Conselho das Finanças Públicas

ANALYSIS OF THE DRAFT STATE BUDGET FOR 2026

October 2025

Report No.
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The Portuguese Public Finance Council is an independent body created by Article 3 of Law No. 22/2011 of 20 May, which made the 5th amendment to the Budgetary Framework Law (Law No. 91/2001 of 20 August, republished by Law No. 37/2013 of 14 June). The final version of the CFP Statutes was approved by Law No. 54/2011 of 19 October.

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

This Report was prepared based on information available as of 17 October 2025.

A spreadsheet containing the figures underlying all the graphs 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

In the Overall Assessment of the report on the proposed State Budget Law for 2022 (pp. 4-6),[1] the CFP stated: "As a result of the absence of a truly multi-annual budget, the annual State Budget remains at the epicentre of our budgetary practice, and its role continues to be overvalued in relation to what would be expected under the strict application of the current Budgetary Framework Law (LEO): budgetary decision-makers continue to systematically assign to this annual document the major economic policy options which, under the terms of that same Law, should be shared with multi-annual instruments (...) the State Budget continues to attract media attention, occupying the centre of political debate and Portuguese society, as if it were responsible for major fundamental, strategic, economic policy and other public policy measures, including structural changes to tax legislation, the public administration working regime, public procurement, State assets, and many others. One related aspect is worth mentioning, as it helps to explain many of the entropies noted in the Portuguese budgetary process (including in the discussion of the State Budget proposal itself): much more than an accounting document recording revenue and expenditure, the State Budget is a profuse and unlimitedly normative law. The budgetary tradition that has become established among us in recent years – contrary to what happens in most other similar budgetary systems – has led, in an anomalous way, to the progressive enlargement of the content of the State Budget, which has become a colossal law.

From this point of view, the proposed State Budget law for 2026 implies an important change that the CFP cannot fail to praise. On the one hand, with regard to the articles of the State Budget Law, the reduction of its content "to what is strictly necessary for the implementation of budgetary and financial policy", in compliance with the provisions of Article 41 of the BFL (see in particular paragraph 2). This is due to the (almost total) elimination of budgetary riders and matters which, given their importance and dignity, deserve to be discussed in the Parliament in autonomous and duly informed legislative processes and not diluted in the regulatory amalgam into which that article had been transformed. On the other hand, with regard to budgetary tables, the (almost) full implementation of a program-based budget model – long and insistently demanded by the CFP –, a model that now covers all organic core missions, and which was preceded by

[1] Here: https://www.cfp.pt/pt/publicacoes/orcamento-do-estado/analise-da-proposta-de-orcamento-do-estado-2022.

the approval of Decree-Law No. 86/2025 of 28 July. This legislation established the—albeit belated—regulation of the provisions set out in Article 45 of the BFL.

This is expected to be a decisive step towards building a more mature budgetary system, which aims to make budgetary decisions more rational, based in particular on the following premises: i) that the fundamental policy choices contained in each government's programme are translated into multi-annual budgetary programming instruments (with associated financing and timetables), preferably linked to a medium-term strategy, the implementation of which can be assessed throughout and at the end of the legislative term and be subject to democratic scrutiny; ii) that these public expenditure planning and programming instruments specify, *ab initio,* for the period covered, the expenditure limits for the areas of State mission, as well as the expenditure commitments inherent in each programme throughout that period, and that these limits and commitments should imply effective legal binding for the State's annual budgets, without prejudice to flexibility and adaptation to changing circumstances; iii) that in the execution of the expenditure contained in each budget programme, performance evaluation tools are mobilised to verify the achievement of targets and, ultimately, the intermediate (*outputs)* and final (*outcomes)* objectives of the public policies outlined; iv) that these same tools feed into management processes aimed at achieving greater efficiency and quality in public expenditure. In this regard, the ongoing review of the BFL provides an opportunity to decide what the medium-term budgetary framework should be, which is also a corollary of the new European rules (transposition of Council Directive (EU) 2024/1265 of 29 April 2024, amending Directive 2011/85/EU laying down requirements for Member States' budgetary frameworks), and combined with the implementation of the recently approved national medium-term structural budgetary plans.

A critical aspect in this new framework is the control of expenditure, and in particular net government expenditure (the relevant indicator under these new European rules). This new approach implies increased attention to budgetary discipline and the effectiveness of mechanisms for monitoring expenditure trends. The challenge is both technical and political, requiring a high degree of planning capacity and rigour in revenue forecasting, which is essential to credibly sustain the projected expenditure path and preserve the internal consistency of the budgetary framework. In this context, it is important to bear in mind the risks that could compromise the expenditure trajectory, particularly in a context of increased defence needs, which are still being defined, and the uncertainty inherent in the final year of implementation of the RRP. On the revenue side, it should

be noted that a significant part of tax revenue in recent years has reflected administrative measures that make it difficult to predict.

The budget proposal for 2026 forecasts an overall budget balance, supported in part by extraordinary revenue and assumptions that, in some cases, reflect unjustified changes to normal expenditure dynamics. Although this strategy allows for a positive budgetary outcome and a continued reduction in the public debt ratio, it raises doubts as to its sustainability, recalling practices that in the past have limited the transparency and credibility of budgetary policy. To ensure the sustainability of public finances, it is essential to prioritise a budgetary balance that is less dependent on cyclical factors and one-off measures. This balance must be achieved without compromising productive public investment, thereby also ensuring the sustainability of economic growth and intergenerational equity.

EXECUTIVE SUMMARY

Balance, fiscal policy stance and net expenditure

The budget forecast underlying the Draft State Budget (DSB/2026) points to a surplus of 0.1% of GDP, which results from the deterioration of the central government deficit partially offset by an increase of the Social Security Funds (FSS) surplus. The DSB/2026 forecasts a further deterioration in the central government deficit to 2.2% of GDP, the highest since 2017, excluding the pandemic period. This deterioration is only partially offset by the strengthening of the surplus forecast for the Social Security sub-sector (FSS). The growing dependence of the budgetary performance on significant surpluses of the Social Security sub-sector makes it more exposed to the contingencies of the economic cycle.

The forecast of a positive budget balance in 2026 is partly based on temporary revenue, which may not be repeated in subsequent years, unlike expenditure, which remains permanent. In the year in which the impact of loans under the RRP will be significant (0.6% of GDP), the highest amount since the start of the plan, there will be the additional effect of new policy measures, aimed mainly at reducing revenue and increasing expenditure, which are expected to represent 0.1% of GDP. To offset these impacts, the DSB/2026 forecasts additional dividends to be received and financial gains from the sale of public real estate. Not taking into account the positive effect of these operations, the budget balance would be negative at 0.3% of GDP.

The current scenario of the Ministry of Finance (MF) is based on a set of assumptions and forecasts that raise questions regarding the achievement of the budgetary objectives. Abstracting from the impact of PRR loans, the weaknesses identified in the budget forecast for 2026 are mainly concentrated on the public expenditure side, in particular intermediate consumption, social benefits in kind and investment. This understanding is corroborated both by the analysis of the consistency of the DSB/2026 budget forecast (based on the underlying macroeconomic scenario, policy measures and other known effects) and by the assessment of the plausibility of the budgetary targets, using the updated CFP projection for that same year as a reference.

The planned public expenditure on security and defence appears to fall short of Portugal's commitment to European cooperation in this area. Although the budget forecast implies an increase in defence expenditure of 0.1 p.p. of GDP, it should be noted that there is a planned allocation of €1.2 billion (0.4% of GDP) in the 2026 State Budget, recorded as expenditure on financial assets, which has no direct impact on the budget balance forecast. However, if this amount is used, in whole or in part, for expenditure such as salaries, goods and services or investment, it will have a negative impact on the balance.

In the DSB/2026, the net expenditure growth rate points to compliance with the agreed trajectory, considering the flexibility provided for in the national derogation clause regarding the increase in defence investment expenditure. The DSB/2026 is silent on the evolution of the net expenditure trajectory and does not explain its update compared to previous programming documents. Based on the update of data for 2024 and using the MF information included in the information accompanying the

DSB/2026 report, the CFP calculation indicates that the net expenditure growth rate for 2025 will be 5.5%, higher than the commitment made by the Government. For 2026, the growth rate is 4.8%, below the commitment. The accumulated deviations in the control account indicate that these will remain below the maximum threshold of 0.6% of GDP, given the flexibility provided for in the national derogation clause on increased defence investment expenditure.

Budgetary developments forecast for revenue and expenditure in 2026

The public revenue forecast is consistent with the macroeconomic scenario of the DSB/2026, in a year in which a reduction in the tax burden is expected. According to the MF, in 2026 the ratio of public revenue is expected to decrease by 0.4 p.p. to 43.8% of GDP, reflecting a lower contribution of revenue from European funds, sales of goods and services, and direct taxes, particularly corporate income tax. The tax burden is expected to decrease by 0.1 p.p. to 34.7% of GDP, driven exclusively by the lower contribution of direct taxes and, more specifically, corporate income tax (-0.2 p.p. of nominal GDP). The forecast for tax and social security revenue, without the impact of the policy measures envisaged by the MF, are expected to grow by 4.8%, slightly below what would be expected given the macroeconomic scenario underpinning the DSB/2026, which, as highlighted by the CFP, may present "a possible overestimation of the real performance of the economy for 2026, whose components (internal and external) are subject to various downside risks."[2]

The DSB/2026 forecast appears to underestimate some components of current primary expenditure and capital expenditure, reflecting an increase in the rigidity of public expenditure. The DSB/2026 forecasts a decrease in the ratio of public expenditure to GDP of 0.1 p.p., to 43.7% of GDP. Excluding the impact of the RRP (2.4% of GDP, of which 0.6% has a negative effect on the budget balance), as well as *one-offs* and specific operations – namely, in 2026, the largest expected inflow from the sale of state-owned real estate and, in 2025, the reversal of the payment of the extraordinary pension supplement and support to Ukraine granted – the expenditure ratio thus adjusted would be 40.9% of GDP in 2025 and would increase by 0.7 p.p. to 41.6% of GDP in 2026. In nominal terms, the growth in expenditure adjusted for these effects (which accelerates from 4.1% in 2025 to 6.7% in 2026) is driven by primary current expenditure, namely social benefits and personnel costs, which are more rigid components. Even so, the budget forecast for some expenditure items appears to be underestimated, in particular intermediate consumption, GFCF with national financing and social benefits in kind.

Public debt

The DSB/2026 forecasts that the public debt ratio will fall to 87.8% of GDP in 2026, below 90% for the first time since 2009. This decrease results from the positive effect of nominal growth and the maintenance of positive primary balances, in contrast to the stock-flow adjustment, which is expected to have a significant negative impact

[2] Macroeconomic forecasts underlying the Draft State Budget for 2026

estimated at 2 p.p. of GDP (€6.1 billion) in 2025 and 1.8 p.p. of GDP (€5.8 billion) in 2026. The projections of various institutions converge on a ratio below 90% of GDP. The MF forecasts that in 2026 gross financing requirements will increase by €3.7 billion, mainly due to the repayment of Treasury Bills and, to a lesser extent, the EFSF, ESM and savings products. The increase in Treasury Bond issuances, which cover 135% of net financing, offsets the reduction in short-term instruments, reflecting a strategy of maturity consolidation and prudent management of refinancing risks. The average maturity of new debt remains high, ensuring a sustainable maturity profile.

Fiscal Risks

In 2026, the budget forecast entails non-negligible risks, predominantly on the downside. Among the risks identified, the following stand out: (i) higher-than-expected expenditure growth, particularly in intermediate consumption, which appears to be influenced by the decline in the purchase of goods and services in health, and which is not sustainable; (ii) the use, in whole or in part, of the amount of €1.2 billion (0.4% of GDP) provided for in 'Chapter 60 – Exceptional expenditure' of the Ministry of Finance for actual military expenditure, not yet reflected in the budget balance forecast; (iii) the sale of real estate and the increase in dividends provided for in DSB/2026 not materializing or resulting in a lower than expected financial return; (iv) the impact of the housing policy measures announced by the Government, which are neither identified nor quantified; (v) the potential increase in the number of beneficiaries of the Solidarity Supplement for the Elderly, reinforced by the increase in the reference value.

On the other hand, there are factors with the potential to favour the budgetary scenario. These include: (i) potential additional revenue gains from the elimination of the ISP discount and the update of the carbon tax in 2026 (see Box 1); (ii) the possibility that tax revenue will exceed the MF's expectations if the macroeconomic scenario of the DSB/2026 materializes; (iii) lower public investment supported by national financing and RRP loans; and (v) the lower utilisation of expenditure appropriations relating to budgetary control instruments. The financial proceeds from the possible sale of TAP and Novo Banco could contribute to a further reduction in public debt.

Assessment of the fiscal scenario of the DSB/2026

The budgetary scenario set out in DSB/2026 raises doubts as to its feasibility. The CFP projects a deficit of 0.6% of GDP for 2026, which contrasts with a surplus of 0.1% of GDP forecast by the MF, a difference of 0.7 p.p. of GDP (€2.3 billion), more than two-thirds of which is explained by public expenditure (approximately €1.65 billion). This difference stems mainly from the evolution of intermediate consumption, which is not properly justified, as well as from the forecast of revenues from the sale of real estate, deducted from investment expenditure in national accounts, the realization of which depends on the effective completion of the operation under the terms provided for by the MF. With regard to public debt as a ratio of GDP, the CFP projection is consistent with a continued reduction in public debt, albeit at a slower pace, to 88.2% of GDP. In net expenditure, although the projected growth rate in 2025 (6.4%) and 2026 (5.7%) is above the Government's commitment, given the flexibility provided for in the national

derogation clause regarding the increase in defence investment expenditure, the cumulative deviations in the control account for 2025 (0.4% of GDP) and 2026 (0.5% of GDP) are close to, but below, the maximum threshold of 0.6% of GDP.

The projected growth in net expenditure in 2026 results in an expansionary stance generated by the national budget. The updated CFP projection points to a fiscal impulse of around 0.5% of GDP, higher than the 0.2% of GDP estimated for 2025.

Medium Term Expenditure Framework (MTEF)

The draft update of the MTEF for 2025-2029, included in the DSB/2026 Report, still requires legal approval. For 2026, an expenditure limit of €442.1 billion is forecast, of which €175 billion is earmarked for "Public Debt Management". Central government and social security expenditure is expected to grow in the coming years, with around two-thirds financed by taxes. The expenditure limit - considering the elements that can be analysed in the DSB/2026 – namely expenditure and revenue in assets and flows between entities – is arithmetically compatible with the budgetary (0.1% of GDP) and structural (0.2% of GDP) balances estimated by the MF. The presentation of data in a consolidated form and the inclusion of actual expenditure in the MTEF would enhance transparency and improve the assessment of public expenditure trends.

1 INTRODUCTION

Pursuant to Article 7 of the Statutes of the Public Finance Council (CFP), this report analyses the Draft State Budget for 2026 (DSB/2026). This Report was preceded by the CFP's Opinion on the macroeconomic forecasts underlying the State Budget, prepared in accordance with Article 8 of the Budgetary Framework Law (Law No. 151/2015 of 11 September, in its current wording),[3] of Article 6(a) of the CFP Statutes, approved by Law No. 54/2011 of 19 October, amended by Law No. 82-B/2014 of 31 December, Article 4(4) and Article 6(3)(f), both arising from Regulation (EU) No. 473/2013 of the European Parliament and of the Council of 21 May 2013.

The analysis carried out in this report is based on the information contained in which approves the State Budget for 2026, hereinafter referred to as DSB/2026, submitted to the Assembly of the Republic on 9 October, in the Draft Budget Plan for 2026 sent to the European Commission (EC) and the information provided by the MF to the CFP up to the closing date of 17 October. Despite the CFP's insistence, by the report's closing date, the MF had not provided the identification and quantification of discretionary revenue measures (MdR) for the years 2025 and 2026. The absence of this information led the CFP to consider its own classification in its net expenditure projection for 2026, which is reflected in the assessment of the conformity of the net expenditure trajectory with the commitment made by the Government and approved by the Council of the European Union.

In addition, it was only on 22 October that the updated tables in the Draft Budget Plan sent to the European Commission were received. On 13 October, the CFP alerted the MF to inconsistencies in the calculation components of net expenditure. The incorporation of this information required a new analysis of the net expenditure underlying the DSB/2026, with the aim of publishing this report in time to inform the public discussion of the DSB/2026.

Although questioned, the MF did not quantify the amount from the sale of real estate, referring instead to Table 4.3 of the DSB/2026 Report, which shows the sale of investment assets, in public accounting, in unconsolidated figures, of €1,215.6 million. However, as this amount includes sales to other subsectors of the General Government, the CFP used the amount shown in Table 5 referring to the sale of Central Government buildings to companies and quasi-companies in the amount of €884 million.

This report is structured as follows: Chapter 2 assesses the budget forecasts and budgetary policy guidelines included in DSB/2026; Chapter 3 analyses the trajectory of public debt; Chapter 4 updates the CFP's budgetary scenario for 2026.

[3] Law No. 151/2015 of 11 September was amended by Laws 42/2016 of 28 December, 2/2018 of 29 January, 37/2018 of 7 August, 41/2020 of 18 August and 10-B/2022 of 28 April.

2 Y ANALYSIS OF THE BUDGETARY SCENARIO OF THE MTO/2026

2.1 Budget balances

The DSB/2026 forecasts a budget surplus of 0.1% of GDP for next year, close to balance. The expected reduction in the surplus for 2026, of 0.2 p.p. of GDP, is equivalent to that estimated by the MF for 2025 in relation to 2024 (Table 1). This development results from a decrease in revenue of 0.3 p.p. of GDP, only partially offset by a reduction in expenditure of 0.1 p.p. of GDP.[4] The impact on the balance forecast for 2026 resulting from the use of PRR loans is 0.6 p.p. of GDP, the highest figure since the start of that plan. The expected primary balance for 2026 is in surplus (2.1% of GDP), evolving in line with the budget balance, as interest expenditure as a percentage of GDP is expected to stabilise.

Table 1 – Budgetary indicators

	Em % do PIB			Em p.p. do PIB	
	2024	POE/2026		POE/2026	
		2025	2026	2025	2026
Saldo primário	**2,6**	**2,4**	**2,1**	**-0,2**	**-0,2**
Saldo orçamental	**0,5**	**0,3**	**0,1**	**-0,2**	**-0,2**
Ajustado de medidas one-off	0,5	0,5	0,1	0,0	-0,4
Ajustado do ciclo	0,2	0,2	-0,2	0,0	-0,3
Saldo estrutural	0,2	0,3	-0,2	0,2	-0,5
Saldo primário estrutural	**2,2**	**2,4**	**1,9**	**0,2**	**-0,5**
por memória					
medidas one-off	0,0	-0,1	0,0	-0,1	0,1
hiato do produto*	0,6	0,2	0,4	-0,4	0,2
componente cíclica	0,3	0,1	0,2	-0,2	0,1
juros	2,1	2,1	2,1	0,0	0,0

Sources: INE, MF. CFP calculations, taking into account the Community methodology for the cyclical component of the budget balance. Note: * The output gap corresponds to the difference between the observed output of the economy (GDP) and the estimate of potential output, as a percentage of potential output. The variations may not necessarily correspond to the differences in values as a percentage of GDP due to rounding. The structural balance is obtained by the difference between the budget balance adjusted for *one-off* measures and the cyclical component.

The deterioration in the budget balance forecast for 2026 stems from discretionary fiscal policy action by policymakers. Although partially offset by the reversal of the effects of *one-off* expenditure measures that will not be repeated in 2026, as well as by favourable economic developments and th[5] , with a combined positive impact of 0.3

[4] See point 2 . 3 below for further details.

[5] This is because the effect of the economic cycle, based on the Community methodology, is positive, which benefits the budget balance. It should be noted that the MF presents negative output gaps for 2025 and 2026 in the DSB/2026 report (i.e. the economy is growing below potential), resulting in a cyclical component that penalises the budget balance in those years. In this regard, see CFP Opinion No. 2/2025 Macroeconomic forecasts underlying the Draft State Budget for 2026. The MF forecast

p.p. of GDP, the reduction in the balance is essentially the result of discretionary action by policymakers, as evidenced by the change in the structural primary balance (-0.5 p.p. of potential GDP). This negative change reflects not only the effect of the implementation of the PRR financed by loans, but also the impact of new policy measures presented in the DSB/2026.

In absolute terms, the balance forecast for 2026 corresponds to a budget surplus of €263 million. The budget balance forecast for 2026 is based on an estimated surplus for 2025 of €948 million. The reduction in the balance results from an increase in public expenditure (€6,069 million) that is higher than the forecast for revenue (€5,383 million). **Erro! A origem da referência não foi encontrada.** breaks down the nominal change in the balance by explanatory contribution, based on MF figures. In 2025, the impact of *one-off* measures and specific operations[6] is estimated at €1,078 million. Their non-recurrence would strengthen the balance for 2026.

