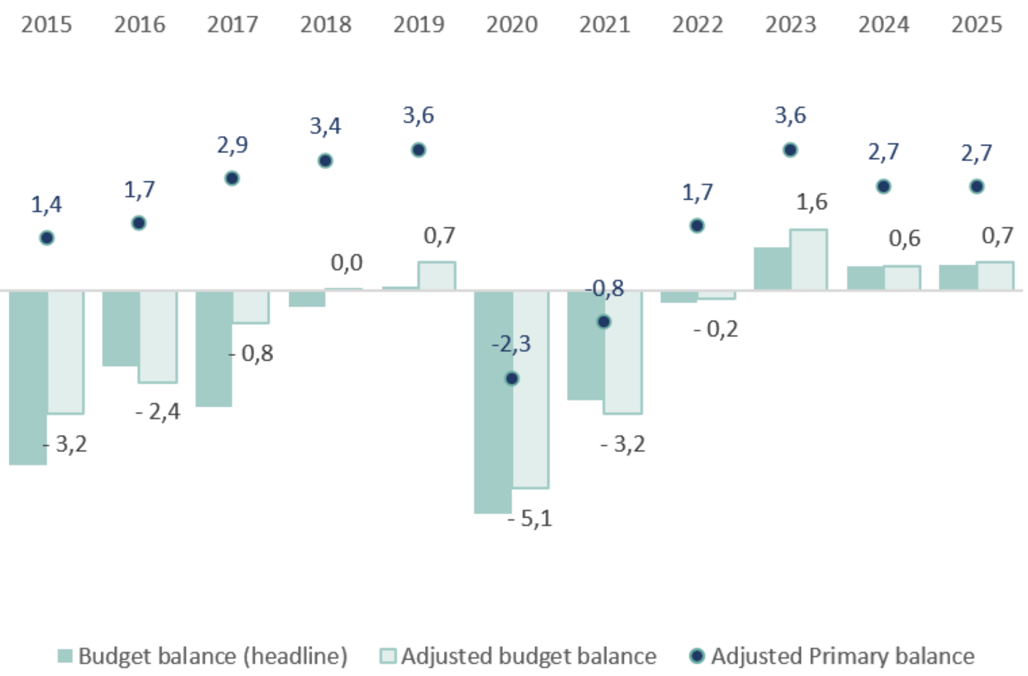
Noémia Goulart

June 11 2026

Overview of Portugal's fiscal situation – Key Indicators

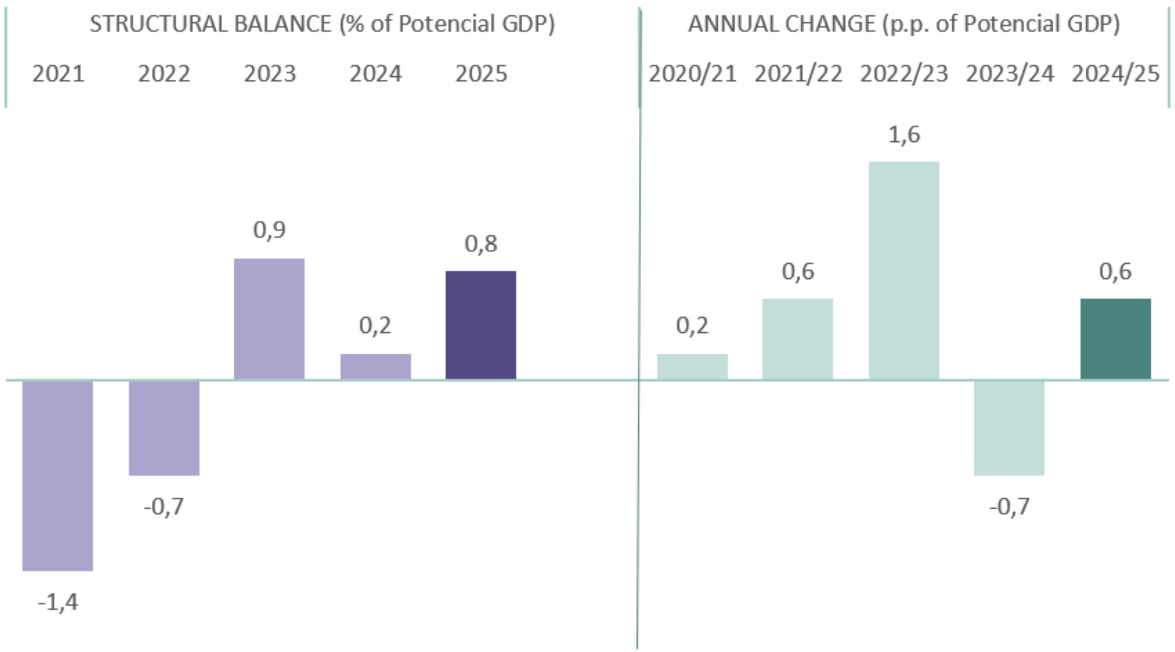
Budget balance:

