



ANALYSIS OF THE DRAFT STATE BUDGET FOR 2027

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

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

This Report has been drawn up on the basis of information available up to 21 October 2026.

The spreadsheet file containing the figures underlying all the charts and tables in this report is available at www.cfp.pt, in the 'Publications' section. The key public finance concepts used in this Report are explained in [the CFP Glossary](#), which is available online.

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OVERALL ASSESSMENT

The fiscal forecast underlying the Draft State Budget for 2027 (DSB/2027) points to a general government surplus of 0.1 per cent of GDP, i.e. 0.1 percentage points above the Government's estimate for 2026. When analysed in the light of the macroeconomic scenario underpinning the DSB/2027, the observed fiscal outturn and the CFP's updated projection, the trajectory of the balance for 2027 presented by the Ministry of Finance appears plausible. The CFP's own projection, when incorporating the measures specified in the DSB/2027, points to a deficit in 2027 of 0.1 per cent of GDP – a difference of 0.2 percentage points of GDP which does not alter the overall assessment, given that both indicate a situation close to fiscal balance. Nevertheless, the composition of the balance forecast in the DSB/2027 warrants attention. The aggregate general government surplus combines a central government deficit of 2.8 per cent of GDP – the highest since 2017, excluding the pandemic years – with surpluses of 2.6 per cent of GDP in the social security funds and 0.2 per cent in regional and local government. The overall result therefore remains dependent on the performance of the social security subsector, which is particularly exposed to the economic cycle.

Excluding the effect of the RRP, the draft budget forecasts that expenditure will rise by 0.4 percentage points of GDP, with nominal growth of 5.7 per cent. Almost 70 per cent of this increase stems from primary current expenditure – essentially social benefits and staff costs – the least flexible components of expenditure. Whilst the commitments made increase the State's rigid expenditure, it should also be borne in mind that tax revenue does not yet fully reflect the effects of recent tax cuts. The impact of these measures has been partly deferred through excessive adjustments to personal income tax (PIT) withholding rates, which has shifted tax collection to the following year(s). As these tax reduction effects take hold (which will happen in the final phase of the current parliamentary term), the revenue base underpinning such expenditure may prove less robust than it currently appears, which poses a risk to fiscal balance in the coming years. Public investment has also benefited in recent years from the impetus provided by the RRP, reaching 2.9 per cent of GDP in 2025 – a figure not seen in the last decade, a period during which the general government's gross fixed capital formation (GFCF) consistently remained below that level. Even so, it remained below the European Union average. Without the effect of the RRP, GFCF would have stood at 2.4 per cent of GDP in that year. Adjusted for this effect, GFCF is expected to rise to 2.8 per cent of GDP in 2026 and stabilise at that level in 2027, remaining below 3 per cent of GDP and the European

average. The capacity to carry out public investment using domestic resources therefore remains limited.

With regard to net expenditure – an operational indicator under the new European framework for economic governance – The DSB/2027 Report shows a cumulative deviation in the reference balance of 0.5 per cent of GDP for 2027 (after applying the flexibility associated with the national derogation clause for defence expenditure) and 0.9 per cent of GDP (before applying that flexibility), compared with the maximum threshold of 0.6 per cent. This conclusion is influenced by various methodological choices that appear to diverge from the European Commission's methodology. According to the updated projections from the CFP, the deviation is even greater: 1.1 per cent of GDP in 2026 and 2.0 per cent of GDP in 2027.

A position close to balance is therefore projected for the second consecutive year, with the debt-to-GDP ratio continuing to fall. This result is based, however, on a growing central government deficit – increasingly less offset by the social security surplus – as well as on expenditure growth that is heavily concentrated in the least flexible components (disregarding the base effect of the RRP) and on a net expenditure trajectory whose achievement depends on a methodological approach that warrants further clarification. It is important to promote more efficient management of resources across the various sectors of the State, and first and foremost within the Central Government sector, by increasing the scope for fiscal manoeuvre to meet new public investment needs in various areas, with a view to preserving the fundamental social balances in our country.

EXECUTIVE SUMMARY

Balance, fiscal policy stance and net expenditure

The fiscal forecast underlying the DSB/2027 points to a surplus of 0.1 per cent of GDP in 2027, an improvement of 0.1 percentage points compared with the Government's estimate for 2026. The reduction in expenditure (3.0 percentage points of GDP) is slightly greater than that in revenue (2.9 percentage points), reflecting above all the end of loan-financed RRP expenditure.

The DSB/2027 forecasts a further widening of the Central Government deficit to 2.8 per cent of GDP, the highest level since 2017, excluding the pandemic period. As in the previous year, this widening is offset mainly by the surplus of the Social Security Funds (FSS), and to a lesser extent by the surplus of Regional and Local Government. However, unlike in 2025, the surplus of the Social Security Funds (FSS) is not sufficient to fully offset the Central Government deficit. Fiscal performance therefore remains dependent on the FSS sub-sector, a sub-sector particularly exposed to the vagaries of the economic cycle.

Net Expenditure

The DSB/2027 Report indicates that the net expenditure trajectory will be met in 2027; however, this depends on methodological assumptions that significantly influence the calculation of the cumulative deviation. The DSB/2027 Report presented by the Ministry of Finance forecasts a cumulative deviation of 0.5 per cent of GDP for 2027 after defence flexibility and 0.9 per cent of GDP before flexibility. However, this figure for the cumulative deviation, which is below the 0.6 per cent of GDP threshold permitted in the control account, is sensitive to certain methodological choices. Furthermore, the DSB/2027 Report does not include sufficient information to support the claim that the cumulative increase in defence expenditure (in national accounts) will amount to 0.4 percentage points of GDP compared with 2021.

Projected fiscal developments for revenue and expenditure in 2027

In this executive summary, fiscal developments relating to revenue and expenditure are net of the RRP effect, given that this programme *ends* in 2026.

The forecast for public revenue is broadly consistent with the macroeconomic scenario set out in the DSB/2027, which anticipates that the tax burden will stabilise. According to the Ministry of Finance, in 2027 the share of public revenue will fall by 0.1 percentage points of GDP. The tax burden is expected to remain at 35 per cent of GDP, with the increase in the share of actual social security contributions (0.3 percentage points of GDP) offsetting a reduction of the same magnitude in tax revenue. Excluding the impact of the policy measures envisaged by the Ministry of Finance, tax and social security revenue would grow by 5.0 per cent, broadly in line with nominal GDP. However, the forecast for PIT partly reflects the positive effect in 2027 of the one-off reduction in withholding tax due to take place in November 2026.

The DSB/2027 points to an increase in public expenditure of 0.4 percentage points of GDP, to 42 per cent of GDP, driven by interest payments. In nominal terms, the projected growth in expenditure excluding the RRP, which slows from 6.9 per cent in 2026 to 5.7 per cent in 2027, stems from trends in primary current expenditure, namely social benefits and staff costs. Capital expenditure is expected to rise by 8.2 per cent, mainly driven by investment funded from domestic sources (excluding RRP loans). As for interest charges, the DSB/2027 points to an increase of €1.5 billion, almost double the figure indicated in the 'unchanged policies' scenario provided by the Ministry of Finance to the Assembly of the Republic on 31 August and above the CFP's projection, which suggests a possible overestimation. Conversely, the fiscal forecast for some expenditure items appears to be underestimated, particularly non-cash social benefits not related to pensions. In the absence of a response to the requests for clarification, it was not possible to assess the consistency of the Ministry of Finance's forecast for capital expenditure components with economic policy measures and the macroeconomic scenario.

Public Debt

The DSB/2027 forecasts that the public debt ratio will fall to 84.5 per cent of GDP in 2027, continuing its downward trajectory. This reduction of 3.0 percentage points of GDP stems from nominal economic growth and the maintenance of primary surpluses, partially offset by an increase in interest expenditure, which rises from 2.0% to 2.4% of GDP, and by a deficit-debt adjustment of 0.9 percentage points of GDP. In absolute terms, public debt increases by €3,000 million. The Ministry of Finance forecasts that the State's gross borrowing requirements will rise by €4,900 million in 2027, mainly due to an increase in net borrowing requirements associated with the acquisition of financial assets and the redemption of Treasury Bonds (OT). OTs remain the main source of funding, but their share of net funding falls to 65 per cent (81 per cent in 2026), with greater recourse to Treasury Bills, against a backdrop of rising market interest rates. In July 2026, the portfolio's refinancing profile complied with the defined limits, but the greater weight of Treasury Bills and variable-rate debt increases the exposure of interest charges to movements in market rates.

Assessment of the fiscal scenario for the DSB/2027

An assessment of the fiscal forecast underpinning the 2027 DSB/2027 Bill suggests that the fiscal trajectory presented by the Ministry of Finance (MF) is plausible. Although there remain factors with the potential to impact the results – notably the statistical treatment of the closure of the RRP – the MF's forecast (in line with the CFP's projection) points to a fiscal position close to balance in 2027. The differences between the Ministry of Finance's forecast and the CFP's projection relate mainly to the composition and quantification of certain fiscal aggregates. These differences would be mitigated if the measures not sufficiently specified in the Ministry of Finance's forecast were incorporated.

Based on the updated CFP budget projection, net expenditure in 2026 and 2027 is expected to continue to grow at a rate exceeding the commitment made by the Portuguese State in the National medium-term fiscal-structural plan (POEN-MP). The CFP projects that net expenditure will grow by 7.6 per cent annually in 2026 and by 3.5

per cent in 2027. Taking as a starting point the cumulative deviation in 2025 in the monitoring account established by the European Commission, the cumulative deviation, after taking into account the flexibility associated with the national derogation clause relating to defence expenditure, is expected to amount to 1.1 per cent of GDP in 2026 and 2.0 per cent of GDP in 2027, above the maximum threshold of 0.6 per cent of GDP.

The slowdown in net expenditure growth in 2027 reflects a reduction in the fiscal impulse compared with 2026, giving fiscal policy a restrictive stance. This translates into a fiscal impulse of 0.7% of GDP, driven by expenditure funded by the national budget (0.3% of GDP) and by the reduction in expenditure financed by European funds (0.4% of GDP), linked primarily to the decline in RRP grants. This stance contrasts with that forecast for 2026, a year in which an expansionary fiscal impulse of 1.4 per cent of GDP is estimated.

Fiscal Risks

The fiscal forecast for 2027 entails downside risks. Among the risks identified, the following stand out: (i) lower-than-expected growth in the economy's total wage bill, affecting PIT and social security contributions; (ii) a smaller-than-expected impact of the measure to combat fraud in the fuel sector; (iii) the adoption of policy measures that could jeopardise the fiscal targets set out in the DSB/2027; (iv) the possibility that the Resolution Fund may have to compensate certain common creditors of BES; (v) the materialisation of public expenditure associated with general government contingent liabilities, relating to claims by private partners in public-private partnerships (PPPs) and other ongoing legal proceedings, as well as public guarantees, notably those relating to the youth housing scheme, those granted to SATA by the Regional Government of the Azores, and those associated with credit lines to private companies.

On the other hand, there are factors that may improve the fiscal outlook. These include: (i) a more favourable than expected trend in prices or economic activity, which would be reflected in tax revenue; (ii) a smaller-than-expected increase in interest payments; and (iii) a more restrained use of expenditure allocations relating to fiscal restraint measures.

1. INTRODUCTION

Pursuant to Article 7 of the Statutes of the Portuguese Public Finance Council (CFP), this Report analyses the Draft State Budget for 2027 (DSB/2027). This Report was preceded by [the CFP's Opinion](#) on the macroeconomic forecasts underpinning the State Budget, drawn up in accordance with the combined provisions of Article 8 of the Fiscal Framework Law ([Law No. 151/2015](#) of 11 September, as currently worded),¹ Article 6(a) of the CFP's Statutes, approved by Law No. 54/2011 of 19 October, as 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 [Draft Law No. 110/XVII/2nd](#), which approves the State Budget for 2027, hereinafter referred to as DSB/2027, submitted to the Assembly of the Republic on 8 October, in [the Draft Fiscal Plan for 2027](#) (DBP) sent to the European Commission (EC) and the information provided by the Ministry of Finance (MF) to the CFP up to the cut-off date of 21 October.

The CFP thanks the Ministry of Finance for the timely submission of the requested information and for the clarifications provided. These clarifications were not, however, complete, and no conclusive response was received regarding three issues: (i) the impact on national accounts of the sale of property (capital assets); (ii) the breakdown between investment (GFCF) and other capital expenditure of the expenditure arising from Storm Kristin, with a contradiction remaining between its classification as other capital expenditure in the DBP tables and the clarification that it is mainly classified under GFCF; and (iii) the reconciliation between the trend in defence expenditure in public accounts and its cumulative increase since 2021 of 0.4 percentage points of GDP in the national accounts, in respect of which confidentiality grounds were invoked.

This Report is structured as follows: Chapter 2 assesses the fiscal forecasts for 2027; Chapter 3 analyses the public debt fiscal trajectory; Chapter 4 identifies the risks underlying the Ministry of Finance's fiscal scenario for 2027.

¹ Act No. 151/2015 of 11 September was amended by Acts 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. ANALYSIS OF THE DSB/2027 FISCAL SCENARIO

2.1 Fiscal balances

With the RRP due to end in 2026, the DSB/2027 concentrates the recording of all outstanding revenue and expenditure associated with the plan in the year 2026. On the revenue side, this includes the final tranche of funding, which is due to be received in December 2026. Accordingly, for 2026, the Ministry of Finance estimates that grants receivable under that plan will amount to €9,077 million (2.8 per cent of GDP) and that loans intended to finance RRP expenditure will amount to €2,029 million (0.6 per cent of GDP), totalling €11,106 million. With regard to the first half of 2026, the preliminary estimate of expenditure incurred under the RRP, as reflected in the general government account in the national accounts, points to an outturn of €2,443 million, which is €972 million higher than that recorded in the corresponding period of the previous year. Achieving the annual estimate (€11,106 million) presupposes a very significant acceleration in the implementation of the RRP during the second half of 2026, which will need to exceed the figure for the second half of 2025 by €6,150 million.

The DSB/2027 forecasts a fiscal surplus of €275 million (0.1 per cent of GDP) in 2027, slightly above a balanced budget. This forecast represents an improvement of 0.1 percentage points of GDP compared with the virtually zero balance estimated by the Ministry of Finance for 2026 (Table 1). Contributing to this is a reduction in expenditure of 3.0 percentage points of GDP, slightly higher than that of revenue, at 2.9 percentage points of GDP, both driven by the end of the RRP. The primary balance remains in surplus (2.5 per cent of GDP) and improves more than the fiscal balance, given the Ministry of Finance's forecast of a 0.4 percentage point increase in interest payments as a proportion of GDP.

