Conselho das Finanças Públicas

ECONOMIC AND FISCAL OUTLOOK 2026-2030

April 2026

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The Portuguese Public Finance Council is an independent body established by Article 3 of Law No. 22/2011 of 20 May, which introduced the fifth amendment to the Fiscal Framework Law (Law No. 91/2001 of 20 August, republished by Law No. 37/2013 of 14 June). The final version of the CFP's Statutes was approved by Law No. 54/2011 of 19 October.

The CFP commenced its activities in February 2012, with the mission of conducting an independent assessment of the consistency, compliance and sustainability of fiscal policy, promoting its transparency, in order to contribute to the quality of democracy and economic policy decisions and to the strengthening of the State's financial credibility.

This Report was prepared on the basis of information available up to 26 March 2026.

A spreadsheet file containing the underlying figures for all the charts and tables in this report is available at www.cfp.pt, in the publications section. The main public finance concepts used in this Report are explained in the CFP Glossary, available online.

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OVERALL ASSESSMENT

The Portuguese economy is facing a remarkable combination of shocks – climatic, geopolitical and commercial – which are simultaneously impacting economic activity, inflation and public finances. Domestically, the successive storms that ravaged the country between late January and mid-February put pressure on the operations of a considerable number of Portuguese firms, with a direct impact on economic growth, employment and income in the most affected regions, and an indirect impact on value chains across the country.

Externally, the persistent uncertainty surrounding the US administration's trade policy is now compounded by the consequences of the military conflict in the Middle East and the subsequent blockade of the Strait of Hormuz – an episode that several international organisations identify as one of the most serious disruptions to global energy supplies in recent decades. This shock poses significant risks to economic growth, with a direct impact on inflation and, consequently, on households' real income and the competitiveness of businesses.

This succession of crises also gives rise to risks for public finances, with unpredictable effects on revenue and expenditure and, inevitably, on public debt. Indeed, and in particular the increasing frequency and intensity of adverse weather events, constitute a significant risk that must be addressed not only in medium-term fiscal planning and programming – arising, in particular, from the new European Economic Governance Framework – but also through the creation of appropriate insurance instruments to finance them when the risks materialise.

Added to this risk picture is the pressure arising from increased defence spending, the target for which, agreed within NATO, is to reach 5% of GDP by 2035, represents a considerable fiscal effort which, if not offset by additional revenue measures or a reduction in public expenditure, will contribute to an increase in public debt, putting pressure on the sustainability of public finances in the medium and long term. This additional effort requires explicit and transparent fiscal planning, so that its impact can be anticipated and managed in a sustainable manner.

A favourable fiscal position, with surpluses and a downward trajectory in the public debt ratio, allows Portugal to tackle the challenges now facing it with a flexibility that was not available in previous cycles.

However, the still high level of public debt reinforces the need for policymakers to act prudently, against a backdrop of more rigid public expenditure growth. Nevertheless, the fiscal space achieved in recent years can help cushion shocks to the Portuguese economy, provided it is directed towards temporary and mitigating policy measures. Balanced public finances are, in this context of high uncertainty, one of the main assets of resilience available to Portugal.

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EXECUTIVE SUMMARY

Macroeconomic outlook under unchanged policies

In 2025, the Portuguese economy grew by 1.9% in real terms, in line with the CFP's projections, representing a slowdown of 0.3 percentage points compared with 2024. Private consumption benefited from one-off measures in the second half of the year – the extraordinary pension supplement and the retroactive adjustment of PIT withholding tables – whilst business investment slowed and exports grew by just 0.4%, significantly below external demand. The performance of the Portuguese economy in 2025 demonstrated its resilience to a series of adverse events – notably changes in US trade policy – growing at a rate above the 1.5% recorded by the euro area.

The CFP projects real GDP growth of 1.6% in 2026, a downward revision of 0.2 percentage points compared to the September scenario, a figure that is nevertheless higher than the latest available projections for the euro area. Two events marked the start of 2026, with material consequences for the macroeconomic outlook:

- **A series of Atlantic storms left 90 municipalities, with 2.3 million residents, in a state of emergency.** In the medium term, the recovery of the affected areas faces more structural challenges, with investment projects potentially becoming unviable given the risk of similar events recurring, should there be no investment in infrastructure to make these areas more resilient.
- **The United States and Israel launched joint air strikes against Iran, triggering the blockade of the Strait of Hormuz – the greatest disruption to supply in the history of the global oil market, according to the International Energy Agency.** For Portugal – a net importer of oil and natural gas – the direct impact on consumer prices is compounded by indirect effects on production costs, as well as impacts on confidence, supply chains and the activity of key trading partners; and a possible rise in interest rates.

The CFP's projections are based on the technical assumptions available at the end of March, which point to significant increases in the price of oil and natural gas in 2026. The downward revision of growth in 2026 has a particular impact on the first half of the year, on consumption and on private investment. An increase in public investment (in volume) of over 15%, linked to the end of the RRP, acts as a buffer against external shocks. The resurgence of external inflationary pressures is expected to result in a rise in consumer price inflation to 2.9%, both directly in the energy component and through second-round effects on food, transport and industrial goods.

For 2027, growth is projected to recover to 1.8%, supported by the easing of the energy shock, followed by a gradual convergence to 1.6% by the end of the projection horizon. The acceleration in 2027 is expected to be driven by improved export prospects, the dissipation of high levels of uncertainty and a temporary boost to disposable income associated with increased PIT refunds. In the medium term, growth is expected to stabilise at around 1.6%, reflecting the dissipation of the temporary effects of 2027, a gradual contraction in public investment following the end of the RRP, and less favourable prospects for labour productivity, taking into account the sectoral composition of growth and the anaemic performance of investment.

Summary of the CFP's macroeconomic scenario (change, %)

	2025	2026	2027	2028	2029	2030
Produto Interno Bruto	1,9	1,6	1,8	1,7	1,7	1,6
Consumo privado	3,5	2,1	2,2	2,0	1,7	1,6
Consumo público	1,6	2,0	0,8	1,0	1,0	1,0
Formação Bruta de Capital Fixo	3,6	4,3	1,1	1,4	1,3	1,2
Exportações	0,4	1,0	2,7	2,6	2,5	2,4
Importações	4,3	2,5	2,5	2,7	2,2	2,0
Contributo da procura interna (p.p.)	3,7	2,4	1,8	1,8	1,6	1,4
Contributo das exportações líquidas (p.p.)	-1,8	-0,7	0,0	-0,1	0,1	0,1
Taxa de desemprego (% pop. ativa)	6,0	5,8	5,7	5,7	5,8	5,8
Emprego	2,3	1,4	0,7	0,3	0,1	0,0
Cap. líq. de financiamento face ao exterior (% PIB)	2,5	1,6	1,8	1,3	0,3	0,3
Balança de bens e serviços (% PIB)	0,9	-0,3	0,0	0,2	0,4	0,6
Deflator implícito do PIB	3,9	2,7	2,6	2,3	2,1	2,0
Indice Harmonizado de Preços no Consumidor	2,2	2,9	2,3	2,1	2,0	2,0
Hiato do produto (% Produto potencial)	0,0	-0,4	-0,5	-0,3	0,0	0,3

Sources: INE (2025) and CFP Projections (2026–2030).

Fiscal outlook under unchanged policies

The 2025 fiscal outcome provides a more favourable starting point for the fiscal scenario projection than previously projected. The fiscal surplus reached 0.7% of GDP in 2025, exceeding the expectations of the Government and official national and international forecasters. The deviation from the CFP projection, excluding EU funds – which have a neutral impact on the balance – resulted mainly from a more favourable performance of tax and social security revenue, and lower-than-projected capital expenditure (including *one-off* operations), as primary current expenditure remained broadly in line with projections.

For 2026, the fiscal balance close to equilibrium is now anticipated, subject to the scale of support measures related to storms and energy. The deterioration compared to 2025 is mainly explained by the impact of measures in response to the storms and the military conflict in Iran, as well as by greater use of RRP loans. However, a fiscal cost of such support higher than that assumed by the CFP, not offset by other effects, would result in a more unfavourable balance.

From 2027 onwards**, the fiscal balance is expected to return to a deficit, reaching 1.0% of GDP in 2030.** For 2027, a deficit of 0.4% of GDP is anticipated, despite the reduced use of RRP loans (0.3 percentage points of GDP lower than in 2026). This deterioration stems mainly from the reduction in PIT revenue, linked to the end of the temporary effect of the extraordinary withholding tax rates, as well as the impact of the gradual reduction in the CIT rate, which contributes to a further decline in tax revenue. In the following years, the deficit is expected to wors ly to 0.6% of GDP in 2028, 0.8% of GDP in 2029 and reach 1.0% of GDP in 2030. This deterioration essentially reflects the permanent and cumulative effect of tax relief measures on PIT and CIT, as well as the increase in interest payments on public debt. Notwithstanding these developments, the primary balance, which excludes interest payments, will remain in surplus until the end of the projection horizon, continuing to contribute to the reduction in the public debt ratio.

The new fiscal outlook projects stronger growth in net expenditure compared with the figures presented in September, exceeding the commitment made by Portugal under the National medium-term fiscal-structural plan. This revision stems mainly from the greater impact of new fiscal measures with a discretionary revenue-reducing effect. For 2026, the projection points to a 6.9% increase in net expenditure.

Summary of the CFP's fiscal scenario (% of GDP)

	2025 INE	Projeção CFP 2026	2027	2028	2029	2030
Receita total	43,4	44,1	42,4	41,6	41,1	40,4
Receita fiscal e contributiva	37,2	37,6	36,7	36,4	36,0	35,7
Receita fiscal	24,5	24,9	24,0	23,7	23,5	23,3
Contribuições sociais	12,6	12,8	12,7	12,6	12,5	12,4
Receita não fiscal e não contributiva	6,2	6,4	5,7	5,2	5,1	4,8
Despesa primária	40,7	42,0	40,7	40,0	39,7	39,2
Despesa corrente primária	36,9	37,7	37,0	36,7	36,4	36,3
Despesa de capital	3,9	4,3	3,7	3,3	3,2	2,9
Saldo primário	2,6	2,1	1,7	1,5	1,5	1,2
Juros	1,9	2,0	2,1	2,2	2,2	2,2
Despesa total	42,7	44,0	42,7	42,2	41,9	41,5
Saldo orçamental	0,7	0,1	-0,4	-0,6	-0,8	-1,0
Saldo ajustado de medidas one-off	0,7	0,4	-0,4	-0,6	-0,8	-1,0
Dívida pública	89,7	86,5	84,5	83,1	82,1	81,5

Sources: CFP projections (2026–2030) and INE (2025).

The CFP's projection points to a public debt ratio of around 81.5% of GDP in 2030, reflecting a cumulative reduction of 8.1 percentage points between 2025 and 2030. The projection benefits from a more favourable starting point resulting from the upward revision of nominal GDP for 2024. Although Portuguese debt has shown resilience, continuing to record historically low *spreads* against Germany, the implicit interest rate is projected to rise gradually from 2.2% in 2025 to 2.8% in 2030, reflecting issuances at higher costs than those of the bonds being redeemed. Gross borrowing requirements are expected to remain moderate, although early buy-back operations may smooth the repayment profile.

Risks and factors not considered in the no-policy-change projection

The CFP considers the balance of risks to be predominantly tilted downwards for economic activity and upwards for inflation – for the first time since September 2023. On the external front, the magnitude of the impact of the conflict in the Middle East is, to a large extent, a function of the duration of the disruption: a short-term disruption essentially constitutes a supply shock on oil prices, whereas a prolonged disruption tends to become a broader, shock to inflation and growth, in a context where Europe's fiscal capacity to support households and businesses is substantially more limited than in 2022. Added to this is the persistence of uncertainty surrounding US trade policy and the risk of instability in financial markets, against a backdrop of high levels of public debt in advanced economies and a possible new wave of inflationary pressures. On the domestic front, key factors include the implementation of investment linked to the conclusion of the RRP, the increasing frequency and severity of extreme weather events, the evolution of migration flows in the light of recent legislative changes – with a downside risk to potential output – and the scale and timing of defence expenditure under the ReArm Europe plan, which is not incorporated into the CFP's central scenario.

The CFP's no-policy-change projection does not take into account certain factors that could influence the fiscal trajectory. It should be noted that the following factors have not been incorporated, as the information requested from the Ministry of Finance regarding the timetable and respective fiscal impacts was not made available: (i) the additional allocation of defence expenditure to meet the commitments made within the framework of NATO, with no support for Ukraine after 2025 having been considered, nor the use of the European SAFE funding programme; (ii) measures to respond to adverse weather conditions, which have not been quantified; and (iii) the impact of the 'PTRR – Portugal Transformation, Recovery and Resilience' programme. Nor has the possible sale of up to 49% of the share capital of TAP, SA been taken into account.

Fiscal risks have a predominantly downward impact on the general government balance. Of particular note are those arising from the high level of uncertainty regarding the duration and economic effects of the military conflict in the Middle East, which mean that the possibility of adopting additional measures to mitigate the negative impact on the economy and household income cannot be ruled out. There is also a risk that the fiscal impact of the measures, including those related to adverse weather conditions, may differ from the figures assumed. Also worth mentioning are: contingent liabilities, such as public-private partnerships and public guarantees, notably those relating to the youth housing package and the guarantees associated with the credit lines created in the wake of the aforementioned storms; the occurrence of new extreme weather events exacerbated by climate change; and the possible failure to meet the deadlines for the implementation of investments financed by the RRP, which could entail additional costs for the State Budget.

On the upside, there may be factors leading to a more favourable fiscal trajectory. These include: potential European support in response to the storms; greater elasticity of tax revenue; lower execution of nationally financed public investment (including through the RRP loan component) and lower interest charges, should the public debt scenario prove more favourable. The proceeds from the possible partial sale of the share capital of TAP, SA could contribute to a further reduction in public debt.

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1. INTRODUCTION

This Report presents economic and fiscal projections for the period 2026–2030, prepared under a no-policy-change scenario. No-policy-change projections (see glossary) should not be interpreted as forecasts, as they only take into account economic policy measures that are currently in force or have been announced with sufficient detail to allow their impact to be estimated. These projections thus reflect the likely and trend-based evolution of macroeconomic and fiscal variables, assuming that there is no change in economic policy measures over the horizon considered. This approach differs from the forecasts contained in the fiscal planning documents drawn up by the Government, which include new policy measures. The technical assumptions underpinning the fiscal projection are detailed in the "Appendix – Main technical assumptions regarding the evolution of fiscal aggregates", published alongside this Report.

The current projection incorporates new policy measures approved by the Government and Parliament since the September 2025 publication. These include the gradual reduction of the standard CIT rate by 1 percentage point per year, approved through to 2028; the reduction of PIT rates for the 2nd to 5th brackets by 0.3 percentage points for 2026; and the initiatives included in the housing package approved at the start of this year. The projection also incorporates an upward revision of the CFP's own estimates regarding fiscal measures and other permanent fiscal effects that are annually dependent on developments in productivity, the CPI and GDP. Detailed information is available atTable 11 and atTable 12 .

Recent developments relating to storms and floods, as well as the outbreak of military conflict in Iran, have led the CFP to incorporate preliminary estimates into this forecasting exercise, some of which are its own, in order to reflect the expected impact of these events on this year's fiscal balance. In the absence of a response to the information requested from the Ministry of Finance (MF), and based on the assumptions adopted, the CFP assumes that policy measures in response to storms and floods amount to 0.3% of GDP. This figure stems mainly from the costs of repairing damaged road and rail infrastructure, the emergency support for local authorities and households planned by the Government[1] , as well as measures aimed at supporting the recovery of economic activity, including the costs associated with the simplified *lay-off* scheme based on our own estimate. With regard to the measures implemented to mitigate the effects of rising fuel and energy prices resulting from the conflict in Iran, the three months of support as announced by the Government (0.1% of GDP) are taken into account.[2] Given the high level of uncertainty regarding the duration and intensity of the conflict, it is expected that additional costs will arise associated with new measures to mitigate rising energy prices aimed at households and businesses, or the extension of existing measures beyond the period under consideration.

[1] Council of Ministers Resolution No. 17-A/2026 of 3 February.

[2] Decree-Law No. 80-A/2026, of 31 March.

The projection does not take into account a number of policy decisions with the potential for a significant impact on the fiscal trajectory in the coming years. Among these decisions, the following stand out:

(i) **Additional defence expenditure under the SAFE programme.** This instrument, approved by the Council of the European Union in January 2026, provides for the use of European loans to finance military expenditure. As part of this exercise, information was requested from the Ministry of Finance regarding the scale and implementation schedule of these investments. However, the annual profile of this expenditure up to 2030 remains unknown, including the timetable for the disbursement of the loans and the respective impact on the national accounts. Part of this impact depends on the actual timing of delivery of the military equipment, since the accounting entry is made in the year the equipment is received, when the actual transfer of ownership takes place.

(ii) **Multi-year impact of the Portuguese Transformation, Recovery and Resilience Plan (PTRR)**. Despite the Government's public announcement of the PTRR and information requested from the Ministry of Finance, its fiscal scale, the timing of the expenditure to be incurred, and the corresponding sources of funding are not yet known; consequently, it is not possible at this stage to assess its medium-term fiscal implications.

(iii) **Career reviews in the civil service**. The possible extension of career reviews to other professional groups within the civil service is also under consideration. Should these decisions be implemented, they could increase staff costs beyond current projections, posing an upward risk to public expenditure.

(iv) **Possible sale of up to 49% of the share capital of TAP, SA.**[3] The process currently underway is expected, in the near future, to move to the stage of evaluating binding bids, followed by final negotiations. In accordance with the guidelines set by the Government, the transaction is expected to be concluded by the summer of 2026. The proceeds from this transaction, which will have no impact on public revenue or the fiscal balance, will contribute to reducing public debt and may have an impact as early as the 2026 financial year.

These factors (except the last one) constitute downside risks to the fiscal balance projection.

In the year in which the RRP is due to be completed, the assumptions underlying its implementation have been revised in line with the third reprogramming, approved by the Council of the European Union. This revision incorporates, on the one hand, the reduction in the loan allocation earmarked for financing RRP projects, prompted by the withdrawal of certain projects in a critical compliance situation, and, on the other hand, the update of statistical data for the period 2021 to 2024, published in October. The updated projection now reflects a higher volume of loans, to the detriment of expenditure financed by grants. In view of these circumstances, and

[3] Decree-Law No. 92/2025, of 14 August.

given the preliminary result for 2025 regarding the use of RRP loans to finance projects, the projection assumes that the impact of these loans on the fiscal balance now represents an overall execution rate of 86.3% (84.6% in the September projection).[4] Thus, it is projected that these loans to be used under this plan will temporarily weigh on the fiscal balance in 2026 and 2027 (the latter year based on information from the Estrutura Missão Recuperar Portugal), by 0.4% and 0.1% of GDP respectively. In contrast, although a slight downward revision is projected for the grants to be implemented under the RRP, to an implementation rate of 80% (compared with the 81% previously considered), this change affects neither the fiscal balance nor public debt. Overall, the total implementation of the RRP – combining loans and grants – is now estimated at 83%, slightly above the 82% considered in the September projection.[5]

The Report is divided into four chapters: this introductory chapter; the second, dedicated to the macroeconomic projection; the third, to the fiscal projection; and the fourth chapter, which presents two thematic analyses. The CFP would like to thank all the entities contacted for their support and the clarifications that were essential to the preparation of this report.

[4] Loans intended for use in the area of business capitalisation and financial resilience, which aim to support capitalisation operations for viable businesses with high growth potential in strategic sectors, are excluded from this percentage. It is accepted that, in light of the rules for classifying operations in national accounts, the statistical treatment of these loans classifies them as financial operations, affecting only public debt, i.e. without affecting the fiscal balance. The CFP assumes a 100% execution rate for these loans.

[5] The estimated execution rate associated with loan instruments – covering the business capitalisation component and the strengthening of financial resilience – stands at 90.1% of the amount programmed under the RRP. Taking into account, in addition, the expected implementation rate for grants, currently at 80%, this results in a projected overall implementation rate for the RRP of 83%.

2. MACROECONOMIC OUTLOOK

2.1 Recent developments in the Portuguese economy and outlook for 202 6

In 2025, the Portuguese economy grew in line with the CFP's forecast. According to the National Statistics Institute (INE), real GDP grew by 1.9%, a slowdown compared with the 2.2% recorded in 2024. Growth was sustained by a more positive contribution from domestic demand, due to greater dynamism in private consumption. The latter was influenced by significant one-off measures in the second half of the year, similar to what had already occurred in 2024: the extraordinary pension supplement and the adjustment of PIT withholding tables with retroactive effect from the start of the year, reflected in the withholding tables for August and September. In contrast, investment slowed due to its corporate component. Exports increased marginally (0.4%), a performance significantly below external demand for the Portuguese economy, thus resulting in losses of market share. The performance of the Portuguese economy in 2025 demonstrated its resilience to a series of adverse events – notably changes in US trade policy – growing by more than the 1.5% recorded by the euro area.

In early 2026, a series of Atlantic storms caused by severe consecutive weather systems – particularly between 22 January and 10 February – left 90 municipalities, with 2.3 million residents, in a state of emergency.[6] The affected regions account for around 15% of national GVA, but constitute 23.5% of industrial GVA and 23.1% of agricultural GVA, as well as 15.5% of national goods exports directly; their integration into value chains multiplies the economic impact of the event. In the short term, this impact will be predominantly negative: damage to public infrastructure is compounded by losses suffered by businesses (e.g. equipment, stock, vehicles, land) and households (e.g. housing), as well as declines in activity caused by disruptions to electricity, gas and water supplies and difficulties in the movement of people and goods. In the coming months, increased spending by the government, businesses and households on infrastructure reconstruction and the replacement of damaged goods will benefit sectors such as construction, retail and transport – although the simultaneous demand for skilled labour and materials may put pressure on prices and delay the recovery. The estimate of the impact on GDP in the immediate term is constrained by a lack of information regarding the extent of the reported damage and the effectiveness of the support measures announced.

In the medium term, the recovery of the affected areas will face more structural challenges. Examples of this include the possible insolvency of companies whose operations have become unviable, the impossibility of resuming production or recovering their equipment and orders, and the unfeasibility of investment projects due to the risk of similar weather events recurring, particularly if there is no investment in infrastructure to make these areas more resilient.[7]

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[6] https://www.cfp.pt/pt/blogue/transicao-climatica/impactos-plausiveis-do-estado-de-calamidade

[7] Experience from recent disasters, notably the floods in Valencia in October 2024, also indicates that losses in capital *stock* and wealth can have a persistent negative effect on the GDP of the

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On 28 February, the United States and Israel launched joint air strikes against Iran, triggering a large-scale military conflict in the Middle East and the subsequent blockade of the Strait of Hormuz, the greatest supply disruption in the history of the global oil market.[8] Under normal conditions, the Strait handles the transit of over 20% of the world's oil, 25% of seaborne liquefied natural gas (LNG), around 35% of urea and 45% of sulphur, as well as critical industrial raw materials such as helium – flows that are now severely restricted. These disruptions have wider-reaching consequences, given that the raw materials transiting the Strait serve as inputs for a broader and more diversified downstream industrial chain, whose dependence cannot be redirected in the short term.[9] Disruptions to traffic through the Strait, together with attacks on energy infrastructure, particularly LNG facilities, have caused high volatility in international energy markets: the price of Brent reached a high of $112 during March, representing a 50% rise since the start of the conflict; and European gas prices (TTF) rose by around 97%, reaching more than five times the US level. The International Energy Agency (IEA) activated the release of strategic reserves – double the volume released in 2022 – a mechanism that proved insufficient given the scale of the disruption[10] . This shock is hitting the global economy at a time when it was already being affected by high levels of uncertainty, exacerbated by the unpredictability of US trade policy.