- 0.7% of GDP (3rd consecutive year in surplus)
- Above 2024 (0.6%) and budget target (0.3%)
- Primary balance remains strong: +2.6% of GDP



Structural balance:

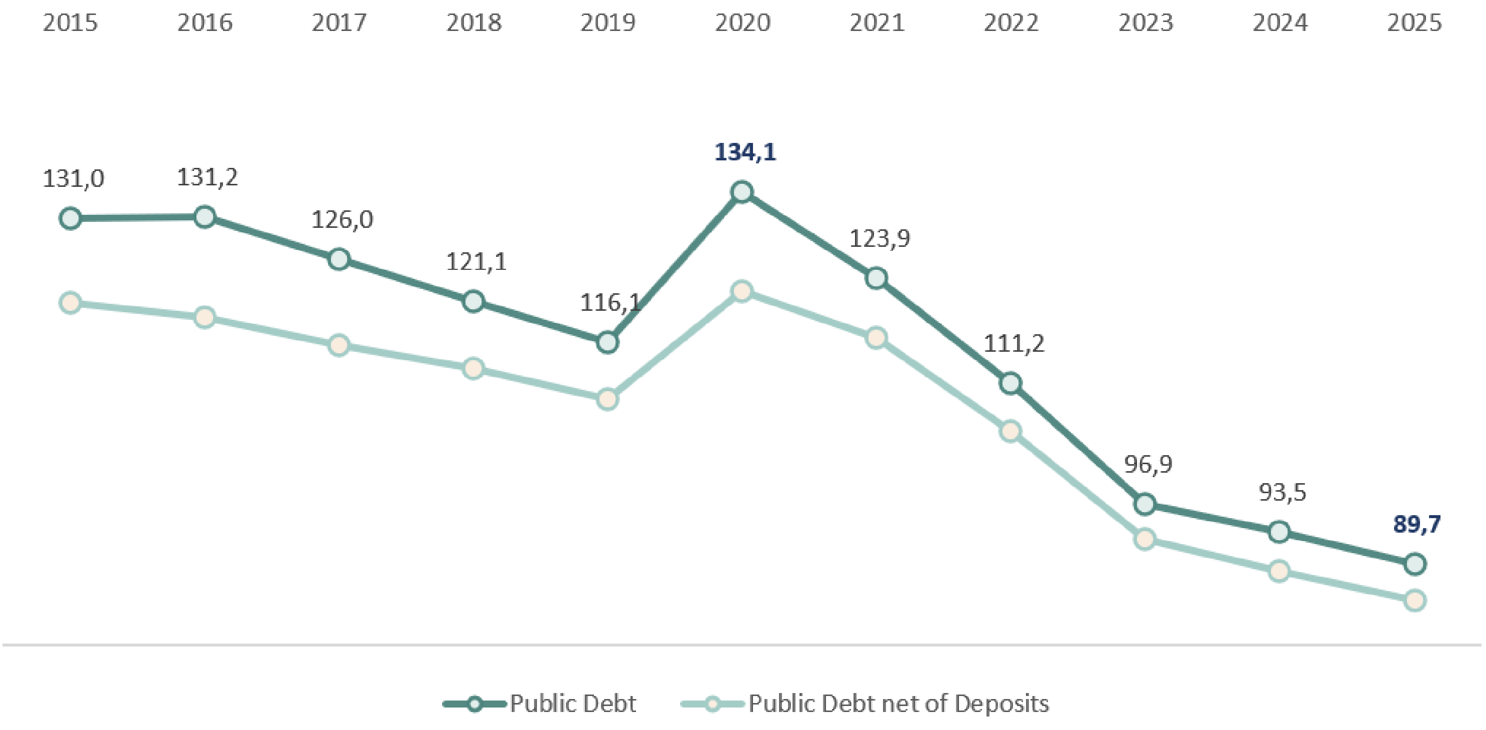
- 0.6% of potencial GDP



Overview of Portugal's fiscal situation – Key Indicators