Table 1 – Fiscal indicators

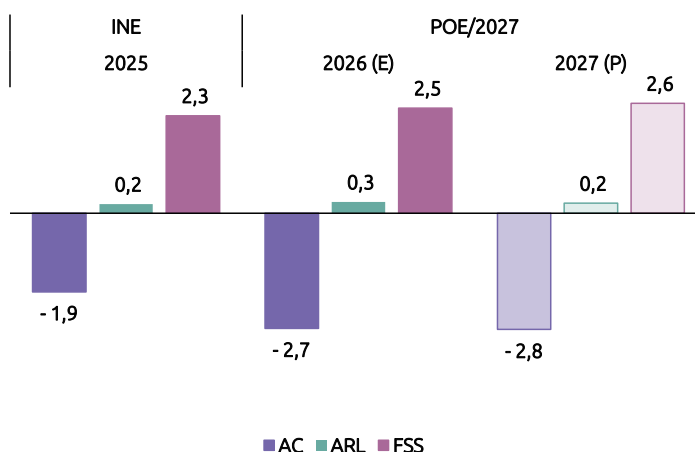
	Em % do PIB			Variação (p.p. PIB)	
	2025	POE/2027		POE/2027	
		2026	2027	2025/26	2026/27
Saldo primário	2,6	2,1	2,5	-0,5	0,4
Saldo orçamental	0,7	0,0	0,1	-0,6	0,1
Ajustado de medidas one-off	0,7	0,5	0,3	-0,2	-0,2
Ajustado do ciclo	0,6	-0,1	0,0	-0,7	0,0
Saldo estrutural	0,7	0,4	0,2	-0,3	-0,2
Primário estrutural	2,6	2,5	2,6	-0,2	0,1
<i>por memória</i>					
medidas one-off	-0,1	-0,5	-0,2	-0,4	0,3
hiato do produto*	0,1	0,2	0,2	0,1	0,0
componente cíclica	0,1	0,1	0,1	0,0	0,0
juros	2,0	2,0	2,4	0,1	0,4

Sources: INE, MF. CFP calculations, taking into account the EU methodology for the [cyclical component](#) of the fiscal 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 the figures as a percentage of GDP due to rounding. The structural balance is obtained by taking the difference between the fiscal balance adjusted for *one-off* measures and the cyclical component. The classification of *one-off* measures is that of the Ministry of Finance.

The Ministry of Finance's forecast points to an improvement in the structural primary balance of 0.1 percentage points of GDP and a deterioration in the structural balance of 0.2 percentage points of GDP. This deterioration in the structural balance stems from the increase in interest expenditure forecast for 2027. Structural indicators have lost relevance within the framework of the new European economic governance, although they continue to allow for the monitoring of changes in balances net of the effects of the economic cycle and of temporary and non-recurring measures (*one-off* measures).

As the CFP has been pointing out,² the positive fiscal performance of recent years has been based, to a large extent, on surpluses from the Social Security Funds (FSS) against a backdrop of a widening Central Government (CG) deficit. The DSB/2027 forecasts a further widening of the CG deficit from 2.7 per cent of GDP in 2026 to 2.8 per cent in 2027 (Chart 1). Excluding the period affected by the pandemic, this deficit will be the highest since 2017. In Regional and Local Government (RLG), the surplus is expected to fall to 0.2 per cent of GDP. The deterioration in the balance of these two subsectors is, nevertheless, offset by the increase in the surplus of the Social Security Funds (FSS), which the Ministry of Finance forecasts will reach 2.6 per cent of GDP in 2027. If the Ministry of Finance's forecasts are confirmed, there is, however, a significant qualitative change. In 2025, the FSS surplus was more than sufficient to offset the CG deficit on its own. In 2026 and 2027, this will no longer be the case, and only the combined surpluses of the RLG and the FSS will be sufficient to offset the projected CG deficit (Chart 1).

Chart 1 – Balance by general government subsectors, as a % of GDP



Sources: INE (2025, September 2026 PDE) and Ministry of Finance (2026 and 2027). CFP calculations. E – Estimate; P – Forecast. CG – Central Government; RLG – Regional and Local Government; FSS – Social Security Funds; GG – General Government. Note: the sum of the sub-sector balances may not correspond to the General Government balance due to rounding.

² See, for example, the Report on [the Fiscal Development of General Government in 2025](#). Under 'General Government time series', the annual time series for General Government, including those for the sub-sectors, can also be consulted.

2.2 Net expenditure

In June 2026, the European Commission (EC) established the monitoring account for Portugal, which showed a cumulative deviation of 0.4 per cent of GDP after flexibility for the year 2025. This monitoring account was established pursuant to Article 22 of Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024³, which sets out the preventive arm of the Stability and Growth Pact. This account records the annual and cumulative deviations, both positive and negative, of actual net expenditure from the path set by the Council, with debits and credits calculated annually on the basis of implementation data and expressed as a percentage of GDP (Article 22(2) to (6)). Deviations authorised under the national derogation clause, activated to accommodate the increase in defence expenditure compared with the reference year of 2021 (Article 26), are not recorded as debits (Article 22(7)). In the case of Member States that have activated this defence-related flexibility, only the cumulative deviation is relevant for assessing the degree of compliance with the net expenditure trajectory recommended by the Council of the EU (based on their respective National Defence Expenditure Plans – MP). Thus, if the cumulative excess growth in net expenditure results from an increase in defence expenditure compared with the reference year, up to a limit of 1.5% of GDP between 2025 and 2028, the Member State is considered to be in compliance. Based on actual expenditure data, the Commission calculated a cumulative deviation of 0.4% of GDP in 2025 in the monitoring account⁴, after applying the flexibility associated with defence expenditure. It should be noted that the maximum permitted cumulative deviation is 0.6% of GDP. For the following years, the EC's spring 2026 forecast, assuming unchanged policies, projected a cumulative deviation of 0.6 per cent of GDP for 2026 and a deviation of 2.1 per cent of GDP for 2027, i.e. a deviation above the maximum permitted threshold.

The DSB/2027 Report presents a cumulative deviation in net expenditure for 2027, after flexibility, of 0.5% of GDP, which is below the maximum of 0.6% of GDP. This result benefits from the aforementioned flexibility relating to a cumulative increase in defence expenditure (from the perspective of national accounts) of 0.4 percentage points of GDP compared with 2021. Before applying the flexibility clause, the Ministry of Finance (MF) reports a cumulative deviation of 0.9% of GDP in 2027 (0.4% in 2026).

However, the conclusion that the target will be met in 2027 depends on confirmation of the projected increase in defence expenditure, as well as on methodological choices made by the Ministry of Finance that appear to diverge from the European Commission's methodology. Even assuming the level of primary expenditure forecast in the DSB/2027, the cumulative deviation in net expenditure presented therein only falls below the threshold by resorting to these choices and a temporal inconsistency in the classification of a measure. In particular:

³ Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and multilateral fiscal surveillance, and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30 April 2024).

⁴ European Commission (2026), 2026 European Semester – Spring Package, Communication COM(2026) 200 Final, 3 June 2026, Table 3.

- **Dependence on the increase in defence expenditure:** as stated, the absence of a deviation below the 0.6 per cent of GDP threshold depends on deducting the cumulative increase in defence expenditure forecast for 2027 of 0.4 percentage points of GDP compared with 2021 (broken down into 0.2 p.p. in 2026 and a further 0.2 p.p. in 2027, with no increase in 2025).⁵ Without this deduction, the cumulative deviation calculated by the Ministry of Finance (0.9% of GDP for 2027) would exceed the permitted maximum. However, the DSB/2027 Report does not include sufficient information to justify this increase in defence expenditure in the national accounts or its consistency with the expenditure figures in public accounts. Indeed, the defence-related appropriations in public accounts show figures that differ from the aforementioned increase, namely:
- i. in public accounts, total expenditure under the Defence Programme is reduced by 0.1 percentage points of GDP.
 - ii. the allocation recorded under financial assets (and consequently not included in actual expenditure) in the Ministry of Finance's exceptional expenditure (SAFE loans)⁶, also falls by 0.1 percentage points of GDP (from €1,200 million in 2026 to €818.1 million in 2027),⁷ given that the drawdown of these loans only translates into expenditure in the national accounts when deliveries of military equipment take place or other expenditure financed by them is incurred;
 - iii. the table entitled 'Transfer of balances from public accounts to national accounts' does not provide information enabling an understanding of the proportion of these SAFE loans which, although not included in expenditure in the public accounts, might have been allocated to the deliveries of military equipment in both 2026 and 2027.
- **An unusually high level of national co-financing for EU-funded programmes in 2027:** The DSB/2027 provides for €4.4 billion in expenditure financed by EU funds and national co-financing of €2.4 billion, corresponding to 54 per cent of that amount, compared with an average of 36.9 per cent over the 2023–2025 period, excluding RRP grants. Although the end of the RRP and the acceleration of the PT2030 may justify some increase in this ratio in 2027, an increase of this magnitude appears unlikely. Since national co-financing is deducted from net expenditure, an overestimated figure reduces the growth rate of this

⁵ See Table 6 of the DBP.

⁶ The Security Action for Europe (SAFE) instrument is an EU instrument that provides loans to help EU Member States rapidly and significantly increase their defence investments through joint procurement. As this is an entry under financial assets, it is not reflected in the national accounts.

⁷ The amounts relating to the SAFE instrument presented in the DSB/2027 Report are not directly reconcilable. The projected loan disbursements (€876 million in 2026 and €1,241 million in 2027; Tables 4.28 and 4.29) show a time profile opposite to that of expenditure on SAFE military investments, recorded in the table relating to exceptional expenditure by the Ministry of Finance (€1,200 million in 2026 and €818.1 million in 2027; Table 5.13), although the DSB/2027 Report does not explicitly state the correspondence between the two. Over the two years as a whole, the amounts differ by approximately 0.1 thousand M€.

expenditure and, consequently, the cumulative deviation in the control account.⁸

- **No adjustment for the break in the statistical series:** no correction is made for the break in the series resulting from the reclassification of SATA Air Açores and SATA Gestão de Aeródromos (SGA) into the general government sector from 2024 onwards, and from the reclassification of CP – Comboios de Portugal out of the general government sector from 2025 onwards, a correction which the EC considers necessary so that the trend in net expenditure reflects the direction of fiscal policy rather than a change of a statistical nature, as these reclassifications affected the level of expenditure in the years in which they occurred, artificially reducing the rate of expenditure growth in 2024 and increasing it in 2025.
- **Combating VAT fraud in the fuel sector:** the expected revenue from combating VAT fraud in the fuel sector, amounting to 300 million euros, is treated as a discretionary revenue measure (DRM). The inclusion of this amount lowers the growth rate of net expenditure. According to the EC's methodology, initiatives to combat tax fraud and evasion (strengthening controls and compliance monitoring, incentives for compliance, penalties or efficiency gains in tax administration) are, as a rule, a routine activity of the administration, continuing from year to year without any change in policy direction; they therefore form part of the no-policy-change scenario and do not constitute a fiscal policy measure.⁹ Even when they constitute a measure, their incremental revenue is difficult to estimate both *ex ante* and *ex post*, and must be quantified with great caution and reviewed in the light of actual implementation. Unlike changes to parameters of the tax system, such as tax rates or tax bases, this revenue cannot, therefore, be deducted from net expenditure.¹⁰
- **Failure to take into account the indexation of the subsistence minimum threshold for PIT:** for 2027, the indexation of the subsistence minimum (which reduces PIT revenue by €121 million) was not considered by the Ministry of Finance as a discretionary revenue measure (DRM). As net expenditure is calculated by deducting the MDRs (Article 2(2) of Regulation (EU) 2024/1263), an MDR that reduces revenue increases net expenditure and, consequently, a potential deviation from the recommended path.

Adjusting the calculation of these last three effects would increase the adverse deviation to 0.7 per cent of GDP, a deviation above the threshold. Taking the break in

⁸ Applying the ratio of 37.3 per cent assumed by the EC in its spring forecasts, and keeping the remaining Ministry of Finance figures unchanged, the cumulative deviation in 2027 would rise from 0.5 per cent to 0.7 per cent of GDP.

⁹ European Commission (2025), Report on Public Finances in the EMU 2024, European Economy – Institutional Paper 325, September 2025, Part II, Chapter 3, Sections 3.2 (definition of fiscal policy measures) and 3.4 (more complex cases).

¹⁰ Highlighting the risk associated with treating this as a discretionary revenue measure, the UTAO, in its recent analysis report on this same draft DSB, notes: "The DSB/2027 provides for additional revenue of €300 million associated with this measure, without, however, presenting information to substantiate the estimate or assess its feasibility. There therefore remains a risk that the actual outcome will be lower than forecast, given the track record of anti-fraud measures whose actual implementation has proved to be lower, or for which the General State Account has not provided sufficient information to assess the results achieved" (p. 51).

the statistical series into account would, in itself, raise the cumulative deviation to 0.6 per cent of GDP. If, in addition, the MDR relating to the minimum stock were added and the impact of revenue from combating VAT fraud were not taken into account, the unfavourable deviation would amount to 0.7 per cent of GDP. Taking these factors into account, even assuming the flexibility of the defence as assumed by the Ministry of Finance, the cumulative deviation in 2027 would exceed the cumulative threshold of 0.6 per cent of GDP, above which, pursuant to Council Regulation (EC) No 1467/97, as amended by Regulation (EU) 2024/1264, the European Commission prepares a report under Article 126(3) of the Treaty on the Functioning of the European Union, unless the fiscal position is close to balance or in surplus. This therefore reinforces the importance of Portugal not recording a fiscal deficit in excess of 0.5 per cent of GDP.¹¹

2.3 Analysis of the consistency of the fiscal forecast

This section analyses the consistency between the macroeconomic scenario and the fiscal scenario of the DSB/2027, as well as the temporal consistency of the latter. Box 3 analyses the consistency of the Ministry of Finance's estimate for 2026 with the data available up to the second quarter.