The extent of the economic impact will depend on the duration and regional scope of the conflict, as well as on the damage to energy infrastructure in the Gulf states. As the Portuguese economy is a net importer of oil and natural gas, with an energy dependency rate of around 60%, rising prices for these raw materials have a negative impact on GDP growth and directly worsen the terms of trade. In addition to the direct effect on consumer prices (**Erro! A origem da referência não foi encontrada.Erro! A origem da referência não foi encontrada.**) is compounded by the indirect effect resulting from the rise in the cost of producing other goods, particularly food – the increased cost of which stems not only from the direct cost of energy, but also from the disruption of the chemical and fertiliser production chains that depend on it – which reduces households' real disposable income and squeezes corporate margins. There are further effects that weigh on the macroeconomic outlook ( ): the negative impact on confidence, disruptions to supply chains, the impact on the economic activity of Portugal's main trading partners, and tighter financing conditions, the latter reflected in the European Central Bank's (ECB) response as anticipated by the markets. The conflict may also undermine the dynamism of the tourism sector, by leading to a reduction in long-haul flight routes

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affected regions, particularly if reconstruction is slow and incomplete, and that the effects of disasters are asymmetric: small businesses and lower-income households tend to suffer more severe declines and recover more slowly.

[8] According to the International Energy Agency (IEA).

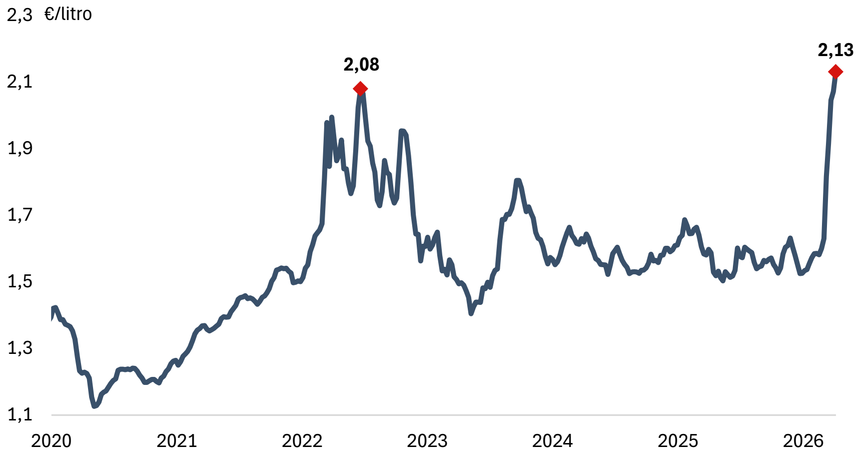
[9] Examples include plastics (petrochemical derivatives), nitrogen fertilisers (derived from natural gas and oil), sulphuric acid for copper extraction (a by-product of refining, necessary for transformers and electric vehicles), and helium (e.g. semiconductors).

[10] The capacity to divert oil via alternative pipelines around the Strait – estimated by the IEA at 3.5 to 5.5 million barrels per day – represents only a fraction of the volume normally transported, resulting in a net supply shortfall that strategic reserves can cover for a period of weeks to a few months, but not indefinitely.

via Gulf *hubs* and a rise in airfares, despite some possible redirection of demand previously directed towards markets directly affected by the conflict.

It is anticipated that the confluence of these shocks – both domestic and external – will result in a slowdown in economic activity, particularly in the first half of the year. The volatility of the external environment strongly influences this projection exercise, which is based on technical assumptions – including oil and natural gas futures contracts – from the end of March, prior to the announcement of a temporary ceasefire in the Middle East conflict. These suggest that the price of a barrel of oil is expected to peak at $98 in the second quarter, before falling subsequently. In the current environment, these assumptions are subject to an extraordinarily high level of uncertainty. The confluence of the shocks described above, their effect on real wages, uncertainty and confidence, together with the non-renewal of the temporary measures that boosted household disposable income by the end of 2025, will have a particularly negative impact on GDP growth in the first quarters of 2026.

Chart 1 – Retail price of regular diesel



Source: DGEG, average prices, weekly data.

The CFP forecasts growth of 1.6% in 2026, a downward revision from the forecast made last September (1.8%,Erro! A origem da referência não foi encontrada. **), a figure that is nevertheless higher than the latest available projections for the euro area.** This revision, albeit marginal, reflects two opposing trends: on the one hand, the positive carry-over effect from growth recorded in the final quarter of 2025 (seeBox 1),[11] which was more dynamic than expected,[12] and a mechanical update of the macroeconomic scenario would place growth at close to 2%; on the other hand, a larger downward revision of year-on-year growth, by -0.4 percentage points, with particular emphasis on the first half of the year, on consumption and private investment. Nevertheless, despite an unfavourable external environment, economic developments will benefit from an expansionary fiscal policy stance and substantial expenditure financed by European funds, contributing to a performance exceeding

[11] See https://www.cpf.pt/pt/glossario/carry-over-efeito-de and ECB (2010).

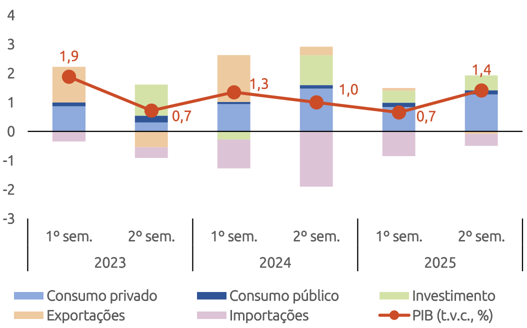
[12] Nevertheless, although growth in the second half of the year as a whole was slightly lower than anticipated, its distribution between the third and fourth quarters will have a different impact on the level of economic activity in 2026.

that projected by Eurosystem *staff* for the euro area. Indeed, the central scenario of these latest projections anticipates economic growth in the euro area of 0.9% in 2026.

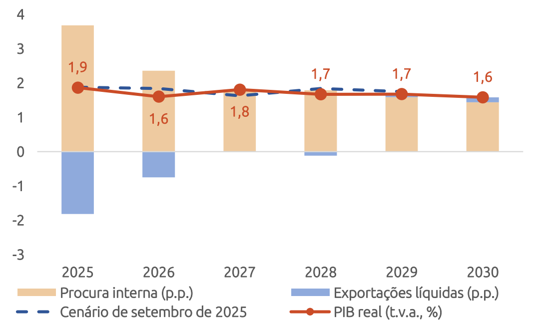
The increase in public investment of around 20% in nominal terms during 2026 – linked to the completion of the Recovery and Resilience Plan (RRP) – acts as a buffer against external shocks. The CFP projection points to an increase in the general government investment-to-GDP ratio from 3% in 2025 to 3.4% in 2026, its highest level since 2011. This increase, together with 2% growth in public consumption, will offset the sluggish performance of exports and lower growth in household consumption in the absence of new income stimulus measures. Should this boost fail to materialise, it would have a negative impact on the economic growth projection. Private investment is expected to grow at a rate close to that recorded in 2025 – slightly above 2% – supported by the continuation of favourable monetary and financial conditions and the recovery effort following adverse weather, but with rising uncertainty and the fragility of external demand constraining the investment decisions of Portuguese firms.

Chart 2 – GDP growth and components

Half-yearly rate of change in real GDP and its components (change, %)



GDP growth in volume and components in the CFP scenario



Sources: INE; CFP projections and calculations.

2026 is expected to be the second consecutive year in which export growth falls short of external demand for the Portuguese economy. The projection points to 1% growth in sales of goods and services abroad, resulting in a marginal reduction in the share of exports in GDP to 43.6%. This development stems from significant changes in the current multilateral framework governing trade with the US, the appreciation of the euro's effective exchange rate, and weak growth in the European economy, particularly in its industrial sector. The negative trend in export growth in 2026 is also reflected in the successive downward revisions to the projections by the main institutions monitoring the Portuguese economy.[13] However, growth this year benefits from the temporary effect of the scheduled closure of refineries that hampered exports in 2025.

The working population is projected to grow by 1.4% in 2026 (Table1). This represents an upward revision of the pace of job creation compared with the 0.9% forecast in September. At the same time, the outlook for apparent labour

[13] See Leal, Martins and Marujo (2024).

productivity growth is now less favourable – with growth of 0.2%, following the decline recorded in 2025. The underlying assumption for these projections is a significant slowdown in the growth of the working-age population, to 0.5%, following 1.5% in the previous year, due to the expectation of smaller immigration flows. Alongside an increase in the labour force participation rate to a historic high, the unemployment rate is expected to fall to 5.8% of the labour force. Contributing to the resilience of the labour market is the high proportion of firms that still identify the difficulty in recruiting qualified staff as a constraint on activity, encouraging *labour hoarding* in the face of adverse shocks that are assumed to be largely temporary.

The resurgence of external inflationary pressures is expected to lead to a rise in inflation. Consumer prices, as measured by the Harmonised Index of Consumer Prices (HICP), are forecast to rise to 2.9%, bringing to an end the moderation seen since 2022. The rise in inflation is driven mainly by its energy component – via fuel, electricity and gas – although second-round effects are anticipated in other components of the consumer basket, notably transport, food and industrial goods. The rise in food prices will occur with a time lag, but with a regressive distributional impact, given its greater weight in the budgets of lower-income households. At the same time, GDP deflator growth is expected to moderate to 2.7%, following the 3.9% recorded in 2025. This trend in the GDP deflator is explained, on the one hand, by growth in compensation per employee exceeding productivity growth, which is expected to result in an increase in the share of compensation in GDP to 48.5%, its highest level since at least 1995, and by losses in terms of trade with the rest of the world.

The Portuguese economy is projected to record a net lending position of around 1.6% of GDP in 2026. This represents a reduction from the 2.5% recorded in 2025 and the 3% in 2024. This expected reduction in the external surplus stems from the projected return to negative balances in the goods and services account – with a deterioration of around 1.2 percentage points, driven by a rise in energy prices – which is only offset by a greater inflow of European funds.

Table1 – CFP macroeconomic scenario

	2025	2026	2027	2028	2029	2030
PIB real e componentes (variação, %)						
PIB	1,9	1,6	1,8	1,7	1,7	1,6
Consumo privado	3,5	2,1	2,2	2,0	1,7	1,6
Consumo público	1,6	2,0	0,8	1,0	1,0	1,0
Investimento (FBCF)	3,6	4,3	1,1	1,4	1,3	1,2
Exportações	0,4	1,0	2,7	2,6	2,5	2,4
Importações	4,3	2,5	2,5	2,7	2,2	2,0
Contributos para a variação real do PIB (p.p.)						
Procura interna	3,7	2,4	1,8	1,8	1,6	1,4
Exportações líquidas	-1,8	-0,7	0,0	-0,1	0,1	0,1
Preços (variação, %)						
Deflator do PIB	3,9	2,7	2,6	2,3	2,1	2,0
Deflator do consumo privado	2,5	3,1	2,4	2,1	2,1	2,0
Deflator do consumo público	5,4	3,8	2,4	2,1	2,0	2,0
Deflator do investimento (FBCF)	3,5	3,5	2,0	1,7	1,9	2,0
Deflator das exportações	0,4	3,2	1,6	1,6	1,8	2,0
Deflator das importações	-1,0	4,6	0,9	1,1	1,7	2,0
IHPC	2,2	2,9	2,3	2,1	2,0	2,0
PIB nominal						
Variação (%)	5,9	4,3	4,5	4,0	3,8	3,6
Nível (mil M€)	306,8	319,9	334,3	347,7	360,8	373,9
Mercado de trabalho (variação, %)						
Taxa de desemprego (% pop. ativa)	6,0	5,8	5,7	5,7	5,8	5,8
Emprego	2,3	1,4	0,7	0,3	0,1	0,0
Remuneração média por trabalhador	4,8	3,8	3,5	3,1	3,0	2,3
Produtividade aparente do trabalho	-0,4	0,2	1,1	1,4	1,6	1,6
Sector externo (% PIB)						
Cap. líq. de financiamento face ao exterior	2,5	1,6	1,8	1,3	0,3	0,3
Balança corrente	1,0	-0,6	-0,2	-0,2	-0,5	-0,3
Balança de bens e serviços	0,9	-0,3	0,0	0,2	0,4	0,6
Balança de rend. primários e transferências	0,1	-0,3	-0,2	-0,4	-0,9	-0,9
Balança de capital	1,5	2,2	1,9	1,5	0,8	0,7
Desenvolvimentos cíclicos						
Produto potencial (variação, %)	2,9	2,0	1,8	1,5	1,4	1,2
Hiato do produto (% produto potencial)	0,0	-0,4	-0,5	-0,3	0,0	0,3

Source: CFP projections (2026–2030) and INE (2025). | Note: Cyclical developments are estimated in accordance with the common EU methodology, parameterised in the EUCAM programme based on the European Commission's autumn 2025 forecast (EC, 2025b).

Box 1 – Deviations from the CFP's macroeconomic projections for 202 5

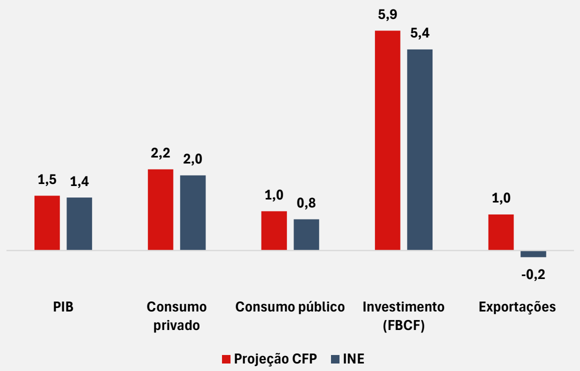
This box analyses the projection deviations of the CFP's macroeconomic scenarios for 2025 when compared with data published by the National Statistics Institute (INE). The deviations result from the difference between the estimates presented in the scenarios published in the Economic and Fiscal Outlook (PEO) reports of April and September 2025, and the preliminary data from the National Accounts by Institutional Sector published by INE on 26 March 2026.

The deviations in the projections result from various factors, both technical and cyclical. Among the technical factors, the following characteristics inherent to the CFP's macroeconomic projections are particularly noteworthy:

- they are based on macroeconomic models that simplify reality;
- they include technical and judgemental assumptions that may not materialise;
- they rely on information available at the time of the exercise, which is incomplete and subject to revision;
- they assume a no-policy-change scenario, incorporating only measures already specified or legislated at the time.

As for cyclical factors, the impact of various policy measures approved throughout the year is noteworthy; their scale was particularly significant in the second half of 2025, significantly affecting household income and increasing its volatility.

Chart1 – Deviations from the September CFP projections
(Growth rate recorded in the second half of 2025 compared with the first half)



Source: INE; CFP projections and calculations.

In 2025, real GDP growth was in line with the September projection. According to INE, in 2025 the annual growth rate of GDP in volume terms slowed to 1.9%. Nevertheless, the performance of the Portuguese economy in the second half of the year was slightly weaker than anticipated in September (Chart1), due to a poor performance of exports and a less significant increase in investment. It should be noted that, at the time the CFP's September projections were drawn up, only the Quarterly National Accounts for the first two quarters of the year were available.

The weaker-than-expected performance of exports of goods and services was a key feature of 2025. Whilst in April the CFP had forecast export growth of 2.6%, in its September update the projection was revised downwards to 0.9%, with the figure calculated by INE coming in even lower at 0.4%. Conversely, growth in private consumption (3.5%) was only slightly higher than projected by the CFP in September (3.3%), a result essentially of revisions to historical statistical data, given that consumption growth in the second half of 2025 was in line with projections. Finally, the less dynamic trend in investment compared to what was anticipated in the second half of 2025 was offset by the base effect of revisions to the National Accounts for 2024.

The CFP's outlook for the HICP was broadly confirmed. In the case of consumer prices, the projection of 2.3%, both in April and September, was in line with the actual figure of 2.2%. In the case of the GDP deflator, the rate of growth of the deflator (3.9%) was underestimated by 0.3 percentage points in the September forecast, although the absolute difference was smaller than in the April forecast (seeTable 2). In this regard, the deviation is largely explained by a larger-than-anticipated increase in the price of capital goods, as well as by slightly higher terms of trade (1.5% compared to the projected 1.2%).

In the case of the labour market, employment growth was underestimated. In September, the CFP underestimated the 2.3% growth reported by INE by 0.8 percentage points. Nevertheless, it should be noted that more than half of this deviation stems from revisions to historical data relating to the first two quarters of the year. Furthermore, the data in the National Accounts show a significant divergence from employment statistics based on data from Social Security and the Civil Servants' Pension Fund. The latter point to a slowdown in the growth of the employed population in 2025. In the case of productivity, the recorded contraction of 0.4% contrasts with the expected increase of 0.3% in September. Already in 2024, labour productivity growth had been lower than estimated.

Table 2 – Deviations from the CFP's projections for 202 5

	Observado (INE)	CFP - abril 2025		CFP - setembro 2025	
		Estimativa (%)	Desvio (p.p.)	Estimativa (%)	Desvio (p.p.)
PIB	1,9	2,2	0,3	1,9	0,0
Consumo privado	3,5	2,8	-0,7	3,3	-0,2
Consumo público	1,6	1,2	-0,4	1,6	0,0
Investimento (FBCF)	3,6	6,3	2,7	3,6	0,0
Exportações	0,4	2,6	2,2	0,9	0,5
Importações	4,3	4,3	0,0	4,2	-0,1
Deflator do PIB	3,9	2,6	-1,3	3,6	-0,3
IHPC	2,2	2,3	0,1	2,3	0,1
Emprego	2,3	1,0	-1,3	1,5	-0,8
Produtividade aparente do trabalho	-0,4	1,2	1,6	0,3	0,7
Balança de bens e serviços (% PIB)	0,9	0,9	0,0	0,8	-0,1

Sources: INE – National Accounts, March 2026; and CFP – Economic and Fiscal Outlook 2025–2029, April 2025 and Economic and Fiscal Outlook 2025–2029 (Update), September 2025.

Box 2 – Technical Assumptions and External Environment

US trade policy underwent a significant change on 20 February, when the US Supreme Court ruled that the *International Emergency Economic Powers Act* (IEEPA) does not constitute a legal basis for the imposition of tariffs. In the latest report, the CFP's baseline scenario incorporated the EU-US bilateral agreement concluded in July 2025.[14] In response to the court ruling, the US administration announced a 10% tariff on all imports under Section 122 of *the Trade Act* of 1974[15] and launched new investigations under Sections 301 and 232, which have a more robust legal basis. Should this change, the Portuguese economy is likely to be adversely affected, as the new regime may not allow for product- and country-specific exemptions, such as those negotiated in the bilateral agreement, which include, for example, cork and pharmaceutical products. On 26 March, the European Parliament approved the EU-US trade agreement, including a sunset clause in March 2028, to protect European interests in the event of non-compliance by the US administration. The uncertainty surrounding the tariff regime was,

[14] The agreement established a 15% cap on European exports to the US, with an effective tariff estimated at the time at 13.1%, subsequently reduced to 10.5% according to the ECB. However, more significant tariff reductions for other partners (notably China) imply a relative loss of competitiveness for the euro area in the US market.

[15] This instrument has a maximum duration of 150 days, expiring at the end of July 2026. The likelihood of its extension by Congress will depend on the November mid-term elections.

however, overshadowed by the events of late February, which introduced a shock of a different nature and magnitude.

On 28 February, the US and Israel launched joint attacks against the Islamic Republic of Iran, triggering a large-scale conflict in the Middle East and the subsequent blockade of the Strait of Hormuz. These attacks mark a new expression of the US administration's geopolitical stance in 2026, following the capture of Nicolás Maduro on 3 January, the subsequent replacement of Venezuela's political leadership, and pressure on Denmark regarding Greenland's sovereignty. The following week, critical infrastructure in neighbouring nations such as Qatar, Bahrain, Kuwait, the United Arab Emirates, Jordan and Saudi Arabia came under attack originating from Iran. The Strait of Hormuz, one of the main chokepoints of international maritime trade, which under normal conditions ensured the transit of around a fifth of the global volume of oil and LNG, as well as other raw materials, notably fertilisers (around 35% of urea and 45% of sulphur), is now virtually closed. Unlike oil, there are no strategic reserves for LNG or fertilisers, meaning that the risk of a food and[16] l crisis is equally heightened under current conditions; European gas reserves currently stand at around 30% of capacity, with European regulations requiring 90% by December, which implies the purchase of 60 billion cubic metres by October, under more restrictive global LNG supply conditions. Even if flows resume, the risk assessment for shipping through the Strait of Hormuz may not return to pre-conflict levels, with a structural impact on energy and fertiliser markets and global supply chains.

In the euro area, the short-term outlook has been revised downwards in light of the energy shock.[17] According to the Eurosystem *staff* projections, with a cut-off date of 11 March, activity is expected to grow by 0.9% in 2026 (a downward revision of 0.3 percentage points compared to the December projections), 1.3% in 2027 and 1.4% in 2028. Although partial, the immediate effects on energy commodity prices were sufficient to reverse the upward revision that had occurred in the December projections. On the external front, European exports continue to be penalised by the appreciation of the euro's effective exchange rate and by other non-cyclical factors, notably increased competition from Chinese exports.

Before the energy shock, the disinflationary trend in the euro area was continuing, with the inflation rate reaching 1.9% in February – moving closer to the ECB's monetary policy target. The cycle of cuts that began in June 2024, reducing the deposit facility and rate from 4.0% to 2.0%, was halted in July 2025. In March 2026, following the shock, the ECB opted to keep key interest rates unchanged for the sixth consecutive meeting. However, the inflation forecast for 2026 was revised significantly upwards, from 1.9% to 2.6%. In a severe scenario, in which the price of oil reaches $145/barrel and the price of natural gas reaches €106/MWh, the inflation forecast for 2026 is 4.4%. The contrast is clear with the December forecast, which anticipated a zero contribution from energy prices until 2027, prior to the expected rise in 2028 due to the implementation of the new *Emissions Trading System* (ETS2). In response to the heightened risk of external inflationary pressures, markets have begun to anticipate rate hikes throughout 2026, as reflected in sovereign bond *yields* and short-term interest rates. The ECB therefore faces a genuine monetary policy dilemma: the energy shock is simultaneously dampening economic growth and pushing up inflation, limiting the room for manoeuvre in either direction.

In this context, the technical assumptions underlying the exercise incorporate the following updates:

- The assumption for **external demand** incorporates the latest IMF projections for import growth among the Portuguese economy's main trading partners, with an

[16] As in 2022, following the Russian Federation's invasion of Ukraine, the current disruption is occurring in early March, just before the summer crop planting season; in this situation, the blockade constitutes a physical barrier (there is no equivalent alternative route for the volumes in question).