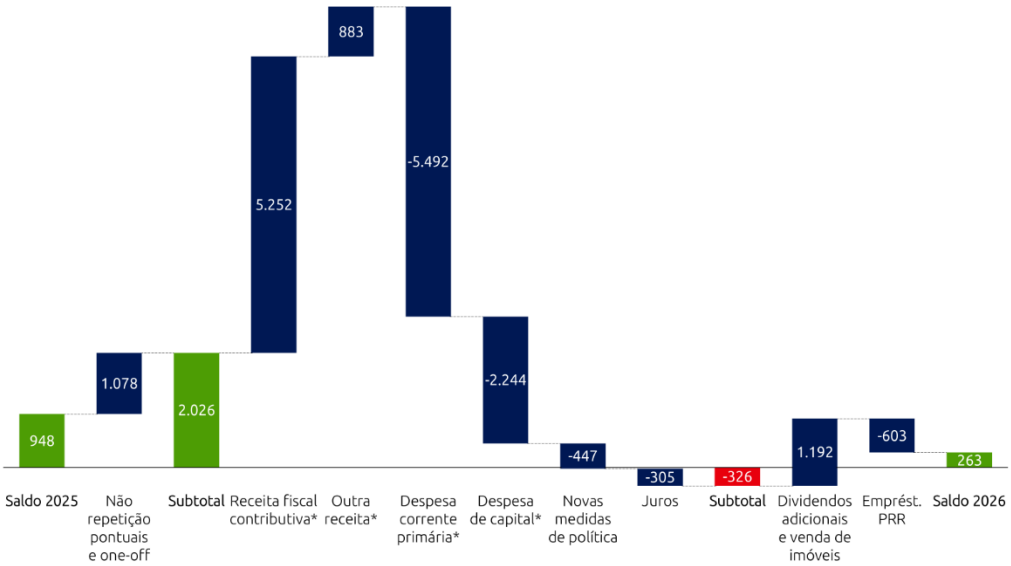
For 2026, the MF's projected increase in primary current expenditure before new policy measures (€5,492 million) exceeds that of tax and contribution revenue (€5,252 million), accentuating the imbalance between the tax burden and primary current expenditure. This fact was highlighted by the CFP in September 2025 - Cai x a 5 das Perspetivas Económicas e Orçamentais 2025-2029 (atualização). The remaining revenue is insufficient to offset the increase in capital expenditure.

Excluding the increase in PRR loans, the increase in dividends and the sale of real estate, the budget deficit would reach €326 million in 2026. The increase in revenue, excluding dividends, is not sufficient to cover the increase in current primary expenditure, capital expenditure (not deducted from property sales) and interest, leading to a budget deficit of €326 million. The inclusion of the increase in dividends and the sale of real estate, amounting to €1,192 million, combined with the increased use of PRR loans, leads to a surplus of €263 million. It should be noted that the non-inclusion of this positive amount from additional dividends and property sales (which still needs to be detailed to confirm its plausibility) leads to a deterioration in the balance in 2026, broadly in line with the updated CFP projection (see chapter 4).

results in a slightly negative output gap in 2025 and 2026. However, these figures are not compatible with those obtained by the CFP estimate, based on the macroeconomic scenario under consideration and using the common methodology agreed in the European Union. In fact, the CFP's estimate points to potential output growth underlying the MF's forecast of 2.1% in 2026 and a widening of the output gap from 0.2% in 2025 to 0.4% in 2026.

[6] These one-off operations imply an improvement of €622 million, with the reversals of the extraordinary pension supplement payment (€388 million) and support for Ukraine (€200 million) being particularly noteworthy.

Chart 1 – Explanatory contributions to the expected nominal change in the budget balance in 2026 (M€)

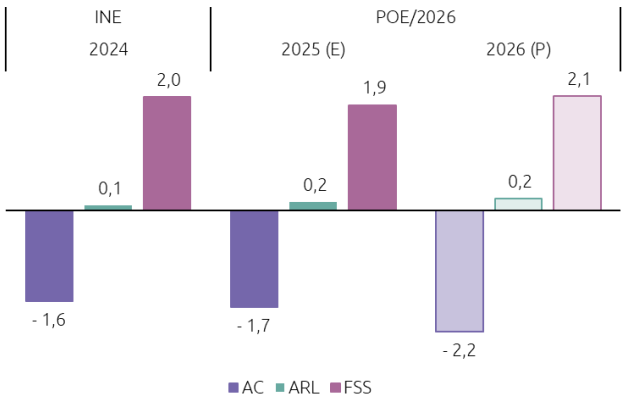


Source: MF. CFP calculations. Note: in the transition from the 2025 to 2026 balance, budget aggregates are adjusted for the impact of the PRR (grants and loans), as well as the non-recurrence of one-off operations (extraordinary pension supplement, military support to Ukraine) and *one-offs*, as these are isolated in their own column. (*) Tax and contribution revenue is excluded from policy measures affecting tax revenue, while 'other revenue' is excluded from the additional increase in dividends. Primary current expenditure is excluded from expenditure financed by PRR loans and policy measures affecting social benefits. Capital expenditure, in addition to being excluded from expenditure financed by PRR loans, is not deducted from revenue from the sale of real estate.

In DSB/2026, the budget balance of the Central Government (CG) is the lowest since 2017, not considering the pandemic period. The deficit of this subsector is expected to worsen from 1.7% of GDP in 2025 to 2.2% of GDP in 2026 (1). This deterioration is only partially offset by the strengthening of the surplus forecast for the Social Security Funds (FSS) subsector and also, albeit to a lesser extent, for Regional and Local Government (ARL). As already indicated by the CFP,[7] the positive budgetary performance of recent years has been largely due to the significant surpluses in the Social Security subsector. In 2024 and 2025, the SSF budget surplus more than offset the CA deficit (1). According to the DSB/2026, this will not be the case for next year, and it will be necessary to rely on the ARL surplus to maintain a general government surplus.

[7] See "Overall Assessment" in the Economic and Budgetary Outlook 2025-2029 (update) report.

1 Graph – Balance by subsectors of the AP, as a % of GDP



Sources: INE (2024) and MF. CFP calculations. E- Estimate; P – Forecast. CA – Central Administration; RLA – Regional and Local Administration; SSF – Social Security Funds; PA – Public Administrations.

2.2 Net expenditure

In the new European economic governance framework, the assessment of fiscal policy orientation is now based on net expenditure. This aggregate can be understood more specifically as primary expenditure financed at national level, net of discretionary revenue measures.

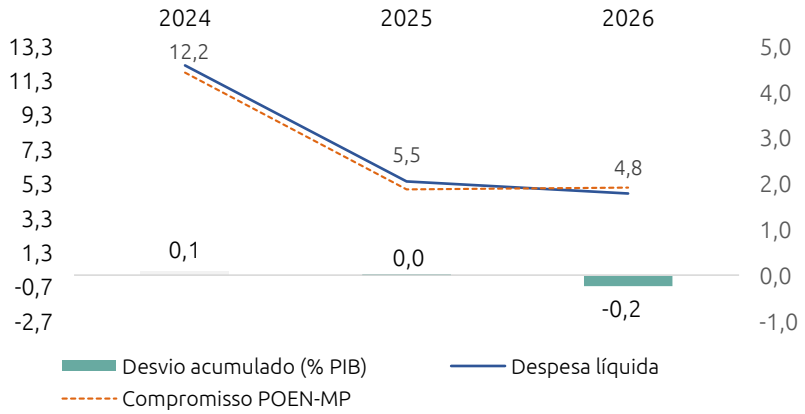
The DSB/2026 Report is silent on the evolution of the net expenditure trajectory and does not explain its update in relation to previous programming documents. Based on the update of information for 2024 and the MF information included in the POE/2026 report, net expenditure for the years 2024 to 2026 was calculated. It should be noted that the net expenditure for 2024 has been updated from what was previously published, incorporating the statistical revision carried out by INE (the Portuguese National Statistics Institute) regarding the provisional account of public administrations, which included revisions to national co-financing of programmes financed by the European Union and expenditure financed by European funds. For the years 2025 and 2026, the information contained in the information accompanying the DSB/2026 report was used, which includes the value of discretionary revenue measures considered for those years, the revenue and expenditure of DSB/2026, as well as defence expenditure in the COFOG definition (Table 24).

For 2025 and 2026, the net expenditure growth rate is 5.5% and 4.8%, respectively. For 2025, the rate calculated by the CFP (5.5%) is higher than the commitment agreed in the National Medium-Term Budgetary Framework (MTP) of 5.0% (Chart 2). Thus, considering the cumulative growth rate of net expenditure in 2025 (18.3%), this should exceed the maximum recommended growth rate (17.4%), translating into a cumulative deviation of 0.3% of GDP (Table 23, attached). With regard to 2026, the calculated growth rate of 4.8% is lower than the commitment made by the Government (5.1%). Assessing the period 2024 to 2026, the cumulative growth rate of net expenditure

(24%) is also expected to exceed the maximum recommended growth rate (23.4%), corresponding to a deviation of 0.2% of GDP. [8]

Taking into account the flexibility provided for in the national derogation clause on increased defence investment expenditure, the cumulative deviation of net expenditure forecast in the POE/2026 is in line with the agreed trajectory. Based on the information reported by the MF on defence expenditure (COFOG definition), an increase of 0.3 p.p. of GDP in 2025 and 0.4 p.p. of GDP in 2026 is estimated compared to 2021. This increase should be taken into account in an increased control account for Member States that have activated the national derogation, as was the case for Portugal. Thus, in the DSB/2026 forecast, the accumulated deviations in the control account[9] are reduced to 0% of GDP in 2025 and -0.2% of GDP in 2026, below the maximum threshold of 0.6% of GDP. (Table 23, attached).

Chart 2 – Net expenditure trajectory (2024-2026; annual growth rate)



Source: INE and MF Forecast. CFP calculations. | Note: The left axis corresponds to the growth rate of net expenditure, the right axis corresponds to the accumulated deviations as a percentage of GDP.

[8] The sale of real estate was not considered a *one-off* measure. When more concrete information on the operation becomes available and it has already been recorded in the national accounts, if the assessment of this record results in its classification as a *one-off* measure, there will be an increase in net expenditure growth in 2026, worsening the cumulative deviation in that year. Assuming that this operation is classified as a *one-off* measure, there would be a 5.5% increase in net expenditure in 2026 (above the commitment made by the Government) and a cumulative deviation in the control account of 0.1% of GDP, already taking into account the national derogation clause relating to the increase in defence investment expenditure.

[9] The control account to be created by the Commission for each Member State in May 2026 aims to record cumulative upward and downward deviations in terms of observed net expenditure from the path recommended by the Council of the EU. A debit/credit entry in the control account occurs when the observed net expenditure of the Member State concerned in a given year is higher/lower than the net expenditure path approved by the Council.

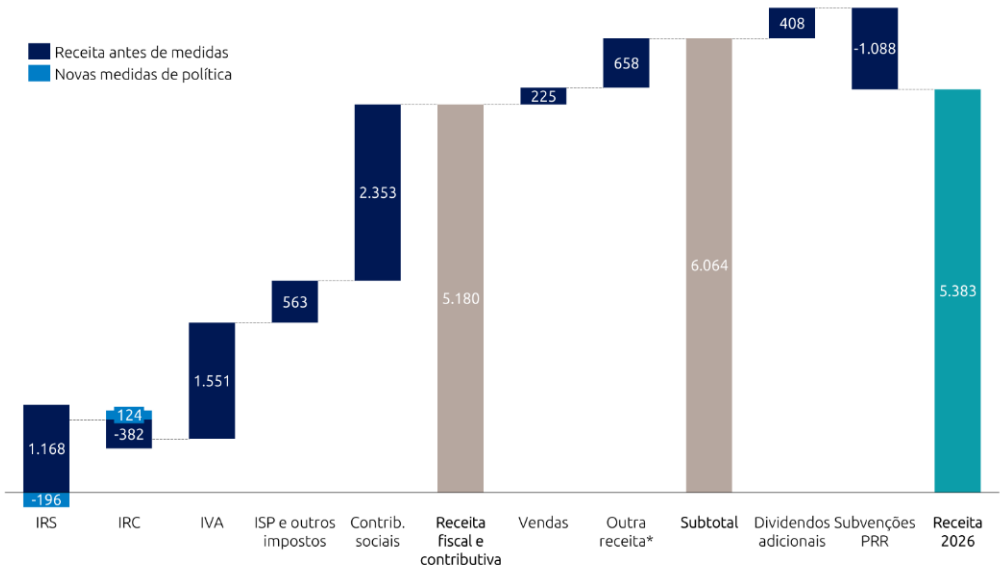
2.3 Budgetary developments in revenue and expenditure

Revenue

Current revenue will be decisive in reducing the weight of public revenue in GDP. According to DSB/2026, in 2026, AP revenue should stand at 43.8% of GDP, with the MF forecasting a decrease of 0.4 p.p. of GDP compared to the previous year (Table 4 and Table 12). This reduction will be driven by a decrease in other current revenue of 0.3 p.p. of GDP, penalised by the reduction in the weight of European funds received, as well as by the decrease in the weight of sales of goods and services (-0.1 p.p. of GDP) and direct taxes (-0.2 p.p. of GDP). The reduction in the weight of the latter in GDP, particularly corporate income tax (-0.2 p.p. of GDP), explains the decrease in the tax burden forecast by the MF for next year (-0.1 p.p. to 34.7% of GDP), since an increase in the weight of effective social contributions (+0.2 p.p. of GDP) and the maintenance of the weight of indirect taxes on the product (Table 16) are expected.

In nominal terms, the growth in PA revenue will reflect the positive impact of tax and social security contributions, given that subsidies to be received under the PRR are expected to decrease next year. In 2026, PA revenue is expected to stand at €140,507 million (Table 2), essentially reflecting the expected increases in taxes (€2,828 million) and social contributions (€2,353 million), but also in sales (€225 million) and other revenue (€658 million), net of dividends from financial companies and transfers receivable under the PRR (Chart 3).

Chart 3 – Breakdown of the expected nominal change in revenue in 2026 (€ million)



Source: MF. CFP calculations. Note: (*) Other revenue: excludes PRR subsidies and the increase in dividends forecast for 2026, identified in a separate column.

The growth in tax and social security revenue will essentially reflect the positive impact of the macroeconomic scenario underlying the DSB/2026. Discounting the impact of

the policy measures envisaged by the MF (Table 18), tax and social security revenue will grow by 4.8%, broadly in line with the expected growth in economic activity (at current prices), despite different dynamics within its components (Table 2). With regard to tax revenue, the forecast points to growth slightly below what would be expected in light of the macroeconomic scenario underlying this DSB/2026 which, as noted by the CFP, may overestimate the behaviour of the economy[10] . Social contributions, with growth of 6.2%, reflect an elasticity in relation to the remuneration forecast by the MF close to the unit value, resulting in a contribution revenue projection broadly in line with expected developments in the macroeconomic scenario. However, according to the CFP's opinion, "[...] the forecast growth in remuneration per worker for 2026, close to that expected for 2025, is not in line with the forecast presented for inflation and productivity and is also significantly higher when compared to known independent projections."[11] , and therefore constitutes a downside risk to this revenue aggregate.

The growth in non-tax and non-contributory revenue will reflect the increase in sales and capital revenue in 2026. The nominal change forecast for non-tax and non-contributory revenue in 2026 (€203 million) is based both on the increase in sales of goods and services (€225 million) and on the expected increase in capital revenue (€664 million), resulting from the forecast increase in funds from the European Union (€724 million). This growth will result exclusively from funds other than those received under the PRR (€1,033 million), as the funds provided for under this plan are expected to decrease by €310 million. Conversely, other current revenue is expected to fall by €686 million, penalised by a €972 million drop in European fund transfers (-€778 million under the PRR and -€194 million from other funds), even though the MF forecasts a €408 million increase in dividends receivable.

Table 1 – Public revenue in DSB/2026 (M€)

	2024	2025 E	2026 P	Variação 2025/2026				
				Total		Medidas + Pressões + Fundos Europeus	Cenário macro	Outros efeitos
	M €				(1)	(2)	(3)	(4) = (1) - (2) - (3)
				%	M €		M €	
Receita total	**124 626**	**135 124**	**140 507**	**4,0**	**5 383**	**-99**	**5 791**	**-309**
Receita Fiscal e Contributiva	**106 935**	**112 243**	**117 423**	**4,6**	**5 180**	**-262**	**5 596**	**-154**
Receita Fiscal	71 053	74 445	77 273	3,8	2 828	-262	3 305	-215
Impostos diretos	29 486	30 298	31 020	2,4	722	-362	1 491	-407
IRS	17 649	19 067	20 039	5,1	972	-186	1 190	-32
IRC	10 993	10 341	10 083	-2,5	-258	-176	259	-340
Outros impostos diretos	843	890	898	0,9	8	0	43	-35
Impostos Indiretos	41 567	44 147	46 253	4,8	2 106	100	1 814	192
IVA	26 301	27 394	28 944	5,7	1 551	0	1 364	186
IEC	5 606	6 275	6 567	4,6	292	100	168	23
Outros impostos indiretos	9 660	10 478	10 742	2,5	264	0	281	-17
Contribuições para Segurança Social	35 883	37 798	40 151	6,2	2 353	0	2 291	61
Receita não Fiscal e não Contributiva	**17 690**	**22 881**	**23 084**	**0,9**	**203**	**163**	**195**	**-155**
Vendas	9 150	9 281	9 506	2,4	225	0	192	33
Outra Rec. Corrente	5 943	8 151	7 465	-8,4	-686	-560	0	-126
Receita de Capital	2 598	5 449	6 113	12,2	664	724	3	-62
Receita sem Fundos da U.E.	230	60	1	-98,6	-60	0	3	-62
Fundos União Europeia	2 369	5 388	6 112	13,4	724	724	0	0

[10] Macroeconomic forecasts underlying the Draft State Budget for 2026

[11] Idem.

Sources: MF and CFP calculations. | Note: Policy measures include the impact of measures legislated in previous years and new measures provided for in the DSB/2026. E – Estimate; P – Forecast.

Box1 – Estimate of the impact of eliminating the current discount on the Tax on Petroleum and Energy Products (ISP)

In the context of the inflationary crisis that began in the second half of 2021 and intensified with the invasion of Ukraine in February 2022, the Portuguese Government adopted a set of exceptional measures aimed at softening the impact of rising fuel prices.

Since then, and although some updates have been made, a comparison between the current ISP rates defined by Ordinance No. 355-B/2024/1 with the rates that would apply under Ministerial Order No. 301-A/2018[12] , the discount currently in force is €0.117/litre for road diesel and €0.132/litre for petrol. Similarly, a comparison between the current rate set out in Ordinance No. 36-A/2024 and the rate that would apply in accordance with the provisions of Ordinance No. 24-A/2016 shows that the discount currently in force for coloured and marked diesel is €0.087/litre.

Therefore, given that the Executive has been referring to a possible removal of these discounts in order to comply with the latest recommendations from the European Commission (albeit gradually), it is important to estimate the potential additional revenue gain resulting from the effective total termination of this temporary measure.

From the observation of the following table, and based on the estimated consumption introductions based on the macroeconomic scenario of the CFP present in the PEO of September 2025, it is estimated that the direct annual impact of the expected revenue increase with the full update of the ISP rates on 1 January 2026 could amount to €873 million, *ceteris paribus*.

Table 3 – Estimated impact of eliminating the ISP discount on tax revenue

Combustível	Introduções ao consumo projetadas (Kl)	ISP		Taxa de Carbono		IVA	Receita Fiscal
		Desconto em vigor (€)	Receita adicional com eliminação do desconto (M€)	Atualização da Taxa de Carbono (€)	Receita adicional com atualização da taxa de carbono (M€)	Receita adicional com o final do desconto e a atualização da taxa de carbono (M€)	Receita adicional de ISP + Taxa de Carbono + IVA (M€)
Gasóleo Rodoviário	5 291 508	0,117	619	0,01	35	150	804
Gasolina	1 678 689	0,132	222	0,01	10	53	285
Gasóleo Colorido e Marcado	373 922	0,087	32	0,01	2	8	43
TOTAL	**-**	**-**	**873**	**-**	**47**	**212**	**1 132**

Source: AT, *European Energy Exchange (EEX)* and CFP calculations.

This increase in revenue from the above-mentioned ISP rates would be supplemented by €47 million resulting from the carbon rate update in 2026. It should be noted that this figure is based on an estimated update of the carbon tax to €70.04/tCO2 (currently €67.4/tCO2), in accordance with the provisions of Article 92-A(2) - Special Consumption Tax Code and consultation of the results of carbon licence auctions on the *European Energy Exchange (EEX)*.

[12] Plus the Road Service Contribution rates that were abolished by Law No. 24-E/2022 of 30 December but are currently incorporated into the ISP rates themselves.

In addition to these two components, which form an integral part of the price of petroleum products, there would also be additional VAT revenue of €212 million, resulting from the fact that this tax is applied to all components that make up their price, regardless of whether they are production costs, logistics costs or *lump sum* taxes such as the ISP tax and the carbon tax.

Thus, taking into account all the components in the table above, it appears that the potential increase in tax revenue resulting from the abolition of the ISP discount and the update of the carbon tax to the estimated values for 2026 would result in an additional revenue gain of €1,132 million (0.4% of GDP), if these measures were to be fully reversed at the beginning of next year.