Revenue

The ratio of public revenue to GDP forecast by the Ministry of Finance for 2027 is expected to decline, reflecting primarily the end of the RRP. The DSB/2027 forecasts that general government revenue will fall to €143,356 million and account for 42.1 per cent of GDP in 2027, 2.9 percentage points of GDP lower than estimated for 2026 (Table 2 and Table 9). This trend is explained, essentially, by the end of the RRP, which accounts for a reduction in transfers from the European Union of €9,077 million (-2.8 percentage points of GDP), only partially offset by an increase in funding from other European funds (€1,241 million). Excluding the effect of the RRP, revenue would fall by 0.1 percentage points of GDP (Table 11), reflecting revenue growth of 4.3 per cent, close to the nominal growth of the economy (4.6 per cent).

The increase in tax and social security revenue is expected to result, primarily, from the positive impact of the macroeconomic scenario underlying the DSB/2027. Excluding the impact of the main policy measures envisaged by the Ministry of Finance (Table 12 –), tax and social security revenue is expected to grow by 5.0 per cent, slightly above the expected growth in economic activity (at current prices), although the dynamics of its components will differ.

The forecast for tax revenue in 2027 points to growth slightly higher than would be expected based on the macroeconomic scenario underlying the DSB/2027. This result is explained, above all, by the forecast for PIT revenue, which might even appear to be overestimated if only the measures set out in the DSB were taken into account. However, it can be inferred that the forecast incorporates a positive effect in 2027

¹¹ According to recital 14 of that Regulation: "The fiscal position should be considered close to balance if the general government deficit does not exceed 0.5 per cent of GDP."

associated with the one-off reduction in withholding tax due to take place in November 2026, which is likely to be greater in magnitude than that resulting from the reduction in personal income tax rates. Conversely, the opposite is true of the Ministry of Finance's estimate for 2026, in which, based on the CFP's calculations, PIT revenue is implicitly set to fall by a greater amount than would result from the reduction in tax rates (which the Ministry of Finance quantifies at €400 million). In the case of VAT revenue, net of the impact of the measures set out in the DSB/2027 (Table 12 –), the implied elasticity is consistent with the underlying macroeconomic scenario. Although the forecast for some other indirect taxes suggests a slight underestimation, this effect is partially offset by the expected increase in revenue from excise duties (IEC). Overall, indirect taxes are broadly in line with the underlying macroeconomic outlook.

The Ministry of Finance forecasts that actual social security contributions will grow at a faster rate than expected relative to wages, but in line with the elasticity observed for the trend in that fiscal variable in recent years. Social security contributions are expected to grow by 6.7 per cent, reflecting an elasticity relative to the growth in wages forecast by the Ministry of Finance of 1.2, in line with that observed in recent years, resulting in a projection for contribution revenue that is broadly in line with expected developments in the macroeconomic scenario. However, as noted in [the CFP's opinion](#), the Ministry of Finance's forecasts for employment growth and wages per worker are the highest amongst the reference institutions; consequently, the combined effect of these two factors may result in increased risks to revenue derived from the wage bill.

The Ministry of Finance forecasts that the tax burden will remain at 35 per cent of GDP in 2027. This stabilisation reflects an increase in the share of actual social security contributions in GDP of 0.3 percentage points, offset by a reduction of the same magnitude in tax revenue (Table 2).

The sharp reduction forecast for non-tax and non-contributory revenue in 2027 stems almost exclusively from the end of transfers associated with the RRP. The nominal reduction

The €8,588 million forecast by the Ministry of Finance for this component of revenue essentially reflects a base effect linked to the reduction in RRP funding (–€9,077 million). This impact is only partially offset by the projected increase in transfers from other European Union funds (+€1,241 million) and, to a lesser extent, by the growth in revenue from the sale of goods and services (+€187 million) and other capital revenue (+€10 million). At the same time, the 'other current revenue' heading, excluding European Union Funds, is expected to fall by €949 million in 2027. Contributing to this trend are, on the one hand, the projected reduction of €174 million in dividends receivable and, on the other, the decrease of €730 million in other current transfers from resident institutional sectors (given that current revenue from European Union funds – excluding the RRP – more than doubles in 2027). With regard to the decrease in these other transfers, the DSB/2027 Report does not provide any information that would enable the identification or justification of the factors underlying the projected reduction.

Table 2 – General Government Account of the DSB/2027

	M€			% do PIB		
	2025	2026 E	2027 P	2025	2026 E	2027 P
Receita Total	132 694	146 559	143 356	43,0	45,0	42,1
Receita corrente	128 849	138 620	140 879	41,8	42,6	41,4
Receita fiscal	75 314	78 322	80 886	24,4	24,1	23,8
Impostos indiretos	44 510	46 746	48 667	14,4	14,4	14,3
Impostos diretos	30 804	31 576	32 219	10,0	9,7	9,5
Contribuições sociais	38 745	41 815	44 636	12,6	12,8	13,1
Das quais: efetivas	33 045	35 721	38 258	10,7	11,0	11,2
Vendas e outras receitas correntes	14 790	18 483	15 357	4,8	5,7	4,5
Vendas de bens e serviços	8 761	8 940	9 127	2,8	2,7	2,7
Outra receita corrente	6 029	9 543	6 230	2,0	2,9	1,8
Receitas de capital	3 845	7 939	2 477	1,2	2,4	0,7
Despesa Total	130 648	146 472	143 081	42,3	45,0	42,0
Despesa primária	124 620	139 803	134 864	40,4	43,0	39,6
Despesa corrente primária	112 815	122 378	124 218	36,6	37,6	36,5
Consumo intermédio	15 408	17 440	16 744	5,0	5,4	4,9
Despesas com pessoal	32 631	34 171	35 983	10,6	10,5	10,6
Prestações sociais	55 011	57 801	59 991	17,8	17,8	17,6
que não em espécie	49 064	51 456	53 455	15,9	15,8	15,7
em espécie	5 947	6 344	6 536	1,9	1,9	1,9
Subsídios	1 788	2 222	1 936	0,6	0,7	0,6
Outra despesa corrente	7 976	10 744	9 564	2,6	3,3	2,8
Despesas de capital	11 805	17 425	10 646	3,8	5,4	3,1
FBCF	8 843	14 035	9 687	2,9	4,3	2,8
Outras despesas de capital	2 962	3 390	959	1,0	1,0	0,3
Juros	6 028	6 669	8 217	2,0	2,0	2,4
Saldo global	2 045	86	275	0,7	0,0	0,1
Saldo primário	8 074	6 756	8 492	2,6	2,1	2,5
Receita fiscal e contributiva	114 059	120 137	125 522	37,0	36,9	36,9
Carga fiscal	108 359	114 043	119 144	35,1	35,0	35,0
Receita não fiscal e não contributiva	18 635	26 422	17 834	6,0	8,1	5,2
Despesa corrente	118 843	129 047	132 435	38,5	39,6	38,9
PIB nominal	308 538	325 495	340 535	-	-	-

Sources: INE (2025) and Ministry of Finance (2026 and 2027). CFP calculations. | Note: '2026 E' refers to the estimate and '2027 P' refers to the forecast.

Expenditure

The DSB/2027 forecasts a decline in public expenditure, strongly influenced by the end of the RRP. In 2027, nominal expenditure is expected to fall by €3,391 million to €143,081 million. As a percentage of GDP, the Ministry of Finance forecasts a reduction of 3 percentage points of GDP, to 42 per cent of GDP. This trend is influenced by the end of the RRP in 2026, implying a reduction in public expenditure of €11,106 million compared with 2026, of which €7,586 million relates to capital expenditure and €3,520 million to primary current expenditure.

Consequently, for the purposes of comparison, the analysis of public expenditure presented below has been adjusted to exclude the base effect of the RRP (grants and loans). Excluding this effect, public expenditure increases by 0.4 percentage points of

GDP, rising from 41.6 per cent of GDP in 2026 to 42 per cent of GDP in 2027, mainly due to interest payments. In nominal terms, the projected increase is €7,715 million (5.7 per cent).

Primary current expenditure accounts for almost 70 per cent of the increase in public expenditure forecast for 2027. Primary current expenditure is expected to remain unchanged as a share of GDP at 36.5 per cent, increasing in nominal terms by €5,361 million or 4.5 per cent, compared with the 6 per cent growth estimated by the Ministry of Finance for 2026. More than three-quarters of the projected increase for this sub-aggregate is attributable to social benefits and staff costs. The latter are expected to grow by 5.5 per cent in 2027 (4.8 per cent in 2026), exceeding the growth in nominal GDP (4.6 per cent), as a result of the fiscal pressures identified in Table 12 –, attached. Growth in expenditure on social benefits is expected to fall from 5.1 per cent in 2026 to 3.9 per cent in 2027, a slowdown largely based on the assumption that the payment of the extraordinary pension supplement will not be repeated in 2027 (Table 12 –, attached). Nevertheless, the CFP's assessment suggests that the forecast for non-cash social benefits not related to pensions may be underestimated, taking into account the explanatory factors set out in the DSB/2027.

The DSB/2027 forecasts a very significant increase in interest expenditure. The Ministry of Finance (MF) forecasts that this expenditure will reach €8,217 million (2.4% of GDP), reflecting an increase of €1,548 million – more than double the estimated increase for 2026 and the highest since 2011. In [the 'unchanged policies' scenario](#) presented to the Assembly of the Republic on 31 August 2026 – at a time when interest rates were already rising across the board – the Ministry of Finance had projected an increase of €776 million. Just one month later, in the DSB/2027, this figure was revised to almost double that amount.

Although to a lesser extent, capital expenditure is also expected to rise, driven mainly by investment. Capital expenditure is forecast to grow by 8.2 per cent in 2027, just over half the rate estimated for 2026. The projected increase is €806 million, of which €617 million relates to Gross Fixed Capital Formation (GFCF), the growth of which is expected to slow from 20.8 per cent in 2026 to 6.8 per cent in 2027.¹² As a percentage of GDP, after reaching 2.4 per cent in 2025, GFCF excluding the RRP is expected to rise to 2.8 per cent in 2026 and stabilise at that level in 2027.

The lack of detail in the information provided by the Ministry of Finance makes it impossible to assess the consistency of the capital expenditure forecast. The CFP requested clarification from the Ministry of Finance on certain factors having a significant impact on the projected trend in capital expenditure. In particular, it requested a breakdown, by component, of the estimated impact of the measures taken in response to the disaster situation in 2026 and 2027. In response, the Ministry of Finance did not provide such a breakdown, merely stating that, in the national accounts, capital expenditure relating to those measures is allocated primarily to gross fixed

¹² Domestically financed GFCF (excluding RRP loans in 2026) is expected to increase by €453 million in 2027. Excluding the base effect of expenditure financed by RRP loans, domestically financed GFCF decreases by €147 million (calculation based on Table 6 – Fiscal projections from [the Draft Budget Plan for 2027](#)).

capital formation (GFCF).¹³ This lack of detail made it impossible to assess the consistency of the forecast for each of the components of capital expenditure. Furthermore, no information was available on the estimated proceeds from the sale of property in 2026, which, in the national accounts, are deducted from GFCF. The CFP also asked the Ministry of Finance to quantify the portion of property revenue corresponding to sales to entities outside the general government sector, as shown in Table 4.3 of the 2027 State Budget Report; however, the Ministry of Finance stated that it was not possible to break down this portion. Taken together, this lack of information made it impossible to assess the consistency of the forecast for total capital expenditure.

Box 1 – Estimate for 2026: expected expenditure in the second half of the year

Using the available statistical data, it is possible to break down the Ministry of Finance's (MF) estimate for 2026 into the actual expenditure recorded in the first half of the year and the expenditure required in the second half to achieve the annual figure. Based on the publication by INE on 23 September of the national accounts by institutional sector up to the second quarter of 2026, it is possible to assess, for the various components of revenue and expenditure, the implied growth in the second half of the year. As in the analysis of the DSB/2026, the aggregates have been adjusted to exclude subsidies from the RRP and other European funds – which have no impact on the balance – thereby eliminating a potential source of divergence. This adjustment is particularly relevant in 2026, the final year of the RRP's implementation: the Ministry of Finance's estimate implies total expenditure financed by the RRP of €8,663 million in the second half of the year, compared with €2,443 million in the first half – that is, around 78 per cent of the projected annual amount (€11,106 million, including loans).

Excluding European funds (grants), the Ministry of Finance's estimate implies a slowdown in revenue and an acceleration in expenditure in the second half of the year, with a net negative effect on the balance. The result for the second half of the year would amount to a deficit of a size almost similar to the surplus recorded by the statistical authority in the first half, reflecting a slowdown in year-on-year revenue growth from 5.6 per cent in the first half to 4.6 per cent in the second, and an acceleration in expenditure from 6.6 per cent to 6.8 per cent.

On the revenue side, the Ministry of Finance's estimate points to a slowdown in the second half of 2026, explained mainly by a shift in the trend of other current revenue. For this component, the Ministry of Finance anticipates a year-on-year fall of 14.2 per cent following strong growth of 18.7 per cent in the first half. Whilst a slowdown in this category is plausible – given that this year's growth in property income benefited from a historically high dividend distributed by CGD – the year-on-year reduction estimated by the Ministry of Finance for other transfers from resident institutional sectors not belonging to the general government appears to be overly cautious, as the actual figures for this item in recent years have consistently shown higher expenditure in the second half of the year than in the first. With regard to tax revenue, the Ministry of Finance's

¹³ This clarification from the Ministry of Finance is not consistent with the information reported to the European Commission in Table 7 – Discretionary Measures of [the Draft Fiscal Plan for 2027](#), in which the impact of these measures on capital expenditure was classified in full under the heading 'other capital expenditure'.

estimate for indirect taxes points to a slowdown, whilst still maintaining robust growth, consistent with trends in private consumption. Conversely, the estimate for direct taxes points to revenue growth in the second half of the year, following the year-on-year decline recorded in the first half, supported by trends in PIT and consistent with the impact of the extraordinary 50 per cent reduction in withholding tax implemented in November 2026.