[17] Following this ECB exercise, the Bank of Portugal also published updated projections, in which it forecasts growth of 1.8% in 2026, a downward revision from the 2.3% expected in December.

additional assessment of the impact of the ongoing conflict. It is estimated to grow by 1.3% in 2026, a downward revision of 0.6 percentage points compared to the September scenario and a slower pace than that recorded in 2025 (3.3%), recovering to an average of 2.5% between 2027 and 2030. This scenario assumes that customs policies remain unchanged;

- The assumption for **working-age population** growth remains unchanged from September (**Erro! A origem da referência não foi encontrada.**), with a gradual reduction in positive net migration over the forecast horizon resulting in a contraction of the population in 2029 and 2030, at a rate close to that anticipated in the latest available demographic projections;

- **Oil and natural gas prices** have been revised upwards (Chart2 and**Erro! A origem da referência não foi encontrada.**), reflecting the ongoing energy shock. For 2026, futures contracts point to a 23% increase in the price of a barrel of Brent and a 16% increase in natural gas – a revision that occurred entirely after the start of the conflict, given that until the end of February, futures indicated a trend identical to that of September. The increase is considered temporary, with a reduction of 10% and 21% anticipated in 2027, respectively;

- The **short-term interest rate**, as measured by the 3-month Euribor, is revised upwards across the entire horizon, with a particular focus on the period between 2026 and 2028 (around 80 basis points), reflecting a more restrictive monetary policy stance in response to the inflationary shock;

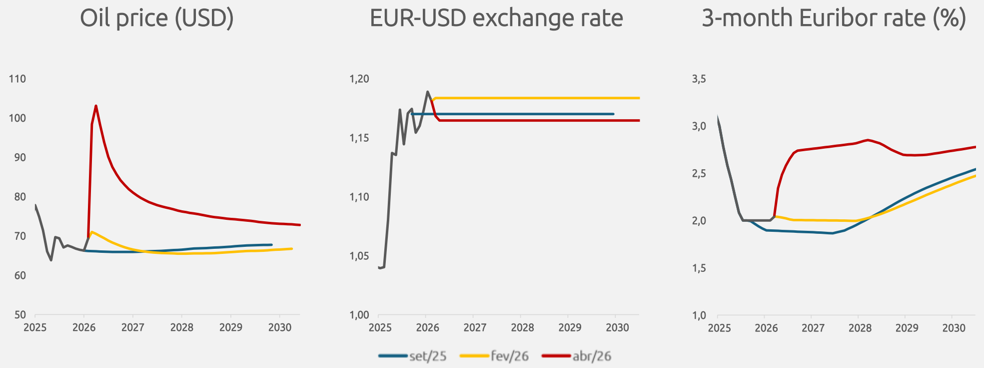
- Finally, the assumption for the **euro-dollar exchange rate** remains around 1.17. The exchange rate peaked at 1.20 in January and has since reversed the strong appreciation trend that began in 2025.

Table 3 – Technical assumptions for the external environment

	2025	2026	2027	2028	2029	2030
Hipóteses técnicas						
Procura externa (variação, %)	3,3	1,3	2,7	2,7	2,5	2,4
Preço das exportações dos principais parceiros	0,8	2,6	1,5	1,4	1,7	1,9
Taxa de juro de curto prazo (Euribor 3M, %)	2,2	2,5	2,8	2,8	2,7	2,8
Taxa de câmbio EUR-USD	1,13	1,17	1,16	1,16	1,16	1,16
Preço do petróleo (Brent, Eur)	60,5	74,3	67,2	64,6	63,3	62,7
Preço do Gás Natural (€/MWh)	36,2	42,1	33,3	23,7	21,6	19,0
População em idade ativa (15-74 anos, final do ano, variação, %)	1,5	0,5	0,2	0,0	-0,1	-0,2
Contr. saldo natural	-0,7	-0,6	-0,7	-0,7	-0,8	-0,8
Contr. saldo migratório	2,1	1,1	0,9	0,7	0,6	0,6

Sources: BdP, EC, IMF, Macrobond and CFP estimates. | Note: The technical assumption for the EUR-USD exchange rate assumes that the average levels observed in the two weeks prior to the data cut-off date (26 March) will be maintained throughout the projection horizon. The technical assumption for the price of oil is based on Brent crude oil futures contracts in USD. The evolution of the 3-month Euribor rate is based on the expectations implied by futures contracts for the years 2026–2030.

Chart2 – Technical assumptions



Source: Macrobond.

2.2 CFP projections for 2027–20 30

The current macroeconomic scenario anticipates a recovery in economic growth in 2027, supported by the easing of the energy crisis. Economic growth is projected to stand at around 1.8%, accelerating by 0.2 percentage points compared to the estimate for the previous year (1.6%). This momentum is expected to be driven by an improvement in the outlook for exports – in line with the expected recovery in external demand coupled with the dissipation of high levels of uncertainty – by an acceleration, albeit slight, in private consumption, driven by the expected increase in PIT refunds, and by a less pronounced contraction than previously anticipated in public investment, resulting from greater utilisation of funds associated with PT2030.

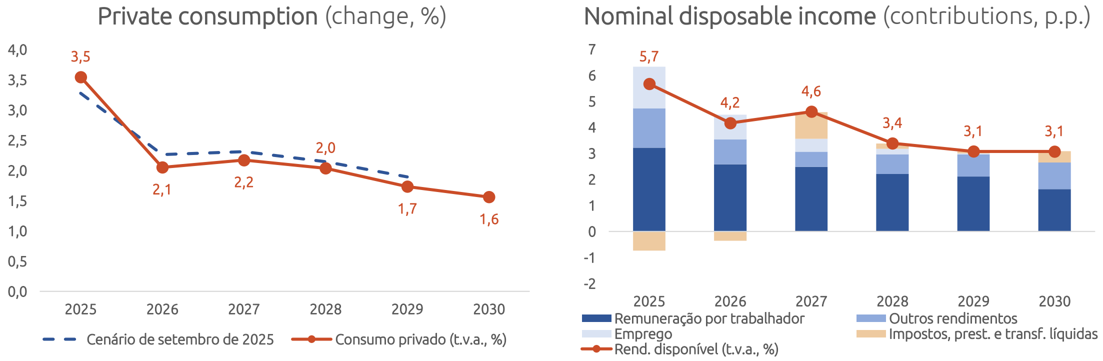
Growth in the Portuguese economy is expected to converge towards 1.6% in the medium term. After 2027, GDP growth is expected to slow to 1.7% in 2028 and 2029 and stabilise at around 1.6% by the end of the projection horizon, a figure that is 0.2 percentage points below that projected in September. The slowdown in activity over this three-year period reflects the fading of the temporary effects of 2027, particularly in household consumption, as well as lower-than-projected investment growth for 2027, hampered by persistent negative contributions from the public sector. The downward revision of medium-term growth also takes into account less favourable prospects for labour productivity, given the sectoral composition of economic growth and the expected weak performance of investment.

Trends in GDP components

Private consumption is expected to pick up slightly to 2.2% in 2027, benefiting from a significant fall in inflation and a temporary reduction in income tax (Erro! A origem da referência não foi encontrada. **).** In particular, a substantial increase in tax refunds is anticipated for that year due to the mechanics of the reductions in withholding tax rates implemented in 2024 and 2025. These administrative changes introduce volatility in disposable income, which is difficult for households to anticipate. Added to this is the easing of inflationary pressures throughout 2027[18] – particularly in energy products – which is expected to reinforce the real-term impact of the increase in disposable income, as well as the dissipation of high levels of uncertainty, which will tend to reduce precautionary saving. However, these positive effects are expected to be partially offset by rising short-term interest rates, which will be reflected in households' borrowing costs.

Private consumption growth is expected to moderate gradually in the coming years, settling at 1.6% in 2030. From 2028 onwards, a gradual slowdown in disposable income is anticipated, with its growth expected to be influenced by the expected cooling of the labour market, in particular slower growth in employment and compensation per employee, with the latter's dynamics becoming more aligned with expected productivity growth. Thus, nominal disposable income is projected to grow by an average of 3.2% between 2028 and 2030, compared with the average growth of 4.4% projected for the two preceding years. Furthermore, the stabilisation of interest rates at levels higher than expected in September is likely to keep the savings rate at historically high levels, which is projected to stand at over 9% of disposable income in 2030.

Chart 5 – Private consumption and disposable income



Sources: INE; CFP projections and calculations.

Public consumption is projected to slow to 0.8% in 2027, followed by a relative stabilisation of the growth rate in the following years at around 1%. The dynamics of public consumption are expected to be determined not only by trends in public sector employment and compensation per employee, but also by trends in intermediate consumption, influenced by the end of the RRP, as well as by expenditure on public-private partnership (PPP) contracts. Following strong growth in 2026, public consumption is projected to contribute marginally to economic growth, with an average growth rate of 1% between 2027 and 2030.

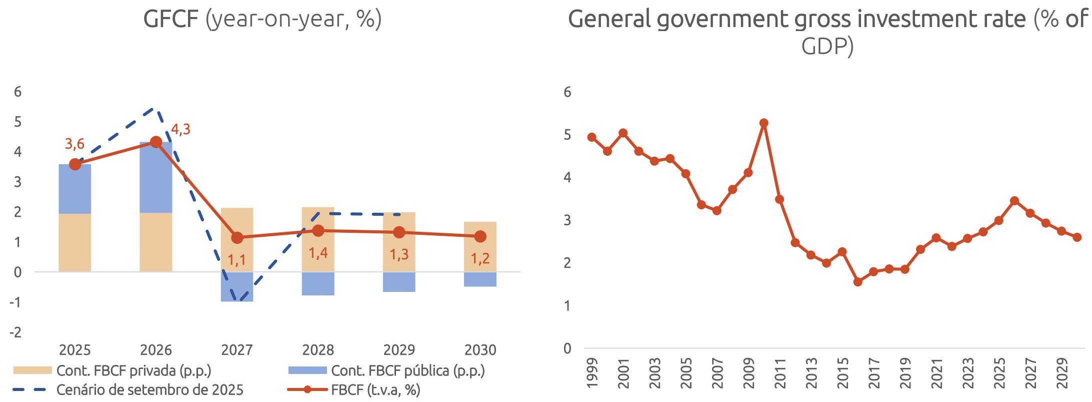
Investment is expected to slow significantly in 2027, to 1.1% (Chart 3). It should be noted that this period follows the end of the RRP and is expected to be marked by a decline in investment by the general government, resulting in a reduction in the public investment ratio to 3.2% of GDP (-0.2 percentage points compared to the projection for 2026). At the same time, private investment, despite expectations of a

[18] It is assumed that the inflationary pressures caused by military conflicts in the Middle East are limited to 2026 only.

tightening of financing conditions, is expected to accelerate to around 2.5%, as a result of the recovery in both domestic and external demand, as well as the easing of the uncertainty associated with the military conflicts that marked 2026 and which are assumed to be temporary.

In the coming years, growth in gross fixed capital formation (GFCF) is expected to remain subdued, with an average growth rate of 1.3% projected between 2028 and 2030. These figures, which are lower than those estimated in September, reflect unfavourable prospects for public investment, which is expected to contract in real terms in each year of the projection horizon, as well as a moderation in private investment growth to below 2% in 2030, in line with expectations of a slowdown in demand and the maintenance of the economy's financing costs at higher levels. Over this period, the ratio of public investment to GDP is expected to continue on a downward trajectory to 2.6% in 2030[19] – the lowest level since 2023 – whilst the private investment rate is expected to rise only marginally, to 18.2% by the end of the projection horizon, in line with the level observed in 2022. The obstacles to a more substantial increase in private investment , particularly business investment, constitute barriers to more robust growth in the medium term.

Chart 3 – GFCF and general government investment rate



Sources: INE; CFP projections and calculations.

A significant recovery in export growth is projected for 2027, along with an increase in the export-to-GDP ratio by 2030 (Chart 4). The recovery in exports in 2027 primarily reflects expectations of a rebound in external demand for Portuguese goods, particularly from outside the euro area. Nevertheless, taking into account the persistent competitiveness challenges affecting European exports, the US tariff regime and exchange rate appreciation, it is assumed that the Portuguese economy will not be able to reverse the market share losses estimated in previous years, with zero gains in market share anticipated from 2027 onwards. From 2028 onwards, a slight cooling of external demand is anticipated, which is expected to lead to a slight slowdown in export growth, against a backdrop of stabilising market shares. Nevertheless, it is worth noting the downward revision of the share of exports in

[19] The CFP's projections do not incorporate increases in defence investment expenditure. However, the high proportion of imported components in the equipment currently being procured mitigates its effect on GDP.

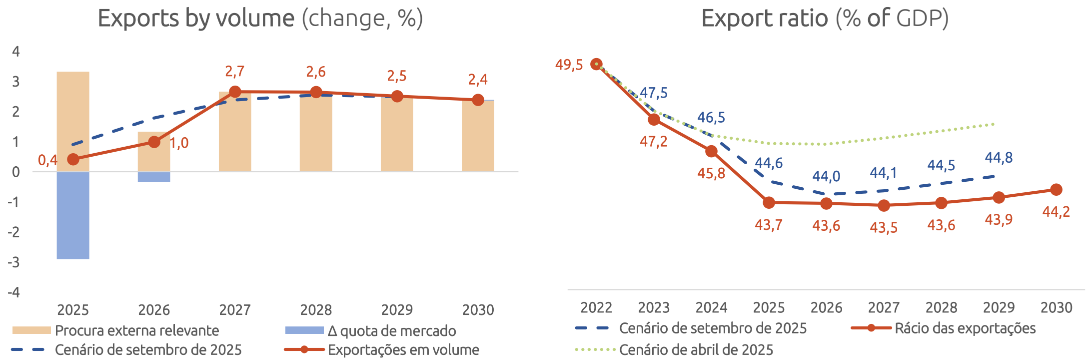
GDP, which is expected to remain, throughout the projection horizon, at levels lower than those observed in 2024 (45.8%).

The growth profile of imports is expected to be largely determined by the components of economic activity that are most import-intensive, notably investment and, to a lesser extent, private consumption. Consequently, import growth is expected to slow slightly in 2027, to 2.5%, and stabilise at around 2% by the end of the projection horizon, a trend consistent with the expectation of only marginal increases in the economy's import intensity, against a backdrop of stabilising terms of trade.

External sector

The inflow of European funds associated with PT2030 will continue to influence the Portuguese economy's external balance in 2027. The external account surplus is expected to stand at 1.8% of GDP, a figure slightly higher than that estimated for 2026, benefiting from a recovery in the terms of trade, in line with the expected reduction in the price of imported energy goods, as well as greater dynamism in exports of goods and services, allowing a return to a balanced goods and services account.

Chart 4 – Exports of goods and services



Sources: INE and IMF; CFP projections and calculations.

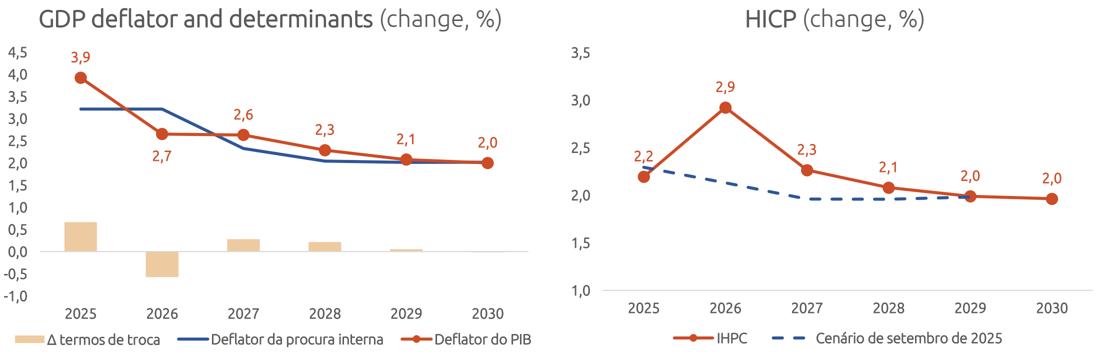
The economy's external balance is expected to fall to 1.3% of GDP in 2028, and converge towards near-balance by the end of the projection horizon. The capital account balance, with a projected surplus of 0.7% of GDP, offsets the negative current account balance in the medium term (-0.3% of GDP), which is expected to result mainly from the projected deterioration in the primary income and transfers balance over this period (-0.9% of GDP in 2030), notwithstanding the gradual recovery in the goods and services account, which is expected to move into surplus by the end of the projection horizon (0.6% of GDP in 2030). These projections are influenced by the assumed profile of EU funding associated with the PT2030. Excluding this impact, the Portuguese economy would record a net external borrowing requirement of around 0.3% of GDP in 2030.

Price trends

In 2027, the fall in energy prices, in line with the technical assumptions of the exercise, will help to ease inflationary pressures. The fall in the price of oil and natural gas on international markets will benefit the price of the household consumption basket, with HICP inflation projected to ease to 2.3%, following the 2.9% projected for 2026. Nevertheless, this figure is 0.3 percentage points higher than that estimated in September. This reflects the lags in the reaction of goods and services prices to the cost increases recorded in the previous year, with indirect effects extending, amongst other things, to food and transport service prices in a more persistent manner. The magnitude of these indirect and second-order effects is subject to particular uncertainty. For the coming years, a stabilisation around 2.0% is anticipated in the medium term, in line with the ECB's price stability objective.

The GDP deflator is projected to slow to 2.6% in 2027, moderating to 2.0% in the medium term (Erro! A origem da referência não foi encontrada. **)**. The projection for 2027 is consistent with a significant slowdown in the growth of most implicit deflators of domestic demand components, mitigated by an improvement in the terms of trade during the year. The trend towards a moderation in the growth rate of un d labour unit costs – from an average of 4.4% in 2025 and 2026 to an average of 1.5% between 2027 and 2030 – will be a key factor in the slowdown in subsequent years.

Chart 8 – Price indicators



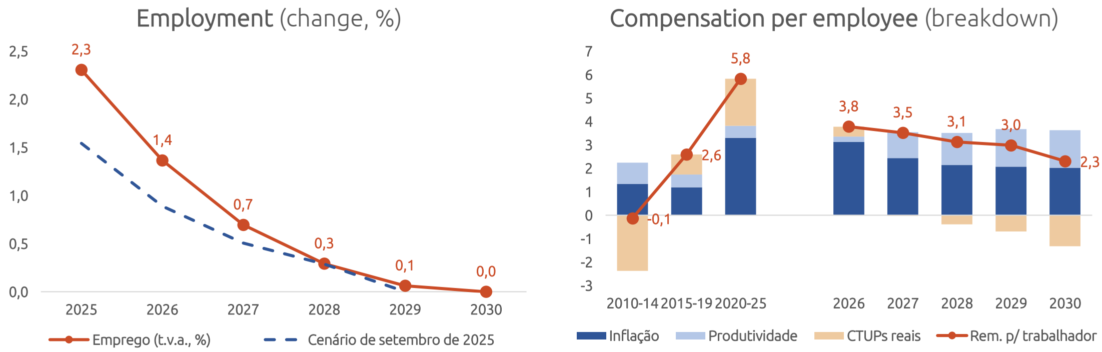
Sources: INE; CFP projections and calculations.

Labour market

The rate of job creation is expected to slow to 0.6% in 2027 and remain on a downward trajectory, with the employed population stabilising in 2030 (Erro! A origem da referência não foi encontrada. **).** This projection reflects the dynamics of economic activity and the demographic assumptions for the working-age population, the latter being strongly influenced by structural factors that have led to progressively more negative natural balances – reflecting persistently low birth rates and resulting in an ageing population – offset by positive net migration, albeit progressively lower. It is also worth noting that the maintenance of the labour force participation rate at historically high levels also contributes to the projected employment trends. In this context, the unemployment rate is projected to fall marginally to 5.7% of the working-age population in 2027, remaining relatively stable around this figure over the projection horizon.

Average earnings per worker are expected to grow at a slower rate, from 3.5% in 2027, falling to 2.3% by the end of the projection horizon. Contributing to this trend is a compensatory effect for the rise in inflation recorded in the previous year, the stability of inflation expectations, as well as a reduced capacity to achieve real wage gains without corresponding productivity gains, following the increases recorded between 2023 and 2026. Thus, the increase in the guaranteed minimum wage is expected to be accompanied by a compression of the wage distribution. Indeed, the share of wages in GDP has risen significantly in recent years, reaching 48.1% of GDP in 2025, its highest level since 2001, excluding the pandemic period.

Chart 9 – Labour market indicators



Sources: INE; CFP projections and calculations.

The growth rate of apparent labour productivity is expected to rise to 1.1% in 2027, gradually accelerating to settle at 1.6% in the medium term. GDP per worker is expected to grow, on average, by 1.4% by 2030, a figure higher than the average of 0.8% observed between 2000 and 2019. Contributing to this trend are the increase in capital available per worker – albeit revised downwards compared to September – and the rise in the average skill level of the population, both of which help to boost the value added of national output. Thus, the projected GDP growth is almost entirely explained by the expected rise in productivity, which stands as the main driver of economic growth in the medium term, reflecting its increased importance in the context of the structural challenges created by the demographic profile of the Portuguese population.

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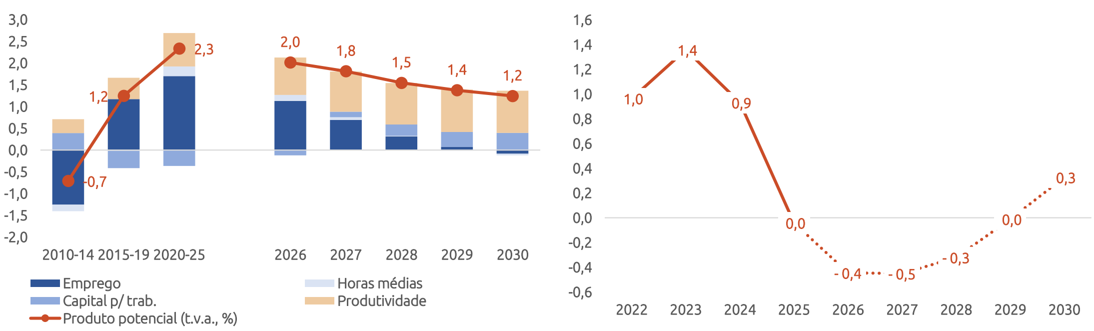
Potential output and output gap

The potential growth of the Portuguese economy is estimated to average around 1.6% between 2026 and 2030, and to follow a downward trajectory throughout the projection horizon. Based on the current macroeconomic scenario and the common methodology agreed within the European Union, a slowdown in the rate of potential GDP growth is projected to 2.0% in 2026 and subsequently to 1.2% in 2030 (Chart 5). This slowdown results exclusively from a reduction in the contribution of the labour factor, which is expected to be negative in the medium term; this downward trend is associated with the assumptions regarding the evolution of the working-age population and the labour force participation rate, assumptions that primarily penalise the contribution of the number of people in employment and, to a lesser extent, the contribution of the average number of hours worked. A stabilisation of the capital-per-worker contribution at 0.4 percentage points and a marginal increase in the total factor productivity contribution to 1.0 percentage points by the end of the projection horizon are also anticipated.

These projections imply that the Portuguese economy is expected to remain relatively close to its potential level. The output gap is expected to be negative, averaging around -0.4% between 2026 and 2028, stabilising close to equilibrium by the end of the horizon.

Chart 5 – Cyclical developments in the economy

Potential output (contributions, p.p.) | Product gap (% of potential product)



Source: CFP calculations. | The productivity contribution refers to total factor productivity.

2.3 Risks and uncertainty

This exercise is conducted in an environment of exceptionally high uncertainty. Although the technical assumptions incorporate conditions observed up to the cut-off date, the volatility reflected in commodity prices and the uncertainty regarding the duration of the conflict lend the external environment an unusual fragility – characteristic of a context in which multiple risks reinforce one another, in a pattern that various international organisations have termed a ‘polycrisis’. Accordingly, the CFP considers the balance of risks to be predominantly tilted downwards for economic activity and upwards for inflation – for the first time since September 2023.