Nevertheless, it is important to estimate and highlight this upside risk, which, if it materialises, could benefit public revenue in 2026 by a considerable amount. However, it is important not to overlook the impact of reversing this measure on inflation and, thus, on economic activity and consumption.

Table 4 – General Government Account

	M€			% do PIB		
	2024	2025 E	2026 P	2024	2025 E	2026 P
Receita Total	**124 626**	**135 124**	**140 507**	**43,1**	**44,2**	**43,8**
Receita corrente	**122 027**	**129 675**	**134 394**	**42,2**	**42,4**	**41,9**
Receita fiscal	71 053	74 445	77 273	24,5	24,3	24,1
Impostos indiretos	41 567	44 147	46 253	14,4	14,4	14,4
Impostos diretos	29 486	30 298	31 020	10,2	9,9	9,7
Contribuições sociais	35 883	37 798	40 151	12,4	12,4	12,5
Das quais: efetivas	30 452	32 097	34 150	10,5	10,5	10,6
Vendas e outras receitas correntes	15 092	17 432	16 971	5,2	5,7	5,3
Vendas de bens e serviços	9 150	9 281	9 506	3,2	3,0	3,0
Outra receita corrente	5 943	8 151	7 465	2,1	2,7	2,3
Receitas de capital	**2 598**	**5 449**	**6 113**	**0,9**	**1,8**	**1,9**
Despesa Total	**123 174**	**134 176**	**140 245**	**42,6**	**43,9**	**43,7**
Despesa primária	**117 240**	**127 905**	**133 669**	**40,5**	**41,8**	**41,7**
Despesa corrente primária	**106 841**	**114 154**	**118 819**	**36,9**	**37,3**	**37,1**
Consumo intermédio	15 076	15 916	16 100	5,2	5,2	5,0
Despesas com pessoal	30 322	32 498	34 142	10,5	10,6	10,6
Prestações sociais	52 143	55 055	58 028	18,0	18,0	18,1
que não em espécie	46 386	49 159	52 129	16,0	16,1	16,3
em espécie	5 757	5 895	5 899	2,0	1,9	1,8
Subsídios	1 886	1 527	1 369	0,7	0,5	0,4
Outra despesa corrente	7 414	9 159	9 179	2,6	3,0	2,9
Despesas de capital	**10 399**	**13 751**	**14 850**	**3,6**	**4,5**	**4,6**
FBCF	7 874	10 234	10 931	2,7	3,3	3,4
Outras despesas de capital	2 525	3 516	3 919	0,9	1,1	1,2
Juros	**5 935**	**6 271**	**6 576**	**2,1**	**2,1**	**2,1**
Saldo global	**1 451**	**948**	**263**	**0,5**	**0,3**	**0,1**
Saldo primário	7 386	7 219	6 839	2,6	2,4	2,1
Receita fiscal e contributiva	106 935	112 243	117 423	36,9	36,7	36,6
Receita não fiscal e não contributiva	17 690	22 881	23 084	6,1	7,5	7,2
Despesa corrente	112 776	120 425	125 395	39,0	39,4	39,1
PIB nominal	289 428	305 873	320 665	-	-	-

Sources: INE (2024) and Ministry of Finance (2025 and 2026). CFP calculations. | Note: '2025 E' denotes estimate and '2026 P' denotes forecast.

Expenditure

The DSB/2026 forecasts a decrease in public expenditure as a ratio of GDP, influenced by a number of circumstantial factors. Nominal expenditure is expected to total €140,245 million in 2026 following an increase of €6,069 million. However, as a percentage of GDP, the MF forecasts a reduction of 0.1 p.p. of GDP, to 43.7% of GDP. In addition to the denominator effect – the MF forecasts expenditure growth (4.5%) lower than nominal GDP growth (4.8%) – this change is influenced by a number of circumstantial factors whose exceptional budgetary impact implies a reduction in public expenditure of €2,347 million, resulting from:

(i) One-off operations, which imply a reduction in expenditure of €1,406 million, notably the increase in the expected proceeds from the sale of State-owned real estate in 2026, which in national accounts is deducted from the calculation of GFCF with national financing (-€784 million) and reversals of the payment of the pension supplement (€388 million, with an impact on social benefits other than in kind) and support for Ukraine (€200 million, with an impact on 'other current expenditure') granted in 2025;

(ii) *One-offs* in 2025, which will result in a €456 million decrease in the 'other capital expenditure' item next year;

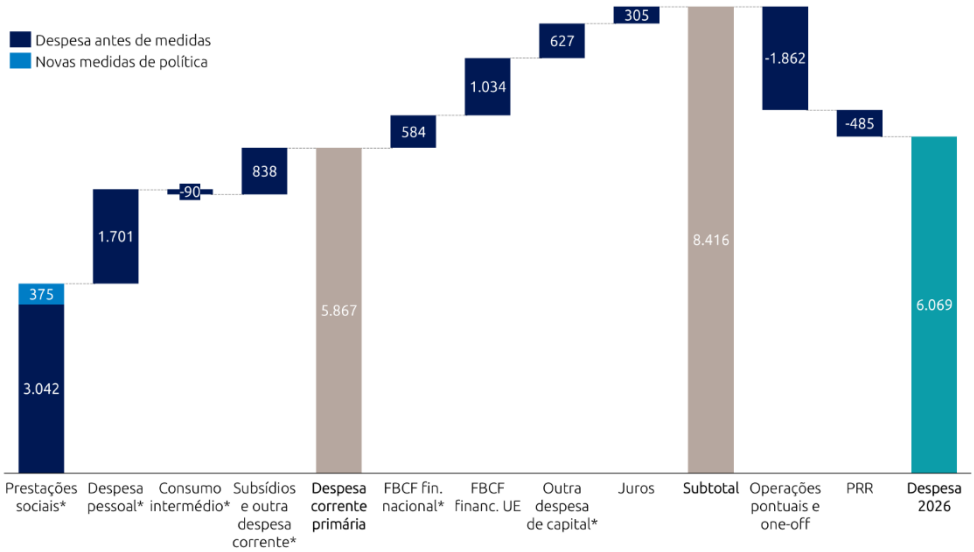
(iii) Expenditure under the PRR, which according to the MF is expected to decrease by €485 million. The portion financed by grants is expected to decrease by €1,088 million, while that financed by loans is expected to increase by €603 million.[13]

Excluding the above factors, the public expenditure ratio would increase from 40.9% of GDP in 2025 to 41.6% of GDP in 2026 (+0.7 p.p. of GDP).

In nominal terms, the increase in public expenditure forecast for 2026 is driven by primary current expenditure, increasing its degree of rigidity. Expenditure adjusted for these factors is expected to increase by €8,416 million or 6.7% (4.1% in 2025), driven by growth in primary current expenditure of €5,867 million or 5.3% (5.1% in 2025). Around 90% of the increase forecast for this sub-aggregate is accounted for by social benefits and personnel expenditure. However, while social benefits are expected to accelerate from 5.5% in 2025 to 6.3% in 2026, the increase in personnel expenses is expected to slow from 7.1% to 5.2% (Table 17, attached). In both categories, the growth forecast for 2026 is higher than that of nominal GDP (4.8%). As for interest charges, the DSB/2026 points to an increase of €305 million.

[13] According to DSB/2026, expenditure under the PRR will total €7,625 million (2.4% of GDP) in 2026, of which €1,961 million (0.6% of GDP) will be financed by loans that will have a negative impact on the budget balance.

Chart 4 – Breakdown of the nominal change forecast for expenditure in 2026 (€ million)



Source: MF. CFP calculations. Note: (*) Expenditure aggregates and components are adjusted for the impact of the PRR, one-off operations and *one-offs*. Specifically, the components of primary current expenditure are adjusted for the impact of the PRR (grants and loans), while in social benefits and 'other current expenditure', the change is also adjusted for the one-off effects of the extraordinary pension supplement and military support to Ukraine, respectively. National GFCF is adjusted for PRR loans and is not deducted from revenue from the sale of real estate. 'Other capital expenditure' is adjusted for the impact of the PRR (grants and loans) and *one-offs*.

Adjusted capital expenditure for these effects is expected to increase through investment financed by European funds and, to a lesser extent, through national financing. Adjusted capital expenditure growth is expected to rise from -9.9% in 2025 to +29.6% in 2026. In absolute terms, the expected increase is €2,244 million, of which €1,617 million is in GFCF and €627 million in 'other capital expenditure'. The growth in GFCF is justified by the EU financing component (€1,034 million) and th[14] , and to a lesser extent by the national financing component which, excluding the PRR and the aforementioned reduction relating to the expected proceeds from the sale of State-owned real estate, is expected to increase by €584 million compared to 2025. It should be noted that, due to the principle of neutrality of Community funds, only this portion relating to national financing will have an impact on the budget balance.

[14] Including the PRR, the increase in GFCF with EU funding would be €1,163 million.

Table 5 – Public expenditure forecast in DSB/2026 (in € million)

	2024	2025 E	2026 P	Variação 2025/2026		Decomposição da Var. 2025/2026		
						Medidas+QPI + FE + Pontuais + One-offs (*)	Cenário macro (**)	Outros efeitos (***)
					(1)	(2)	(3)	(4)=(1)-(2)-(3)
		M€		%	M€		M€	
Despesa Total	**123 174**	**134 176**	**140 245**	**4,5**	**6 069**	**2 972**	**2 645**	**452**
Despesa primária	**117 240**	**127 905**	**133 669**	**4,5**	**5 764**	**2 667**	**2 645**	**453**
Despesa corrente primária	**106 841**	**114 154**	**118 819**	**4,1**	**4 665**	**2 007**	**2 615**	**43**
Consumo intermédio	15 076	15 916	16 100	1,2	184	177	703	-695
Despesas com pessoal	30 322	32 498	34 142	5,1	1 644	1 191		454
Prestações sociais	52 143	55 055	58 028	5,4	2 974	1 615	1 252	107
que não em espécie	46 386	49 159	52 129	6,0	2 970	1 670	967	333
em espécie	5 757	5 895	5 899	0,1	4	-56	285	-226
Subsídios	1 886	1 527	1 369	-10,3	-157	65	70	-292
Outra despesa corrente	7 414	9 159	9 179	0,2	20	-1 040	591	469
Despesas de capital	**10 399**	**13 751**	**14 850**	**8,0**	**1 099**	**660**	**29**	**410**
FBCF	7 874	10 234	10 931	6,8	697	884		-188
Financiamento nacional	6 207	6 411	6 285	-2,0	-126	61		-187
Financiamento da UE	1 666	3 823	4 646	21,5	823	823		0
Outras despesas de capital	2 525	3 516	3 919	11,4	403	-224	29	598
Juros	**5 935**	**6 271**	**6 576**	**4,9**	**305**	**305**		**0**

Source: INE (2024) and MF (2025 and 2026). CFP calculations. | Note: QPI - Table of Invariant Policies; FE - European Funds; (*) This column includes the impacts of the QPI and new policy measures identified in the Table 9 , attached, as well as European funds (including the PRR), one-off operations and one-offs (detailed in the **Erro! A origem da referência não foi encontrada.**); (**) The impact of the macroeconomic scenario is based on the CFP's own calculations; (***) 'Other effects', which do not fall into the categories listed above, were calculated by difference in order to complete the variation in expenditure forecast in the DSB/2026.

The explanatory factors[15] account for virtually the entire €6 billion increase in public expenditure forecast for 2026. Based on the information specified in the DSB/2026 report, without the impact of the macroeconomic scenario, public expenditure is expected to increase by approximately €3 billion compared to 2025.[16] Assuming that the effect of macroeconomic developments can justify an increase in public expenditure of €2.6 billion, the remaining difference of €452 million relates to unspecified "other effects".

However, the variation predicted by the MF in various expenditure items seems difficult to achieve. The negative differences identified in the "Other effects" column of Table 5 suggest a lack of specification of measures or effects that justify the evolution of the component. The following items stand out:

[15] The factors explaining the variation in forecast expenditure are the result of: (i) QPI (which implies the so-called "carry-over effect"); (ii) New policy measures; (iii) One-off operations; (iv) *One-offs;* (v) Macroeconomic scenario.

[16] Of particular note is the carry-over effect of measures approved in previous years (+€3.9 billion; Table 18) and, conversely, the non-repetition of policy measures for extraordinary pension increases, support for Ukraine and the increase in property sales and *one-offs*, which imply an overall reduction of €1.8 billion compared to 2025. The impact of new policy measures is €375 million and expenditure financed by European funds is expected to increase by €549 million (the part financed by the PRR decreases by €485 million, but expenditure financed by other funds increases by €1,034 million).

- Intermediate consumption: an increase of only €184 million is forecast, which, excluding the PRR, translates into a reduction of €90 million. It is acknowledged that this evolution may be related to the "Health" programme, as the DSB/2026 report indicates a significant decrease in the acquisition of goods and services in public accounting, but the projections incorporated by the MF in national accounts (commitment perspective) are unknown. Nevertheless, the size of the other effects suggests an underestimation of this expenditure component.

- Social benefits in kind: the stabilisation of this expenditure does not seem reasonable, given that this item includes various health-related expenses (e.g. diagnostic and therapeutic means and products sold in pharmacies) which have been on an upward trend in recent years.

- Subsidies: the DSB/2026 points to a decrease of 10.3%, but the factors explaining the variation in this expenditure (PRR and macroeconomic impact) justify an increase compared to 2025.

- GFCF with national financing: the expected decrease (-2%) is not consistent with the net increase resulting from the respective explanatory factors, since the increase in public investment indicated by the MF in the framework of unchanged policies (€771 million) and the increase in PRR expenditure (€74 million) more than offset the higher expected proceeds from the sale of real estate (€784 million), which in national accounts is deducted from the calculation of GFCF.

- Interest charges: the expected increase (€305 million) is just over half of what was included in the QPI sent to Parliament at the end of August, and there is no justification in the DSB/2026 for such a significant revision.

Conversely, the positive differences calculated in that column are as follows:

- Personnel expenses: the projected increase (€1.6 billion) is higher than the *carry-over* effect indicated in the table of unchanged policies (€1.2 billion, largely due to the impact considered by the MF with the income agreement and wage agreements with various professional groups). Nevertheless, the variation shown may be based on an underestimated figure in 2025 (as indicated inBox3), which would lead to a more aligned figure in 2026.

- Social benefits: the expected growth in non-cash social benefits is not fully explained by the impacts of increased pension expenditure, the impact of increased parental benefits and the Solidarity Supplement for the Elderly (CSI) – even though it does not appear to take into account an increase in the number of CSI beneficiaries – as well as macroeconomic impacts. Conversely, as noted above, social benefits in kind show a stabilisation that is not explained by the effects considered, including the natural effect of growth in health expenditure.

- Other current expenditure: the slight increase forecast (0.2%) contrasts with the reduction that the explanatory factors would justify, due to the decrease in PRR

expenditure and, , the reversal of support for Ukraine.[17] The difference calculated (€469 million) is insufficient to accommodate a possible increase in the financial contribution to the EU. The version of the QPI sent to Parliament in August included an increase in this contribution of €624 million, which is no longer reflected in the revised version presented in the DSB. If this increase were to be incorporated, the forecast for 'Other current expenditure' would have a negative sign of €155 million.

- Other capital expenditure: excluding the effect of the PRR and *one-offs*, this expenditure more than doubles compared to 2025 (+102.9%). This development may be related to the base effect resulting from the underestimation of the value considered by the MF for 2025. As can be seen in Table**Erro! A origem da referência não foi encontrada.** , excluding the impact of PRR loans, the expenditure estimated by the MF for 2025 is lower than that considered by the CFP, with the opposite being true for the figure forecast for 2026.

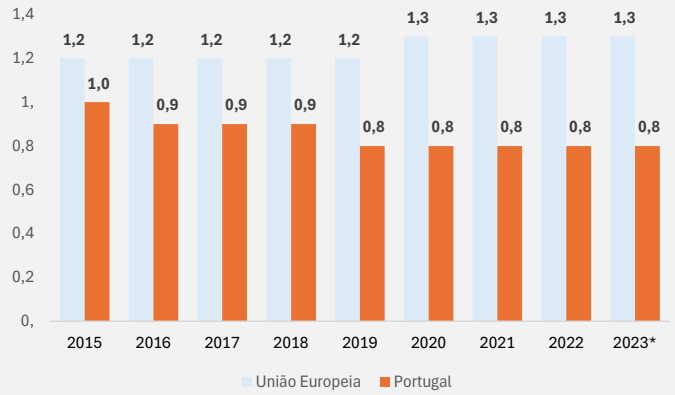
2 Box – Public expenditure allocated to defence

The current geopolitical situation has pressured European leaders to set ambitious targets for increasing defence spending. Under the terms of the Hague Summit Declaration of 25 June 2025, the goal was approved for each of the 32 NATO member countries to allocate 5% of GDP to defence by 2035, of which 3.5% of GDP would be spent strictly on military expenditure (equipment and training) and 1.5% of GDP on dual-use investments, both civil and military (cybersecurity, preparedness and strategic resilience).

According to data on general government expenditure by function (COFOG), general government expenditure on defence (G020) averaged 0.9% of GDP in the period 2015-2023, 0.4 p.p. of GDP less than the European Union average (Graph5). In 2023, Portugal allocated only 0.8% of GDP to defence, the fifth lowest figure in the EU, according to provisional data released by Eurostat.

[17] The CFP requested information from the MF on the heading(s) under which the provisional allocation, the sectoral reserve and the MF reserve for 2026 were classified, from a national accounting perspective. However, it only obtained information from a public budget accounting perspective (it was indicated that all are included under the heading 'Other current expenditure').

Graph5 – Public expenditure by function (COFOG) – Defence (as a percentage of GDP)



Source: Eurostat. | Notes: (*) provisional figures; data for 2024 have not yet been released by Eurostat. In the tables included in the report to the European Commission, the MF indicated defence expenditure of 0.9% of GDP in 2024.

The Portuguese Government recently committed to bringing forward to 2025 the NATO target of defence expenditure reaching 2% of GDP, previously set for 2029. According to statements made by the Prime Minister at the end of the summit, Portugal will invest more than 2% of GDP over the next four years, with a gradual upward trend, so that by 2029 it will be in a position to meet the final target of 5% in the following six years. The Portuguese Government has committed to reaching at least 3% of GDP by 2029.

According to additional information provided by the MF, based on the COFOG classification, defence expenditure is expected to increase by only €546 million in 2026, from €3,332 million (1.1% of GDP) in 2025 to €3,878 million (1.2% of GDP). It should be noted, however, that the concept of defence expenditure accepted by NATO is not limited to the area of 'Defence', but also covers expenditure from other budgetary programmes, such as expenditure on police and internal security forces, military schools, military hospitals and military pensions.

In addition, the Treasury and Finance Entity's budget for 2026 includes, in Chapter 60 on exceptional expenditure, an allocation of €1.2 billion under the heading 'Other financial assets – Public non-financial corporations and quasi-corporations' (non-effective expenditure) to finance military investments. Under the terms of Article 8(9) of the Draft State Budget Law for 2026, the Minister of Finance is authorised to make budgetary changes to actual and non-actual expenditure in Chapter 60 and to make transfers in this context between the different budgetary programmes, meaning that the full use of this amount next year in actual expenditure will have an additional negative impact of 0.4% of GDP on the budget balance.

The financing of defence expenditure in the coming years will also be ensured through loans under the Security Action Facility for Europe (SAFE), created in May 2025. Last July, Portugal formalised its expression of interest in joining SAFE and is expected to submit a national defence investment plan by the end of November. The provisional allocation key presented by the European Commission allows Portugal to benefit from a maximum financing of €5.8 billion (with 15% pre-financing). According to the Minister of Finance, DSB/2026 does not indicate how much will be financed by SAFE loans because the operationalisation of this instrument has not yet been finalised.

In the DSB/2026 report, expenditure under the 'Defence' budget programme broken down by economic classification is presented solely from the perspective of public budget accounting, with the following expenditure trends forecast.

Table 2 – Expenditure of the budget programme "Defence"

	2025 E	2026 P	Variação	
	M€		M€	%
Despesa corrente	**2321,0**	**2786,4**	**465,4**	**20,1**
Despesas com pessoal	1363,0	1439,8	76,8	5,6
Aquisição de bens e serviços	826,3	929,1	102,8	12,4
Juros e outros encargos	0,4	0,6	0,2	72,1
Transferências correntes	65,7	76,0	10,3	15,7
Subsídios	1,3	1,7	0,4	24,0
Outras despesas correntes	64,3	339,2	274,9	427,5
Despesa de capital	**953,8**	**983,0**	**29,2**	**3,1**
Investimento	914,8	983,0	68,2	7,5
Transferências de capital	38,9		-38,9	
Diferenças de consolidação	8,5		-8,5	
Despesa efetiva consolidada	**3283,2**	**3769,4**	**486,2**	**14,8**
Ativos financeiros	1,7	1,7	0,0	
Passivos financeiros		0,8	0,8	
Despesa total consolidada	**3284,9**	**3771,9**	**487,0**	**14,8**
em % do PIB	1,1%	1,2%		
Por memória:				
Dotações específicas:	1114,9	890,9	-224,0	-20,1
Lei de Programação Militar	881,9	564,4	-317,5	-36,0
Lei das Infraestruturas Militares	28,5	23,0	-5,5	-19,3
Forças Nacionais Destacadas	93,5	148,0	54,5	58,4
Pensões e Reformas	90,0	133,8	43,8	48,6
Encargos com saúde	21,0	21,6	0,6	2,7

Source: MF. | Note: figures from the perspective of public budget accounting.