Public Debt

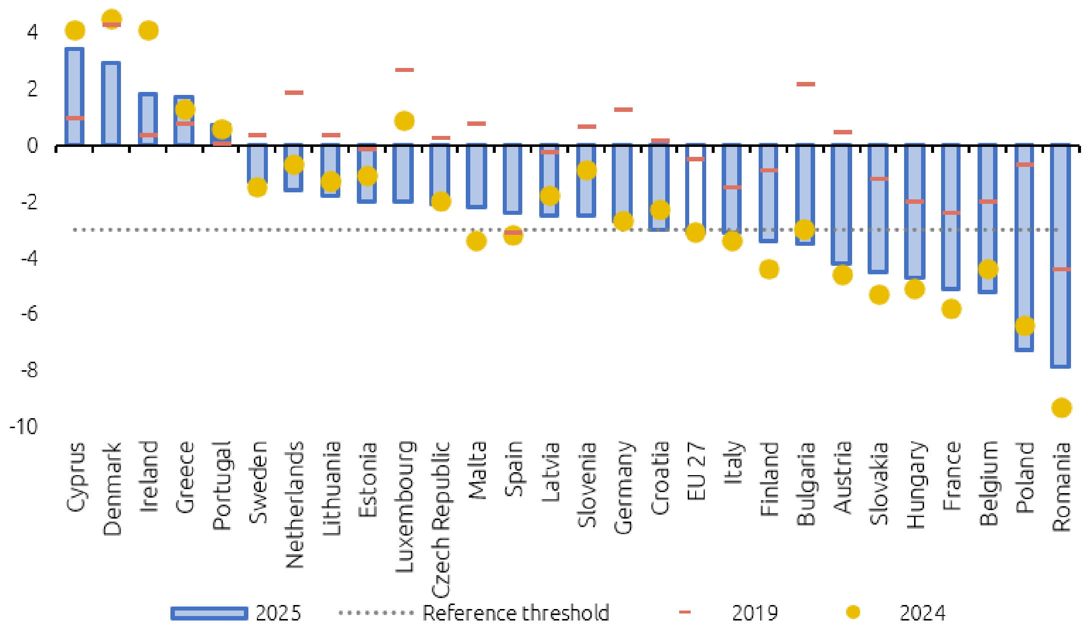
- Public debt ratio: 89.7% of GDP
- Fall of -36.9 p.p. compared to 2020
- Net debt (excl deposits) followed downward trend (deposits at ~4% of GDP)
- Favorable dynamic effect: nominal GDP growth and the primary balance.