On the external front, the following factors stand out:

- **The conflict in the Middle East and the energy shock.** The magnitude of the economic impact is, to a large extent, a function of the duration of the disruption: a short-term disruption essentially constitutes a supply shock on oil prices, whereas a prolonged disruption tends to turn into a broader shock to inflation and growth – with effects spreading beyond energy markets. Disruption in the Strait of Hormuz puts upward pressure on the prices of energy, industrial and food commodities, against a European macroeconomic backdrop that is more adverse than in 2022: the fiscal capacity to support households and businesses is substantially more limited; the European industrial sector faces competitiveness challenges, exacerbated by energy prices, access to rare raw materials, the unpredictability of trade relations with the US, and increased competition from Chinese exports. For Portugal, the conflict also poses a specific risk to long-haul tourism – a segment that has grown rapidly in recent years – given that it is particularly exposed to constraints on air routes via Gulf *hubs*, rising airfares and oil price volatility.

- **The persistence of uncertainty surrounding US trade policy.** The US Supreme Court's decision to invalidate the International Emergency Economic Powers Act (IEEPA) as the legal basis for imposing tariffs has introduced a new source of uncertainty, due to the risk of undermining the terms agreed between the US and the EU in 2025. As highlighted by the Kiel In s stitute, companies are once again having to revisit their strategic options, with a possible postponement of investment decisions – a particularly damaging effect at a time when the external environment is already adverse. The impact on Portuguese exports could be exacerbated by potential losses in competitiveness, should the recent trend of rising unit labour costs or the appreciation of the euro against the dollar continue – a context in which Portuguese exports have already recorded widespread market share losses in 2025.

- **Volatility in financial markets and the risk of asset overvaluation.** According to the IMF, a potential downward revision of expectations regarding AI and a subsequent moderate correction in the stock market could reduce global growth by 0.4 percentage points in 2026. This risk is exacerbated by the current high levels of public debt in advanced economies – evident in sovereign debt *yields* – and by the possibility of a new wave of inflationary pressures, with a consequent monetary policy response, in a context where the current energy shock could simultaneously exacerbate rising prices and undermine the sustainability of public finances.

- **The sustainability of public finances in advanced economies.** Several advanced economies have fragile fiscal positions which, against a backdrop of high debt levels and increased financing needs – particularly for defence – could lead to tensions in sovereign debt markets. According to IMF projections for 2026, the US will have a deficit of 7.9% of GDP and public debt of 129% of GDP, the UK will have a deficit of 3.6% and public debt of 105% of GDP, whilst France will have a deficit of 5.8% and public debt of 120% of GDP.[20] Political instability and the postponement of consolidation measures

[20] On 20 March, the *yield* on UK 10-year government bonds reached its highest level since 2008.

pose a risk of contagion to other euro area countries, with the potential for a widening of sovereign *spreads* and a deterioration in financing conditions – a risk exacerbated by the current energy shock and the expected monetary policy response.

On the domestic front, the following factors stand out:

- **The evolution of investment, with the end of the RRP.** The investment expenditure associated with the RRP scheduled for 2026 is of significant magnitude, with a relevant macroeconomic impact. The end of the programme will lead to a contraction in public investment over the projection horizon, with consequences for economic activity. The capacity to implement other European funds and investment schemes with national funding will determine the magnitude of this impact.

- **Extreme weather** events. The increasing frequency and severity of severe weather phenomena in Portugal constitute a growing economic and l risk. The series of forest fires in 2025 – with a burnt area five times larger than the historical average – and the "series of Atlantic storms" in early 2026 illustrate the materialisation of this risk at increasingly shorter intervals; the CFP has systematised the main channels of economic impact in an analysis dedicated to this event[21] . According to the OECD (2026), low private insurance coverage – with only around 3% of losses incurred between 1980 and 2024 covered and no formal public-private risk-sharing mechanism – amplifies the impact on the economy and on public finances, which have historically assumed the role of the main compensation mechanism.

- **Demographic trends and migration flows.** Recent legislative changes affecting the regulation of immigration flows may lead to a greater-than-expected erosion of the positive net migration figures that have characterised recent years (a cumulative net inflow of 677,000 people since 2015). Positive net migration – which has enabled increases in the working-age population, despite the negative contribution of the natural increase – has benefited the labour supply and the dynamism of economic activity. Their reversal thus poses a downside risk to potential output, which will become more dependent on a rise in productivity to reverse its fragile performance in the recent period, particularly in view of the anticipated accelerated demographic ageing process.

- **The increase in defence spending.** Under the *ReArm Europe* plan, which provides for a significant increase in defence and infrastructure spending at European level, Portugal requested, and saw approved, the activation of the national derogation clause, which allows for an increase in defence spending of up to 1.5% of GDP per year compared to 2021 figures. This simultaneously creates fiscal pressure and an upward risk, albeit temporary, to growth, through the stimulation of investment and, possibly, domestic industrial activity – depending on the imported content of materials and equipment

[21] See Marujo, E., Leal, J., Folque, L., and Tiago Martins. 2026. "Plausible impacts of a state of emergency"

and the actualisation of R&D expenditure. The actual scale and timing of this expenditure remain uncertain, in the absence of a detailed investment plan setting out how it will be used, including loans under the SAFE programme, which are recorded as public debt. The CFP's central scenario does not incorporate the increase in defence spending.

- **Productivity gains through the adoption of Artificial Intelligence (AI).** The growing adoption of AI by European firms is highlighted by various institutions as an upside risk to growth, through its potential impact on productivity, particularly if it operates through capital deepening that empowers workers without replacing them (EIB, 2026). The magnitude of these gains remains, however, uncertain. Given the weak performance of Portuguese productivity in recent years, with labour productivity 17% below the OECD average, realising this potential represents both an opportunity and a structural challenge.

3. FISCAL OUTLOOK

3.1 Fiscal balances

Fiscal balances and primary balances

The fiscal surplus of 0.7% of GDP achieved in 2025 was higher than expected by the Government and by official national and international forecasters. According to the preliminary estimate released by INE in the first 2026 notification under the Excessive Deficit Procedure (EDP), the fiscal balance reached 0.7% of GDP, exceeding by 0.4 percentage points of GDP the figure forecast in October by the Ministry of Finance (MF) and exceeding by at least 0.5 percentage points of GDP the figures forecast by the IMF, the CFP, the OECD, the Bank of Portugal (BdP) and the European Commission (EC). This more favourable performance was mainly due to higher tax and social security revenue. At the same time, lower-than-expected utilisation of RRP loans compared to the MF's most recent estimate and lower expenditure associated with *one-off* operations improved the balance by 0.3% of GDP.[22]

The 2025 fiscal outcome provides a more favourable starting point for the fiscal scenario projection than that anticipated in the September update. The *carry-over* effect associated with this result, which reflects the positive impact of the 2025 outturn on 2026, contributes to an upward revision of the projected fiscal trajectory of the budget balance until 2027. From 2028 onwards, the net impact of that effect is offset, primarily due to the effects of incorporating new permanent measures approved at the end of 2025, which take the form of a structural reduction in revenue aimed at providing tax relief for businesses and households. A detailed breakdown of the differences compared with the September figures, as well as a quantification of the contributions of the main fiscal aggregates to the revision of the projected fiscal trajectory, is presented in the section '3.5 '.

For **2026, the CFP now forecasts a budget balance close to break-even.** The deterioration in the balance compared to 2025 is explained, above all, by the fiscal impact of measures in response to the storms and the military conflict in Iran (which the CFP estimates at 0.4% of GDP), as well as by the greater use of RRP loans considered in this projection (€1,262 million, or 0.4% of GDP). The adverse impact of these effects is expected to be largely mitigated by the *carry-over* effect associated with the 2025 fiscal outcome, as well as by the one-off effect on PIT revenue resulting from the non-application in 2026 of a further reduction in withholding tax rates, similar to what occurred in August and September 2025. Also helping to ease the negative pressure on the balance is the stronger growth in indirect tax revenue,

[22] In the updated estimate for 2025, presented by the Government in October to support the 2026 fiscal forecast contained in the POE/2026, the Ministry of Finance anticipated the disbursement of loans to finance RRP projects amounting to €1,357 million, a figure that compares with a preliminary final disbursement of €799 million calculated by the national statistical authority. With regard to expenditure classified as *one-off*, only the restitution of the solidarity surcharge levied on the banking sector, amounting to €217.6 million (€17.6 million above the aforementioned estimate), is recorded, as the €256 million in compensation to be paid by the Public Administration to the concessionaire, following a court ruling, did not materialise.

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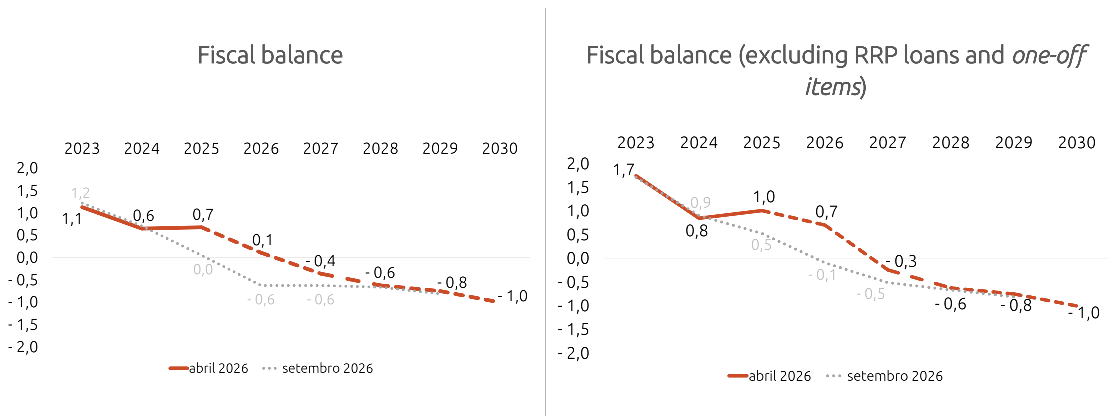
driven mainly by the dynamics of nominal private consumption and , the distribution of a historically high amount of dividends by Caixa Geral de Depósitos (0.3% of GDP), as well as the proceeds to be obtained from the sale of public housing stock (0.1% of GDP).[23] The non-recurrence of a series of one-off operations that weighed on expenditure in 2025, in particular the payment of the extraordinary supplement to pensioners and the restitution of the Solidarity Surcharge to the banking sector, amounting to a total of 0.2% of GDP, supports the improvement in the fiscal balance in 2026. Nevertheless, this projection remains sensitive to the extent of the fiscal impact that measures in response to the storms and the conflict in the Middle East may have, posing a risk to the projected balance for 2026.

Chart 11 – Fiscal balance (as a % of GDP)



14Source: INE. CFP calculations and projections. | Note: The figures for the fiscal balance for the period 2023–2026 are influenced by the effect of *one-off* measures, as detailed in the attached ' REF _Ref114565481 \h * MERGEFORMAT ' table.

For 2027, a deficit of 0.4% of GDP is forecast, essentially reflecting a relative reduction in tax revenue relative to GDP. According to the CFP's calculations, the dissipation of the fiscal impact associated with the use of RRP loans and the aforementioned extraordinary support measures (adverse weather and fuel) will not be sufficient to offset the projected decline in direct tax revenue (by 0.9 percentage points of GDP), largely attributable to personal income tax (PIT). This negative contribution from PIT stems not only from the impact of the measure included in the " " and " " housing packages, but also, and above all, from the dissipation of the extraordinary effect observed in 2026. This effect reflects the return of refunds and collection notices to levels prior to those resulting from the application of extraordinary withholding tax rates, thus reflecting the cumulative impact of the measures approved between 2024 and 2025 on revenue from this tax. In addition, the implementation of the gradual 1 percentage point per annum reduction in the standard CIT rate will contribute to the decline in direct tax revenue, compounded by the expected reduction in dividend income from Caixa Geral de Depósitos following the distribution scheduled for 2026. On the expenditure side, interest charges are expected to rise by 0.1 percentage points of GDP, reflecting the increase in market

[23] The CFP's projection took into account only one-third of the amount that the 2026 State Budget expects to raise from the sale of those properties.

financing costs, in contrast to the projected decrease in primary expenditure components.

For the coming years, the fiscal balance is projected to continue deteriorating, reaching a deficit of 1% of GDP in 2030. Between 2028 and 2030, this trajectory is mainly explained by the permanent effect of the tax relief measures applied to corporate income tax (CIT) and personal income tax (PIT). In the case of CIT, this stems from the aforementioned additional 1 percentage point reduction in the standard rate each year, with an impact lasting until 2029. For PIT, the growth in revenue from this tax, which is lower than that of nominal GDP, results in a reduction in its share of GDP. This development stems from the permanent effects associated with the automatic updating of the specific deduction in line with the IAS and the automatic updating of tax brackets. These mechanisms structurally reduce revenue, with their dynamics being directly dependent on macroeconomic indicators, namely the trajectory of productivity and GDP. On the expenditure side, an increase in interest charges is also expected, contributing to a worsening of the balance. As a result of these developments, the deficit is estimated to reach 0.6% of GDP in 2028, deteriorating to 0.8% of GDP in 2029 and to 1% of GDP in 2030, the final year of the projection horizon.

The primary balance, which excludes interest payments, will remain in surplus until the end of the projection horizon, continuing to contribute to the reduction in the public debt ratio. This indicator is expected to decline from 2.6% to 1.2% of GDP between 2025 and 2030, reflecting mainly the effect of permanent revenue-reducing measures (Table 3).

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Table 3 – CFP fiscal scenario (in % and p.p. of GDP)

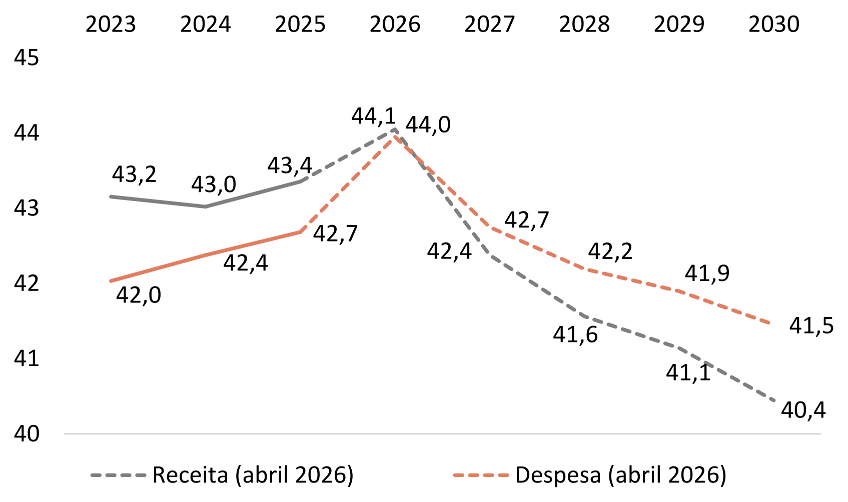
	2025	Projeção CFP					Variação
	INE	2026	2027	2028	2029	2030	2030-25
	em % do PIB						
Receita total	43,4	44,1	42,4	41,6	41,1	40,4	-2,9
Receita corrente	42,1	43,0	41,6	41,0	40,5	40,1	-2,0
Receita fiscal	24,5	24,9	24,0	23,7	23,5	23,3	-1,2
Impostos indiretos	14,5	14,7	14,6	14,6	14,5	14,5	-0,1
Impostos diretos	10,0	10,2	9,4	9,2	9,0	8,9	-1,2
Contribuições sociais	12,6	12,8	12,7	12,6	12,5	12,4	-0,3
Vendas e out. receitas correntes	4,9	5,3	4,9	4,6	4,5	4,4	-0,5
Receita de capital	1,2	1,1	0,8	0,6	0,6	0,3	-0,9
Despesa primária	40,7	42,0	40,7	40,0	39,7	39,2	-1,5
Despesa corrente primária	36,9	37,7	37,0	36,7	36,4	36,3	-0,6
Consumo intermédio	5,1	5,3	5,1	5,0	4,9	4,9	-0,3
Despesa com pessoal	10,6	10,7	10,7	10,7	10,6	10,6	0,0
Prestações sociais	18,0	18,1	18,0	18,0	17,8	17,8	-0,2
Subsídios e out. despesas correntes	3,1	3,6	3,2	3,1	3,0	3,0	-0,1
Despesa de capital	3,9	4,3	3,7	3,3	3,2	2,9	-0,9
Formação bruta de capital fixo	3,0	3,4	3,2	2,9	2,8	2,5	-0,5
Outra despesa de capital	0,9	0,9	0,5	0,4	0,4	0,4	-0,5
Saldo primário	2,6	2,1	1,7	1,5	1,5	1,2	-1,4
Juros	1,9	2,0	2,1	2,2	2,2	2,2	0,3
Despesa total	42,7	44,0	42,7	42,2	41,9	41,5	-1,2
Saldo orçamental	0,7	0,1	-0,4	-0,6	-0,8	-1,0	-1,7
Saldo excluindo empréstimos PRR	0,9	0,5	-0,3	-0,6	-0,8	-1,0	-1,9
Empréstimos PRR	0,3	0,4	0,1	0,0	0,0	0,0	-0,3
Dívida pública	89,7	86,5	84,5	83,1	82,1	81,5	-8,1
Por memória:							
Receita Fiscal e Contributiva	*37,2*	*37,6*	*36,7*	*36,4*	*36,0*	*35,7*	*35,7*
Receita Não Fiscal e Não Contributiva	*6,2*	*6,4*	*5,7*	*5,2*	*5,1*	*4,8*	*4,8*

Sources: INE (2025) and CFP projection. | Note: The figures for 2025 and 2026 are influenced by the effect of *one-off* measures, as detailed inTable 13 , attached.Table 15 , attached, presents this scenario adjusted for one-off measures. The totals do not necessarily correspond to the sum of the components due to rounding.

3.2 Outlook for expenditure and revenue trends

The CFP's projection points to a sharper decline in the ratio of public revenue to GDP than in the ratio of public expenditure from 2027 onwards. This trend reflects, above all, the impact of permanent measures and other factors leading to a reduction in revenue and an increase in expenditure. Between 2025 and 2030, revenue is estimated to fall from 43.4% to 40.5% of GDP (-2.8 percentage points of GDP), a more pronounced decline than the decrease in expenditure, from 42.7% to 41.5% of GDP (-1.1 percentage points of GDP).

Chart 12 – Evolution of total revenue and expenditure (as a % of GDP)



Source: INE. CFP calculations and projections.

Revenue

In 2026, the share of public revenue is expected to rise to 44.1% of GDP (+0.7 p.p. compared to 2025), reflecting the increase in current revenue. The increase in current revenue (+0.9 p.p. of GDP) will result from a 0.4 p.p. of GDP rise in tax revenue – explained mainly by the increase in the share of PIT in GDP, which reflects the positive effect of the administrative measure applied to the withholding tax tables in 2025, leading to a temporarily higher level of revenue in 2026, before returning to normal the following year[24] – and from the increase in other current revenue resulting from the rise in current transfers from the RRP to be received (+0.4 p.p. of GDP), as well as the historical distribution of dividends to be made by CGD. It should also be noted that in 2026 and thereafter, general government revenue remains influenced by the fact that a different value and implementation profile for the RRP are assumed from those set out in the fiscal planning documents published by the Government, with an implementation rate of 80% of the total amount of RRP grants being taken into account.

For 2027, the reduction in RRP transfers and the phasing out of temporary effects on PIT account for most of the projected decline in the government revenue ratio. This decrease of -1.7 percentage points of GDP compared with 2026 results mainly from the reduction in the share of: i) tax revenue (-0.9 percentage points), reflecting the end of the impact of the administrative measure applied to PIT withholding tax in 2025 and the consequent normalisation of refunds and collection notices for this tax; ii) capital revenue (–0.3 p.p.), due to the decrease in amounts received under the RRP (–0.7 p.p. of GDP); and iii) other current revenue (-0.4 p.p.), also affected by the

[24]This effect was previously flagged and explained by the CFP in the Economic and Fiscal Outlook Report 2025–2029 (Update).

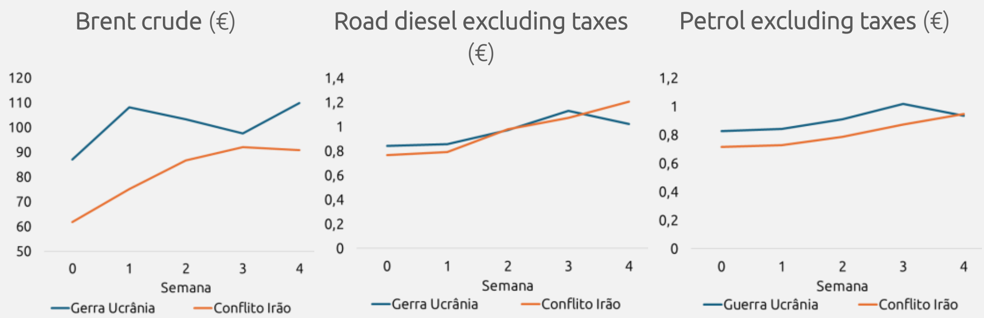
reduction in transfers associated with this Plan (-0.4 p.p. of GDP), as well as by the expectation of lower dividends to be distributed by CGD.

After 2027, the ratio of public revenue to GDP is expected to continue its downward trend until the end of the projection horizon. In 2028, the revenue-to-GDP ratio is expected to fall to 41.6% (-0.8 p.p. of GDP), reflecting mainly the end of transfers associated with the RRP (-0.4 p.p. of GDP) and the decline in the share of revenue from direct taxes (-0.2 p.p. of GDP). The latter continues to reflect the impact of policy measures and other projected effects on PIT and CIT (Table 11 andTable 12). In the final two years of the projection, a further reduction of 1.1 percentage points of GDP in the share of public revenue is forecast, with this share expected to reach 40.4% of GDP in 2030 (Table 3). This trend reflects, above all, the decline in the share of tax and social security revenue (–0.7 p.p. of GDP), resulting from the lower contribution of direct taxes, due to the gradual reduction in the CIT rate, as well as the effects on PIT associated with the mechanism for updating the specific deduction in line with the evolution of the minimum wage and the automatic adjustment of tax brackets. During this period, the share of social contributions in GDP is also projected to fall as a result of expected wage growth being lower than that of nominal GDP. Alongside this trend, a decrease in capital revenue (-0.3 percentage points of GDP) is also anticipated, explained by the reduction in the volume of European funds estimated for 2030 associated with the completion of the PT2030.

Box 3 – Discount on the Tax on Petroleum and Energy Products (ISP) : from the War in Ukraine to the Conflict in Iran

The recent military conflict between the Israeli-American coalition and the Islamic Republic of Iran has caused a significant rise in the price of a barrel of oil on international markets, leading to higher fuel prices in Portugal. The observed trend shows parallels with the most recent episode of an energy crisis: the Russian Federation's invasion of Ukraine in February 2022.

6 chart – Trends in the price of a barrel of Brent crude, road diesel and petrol in Portugal since the start of the conflicts



Source: DGEG and *Investing.com*. CFP calculations. | Note: The week immediately preceding the outbreak of both armed conflicts is taken as the starting point (week zero).