According to DSB/2026, total consolidated expenditure for the "Defence" programme is expected to amount to €3,771.9 million (1.2% of GDP), €487 million (14.8%) more than the total estimated by the MF for 2025. Around 96% of the expected increase is justified by current expenditure, mainly driven by "Other current expenditure" (partly due to the sectoral reserve and the MF reserve), the acquisition of goods and services and, to a lesser extent, personnel costs. Capital expenditure is expected to increase by only €29.2 million, anchored by a 7.5% increase in investment. However, capital expenditure growth could be higher if the €1.2 billion allocation for military investment is used.

Finally, it should be noted that the total specific appropriations for the "Defence" programme for 2026 (approved for expenditure or spending for specific purposes) are 20.1% lower than the estimated figure for 2025. This variation is likely to be related to the Government's intention to bring forward to 2025 the execution of funds under the Military Programming Law in order to achieve the target of 2% of GDP in the current year. In fact, the budget allocation for the Military Programming Law approved for 2025 was €479 million, with the Government now estimating an execution of around €882 million (Table 6).

2.4 Final considerations on the budget forecast for 2026 in DSB/2026

The budget surplus of 0.1% of GDP for 2026 presented in DSB/2026 is based on a set of assumptions and forecasts whose plausibility raises questions about the feasibility of this objective. Abstracting from the impact of PRR loans (0.6% of GDP), the weaknesses of the budget forecast for 2026 are mainly concentrated on the public expenditure side, with the forecast being inconsistent with the growth dynamics of some of its components, in particular:

- Intermediate consumption, which is forecast to grow at a reduced rate (1.15%, lowering its weight in GDP by 0.2 p.p.), without policy measures or other effects to support it. This reduction seems to stem from the sharp decline in the acquisition of goods and services (by 10.1%) in the public health programme, although the projections incorporated in this item in the national accounts (commitment basis) are unknown; the DSB/2026 Report does not provide any explanation for this reduction in the acquisition of goods and services in the health programme, which in turn explains the low nominal growth (1.5%) in the consolidated actual expenditure of this important budgetary programme, which is even lower than the forecast inflation, a development that contrasts with the sharp growth trend recorded in previous years.[18]

- In social benefits in kind, which also include health expenditure (e.g. expenditure on diagnostic and therapeutic means and products sold in pharmacies), the forecast of annual stabilisation poses challenges for implementation in view of the trend seen in the recent past.[19]

- In the financial contribution to the European Union, included under the heading "Other current expenditure", the MF maintains its estimate unchanged from 2025, despite the fact that the Invariant Policy Table (QPI) presented in August anticipated an increase of €624 million, i.e. the DSB/2026 revises downwards the increase in this contribution without justification.

- In interest charges, the increase now forecast in the DSB/2026 is almost half that in the QPI presented in August, a substantial change for which there is also no justification.

- In Gross Fixed Capital Formation (GFCF), the MF anticipates a 2% decrease in the national financing component, which directly affects the budget balance. This forecast for investment expenditure is heavily dependent on the sale of real estate, the outcome of which is uncertain.

In addition, the public expenditure forecast in the DSB/2026 for the defence sector appears to fall short of Portugal's commitment under European cooperation on security and defence. Although the Government is expected to present a detailed

[18] In 2023 and 2024, the growth rate of intermediate consumption was 6.6% and 7.5% respectively.

[19] In social benefits in kind, the growth rate was 4.5% in 2023 and 10.1% in 2024, respectively.

investment plan for defence at the end of November, it would be expected that expenditure in this area would be more significant in the DSB/2026, in line with international commitments. According to the functional information reported by the MF, based on the COFOG classification ([20]), defence expenditure is expected to increase from 1.1% of GDP in 2025 to 1.2% in 2026, representing a nominal increase of around €550 million, also in line with the increase in the expenditure allocation for the core defence mission.

In this regard, it should be noted that Chapter 60 provides for an allocation of €1.2 billion (0.4% of GDP) recorded as expenditure on financial assets. As it is not expected that the commitment to defence will translate into financial investments (equity participation in companies or acquisition of shares or bonds), the transformation of this non-effective expenditure, in whole or in part, into effective expenditure (e.g. salaries, acquisition of goods and services, investments) will affect the budget balance.[21]

Given the inconsistencies identified above, compounded by an increase in dividend income that is not specified in DSB/2026, the budget balance forecast by the MF differs significantly from that projected by the CFP. The explanation for the difference between maintaining a budget surplus forecast by the MF and returning to a deficit situation projected by the CFP is explained later in this Report, using a comparison for the year 2026 between this forecast and an updated CFP projection, explaining the main differences.

2.5 Budgetary risks

In 2026, the budget forecast entails non-negligible risks, predominantly downward, notably:

- The macroeconomic scenario on which the DSB is based is subject to a number of risks and external uncertainties that prevail in the current economic climate. In this regard, we recall the main considerations of the Opinion on the macroeconomic forecasts underlying the Draft State Budget for 2026 published by the CFP in October 2025;
- The use of all or part of the €1.2 billion (0.4% of GDP) provided for in 'Chapter 60 - Exceptional Expenditure' of the Ministry of Finance for actual military expenditure;
- The sale of real estate and additional dividend income provided for in DSB/2026 not materialising, or resulting in a lower than expected financial return;

[20] COFOG – Classification of the Functions of Government. For an understanding of this concept, see Box 7 – Defence expenditure: recent developments and NATO commitments published in Report No. 2/2025 on the Economic and Budgetary Outlook for 2025-2029.

[21] The distinction between actual and non-actual expenditure is relevant from a public budget accounting perspective. Non-actual expenditure, unlike actual expenditure, refers to financial transactions that have no impact on the budget balance because they do not permanently alter net financial assets. This is the case for expenditure on financial assets (acquisition of debt securities, granting of loans and advances or repayable subsidies) and financial liabilities (repayment of loans, settlement of advances or repayable subsidies, and execution of guarantees or sureties).

- The potential increase in the number of CSI beneficiaries, reinforced by the increase in the reference value;
- The possible continuation of support for Ukraine in 2026, given that this measure was not identified by the MF in the tables of the DSB/2026 report;
- The increase in the financial contribution to the European Union that was reflected in the version of the QPI sent to Parliament in August and which is no longer included in the revised version presented in the DSB;
- The possibility that expenditure growth may prove higher than expected, particularly with regard to health expenditure (as mentioned above), as well as investment secured by national funding and interest charges;
- The impact of the housing policy measures announced by the Government, but which are not identified and quantified in the DSB/2026, namely the reduction in VAT on housing and in personal income tax on property income;
- The approval of additional policy measures that could jeopardise the budgetary targets set out in DSB/2026;
- The materialisation of public expenditure associated with contingent liabilities of the public administration, such as public guarantees and requests for financial balance restoration by concessionaires under public-private partnerships (PPPs).

  With regard to the latter, DSB/2026 does not incorporate expectations regarding the outcome of ongoing negotiations, highlighting the risk that the claims of private partners for compensation, indemnification or restoration of the financial balance of their contracts, which in total amount to a significant sum, may be upheld.[22]

Among the factors with the potential to favour the budgetary scenario, the following stand out:

- The possibility that tax revenue will exceed the MF's expectations if the macroeconomic scenario of DSB/2026 materialises;
- The DSB/2026 does not mention the forecast revenue from the sale of TAP and Novo Banco. Although these amounts have no impact on the budgetary balance in national accounts, as they are revenue from financial assets, they reduce financing needs and, consequently, public debt;
- Lower execution of public investment supported by national financing and PRR loans;
- Non-utilisation of all expenditure appropriations relating to budgetary restraint instruments;

[22] According to the DSB/2026 report, the total value of claims submitted by road concessionaires and sub-concessionaires amounts to €1,243.8 million. The railway sector has a total amount of litigation in the order of €198.3 million, mainly resulting from the enforcement action brought by ELOS – Ligações de Alta Velocidade, S.A. In PPPs in the health sector, the total value of contingencies is around €101.7 million. In the airport sector, the request for financial rebalancing in the amount of €210 million, submitted in 2021 by ANA – Aeroportos de Portugal, S.A., remains in place, based on the alleged reduction in concession revenues due to air traffic restriction measures adopted by the Government during the COVID-19 pandemic.

- Potential additional revenue gain from the elimination of the ISP discount and updating of the carbon tax in 2026 (amounting to approximately €1,000 million or 0.4% of GDP, if this elimination were to take place in full on 1 January 2026), as analysed inBox1 .

2.6 Budgetary restraint instruments

The rules governing the conditional use of budget appropriations have been amended once again. DSB/2026 introduces a new amendment to these rules, providing for a sectoral reserve corresponding to 5% of the allocation for each budget programme, pursuant to Article 3(1) of the Draft State Budget Law/2026, whereas previously it resulted from the application of certain retention percentages on some expenditure items. It should be noted that with the 2024 State Budget Law, the power to authorise the conditional use of budget allocations ceased to lie with the Minister of Finance and passed to the member of the Government responsible for the respective sectoral area. Subsequently, the 2025 State Budget Law no longer provided for a set of exceptions to the application of appropriations, namely certain bodies and some specific expenditures. However, some bodies are still excluded from the application of appropriations, such as the National Health Service and higher education institutions.

The total value of the budgetary restraint instruments provided for in the 2026 Budgetary Plan is lower than that approved for 2025 due to the reduction in the sectoral reserve. The total amount of these instruments for next year is €3,887.1 million (1.2% of GDP), more than half of which corresponds to the sum of the sectoral reserve and the MF reserve (€2,053.2 million, more than a third of which is justified by the 'Finance' and 'Infrastructure and Housing' programmes). Total reserves are down €490 million compared to what was approved in the 2025 State Budget, mainly due to reductions in the "Infrastructure and Housing" and "Defence" programmes. The portion of the reserve that can be mobilised by the member of the Government responsible for the respective sectoral area is down €786 million. Conversely, the portion relating to the MF budget reserve, corresponding to 2.5% of the allocation for each budget programme and whose mobilisation remains the responsibility of the Minister of Finance, pursuant to Article 3(3) of the Draft State Budget Law for 2026, increases by €295 million. The value of the remaining expenditure control instruments that are the exclusive responsibility of the Minister of Finance remains the same as that approved for 2025: the provisional allocation to cover unforeseeable and urgent expenditure is €500 million and the so-called centralised allocations total around €1,334 million.

Table3– Budgetary restraint instruments (€ million)

Designação	OE/2025	POE/2026	Variação
1. Dotação provisional	500,0	500,0	0,0
2. Reservas:	2 543,6	2 053,2	-490,4
Reserva sectorial	2 029,3	1 243,6	-785,7
Reserva MF	514,3	809,6	295,3
3. Dotações centralizadas:	1 333,9	1 333,9	0,0
Regularização de passivos e aplicação de ativos	1 278,9	1 278,9	0,0
Contrapartida pública nacional global	50,0	50,0	0,0
Orçamento participativo	5,0	5,0	0,0
Total	**4 377,5**	**3 887,1**	**-490,4**

Source: MF. CFP calculations. | Notes: figures in public budget accounting, including expenditure on financial assets and liabilities; in 2025, the sectoral reserve corresponded to the appropriations in the 2025 State Budget Law (to which were added appropriations amounting to €460 million from the MF's budget reserve, which totalled €514.3 million in that year).

2.7 Multiannual public expenditure framework (QPDP)

The draft update of the QPDP for 2025-2029, presented only in the DSB/2026 Report, requires legal approval, otherwise it will not be legally binding on the State Budget as determined by the LEO (see Article 44(1)(b)). Under the terms of the Budgetary Framework Law (LEO), the QPDP is part of the Major Options Law (LGO), the presentation of which constitutes the first phase of the budgetary process. The LGO currently in force for the period 2024-2028 was approved by Law No. 45-B/2024 of 31 December, under the 24th Constitutional Government. With the start of the new legislature on 5 June 2025 and the inauguration of the XXV Constitutional Government, a LGO Proposal for 2025-2029 was approved by the Council of Ministers on 25 September. However, as of the date of submission of the DSB/2026, this legislative initiative had not been submitted to Parliament. This situation creates an inconsistency with the provisions of the LEO, since the multi-annual nature of the LGO remains subject to the annuality of the State Budget, contrary to the sequential and hierarchical logic provided for in the budgetary process.

The QPDP includes a limit on total expenditure and expenditure per organic base mission (MBO) for the current year and the following four years, applicable to the Central Administration (AC) and Social Security (SS). If approved in accordance with the law, the QPDP limits are binding for the budget of the following financial year and indicative for the programming period coinciding with the rest of the legislative term. The limits are presented in non-consolidated terms from a public budget accounting perspective, including non-effective expenditure. However, the impossibility of removing the amount forecast for operations with financial assets and liabilities from the QPDP compromises coordination with the medium-term budgetary objectives for the period in question. The complementary presentation of these limits from a consolidated perspective and with an explicit indication of the forecast limit for actual expenditure would be essential to enhance budgetary transparency. The QPDP also

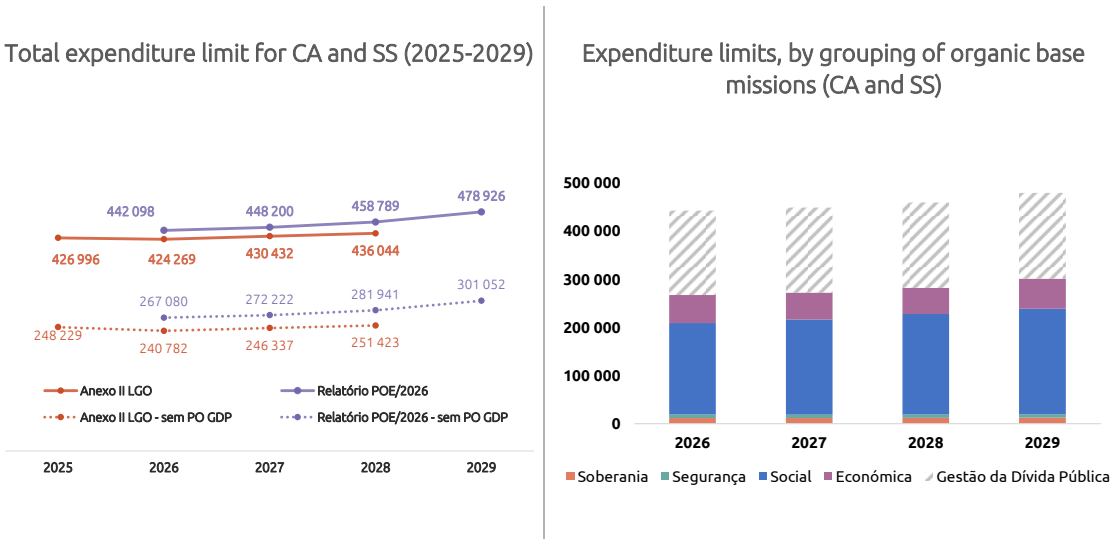
presents projections by source of financing (revenue) and must present the value of the commitments made.

Compared to the QPDP of the 2024-2028 Major Options Law, the draft included in the DSB/2026 Report revises the total expenditure limits for the common period upwards. The update is around €18 billion in both 2026 and 2027, and €23 billion in 2028 (left panel of Chart 6). The DSB/2026 Report states that it considers the limits set for 2026 to be binding. It should be noted that the expenditure limits per MBO are not directly comparable due to the different government structures. [23]

For 2026, the total expenditure limit amounts to €442.1 billion, of which €175 billion relates to the "Public Debt Management" budget programme included in the Finance MBO. Excluding this programme, almost three quarters of the planned appropriations relate to the MBO that can be included in the social area (right-hand panel of Chart 6).

Beyond 2026, the QPDP considers successive annual increases in total (nominal) expenditure by the Central Government and Social Security. In 2027, the growth of this limit is 1.4% (€6.1 billion), accelerating to 2.4% (€10.6 billion) and 4.4% (€20.1 billion) in 2028 and 2029, respectively. In Social Security, the expenditure limit is expected to increase in all years of the QPDP, with the largest increase in 2028, of €8 billion. Excluding the public debt management programme, the growth rate of the expenditure limit would be higher in all years.

Chart 6 – Expenditure limits subject to the QPDP (€ million)



Source: MF. CFP calculations. | Notes: CA – Central Administration, LGO – Law on Major Options for 2024-2028, PO GDP – Budget Programme for Public Debt Management; SS – Social Security. For aggregation in terms of analysis by major areas, it was considered useful to aggregate organic missions in this analysis, including SS in the "Social" area. CA MBOs considered by area: Sovereignty: General State Expenditure, Presidency of the Council of Ministers, Foreign Affairs, State

[23] The QPDP expenditure limits contained in the DSB/2026 Report are derived from and developed in tables in the Draft State Budget Law/2026 relating to the organic core missions (MBO) of the Central Administration and Social Security, which take into account the structure and organisation of the XXV Constitutional Government approved by Decree-Law No. 87-A/2025 of 25 July. The QPDP for 2025-2029 thus has 16 MBOs, four of which aggregate two budget programmes each.

Reform and Justice; Security: National Defence and Internal Administration; Social: Education, Science and Innovation, Health, Labour, Solidarity and Social Security, Culture, Youth and Sport ( ); Economic: Finance, Economy and Territorial Cohesion, Infrastructure and Housing, Environment and Energy, Agriculture and Sea.

According to the proposed update to the QPDP, almost two-thirds of the planned expenditure will be financed by tax revenues. The QPDP considers the category of 'other revenues', which includes both actual revenues (e.g. sale of goods and services) and non-actual revenues (sale of assets or use of financial liabilities, e.g. loans). This revenue accounts for around 31% of the total from 2026 to 2029. For the same period, revenue from European funds represents, on average, 1.3% of expenditure financing. In 2026, this share is higher (7.6%), reflecting the impact of PRR funds, gradually falling to 3.8% in 2027 and 2.2% in 2029.

The expenditure limit for 2026 considered in the draft QPDP, and taking into account the elements that can be analysed in the DSB/2026 – namely expenditure and revenue in assets and flows between entities – is arithmetically consistent with the national accounts balance target (0.1% of GDP). This consistency can be assessed on the basis of an arithmetic exercise carried out by the CFP (Table 18, attached), even though it is not explicitly stated in the DSB/2026 Report. The proposed QPDP also includes the structural balance figure considered by the MF for 2026 (0.2% of GDP), an indicator that stems from a transitional provision applicable until 2025, aimed at reconciling the expenditure limit with the structural balance provided for in the Stability Programme. However, in view of the new framework of European budgetary rules, the QPDP should now reflect the expenditure trajectory defined in the MTP (Medium-Term National Budgetary-Structural Plan) and in the Annual Progress Report (RAP).[24] Notwithstanding the lack of explicit reference in the report, it is possible to demonstrate this link arithmetically, as shown in the final part of theTable 9 , attached.

[24] See DSB/2026 Report, "The Budgetary Framework Law is currently being revised. (...) As part of this revision, the first phase of the budgetary process will be reformulated. This will be adjusted to the new instruments provided for in European rules: the (...) POENMP (...) and the RAP. (...) The reformulation (...) will involve (...) the creation of a new national Medium-Term Budgetary Framework".

3 EVOLUTION OF PUBLIC DEBT

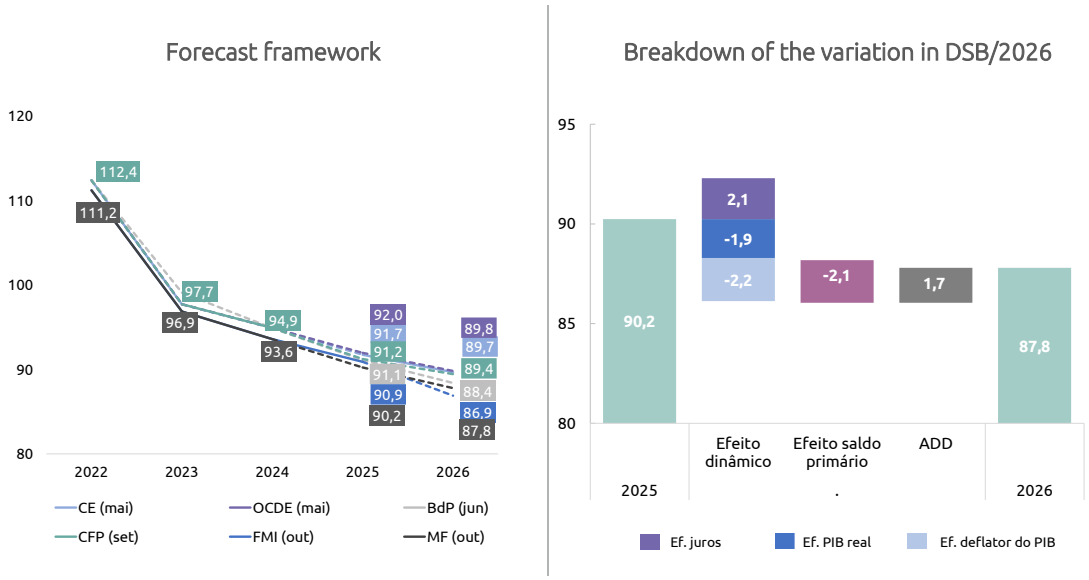
3.1 Debt dynamics

The DSB/2026 forecasts that the public debt-to-GDP ratio will fall below 90% in 2026 for the first time since 2009. The debt ratio is expected to fall by 2.4 p.p. of GDP in 2026 to 87.8% of GDP, which, if confirmed, will translate into a cumulative decrease of 46.3 p.p. of GDP since 2020, the last year in which an increase was recorded. The decrease forecast for 2026 reflects, on the one hand, the favourable nominal growth effect and, on the other, the maintenance of a positive primary balance, which lends credibility to the debt markets, contributing to the interest effect continuing to record historically low values (Chart 7 , right panel). The deficit-debt adjustment will have an unfavourable impact of 1.9 p.p. of GDP in 2025 and 1.7 p.p. of GDP in 2026, higher than the average for the last two decades (0.6 p.p. of GDP)[25] .