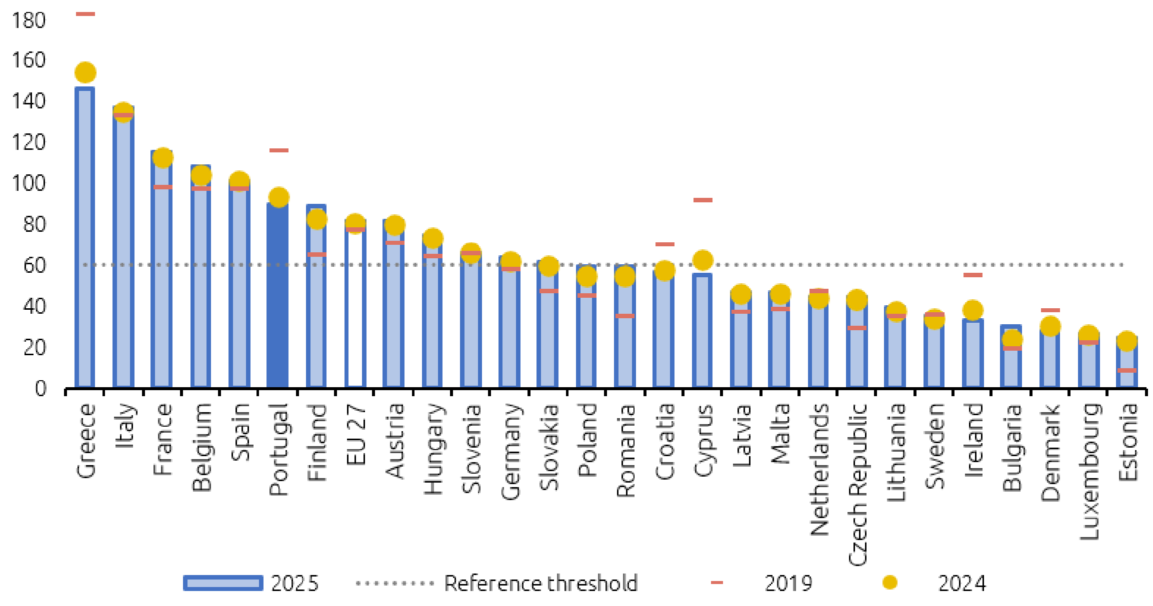
% of GDP

Portugal in the context of the European Union

Fiscal balance (% GDP), 2019–2025



Public debt (% GDP), 2019 - 2025



Source: Eurostat (data released on 22 April 2026).

CFP outputs throughout the fiscal policy cycle

Strategic and Fiscal Planning

Macro Fiscal Outlook
CFP provides outlook without policy change

Macroeconomic Scenario Endorsement
CFP endorses macroeconomic scenario

Medium Term Fiscal Plans
MF develops medium term fiscal plans

Medium Term Fiscal Plan Assessment
CFP assesses medium term fiscal plans

Medium Term Fiscal Plan Discussion
Parliament discusses medium term fiscal plans

CFP Audition
CFP auditions on MF plans at Parliament

Budget Planning

Budget Preparation
MF prepares budget

Macro Fiscal Outlook Update
CFP updates macro fiscal outlook

Macroeconomic Scenario Endorsement
CFP endorses macroeconomic scenario

Budget Proposal Sent to Parliament
MF sends budget proposal to Parliament

Budget Proposal Assessment
CFP assesses budget proposal

CFP Audition
CFP auditions on budget proposal at Parliament

Budget Execution

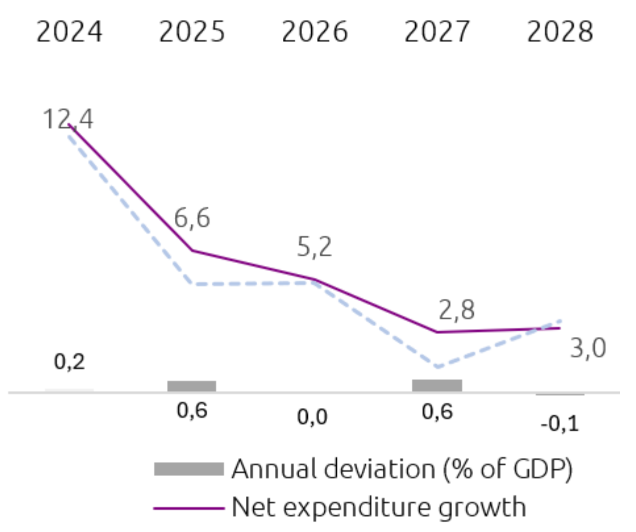
Budget Execution
GG executes budget

Budget Execution Monitoring
CFP monitors budget execution

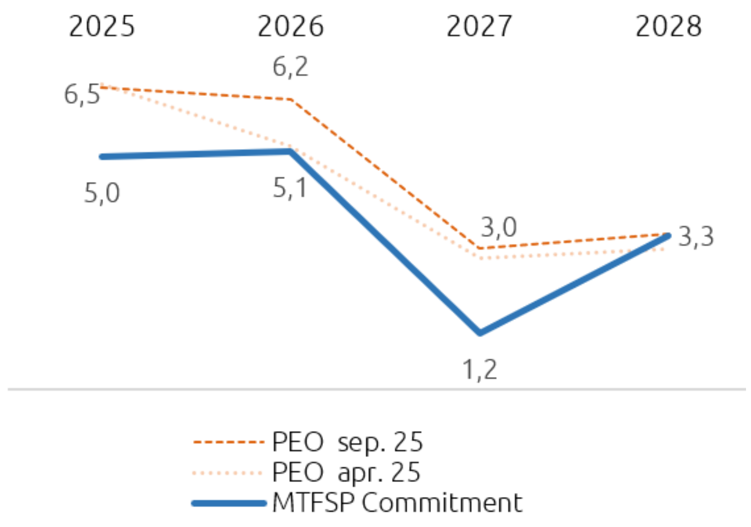
CFP outputs - Examples

Monitoring compliance with Fiscal Rules in different reports: Net expenditure Rule