As on that occasion, the Government decided to introduce reductions in the ISP rates applicable to road diesel and petrol, with the aim of offsetting the increase in VAT revenue resulting from the rise in fuel prices[25] . This measure came into force when the price per litre of fuel exceeded the figure recorded in the week of 2 to 6 March by €0.10, effectively halting the trend of reducing ISP discounts that had been in place since the start of the war in Ukraine[26] .

At the time of writing this report[27] , the new discount applied since the beginning of March 2026 stood at €0.076/L for diesel and €0.041/L for petrol. If these figures remained unchanged until the end of 2026, it is estimated that the direct impact on ISP revenue would amount to -€361 million, to which would be added a further reduction of €83 million in VAT revenue, resulting from the application of this tax to the ISP. In total, the revenue reduction associated with this tax would thus amount to €444 million, a figure that would practically offset the estimated increase in VAT revenue resulting from the rise in fuel prices following the outbreak of the conflict in Iran (+€454 million). This near-correspondence confirms that the measure is in line with the fiscal neutrality objective set by the Government, ensuring that the State does not benefit from additional VAT gains arising from cyclical price increases in the context of an energy shock.

[25] Most recent decree as at the cut-off date for the information used in this report: Decree No. 123-A/2026/1 of 20 March.

[26] For further details on the trajectory of the reduction in previous discounts, see Box 1 – Estimate of the impact of the elimination of the current discount on the Tax on Petroleum and Energy Products (ISP) in the CFP's Analysis Report on the Draft State Budget for 2026.

[27] Information compiled using data available during the week of 23 to 27 March 2026.

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Table 4 – Estimate of the net effect of maintaining the ISP discount in response to the conflict in Iran until the end of 2026

Combustível	Preços				Efeito positivo na receita fiscal		Efeito negativo na receita fiscal			Efeito líquido na receita fiscal (M€)
					IVA		ISP		IVA	
	Introduções ao consumo projetadas (Kl, 9 meses)	Preço médio sem IVA, nem desconto adicional de ISP (€/litro na semana mais recente)	Preço médio sem IVA (€/litro na semana de 2 a 6 de março de 2026)	Diferencial de preço face à semana de 2 a 6 de março de 2026 (€/litro)	IVA adicional por litro (€)	IVA adicional total (M€, 9 meses)	Desconto desde o início do conflito no Irão (€/litro)	Perda de receita com a introdução do desconto adicional (M€, 9 meses)	Perda de receita com a introdução do desconto adicional (M€, 9 meses)	
Gasóleo Rodoviário	4 057 013	1,740	1,325	0,415	0,095	387	-0,076	-307	-71	10
Gasolina	1 327 141	1,604	1,384	0,219	0,050	67	-0,041	-54	-13	0
TOTAL	-	-	-	-	-	454	-	-361	-83	10

Source: AT, DGEG and CFP calculations. | Note: Assuming that the rebates shown in the table remain in place until the end of 2026 and that consumption remains static compared with the same months of the previous year.

It is important to note, however, that these new discounts are in addition to those that have remained in force since the outbreak of the war in Ukraine and which had not yet been fully phased out. Indeed, even in the absence of new discounts related to the conflict in Iran, simply maintaining the remaining discount relating to Ukraine would already provide, for 2026 as a whole, tax relief of €693 million via the ISP and €159 million via the VAT levied on that tax. These amounts would far exceed the expected increase in VAT revenue (+€65 million) resulting from price rises between the time of the Russian invasion of Ukraine in February 2022 and the week of 2–6 March 2026 (the last week without the effect of the Iran conflict on prices). In this context, and in light of the available data, there appeared to be no longer, at that time, any fiscal justification for maintaining the neutralisation of the increase in VAT revenue through additional ISP rebates. In this regard, it should be noted that the European Commission has, in recent years, been recommending the gradual and complete phasing out of these temporary fiscal mitigation mechanisms.[28]

Table 5 – Estimate of the net effect of maintaining the ISP discount in response to the conflict in Ukraine on the 2026 aggregate

Combustível	Preços				Efeito positivo na receita fiscal		Efeito negativo na receita fiscal			Efeito líquido na receita fiscal (M€)
					IVA		ISP		IVA	
	Introduções ao consumo projetadas (Kl, 12 meses)	Preço médio sem IVA, nem qualquer desconto de ISP (€/litro na semana 2 a 6 de março de 2026)	Preço médio sem IVA (€/litro na semana 21 a 25 de fevereiro de 2022)	Diferencial de preço face à semana de 21 a 25 de fevereiro de 2022 (€/litro)	IVA adicional por litro (€)	IVA adicional total (M€, 12 meses)	Desconto acumulado desde 2022 (€/litro)	Perda de receita com a vigência do desconto (M€, 12 meses)	Perda de receita com a vigência do desconto (M€, 12 meses)	
Gasóleo Rodoviário	5 318 576	1,417	1,373	0,045	0,010	55	-0,093	-492	-113	-551
Gasolina	1 732 396	1,500	1,474	0,026	0,006	10	-0,116	-201	-46	-236
TOTAL	-	-	-	-	-	65	-	-693	-159	-787

Source: AT, DGEG and CFP calculations. | Note: Assuming that the discounts shown in the table remain in place until the end of 2026 and that consumption figures for the months of 2026 not yet observed remain unchanged compared with the same months of the previous year.

Considering the cumulative level of discounts applied in response to both conflicts (Ukraine and Iran) – €0.168/L on diesel and €0.157/L on petrol – it is estimated that, for 2026 as a whole, the potential increase in VAT resulting from higher prices since the start of the energy crisis in 2022 (+€519 million) will be largely offset by revenue losses associated with the ISP (-€1,054 million) and by the reduction in VAT levied on that tax (-€242 million). Consequently, it is estimated that the net tax saving for economic agents will amount to €777 million this year, given that the cumulative ISP rebates currently in force continue to more than offset the excess VAT, when compared with the price level existing prior to the outbreak of the 2022 energy crisis.

Table 6 – Net effect of maintaining the ISP discount in the 2026 aggregate (estimate of the cumulative discount in the Ukraine and Iran conflicts)

Combustível	Efeito positivo na receita fiscal	Efeito negativo na receita fiscal		Efeito líquido na receita fiscal (M€)
	IVA	ISP	IVA	
	IVA adicional resultante do nível de preços superior aos observados antes dos atuais conflitos armados (M€)	Perda de receita resultante dos descontos de ISP acumulados desde o início da Guerra na Ucrânia (M€)	Perda de receita resultante dos descontos de ISP acumulados desde o início da Guerra na Ucrânia (M€)	
Gasóleo Rodoviário	442	-799	-184	-541
Gasolina	77	-255	-59	-236
TOTAL	519	-1 054	-242	-777

Source: AT, DGEG and CFP calculations. | Note: Assuming that the rebates shown in the table remain in place until the end of 2026 and that consumption figures for the months of 2026 not yet observed remain unchanged compared with the same months of the previous year.

Expenditure

In 2026, public expenditure as a percentage of GDP is expected to reach its highest level over the projection horizon, largely due to the more significant implementation of the RRP. The current forecast indicates that public expenditure will reach 44% of GDP in 2026, 1.3 percentage points of GDP higher than in 2025. This increase in the ratio, which will occur for the third consecutive year, is significantly higher than that recorded in 2024 and 2025 (0.3 percentage points of GDP in each of those years), and is driven by the expected rise in the share of GFCF and 'subsidies and other current expenditure' (+0.5 percentage points of GDP in both cases) and, to a lesser extent, intermediate consumption (+0.2 percentage points of GDP). The increases in these items are largely due to the acceleration of expenditure financed by the RRP, which is expected to contribute 0.6 percentage points of GDP to the aforementioned increase in public expenditure in 2026.[29] Within the scope of primary current expenditure, note is also taken of the estimated increase in Portugal's financial contribution to the EU (+0.2 p.p. of GDP), with an impact on other current expenditure, and the extraordinary support directed at various sectors to mitigate the rise in energy costs following the conflict in Iran, with a one-off effect on expenditure on subsidies of

[28] As reported here.

[29] The deadline for completing the implementation of the RRP's milestones and targets is 31 August 2026; expenditure under that Plan is estimated to reach 1.8% of GDP this year, 0.6 percentage points higher than in 2025. In 2026, RRP expenditure financed by grants (with no impact on the fiscal balance) is expected to amount to 1.4% of GDP (0.4 percentage points of GDP higher than in 2025), whilst expenditure financed by the loan component (with a negative impact on the balance) is expected to total 0.4% of GDP (0.1 percentage points higher than in 2025).

0.1% of GDP in 2026 (Table 11 , in annex). Finally, *one-off* effects are estimated at 0.3 percentage points of GDP in 2026 (Table 13 , in the annex), with particular emphasis on the exceptional support measures adopted in the wake of Storm 'Kristin', which have a greater impact on capital expenditure.

By 2027, the upward trend in the public expenditure ratio is expected to turn, mainly due to the reduced impact of the RRP. The increase in the ratio estimated for 2026 is expected to be almost entirely offset in 2027, with a projected reduction of 1.2 percentage points of GDP, to 42.7% of GDP. Contributing to this reduction are current primary expenditure and capital expenditure, each decreasing by 0.7 percentage points of GDP, whilst interest charges are expected to increase by 0.1 percentage points of GDP. This trend in public expenditure is strongly influenced by the end of the RRP, with expenditure under that Plan estimated to decrease by 1.3 percentage points of GDP in 2027, of which 0.9 percentage points of GDP relates to capital expenditure and 0.4 percentage points of GDP to primary current expenditure.[30] Excluding the dissipation effect of the RRP, public expenditure would increase by 0.1 percentage points of GDP in 2027, to which capital expenditure (+0.2 percentage points of GDP) and interest payments (+0.1 percentage points of GDP) would contribute. This increase in capital expenditure, linked to PT2030, would occur despite the base effect of *one-off measures* in 2026 implying a reduction of 0.3 percentage points of GDP in this aggregate in 2027, mainly due to the discontinuation of the exceptional support measures adopted in the wake of Storm 'Kristin'.

From 2028 onwards, the decline in the share of public expenditure is expected to be less pronounced. In 2028, the reduction is projected to be 0.6 percentage points of GDP, bringing the figure to 42.2% of GDP (Table 3). However, excluding the base effect of the RRP,[31] the share of public expenditure would stabilise in 2028. In the 2029–2030 period, public expenditure is expected to record an average annual reduction of 0.4 percentage points of GDP, settling at 41.5% of GDP in the final year of the projection. Of particular note is the estimated reduction in the primary current expenditure ratio (-0.3 percentage points of GDP in 2029 and -0.2 percentage points of GDP in 2030), to which expenditure on personnel and social benefits will contribute; these are highly inelastic items that are expected to record nominal growth below that of GDP during this period. Also noteworthy is the decrease in capital expenditure in 2030 (-0.3 percentage points of GDP), associated with the end of the PT2030. Interest charges are expected to stabilise at 2.2% of GDP by the end of the projection horizon.

In summary, the public expenditure ratio is projected to follow a downward trajectory over the next four years, largely driven by the dissipation of the RRP effect. Following the estimated increase of 1.3 percentage points of GDP for the current year, a cumulative reduction of 2.5 percentage points of GDP is projected for the period

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[30] In 2027, based on information from the 'Recover Portugal' Task Force, it is estimated that expenditure financed by RRP loans will have a negative impact of 0.1% of GDP on the fiscal balance (-0.3 percentage points of GDP compared to 2026).

[31] In 2028, there will no longer be any expenditure under the RRP, which in itself will imply a reduction of 0.6 percentage points of GDP compared to 2027, of which 0.4 percentage points of GDP relates to capital expenditure.

2027–2030, of which 1.8 percentage points of GDP is due to the dissipation of the RRP's impact. Excluding the RRP, public expenditure would increase by 0.1 percentage points of GDP over the 2025–2030 period, due to the combined effect of increases in interest charges (0.3 percentage points of GDP) and capital expenditure (0.1 percentage points of GDP) and a e reduction in primary current expenditure (-0.4 percentage points of GDP, of which -0.2 percentage points of GDP in intermediate consumption and -0.2 percentage points in social benefits).[32]

Net expenditure

The new fiscal outlook projects stronger growth in net expenditure than that presented in September. This is a composite indicator that takes into account the trend in part of primary expenditure and the discretionary trend in tax revenue. It constitutes the main operational indicator set out in the new European Economic Governance Framework, on which the commitment made by the Portuguese State in the MTP, approved by the Council of the European Union, was based. The updated projection for net expenditure maintains a trajectory above the commitment made by the Portuguese State, anticipating higher growth in this indicator in 2026 to 6.9% (6.2% in the September 2025 Economic and Fiscal Outlook) and projecting further growth in subsequent years (Chart 7). This revision is mainly driven by the greater impact of fiscal measures that reduce revenue. Among these measures, the following stand out: the approval of a gradual reduction of 1 percentage point per year in the CIT rate until 2028,[33] the reduction in PIT rates for 2026, as well as the housing package approved at the beginning of this year. (Table 17 attached).

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[32] Social benefits (as well as staff costs) are expected to increase in absolute terms over the projection period. However, it is estimated that over the next four years the nominal growth of these highly inelastic items will be lower than that of nominal GDP.

[33]Law No. 64/2025 of 7 November stipulates that the standard CIT rate will be reduced in stages, by one percentage point per year, until it reaches 17% in 2028, with this fiscal effect being reflected in 2029.

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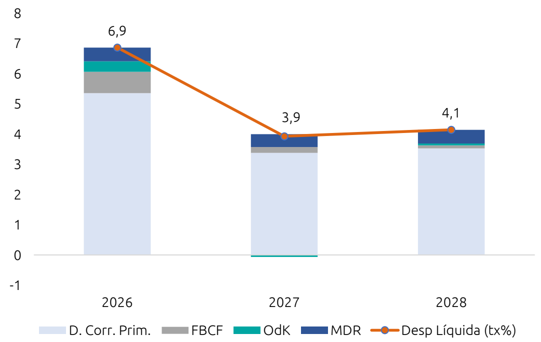
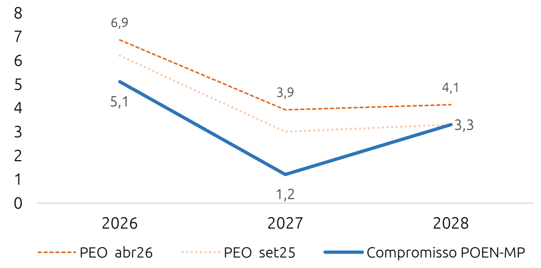
Chart 7 – Net expenditure 2026–2028
(in % and p.p.)

Contributions to annual growth (change, %)



Annual growth and commitment undertaken by the Portuguese State in the POEN-MP approved by the Council of the European Union (%)



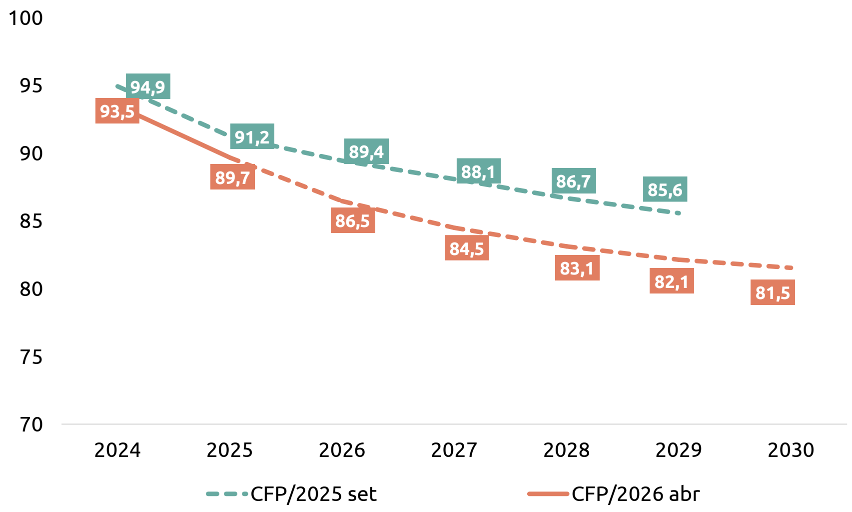
Source: INE, CFP calculations and projections. | Note: (i) D. Corr. Prim. – primary current expenditure; (ii) Odk – other capital expenditure; and (iii) MDR – discretionary revenue measures. A positive contribution from the latter reflects revenue-reducing measures, almost all of which are of a fiscal nature, which increase net expenditure and consequently its growth rate. National expenditure subject to co-financing by programmes funded by the European Union and expenditure relating to Union programmes entirely covered by revenue from Union funds for 2025 correspond to the INE estimate calculated as part of the first notification of the EDP in March 2026. As this is an initial report, this figure may be revised. For the remain e time horizon, the CFP has used, as *a proxy* for co-financing by programmes funded by the European Union, the percentage of co-financing of these programmes in total expenditure funded by European Union funds, taking 2025 as the reference year.

3.3 Outlook for public debt

The CFP's projection indicates that public debt is expected to continue on a downward trajectory, standing at 81.5% of GDP in 2030, corresponding to a decrease of 8.1 percentage points of GDP over the next five years. This trajectory benefits significantly from a better starting point in 2024, due to the incorporation of data from the Quarterly National Accounts for the fourth quarter of 2025, published by INE, which reduced the 2024 debt ratio by 1.4 percentage points of GDP.[34]

[34] For 2024, the upward revision of nominal GDP by INE stood at €4.6 billion, whilst debt was revised upwards by €179 million.

Chart 15 – Public debt trends (as a % of GDP)



Sources: INE and BdP. CFP calculations and projections.

The pace of debt reduction gradually slows over the projection horizon. The contribution of the primary balance deteriorates (from -2.1 p.p. in 2026 to -1.2 p.p. in 2030), as does the contribution of the stock-flow effect, which becomes progressively less significant (from -1.7 p.p. in 2026 to -0.6 p.p. in 2030), as real growth slows and inflation converges towards lower levels (and the debt-to-GDP ratio itself declines). Should this projection be confirmed – although it is subject to particular uncertainty given the current geopolitical climate – the price effect, one of the most significant factors in the favourable debt dynamics of recent years, will have a more moderate impact in the future, making it essential to maintain positive primary balances to sustain the continued reduction in the debt-to-GDP ratio. The deficit-debt adjustment has an adverse impact of 1.2 percentage points per year, on average. In this regard, it is important to highlight the inclusion in this projection of the favourable impact of the sale of Novo Banco, scheduled for 2026, insofar as the partial recovery of funds previously injected into the bank by the public sector results in a reduction in the debt *stock* without affecting the fiscal balance, leading to an improvement in the deficit-debt adjustment this year.[35]

[35] For further details, please refer to the Government's press release.

Table 7 – Contributions to the evolution of Maastricht debt (as a percentage of GDP)

	Projeção CFP						Impacto acumulado
	2025	2026	2027	2028	2029	2030	2025/2030
Dívida Pública	89,7	86,5	84,5	83,1	82,1	81,5	-8,1
Variação do rácio da dívida	-3,8	-3,2	-2,0	-1,4	-1,0	-0,6	-8,1
Efeito saldo primário	-2,6	-2,1	-1,7	-1,5	-1,5	-1,2	-8,0
Efeito dinâmico (bola de neve)	-3,2	-1,7	-1,6	-1,1	-0,8	-0,6	-5,9
- efeito juros	1,9	2,0	2,1	2,2	2,2	2,2	10,7
- efeito crescimento	-5,2	-3,7	-3,7	-3,2	-3,0	-2,9	-16,5
ef. Preço	-3,5	-2,3	-2,2	-1,9	-1,7	-1,6	-9,6
ef. crescimento real	-1,7	-1,4	-1,5	-1,4	-1,4	-1,3	-7,0
Ajust. défice-dívida	2,0	0,6	1,4	1,2	1,3	1,3	5,8
por memória:							
Taxa de juro implícita (%)	*2,2*	*2,3*	*2,5*	*2,7*	*2,8*	*2,8*	0,6

Sources: INE and BdP. CFP calculations and projections. Note: the sum of the interest effect and the growth effect corresponds to the dynamic effect of debt, also known as the snowball effect. For the decomposition of the nominal growth effect, the CFP followed equation 26 from the publication *A Practical Guide to Public Debt Dynamics, Fiscal Sustainability, and Cyclical Adjustment of Budgetary Aggregates; by Julio Escolano; IMF Fiscal Affairs Department; IMF Technical Notes and Manuals TNM/10/02; 27 January 2010.*

Financing conditions

Following a period of stability, the intensification of geopolitical tensions led to **a deterioration in financing conditions.** The escalation of the conflict in the Middle East altered the prevailing environment in the second half of 2025, when German government bond yields fluctuated around 2.6%–2.9% (**Erro! A origem da referência não foi encontrada.** , left-hand panel). Rising oil prices and worsening inflationary prospects led to a significant increase in Bund *yields*, exceeding 3% for 10-year maturities and reaching their highest levels since May 2011. This trend reflects, at the same time, the effects of the German government's increased financing needs, already anticipated for 2025.

Against this backdrop of increased pressure on euro area benchmark interest rates, Portuguese debt has shown resilience. At the end of March 2026, the interest rate on 10-year Treasury bonds stood at around 3.6%, with a historically narrow spread against Germany (around 40 basis points in the first quarter of 2026), reflecting investor confidence in the country's sovereign risk. The maintenance of a narrow spread, even against a backdrop of greater volatility in debt markets, signals Portugal's enhanced credibility with financial markets, underpinned by the fiscal trajectory and the gradual reduction in the public debt ratio.