Table 3 – Annual estimate for 2026 underlying the DSB/2027 (1st half-year observed and 2nd half-year implied in the MF's estimate)

	Milhares de M€			Tvh. %		
	1.º Sem.	2.º Sem.	Ano	1.º Sem.	2.º Sem.	Ano
Receita Total	61,3	73,0	134,3	5,6	4,6	5,0
Receita corrente	61,3	72,9	134,1	5,6	4,5	5,0
Receita fiscal	33,8	44,5	78,3	3,1	4,7	4,0
Impostos indirectos	22,0	24,7	46,7	5,7	4,5	5,0
Impostos directos	11,8	19,7	31,6	-1,3	4,9	2,5
Contribuições Sociais	19,8	22,0	41,8	7,8	8,1	7,9
Vendas de bens e serviços	4,4	4,5	8,9	7,9	-3,1	2,0
Outra receita corrente	3,1	1,9	5,0	18,7	-14,2	3,7
Receitas de capital	0,1	0,2	0,2	-23,3	23,8	5,5
Despesa Total	60,5	73,7	134,3	6,6	6,8	6,7
Despesa Primária	57,6	70,0	127,6	6,8	6,2	6,5
Despesa Corrente Primária	54,0	63,9	117,9	6,1	5,1	5,6
Consumo intermédio	7,2	8,7	15,9	4,4	6,2	5,4
Despesas com pessoal	16,7	17,5	34,2	6,2	3,3	4,7
Prestações sociais	25,5	32,3	57,8	5,0	5,2	5,2
Subsídios e outra despesa corrente	4,6	5,4	10,0	15,1	9,0	11,7
Despesas de capital	3,6	6,1	9,7	19,6	18,4	18,8
FBCF	3,1	4,5	7,6	25,7	4,4	12,2
Outras despesas de capital	0,5	1,6	2,1	-9,7	86,3	50,7
Juros	3,0	3,7	6,7	1,4	19,3	10,6
Saldo global	0,8	-0,7	0,1			
Saldo Primário	3,8	3,0	6,8			
PIB nominal	157,3	168,2	325,5	6,0	5,0	5,5

Source: INE (Quarterly National Accounts, by institutional sector, 2nd quarter of 2026), MF, DSB/2027 and CFP calculations. Notes: year-on-year rate of change (%) per half-year; aggregates exclude grants from the RRP and other European funds.

On the expenditure side, the slight acceleration estimated for the second half of the year is driven by interest payments, as primary expenditure growth slows. The near-zero growth in interest payments in the first half of the year, followed by a significant acceleration in the second half, although partly justified by the rise in interest rates, suggests a prudent estimate. Conversely, the projected slowdown in the implicit growth rate for the second half of the year in primary current expenditure – based largely on the prospect of a slowdown in the year-on-year growth of staff costs – no longer appears prudent. This estimate of a reduction to around half the level observed in the first half of the year highlights a trend that is difficult to reconcile with the rigidity of this item. As regards capital expenditure, although the Ministry of Finance's estimate points to year-on-year growth close to that seen in the first half of the year, there appear to be inconsistencies in the breakdown between gross fixed capital formation (GFCF) and other capital expenditure. Although the sharp acceleration in the growth of other capital expenditure is to be expected given the concentration of RRP loans in the second half of the year, as well as some of the storm relief measures yet to be implemented, once these effects are stripped out, its level is below the average of recent years. The same does not hold true for the estimated trend in GFCF, where the sharp slowdown in the second half of the year implied by the Ministry of Finance's annual estimate (from year-on-year growth of 25.7 per cent in the first half to 4.4 per cent) can only be justified by the

disposal of property, which in the national accounts is deducted from GFCF, but for which the CFP has not received clarification from the Ministry of Finance.

2.4 Incorporation of new policy measures into the CFP's projection

Preliminary note: This section updates the CFP's projection by incorporating the new economic policy measures as a means of assessing the plausibility of the DSB/2027 scenario. To provide a clearer picture of the factors determining the evolution of fiscal aggregates, the figures presented in this section exclude grants associated with the RRP and other EU funds, as their impact on the fiscal balance is, by definition, zero.

This exercise incorporates the policy measures set out in the DSB/2027 within the 'no-policy-change' scenario of the CFP published in September 2026. This exercise is an essential element in assessing the consistency and plausibility of the fiscal balance, public debt and growth in net expenditure presented in the DSB/2027.

The CFP's fiscal projection for 2026 and 2027 has been updated on the basis of the latest available information. Compared with the exercise published on 23 September ([Economic and Fiscal Outlook Report](#)), this update incorporates the provisional estimate of the general government accounts for 2025 published by INE in the second notification under the excessive deficit procedure (EDP), the measures set out in the DSB/2027, the most up-to-date information on fiscal implementation developments observed up to August, and additional data subsequently provided by the Ministry of Finance. In this exercise, the CFP has revised downwards its estimate for the 2026 budget balance by 0.1 percentage points of GDP. This revision also incorporates the effect of the reduction in PIT rates up to the 6th bracket, which has since been approved by the Assembly of the Republic. As had already been noted in [the Economic and Fiscal Outlook Report](#), the impact of this new policy measure could justify a less favourable projection of the fiscal balance by the CFP. The reduction in rates will take effect in PIT deductions at source in November.¹⁴ As has been the case in recent years, the reduction in deductions at source in that month is expected to exceed the estimated cost of the measure (€371 million).¹⁵ This potential excess has not been taken into account in this projection.

2.4.1 Fiscal balance

The CFP projects a fiscal balance of 0.1 per cent of GDP for 2026, similar to that estimated by the Ministry of Finance (Table 4). For 2026, the CFP projects a balance

¹⁴ According to Order No. 12523-A/2026 of the Office of the Minister of State and Finance dated 14 October, the reduction of the withholding tax to 50 per cent applies, during the month of November 2026, to the following taxpayers: (i) Recipients of income from employment (wages); (ii) Pensioners; and (iii) Residents in Portuguese territory, excluding residents of the Autonomous Regions of the Azores and Madeira.

¹⁵ The CFP's estimate is based on its own quantification of this impact, using the EUROMOD microsimulation model.

that is €282 million better than that presented in the DSB/2027. There are, however, differences in the composition of revenue and expenditure.

For 2027, incorporating the new policy measures, the CFP now anticipates a fiscal deficit of 0.1 per cent of GDP. Compared with the September forecast, the following have been taken into account: the permanent impact of the further reduction in PIT rates approved in 2026, the increase in the Solidarity Supplement for the Elderly (CSI) and the update to the minimum subsistence level. Although these measures exert downward pressure on the fiscal balance, their effect has been largely offset by the favourable impact associated with the Investment Support Tax Regime (RFAI), the partial incorporation of revenue from the disposal of property as forecast by the Ministry of Finance (MF),¹⁶ as well as the positive carry-over effect resulting from the updating of certain budget headings in 2026. As a result, the projected fiscal balance is now 0.1 percentage points of GDP higher than that published in September. Unlike the DSB/2027, however, this update does not take into account the impact on VAT revenue arising from the measure to combat fuel fraud, quantified by the government at €300 million (0.1 per cent of GDP), nor does it take into account the positive effect on PIT revenue resulting from the extraordinary reduction in withholding tax applied in 2026, which may result, at the time of tax assessment, in a lower volume of refunds and an increase in tax demands, thereby contributing to higher net PIT revenue in 2027. Due to the factors mentioned above, no increase in defence expenditure has been assumed.

¹⁶ Given the uncertainty surrounding the disposal processes, the CFP has included, in its updated projection for 2026, one-third of the €146 million as published in [Table 5 – Economic classification of public revenue in the Central Government sub-sector](#).

Table 4 – Fiscal projection scenario from the Medium-Term Fiscal Framework (CFP) underlying the 2027 State Budget (DSB/2027), excluding the effect of RRP grants and other European Union funds (in M€)

	Milhares de M€			% do PIB		
	2026	2027	T v. (%)	2026	2027	var. (p.p.)
Receita Total	135,3	139,1	2,8	41,6	40,9	-0,7
Receita corrente	135,0	138,8	2,8	41,5	40,8	-0,7
Receita fiscal	79,1	80,7	2,1	24,3	23,7	-0,6
Impostos indirectos	46,9	49,5	5,7	14,4	14,6	0,1
Impostos directos	32,2	31,2	-3,3	9,9	9,2	-0,8
Contribuições Sociais	41,4	43,5	5,0	12,7	12,8	0,0
Vendas de bens e serviços	9,1	9,4	2,7	2,8	2,8	-0,1
Outra receita corrente	5,3	5,2	-2,3	1,6	1,5	-0,1
Receitas de capital	0,2	0,2	4,7	0,1	0,1	0,0
Despesa Total	134,9	139,5	3,4	41,5	41,0	-0,5
Despesa Primária	128,4	132,5	3,1	39,5	38,9	-0,6
Despesa Corrente Primária	118,2	122,6	3,7	36,4	36,0	-0,3
Consumo intermédio	15,8	16,3	3,7	4,8	4,8	0,0
Despesas com pessoal	34,6	36,1	4,4	10,6	10,6	0,0
Prestações sociais	57,7	60,2	4,3	17,8	17,7	-0,1
Subsídios e outra despesa corrente	10,2	10,0	-1,8	3,1	2,9	-0,2
Despesas de capital	10,2	9,9	-3,3	3,1	2,9	-0,2
FBCF	7,9	8,0	1,1	2,4	2,3	-0,1
Outras despesas de capital	2,3	1,9	-18,4	0,7	0,6	-0,2
Juros	6,4	7,0	9,0	2,0	2,1	0,1
Saldo global	0,4	-0,4		0,1	-0,1	
Saldo Primário	6,8	6,6		2,1	1,9	
PIB nominal	325,1	340,3	4,7			

Source: CFP. | Note: The figures presented for revenue and expenditure are net of the effect of RRP grants and other European Union funds.

For 2027, the CFP projects a reduction in revenue of 0.7 percentage points of GDP, due to a decline in the share of tax revenue in GDP. Compared with the DSB/2027, the CFP projects a less favourable trend in tax and social security revenue, partially offset by a more robust trend in other revenue. Social security contributions are the main factor underlying this less favourable trend, reflecting a more moderate outlook for growth in wages¹⁷ and imputed social security contributions. As regards direct taxes, the difference stems essentially from two factors. The first is the failure to incorporate, in the CFP's projection, the impact of the extraordinary reduction in PIT withholding tax applied in November 2026, which is expected to result in lower refunds and higher collection notices in 2027, thereby increasing net PIT revenue, which the DSB/2027 appears to include. The second is the more moderate growth in wages underlying the CFP's macroeconomic scenario. Conversely, the CFP projects more robust growth in indirect taxes, in line with a more dynamic trend in nominal private consumption

¹⁷ As stated in [the CFP's Opinion](#), the wage growth assumption underlying the Ministry of Finance's forecast constitutes a risk factor for tax and social security revenue, since a less favourable trend in this variable could result in lower-than-expected tax revenue.

than that implied by the macroeconomic framework of the DSB/2027. As regards other revenue as a whole, the CFP's projection points to marginal growth, whilst the Ministry of Finance forecasts a reduction, explained mainly by other transfers from resident institutional sectors not belonging to the general government, the projected trend for which is neither supported nor explained in the DSB/2027 documentation, as noted in the analysis of the consistency of the fiscal forecast.

With regard to public expenditure, the CFP forecasts a fall of 0.5 percentage points of GDP by 2027. In nominal terms, the trend is broadly in line with the Ministry of Finance's forecast, although the CFP forecasts a less pronounced increase in capital expenditure, particularly in 'other capital expenditure' (which, in the Ministry of Finance's forecast, is influenced by measures relating to storms) and interest payments. The CFP projects slight nominal growth in gross fixed capital formation (GFCF), whilst the DSB/2027 forecasts a 1.9 per cent reduction, which may, in part, be linked to revenue from the sale of property.¹⁸ With regard to interest, the DSB/2027 forecast points to nominal growth in these costs (23.2%) at a rate that is more than double that projected by the CFP (9%). In primary current expenditure, the projected nominal growth is close to that forecast in the DSB/2027, albeit with different contributions from its components.

In conclusion, an assessment of the fiscal forecast underpinning the DSB/2027 suggests that the fiscal balance trajectory presented by the Ministry of Finance is plausible, although there remain factors that could influence its realisation. Indeed, in 2027, the 0.2 p.p. of GDP difference between the CFP's projection and the MF's forecast is not materially significant, given that both point to a fiscal position close to balance, differing only in the composition and quantification of certain revenue and expenditure aggregates. Based on the available information, if the CFP's projection were to incorporate the effects of measures that have not been sufficiently specified (combating VAT fraud in the fuel sector and other revenue from the sale of property), as well as the impact on PIT settlements resulting from the extraordinary reduction in withholding tax in November 2026, the CFP's projection would result in a surplus close to the figure in the DSB/2027.

2.4.2 Public Debt

The CFP's projection points to a debt ratio lower than that forecast by the Ministry of Finance, reflecting differences both in the projected reduction and in the factors explaining it. Although both institutions anticipate a downward trajectory for the debt ratio in 2026–2027, the CFP projects a sharper reduction over the period as a whole (-5.9 p.p. of GDP) than the MF (-4.7 p.p. of GDP). The difference is concentrated in 2026 and stems almost exclusively from the deficit-debt adjustment, which the Ministry of Finance estimates at 3.0 percentage points of GDP, compared with 1.0 percentage points in the CFP's scenario; the contributions from the primary balance and the stock-flow effect are virtually identical. In 2027, the order is reversed: the Ministry of Finance forecasts a greater reduction in the ratio than the CFP (-3.0 p.p. compared with -2.2 p.p.). This difference is mainly due to a more favourable primary surplus (2.5 p.p.).

¹⁸ However, the impact of these disposals on GFCF in the DSB/2027 Budget Outline is unknown. In the national accounts, these are deducted from GFCF (as negative expenditure).

compared with 1.9 p.p.) and, a less unfavourable deficit-to-debt adjustment (0.9 p.p. compared with 1.4 p.p.). Conversely, the CFP projects a more favourable dynamic effect (-1.8 p.p. compared with -1.4 p.p.), which partially mitigates the divergence.

Table 5 – Debt dynamics in the CFP projection scenario (% of GDP)

	BdP	CFP		
	2025	2026	2027	Var. (p.p.)
Dívida Pública	89,2	85,5	83,3	-2,2
Variação do rácio da dívida pública, decomposição:	-3,9	-3,7	-2,2	1,4
(-) Saldo Primário	2,6	2,1	1,9	-0,2
(+) Efeito dinâmico ou bola de neve	-3,3	-2,6	-1,8	0,8
(+) Ajustamento défice-dívida	2,0	1,0	1,4	0,4

Source: BdP and CFP projection.