There is broad consensus among the main institutions on reducing the public debt ratio to below 90% of GDP by 2026, which is in line with the MF's forecast. It should be noted that the MF and IMF forecasts are the only ones to incorporate the downward revision made by the statistical authorities in the 23 September 2025 notification regarding the EDP (through an upward revision of nominal GDP), characterised by a less unfavourable starting level (111.2% of GDP in 2024 compared to 112.4% of GDP in the other institutions). The magnitude of the change forecast by the MF for the debt ratio in 2026 (-2.4 p.p. of GDP) is within the range projected by the other institutions (-1.8 p.p. to -4 p.p. of GDP) (Chart 7 , left panel). In addition, the MF forecast presents: i) a higher nominal public debt amount than all other projections; and ii) a higher nominal GDP than the expectations of the other institutions.

[25] The deficit-debt adjustment corresponds to the change in *the stock* of public debt that does not result directly from the budget balance, reflecting financial operations, changes in assets and liabilities or temporary differences in the execution of funds, for example. According to the MF, in 2026 the impact of the PRR funds accounts for 80% of the adjustment. For 2025, no information was provided on the main factors justifying the deficit-debt adjustment.

Chart 7 – Public debt evolution (% and p.p. of GDP)



Sources: BdP, EC, IMF, MF and OECD. CFP calculations. | Note: ADD = Deficit-Debt Adjustment.

3.2 Financing needs and sources

The DSB/2026 forecasts an increase in the State's gross financing needs in 2026, despite net financing needs remaining unchanged. The increase in gross financing needs results mainly from the maturity profile of public debt. According to the MF forecast, the increase in debt repayments in 2026 (€3.5 billion) explains almost the entire increase in the State's gross financing needs (€3.7 billion), accounting for 97% of this change. Within this aggregate, short-term debt repayments in euros (namely the higher expected repayment of Treasury Bills (BT)) stand out, followed by medium and long-term debt repayments and savings products. Net financing requirements are expected to increase slightly compared to the estimate for 2025. This increase is mainly due to the central government budget deficit (up by €93 million) and, to a lesser extent, the net acquisition of financial assets (by €27 million) (Table 8).

Table 4 – State financing requirements in 2025–2026 (€ million)

Necessidades de Financiamento	2025		2026		Var. 2026/25	
	Valor	Peso (%	Valor	Peso (%	Valor	%
1. Necessidades líquidas de financiamento (a) + (b) - (c)	**11 977**	**18**	**12 097**	**18**	**120**	**1,0**
a) Défice Orçamental	6 990	11	7 083	10	93	1,3
b) Aquisição Líq. ativos financ. (exceto privatizações)	4 987	8	5 014	7	27	0,5
c) Receitas de privatização	0	0	0	0	0	0,0
2. Amortizações e anulações [dívida fundada] (d) + (e) + (f) + (g) + (h)	**52 786**	**82**	**56 321**	**82**	**3 535**	**6,7**
d) CA + CT	4 705	7	5 144	8	439	9,3
e) Dívida de curto prazo em euros	32 976	51	35 455	52	2 479	7,5
f) Dívida de mlp em euros	15 104	23	15 723	23	619	4,1
g) Dívida em moeda não euro	0	0	0	0	0	0,0
h) Fluxos de capital swaps (Líq.)	0	0	0	0	0	0,0
3. Necessidades Brutas de Financiamento (1) + (2)	**64 763**	**100**	**68 418**	**100**	**3 655**	**5,6**

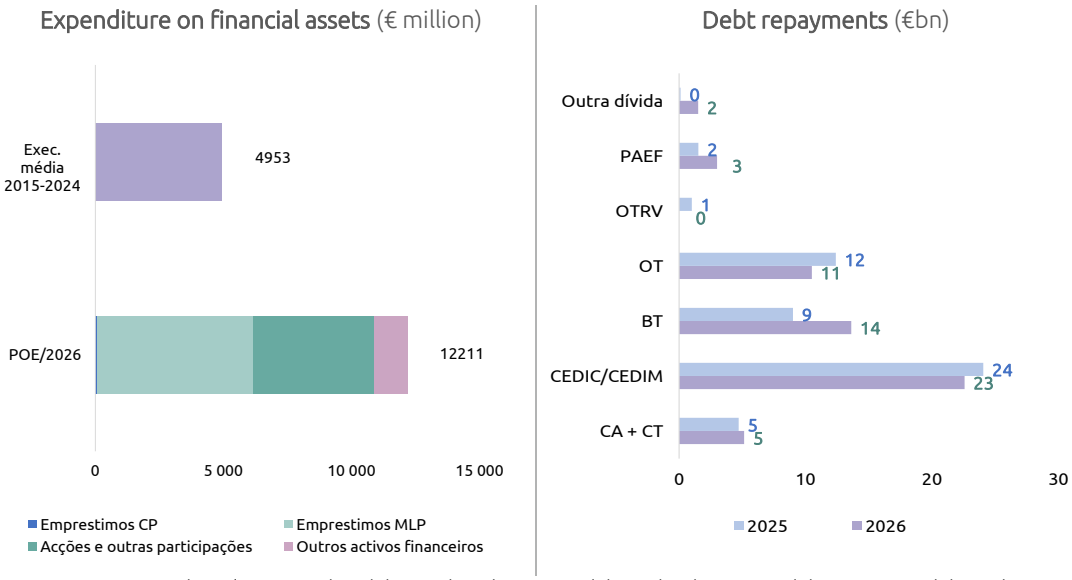
Source: MF. | Note: CA = Savings Certificates and CT = Treasury Certificates; mlp = Medium and Long Term.

The increase in debt repayments due in 2026 is mainly due to the redemption of Treasury Bills. In 2025, the MF estimates an increase in the balance of TBs, a short-term

instrument, which will lead to a higher volume of redemptions in the following year, resulting in an increase in short-term debt repayments in euros. In addition to BTs, repayments of savings products and planned repayments to the EFSF and the ESM, as well as the MTN in euros, maturing in February 2026, also contribute to this increase. On the other hand, a reduction in repayments is expected in relation to: i) CEDICs,[26] instruments with no impact on market financing; ii) OT (largely due to the balance of OT 2.875% Oct 2025 being higher than OT 2.875% Jul 2026); and iii) OTRV, with only the line issued this year (OTRV July 2031) remaining (Chart 9, right panel).

As in previous years, the net acquisition of financial assets forecast in DSB/2026 is significantly higher than the average execution of this item in recent years. According to the MF, most of the expenditure on financial assets planned for 2026 is earmarked for: i) medium and long-term loans (€6.1 billion), notably the amount reserved for public entities (€4 billion) and the IHRU (€1.3 billion); ii) shares and other holdings (€4.7 billion), notably the capital allocation for Infraestruturas de Portugal, S.A. (€2.3 billion) and allocations for other non-financial public companies (€1.8 billion); and iii) expenditure on other financial assets relating to military investments (€1.2 billion) (Chart 8 , left panel). In net terms, this expenditure will be offset by revenue from financial assets.[27]

Chart 8 – Government borrowing requirements in 2026



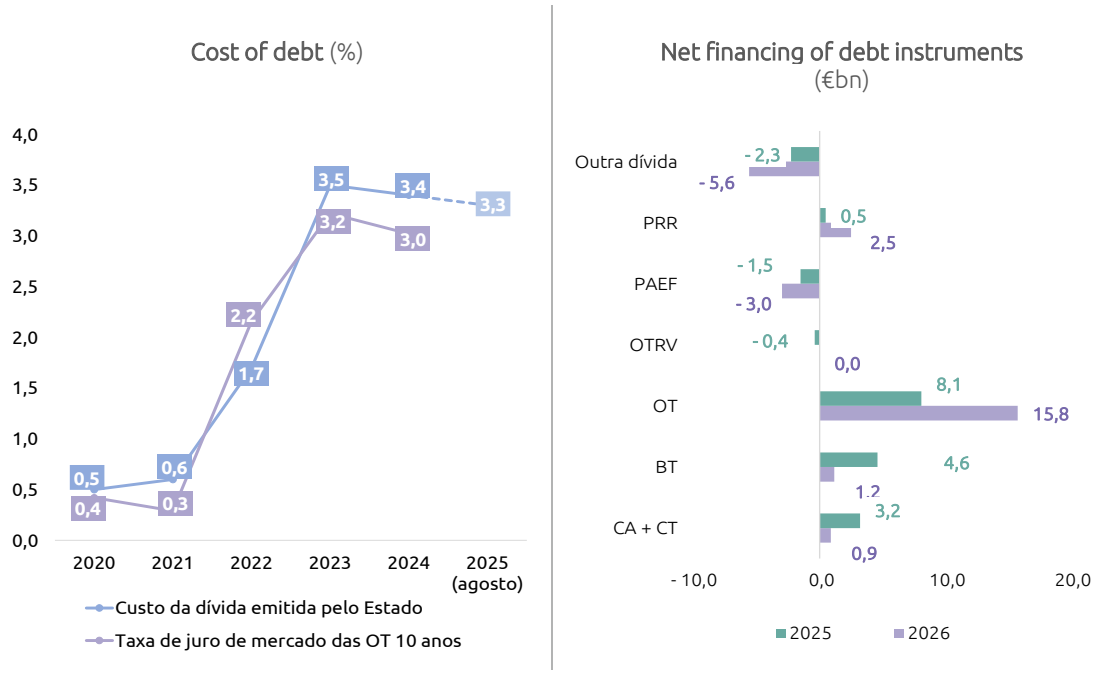
Sources: DGO and MF. | Notes: Other debt = Other short-term debt, Other long-term debt, Non-euro debt and *Swap* capital flows (net); PAEF = Economic and Financial Assistance Programme; CEDIC/CEDIM = Special Short-term, Medium-term and Long-term Debt Certificates; BT = Treasury Bills and OT = Treasury Bonds; OTRV = Variable-rate Treasury Bonds; CA = Savings Certificates and CT = Treasury Certificates.

[26] https://www.igcp.pt/fotos/editor2/2009/Legislacao/RCM_111_2009.pdf

[27] In this regard, although not provided for in DSB/2026, revenue from financial assets in 2026 may be higher than in previous years, due to the partial privatisation of TAP and the sale of Novo Banco, which, although having no impact on the general government balance, will result in lower general government financing needs.

The increase in financing through Treasury Bonds planned for 2026 offsets the reduction in the use of other financing instruments. In particular, Treasury Bonds account for 135% of net government financing, which translates into net financing of €15.8 billion through this instrument, almost double the amount forecast by the MF for 2025 (€8.1 billion). On the other hand, there is a decrease in the contribution of financing through BTs, reflecting prudent management of short-term debt. Savings and Treasury Certificates continue to play a more moderate role in net financing, as their attractiveness competes with bank market rates (Chart 9 , right panel). This financing strategy is consistent with the favourable evolution of the cost of long-term debt, supported by the Portuguese State's credibility in the financial markets, allowing the average maturity of the debt to be extended without a significant impact on expected costs (Chart 10 left panel).

Chart 9 – Sources of government financing

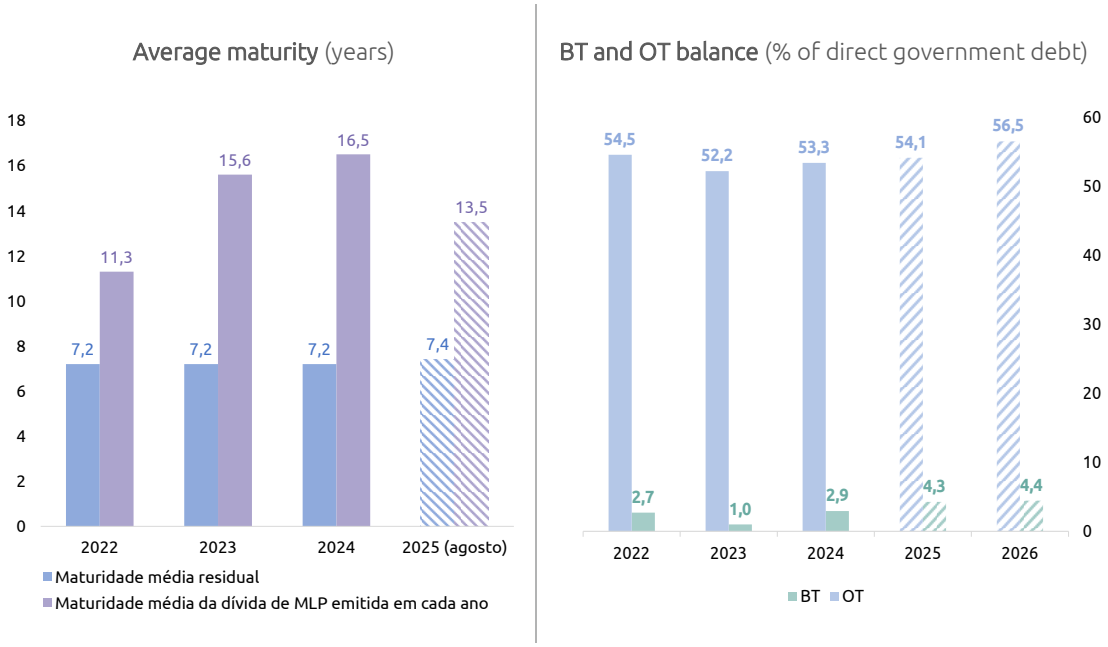


Sources: MF, IGCP, Bloomberg. | Notes: Cost of debt issued by the State disclosed by IGCP in its Monthly Bulletin, corresponding to the average cost of new BT, OT, OTRV and *Medium Term Notes* issues, weighted by the corresponding amount and maturity. Other debt = CEDIC, CEDIM, Other short-term debt, Other long-term debt, Non-euro debt and Swap capital flows (net); BT = Treasury Bills and OT = Treasury Bonds; OTRV = Variable Rate Treasury Bonds; CA = Savings Certificates and CT = Treasury Certificates; PAEF = Economic and Financial Assistance Programme; PRR = Recovery and Resilience Plan.

Despite the increase in the BT balance in recent years, a trend that will continue in 2026, the average maturity of the debt remains high. Specifically, the average maturity of new medium- and long-term debt of 16.5 years in 2024 and 13.5 y y until August 2025 ensures a feasible maturity profile, while the average residual maturity of the overall portfolio remains stable (Chart 10, left panel). At the same time, the increase in the BT balance – which will represent 4.4% of the State's direct debt in 2026 – is expected to be accompanied by an increase in the OT balance (56.5% of the State's direct debt in the same year) (Graph10, right panel). This behaviour reflects active public

debt management focused on reducing refinancing risks and stabilising interest charges.

Graph10 – Maturity of the State's direct debt



Sources: MF, IGCP. | Notes: BT = Treasury Bills and OT = Treasury Bonds.

4 CFP BUDGETARY SCENARIO FOR 20 2026

The updated budgetary scenario, now presented by the CFP, is an essential tool for assessing the comparability of the trajectory of the main budgetary indicators contained in this budgetary programming document. Following the Government's presentation of the DSB/2026, the CFP is updating the budgetary projection for unchanged policies published in September (Economic and Budgetary Outlook Report). Compared to what was published on 22 September, this exercise incorporates: the provisional estimate for the 2024 account reported by INE in the 2nd notification of the PDE; the policy measures provided for in DSB/2026, some of which have been recalculated by the CFP (Table 19); as well as new information and clarifications provided by the MF. The comparison with the MF's budget forecast for 2026 focuses not only on the budget balance, but also on the trajectory for the public debt ratio and for net expenditure growth, the latter being relevant as the main operational indicator for assessing the compliance of the multi-annual expenditure trajectory with the commitment made by the Portuguese State.

The projection for the main budget aggregates is presented in the following table.

Table 9 – CFP budget projection scenario incorporating the policy measures set out in DSB/2026
(as a % of GDP)

	INE	CFP	
	2024	2025	2026
Receita Total	**43,1**	**43,4**	**43,3**
Receita corrente	42,2	42,1	41,9
Receitas de capital	0,9	1,3	1,4
Despesa Total	**42,6**	**43,3**	**44,0**
Despesa Primária	40,5	41,3	41,9
Despesa Corrente Primária	36,9	37,2	37,6
Despesas de capital	3,6	4,1	4,3
Saldo Primário	**2,6**	**2,1**	**1,5**
Juros	2,1	2,0	2,1
Saldo global	**0,5**	**0,1**	**-0,6**
Dívida Pública	**93,6**	**89,9**	**88,2**

Source: INE (2024). MFF projection.

4.1 Budget balance

The CFP revises the 2025 budget balance upwards, now anticipating a surplus of 0.1% of GDP. This revision, equivalent to 0.1 p.p. of GDP, in addition to reflecting the new provisional estimate for 2024 published by INE, is essentially explained by the update of the annual impact of the administrative measure relating to IRS withholding tax. The latest information on budget execution in August has been incorporated, namely in personal income tax collection notices, which recorded a significant increase in that month, information made available after the publication of the Economic and Budgetary Outlook Report. As already noted in that Report, the y impact of this

administrative measure was one of the sensitive factors that could justify a more favourable projection of the budget balance by the CFP.

Even so, the starting point for the 2026 budget forecast is less favourable than anticipated by the MF. The budget balance projected by the CFP for 2025 (0.1% of GDP) is 0.3 p.p. of GDP lower than estimated by the MF for 2025 (0.3% of GDP). Excluding the effect of PRR subsidies and other European Union funds on the capital component – whose impact on the budget balance is zero – provides a more objective and explanatory reading of the differences between the budget aggregates and their components. Using this approach, it can be seen that this difference is essentially explained by the fact that the MF estimates public expenditure to be almost €1 billion lower than estimated by the CFP (Table 10). Of this amount, almost €850 million relates to primary current expenditure. Within primary current expenditure, differences can be identified in intermediate consumption, personnel costs and social benefits, for which the MF's estimates are lower than those projected by the CFP. In capital expenditure, GFCF financed by domestic resources is the main contributor to the lower expenditure estimated by the MF. TheBox3 provides a more detailed analysis of these differences. Given that the INE estimate for the first half of 2025 is already available, the box also calculates how each of these components would have to evolve in the second half of the year to reach the annual estimate presented by the MF.

Box3 – Forecast for 2025: expected execution in the second half of the year

With the statistical information available, it is possible to break down the forecast for budget aggregates between the execution observed during the first half of the year and what would be necessary to achieve the annual figure estimated by the MF. The availability of statistical information on national accounts by institutional sector up to the second quarter of 2025, published by INE on 23 September, makes it possible to assess the implicit growth of the different components of revenue and expenditure during the second half of 2025. In this Box, this exercise is carried out both for the budgetary scenario underlying the DSB/2026 and for the MFF scenario. To this end, the MFF scenario, published on 22 September, prior to the publication of the 2nd notification of the EDP, was duly adjusted to incorporate the statistical revisions of that notification. In addition, revenue and expenditure aggregates were adjusted to exclude the impact of PRR grants and other European funds accounted for as capital revenue, thereby controlling for a potential source of divergence in the estimates of both institutions.

The differences between the MF and the CFP regarding the forecast for the second half of the year are greater in terms of expenditure than revenue. In the case of general government revenue, the MF presents a forecast that is approximately €200 million lower than the CFP's updated estimate. However, with regard to expenditure, the CFP's estimate is approximately €1 billion higher, resulting in a budget balance that is €800 million lower (Table 10).