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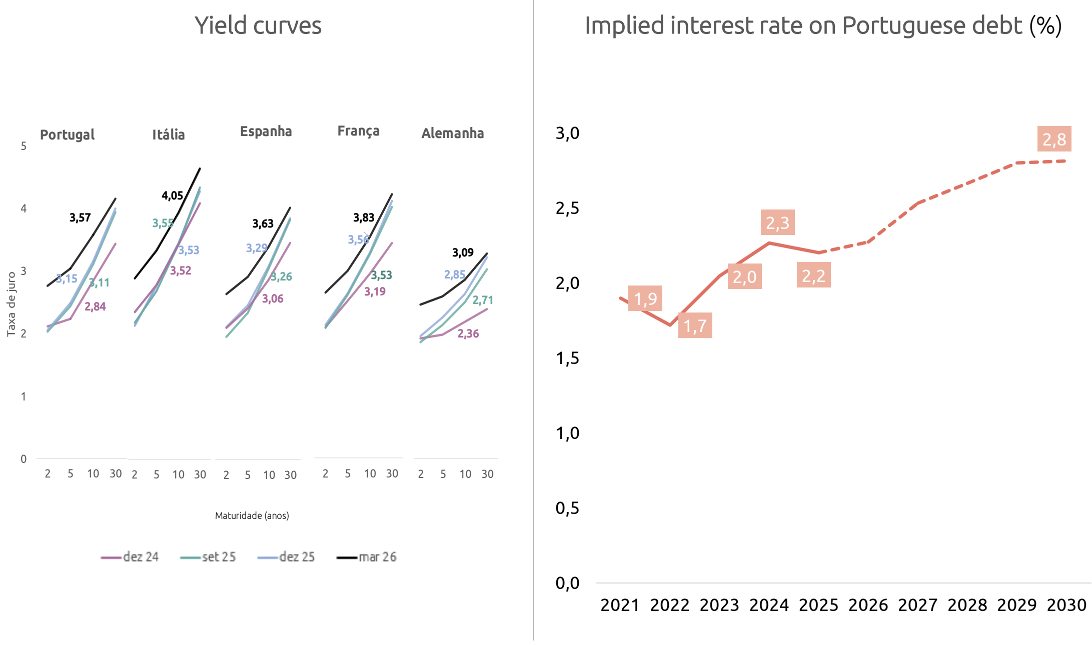
Chart 16 – Interest rates on the debt of selected Member States (in %)

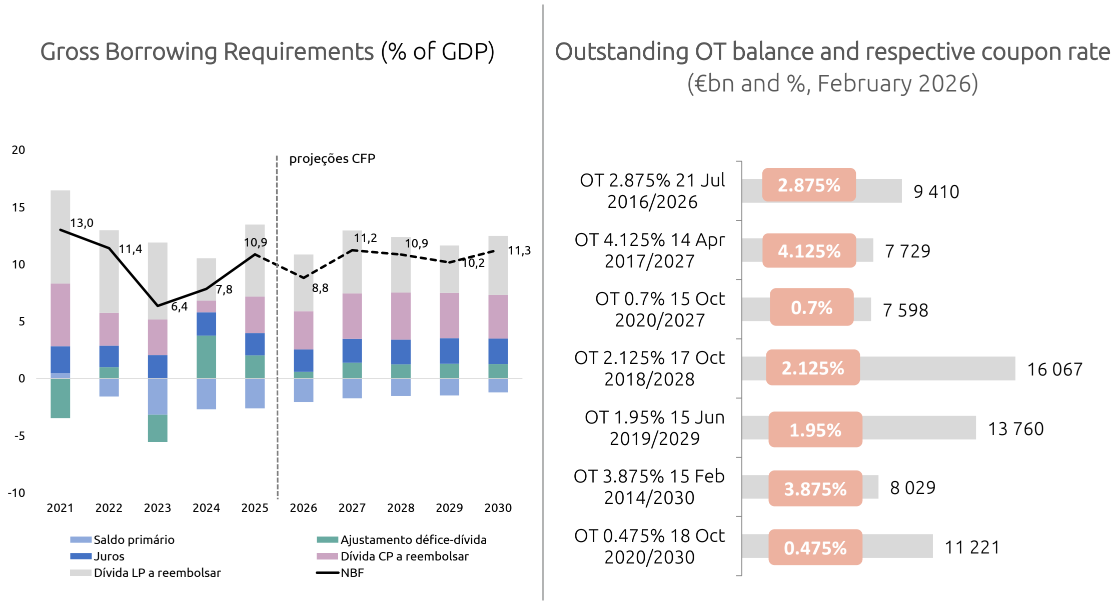


Source: Bloomberg. CFP calculations. | Notes (Left-hand chart): End-of-month data. The data labels shown in the chart correspond to interest rates on 10-year bonds.

These international dynamics lead to the assumption of higher interest rates compared with the previous year. The future course of the conflict and its impact on energy prices entail high uncertainty. Thus, it is assumed that the implicit interest rate on public debt is likely to follow an upward trajectory, albeit only a gradual one, over the projection horizon. Calculated as the ratio of annual interest payments to the previous year's debt *stock*, it is estimated to rise from 2.2% in 2025 to 2.8% in 2030 (Erro! A origem da referência não foi encontrada. , right-hand panel). This trend results, in part, from the fact that the interest rate on new issues remains above the coupon rate of Treasury bonds that are being redeemed over the period, a dynamic that intensifies with the rise in *yields* observed in early 2026 (Erro! A origem da referência não foi encontrada. , right-hand panel).

The government's gross borrowing requirements are expected to remain moderate. Gross borrowing requirements consist of three main components: the general government balance (including interest payments), short- and long-term debt repayments, and deficit-debt adjustments. As a flow variable, gross borrowing requirements primarily provide information on liquidity and refinancing risks in the short and medium term (Erro! A origem da referência não foi encontrada. , left-hand panel). For Portugal, it is projected that, following a reduction in 2026, these will rise again, reflecting the growth in interest expenditure and the higher volume of debt to be repaid. Nevertheless, part of this debt may be subject to early buy-back operations, easing the repayment profile over time.

Chart 17 – financing conditions for the State



Sources: INE and IGCP. CFP calculations and projections. | Notes: CEDIC/CEDIM and savings products have been excluded. NBF = Gross Borrowing Requirements; CP = Short-term; LP = Long-term; OT = Treasury Bond.

In a scenario where financing costs rise by 50 basis points per year, the implicit interest rate on the debt would increase to 3.3% in 2030. Given the key assumptions regarding the evolution of public debt, the sensitivity analysis suggests that a rise (fall) in medium- or long-term financing costs of 50 basis points in 2026–2030, representing a maximum (minimum) 10-year *yield* over the projection horizon of 6.5% (1.5%), would lead to an increase (decrease) in the implicit interest rate to 3.3% (2.4%) at the end of the projection horizon in 2030, compared with 2.8% in the baseline scenario. This increase (decrease) in financing costs would result in a public debt-to-GDP ratio 1.1 percentage points (0.5 percentage points) higher (lower) than that projected in the CFP baseline scenario (81.5% of GDP). This impact is limited thanks to the relatively long maturity of the public debt *stock*, which in December had an average residual maturity of 7.3 years.

3.4 Key risks and factors not considered in the fiscal scenario under unchanged policies

The CFP's projection does not take into account certain factors that could influence the fiscal trajectory, such as:

(i) Additional allocation of defence expenditure, enabling the intermediate target of at least 3% of GDP by 2029 (under the NATO definition) to be met, in order to fulfil the commitment to allocate 5% of GDP to national defence by 2035 (Box

4).[36] Part of this effort is expected to be funded through the European SAFE financing programme. Although the National Defence Investment Plan has already been approved by the European Commission, with an allocation of €5.8 billion under SAFE to be implemented by 2030, the content of this Plan is not in the public domain, as negotiations on loan contracts and operational agreements are currently underway. The CFP's projections, both for the fiscal balance and public debt, do not incorporate the use of loans under SAFE (nor any other increase in defence expenditure), as the full timeline of disbursements and the amount of each tranche are not yet known, nor is the possible use of the 10-year grace period provided for in the loan conditions. Nor has support for Ukraine after 2025 been incorporated, as the 2026 State Budget report only indicates the support granted amounting to €193 million in 2024 and €200 million in 2025, making no mention of the year 2026;

(ii) The failure to include various measures to respond to adverse weather conditions whose impacts have not been quantified, namely direct social support for families in need or suffering from loss of income and the exemption from toll charges in the most affected areas, amongst others;

(iii) The failure to incorporate the multi-annual impact of the PTRR programme – Portugal Transformation, Recovery and Resilience, presented on 20 February 2026, for which there is currently no known estimate of its overall fiscal scale, the timing of expenditure or the associated sources of funding;

(iv) Any additional measures to mitigate the effects of the military conflict in the Middle East, beyond those announced up to the date of this report's finalisation. Under the already approved exceptional scheme for the application of the 'Solidarity Gas Cylinder' Extraordinary Support Regulation for the year 2026, the temporary increase in the subsidy to €25 per liquefied petroleum gas (LPG) cylinder, for a period of three months from 25 March 2026, was not considered, as the respective fiscal impact is unknown.

(v) Measures in the housing sector, in addition to those announced up to 26 March, the date of completion of this report;

(vi) The possible partial sale of the share capital of TAP, SA;

(vii) Some major public works for which there is no definitive knowledge of their potential impact on public finances (e.g. the new Lisbon airport, the high-speed rail line), as well as other public investments announced without an implementation timetable or clear identification of funding sources.

Fiscal risks are predominantly downside, notably those arising from the high uncertainty associated with the escalation of geopolitical tensions. The persistence of this adverse environment means that the possibility of adopting additional measures to mitigate the negative effect on the economy and household income cannot be ruled out. There is also a risk that the fiscal impact of the measures, including those related to adverse weather conditions, may differ from the figures assumed. The following additional fiscal risks with a potential adverse impact should also be noted:

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[36] Of which 3.5% of GDP is spent on strictly military expenditure (equipment and training) and 1.5% of GDP on dual-use investments, both civilian and military (cybersecurity, strategic readiness and resilience). According to NATO's 2025 Annual Report, Portugal's defence expenditure reached a provisional figure of 2% of GDP last year.

(i) The occurrence of new extreme weather events exacerbated by climate change;

(ii) The extension of the career review to other professional groups within the public administration;

(iii) A less favourable trend in social contributions, resulting from increasingly limited employment growth following changes in migration flows;

(iv) Failure to meet the deadlines for implementing investments financed by the RRP may entail additional costs to be borne by national funding sources;

(v) Contingent liabilities, such as public-private partnerships and public guarantees, notably those relating to the youth housing package and the guarantees associated with the credit lines operated by the Banco Português de Fomento (BPF), in particular those financed by the Financial Instrument for Innovation and Competitiveness (IFIC), as well as those created in the wake of Storm 'Kristin'[37] and, more recently, the line established to respond to the exceptional rise in fuel prices caused by the geopolitical crisis in the Middle East[38] ;

(vi) Increased expenditure on healthcare due to the ageing of the Portuguese population and technological development.

Conversely, there are upside risks that could lead to a more favourable fiscal trajectory than that projected by the CFP. These include, in particular: (i) potential support from the European Union to mitigate the fiscal costs of measures implemented by the Government in response to the storms; (ii) the proceeds to be obtained from the possible partial sale of the share capital of TAP, SA, which, although having no impact on the fiscal balance in national accounts as it constitutes revenue from financial assets, would contribute to a reduction in financing requirements and, consequently, in public debt; (iii) greater elasticity of tax revenue relative to its macroeconomic index; (iv) lower execution of public investment supported by domestic financing or by the RRP loan component; as well as (iv) lower interest charges, should the public debt scenario prove more favourable.

[37] Under the terms of Council of Ministers Resolution No. 17-B/2026 of 3 February, two credit lines were established: a credit line for recovery and reconstruction investment (€1 billion) and a liquidity credit line (€500 million), the latter having subsequently been increased to €1 billion. More recently, two new direct credit lines operated by the European Investment Bank were announced, aimed at supporting SMEs (€750 million) and infrastructure projects (€250 million), thereby bringing the total support through credit lines to €3 billion, of which €2 billion is backed by public guarantees.

[38] On 9 April, the Government approved the creation of the "Portugal Energy Resilience" facility, worth €600 million, to be operated by the BPF, aimed at supporting companies through loans where energy costs account for more than 20% of production costs, thereby helping to meet cash flow and working capital needs.

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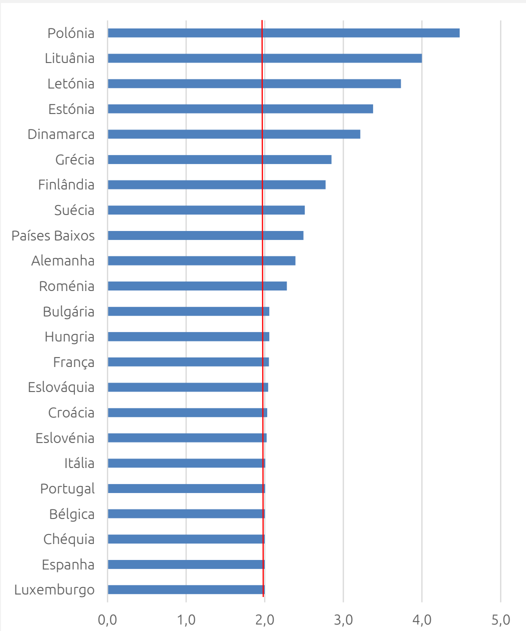
Box 3 – Increased defence spending: implications for public finances

The year 2025 was marked by an increase in defence spending among NATO allies. At the Wales Summit (2014), NATO members committed to spending at least 2% of GDP on defence, a target only reached in 2025. Last year, averag[39] n defence spending reached 2.3% of GDP, compared with an average of 1.4% between 2014 and 2019, and 1.7% between 2020 and 2024. At the Hague summit, held in June 2025, the allies agreed on a new target: 5% of GDP by 2035, divided between 3.5% on strictly military expenditure (equipment and training) and 1.5% of GDP on dual-use investments, both civilian and military (cybersecurity, readiness and strategic resilience).

The fiscal effort required to meet the new target is substantial, particularly for those countries that are furthest from the new target. In 2025, all EU countries belonging to NATO had reached the 2% of GDP target. With the new 5% target, the challenge is greater, given that this continued increase in military spending until 2035 will result in greater financing needs at a time when these countries' public finances are facing sustainability challenges: in its autumn 2025 forecasts, the European Commission anticipated budget deficits of 3% of GDP or higher for 11 Member States. Thus, the structural increase in defence spending[40] poses significant challenges to the conduct of fiscal policy, reinforcing the need to finance it through increased revenue or reductions in other expenditure.

Chart8– Defence expenditure in 2025 (% of GDP), NATO concept



Source: NATO and CFP calculations. The data for 2025 are still estimates.

[39] This refers to the average expenditure of NATO Europe and Canada. The same analysis for NATO as a whole would yield an estimate of 2.8% of GDP in 2025, compared with 2.4% of GDP in 2023.

[40] Defence expenditure is defined by NATO as payments made by a national government specifically to meet the needs of its armed forces, the Allies or the Alliance. It includes payments relating, amongst other things, to the procurement of equipment, research and development, personnel and pensions (military and civilian staff). It also includes expenditure on police forces and coastguards provided they are militarised and capable of operating under direct military authority.

In the short term, financing is likely to be provided mainly through the issuance of public debt. According to the *tax smoothing* theory, short-term shocks should be financed through borrowing, whilst structural increases would also require financing through tax revenue (Barro, 1979; Lucas and Stokey, 1983). In practice, historical evidence confirms that military increases over the last 150 years have typically been financed by debt and taxes, with cuts in other expenditure being the exception (Marzian and Trebesch (2025), as cited in Ilzetzki (2025)). A recent example is the constitutional reform approved in Germany in March 2025, which created a €500 billion fund for infrastructure and exempted defence spending above 1% of GDP from the debt brake.

The European Union has established a funding programme for defence investment, SAFE – *Security Action for Europe*. This new European instrument, designed to support defence investments and strengthen critical capabilities, innovation, and the defence industrial and technological base, provides loans to Member States for up to 45 years, with grace periods of up to 10 years. The loans are recorded as public debt, the interest is borne by national budgets, and the operating and maintenance costs of the equipment acquired extend over decades, also impacting public expenditure. Portugal had a provisional sum of approximately €5.8 billion approved for investment up to 2030, with the national strategy having been approved by the Council of Ministers in November 2025. The mobilisation of these resources took place, however, without a revision of the Military Programming Law,[41] raising questions about the strategic and multi-annual framework for this expenditure.[42]

In the case of Portugal, increasing defence spending to 3% of GDP by 2030 would result in a deterioration of the fiscal balance to around 2% of GDP. For this exercise, a linear convergence over five years was assumed, with an annual increase of 0.2 percentage points of GDP until defence spending reaches 3% in 2030.[43] Effects on economic activity are also not considered, given the uncertainty surrounding these estimates and the known imported content of capital expenditure, which substantially reduces its multiplier effect.[44] In terms of the direct effect on public finances, this increase is reflected entirely in primary expenditure, worsening the fiscal balance and public debt. Thus, based on these assumptions, the fiscal deficit in 2030 would be 1.1 percentage points of GDP higher than projected under unchanged policies, and the public debt ratio would worsen by 3.1 percentage points of GDP. A key factor relates to the debt trajectory – this exercise shows that the increase in this expenditure would result in a rise in debt between 2029 and 2030, reversing the downward trend observed over the horizon under unchanged policies.

[41] The Military Programming Law (LPM) is a medium- and long-term strategic planning instrument that establishes public investment in resources and equipment for the Armed Forces. This legislative instrument sets out the financial planning for the investments required for the modernisation, acquisition and maintenance of military capabilities.

[42] To put this topic into context: "How much are we actually going to spend on defence?".

[43] It is important to note that the NATO definition corresponds to a cash-based concept rather than national accounts, and is broader than the defence function in the functional classification of expenditure (COFOG). For a framework on this topic, see "How much do we actually spend on defence?".

[44] The effects on economic activity depend on the composition of expenditure — being much greater when directed towards R&D and European-produced equipment — and are not automatic, since current or predominantly imported expenditure generates substantially smaller multipliers. It should also be noted that, given that the NATO target is defined as a percentage of GDP, growth gains themselves raise the nominal expenditure required to meet it.

Table 8 – Estimated impact on the fiscal balance and public debt of meeting the NATO target of spending 3% of GDP on defence in 2030 (% of GDP)

	2025	2026	2027	2028	2029	2030
Saldo orçamental em políticas invariantes	0,7	0,1	-0,4	-0,6	-0,8	-1,0
Dívida pública em políticas invariantes	89,7	86,5	84,5	83,1	82,1	81,5
Impacto no saldo orçamental do adicional de despesa com defesa	0,0	-0,2	-0,4	-0,6	-0,9	-1,1
Impacto na dívida pública do adicional de despesa com defesa	0,0	0,2	0,6	1,2	2,1	3,1
Saldo orçamental inclui adicional de despesa com defesa	0,7	-0,1	-0,8	-1,3	-1,6	-2,1
Dívida pública inclui adicional de despesa com defesa	89,7	86,7	85,1	84,4	84,2	84,7

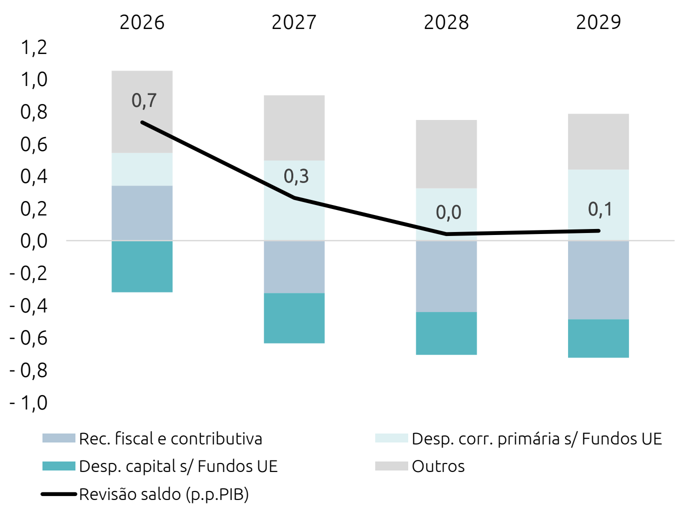
Source: CFP calculations.

The European Commission has proposed fiscal flexibility measures to accommodate the increase in expenditure. The coordinated activation of the national derogation clause (Article 26 of Regulation (EU) 2024/1263) allows for temporary deviations from the net expenditure trajectory, up to a maximum of 1.5% of GDP over four years, that is, until 2028, covering total defence expenditure (COFOG function 2). It is important to note, however, that this flexibility does not eliminate the impact on the fiscal balance and public debt, affecting their sustainability. The national derogation clause temporarily relaxes the fiscal rules, but does not eliminate the need to integrate the new level of expenditure into the fiscal frameworks when it expires, and the increase in debt may be reflected in the adjustment requirements of the next medium-term fiscal-structural plan.

3.5 Revisions compared to previous projections

The revision mainly reflects a more favourable starting point in 2025. Compared with the September 2025 Stability Programme, 2026 shows a more significant upward revision (0.7 percentage points of GDP), which is spread over the projection period as a result of the incorporation of new policy measures and the updating of the impact of previously considered measures and other permanent effects (Table9).

Chart 9 – Effects and contributions to the revision of the fiscal balance (p.p. of GDP)



Source: CFP projections and calculations. | Notes: 1. The comparison is made by excluding European funds with a neutral effect on the fiscal balance (grants). 2. In the chart, an increase (decrease) in revenue corresponds to a favourable (unfavourable) revision of the fiscal balance. Conversely, on the expenditure side, an increase (decrease) implies an unfavourable (favourable) revision of the balance.

For 2026, the deficit of 0.6% of GDP projected in September 2025 has been revised to a surplus of 0.1% of GDP. This is mainly due to *the* positive *carry-over* from 2025, which improves the balance by 0.7 percentage points of GDP. This effect is partially offset by expenditure measures associated with storms and the war (-0.4 p.p.), the impact of which is in turn more than offset by the upward revision of tax revenue (+0.5 p.p.), particularly in VAT and PIT (+0.4 p.p.) (Table9). On the other hand, other current revenue has been revised upwards, notably due to the update of higher dividends compared to the results presented by CGD for the year 2025.

Table9 – Impact on the trajectory resulting from the update of policy measures and other permanent effects

	Nível (M€)				Nível (p.p. do PIB)			
	2026	2027	2028	2029	2026	2027	2028	2029
Receita	713	-384	-874	-1 283	0,2	-0,1	-0,2	-0,3
IRS, das quais	774	-240	-329	-323	0,2	-0,1	-0,1	-0,1
Atualiz. autom. das ded. especif. de IRS pelo valor do IAS	-17	-28	-39	-44	0,0	0,0	0,0	0,0
Atualiz. autom. escalões (apenas componente da inflação)	-55	-93	-147	-184	0,0	0,0	0,0	0,0
Atualiz. autom. escalões (Produtiv. parte que excede inflação)	57	93	79	127	0,0	0,0	0,0	0,0
Atualização do Mínimo de Existência	135	135	135	135	0,0	0,0	0,0	0,0
Aum. das deduções com despesas de habitação (rendas)	0	-30	-41	-41	0,0	0,0	0,0	0,0
Pacote Habitação aprovado jan. 2026*		-295	-295	-295		-0,1	-0,1	-0,1
Retenç. fonte IRS 2025 (dif. da tx. atualiz. da inflaç.+ produtiv.)	293	293	293	293	0,1	0,1	0,1	0,1
IRC	124	-320	-721	-1 136	0,0	-0,1	-0,2	-0,3
Redução de 1 p.p. na taxa normal de IRC**		-444	-845	-1 260		-0,1	-0,2	-0,3
SIFIDE indireto (reversão)	124	124	124	124	0,0	0,0	0,0	0,0
ISP, das quais	-185	176	176	176	-0,1	0,1	0,0	0,0
Alteração ISP e atualização da taxa de carbono	176	176	176	176	0,1	0,1	0,1	0,0
Despesa, da qual	181	112	112	212	0,1	0,0	0,0	0,1
Encargos Plurian. da Linha Apoio à Reconstrução | RCM n.º 17-B/2026, de 3 de fev. (Anexo)	121	52	52	152	0,0	0,0	0,0	0,0
Saldo orçamental	532	-496	-986	-1 495	0,2	-0,1	-0,3	-0,4

Source: CFP projections and calculations. * Excludes increase in rent deduction for tenants under PIT, VAT on construction and the single rate of property transfer tax (IMT) for non-residents. ** Reduction of the standard CIT rate by 1 percentage point in 2026, 2027 and 2028 and of the reduced rate by 1 percentage point in 2026. Note: The revisions presented correspond to differences in level relative to the previous projection (i.e. differences in the projected trajectory) and should not be interpreted as direct budgetary impacts in each year.

There is a more favourable projection for interest charges and an upward revision of primary expenditure. The improvement in the interest projection compared with September 2025 results mainly from an upward revision of the primary balance (reflecting the *carry-over* effect from 2025 mentioned above). This effect more than offsets the upward revision of primary expenditure, resulting from a higher projection for capital expenditure. The exclusion of the company CP– Comboios de Portugal from the fiscal scope with effect from 2025 leads to a downward revision of current primary expenditure.