2.4.3 Net expenditure

Based on the updated fiscal projection from the CFP, in 2026 and 2027, net expenditure is expected to continue to grow at a rate exceeding the commitment made by the Portuguese State in the POEN-MP. Using the quantification of discretionary measures considered by the CFP (Table 18, attached),¹⁹ and taking as a starting point the cumulative deviation in the monitoring account established in June by the European Commission, net expenditure is projected to grow by 7.6 per cent in 2026 and to slow to 3.5 per cent in 2027 (Table 17, attached). This trend, which lies above the trajectory agreed with the Council of the EU, reflects annual deviations of 0.9 per cent of GDP in 2026 and 2027, exceeding the maximum annual deviation of 0.3 per cent of GDP permitted in the control account. However, for countries that have invoked the national derogation clause regarding defence expenditure, only the cumulative deviation will be assessed against an expanded control account.²⁰ Thus, in cumulative terms, compared with 2023, the cumulative growth rate of net expenditure is projected to be 27.2 per cent in 2026 and 31.7 per cent in 2027, which is also higher than the recommended maximum growth rates of 23.4 per cent and 24.9 per cent respectively, resulting in a cumulative deviation in the control account of 1.2 per cent of GDP in 2026 and 2.0 per cent of GDP in 2027.

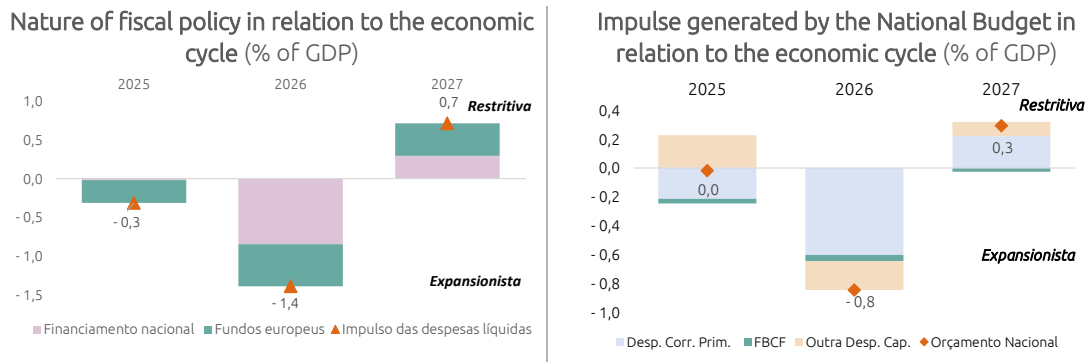
Given the margin of flexibility associated with the national derogation clause applicable to the increase in defence expenditure, the cumulative deviation in net expenditure exceeds the ceiling of 0.6 per cent of GDP set out in the EU's new fiscal governance framework. This deviation is the relevant indicator for monitoring the compliance of the net expenditure path with the agreed ' ' path. Defence expenditure implicit in the CFP

¹⁹ The CFP uses a quantification of discretionary revenue measures (DRMs) that does not fully coincide with that of the Ministry of Finance. This difference in quantification is explained by the updating of the impact of measures based on the Fiscal Expenditure Report for 2025, as well as by the estimated impact of certain policy measures based on the CFP's own calculations, which utilise the EUROMOD model interface.

²⁰ See European Commission Communication [C\(2025\) 2000 final](#), dated 19 March 2025.

projection (COFOG definition)²¹ shows a near-stabilisation compared with 2021, at 0.9 per cent of GDP in 2026 and 0.8 per cent in 2027. This results in an increase equivalent to 0.1 per cent of GDP in 2026 and zero in 2027, implying that the cumulative deviation in the control account will fall to 1.1 per cent of GDP in 2026 and remain unchanged at 2 per cent of GDP in 2027, above the maximum threshold set (0.6 per cent of GDP, Table 17 in the annex).

Chart 2 – Fiscal stance



Source: Ministry of Finance. CFP calculations. | Notes: a negative (positive) sign indicates growth in net expenditure that is higher (lower) than the growth in potential GDP in the medium term, which corresponds to an expansionary (restrictive) fiscal stance. It should be borne in mind that the analysis is based on preliminary figures and is subject to revision.

²¹ 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 Fiscal Outlook 2025–2029.](#)

The slowdown in net expenditure growth in 2027 reflects a reduction in the fiscal impulse compared with 2026, giving fiscal policy a restrictive stance. The assessment of the fiscal policy stance is based on a comparison between the average growth rate of potential output over a 10-year horizon in nominal terms and the growth rate of net expenditure.²²⁽⁾²³ In 2027, this stance is expected to result in a restrictive fiscal impulse of 0.7% of GDP, arising from the combination of two distinct factors (Chart 2). Firstly, the contribution from net expenditure funded by domestic financing, which amounted to 0.3 per cent of GDP, reflects growth (3.5 per cent) that is lower than the nominal reference growth rate of potential output in 2027 (5.0 per cent).²⁴ A breakdown of the impulse by aggregates highlights the predominant role of primary current expenditure, with a contribution of 0.2 per cent of GDP, signalling a reduction in the fiscal stimulus generated by the discretionary actions of policymakers. Secondly, the impact of expenditure financed by European funds contributes 0.4 per cent of GDP to the restrictive stance of fiscal policy, reflecting above all the decline in grants associated with the RRP. The restrictive nature of fiscal policy for 2027 contrasts with that anticipated for 2026, when an expansionary impulse of 1.4 per cent of GDP is estimated, driven by 0.8 per cent from domestic funding and 0.5 per cent from European funds.

²² As 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.

²³ The fiscal impulse on aggregate demand is considered expansionary if the growth rate of net expenditure exceeds the average growth of potential output over the medium term. Conversely, the fiscal stance is characterised as restrictive.

²⁴ The stance is usually assessed using ranges, as it cannot be estimated with precision, being influenced by the composition of any measures, as well as by their multiplier effect. It is therefore conventionally accepted that a neutral contribution corresponds to a fiscal impulse of between -0.25 per cent and 0.25 per cent of GDP. It should be borne in mind that the analysis is based on preliminary figures and is subject to revision.

3. TRENDS IN PUBLIC DEBT

3.1 Trends in absolute terms

Despite the projected fiscal surplus, the stock of public debt under the Maastricht criteria is expected to rise in 2027. According to the DSB/2027, the *stock* of debt is expected to rise from around €284.8 billion in 2026 to approximately €287.8 billion in 2027, an increase of approximately €3 billion, even though the ratio to GDP is set to fall by 3.0 percentage points.²⁵ This increase comes in a year in which the Ministry of Finance forecasts a fiscal budget surplus of €275 million (0.1 per cent of GDP). As mentioned, the projected fiscal surplus results from a combination of a central government deficit of 9,400 M€ (2.8 per cent of GDP), a surplus in the Social Security Funds of 8,900 M€ (2.6 per cent of GDP) and a surplus in the Local Government Sector of 0,800 M€ (0.2 per cent of GDP). The trend in consolidated public debt is also influenced by deficit-debt adjustments, such as the acquisition of financial assets.

The social security surplus stems largely from the pay-as-you-go pension system, whose surpluses are transferred to the Social Security Financial Stabilisation Fund (FEFSS). The balance of the pay-as-you-go pension system forecast for 2027 is expected to reach 2.1 per cent of GDP, representing around four-fifths of the sub-sector's surplus. These balances are the main source of funding for the FEFSS, whose portfolio is expected to amount to around €58.5 billion by the end of 2027 (17.2 per cent of GDP). The FEFSS must invest at least 50 per cent of its portfolio in Portuguese government debt or debt guaranteed by the State. At the end of 2025, this component accounted for 50.8 per cent of the portfolio, whilst foreign government debt accounted for 24.7 per cent.

The portion of the social security system's surplus that is not invested in Portuguese government debt does not contribute to the reduction of consolidated debt. Portuguese government debt securities held by the FEFSS constitute debt between subsectors of the general government and are therefore not included in consolidated public debt. By contrast, the portion invested in the debt of other countries, shares or other financial assets constitutes an acquisition of assets outside the general government sector. The central government deficit continues to be financed through debt issuance in the market, whilst part of the social security surplus is invested in financial assets other than Portuguese public debt. This effect contributes to the deficit-to-debt adjustment forecast for 2027 (0.9 p.p. of GDP), although the information in the DSB/2027 does not allow for its quantification.

3.2 Debt dynamics

The DSB/2027 forecasts that the public debt ratio will fall to 84.5 per cent of GDP in 2027, continuing on a downward trajectory. The ratio is expected to fall by 3.0 percentage points of GDP compared with 2026 (87.5% of GDP), a sharper decline than

²⁵ Between 1999 and 2025, the stock of public debt increased in nominal terms in almost every year, having fallen in only two: 2021 and 2023.

that estimated for 2026 (1.6 percentage points of GDP). Contributing to this trend are nominal GDP growth (-3.9 percentage points), split between the deflator effect (-2.1 percentage points) and real growth (-1.8 percentage points), and the primary surplus (-2.5 percentage points). Conversely, the interest effect (+2.4 p.p.) and the deficit-debt adjustment (+0.9 p.p.) contribute to an increase in the ratio (Chart 3, right-hand panel).²⁶ The deficit-debt adjustment forecast for 2027 (0.9 p.p.) is lower than that estimated for 2026 (3.0 p.p.) and for 2025 (2.0 p.p.), approaching the average for the last two decades (0.6 p.p. of GDP).

As a result of the slowdown in nominal GDP and the rise in the implicit interest rate, the dynamic effect forecast by the Ministry of Finance is the least favourable for the period 2024–2027. The dynamic effect for 2027 is expected to stand at -1.4 percentage points of GDP. Nominal GDP growth slows from 5.5 per cent to 4.6 per cent, and general government interest expenditure rises from 2.0 per cent of GDP in 2026 to 2.4 per cent of GDP in 2027 (Table 6). The trend in interest expenditure in the DSB/2027 Budget is underpinned by an increase in the implicit interest rate from 2.3 per cent in 2026 to 2.8 per cent in 2027, representing the second-largest increase in this rate since 2000 (the largest increase having been recorded in 2011, with a rise of 0.8 p.p.).

Table 6 – Public debt trends and Ministry of Finance forecast (% of GDP)

	BdP		MF		
	2024	2025	2026	2027	Var. (p.p.)
Dívida Pública	93,0	89,2	87,5	84,5	-3,0
Variação do rácio da dívida pública, decomposição:	-3,8	-3,9	-1,6	-3,0	-1,4
(-) Saldo Primário	2,8	2,6	2,1	2,5	0,4
(+) Efeito dinâmico ou bola de neve	-4,9	-3,3	-2,5	-1,4	1,1
(+) Ajustamento défice-dívida	3,8	2,0	3,0	0,9	-2,1

Source: BdP and MF.

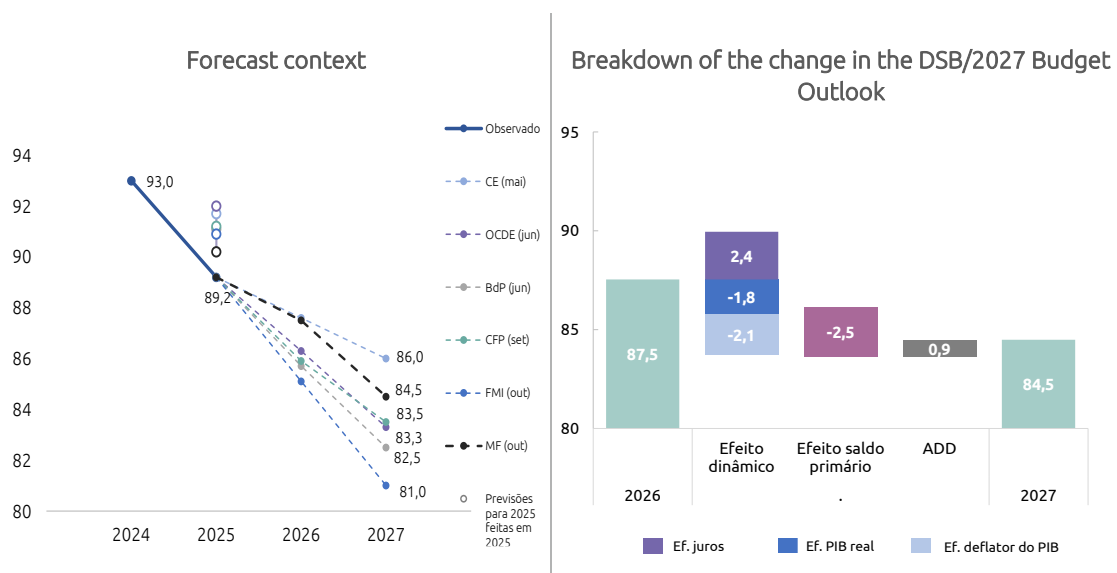
The reduction in the ratio in 2026 is expected to fall short of the forecast in the DSB/2026, despite a lower level of debt being projected. The Ministry of Finance now estimates a ratio of 87.5 per cent of GDP for 2026, 0.3 percentage points below the forecast made a year ago (87.8 per cent). This outcome stems from a more favourable starting point (the ratio stood at 89.2 per cent of GDP in 2025, below the 90.2 per cent estimated at the time) combined with a smaller estimated annual decline for 2026 of 1.6 percentage points (as opposed to the 2.4 percentage points of GDP forecast in the DSB/2026). This smaller annual reduction results from an upward revision of the 2026 deficit-to-debt adjustment (from 1.7 percentage points of GDP to 3.0 percentage points

²⁶ The deficit-debt adjustment corresponds to the change in *the stock* of public debt that does not stem directly from the fiscal balance, reflecting, for example, financial operations, changes in assets and liabilities, or timing differences in the execution of funds. According to the Ministry of Finance, in 2026 the impact of funds relating to the RRP accounts for 80 per cent of the adjustment.

of GDP), only partially offset by a more favourable dynamic effect (-2.5 percentage points, compared with -2.1 percentage points).²⁷

According to the DSB/2027, the rise in market interest rates is increasing pressure on interest expenditure in 2027. Between the end of 2025 and September 2026, *yields* on Portuguese debt rose by more than 100 basis points for maturities of up to five years, 82 basis points for 10-year maturities and 34 basis points for 30-year maturities, whilst the spread vis-à-vis 10-year German debt remained at around 40 basis points. *Forward* rates point to a continuation of this rise in 2027, which is already factored into the Ministry of Finance's forecasts and reflected in the provision for interest and other charges in the Public Debt Management programme.