The analysis highlights a potential underestimation by the MF of expenditure for the second half of 2025, a reading that is reinforced by the inconsistency of the projected growth rates compared to the known execution for the year. This underestimation is particularly evident in the following items:

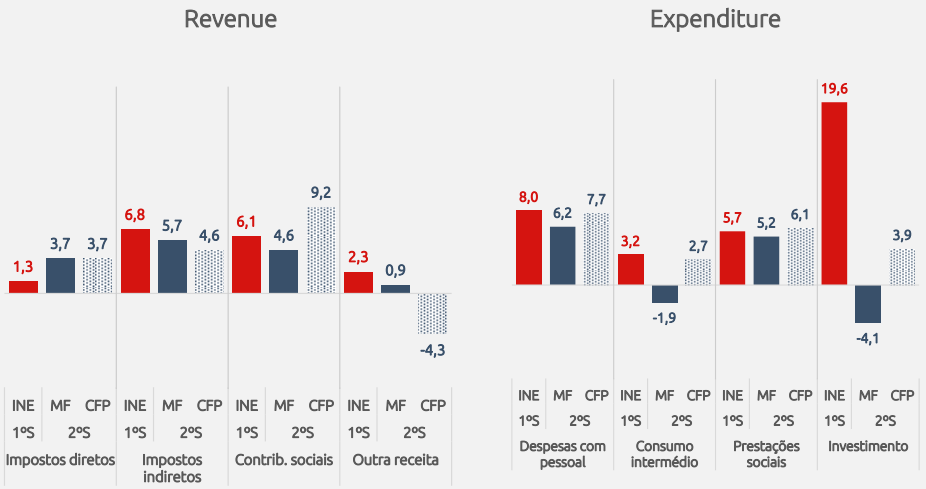
- intermediate consumption: given growth of 3.2% in the first half, a fall of 1.9% in the second half would be necessary to achieve the MF's growth forecast for the

year as a whole (0.4%). The CFP's projection is for growth of 2.7% in this period (see**Erro! A origem da referência não foi encontrada.**). In the absence of policy measures or the identification of other effects, and taking into account the upward trend in this expenditure, the MF's forecast does not appear plausible, unless INE significantly revises downwards the figures for the first half of the year. One would have to go back to the second quarter of 2020 (the pandemic crisis period) to see a decline in this expenditure.

- investment financed by national funds: in the first half of the year, there was a 19.6% increase compared to the same period in 2024; the MF's forecast for the year as a whole implies a year-on-year drop of 4.1% in this expenditure, already adjusted for the extraordinary effect of the delivery of the Bartolomeu Dias and Dom Francisco de Almeida frigates in the same period last year.
- social benefits in kind: in these expenditures, which include health expenditures (e.g. where, among others, expenditures on diagnostic and therapeutic means and products sold in pharmacies are recorded), the MF forecasts a year-on-year reduction of 4.4% in the second half of the year, compared to a growth of 10.6% already recorded in the first six months of the year. In addition, the known data on the financial execution of the National Health Service (SNS), published in the Budget Execution Summary up to August, continue to show significant growth in these components (10.9%).
- Personnel expenses: the MF's annual forecast implies a sharp slowdown in the growth of this component – from 8% to 6.2% in the second half of the year, which may be difficult to achieve, particularly if, among other things, the programme to restore teachers' careers, which began in 2024, is taken into account.

This comparison allows us to understand the differences in the estimates for the budget balance, which is 0.1% of GDP in the case of the CFP and 0.3% in the case of the MF. The analysis reveals a potential underestimation of expenditure in the year that serves as the basis for the 2026 budgetary exercise, which increases the likelihood that the forecasts for various items of general government expenditure for 2026 will also prove to be underbudgeted.

Chart 12 – Breakdown of forecast annual growth between the 1st and 2nd half of the year



Source: INE, DSB/2026 and CFP calculations. Note: investment refers to GFCF with national financing.

Incorporating the policy measures set out in DSB/2026, the CFP projects a budget deficit of 0.6% of GDP in 2026. This estimate reflects, on the one hand, the impact of the use of PRR loans, which the CFP estimates at 0.5% of GDP and which penalises the budget balance in that year and, on the other hand, the cumulative effect of permanent measures to reduce revenue and increase expenditure. Despite the negative impact of the new policy measures on the budget balance, this was offset by the partial accounting of the amount that the MF expects to collect from the sale of real estate, resulting in an unchanged projection compared to that published in September.[28] Among the measures, the following stand out: the strengthening of the CSI, expenditure on extending parental leave to 6 months, the additional reduction in income tax rates and the updating of the minimum subsistence level.

Table 10 – CFP budget projection scenario underlying DSB/2026, excluding the effect of PRR subsidies and other European Union funds (in € million)

	CFP			MF			CFP vs. MF	
	2025	2026	var. (%)	2025	2026	var. (%)	2025	2026
Receita Total	**127 535**	**132 111**	**3,6**	**127 322**	**132 760**	**4,3**	**213**	**-650**
Receita corrente	**127 381**	**131 949**	**3,6**	**127 262**	**132 759**	**4,3**	**119**	**-810**
Receita fiscal	74 208	76 635	3,3	74 445	77 273	3,8	-237	-638
Impostos indiretos	43 911	45 823	4,4	44 147	46 253	4,8	-236	-430
Impostos directos	30 297	30 812	1,7	30 298	31 020	2,4	-1	-208
Contribuições Sociais	38 644	40 611	5,1	37 798	40 151	6,2	846	460
Vendas de bens e serviços	9 314	9 516	2,2	9 281	9 506	2,4	33	10
Outra receita corrente	5 215	5 188	-0,5	5 738	5 829	1,6	-523	-642
Receitas de capital	**155**	**161**	**4,3**	**60**	**1**	**-98,6**	**94**	**160**
Despesa Total	**127 373**	**134 148**	**5,3**	**126 374**	**132 497**	**4,8**	**999**	**1 650**
Despesa Primária	**121 237**	**127 423**	**5,1**	**120 103**	**125 921**	**4,8**	**1 134**	**1 501**
Despesa Corrente Primária	**112 586**	**117 981**	**4,8**	**111 741**	**117 184**	**4,9**	**845**	**798**
Consumo intermédio	15 369	15 838	3,1	14 996	15 007	0,1	372	831
Despesas com pessoal	32 649	34 210	4,8	32 420	34 121	5,2	229	89
Prestações sociais	55 237	57 732	4,5	54 971	58 001	5,5	265	-269
Subsídios e outra despesa corrente	9 331	10 201	9,3	9 353	10 055	7,5	-22	146
Despesas de capital	**8 651**	**9 441**	**9,1**	**8 362**	**8 738**	**4,5**	**289**	**703**
FBCF	6 752	7 417	9,9	6 411	6 285	-2,0	341	1 132
FBCF | Sem empréstimos PRR	6 361	6 755	6,2	5 821	5 621	-3,4	540	1 134
FBCF | Empréstimos PRR	391	662	69,4	590	664	12,5	-199	-2
Outras despesas de capital	1 899	2 024	6,6	1 951	2 453	25,7	-52	-429
O. Desp. Cap. | Sem empréstimos PRR	1 506	1 015	-32,6	1 199	1 336	11,4	307	-322
O. Desp. Cap. | Empréstimos PRR	393	1 009	156,7	752	1 117	48,5	-359	-107
Juros	6 136	6 725	9,6	6 271	6 576	4,9	-135	149
Saldo global	**162**	**-2 037**		**948**	**263**		**-786**	**-2 300**
em % do PIB	**0,1**	**-0,6**		**0,3**	**0,1**		**-0,3**	**-0,7**
Saldo Primário	6 298	4 688		7 219	6 839		-921	-2 151
Por Memória								
Empréstimos PRR	847	1 672	97,5	1 357	1 961	44,4	-511	-289
em % do PIB	0,3	0,5		0,4	0,6		-0,2	-0,1
Empréstimos PRR Desp. Corrente Primária	62	0	-99,6	15	180	1 074,2	47	-179
Saldo Orçamental excl. empréstimos PRR	1 009	-365		2 305	2 223		-1 297	-2 588
em % do PIB	0,3	-0,1		0,8	0,7		-0,4	-0,8
PIB nominal	305 406	318 569	4,3	305 873	320 665	4,8	-467	-2 097

Source: INE, MF and CFP projection. | Note: The figures presented in revenue and expenditure are adjusted for the effect of PRR subsidies and other European Union funds accounted for in capital revenue and GFCF.

The projection of a deficit of 0.6% of GDP for 2026 differs from the MF's forecast of a surplus of 0.1% of GDP. This difference of 0.7 p.p. of GDP corresponds, in absolute

[28] Given the uncertainty surrounding the disposal processes, the CFP considered in its updated projection for 2026 one third of the €884 million as published in

terms, to €2.3 billion (Table 10). More than two-thirds of this difference is explained by public expenditure, with the CFP projecting a figure €1.65 billion higher than that forecast by the MF. The remaining €650 million stems from revenue, for which the CFP anticipates a lower amount than that forecast by the MF.

In public expenditure, the largest differences are concentrated in intermediate consumption and domestically financed GFCF. With regard to intermediate consumption, the CFP projects expenditure that is €831 million higher (+0.3 p.p. of GDP) than the MF. This difference may be due to the expected reduction in the acquisition of goods and services in the health programme, as stated in DSB/2026, but which is not properly justified and whose impact on expenditure in national accounts (commitment perspective) is unknown, as already pointed out in the consistency analysis of the MF's expenditure forecast. In the case of GFCF with national financing, the expenditure projected by the CFP is €1,134 million (0.4 p.p. of GDP) higher than that forecast by the MF. This difference is largely explained by the forecast of revenues from the sale of real estate, the realisation of which depends on the effective completion of the operation under the terms provided for by the MF (which in national accounts is deducted from expenditure). The remainder is explained by the slowdown in growth forecast by the MF for GFCF supported by national financing, which is not sustained by PRR loans. Although its timing is unknown, this slowdown is all the more significant when EIB loans are being contracted for housing and school construction/renovation.

In terms of revenue, the difference is essentially explained by less favourable developments in tax and social security contributions, as well as lower dividends. The DSB/2026 revenue forecast is based on more favourable macroeconomic indices than those assumed by the CFP for the components of nominal private consumption and wages.[29] These macroeconomic assumptions support a projection of growth in tax and social security contributions above that projected by the CFP. However, in the case of social contributions, the positive difference observed in the CFP projections stems from the MF's underestimation of this component in 2025, whose growth rate is not compatible with the available execution data. With regard to 'other current revenue', the CFP's projection is lower than that of the MF, mainly because it does not take into account the additional dividends forecast in the DSB/2026, due to a lack of supporting detail.

In view of the above, the budgetary scenario set out in DSB/2026 raises doubts as to its feasibility. The divergence of 0.7 p.p. of GDP, equivalent to €2.3 billion, from the budgetary scenario projected by the CFP, is mainly due to differences in the forecast for public expenditure, particularly in intermediate consumption and domestically financed GFCF, as well as different assumptions about the evolution of tax and social security revenue, to which are added additional dividend gains that are not ly justified. The lack of a robust explanation for the expected evolution of some expenditure and revenue items presented in the DSB/2026 warrants a critical assessment of the MF's budget

[29] As stated in the CFP Opinion, although the macroeconomic scenario is considered to be broadly and statistically probable, the existence of predominantly downside risks would warrant an increased degree of caution.

forecasts and assumptions. Thus, if the sale of real estate in the amounts considered by the CFP were assumed and the additional dividend revenue were excluded, the balance forecast by the MF would be a deficit of 0.2%.

4.2 Public Debt

The public debt reduction scenarios presented by the CFP and the MF differ both in the magnitude of the projected decrease and in the composition of the factors that explain it. Although both institutions anticipate a downward trajectory for the debt ratio in 2025-2026, the CFP projects a less pronounced reduction (-5.4 p.p. of GDP over the period as a whole) than the MF (-5.8 p.p. of GDP). The difference mainly results from a more favourable primary balance effect and dynamic effect in the MF projections, reflecting more optimistic assumptions regarding economic growth and budget execution. On the other hand, the CFP presents a less unfavourable deficit-debt adjustment, which partially mitigates the divergence between the two projections. As mentioned above (point 3.1), the MF has only provided information for 2026 on the factors justifying the size of this adjustment, citing the execution of funds related to the PRR as the main explanatory factor.

Table 11 – Debt Dynamics in the MFP projection scenario (% of GDP)

	CFP			MF			CFP vs. MF	
	2025	2026	Var. (p.p.)	2025	2026	Var. (p.p.)	2025	2026
Dívida Pública	**89,9**	**88,2**	**-1,7**	**90,2**	**87,8**	**-2,4**	**-0,3**	**0,4**
Variação do rácio da dívida, decomposição:	-3,6	-1,7	1,9	-3,3	-2,4	0,9	-0,3	0,7
(-) Saldo Primário	-2,1	-1,5	0,6	-2,4	-2,1	0,2	0,3	0,7
(+) Efeito dinâmico ou bola de neve	-2,9	-1,6	1,3	-2,9	-2,1	0,9	0,0	0,5
(+) Ajustamento défice-Dívida	1,3	1,3	0,0	1,9	1,7	-0,2	-0,6	-0,4

Source: INE and CFP projection.

4.3 Net expenditure

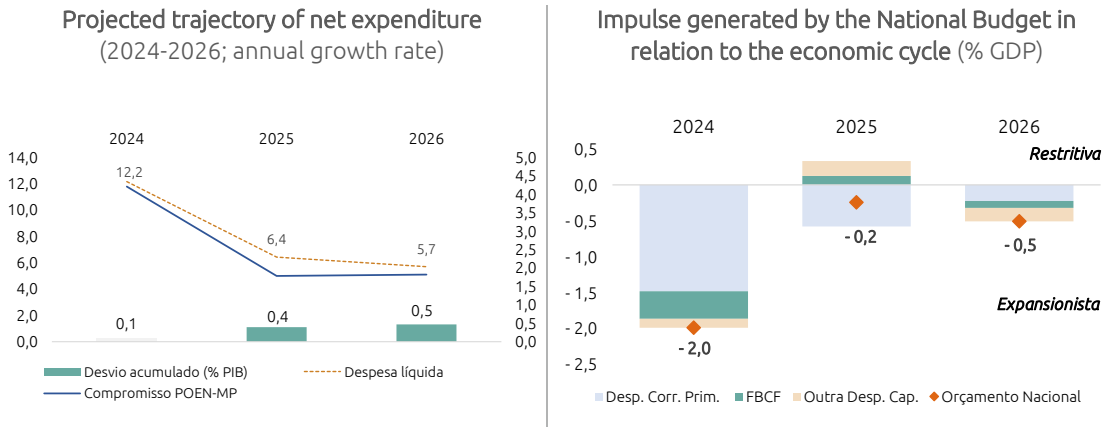
Based on the updated budget projection of the CFP, net expenditure growth in 2025 and 2026 is expected to exceed the commitment made by the Portuguese State in the MTP. Using the quantification of discretionary measures considered by the CFP (Table 24),[30] , net expenditure is projected to grow by 6.4% in 2025 and 5.7% in 2026, which compared to 2024 translates into cumulative growth of 19.4% and 26.2%, respectively. This development, which is above the trajectory agreed with the Council of the European Union, reflects annual deviations from the target of 0.5% of GDP in 2025, exceeding the maximum annual deviation of 0.3% of GDP allowed in the "control account", and 0.2% of GDP in 2026. Considering the combined period from 2024 to 2025 and from 2024 to 2026, the cumulative growth rate of net expenditure is also

[30] The CFP uses a quantification of discretionary revenue measures (DRM) that does not fully coincide with that of the MF. This difference in quantification is explained by the update of the impact of measures based on the fiscal expenditure report for 2024, as well as by the estimated impact of some policy measures based on the CFP's own calculations using the EUROMOD model interface. In the particular case of 2026, for which the quantification of MDR is not detailed by measure, the CFP considered those underlying the update of its projection.

projected to exceed the maximum recommended growth rate, resulting in a cumulative deviation in the control account of 0.7% of GDP in 2025 and 0.9% of GDP in 2026.

Considering the flexibility provided for in the national derogation clause regarding the increase in defence investment expenditure, the cumulative deviation of net expenditure does not exceed the maximum limit of 0.6% of GDP established in the new European Union fiscal governance framework. This deviation is the relevant indicator for monitoring the compliance of the net expenditure trajectory with the agreed trajectory. According to the information reported by the MF, regarding defence expenditure (COFOG definition), an increase of 0.3 p.p. of GDP in 2025 and 0.4 p.p. of GDP in 2026 is estimated compared to 2021. This increase allows for a reduction in the accumulated deviations calculated in the control account to 0.4% of GDP in 2025 and 0.5% of GDP in 2026, close to, but below, the maximum threshold set (0.6% of GDP, Table 23).[31]

Graph 13 – Net expenditure and fiscal policy stance



Source: MF. CFP calculations. | Notes: POEN-MP – Medium-Term National Structural Budget Plan; 1st Panel – The left axis corresponds to the growth rate of net expenditure, while the right axis corresponds to accumulated deviations as a % of GDP; 2nd Panel - a negative (positive) sign indicates higher (lower) net expenditure growth relative to potential GDP growth in the medium term, which corresponds to an expansionary (restrictive) fiscal stance. It should be noted that the analysis is based on preliminary figures and is subject to revision.

The projected growth in net expenditure for next year results in an expansionary impulse generated by the national budget. The assessment of the fiscal policy stance is based on net expenditure, comparing the growth rate of net expenditure with the

[31] If the sale of real estate (a value that the CFP considered in its projection) were to take on the nature of a *one-off* measure, there would be projected growth in net expenditure of 5.9% in 2026 (above the commitment made by the Government), and a projected cumulative deviation in the control account of 0.6% of GDP, already taking into account the national derogation clause relating to the increase in defence investment expenditure.

average growth rate of potential output over 10 years in nominal terms. [3233] The analysis assumes that changes in net expenditure result mainly from the discretionary action of policymakers. The projected growth rate for net primary expenditure financed by domestic resources for 2026 is 5.7%, higher than the medium-term nominal growth of potential output, resulting in a fiscal impulse of approximately 0.5% of GDP, compared to the 0.2% of GDP estimated for 2025.[34]

[32] In line with the European Commission, this analysis assumes that medium-term nominal potential GDP corresponds to the geometric mean of estimated real potential growth over a 10-year time horizon (between t-5 and t+4), applying the observed (or projected) deflator for each year.

[33] The budgetary impulse on aggregate demand is considered expansionary if the growth rate of net expenditure exceeds the average growth of potential output in the medium term. In the opposite situation, the budgetary stance is characterised as restrictive.

[34] The orientation is read in intervals, as it cannot be estimated accurately because it is influenced by the composition of any measures, as well as by their multiplier effect. Thus, it is agreed that a fiscal impulse between -0.25% and 0.25% of GDP is neutral.

5 ANNEXES

5.1 Statistical tables

Table 12 – General Government Account , in national accounts

	M€			Variação				% do PIB			Variação p.p. do PIB	
				M€		%						
	2024	2025 E	2026 P	2024/25	2025/26	2024/25	2025/26	2024	2025 E	2026 P	2024/25	2025/26
Receita Total	**124 626**	**135 124**	**140 507**	**10 498**	**5 383**	**8,4**	**4,0**	**43,1**	**44,2**	**43,8**	**1,1**	**-0,4**
Receita corrente	**122 027**	**129 675**	**134 394**	**7 648**	**4 719**	**6,3**	**3,6**	**42,2**	**42,4**	**41,9**	**0,2**	**-0,5**
Receita fiscal	71 053	74 445	77 273	3 392	2 828	4,8	3,8	24,5	24,3	24,1	-0,2	-0,2
Impostos indiretos	41 567	44 147	46 253	2 580	2 106	6,2	4,8	14,4	14,4	14,4	0,1	0,0
Impostos diretos	29 486	30 298	31 020	812	722	2,8	2,4	10,2	9,9	9,7	-0,3	-0,2
Contribuições sociais	35 883	37 798	40 151	1 916	2 353	5,3	6,2	12,4	12,4	12,5	0,0	0,2
Das quais: efetivas	30 452	32 097	34 150	1 645	2 053	5,4	6,4	10,5	10,5	10,6	0,0	0,2
Vendas e outras receitas correntes	15 092	17 432	16 971	2 340	-461	15,5	-2,6	5,2	5,7	5,3	0,5	-0,4
Vendas de bens e serviços	9 150	9 281	9 506	132	225	1,4	2,4	3,2	3,0	3,0	-0,1	-0,1
Outra receita corrente	5 943	8 151	7 465	2 208	-686	37,2	-8,4	2,1	2,7	2,3	0,6	-0,3
Receitas de capital	**2 598**	**5 449**	**6 113**	**2 850**	**664**	**109,7**	**12,2**	**0,9**	**1,8**	**1,9**	**0,9**	**0,1**
Despesa Total	**123 174**	**134 176**	**140 245**	**11 002**	**6 069**	**8,9**	**4,5**	**42,6**	**43,9**	**43,7**	**1,3**	**-0,1**
Despesa primária	**117 240**	**127 905**	**133 669**	**10 665**	**5 764**	**9,1**	**4,5**	**40,5**	**41,8**	**41,7**	**1,3**	**-0,1**
Despesa corrente primária	**106 841**	**114 154**	**118 819**	**7 313**	**4 665**	**6,8**	**4,1**	**36,9**	**37,3**	**37,1**	**0,4**	**-0,3**
Consumo intermédio	15 076	15 916	16 100	840	184	5,6	1,2	5,2	5,2	5,0	0,0	-0,2
Despesas com pessoal	30 322	32 498	34 142	2 176	1 644	7,2	5,1	10,5	10,6	10,6	0,1	0,0
Prestações sociais	52 143	55 055	58 028	2 912	2 974	5,6	5,4	18,0	18,0	18,1	0,0	0,1
que não em espécie	46 386	49 159	52 129	2 774	2 970	6,0	6,0	16,0	16,1	16,3	0,0	0,2
em espécie	5 757	5 895	5 899	138	4	2,4	0,1	2,0	1,9	1,8	-0,1	-0,1
Subsídios	1 886	1 527	1 369	-359	-157	-19,0	-10,3	0,7	0,5	0,4	-0,2	-0,1
Outra despesa corrente	7 414	9 159	9 179	1 745	20	23,5	0,2	2,6	3,0	2,9	0,4	-0,1
Despesas de capital	**10 399**	**13 751**	**14 850**	**3 352**	**1 099**	**32,2**	**8,0**	**3,6**	**4,5**	**4,6**	**0,9**	**0,1**
FBCF	7 874	10 234	10 931	2 360	697	30,0	6,8	2,7	3,3	3,4	0,6	0,1
Outras despesas de capital	2 525	3 516	3 919	991	403	39,3	11,4	0,9	1,1	1,2	0,3	0,1
Juros	**5 935**	**6 271**	**6 576**	**337**	**305**	**5,7**	**4,9**	**2,1**	**2,1**	**2,1**	**0,0**	**0,0**
Saldo global	**1 451**	**948**	**263**	**-503**	**-685**	**-**	**-**	**0,5**	**0,3**	**0,1**	**-0,2**	**-0,2**
Saldo primário	7 386	7 219	6 839	-167	-381	-	-	2,6	2,4	2,1	-0,2	-0,2
Receita fiscal e contributiva	106 935	112 243	117 423	5 308	5 180	5,0	4,6	36,9	36,7	36,6	-0,3	-0,1
Receita não fiscal e não contributiva	17 690	22 881	23 084	5 191	203	29,3	0,9	6,1	7,5	7,2	1,4	-0,3
Despesa Corrente	112 776	120 425	125 395	7 650	4 970	6,8	4,1	39,0	39,4	39,1	0,4	-0,3
PIB nominal	289 428	305 873	320 665	16 445	14 792	5,7	4,8	-	-	-	-	-

Sources: INE (2024) and Ministry of Finance (2025 and 2026). CFP calculations.