For 2027, the deficit projection is 0.3 percentage points of GDP lower than that anticipated in September 2025. This improved outcome stems mainly from the downward revision of interest expenditure, influenced once again by the aforementioned revision to the primary balance, which should offset the expected increase in financing costs assumed in the current projection.

From 2027 onwards, the projection incorporates progressively less favourable developments in tax and social security revenue, which are not fully offset by improvements in other current revenue. In addition to the impact of the updated macroeconomic scenario on tax bases, the following new policy measures are highlighted: i) the incorporation of a 1 percentage point reduction in the standard CIT rate in 2026, 2027 and 2028, and of 1 p.p. in the reduced CIT rate in 2026, with effects in the immediately following years (2027 to 2029)[45] ; and ii) the incorporation of the "Housing Package" into PIT. In addition, other permanent effects associated with PIT have been updated, resulting in a net negative effect on revenue from this tax compared to the outlook in September 2025 (Table9).

On the expenditure side, between 2027 and 2030, the more favourable trend in primary current expenditure more than offsets the upward revision in capital expenditure. The trajectory of primary current expenditure benefits from a lower share of personnel costs in GDP over the horizon, reflecting wage growth that is lower than that of nominal GDP. The upward revision in capital expenditure mainly reflects the base effect associated with the higher execution of investment funded by domestic sources in 2025, as well as GFCF financed by loans from the European Investment Bank, earmarked for housing, schools and other infrastructure. Finally, the revision to the trajectory of interest charges is favourable.

Box 4 - Fiscal Balance – Deviation from the CFP's fiscal projection for 2025

The fiscal projection is always influenced by the information available for the previous year. In this case, as already noted, the preliminary estimate in the March EDP of a surplus of 0.7% of GDP compares with the projection presented by the CFP in October last year of a fiscal surplus of 0.1% of GDP, which translates into a deviation of 0.6 percentage points of GDP.

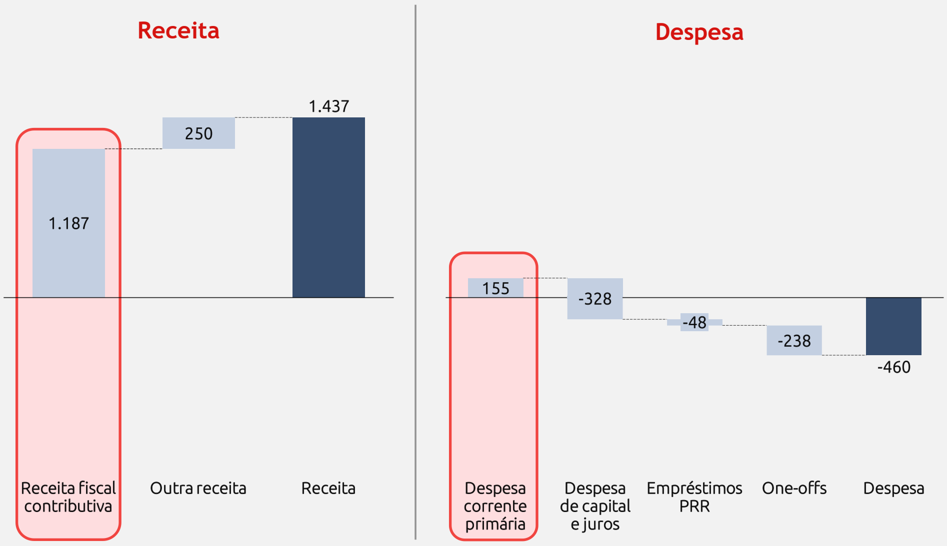
Transfers from the European Union do not affect the fiscal balance. For this reason, deviations in their projection have no impact on the balance and do not explain the difference between the projected and actual figures, although they do influence the level of expenditure and revenue. Consequently, the value of these EU transfers is excluded from the following analysis.

The underestimation of tax and social security revenue is the main factor explaining the deviation. This aggregate was €1,187 million (0.2% of GDP) higher than projected, a difference almost entirely accounted for by tax revenue (€1,060 million). Indirect taxes accounted for the largest share of the deviation (€603 million), whilst direct taxes were underestimated by €457 million (0.1 percentage points of GDP), mainly due to CIT. Social security contributions accounted for a residual deviation (€127 million). As a result, the tax burden increased by 0.3 percentage points of GDP to 35.3% in 2025, whereas the CFP had projected a stabilisation at 35.1% of GDP.

[45] In the September Budget Outlook, only the 1 percentage point reduction in the CIT rate applied to the 2025 financial year had been considered, with an effect on revenue in 2026, since the gradual reduction in the CIT rate until 2029 had not yet been approved by Parliament.

Actual primary current expenditure was virtually in line with the CFP's forecast, with a deviation of just €155 million above the projected figure. Excluding expenditure financed by EU transfers, total expenditure was €460 million below the forecast, mainly due to an overestimation of more volatile variables, in particular 'other capital expenditure' and interest charges – which, taken together, were €328 million below projections – and the non-materialisation of *one-off* operations announced by the Ministry of Finance (which would have reduced expenditure by €238 million).

Chart10– Aggregates contributing to the CFP's deviation in the balance in 2025 (excluding transfers from the European Union, €m)



Sources: INE. Calculations and October CFP projection, as part of the analysis of the 2026 State Budget. | Note: (i) For the purposes of graphical representation, the deviation is quantified as the difference between the actual figure calculated by INE and the CFP projection presented in October, which translates into a level of revenue higher than that estimated by the CFP and a level of expenditure lower than that anticipated by the CFP; **(ii) Tax and social security revenue** = Tax revenue + Social security contributions; **(iii) Other revenue** = Sales + Other current revenue + Capital revenue, excluding transfers from the European Union, which include RRP grants; **(iv) Primary current expenditure**, excluding RRP loans and excluding expenditure under this sub-aggregate financed by current transfers from the European Union, which includes expenditure incurred using RRP grants; **(v) Capital expenditure and interest**. Excludes expenditure on GFCF and "Other capital expenditure" financed by capital transfers from the European Union, which includes expenditure funded by RRP grants; excludes RRP loans and *one-off* operations.

Public debt was in line with projections. The CFP projected 89.9% of GDP, anticipating a ratio below the 90% threshold, with a ratio of 89.7% of GDP being recorded.

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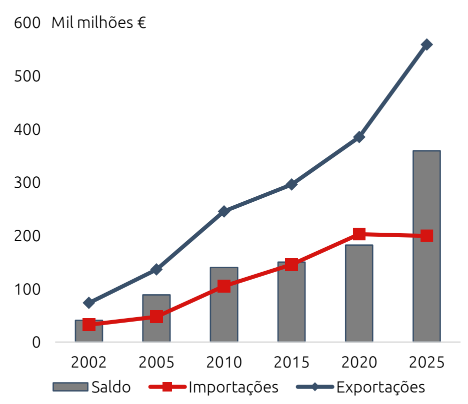
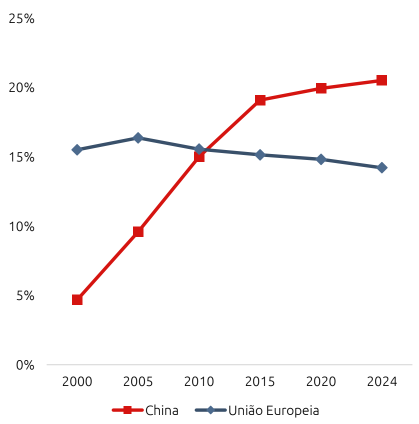
4. THEMATIC ANALYSES

4.1 The comparative advantages of Portuguese exports[46]

Concerns surrounding China's "industrial mercantilism" have gained prominence in the European political sphere. This debate has intensified as the trade relationship with the EU becomes more unbalanced (Chart 11) and the risk of deindustrialisation more evident. The root cause of China's significant balance of payments surpluses lies in the delay in the transition from an economic growth model based on investment to one anchored in domestic consumption.[47] Currently, all EU Member States have trade deficits with China, with Germany having seen a particularly marked turn in its trade balance.[48]

Chart 11 – China's growing dominance in international trade





Sources: Left-hand panel, Eurostat, CFP calculations; Right-hand panel, WTO Stats, CFP calculations. Note: Left-hand panel, China excluding Hong Kong; Right-hand panel, European Union corresponds to extra-EU exports.

Excess industrial capacity in the Chinese economy has been exacerbated by policies providing subsidies to boost production. This combination of factors has exerted downward pressure on the prices of manufactured goods in international markets, resulting in disruptions in some of the EU's key industrial sectors. The competitiveness of European producers is also hampered by the lack of a freely floating yuan exchange rate, a factor that has boosted the competitiveness of Chinese goods.[49] A recent analysis by the Fed found evidence of a systemic link,

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[46] Section authored by Luís Folque and João Leal.

[47] This is also linked to the lingering effects of the property crisis that began in late 2021.

[48] In part, the deterioration in the trade balances with China is driven by the EU's difficulties in offsetting the growth in imports with exports of high value-added services.

[49] According to the German Economic Institute (IW), the real exchange rate of the yuan against the euro, based on the producer price index, depreciated by approximately 30% between January 2020 and April 2025.

across different sectors, between state interventions in industrial policy and the evolution of China's exports and import substitution.[50] This phenomenon, linked to the increase in value added and the sophistication of competition from Chinese producers, is particularly evident in the automotive market, renewable energy technologies, and the chemical, steel and aluminium industries. The tariffs imposed by the US in 2025 have encouraged Chinese companies to redirect their exports.[51]

This scenario, referred to as 'the second China shock', differs from the first shock[52] in that the substantial increase in exports is now concentrated in higher-tech sectors. Between 2000 and 2024, the share of Chinese exports of non-energy industrial goods in the global total more than quadrupled (Chart 11). The impact of the current shock is increasingly viewed through the lens of economic security and, as such, the European Commission has stepped up its use of trade defence instruments to protect domestic industries from what it identifies as unfair and subsidised competition. Examples include the imposition of customs duties on electric vehicles and sector-specific investigations, notably into subsidies granted to Chinese tyre manufacturers, and the introduction of the Carbon Border Adjustment Mechanism. These measures form part of the Economic Security Strategy of June 2023, which focuses on reducing dependence and exposure to four types of risk: supply chain resilience, the physical and cyber security of critical infrastructure, technological security, and the exploitation of economic dependencies.

The degree of vulnerability of Portuguese exports to the 'Great Wall' of Chinese exports[53] can be approximated in the light of the concept of comparative advantages. Comparative advantages refer to a country's ability to produce certain goods or services at a relatively lower cost than other countries, not necessarily in absolute terms, but in terms of *opportunity cost*. According to classical international trade theory, even if a country is less efficient in the production of all goods, it can still benefit from international trade by specialising in what it is *relatively* more efficient at.

For this purpose, the index of revealed comparative advantages by exported product, provided by UNCTAD, is used. In its calculation, the share of a good in a country's exports is compared with the share of that same good in global exports, thereby revealing the relative specialisation of that economy in that good. In practical terms, we can say that an economy has a revealed comparative advantage in a sector when the index value is greater than 1. Although this indicator can provide a general indication of a country's comparative advantages in exports, its formula does not take into account other measures that affect competitiveness (tariffs, non-tariff barriers or subsidies).

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[50] de Soyres, F., Fisgin, E., Liu, M., & Van Leemput, E. (2026, March 2023). *China's trade dominance and the role of industrial policies. FEDS Notes. Board of Governors of the Federal Reserve System.*

[51] Le Roux, J., Spital, T. (2026). 'Global trade redirection: tracking the role of trade diversion from US tariffs in Chinese export developments'. ECB Economic Bulletin 1/2026.

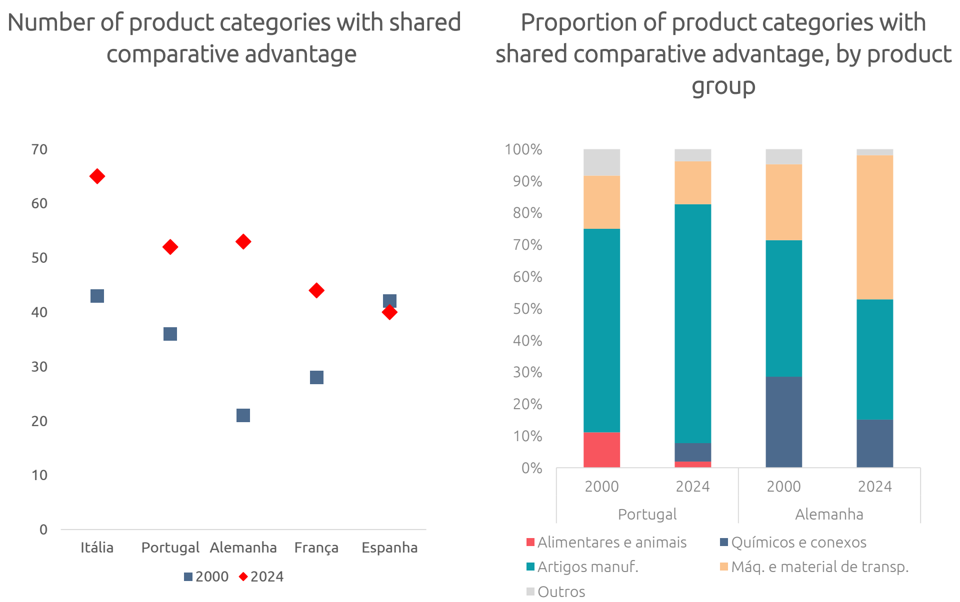
[52] Motivated by China's accession to the World Trade Organisation in 2001 and relying on cheap labour, in the initial phase Chinese private firms, in collaboration with multinationals, transformed China into the world's factory (e.g. textiles, footwear and electronic goods).

[53] The Great Wall of Chinese goods: The effect of tariff-induced re-routing on euro area consumer prices | CEPR.

Over the last 25 years, the number of product categories in which European and Chinese economies share specialisation has grown significantly.[54] This evidence of growing Chinese competition challenges the export-oriented European growth model. In the case of the Portuguese economy, the analysis shows that the number of products with shared specialisation rose from 36 in 2000 to 52 in 2024, whilst in the case of the German economy, this figure more than doubled, rising from 21 to 53 (**Erro! A origem da referência não foi encontrada.**). Among the Portuguese exports examined, around 75% belong to the manufactured goods group, evidence of the industrial nature of the Chinese economy. At the same time, it is clear that the growth of Chinese competition vis-à-vis the German economy is concentrated in the machinery and transport equipment group, which was not the case in 2000.

Among the product categories in which the Portuguese economy has the highest level of specialisation, those currently standing out are those related to cork, olive oil, leather, glass and paper. Since 2000, the number of products for which the Portuguese economy has a comparative advantage has grown from 75 to 102. During the period, the products with the greatest gains in competitiveness were cork, radio receivers, and meters and measuring instruments. Conversely, the products that suffered the greatest deterioration in competitiveness were textiles, footwear (two examples affected by the initial impact of China) and electrical power distribution equipment. By product group, the largest increases were observed in 'food products and live animals' and in manufactured goods. If we consider products with a revealed comparative advantage index above 3, the increase was 8, concentrated in manufactured goods (e.g. tyres).

Chart 22 – The rise in competition from Chinese exports



Source: UNCTAD; CFP calculations. Note: Left-hand panel: the chart shows the number of product categories for which the revealed comparative advantage index is greater than 1 for both the country and China. If both

[54] By standard classification for international trade.

economies specialise in the same product category, it is likely that exports of that product are competing directly with one another. There are 259 product categories.

Added to this structural shift in global trade is the economic policy of the US administration, with the rise in tariff barriers and the *normalisation* of uncertainty. A recent analysis by the Bank of Portugal found evidence of a contraction in the volume of exports to the US, in relative terms, as well as, in a broader sense, a reduction in the market shares of Portuguese exports in 2025, following the gains observed over the last decade. The reorientation of Portuguese exports towards other markets will present increased challenges given their profile of specialisation and differentiation. A possible response to these strategic challenges will lie in the opportunities created by a deepening of the European single market, in line with the recommendations of the Letta and Draghi Reports. The growth potential is significant, given that, according to the ECB, there are internal barriers that increase the costs of trading goods by 67% and the costs of trading services by 95% compared to domestic costs, compounded by barriers in the capital market – which is crucial for financing investment – and in digital services, which are fundamental to innovation and productivity.

4.2 The impact of demographic and educational changes on the evolution of the unemployment rate[55]

In recent decades, demographic trends have been a key structural determinant of labour market dynamics and macroeconomic performance. The ageing of the Portuguese population and the contraction of the working-age population have constrained labour supply, whilst continued increases in the labour force participation rate, particularly among women, have helped to offset this impact. In parallel, these changes in the age structure have been accompanied by significant changes in educational attainment, which also have implications for productivity and the economy's potential growth over the medium and long term.

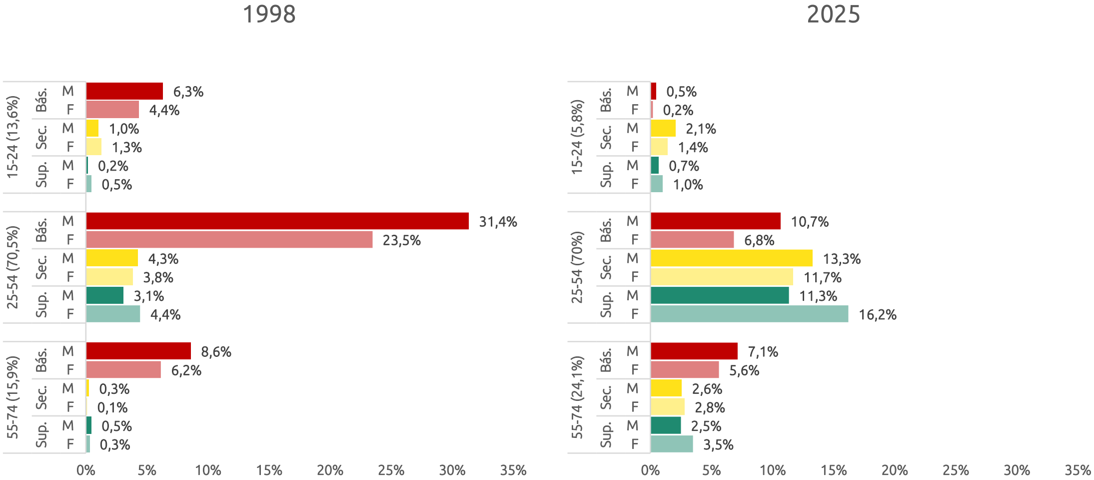
Over the last three decades, the employed population has become older, more skilled and more gender-balanced. Chart 12 illustrates these changes, comparing the proportions of the Portuguese working-age population by age group (15–24, 25–54 and 55–74 years), educational attainment (primary or lower, secondary and tertiary) and gender. It shows that over the last 27 years:

- the proportion of employees aged between 55 and 74 has increased by 8.2 percentage points, reaching 24.1% of the total, whilst the proportion of employees aged between 15 and 24 has fallen from 13.6% to 5.8%. In addition to the ageing of the employed population, this trend reflects the gradual increase in the retirement age and also the postponement of entry into the labour market, resulting from the extension of compulsory schooling and the decision by an increasing number of young people to pursue longer courses of study.
- The proportion of workers with primary education or below fell substantially, from 80.3% to 30.9%, whilst that of individuals with secondary and post-secondary education rose by 23 percentage points to 33.8%, and that of workers with tertiary education rose by 26.3 percentage points, reaching 35.2% of total employment.
- Women's participation in the labour market increased, with the female share rising by 4.8 percentage points to 49.3% between 1998 and 2025, approaching parity. On average, women have higher qualification levels than men across all age groups, a disparity that has widened during this period – for example, the proportion of male graduates increased by 10.8 percentage points to 14.5%, whilst that of female graduates rose by 15.5 percentage points to 20.7%.

[55] Section authored by Erica Marujo, Tiago Martins and João Leal.

This is an automatic translation that has not yet been reviewed. Only the Portuguese version is authentic.

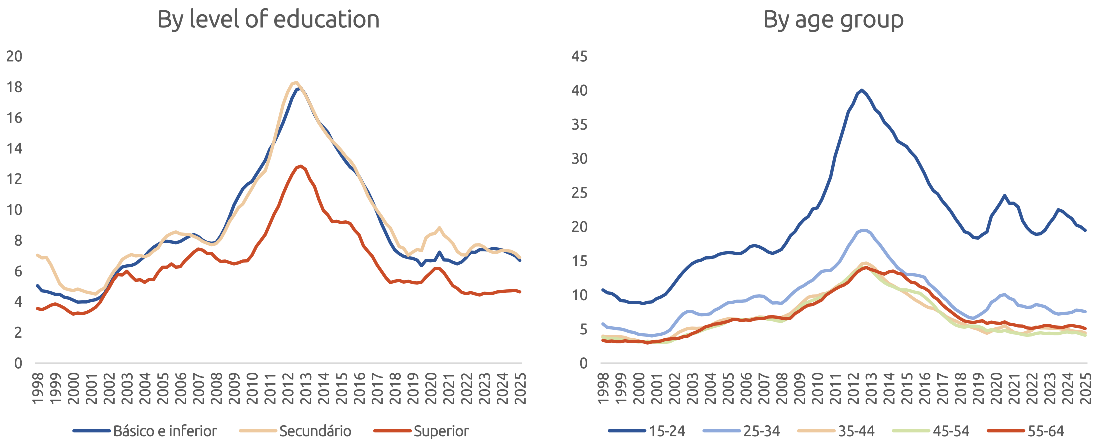
Chart 12 – Proportion of employment by age, level of education and gender (% of total employed population)



Source: Eurostat; CFP calculations.

As an older and more highly skilled workforce tends to have lower unemployment rates, these changes have helped to reduce the aggregate unemployment rate (Erro! A origem da referência não foi encontrada.). Since demographic changes lead to significant shifts in the composition of the labour force over time, and as different demographic groups respond differently to changes in macroeconomic conditions, quantifying the impact of these demographic changes is a major challenge when drawing up medium-term projections for the Portuguese economy. To this end, a counterfactual exercise was carried out, subdividing the labour force into 36 distinct demographic groups, by age group (15–24, 25–34, 35–44, 45–54, 55–64, and over 65), by educational attainment (primary and lower secondary, upper secondary and tertiary) and by gender. In this exercise, which follows the approach presented by Fang and Mohnen (2025), the aggregate unemployment rate was recalculated by keeping the proportions of each demographic group fixed at their 1998 levels, whilst allowing the unemployment rate for each demographic group to fluctuate as observed over time.

Chart 24 – Unemployment rate by educational attainment and age group

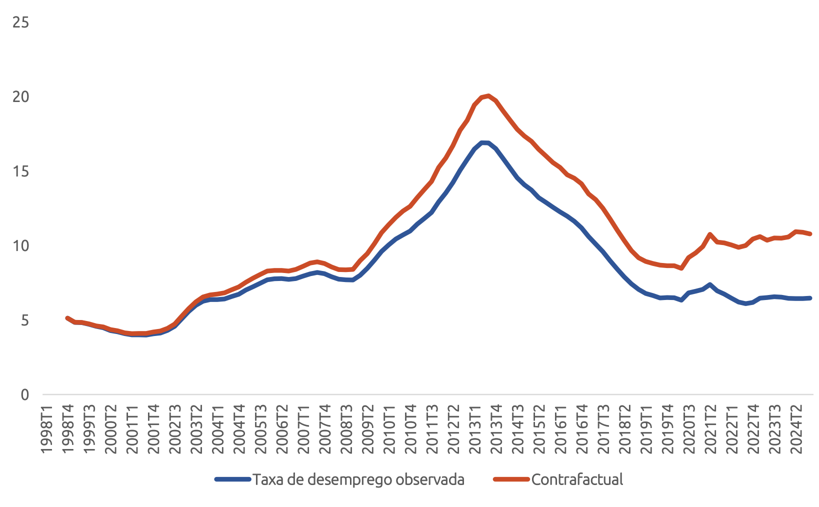


Sources: Eurostat; CFP calculations.