Chart 3 – Trends in public debt (% and percentage points of GDP)



Projections from the main institutions point to a further reduction in the debt-to-GDP ratio in 2027, but the dispersion of these projections increases as the forecast horizon extends. The range between projections widens from around 2.5 p.p. of GDP in 2026 (between 85.1% and 87.6%) to 5.0 p.p. in 2027 (between 81.0% and 86.0%), a range within which the MF's forecast (84.5%) falls. The reduction forecast by the Ministry of Finance for 2027 (-3.0 percentage points) falls within the range projected by the other institutions (Chart 3, left-hand panel). In 2025, the observed ratio (89.2% of GDP) was below all the forecasts made a year ago, which ranged from 90.2% of GDP (MF) to 92.0% of GDP (OECD).

²⁷ In the DSB/2026, the Ministry of Finance forecast for 2026 a primary balance effect of -2.1 p.p., a dynamic effect of -2.1 p.p. and a deficit-debt adjustment of 1.7 p.p. of GDP (CFP Report No. 08/2025, Table 11).

3.3 Financing requirements and sources

The DSB/2027 forecasts an increase in the central government's gross financing requirements to 75.5 thousand M€ in 2027, driven mainly by net requirements.

According to the Ministry of Finance's forecast, around 72 per cent of the increase in the central government's gross financing requirements (€4.9 billion) is attributable to the rise in net requirements in 2027 (€3.5 billion). The remainder is due to an increase in repayments of government debt. Contributing to the rise in net requirements are, in particular, the increase in the net acquisition of financial assets (by €2,555 million) and, to a lesser extent, the rise in the central government fiscal deficit (by €161 million). Unlike in 2026, no privatisation proceeds are forecast for 2027 (Table 7). The increase in redemptions mainly reflects higher repayments of Treasury Bonds (OT), partially offset by a reduction in redemptions of short-term debt in euros (Treasury Bills) and savings products. For 2026, the Ministry of Finance has revised gross borrowing requirements upwards compared with the forecast in the DSB/2026 (by €2.2 billion above the DSB/2026 forecast). According to the DSB/2027, the revision reflects support measures following the storms, rising energy prices and the plan to reduce arrears in payments by the NHS.

Table 7 – Central Government borrowing requirements in 2026 and 2027 (M€)

Necessidades de Financiamento	2026		2027		Var. 2027/26	
	Valor	Peso (% NBF)	Valor	Peso (% NBF)	Valor	%
1. Necessidades líquidas de financiamento (a) + (b) - (c)	13 261	18,8	16 744	22,2	3 483	26,3
a) Défice Orçamental	9 405	13,3	9 566	12,7	161	1,7
b) Aquisição Líq. ativos financ. (exceto privatizações)	4 623	6,5	7 178	9,5	2 555	55,3
c) Receitas de privatização	767	1,1	0	0,0	-767	0,0
2. Amortizações e anulações [dívida fundada] (d) + (e) + (f) + (g) + (h)	57 367	81,2	58 746	77,8	1 378	2,4
d) CA + CT	5 152	7,3	5 061	6,7	-91	-1,8
e) Dívida de curto prazo em euros	35 431	50,2	34 482	45,7	-949	-2,7
f) Dívida de mlp em euros	16 786	23,8	19 203	25,4	2 417	14,4
g) Dívida em moeda não euro	0	0,0	0	0,0	0	0,0
h) Fluxos de capital swaps (Líq.)	-1	0,0	0	0,0	1	0,0
3. Necessidades Brutas de Financiamento (1) + (2)	70 628	100	75 489	100,0	4 861	6,9

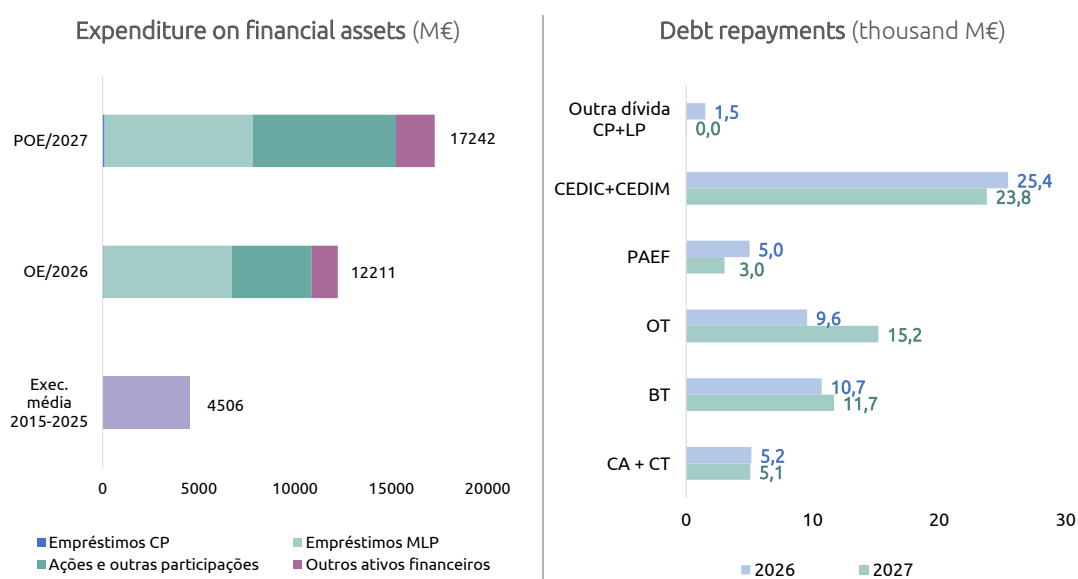
Source: Ministry of Finance. | Note: CA = Savings Certificates and CT = Treasury Certificates; mlp = Medium and Long Term.

The increase in debt repayments in 2027 stems from the redemption of Treasury Bonds. In 2027, the Ministry of Finance forecasts an increase in Treasury Bond (OT) repayments of 5.6 thousand M€, bringing the total to 15.2 thousand M€, which more than accounts for the rise in medium- and long-term debt repayments in euros (+2.4 thousand M€, to 19.2 thousand M€). Similarly, an increase in BT redemptions is expected, reflecting the increase in the outstanding balance of these securities in 2026. Conversely, decreases are forecast in repayments of: i) CEDIC and CEDIM,²⁸ instruments subscribed by public entities and therefore having no impact on market financing; ii) PAEF loans, with repayments of minus €2.0 billion to the MEEF and minus €1.0 billion to the FEEF; iii) other long-term debt; and iv) savings products (Chart 4, right-hand panel).

²⁸ Special Short-Term Debt Certificates (CEDIC) and Medium- and Long-Term Debt Certificates (CEDIM).

In 2027, projected expenditure on financial assets rises significantly once again and is concentrated on loans and capital grants to public sector entities. The allocation amounts to €17.2 billion, 41 per cent more than in the 2026 State Budget, which corresponds to around 3.8 times the average expenditure for 2015–2025. According to the Ministry of Finance, the majority of the expenditure on financial assets forecast for 2027 is earmarked for: i) medium- and long-term loans (€7.7 billion), notably loans to the IHRU (€1.0 billion) and to Parpública (€0.3 billion), with €5.5 billion going to unspecified public entities; ii) shares and other equity interests (€7.4 billion), notably capital injections into non-financial public enterprises outside the scope of unspecified public administrations (€4.0 billion) and Infraestruturas de Portugal, S.A. (€2.6 billion); and iii) expenditure on other financial assets (€2.0 billion), of which €0.8 billion corresponds to military investments under the SAFE instrument (€1.2 billion in the 2026 State Budget) and €1.1 billion not specified (Chart 4, left-hand panel).

Chart 4 – Central government borrowing requirements in 2027

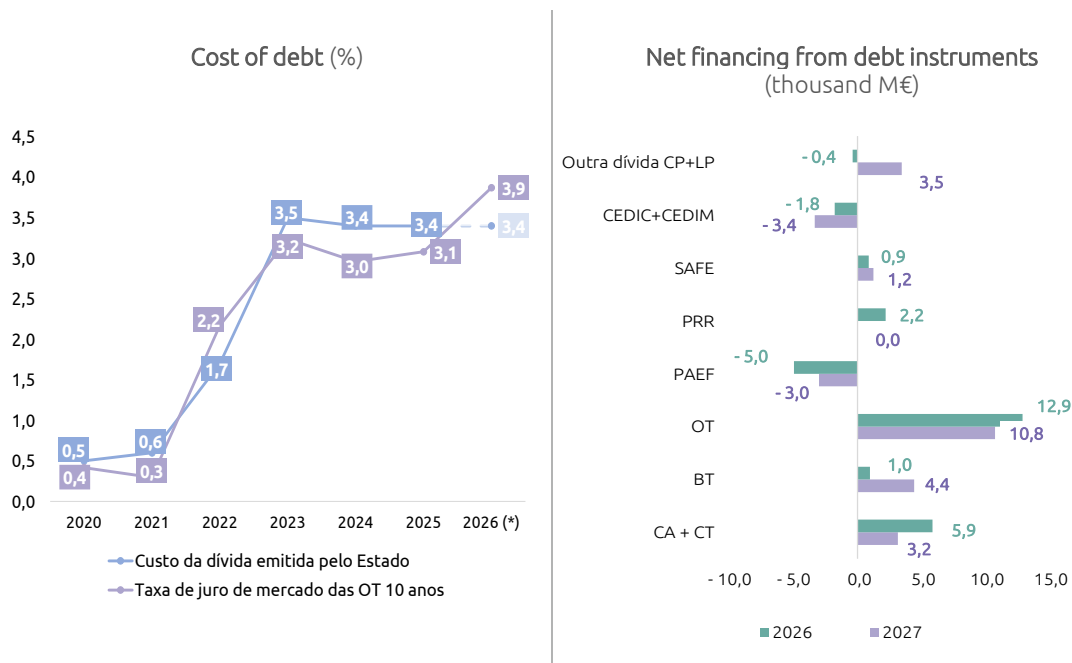


Sources: EO and MF. | Notes: Other debt = Other short-term debt, Other long-term debt, Non-euro debt and Capital flows from swaps (net); PAEF = Economic and Financial Assistance Programme; CEDIC + CEDIM = Special Short-term, Medium-term and Long-term Debt Certificates; BT = Treasury Bills and OT = Treasury Bonds; CA = Savings Certificates and CT = Treasury Certificates.

In 2027, OTs will remain the main source of funding, but will account for a smaller share of net funding. Net financing from treasury bills is expected to amount to €10.8 billion (€12.9 billion in 2026), representing 65 per cent of the government's net financing (€16.7 billion), compared with 81 per cent in 2026. T-bills are expected to increase their share of net financing, rising from €1.0 billion to €4.4 billion, as is other long-term debt (€3.5 billion, compared with -€0.4 billion in 2026). With regard to Savings Certificates and Treasury Certificates (CA and CT), according to the DSB/2027, their contribution is expected to remain positive, albeit lower (€3.2 billion, compared with €5.9 billion in 2026), resulting from net CA issues of €3.8 billion and net CT redemptions of €0.6 billion (Chart 5, right-hand panel). Conversely, the contribution from European loans is expected to be negative, due to the cessation of RRP loans (€2.2 billion in 2026) and the

continued repayment of PAEF loans (–€3.0 billion), despite SAFE disbursements totalling €1.2 billion. This financing strategy is consistent with the favourable trend in the cost of long-term debt, underpinned by the Portuguese State’s credibility in the financial markets. The average cost of government debt has remained stable at around 3.4 per cent, but the interest rate on 10-year Treasury bonds rose to 3.9 per cent in October 2026, the highest level since 2023 (Chart 5, left-hand panel).

Chart 5 – Sources of government funding



Sources: Ministry of Finance, IGCP, Macrobond. | Notes: (*) The market interest rate for 10-year OTs for the year 2026 corresponds to the rate observed on 16 October 2026. The cost of government debt published by the IGCP in its Monthly Bulletin corresponds to the average cost of new issues of BTs, OTs, OTRVs and *Medium-Term Notes*, weighted by the corresponding amount and maturity. Other debt = Other short-term debt, Other long-term debt, Non-euro debt and Capital flows from swaps (net); BT = Treasury Bills and OT = Treasury Bonds; CA = Savings Certificates and CT = Treasury Certificates; PAEF = Economic and Financial Assistance Programme; RRP = Recovery and Resilience Plan; and SAFE = Security Action Facility for Europe.

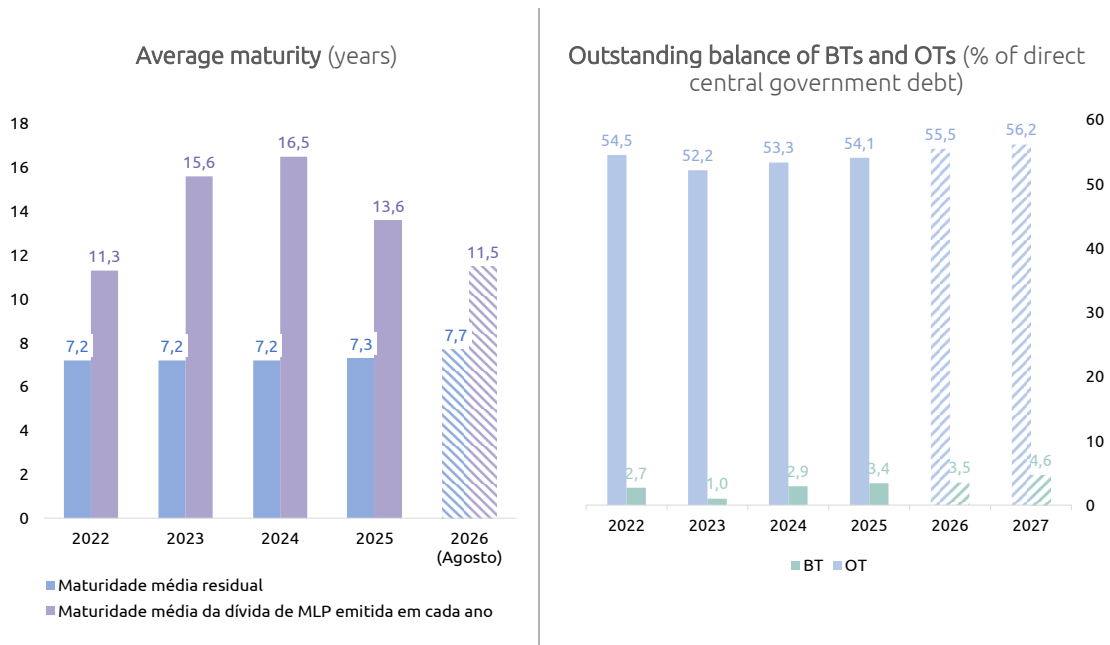
The share of BTs in direct government debt will increase in 2027, but refinancing risk indicators remain within the defined limits.²⁹ Direct government debt is projected to reach 350.0 thousand M€ by the end of 2027 (+5.5 per cent), following 331.8 thousand M€ in 2026 (+5.3 per cent). The share of BTs rises from 3.5% to 4.6% and that of OTs from 55.5% to 56.2% (Chart 6, right-hand panel).³⁰ The DSB/2027 assumes a continued decline in PAEF loans (from 11.6 per cent in 2026 to 10.2 per cent in 2027). At the end of August 2026, the average maturity of the portfolio stood at 7.7 years (Chart 6, left-

²⁹ According to the Guidelines for Public Debt Management, which set limits of 15 per cent and 45 per cent on the proportion of the portfolio maturing within 12 months and five years, respectively.