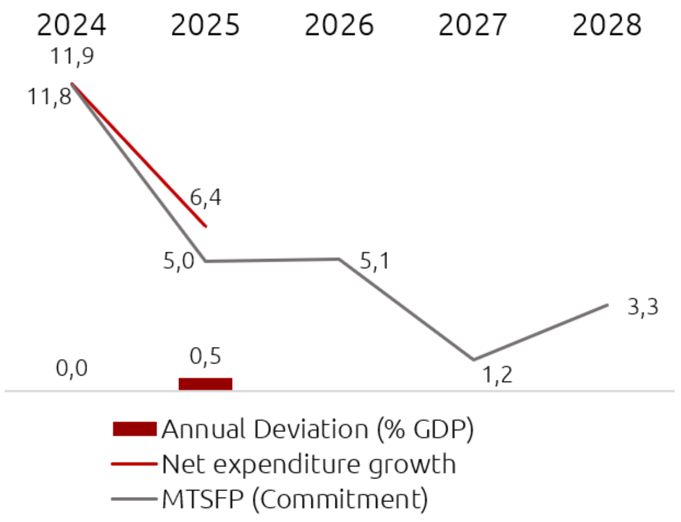
No policy change scenario (March)



No policy change scenario (Sept.)



Annual Progress Report (April)



CFP approaches to assessing fiscal consolidation

Key Analytical Principles

Objective: Evaluate credibility, size, and composition of fiscal consolidation measures, distinguishing between:

- Policy measures vs cyclical developments
- Composition of consolidation: expenditure or revenue-based; current vs capital spending
- Credibility and permanence: One-offs/temporary measures vs structural changes
- Short-term vs medium / long term effects

Quantification Methodologies

Bottom-up approach: Sum of estimated impacts of individual measures based on

- Government estimates (validated)
- Independent recalculations where needed and possible

Continuous tracking (*ex-ante* and *ex-post*)

- Compare: Planned vs executed measures
- Decomposition of deviations: policy slippages, macroeconomic surprises, statistical effects

CFP approaches to assessing fiscal consolidation

Examples:

Fiscal Policy stance

Decomposing the headline balance into the cyclically-adjusted balance and the structural primary balance to assess the discretionary orientation of fiscal policy

> **Example:** In 2024, the headline balance stood at 0.7% of GDP – but excluding one-offs, the deterioration was 1.0 p.p. of GDP (twice the total variation). 2/3 of the surplus reduction was driven by discretionary action (PIT cuts, public sector wage increases, pension uprating) and only 1/3 by cyclical factors.

New EU framework

Shift from the structural balance to **net expenditure** as the anchor for assessing fiscal stance under the reformed EU governance framework (Regulation EU 2024/1263)
The CFP has aligned with the European Commission by adopting nationally-financed net primary expenditure, adjusted for discretionary revenue measures, as the key indicator.

> **Example:** In 2024, net expenditure growth (12%) exceeded the EU benchmark (11.8%), signalling a deviation from Portugal's Medium-Term Fiscal-Structural Plan (MTFSP 2025–2028).

CFP approaches to assessing fiscal consolidation

Expenditure composition and quality of consolidation

Distinguishing between change in current primary expenditure and below-target capital expenditure – critical for assessing the long-run quality of consolidation.

> **Example:** By end-2024, cumulative RRP (investment program) execution stood at only 24.6% of total plan value. The CFP warns that low public investment execution combined with growing permanent current expenditure deteriorates the long-term sustainability profile – even with a positive headline balance. After 2027, the end of the RRP implies a real contraction in public investment of approximately -20%.

Credibility and structural nature of measures

Assessing the cyclical vs. structural nature of revenue and expenditure growth; adjusting for one-off measures.

> **Example:** Portugal's headline surplus relies on the Social Security surplus (2% of GDP in 2024) – a concentration risk explicitly flagged by the CFP.
> Central Government accounts show a continuing deterioration while the Social Security "buffer", is subject to growing demographic pressure. Need to monitor measures that preserve or erode the Social Security surplus.

Overall reflections and lessons learned

- **Role of independent scrutiny:** independant assessment helps **validate assumptions, improve transparency,** and **identify risks** to budget execution

- **Transparent no policy change scenarios:**

  - Establish a credible baseline that highlights underlying trends
  - Isolates the impact of consolidation measures from economic dynamics
  - Reduces risk of strategic bias

- **Value of ex-post analysis:** Systematic evaluation of deviations between planned and actual outcomes is essential to **improve forecasting methodologies**

- **Transparency:** diclosing of measures, methodologies, and risks is key to **credibility and accountability**

Conselho das Finanças Públicas

Thank you