If the demographic structure had retained the characteristics observed in 1998, the current unemployment rate would be around 4 percentage points higher.Chart 13 compares the unemployment rate observed between the 4th quarter of 1998 and the 4th quarter of 2025 with the alternative unemployment rate, calculated in accordance with the methodology adopted in the counterfactual exercise. It follows that, had the demographic structure of the labour force remained constant over the last three decades, the unemployment rate in 2025 would have been 10.2% instead of 6%. Analysis of these differences (-4.2 p.p.) using Shapley value analysis suggests that over 53% of this differential can be attributed to changes in the population's educational attainment, followed by the impact of age-related changes, which accounts for approximately 47% of the difference.[56] The impact of the increase in the female participation rate is marginal but positive.

The exercise presented here is of a mechanical nature and should not be interpreted as a causal estimate. In reality, had the demographic structure and the level of qualifications remained unchanged, there would have been other adjustments, notably in terms of the participation rate, job-seeking behaviour, sectoral composition and wage formation. The same applies to population ageing, which, in the long term, could result in a decline in the labour force with broader economic consequences. Nevertheless, this exercise proves useful precisely because it allows us to distinguish to what extent the evolution of the aggregate unemployment rate reflects structural demographic trends or, conversely, cyclical variations in labour market performance across each of the subgroups that make up the labour force.

Chart 13 – Observed and counterfactual unemployment rate



Source: Eurostat; CFP calculations.

Demographic and educational changes are structural determinants of equilibrium unemployment, not cyclical factors. When the composition of the labour force changes – more young people, higher levels of education, fewer men or women in a given age group – the aggregate unemployment rate changes even if the economy is

[56] Until 2021, the impact of changes in the age structure was greater than that of changes in skill levels.

in equilibrium. In addition to these determinants, there are others, such as trade union bargaining power, labour market institutions, wage rigidity or the generosity of unemployment benefits, which the demographic exercise ignores by design. Furthermore, different groups have distinct cyclical sensitivities: young people and workers with low levels of education experience much more cyclically volatile unemployment – they are generally more vulnerable to redundancy – unlike workers aged between 35 and 54 with high levels of education, whose employment tends to be more secure.

5. APPENDIX

Table 10 – Incremental impact of policy measures and other effects
(change from the previous year in €m and as a percentage point of GDP)

	Projeção CFP									
	Variação em M€					Variação em p.p. do PIB				
	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030
Receita total	599	-2 512	-820	-752	-425	0,2	-0,8	-0,2	-0,2	-0,1
Receita corrente	599	-2 512	-820	-752	-425	0,2	-0,8	-0,2	-0,2	-0,1
Receita fiscal	599	-2 512	-820	-752	-425	0,2	-0,8	-0,2	-0,2	-0,1
Impostos indiretos	-20	361	0	0	0	0,0	0,1	0,0	0,0	0,0
Impostos diretos	619	-2 873	-820	-752	-425	0,2	-0,9	-0,2	-0,2	-0,1
Contribuições sociais	0	0	0	0	0	0,0	0,0	0,0	0,0	0,0
Vendas e out. receitas correntes	0	0	0	0	0	0,0	0,0	0,0	0,0	0,0
Receita de capital	0	0	0	0	0	0,0	0,0	0,0	0,0	0,0
Despesa primária	1 419	-1 163	150	-23	-33	0,4	-0,4	0,0	0,0	0,0
Despesa corrente primária	500	-312	150	7	0	0,1	-0,1	0,0	0,0	0,0
Consumo intermédio	6	-6	0	0	0	0,0	0,0	0,0	0,0	0,0
Despesa com pessoal	335	300	114	16	0	0,1	0,1	0,0	0,0	0,0
Prestações sociais	-248	0	0	0	0	-0,1	0,0	0,0	0,0	0,0
Subsídios e out. despesas correntes	408	-607	36	-9	0	0,1	-0,2	0,0	0,0	0,0
Despesa de capital	918	-851	0	-30	-33	0,3	-0,3	0,0	0,0	0,0
Saldo primário	-819	-1 349	-970	-729	-392	-0,3	-0,4	-0,3	-0,2	-0,1
Juros	0	0	0	0	0	0,0	0,0	0,0	0,0	0,0
Despesa total	1 419	-1 163	150	-23	-33	0,4	-0,4	0,0	0,0	0,0
Saldo orçamental	-819	-1 349	-970	-729	-392	-0,3	-0,4	-0,3	-0,2	-0,1
Por memória:										
Variação do saldo, decorrente de:										
Medidas de política	-882	-383	-746	-566	-252	-0,3	-0,1	-0,2	-0,1	-0,1
Outros efeitos	932	-2 052	-224	-164	-140	0,3	-0,6	-0,1	0,0	0,0
One-offs	-869	1 087	0	0	0	-0,3	0,3	0,0	0,0	0,0

Source: MF. CFP calculations. | Notes: the figures reflect the change compared to the previous year: for example, it is estimated that in 2027 economic policy measures will result in a €2,873 million reduction in indirect taxes and a €300 million increase in personnel expenditure compared to 2026; the main economic policy measures and other effects considered in the CFP's projection are identified inTable 11 and inTable 12 , attached.

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Table 11 – Incremental impact of the policy measures included in the CFP projection
(change on the previous year, by measure, in € million and as a percentage point of GDP)

Designação	Variação em M€					Variação em p.p. do PIB				
	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030
Receita	**-542**	**-536**	**-596**	**-559**	**-252**	**-0,2**	**-0,2**	**-0,2**	**-0,1**	**-0,1**
Receita corrente	**-542**	**-536**	**-596**	**-559**	**-252**	**-0,2**	**-0,2**	**-0,2**	**-0,1**	**-0,1**
Receita fiscal	-542	-536	-596	-559	-252	-0,2	-0,2	-0,2	-0,1	-0,1
Impostos indiretos	-20	361				0,0	0,1			
Alteração ISP e atualização da taxa de carbono	176					0,1				
Desconto ISP Temporário - Conflito Irão (9 meses)	-361	361				-0,1	0,1			
Fim da isenção biocombustíveis (Reversão)	100					0,0				
Taxa única de IMT para não residentes	65					0,0				
Impostos diretos	-522	-897	-596	-559	-252	-0,2	-0,3	-0,2	-0,1	-0,1
Atualização automática das deduções específicas de IRS pelo valor do IAS	-99	-83	-79	-76	-78	0,0	0,0	0,0	0,0	0,0
Atualização automática dos escalões (componente de produtividade na parte que excede a inflação)	35	-35	-95	-68	-174	0,0	0,0	0,0	0,0	0,0
Atualização do Mínimo de Existência	-85					0,0	0,0			
Aumento das deduções com despesas de habitação (rendas)	-20	-40	-21			0,0	0,0	0,0		
Diminuição adicional de taxas dos escalões no OE/2026	-33					0,0				
IRS Jovem | OE/2024	118					0,0				
IRS Jovem | OE/2025	-131					0,0				
Pacote Habit. Aprov_Jan26*		-295					-0,1			
Redução de 1 p.p. na taxa normal e reduzida de IRC	-431					-0,1				
Redução de 1 p.p. na taxa normal de IRC em 2026, 2027 e 2028 e de 1pp na taxa reduzida em 2026		-444	-401	-415			-0,1	-0,1	-0,1	
SIFIDE Indireto (Reversão)	124					0,0				
Receita de Capital	**0**	**0**	**0**	**0**	**0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**
Despesa	**341**	**-153**	**150**	**7**		**0,1**	**-0,1**	**0,0**	**0,0**	
Despesa corrente primária	**341**	**-153**	**150**	**7**		**0,1**	**-0,1**	**0,0**	**0,0**	
Despesas com pessoal	335	300	114	16		0,1	0,1	0,0	0,0	
Valorização salarial de grupos profissionais	335	300	114	16		0,1	0,1	0,0	0,0	
Prestações sociais	-248					-0,1				
Apoio às famílias carenciadas / mais vulneráveis	-4					0,0				
Complemento ao apoio extraordinário para crianças e jovens	-0,2					0,0				
Apoio extraordinário a titulares de rendimentos e prestações sociais	-1					0,0				
Suplemento extraordinário de pensão	-383					-0,1				
Complemento excecional de pensão	-0,01					0,0				
Reforço do CSI	140					0,0				
Subsídios	453	-453				0,1	-0,1			
Apoio adicional para as explorações afetadas pela depressão "Cláudia"	3	-3				0,0	0,0			
Conflito Irão | Apoio Transp Mercadorias/Passag./ agricultura/Bombeiros/Taxis (3 meses)	450	-450				0,1	-0,1			
Outras despesas correntes	-199		36	-9		-0,1		0,0	0,0	
Encargos plurianuais da Linha de Financiamento com Garantia «BPF Invest Export» do Programa Reforçar			40					0,0		
Apoio financeiro às IPSS para a abertura de novas salas de educação pré-escolar	6		-4	-9		0,0		0,0	0,0	
Apoio à Ucrânia	-204					-0,1				
Despesa de capital	**0**	**0**	**0**	**0**	**0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**
Juros	**0**	**0**	**0**	**0**	**0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**
Saldo orçamental	**-882**	**-383**	**-746**	**-566**	**-252**	**-0,3**	**-0,1**	**-0,2**	**-0,1**	**-0,1**

Source: MF. CFP calculations. | Notes: * Excludes increase in rent deduction for tenants under PIT, VAT on construction and the single rate of property transfer tax (IMT) for non-residents. The figures reflect changes compared with the previous year: for example, it is estimated that the extraordinary pension supplement paid in 2025 will result in a reduction of €383 million in social benefit expenditure in 2026; the pay rise measure covers the following professional groups: teachers, security and defence forces, doctors and nurses, firefighters, bailiffs, Tax and Customs Authority staff, as well as those in the special-status career paths of senior specialist in budget and public finance at the Ministry of Finance, senior specialist in statistics at INE, and senior specialist in cross-cutting coordination of Administration and Public Policy; the table includes only policy measures (the other effects considered in the CFP projection are detailed inTable 12).

Table 12 – Incremental impact of other effects considered in the CFP projection
(change on the previous year, by measure, in M € and in p.p. of GDP)

Designação	Variação em M€					Variação em p.p. do PIB				
	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030
Receita	**1 141**	**-1 976**	**-224**	**-193**	**-173**	**0,3**	**-0,6**	**-0,1**	**0,0**	**0,0**
Receita corrente	**1 141**	**-1 976**	**-224**	**-193**	**-173**	**0,3**	**-0,6**	**-0,1**	**0,0**	**0,0**
Receita Fiscal	1 141	-1 976	-224	-193	-173	0,3	-0,6	-0,1	0,0	0,0
Impostos diretos	1 141	-1 976	-224	-193	-173	0,3	-0,6	-0,1	0,0	0,0
Atualização automática dos escalões (exclusivamente na componente da inflação)	-340	-228	-224	-193	-173	-0,1	-0,1	-0,1	0,0	0,0
Retenç. fonte IRS 2025 (atualiz. das retenções abaixo da atualiz. legal dos escalões)	-293					-0,1				
Retenç. fonte IRS 2026 (atualiz. das retenções abaixo da atualiz. legal dos escalões)	183	-183				0,1	-0,1			
Med. Adm. Retenções IRS em 2024 e 2025 - Impacto por via das retenções na fonte	1 565					0,5				
Med. Adm. Retenções IRS em 2024 e 2025 - Impacto por via dos reemb/ n.cobrança	25	-1 565				0,0	-0,5			
Receita de capital	**0**	**0**	**0**	**0**	**0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**
Despesa	**209**	**76**	**0**	**-30**	**-33**	**0,1**	**0,0**	**0,0**	**0,0**	**0,0**
Despesa de capital	**209**	**76**	**0**	**-30**	**-33**	**0,1**	**0,0**	**0,0**	**0,0**	**0,0**
FBCF	135	145		-130	67	0,0	0,0		0,0	0,0
Aquisição de 12 aviões A-29N Super Tucano p/Força Aérea	200	-200				0,1	-0,1			
Aeronave KC 309 | Avião Militar				-152					0,0	
Alienação de imóveis do Estado	-295	295				-0,1	0,1			
Aq 12 automotoras de alta velocid e moderniz do centro de Contumil da CP		50		23	67		0,0		0,0	0,0
Habitação Financ. Nacional	230					0,1				
Outras despesas de capital	73	-69		100	-100	0,0	0,0		0,0	0,0
Encargos Plurian. da Linha Apoio à Reconstrução | RCM n.º 17-B/2026, de 3 de fev (Anexo)	121	-69		100	-100	0,0	0,0		0,0	0,0
Despesa com garantias associadas a outras linhas de financ. BPF (Invest EU, Hab; PME…)	60					0,0				
Garantias da RAA à SATA Internacional	-43					0,0				
Decisões judiciais - ANACOM	-65					0,0				
Saldo orçamental	**932**	**-2 052**	**-224**	**-164**	**-140**	**0,3**	**-0,6**	**-0,1**	**0,0**	**0,0**

Source: MF. CFP calculations. | Notes: the figures correspond to changes compared to the previous year: for example, it is estimated that the acquisition of Super Tucano aircraft will entail an increase in GFCF of €200 million in 2026, which will be reversed in 2027; the table does not include the RRP, but its impact has been incorporated into the CFP projection.

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Table 13 – *One-off* measures (as a % of GDP)

	M€		% do PIB	
	2025	2026	2025	2026
Medidas *one-off* (impacto no saldo)	-218	-1 087	-0,1	-0,3
Despesa	218	1087	0,1	0,3
Compensação à concessionária Algarve Litoral / IP indemnização		256		0,1
Devolução do adicional de solidariedade cobrado à Banca	218		0,1	
Apoios em resposta à tempestade Kristin		831		0,3
Por memória (impacto por agregado orçamental)				
Consumo intermédio		6		0,0
Subsídios		154		0,0
FBCF		521		0,2
Outras despesas de capital	218	406	0,1	0,1

Sources: INE and MF. Calculations and classification by the CFP. | Notes: Totals do not necessarily correspond to the sum of the components due to rounding. No *one-off* measures were considered for the period 2027–2030. The figures may be subject to change should new information justify such adjustments.

Table 14 – CFP fiscal scenario (in €1000 million)

	2025	Projeção CFP					Variação
	INE	2026	2027	2028	2029	2030	2030-25
	em mil M€						
Receita total	133,0	140,9	141,7	144,5	148,4	151,2	18,2
Receita corrente	129,2	137,5	138,9	142,5	146,3	150,0	20,8
Receita fiscal	75,3	79,6	80,1	82,5	84,8	87,2	11,9
Impostos indiretos	44,5	46,9	48,8	50,7	52,4	54,1	9,5
Impostos diretos	30,8	32,8	31,3	31,9	32,4	33,2	2,4
Contribuições sociais	38,8	40,8	42,5	43,9	45,3	46,2	7,4
Vendas e out. receitas correntes	15,1	17,1	16,3	16,0	16,3	16,6	1,5
Receita de capital	3,8	3,4	2,7	2,0	2,2	1,2	-2,6
Despesa primária	125,0	134,4	135,9	139,2	143,1	146,6	21,7
Despesa corrente primária	113,1	120,5	123,7	127,6	131,5	135,6	22,5
Consumo intermédio	15,7	16,9	17,1	17,2	17,7	18,2	2,5
Despesa com pessoal	32,6	34,2	35,7	37,1	38,4	39,6	7,0
Prestações sociais	55,2	57,8	60,2	62,5	64,4	66,5	11,3
Subsídios e out. despesas correntes	9,6	11,5	10,7	10,8	11,0	11,3	1,7
Despesa de capital	11,9	13,9	12,2	11,5	11,6	11,0	-0,8
Formação bruta de capital fixo	9,2	11,0	10,5	10,2	10,1	9,4	0,3
Outra despesa de capital	2,7	2,9	1,7	1,4	1,6	1,6	-1,1
Saldo primário	8,0	6,6	5,8	5,3	5,4	4,6	-3,5
Juros	6,0	6,3	7,0	7,5	8,1	8,3	2,4
Despesa total	130,9	140,6	142,9	146,7	151,2	155,0	24,0
Saldo orçamental	2,1	0,3	-1,2	-2,2	-2,7	-3,8	-5,8
Saldo excluindo empréstimos PRR	2,9	1,6	-0,8	-2,2	-2,7	-3,8	-6,6
Empréstimos PRR	0,8	1,3	0,4	0,0	0,0	0,0	-0,8
Dívida pública	275,1	276,6	282,5	289,0	296,4	304,8	29,8
Por memória:							
Receita Fiscal e Contributiva	*114,0*	*120,5*	*122,7*	*126,5*	*130,0*	*133,4*	*19,4*
Receita Não Fiscal e Não Contributiva	*19,0*	*20,5*	*19,0*	*18,0*	*18,4*	*17,8*	*-1,2*

Source: INE (2025); CFP projections and calculations.

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Table 15 – CFP fiscal scenario adjusted for *one-off* measures (as a % and p.p. of GDP)

	2025	Projeção CFP					Variação
	INE	2026	2027	2028	2029	2030	2030-25
		em % do PIB					
Receita total	43,4	44,1	42,4	41,6	41,1	40,4	-2,9
Receita corrente	42,1	43,0	41,6	41,0	40,5	40,1	-2,0
Receita fiscal	24,5	24,9	24,0	23,7	23,5	23,3	-1,2
Impostos indiretos	14,5	14,7	14,6	14,6	14,5	14,5	-0,1
Impostos diretos	10,0	10,2	9,4	9,2	9,0	8,9	-1,2
Contribuições sociais	12,6	12,8	12,7	12,6	12,5	12,4	-0,3
Vendas e out. receitas correntes	4,9	5,3	4,9	4,6	4,5	4,4	-0,5
Receita de capital	1,2	1,1	0,8	0,6	0,6	0,3	-0,9
Despesa primária	40,7	41,7	40,7	40,0	39,7	39,2	-1,4
Despesa corrente primária	36,9	37,6	37,0	36,7	36,4	36,3	-0,6
Consumo intermédio	5,1	5,3	5,1	5,0	4,9	4,9	-0,3
Despesa com pessoal	10,6	10,7	10,7	10,7	10,6	10,6	0,0
Prestações sociais	18,0	18,1	18,0	18,0	17,8	17,8	-0,2
Subsídios e out. despesas correntes	3,1	3,5	3,2	3,1	3,0	3,0	-0,1
Despesa de capital	3,8	4,1	3,7	3,3	3,2	2,9	-0,9
Formação bruta de capital fixo	3,0	3,3	3,2	2,9	2,8	2,5	-0,5
Outra despesa de capital	0,8	0,8	0,5	0,4	0,4	0,4	-0,4
Saldo primário	2,7	2,4	1,7	1,5	1,5	1,2	-1,5
Juros	1,9	2,0	2,1	2,2	2,2	2,2	0,3
Despesa total	42,6	43,6	42,7	42,2	41,9	41,5	-1,2
Saldo orçamental	0,7	0,4	-0,4	-0,6	-0,8	-1,0	-1,8

Source: INE; CFP projections and calculations.

Table 16 – CFP fiscal scenario adjusted for *one-off* measures (in €bn)

	2025	Projeção CFP					Variação
	INE	2026	2027	2028	2029	2030	2030-25
		em mil M€					
Receita total	133,0	140,9	141,7	144,5	148,4	151,2	18,2
Receita corrente	129,2	137,5	138,9	142,5	146,3	150,0	20,8
Receita fiscal	75,3	79,6	80,1	82,5	84,8	87,2	11,9
Impostos indiretos	44,5	46,9	48,8	50,7	52,4	54,1	9,5
Impostos diretos	30,8	32,8	31,3	31,9	32,4	33,2	2,4
Contribuições sociais	38,8	40,8	42,5	43,9	45,3	46,2	7,4
Vendas e out. receitas correntes	15,1	17,1	16,3	16,0	16,3	16,6	1,5
Receita de capital	3,8	3,4	2,7	2,0	2,2	1,2	-2,6
Despesa primária	124,8	133,3	135,9	139,2	143,1	146,6	21,9
Despesa corrente primária	113,1	120,3	123,7	127,6	131,5	135,6	22,5
Consumo intermédio	15,7	16,9	17,1	17,2	17,7	18,2	2,5
Despesa com pessoal	32,6	34,2	35,7	37,1	38,4	39,6	7,0
Prestações sociais	55,2	57,8	60,2	62,5	64,4	66,5	11,3
Subsídios e out. despesas correntes	9,6	11,4	10,7	10,8	11,0	11,3	1,7
Despesa de capital	11,6	13,0	12,2	11,5	11,6	11,0	-0,6
Formação bruta de capital fixo	9,2	10,5	10,5	10,2	10,1	9,4	0,3
Outra despesa de capital	2,5	2,5	1,7	1,4	1,6	1,6	-0,9
Saldo primário	8,2	7,7	5,8	5,3	5,4	4,6	-3,7
Juros	6,0	6,3	7,0	7,5	8,1	8,3	2,4
Despesa total	130,7	139,5	142,9	146,7	151,2	155,0	24,3
Saldo orçamental	2,3	1,4	-1,2	-2,2	-2,7	-3,8	-6,1

Source: INE; CFP projection and calculations.

Table 17 – Revision of fiscal aggregates and their components compared to the projection presented in the September 2025 Stability Programme (p.p. of GDP)

	2026	2027	2028	2029	2026-29
Receita total	0,6	-0,1	-0,2	-0,3	0,0
Receita corrente	0,6	-0,2	-0,3	-0,3	-0,1
Receita fiscal	0,5	-0,1	-0,2	-0,3	-0,2
Impostos indiretos	0,2	0,1	0,1	0,0	0,4
Impostos diretos	0,3	-0,2	-0,3	-0,4	-0,6
Contribuições sociais	-0,2	-0,2	-0,2	-0,1	-0,7
Vendas e out. receitas correntes	0,3	0,2	0,2	0,2	0,8
Receita de capital	0,0	0,0	0,0	0,0	0,1
Despesa Total	-0,1	-0,4	-0,3	-0,3	-1,1
Despesa primária	0,1	-0,2	-0,1	-0,2	-0,3
Despesa corrente primária	-0,2	-0,5	-0,3	-0,4	-1,5
Consumo intermédio	0,1	0,0	0,1	0,1	0,3
Despesa com pessoal	-0,2	-0,3	-0,3	-0,2	-1,0
Prestações sociais	-0,1	-0,1	0,0	-0,1	-0,3
Subsídios e out. despesas correntes	0,0	-0,2	-0,2	-0,2	-0,5
Despesa de capital	0,3	0,3	0,3	0,2	1,1
Formação bruta de capital fixo	0,3	0,3	0,2	0,1	0,9
Outra despesa de capital	0,0	0,0	0,1	0,2	0,2
Saldo primário	0,5	0,1	-0,2	-0,1	0,4
Juros	-0,2	-0,2	-0,2	-0,1	-0,7
Saldo orçamental	0,7	0,3	0,0	0,1	1,1

Sources: CFP projections and calculations.

6. REFERENCES

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