³⁰ At the end of July 2026, the portion of the portfolio maturing within 12 months stood at 11.8 per cent (9.4 per cent at the end of 2025) and the portion maturing within five years at 36.3 per cent, below the 15 per cent and 45 per cent limits set out in the Guidelines for Public Debt Management.

hand panel) and variable-rate debt accounted for 14.9 per cent of the total (14.4 per cent at the end of 2025). This profile indicates a contained refinancing risk, although the greater weight of short-term and variable-rate debt increases the exposure of interest charges to rising market rates.

Chart 6 – Maturity of central government direct debt



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

4. FISCAL RISKS

The fiscal forecast for 2027 entails downside risks, namely:

- The macroeconomic scenario underlying the 2027 DSB/2027 Proposal is subject to external risks and uncertainties, with a downward bias, as set out in the CFP's Opinion on the [macroeconomic forecasts underlying the 2027 DSB/2027 Proposal](#), published in October 2026. The Opinion highlights, in particular, that the Ministry of Finance's forecasts for employment and wages per worker are the highest amongst the benchmark institutions. Lower-than-expected growth in the wage bill will result in lower-than-expected revenue from PIT and social security contributions;
- The uncertainty surrounding the estimated impact of the measure to combat fraud in the fuel sector, which contributes €300 million to the VAT revenue forecast, could result in lower-than-projected revenue;
- The persistence or worsening of the adverse international economic climate may justify the adoption of measures to mitigate its negative effects on the economy and household incomes;
- The possible continuation of support for Ukraine in 2027, given that this measure was not identified by the Ministry of Finance in the tables of the DSB/2027 Budget Policy Report;
- The possibility that the Resolution Fund may have to compensate certain common creditors of BES under the '*no creditor worse off*' principle, a fundamental principle of the bank resolution regime in Portugal and the European Union, noting that the Fund's [2025 Annual Report and Accounts](#) recorded, for the first time, a provision of €630 million to compensate approximately 31.7 per cent of ordinary claims, already recognised by a court order issued in the BES liquidation proceedings;³¹
- The realisation of public expenditure associated with contingent liabilities of general government, relating to claims by private partners in the context of public-private partnerships (PPPs)³² and to other ongoing court proceedings, as well as public guarantees, namely those relating to the youth housing scheme, those granted to SATA by the Regional Government of the Azores and those associated with credit lines to private companies.

³¹ The Bank of Portugal has already initiated the administrative procedure to pay the respective compensation from 1 December 2026. Recently, the Lisbon Court of Appeal recognised that the funds of the Luxembourg-based company Oak Finance should be considered ordinary creditors, [thereby enabling them to recover around €170 million](#).

³² The DSB/2027 does not incorporate expectations regarding the outcome of the ongoing negotiation processes; the total value of claims submitted by concessionaires and sub-concessionaires amounts to €2,867.2 million, of which €2,388.2 million relates to the road sector (almost double the amount indicated in the 2026 State Budget Report, due to the progress of the negotiation process with Brisa, in the course of which that concessionaire quantified part of its claims or matters for negotiation at €1,122.5 million).

On the other hand, a number of factors have been identified that could support the fiscal scenario forecast by the Ministry of Finance, namely:

- Higher price inflation than that incorporated into the macroeconomic scenario could result in an increase in nominal tax revenue, particularly from VAT, mitigating any shortfalls in other revenue components. It should be noted that the CFP identifies predominantly upside risks to inflation in 2027;
- Tax revenue may exceed the Ministry of Finance's forecast if economic activity proves to be more favourable than implied by the underlying macroeconomic scenario, leading to stronger performance in consumption- and wealth-related taxes, such as the ISV and the IMT;
- A smaller-than-expected increase in interest expenditure, taking into account the overestimation noted previously;
- A more restricted use of expenditure allocations relating to fiscal restraint instruments (Box 3).
- The extent of the upward revision to nominal GDP by INE, which will be announced in March 2027 and which could result in a reduction in the public debt-to-GDP ratio greater than that forecast in the DSB/2027, due to a statistical effect.

Box 2 – Fiscal restraint instruments

The total value of the fiscal restraint instruments provided for in the DSB/2027 is lower than that approved for 2026, reflecting above all the reduction in the reserve, the mobilisation of which is the responsibility of the Minister of Finance. In 2027, these instruments total €3,761.9 million (1.1 per cent of GDP), of which more than half (€1,928 million) corresponds to the sum of the sectoral reserve and the Ministry of Finance's reserve, with approximately one-third of this amount accounted for by the legacy programmes 'Education' and 'Infrastructure and Housing'. Compared with the 2026 State Budget, total reserves have fallen by €125 million, mainly due to the reduction in the legacy 'Finance' programme, particularly within entities in the economic and financial sector. The portion of the reserve whose mobilisation falls under the responsibility of the Minister of Finance – corresponding to 2.5 per cent of the allocation for each fiscal programme – has decreased by €276 million. Conversely, the portion of the reserve whose mobilisation falls under the remit of the Government member responsible for the respective sector has increased by €151 million. The value of the remaining expenditure control instruments, which fall within the exclusive remit of the Minister of Finance, remains the same as that approved for 2026: the provisional allocation to cover unforeseeable and urgent expenditure is €500 million, and the so-called centralised allocations total €1,334 million.

Table 8 – Fiscal restraint instruments (M€)

Designação	OE/2026	POE/2027	Variação
1. Dotação provisional	500,0	500,0	0,0
2. Reservas:	2 053,2	1 928,0	-125,2
Reserva sectorial	1 243,6	1 394,1	150,5
Reserva MF	809,6	533,9	-275,7
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	3 887,1	3 761,9	-125,2

Source: Ministry of Finance. CFP calculations. | Notes: figures based on fiscal budgetary accounting, including expenditure on financial assets and liabilities; until 2025, the sectoral reserve corresponded to budgetary earmarkings and the Ministry of Finance's reserve was referred to as the fiscal reserve.

5. ANNEXES

5.1 Statistical tables

Table 9 – General Government Account of the DSB/2027, in national accounts

	M€			Variação				% do PIB			Variação	
	2025	2026 E	2027 P	M€		%		2025	2026 E	2027 P	p.p. do PIB	
				2025/26	2026/27	2025/26	2026/27				2025/26	2026/27
Receita Total	132 694	146 559	143 356	13 865	-3 203	10,4	-2,2	43,0	45,0	42,1	2,0	-2,9
Receita corrente	128 849	138 620	140 879	9 771	2 259	7,6	1,6	41,8	42,6	41,4	0,8	-1,2
Receita fiscal	75 314	78 322	80 886	3 008	2 564	4,0	3,3	24,4	24,1	23,8	-0,3	-0,3
Impostos indiretos	44 510	46 746	48 667	2 236	1 921	5,0	4,1	14,4	14,4	14,3	-0,1	-0,1
Impostos diretos	30 804	31 576	32 219	772	643	2,5	2,0	10,0	9,7	9,5	-0,3	-0,2
Contribuições sociais	38 745	41 815	44 636	3 070	2 821	7,9	6,7	12,6	12,8	13,1	0,3	0,3
Das quais: efetivas	33 045	35 721	38 258	2 677	2 536	8,1	7,1	10,7	11,0	11,2	0,3	0,3
Vendas e outras receitas correntes	14 790	18 483	15 357	3 693	-3 126	25,0	-16,9	4,8	5,7	4,5	0,9	-1,2
Vendas de bens e serviços	8 761	8 940	9 127	179	187	2,0	2,1	2,8	2,7	2,7	-0,1	-0,1
Outra receita corrente	6 029	9 543	6 230	3 513	-3 313	58,3	-34,7	2,0	2,9	1,8	1,0	-1,1
Receitas de capital	3 845	7 939	2 477	4 094	-5 462	106,5	-68,8	1,2	2,4	0,7	1,2	-1,7
Despesa Total	130 648	146 472	143 081	15 824	-3 391	12,1	-2,3	42,3	45,0	42,0	2,7	-3,0
Despesa primária	124 620	139 803	134 864	15 183	-4 939	12,2	-3,5	40,4	43,0	39,6	2,6	-3,3
Despesa corrente primária	112 815	122 378	124 218	9 563	1 840	8,5	1,5	36,6	37,6	36,5	1,0	-1,1
Consumo intermédio	15 408	17 440	16 744	2 032	-696	13,2	-4,0	5,0	5,4	4,9	0,4	-0,4
Despesas com pessoal	32 631	34 171	35 983	1 540	1 811	4,7	5,3	10,6	10,5	10,6	-0,1	0,1
Prestações sociais	55 011	57 801	59 991	2 789	2 190	5,1	3,8	17,8	17,8	17,6	-0,1	-0,1
que não em espécie	49 064	51 456	53 455	2 392	1 998	4,9	3,9	15,9	15,8	15,7	-0,1	-0,1
em espécie	5 947	6 344	6 536	397	192	6,7	3,0	1,9	1,9	1,9	0,0	0,0
Subsídios	1 788	2 222	1 936	433	-286	24,2	-12,9	0,6	0,7	0,6	0,1	-0,1
Outra despesa corrente	7 976	10 744	9 564	2 768	-1 180	34,7	-11,0	2,6	3,3	2,8	0,7	-0,5
Despesas de capital	11 805	17 425	10 646	5 620	-6 780	47,6	-38,9	3,8	5,4	3,1	1,5	-2,2
FBCF	8 843	14 035	9 687	5 192	-4 349	58,7	-31,0	2,9	4,3	2,8	1,4	-1,5
Outras despesas de capital	2 962	3 390	959	428	-2 431	14,5	-71,7	1,0	1,0	0,3	0,1	-0,8
Juros	6 028	6 669	8 217	641	1 548	10,6	23,2	2,0	2,0	2,4	0,1	0,4
Saldo global	2 045	86	275	-1 959	188	-	-	0,7	0,0	0,1	-0,6	0,1
Saldo primário	8 074	6 756	8 492	-1 318	1 736	-	-	2,6	2,1	2,5	-0,5	0,4
Receita fiscal e contributiva	114 059	120 137	125 522	6 078	5 385	5,3	4,5	37,0	36,9	36,9	-0,1	0,0
Receita não fiscal e não contributiva	18 635	26 422	17 834	7 787	-8 588	41,8	-32,5	6,0	8,1	5,2	2,1	-2,9
Despesa Corrente	118 843	129 047	132 435	10 204	3 388	8,6	2,6	38,5	39,6	38,9	1,1	-0,8
PIB nominal	308 538	325 495	340 535	16 957	15 040	5,5	4,6	-	-	-	-	-

Sources: INE (2025) and Ministry of Finance (2026 and 2027). CFP calculations.

Table 10 – General Government Account for DSB/2027, adjusted for *one-offs*, in national accounts

	M€			Variação				% do PIB			Variação	
	2025	2026 E	2027 P	M€		%		2025	2026 E	2027 P	p.p. do PIB	
				2025/26	2026/27	2025/26	2026/27				2025/26	2026/27
Receita Total	132 694	146 559	143 356	13 865	-3 203	10,4	-2,2	43,0	45,0	42,1	2,0	-2,9
Receita corrente	128 849	138 620	140 879	9 771	2 259	7,6	1,6	41,8	42,6	41,4	0,8	-1,2
Receita fiscal	75 314	78 322	80 886	3 008	2 564	4,0	3,3	24,4	24,1	23,8	-0,3	-0,3
Impostos indiretos	44 510	46 746	48 667	2 236	1 921	5,0	4,1	14,4	14,4	14,3	-0,1	-0,1
Impostos diretos	30 804	31 576	32 219	772	643	2,5	2,0	10,0	9,7	9,5	-0,3	-0,2
Contribuições sociais	38 745	41 815	44 636	3 070	2 821	7,9	6,7	12,6	12,8	13,1	0,3	0,3
Das quais: efetivas	33 045	35 721	38 258	2 677	2 536	8,1	7,1	10,7	11,0	11,2	0,3	0,3
Vendas e outras receitas correntes	14 790	18 483	15 357	3 693	-3 126	25,0	-16,9	4,8	5,7	4,5	0,9	-1,2
Vendas de bens e serviços	8 761	8 940	9 127	179	187	2,0	2,1	2,8	2,7	2,7	-0,1	-0,1
Outra receita corrente	6 029	9 543	6 230	3 513	-3 313	58,3	-34,7	2,0	2,9	1,8	1,0	-1,1
Receitas de capital	3 845	7 939	2 477	4 094	-5 462	106,5	-68,8	1,2	2,4	0,7	1,2	-1,7
Despesa Total	130 431	144 902	142 395	14 471	-2 507	11,1	-1,7	42,3	44,5	41,8	2,2	-2,7
Despesa primária	124 403	138 233	134 178	13 830	-4 055	11,1	-2,9	40,3	42,5	39,4	2,1	-3,1
Despesa corrente primária	112 815	121 983	124 218	9 168	2 235	8,1	1,8	36,6	37,5	36,5	0,9	-1,0
Consumo intermédio	15 408	17 440	16 744	2 032	-696	13,2	-4,0	5,0	5,4	4,9	0,4	-0,4
Despesas com pessoal	32 631	34 171	35 983	1 540	1 811	4,7	5,3	10,6	10,5	10,6	-0,1	0,1
Prestações sociais	55 011	57 801	59 991	2 789	2 190	5,1	3,8	17,8	17,8	17,6	-0,1	-0,1
que não em espécie	49 064	51 456	53 455	2 392	1 998	4,9	3,9	15,9	15,8	15,7	-0,1	-0,1
em espécie	5 947	6 344	6 536	397	192	6,7	3,0	1,9	1,9	1,9	0,0	0,0
Subsídios	1 788	1 827	1 936	38	109	2,1	6,0	0,6	0,6	0,6	0,0	0,0
Outra despesa corrente	7 976	10 744	9 564	2 768	-1 180	34,7	-11,0	2,6	3,3	2,8	0,7	-0,5
Despesas de capital	11 588	16 250	9 960	4 662	-6 290	40,2	-38,7	3,8	5,0	2,9	1,2	-2,1
FBCF	8 843	14 035	9 687	5 192	-4 349	58,7	-31,0	2,9	4,3	2,8	1,4	-1,5
Outras despesas de capital	2 744	2 215	274	-530	-1 941	-19,3	-87,6	0,9	0,7	0,1	-0,2	-0,6
Juros	6 028	6 669	8 217	641	1 548	10,6	23,2	2,0	2,0	2,4	0,1	0,4
Saldo global	2 263	1 657	960	-606	-697	-	-	0,7	0,5	0,3	-0,2	-0,2
Saldo primário	8 291	8 326	9 177	35	851	-	-	2,7	2,6	2,7	-0,1	0,1
Receita fiscal e contributiva	114 059	120 137	125 522	6 078	5 385	5,3	4,5	37,0	36,9	36,9	-0,1	0,0
Receita não fiscal e não contributiva	18 635	26 422	17 834	7 787	-8 588	41,8	-32,5	6,0	8,1	5,2	2,1	-2,9
Despesa corrente	118 843	128 652	132 435	9 809	3 783	8,3	2,9	38,5	39,5	38,9	1,0	-0,6
PIB nominal	308 538	325 495	340 535	16 957	15 040	5,5	4,6	-	-	-	-	-

Sources: INE (2025) and Ministry of Finance (2026 and 2027). CFP calculations. | Note: Details of the adjustments made can be found in Table 14.