Table5 – General Government Account adjusted ly for *one-offs*, in national accounts

	M€			Variação				% do PIB			Variação p.p. do PIB	
				M€		%						
	2024	2025 E	2026 P	2024/25	2025/26	2024/25	2025/26	2024	2025 E	2026 P	2024/25	2025/26
Receita Total	**124 626**	**135 124**	**140 507**	**10 498**	**5 383**	**8,4**	**4,0**	**43,1**	**44,2**	**43,8**	**1,1**	**-0,4**
Receita corrente	**122 027**	**129 675**	**134 394**	**7 648**	**4 719**	**6,3**	**3,6**	**42,2**	**42,4**	**41,9**	**0,2**	**-0,5**
Receita fiscal	71 053	74 445	77 273	3 392	2 828	4,8	3,8	24,5	24,3	24,1	-0,2	-0,2
Impostos indiretos	41 567	44 147	46 253	2 580	2 106	6,2	4,8	14,4	14,4	14,4	0,1	0,0
Impostos diretos	29 486	30 298	31 020	812	722	2,8	2,4	10,2	9,9	9,7	-0,3	-0,2
Contribuições sociais	35 883	37 798	40 151	1 916	2 353	5,3	6,2	12,4	12,4	12,5	0,0	0,2
Das quais: efetivas	30 452	32 097	34 150	1 645	2 053	5,4	6,4	10,5	10,5	10,6	0,0	0,2
Vendas e outras receitas correntes	15 092	17 432	16 971	2 340	-461	15,5	-2,6	5,2	5,7	5,3	0,5	-0,4
Vendas de bens e serviços	9 150	9 281	9 506	132	225	1,4	2,4	3,2	3,0	3,0	-0,1	-0,1
Outra receita corrente	5 943	8 151	7 465	2 208	-686	37,2	-8,4	2,1	2,7	2,3	0,6	-0,3
Receitas de capital	**2 598**	**5 449**	**6 113**	**2 850**	**664**	**109,7**	**12,2**	**0,9**	**1,8**	**1,9**	**0,9**	**0,1**
Despesa Total	**123 174**	**133 720**	**140 245**	**10 546**	**6 525**	**8,6**	**4,9**	**42,6**	**43,7**	**43,7**	**1,2**	**0,0**
Despesa primária	**117 240**	**127 449**	**133 669**	**10 209**	**6 220**	**8,7**	**4,9**	**40,5**	**41,7**	**41,7**	**1,2**	**0,0**
Despesa corrente primária	**106 841**	**114 154**	**118 819**	**7 313**	**4 665**	**6,8**	**4,1**	**36,9**	**37,3**	**37,1**	**0,4**	**-0,3**
Consumo intermédio	15 076	15 916	16 100	840	184	5,6	1,2	5,2	5,2	5,0	0,0	-0,2
Despesas com pessoal	30 322	32 498	34 142	2 176	1 644	7,2	5,1	10,5	10,6	10,6	0,1	0,0
Prestações sociais	52 143	55 055	58 028	2 912	2 974	5,6	5,4	18,0	18,0	18,1	0,0	0,1
que não em espécie	46 386	49 159	52 129	2 774	2 970	6,0	6,0	16,0	16,1	16,3	0,0	0,2
em espécie	5 757	5 895	5 899	138	4	2,4	0,1	2,0	1,9	1,8	-0,1	-0,1
Subsídios	1 886	1 527	1 369	-359	-157	-19,0	-10,3	0,7	0,5	0,4	-0,2	-0,1
Outra despesa corrente	7 414	9 159	9 179	1 745	20	23,5	0,2	2,6	3,0	2,9	0,4	-0,1
Despesas de capital	**10 399**	**13 295**	**14 850**	**2 896**	**1 555**	**27,8**	**11,7**	**3,6**	**4,3**	**4,6**	**0,8**	**0,3**
FBCF	7 874	10 234	10 931	2 360	697	30,0	6,8	2,7	3,3	3,4	0,6	0,1
Outras despesas de capital	2 525	3 060	3 919	535	859	21,2	28,1	0,9	1,0	1,2	0,1	0,2
Juros	**5 935**	**6 271**	**6 576**	**337**	**305**	**5,7**	**4,9**	**2,1**	**2,1**	**2,1**	**0,0**	**0,0**
Saldo global	**1 451**	**1 404**	**263**	**-47**	**-1 141**	**-**	**-**	**0,5**	**0,5**	**0,1**	**0,0**	**-0,4**
Saldo primário	7 386	7 675	6 839	289	-837	-	-	2,6	2,5	2,1	0,0	-0,4
Receita fiscal e contributiva	106 935	112 243	117 423	5 308	5 180	5,0	4,6	36,9	36,7	36,6	-0,3	-0,1
Receita não fiscal e não contributiva	17 690	22 881	23 084	5 191	203	29,3	0,9	6,1	7,5	7,2	1,4	-0,3
Despesa corrente	112 776	120 425	125 395	7 650	4 970	6,8	4,1	39,0	39,4	39,1	0,4	-0,3
PIB nominal	289 428	305 873	320 665	16 445	14 792	5,7	4,8	-	-	-	-	-

Sources: INE (2023) and Ministry of Finance (2024 and 2025). CFP calculations. | Note: details of the adjustments made can be found in the**Erro! A origem da referência não foi encontrada.** .

Table6 – Impact of the PRR on the General Government account (% of GDP)

	2024	2025 E		2026 P		PRR	
		com PRR	sem PRR	com PRR	sem PRR	2025	2026
Receita Total	**43,1**	**44,2**	**42,0**	**43,8**	**42,1**	**2,2**	**1,8**
Receita corrente	**42,2**	**42,4**	**41,6**	**41,9**	**41,4**	**0,8**	**0,5**
Receita fiscal	24,5	24,3	24,3	24,1	24,1	0,0	0,0
Impostos indiretos	14,4	14,4	14,4	14,4	14,4	0,0	0,0
Impostos diretos	10,2	9,9	9,9	9,7	9,7	0,0	0,0
Contribuições sociais	12,4	12,4	12,4	12,5	12,5	0,0	0,0
Das quais: efetivas	10,5	10,5	10,5	10,6	10,6	0,0	0,0
Vendas e outras receitas correntes	5,2	5,7	4,9	5,3	4,8	0,8	0,5
Vendas de bens e serviços	3,2	3,0	3,0	3,0	3,0	0,0	0,0
Outra receita corrente	2,1	2,7	1,9	2,3	1,8	0,8	0,5
Receitas de capital	**0,9**	**1,8**	**0,4**	**1,9**	**0,6**	**1,4**	**1,3**
Despesa Total	**42,6**	**43,9**	**41,2**	**43,7**	**41,4**	**2,7**	**2,4**
Despesa primária	**40,5**	**41,8**	**39,2**	**41,7**	**39,3**	**2,7**	**2,4**
Despesa corrente primária	**36,9**	**37,3**	**36,5**	**37,1**	**36,5**	**0,8**	**0,6**
Consumo intermédio	5,2	5,2	4,9	5,0	4,6	0,3	0,4
Despesas com pessoal	10,5	10,6	10,6	10,6	10,6	0,0	0,0
Prestações sociais	18,0	18,0	18,0	18,1	18,1	0,0	0,0
que não em espécie	16,0	16,1	16,0	16,3	16,2	0,0	0,0
em espécie	2,0	1,9	1,9	1,8	1,8	0,0	0,0
Subsídios	0,7	0,5	0,5	0,4	0,4	0,0	0,0
Outra despesa corrente	2,6	3,0	2,6	2,9	2,7	0,4	0,1
Despesas de capital	**3,6**	**4,5**	**2,6**	**4,6**	**2,8**	**1,9**	**1,8**
FBCF	2,7	3,3	2,2	3,4	2,4	1,1	1,0
Outras despesas de capital	0,9	1,1	0,4	1,2	0,4	0,8	0,8
Juros	**2,1**	**2,1**	**2,1**	**2,1**	**2,1**	**0,0**	**0,0**
Saldo global	**0,5**	**0,3**	**0,8**	**0,1**	**0,7**	**-0,4**	**-0,6**
Saldo primário	2,6	2,4	2,8	2,1	2,7	-0,4	-0,6
Receita fiscal e contributiva	36,9	36,7	36,7	36,6	36,6	0,0	0,0
Receita não fiscal e não contributiva	6,1	7,5	5,3	7,2	5,4	2,2	1,8
Despesa corrente	39,0	39,4	38,6	39,1	38,5	0,8	0,6
PIB nominal	-	-	-	-	-	-	-

Sources: INE (2024) and Ministry of Finance (2025 and 2026). CFP calculations. | Notes: figures for 2024 include PRR.

Table 7 – Impact of the PRR on the general government account adjusted for *one-offs* (% GDP)

	2024	2025 E		2026 P		PRR	
		com PRR	sem PRR	com PRR	sem PRR	2025	2026
Receita Total	**43,1**	**44,2**	**42,0**	**43,8**	**42,1**	**2,2**	**1,8**
Receita corrente	**42,2**	**42,4**	**41,6**	**41,9**	**41,4**	**0,8**	**0,5**
Receita fiscal	24,5	24,3	24,3	24,1	24,1	0,0	0,0
Impostos indiretos	14,4	14,4	14,4	14,4	14,4	0,0	0,0
Impostos diretos	10,2	9,9	9,9	9,7	9,7	0,0	0,0
Contribuições sociais	12,4	12,4	12,4	12,5	12,5	0,0	0,0
Das quais: efetivas	10,5	10,5	10,5	10,6	10,6	0,0	0,0
Vendas e outras receitas correntes	5,2	5,7	4,9	5,3	4,8	0,8	0,5
Vendas de bens e serviços	3,2	3,0	3,0	3,0	3,0	0,0	0,0
Outra receita corrente	2,1	2,7	1,9	2,3	1,8	0,8	0,5
Receitas de capital	**0,9**	**1,8**	**0,4**	**1,9**	**0,6**	**1,4**	**1,3**
Despesa Total	**42,6**	**43,7**	**41,1**	**43,7**	**41,4**	**2,7**	**2,4**
Despesa primária	**40,5**	**41,7**	**39,0**	**41,7**	**39,3**	**2,7**	**2,4**
Despesa corrente primária	**36,9**	**37,3**	**36,5**	**37,1**	**36,5**	**0,8**	**0,6**
Consumo intermédio	5,2	5,2	4,9	5,0	4,6	0,3	0,4
Despesas com pessoal	10,5	10,6	10,6	10,6	10,6	0,0	0,0
Prestações sociais	18,0	18,0	18,0	18,1	18,1	0,0	0,0
que não em espécie	16,0	16,1	16,0	16,3	16,2	0,0	0,0
em espécie	2,0	1,9	1,9	1,8	1,8	0,0	0,0
Subsídios	0,7	0,5	0,5	0,4	0,4	0,0	0,0
Outra despesa corrente	2,6	3,0	2,6	2,9	2,7	0,4	0,1
Despesas de capital	**3,6**	**4,3**	**2,5**	**4,6**	**2,8**	**1,9**	**1,8**
FBCF	2,7	3,3	2,2	3,4	2,4	1,1	1,0
Outras despesas de capital	0,9	1,0	0,2	1,2	0,4	0,8	0,8
Juros	**2,1**	**2,1**	**2,1**	**2,1**	**2,1**	**0,0**	**0,0**
Saldo global	**0,5**	**0,5**	**0,9**	**0,1**	**0,7**	**-0,4**	**-0,6**
Saldo primário	2,6	2,5	3,0	2,1	2,7	-0,4	-0,6
Receita fiscal e contributiva	36,9	36,7	36,7	36,6	36,6	0,0	0,0
Receita não fiscal e não contributiva	6,1	7,5	5,3	7,2	5,4	2,2	1,8
Despesa corrente	39,0	39,4	38,6	39,1	38,5	0,8	0,6

Sources: INE (2024) and Ministry of Finance (2025 and 2026). CFP calculations. | Notes: figures for 2024 include PRR; details of the adjustments made can be found in**Erro! A origem da referência não foi encontrada.** .

Table 8 – Evolution of the tax burden

	% PIB					M€					TVA (%)	
				Variação					Variação			
	2024	2025	2026	2024/25	2025/26	2024	2025	2026	2024/25	2025/26	2024/25	2025/26
Carga Fiscal	**35,1**	**34,8**	**34,7**	**-0,2**	**-0,1**	**101 505**	**106 542**	**111 423**	**5 037**	**4 881**	**5,0**	**4,6**
Receita fiscal	24,5	24,3	24,1	-0,2	-0,2	71 053	74 445	77 273	3 392	2 828	4,8	3,8
Impostos diretos	10,2	9,9	9,7	-0,3	-0,2	29 486	30 298	31 020	812	722	2,8	2,4
IRS	6,1	6,2	6,2	0,1	0,0	17 649	19 067	20 039	1 418	972	8,0	5,1
IRC	3,8	3,4	3,1	-0,4	-0,2	10 993	10 341	10 083	-653	-258	-5,9	-2,5
Outros impostos diretos	0,3	0,3	0,3	0,0	0,0	843	890	898	46	8	5,5	0,9
Impostos indiretos	14,4	14,4	14,4	0,1	0,0	41 567	44 147	46 253	2 580	2 106	6,2	4,8
IVA	9,1	9,0	9,0	-0,1	0,1	26 301	27 394	28 944	1 093	1 551	4,2	5,7
IEC	1,9	2,1	2,0	0,1	0,0	5 606	6 275	6 567	669	292	11,9	4,6
Outros impostos indiretos	3,3	3,4	3,3	0,1	-0,1	9 660	10 478	10 742	818	264	8,5	2,5
Impostos de capital	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
Contribuições sociais efetivas	10,5	10,5	10,6	0,0	0,2	30 452	32 097	34 150	1 645	2 053	5,4	6,4
Por memória:												
PIB nominal	-	-	-	-	-	*289 428*	*305 873*	*320 665*	*16 445*	*14 792*	*5,7*	*4,8*

Sources: INE (2024) and Ministry of Finance (2025 and 2026). CFP calculations. | Notes: The weight of capital taxes is residual over the period. The totals do not necessarily correspond to the sum of the percentages of GDP due to rounding. YSR means annual rate of change.

Table 17 – Public expenditure excluding PRR, one-off operations and *one-offs*

	M€			Variação				% do PIB			Variação	
				M€		%					p.p. do PIB	
	2024	2025 E	2026 P	2024/25	2025/26	2024/25	2025/26	2024	2025 E	2026 P	2024/25	2025/26
Despesa total	**120 045**	**124 988**	**133 404**	**4 943**	**8 416**	**4,1**	**6,7**	**41,5**	**40,9**	**41,6**	**-0,6**	**0,7**
Despesa primária	**114 110**	**118 717**	**126 828**	**4 607**	**8 111**	**4,0**	**6,8**	**39,4**	**38,8**	**39,6**	**-0,6**	**0,7**
Despesa corrente primária	**105 697**	**111 137**	**117 004**	**5 440**	**5 867**	**5,1**	**5,3**	**36,5**	**36,3**	**36,5**	**-0,2**	**0,2**
Consumo intermédio	14 919	14 987	14 898	69	-90	0,5	-0,6	5,2	4,9	4,6	-0,3	-0,3
Despesas com pessoal	30 281	32 420	34 121	2 139	1 701	7,1	5,2	10,5	10,6	10,6	0,1	0,0
Prestações sociais	51 743	54 583	58 001	2 840	3 417	5,5	6,3	17,9	17,8	18,1	0,0	0,2
que não em espécie	45 986	48 688	52 101	2 702	3 414	5,9	7,0	15,9	15,9	16,2	0,0	0,3
em espécie	5 757	5 895	5 899	138	4	2,4	0,1	2,0	1,9	1,8	-0,1	-0,1
Subsídios	1 812	1 451	1 230	-361	-222	-19,9	-15,3	0,6	0,5	0,4	-0,2	-0,1
Outra despesa corrente	6 942	7 695	8 755	753	1 060	10,9	13,8	2,4	2,5	2,7	0,1	0,2
Despesas de capital	**8 413**	**7 579**	**9 824**	**-833**	**2 244**	**-9,9**	**29,6**	**2,9**	**2,5**	**3,1**	**-0,4**	**0,6**
FBCF	7 140	6 970	8 587	-170	1 617	-2,4	23,2	2,5	2,3	2,7	-0,2	0,4
Financiamento nacional	6 032	5 921	6 505	-112	584	-1,8	9,9	2,1	1,9	2,0	-0,1	0,1
Financiamento da UE	1 107	1 049	2 083	-58	1 034	-5,3	98,5	0,4	0,3	0,6	0,0	0,3
Outras despesas de capital	1 273	609	1 236	-664	627	-52,1	102,9	0,4	0,2	0,4	-0,2	0,2
Juros	**5 935**	**6 271**	**6 576**	**337**	**305**	**5,7**	**4,9**	**2,1**	**2,1**	**2,1**	**0,0**	**0,0**
Por memória:												
Despesa corrente	111 632	117 409	123 580	5 777	6 171	5,2	5,3	38,6	38,4	38,5	-0,2	0,2
PIB nominal	289 428	305 873	320 665	16 445	14 792	5,7	4,8	-	-	-	-	-

Sources: INE (2024) and Ministry of Finance (2025 and 2026). CFP calculations. | Note: Public expenditure excluding: (i) PRR (grants and loans); (ii) One-off operations (sale of real estate; extraordinary pension supplement; support for Ukraine) and; (iii) *One-offs* (indicated in**Erro! A origem da referência não foi encontrada.**).

Table 9 – Main budgetary policy measures with an impact in 2026 (in M€)

Componente/medida	QPI*	Novas medidas POE/2026	Total
Impacto na variação da receita	**-190**	**-72**	**-262**
Impostos diretos	**-290**	**-72**	**-362**
IRS Jovem | OE/2024	250		250
IRS - Atualização do ME		-85	-85
IRS - Redução das taxas do IRS		-111	-111
IRS - Atualização automática dos escalões	-240		-240
IRC - Redução das taxas de IRC	-300		-300
IRC - SIFIDE indireto (reversão)		124	124
Impostos indiretos	**100**	**0**	**100**
ISP - Fim de isenção biocombustíveis avançados	100		100
Impacto na variação da despesa	**3 910**	**375**	**4 285**
Consumo intermédio	**-97**		-97
Exercício de Revisão da Despesa - Poupanças na Saúde	-97		-97
Despesas com pessoal	**1 248**		**1 248**
Aumento Acordo de rendimentos	512		512
Progressões e promoções	357		357
Aumento RMMG	116		116
Acordos salariais	262		262
Prestações Sociais	**1 683**	**375**	**2 058**
Reforço Complemento Solidário para Idosos (CSI)		140	140
Pensões | ef. Composição = Aumento pensão Média + variação de Pensionistas	980		980
Atualização regular pensões	703		703
Prestações de parentalidade		235	235
FBCF	**771**		**771**
Investimento Público (s/habitação e equipamento militar)	308		308
Habitação - Financiamento nacional	263		263
Equipamento militar	200		200
Juros	**305**		**305**
Juros devidos pelas AP	305		305
Impacto na variação do saldo	**-4 100**	**-447**	**-4 547**

Source: MF. | Note: the impacts identified in the column relating to the Invariant Policy Table (QPI) result from the criteria adopted by the CFP. On the one hand, the expected savings in the Health sector under the Expenditure Review Exercise (Table 7.1. of the DSB/2026 report) were included in this column; on the other hand, the budgetary pressures on intermediate consumption indicated by the MF in the QPI of DSB/2026 (€280 million) were considered in the macroeconomic scenario.

Table 10 – Incremental impact of the policy measures considered in the CFP projection
(in € million and p.p. of GDP)

Designação	Variação em M€		Variação em p.p. do PIB	
	2025	2026	2025	2026
Receita	**-1 349**	**-432**	**-0,4**	**-0,2**
Receita corrente	**-1 349**	**-432**	**-0,4**	**-0,2**
Receita fiscal	-1 169	-432	-0,4	-0,2
Impostos indiretos	247	100	0,1	0,0
Alteração ISP e atualização da taxa de carbono	343		0,1	
Apoio extraordinário aos custos com combustíveis na agricultura	39		0,0	
Mecanismo temporário de gasóleo para empresas transporte mercadorias	25		0,0	
Fim da isenção biocombustíveis (Reversão)		100		0,0
Alargamento do IVA da eletricidade a 6% p/ primeiros 200 kWh	-110		0,0	
Isenção de IMT e IS na compra da 1.ª habit. p/ jovens até 35 anos	-50		0,0	
Impostos diretos	-1 416	-532	-0,5	-0,2
Atualização automática das deduções específicas de IRS pelo valor do IAS	-81	-82	0,0	0,0
Atualização automática dos escalões (componente de produtividade na parte que excede a inflação)	14	7	0,0	0,0
Atualização do Mínimo de Existência	-142	-85	0,0	0,0
Aumento da consignação de 0.5% para 1%	-40		0,0	
IRS | Aumento das deduções com despesas de habitação (rendas)	-19	-20	0,0	0,0
IRS | Compensação pela limitação do aumento das rendas a 2%	45		0,0	
IRS | Diminuição de taxas dos escalões Jun/2025 (Proposta Governo)	-425		-0,1	
IRS Jovem | OE/2024	-118	118	0,0	0,0
IRS Jovem | OE/2025	-394	-131	-0,1	0,0
IRS | Diminuição adicional de taxas dos escalões no OE/2026 (Proposta CHEGA)		-33		
IRC | Incentivo fiscal à recuperação - IFR	8		0,0	
Redução de 1 p.p. na taxa normal e reduzida de IRC		-431		-0,1
Reforço dos Incentivos em sede IRC para a capitalização de empresas (ICE)	-265		-0,1	
IRC | SIFIDE Indireto (Reversão)		124	0,0	
Vendas	-180		-0,1	
Abolição das Portagens nas ex-SCUTs	-180		-0,1	
Receita de Capital	**0**	**0**	**0,0**	**0,0**
Despesa	**944**	**96**	**0,3**	**0,0**
Despesa corrente primária	**944**	**96**	**0,3**	**0,0**
Consumo intermédio	-100		0,0	
Revisão da despesa pública	-100		0,0	
Despesas com pessoal	532	335	0,2	0,1
Valorização salarial de grupos profissionais	532	335	0,2	0,1
Prestações sociais	608	-29	0,2	0,0
Apoio às famílias carenciadas / mais vulneráveis	-2	-4	0,0	0,0
Complemento ao apoio extraordinário para crianças e jovens	-2	-0,02	0,0	0,0
Apoio extraordinário a titulares de rendimentos e prestações sociais	0,4	-1	0,0	0,0
Suplemento extraordinário de pensão	4	-399	0,0	-0,1
Complemento excecional de pensão	-24		0,0	
Apoio extraodinário à renda	23		0,0	
Apoio aos refugiados	-3		0,0	
Aumento adicional das pensões mais baixas	274		0,1	
Aumento do CSI - atualização extraordinária do valor de referência	178		0,1	
Reforço do CSI		140		0,0
Prestações de parentalidade		235		0,1
Programa Cuida-te +	17		0,0	
Comparticipação medicamentos Antigos Combatentes	10		0,0	
Gratuitidade progressiva das creches	24		0,0	
Pacote Mobilidade Verde	68		0,0	
Gratuitidade Passe Sub23	40		0,0	
Subsídios	-468		-0,2	
Bonificação de juros	-29		0,0	
Alocação adicional de verbas no SEN para redução da tarifa	-366		-0,1	
Apoio ao transporte de passageiros e mercadorias	-66		0,0	
Apoio ao sector das pescas	-8		0,0	
Outras despesas correntes	372	-210	0,1	-0,1
Programas «E-Lar» e «Bairros + Sustentáveis»	10	-10	0,0	0,0
Atualização do Financiamento às IPSS	159		0,1	
Apoio financeiro às IPSS para a abertura de novas salas de educação pré-escolar	8	6	0,0	0,0
Apoio à Ucrânia	46	-205	0,0	-0,1
Alterações introduzidas no sistema de incentivos às empresas	150		0,0	
Despesa de capital	**0**	**0**	**0,0**	**0,0**
Juros	**0**	**0**	**0,0**	**0,0**
Saldo orçamental	**-2 293**	**-529**	**-0,7**	**-0,2**

Source: MF. | Note: whenever possible, the CFP made its own calculations to quantify the measures identified in this table; the figures reflect changes compared to the previous year; the table only includes policy measures, not other effects or *one-offs*.

Table 20 – Impact of *one-off* measures on the budget balance

	% do PIB				
	2022	2023	2024	2025 E	2026 P
Medidas *one-off* (impacto no saldo)	**-0,1**	**-0,5**		**-0,1**	
Despesa	**0,1**	**0,5**		**0,1**	
Recapitalização do Novo Banco (NB)					
Ativos por impostos diferidos	0,1	0,0			
Decisão judicial - Barragem EDP		0,1			
Indemnização IP / Compensação à concessionária AEDL, S.A.				0,1	
Parvalorem | Perdas adicionais de créditos não passíveis de recuperação		0,3			
Devolução do adicional de solidariedade cobrado à Banca				0,1	
Por memória (impacto por agregado orçamental)					
Outra despesa corrente		0,0			
Outras despesas de capital	0,1	0,5		0,1	

Sources: INE and Ministry of Finance. | Notes: Calculations and classification are the responsibility of the CFP. The totals do not necessarily correspond to the sum of the percentages of GDP due to rounding. "2025 E" denotes estimate and "2026 P" denotes forecast.

Table 11 – From the expenditure limit in the QPDP for 2026 to the balance in national accounts

	(milhões de euros)
1. Limite de despesa da Administração Central+Segurança Social (QPDP)	**442 098**
1.1 Limite de despesa da Administração Central (Administração Central)	352 472
1.2 Limite de despesa da Segurança Social (Segurança Social)	89 625
2. Despesa objeto de consolidação intrasector (fluxos entre entidades do mesmo sector)	**107 351**
2.1 Consolidação fluxos entre entidades do subsector da Administração Central	107 351
3. Subtotal despesa consolidada Administração Central e Segurança Social [(1)-(2)]	**334 747**
3.1 Despesa total consolidada da Administração Central	245 122
3.2 Despesa total consolidada da Segurança Social	89 625
4. Despesa de ativos e passivos financeiros consolidados	**187 578**
4.1 Despesa de ativos e passivos financeiros consolidados da Administração Central	140 873
4.2 Despesa de ativos e passivos financeiros consolidados da Segurança Social	46 705
5. Diferenças de consolidação Administração Central (imputadas à despesa efetiva)	**1**
6. Subtotal despesa efetiva consolidada Administração Central e Segurança Social [(3)-(4)+(5)]	**147 169**
6.1 Despesa efetiva consolidada da Administração Central	104 249
6.2 Despesa efetiva consolidada da Segurança Social	42 920
7. Fluxos intersectoriais entre Administração Central e Segurança Social	**16 197**
8. Despesa efetiva consolidada Administração Central+Segurança Social [(6)-(7)]	**130 972**
9. Receita efetiva consolidada Administração Central+Segurança Social	**129 182**
9.1 Receita Fiscal	68 173
9.2 Outra Receita Corrente	55 915
9.3 Receita de Capital	5 094
10. Saldo da Administração Central e Segurança Social [(9)-(8)]	**-1 790**
11. Saldo das Administrações Regional e Local	**815**
12. Saldo das Administrações Públicas (ótica Contab. Pública) [(10)+(11)]	**-975**
13. Ajustamentos de passagem à Contabilidade Nacional	**1 238**
14. Saldo das Administrações Públicas (ótica Contab. Nacional) [(12) + (13)]	**263**
14.1 Medidas one-off do Ministério das Finanças	0
15. Saldo ajustado do Ministério das Finanças [(14) - (14.1)]	**263**
Por memória:	(Em % do PIB)
14. Saldo das Administrações Públicas (ótica Contab. Nacional) [(12) + (13)]	*0,1*
14.1 Medidas one-off do Ministério das Finanças (MF)	*0,0*
15. Saldo ajustado do Ministério das Finanças [(14) - (14.1)]	*0,1*
15.1 Hiato do produto do Ministério das Finanças	*-0,2*
15.2 Componente cíclica (em % do PIB potencial)	*-0,1*
16. Saldo estrutural do Ministério das Finanças [(15) - (15.2)]	*0,2*

Source: MF. CFP calculations. Note: Assuming the MF's assumptions, namely regarding the cyclical component calculated for the balance.

Table12 – CFP budget projection scenario underlying DSB/2026, excluding the effect of PRR subsidies and other European Union funds (% of GDP)

	CFP			MF			CFP vs. MF	
	2025	2026	Var. (p.p.)	2025	2026	Var. (p.p.)	2025	2026
Receita Total	**41,8**	**41,5**	**-0,3**	**41,6**	**41,4**	**-0,2**	**0,1**	**0,1**
Receita corrente	**41,7**	**41,4**	**-0,3**	**41,6**	**41,4**	**-0,2**	**0,1**	**0,0**
Receita fiscal	24,3	24,1	-0,2	24,3	24,1	-0,2	0,0	0,0
Impostos indiretos	14,4	14,4	0,0	14,4	14,4	0,0	-0,1	0,0
Impostos directos	9,9	9,7	-0,2	9,9	9,7	-0,2	0,0	0,0
Contribuições Sociais	12,7	12,7	0,1	12,4	12,5	0,2	0,3	0,2
Vendas de bens e serviços	3,0	3,0	-0,1	3,0	3,0	-0,1	0,0	0,0
Outra receita corrente	1,7	1,6	-0,1	1,9	1,8	-0,1	-0,2	-0,2
Receitas de capital	**0,1**	**0,1**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,1**
Despesa Total	**41,7**	**42,1**	**0,4**	**41,3**	**41,3**	**0,0**	**0,4**	**0,8**
Despesa Primária	**39,7**	**40,0**	**0,3**	**39,3**	**39,3**	**0,0**	**0,4**	**0,7**
Despesa Corrente Primária	**36,9**	**37,0**	**0,2**	**36,5**	**36,5**	**0,0**	**0,3**	**0,5**
Consumo intermédio	5,0	5,0	-0,1	4,9	4,7	-0,2	0,1	0,3
Despesas com pessoal	10,7	10,7	0,0	10,6	10,6	0,0	0,1	0,1
Prestações sociais	18,1	18,1	0,0	18,0	18,1	0,1	0,1	0,0
Subsídios e outra despesa corrente	3,1	3,2	0,1	3,1	3,1	0,1	0,0	0,1
Despesas de capital	**2,8**	**3,0**	**0,1**	**2,7**	**2,7**	**0,0**	**0,1**	**0,2**
FBCF	2,2	2,3	0,1	2,1	2,0	-0,1	0,1	0,4
FBCF | Sem empréstimos PRR	2,1	2,1	0,0	1,9	1,8	-0,2	0,2	0,4
FBCF | Empréstimos PRR	0,1	0,2	0,1	0,2	0,2	0,0	-0,1	0,0
Outras despesas de capital	0,6	0,6	0,0	0,6	0,8	0,1	0,0	-0,1
O. Desp. Cap. | Sem empréstimos PRR	0,5	0,3	-0,2	0,4	0,4	0,0	0,1	-0,1
O. Desp. Cap. | Empréstimos PRR	0,1	0,3	0,2	0,2	0,3	0,1	-0,1	0,0
Juros	2,0	2,1	0,1	2,1	2,1	0,0	0,0	0,1
Saldo global	**0,1**	**-0,6**		**0,3**	**0,1**		**-0,3**	**-0,7**
Saldo Primário	2,1	1,5		2,4	2,1		-0,3	-0,7
Por Memória							0,0	0,0
Empréstimos PRR	0,3	0,5	0,2	0,4	0,6	0,2	-0,2	-0,1
Empréstimos PRR Desp. Corrente Primária	0,0	0,0	0,0	0,0	0,1	0,1	0,0	-0,1
Saldo Orçamental excluindo empréstimos PRR	0,3	-0,1		0,8	0,7		-0,4	-0,8
Dívida Pública	**89,9**	**88,2**	**-1,7**	**90,2**	**87,8**	**-2,4**	**-0,3**	**0,4**
Variação do rácio da dívida, decomposição:	-3,6	-1,7	1,9	-3,3	-2,4	0,9	-0,3	0,7
(-) Saldo Primário	-2,1	-1,5	0,6	-2,4	-2,1	0,2	0,3	0,7
(+) Efeito dinâmico ou bola de neve	-2,9	-1,6	1,3	-2,9	-2,1	0,9	0,0	0,5
(+) Ajustamento défice-Dívida	1,3	1,3	0,0	1,9	1,7	-0,2	-0,6	-0,4

Source: INE and CFP projection. | Note: The figures presented in revenue and expenditure are adjusted for the effect of PRR subsidies and other European Union funds accounted for in capital revenue and GFCF.

Table13 – Calculation of net expenditure (in M €)

	Fórmulas	2024		2025		2026	
		MF*	ProjCFP	MF	ProjCFP	MF	ProjCFP
Despesa Total (da qual se exclui)	(1)	123 174	123 174	134 174	132 345	140 243	140 056
Encargos com Juros	(2)	5 935	5 935	6 270	6 136	6 577	6 725
Despesa cíclica com subsídio de desemprego	(3)	137	121	113	84	112	85
Despesa financiada por fundos da UE	(4)	3 400	3 400	8 797	5 690	8 549	6 755
Cofinanciamento nacional de programas financiados pela EU	(5)	475	475	731	794	1 029	943
One-offs da despesa (nível, excl. Fundos da UE)	(6)	0	0	456	456	0	0
Despesa líquida antes medidas discricionárias de Receita	(7)=(1-2-3-4-5-6)	**113 228**	**113 244**	**117 807**	**119 185**	**123 976**	**125 548**
Variação da despesa Liquída (antes MDR)	(8)=(7(t)-7(t-1))	10 975	10 971	4 579	5 940	6 169	6 364
Crescimento da Despesa Líquida (antes MDR)	(9)=(7(t)/7(t-1))	**10,7%**	**10,7%**	**4,0%**	**5,2%**	**5,2%**	**5,3%**
Medidas Discricionárias de Receita (incremental, excl. One-offs)	(10)	-1 507	-1 481	-1 606	-1 349	571	-433
Despesa líquida inclui medidas discricionárias de Receita	(11)=(7)-(10)	**114 734**	**114 725**	**119 413**	**120 534**	**123 405**	**125 981**
Variação da despesa Líquida (inclui MDR)	(12)=(11(t)-7(t-1))	12 481	12 452	6 185	7 289	5 598	6 796
Trajetória da despesa líquida							
Crescimento anual							
Crescimento da despesa líquida	(13)=(11(t)/7(t-1))	**12,2%**	**12,2%**	**5,5%**	**6,4%**	**4,8%**	**5,7%**
POEN-MP	(14)	11,8%		5,0%		5,1%	
Crescimento Cumulativo							
Crescimento da Despesa Líquida	(14)	12,2%	12,2%	18,3%	19,4%	24,0%	26,2%
Compromisso POEN-MP	(15)	11,8%	11,8%	17,4%	17,4%	23,4%	23,4%
Desvios na trajetória da despesa líquida							
Desvio Anual	(16)=((14-15) x 7)	416	415	512	1616	-410	718
Desvio Acumulado	(17) = (acum. do 16)	416	415	928	2031	517	2749
PIB Nominal	(18)	289 428	289 428	305 873	305 406	320 665	318 569
Conta de Controlo							
Saldo Anual	(19)=(16/18)	0,1	0,1	0,2	0,5	-0,1	0,2
Saldo Acumulado	(20)=(17/18)	0,1	0,1	0,3	0,7	0,2	0,9
Despesa com Defesa	(21)	0,9	0,9	1,1	1,1	1,2	1,2
Flexibilidade decorrente do aumento das despesas com a defesa	(22)	0,1	0,1	0,3	0,3	0,4	0,4
Saldo acumulado após flexibilidade	(23)=(20)-(22)	**0,1**	**0,1**	**0,0**	**0,4**	**-0,2**	**0,5**

Source: INE, MF. CFP calculations and projections. | Note: MF* corresponds to the calculation made by the CFP based on the provisional estimate for 2024 published by INE in the 2nd notification of the EDP; the discretionary revenue measures shown in the MF* and MF columns correspond to the amount presented in the tables of the Draft Budgetary Plan sent to the European Commission; (22) only highlights increases in defence expenditure compared to 2021.

Table14 – List of Discretionary Revenue Measures 2024-2026 (in M€)

Medidas Discricionárias da Receita	2024		2025		2026	
	MF	CFP	MF	CFP	MF	CFP
IVA	**278**	**278**	**-110**	**-110**	**0**	**0**
Redução do IVA da eletricidade	0	0	-110	-110		
IVA Zero alimentar	323	323				
IVA nectares	-40	-40				
Redução do IVA alimentação infantil	-5	-5				
Outros impostos indiretos	**448**	**182**	**312**	**357**	**100**	**100**
Mecanismo temporário de gasóleo para empresas transporte mercadorias			25	25		
Apoio extraordinário aos custos com combustíveis na agricultura	0	0		39		
Fim da isenção de Biocombustíveis avançados				0	100	100
Alteração do ISP e suspensão da taxa de carbono	338	126	337	343		
Atualização das taxas de outros impostos indiretos (IUC, ISV, IABA, IT, IMT)	146	146				
Habitação | Isenção IMT e IS jovens	-36	-90	-50	-50		
IRS	**-1 850**	**-1 879**	**-1 465**	**-1 159**	**54**	**-226**
Pacote IRS 2024 [(1)]	-1 540	-1 726				
Alargamento da Reforma do IRS pelo Parlamento				0		
Aumento dedução despesas com habitação			-7	-19		-20
Atualização do limite do mínimo de existência			-142	-142	-85	-85
IRS Atualiz. da dedução específica/escalões					0	
Aumento consignação IRS			-40	-40		
Atualização automática das deduções específicas de IRS pelo valor do IAS				-81		-82
Atualiz. Autom. dos escalões (componente de produtividade na parte que excede a inflação)				14		7
Diminuição de taxas dos escalões IRS Jun/2025 (Proposta Governo)			-500	-425		
Redução Adicional de IRS OE/2026					-111	-33
Alargamento IRS Jovem OE2024	-200	-43	-250	-118	250	118
Alargamento IRS Jovem OE2025			-525	-394		-131
Medidas fiscais Pacote + Habitação	-110	-110				
Dedução à limitação do aumento das Rendas				45		
IRC	**-310**	**10**	**-163**	**-257**	**-176**	**-307**
Desagravamento das tributações autónomas	-35	-40				
Incentivo fiscal à valorização salarial	-50	0				
Majoração em IRC dos gastos com energia , fertilizantes, etc.	55	55				
IRC - SIFIDE indireto (reversão)					124	124
Redução de 1 p.p. na taxa normal e reduzida de IRC					-300	-431
Incentivo fiscal à recuperação: SIFIDE, RFAI e outros benefícios fiscais	-100	15	102	8		
Alargamento/ reforço do Incentivo à Capitalização das Empresas (ICE)	-180	-19	-265	-265		
Outras receitas	**-72**	**-72**	**-180**	**-180**	**593**	**0**
Redução taxas de portagem ex-SCUT	-72	-72				
Eliminação taxas de portagem ex-SCUTs			-180	-180		
Medidas não especificadas					593	
Total medidas discricionárias de receita	**-1 507**	**-1 481**	**-1 606**	**-1 349**	**571**	**-433**
em % do PIB	**-0,5**	**-0,5**	**-0,5**	**-0,4**	**0,2**	**-0,1**

5.2 Chart Index

5.3 Table Index

5.4 Cash Index