Table 11 – Impact of the RRP on the General Government account in the DSB/2027 (% of GDP)

	2025	2026 E		2027 P		PRR	
		com PRR	sem PRR	com PRR	sem PRR	2026	2027
Receita Total	43,0	45,0	42,2	42,1	42,1	2,8	0,0
Receita corrente	41,8	42,6	41,5	41,4	41,4	1,1	0,0
Receita fiscal	24,4	24,1	24,1	23,8	23,8	0,0	0,0
Impostos indiretos	14,4	14,4	14,4	14,3	14,3	0,0	0,0
Impostos diretos	10,0	9,7	9,7	9,5	9,5	0,0	0,0
Contribuições sociais	12,6	12,8	12,8	13,1	13,1	0,0	0,0
Das quais: efetivas	10,7	11,0	11,0	11,2	11,2	0,0	0,0
Vendas e outras receitas correntes	4,8	5,7	4,6	4,5	4,5	1,1	0,0
Vendas de bens e serviços	2,8	2,7	2,7	2,7	2,7	0,0	0,0
Outra receita corrente	2,0	2,9	1,9	1,8	1,8	1,1	0,0
Receitas de capital	1,2	2,4	0,7	0,7	0,7	1,7	0,0
Despesa Total	42,3	45,0	41,6	42,0	42,0	3,4	0,0
Despesa primária	40,4	43,0	39,5	39,6	39,6	3,4	0,0
Despesa corrente primária	36,6	37,6	36,5	36,5	36,5	1,1	0,0
Consumo intermédio	5,0	5,4	4,9	4,9	4,9	0,4	0,0
Despesas com pessoal	10,6	10,5	10,5	10,6	10,6	0,0	0,0
Prestações sociais	17,8	17,8	17,7	17,6	17,6	0,0	0,0
que não em espécie	15,9	15,8	15,8	15,7	15,7	0,0	0,0
em espécie	1,9	1,9	1,9	1,9	1,9	0,0	0,0
Subsídios	0,6	0,7	0,7	0,6	0,6	0,0	0,0
Outra despesa corrente	2,6	3,3	2,7	2,8	2,8	0,6	0,0
Despesas de capital	3,8	5,4	3,0	3,1	3,1	2,3	0,0
FBCF	2,9	4,3	2,8	2,8	2,8	1,5	0,0
Outras despesas de capital	1,0	1,0	0,2	0,3	0,3	0,8	0,0
Juros	2,0	2,0	2,0	2,4	2,4	0,0	0,0
Saldo global	0,7	0,0	0,6	0,1	0,1	-0,6	0,0
Saldo primário	2,6	2,1	2,7	2,5	2,5	-0,6	0,0
Receita fiscal e contributiva	37,0	36,9	36,9	36,9	36,9	0,0	0,0
Receita não fiscal e não contributiva	6,0	8,1	5,3	5,2	5,2	2,8	0,0
Despesa corrente	38,5	39,6	38,6	38,9	38,9	1,1	0,0

Sources: INE (2025) and Ministry of Finance (2026 and 2027). CFP calculations. | Notes: the figures for 2025 include the RRP.

Table 12 – Key fiscal policy measures with an impact in 2027 (in M€)

Componente/medida	QPI*	Novas medidas POE/2027	Total
Impacto na variação da receita	-767	179	-588
Impostos diretos	-673	-121	-794
IRS Habitação - redução IRS rendas moderadas de 25% para 10%	-209		-209
IRS Atualização dedução específica e escalões	-431		-431
IRS Atualização do limite mínimo de existência		-121	-121
IRC Redução das taxas de IRC	-300		-300
IRC SIFIDE indireto (reversão)	124		124,2
IRC Regime fiscal de apoio ao investimento (RFAI) e SIFIDE	143		142,6
Impostos indiretos	-94	300	206
IVA - Habitação - redução IVA construção de 23% para 6%	-94		-94
IVA - Combate à fraude no setor dos combustíveis		300	300
Impacto na variação da despesa	5 562	100	5 662
Consumo intermédio	418		418
Compromissos das AP que constituem despesa estrutural	418		418
Despesas com pessoal	1 231		1 231
Aumento Acordo de rendimentos	587		587
Progressões e promoções	283		283
Aumento RMMG	116		116
Acordos salariais	244		244
Prestações Sociais	1 475	100	1 575
Reforço Complemento Solidário para Idosos (CSI)		100	100
Pensões ef. composição + atualização regular	1 475		
Outras despesas correntes	273		273
Transferência para o orçamento da União Europeia	273		273
FBCF	617		617
Investimento Público (s/PRR)	617		617
Juros	1 548		1548
Juros devidos pelas AP	1 548		1548
Impacto na variação do saldo	-6 329	79	-6 249

Source: Ministry of Finance. | Note: the impacts identified in the column relating to the Invariant Policy Framework (QPI) result from the criteria adopted by the CFP.

Table 13 – Incremental impact of the main policy measures considered in the CFP's projection
(in M€ and percentage points of GDP)

Designação	Variação em M€		Variação em p.p. do PIB	
	2026	2027	2026	2027
Receita	-1 348	-344	-0,4	-0,1
Receita corrente	-1 348	-344	-0,4	-0,1
Receita fiscal	-1 313	-344	-0,4	-0,1
Impostos indiretos	87	239	0,0	0,1
Pacote Habitação: Redução do IVA da construção de 23% para 6%		-94		0,0
Alteração ISP e atualização da taxa de carbono	173		0,1	
Desconto ISP Temporário - Conflito Irão (9 meses)	-295	295	-0,1	0,1
Fim da isenção biocombustíveis (Reversão)	156		0,0	
Taxa única de IMT para não residentes	53	38	0,0	0,0
Impostos diretos	-1 400	-583	-0,4	-0,2
Pacote IRS 2024				
IRS Jovem	144		0,0	
Aumento dedução despesas com habitação	-17	-36	0,0	0,0
Pacote IRS 2025				
IRS Jovem	-510		-0,2	
Pacote IRS 2026				
Redução adicional de taxas dos escalões no OE/2026	-33		0,0	
Atualização ME	-121		0,0	
Redução adicional de taxas até ao 6.º escalão	-371		-0,1	
Pacote IRS 2027				
Atualização ME		-121		0,0
Atualização automática das deduções específicas de IRS pelo valor do IAS	-108	-102	0,0	0,0
Atualização automática dos escalões (componente de produtividade na parte que excede a inflação)	37	-41	0,0	0,0
Pacote Habitação: Redução IRS rendas moderadas de 25% para 10%		-209		-0,1
Reforço dos incentivos em sede IRC para a capitalização de empresas (ICE)	-136		0,0	
Incentivo fiscal à recuperação - IFR e outros relacionados (RFAI, SIFIDE)	33	143		
Crédito fiscal extraordinário para investimento (2021, COVID)	10		0,0	
Redução de 1 p.p. na taxa normal e reduzida de IRC (2025)	-328		-0,1	
Redução de 1pp na taxa normal de IRC em 2026, 2027 e 2028 e de 1pp na taxa reduzida em 2026		-341		-0,1
SIFIDE indireto (reversão)		124		0,0
Vendas	-35	0	0,0	0,0
Alargamento eliminação taxas de portagem ex-SCUT	-35		0,0	
Receita de Capital	0	0	0,0	0,0
Despesa	760	-384	0,2	-0,1
Despesa corrente primária	734	-364	0,2	-0,1
Despesas com pessoal	348	309	0,1	0,1
Valorização salarial de grupos profissionais	348	309	0,1	0,1
Prestações sociais	152	-300	0,0	-0,1
Apoio às famílias carenciadas / mais vulneráveis	-4		0,0	
Complemento ao apoio extraordinário para crianças e jovens	-0,2		0,0	
Apoio extraordinário a titulares de rendimentos e prestações sociais	-1		0,0	
Suplemento extraordinário de pensão	17	-400	0,0	-0,1
Complemento excecional de pensão	-0,01		0,0	
Reforço do CSI	140	100	0,0	0,0
Subsídios	153	-153	0,0	0,0
Apoio adicional para as explorações afetadas pela depressão "Cláudia"	3	-3	0,0	0,0
Conflito Irão Apoio Transp Mercadorias/Passag/ agricultura/Bombeiros/Taxis (3 meses)	150	-150	0,0	0,0
Outras despesas correntes	82	-220	0,0	-0,1
Encargos plurianuais da Linha de Financiamento com Garantia «BPF Invest Export» do Programa Reforçar	6		0,0	
Apoio financeiro às IPSS para a abertura de novas salas de educação pré-escolar				
Apoio à Ucrânia	76	-220	0,0	-0,1
Despesa de capital	26	-20	0,0	0,0
FBCF	26	-20	0,0	0,0
Requalificação e modernização do Edifício na área da Justiça	26	-20	0,0	0,0
Juros	0	0	0,0	0,0
Saldo orçamental	-2 108	40	-0,6	0,0

Source: Ministry of Finance. | Note: where possible, the CFP has carried out its own calculations to quantify the measures identified in this table; the figures reflect changes compared with the previous year; the table includes only policy measures, excluding other effects and *one-offs*.

Table 14 – Impact of *one-off* measures on the fiscal balance (DSB/2027)

	2025	2026 E	2027 P
Medidas <i>one-off</i> (impacto no saldo)	-0,1	-0,5	-0,2
Despesa	0,1	0,5	0,2
Devolução do adicional de solidariedade cobrado à Banca	0,1		
Apoios destinados a responder à situação de calamidade		0,5	0,1
Processo judicial - PPP do Algarve			0,1
Por memória (impacto por agregado orçamental)			
Subsídios		0,1	
Outras despesas de capital	0,1	0,4	0,2

Sources: INE (2025) and Ministry of Finance (2026 and 2027). | Notes: Calculations and classification by the CFP. Totals do not necessarily correspond to the sum of the components as a percentage of GDP due to rounding. "2026 E" denotes an estimate and "2027 P" denotes a forecast.

Table 15 – Ministry of Finance fiscal scenario underlying the DSB/2027, excluding the effect of RRP grants and other European Union funds (% of GDP)

	Milhares de M€			% do PIB		
	2026	2027	Tv. (%)	2026	2027	var. (p.p.)
Receita Total	134,3	139,0	3,4	41,3	40,8	-0,5
Receita corrente	134,1	138,7	3,4	41,2	40,7	-0,5
Receita fiscal	78,3	80,9	3,3	24,1	23,8	-0,3
Impostos indirectos	46,7	48,7	4,1	14,4	14,3	-0,1
Impostos directos	31,6	32,2	2,0	9,7	9,5	-0,2
Contribuições Sociais	41,8	44,6	6,7	12,8	13,1	0,3
Vendas de bens e serviços	8,9	9,1	2,1	2,7	2,7	-0,1
Outra receita corrente	5,0	4,1	-18,8	1,5	1,2	-0,3
Receitas de capital	0,2	0,2	4,6	0,1	0,1	0,0
Despesa Total	134,3	138,7	3,3	41,2	40,7	-0,5
Despesa Primária	127,6	130,5	2,3	39,2	38,3	-0,9
Despesa Corrente Primária	117,9	122,1	3,6	36,2	35,9	-0,4
Consumo intermédio	15,9	16,7	5,1	4,9	4,9	0,0
Despesas com pessoal	34,2	36,0	5,3	10,5	10,6	0,1
Prestações sociais	57,8	60,0	3,8	17,8	17,6	-0,1
Subsídios e outra despesa corrente	10,0	9,4	-6,2	3,1	2,8	-0,3
Despesas de capital	9,7	8,4	-13,5	3,0	2,5	-0,5
FBCF	7,6	7,4	-1,9	2,3	2,2	-0,1
Outras despesas de capital	2,1	1,0	-54,8	0,7	0,3	-0,4
Juros	6,7	8,2	23,2	2,0	2,4	0,4
Saldo global	0,1	0,3		0,0	0,1	0,1
Saldo Primário	6,8	8,5		2,1	2,5	0,4
PIB nominal	325,5	340,5	4,6			

Source: Ministry of Finance. | Note: The figures presented for revenue and expenditure are net of the effect of RRP grants and other European Union funds.

Table 16 – Net expenditure in the DSB/2027

Fórmulas	Unidade	2025			2026			2027		
		POE/2027	Corr. Estat	Sensib. MdR	POE/2027	Corr. Estat	Sensib. MdR	POE/2027	Corr. Estat	Sensib. MdR
Despesa Total (da qual se exclui)	(1)	Milhares de M€	130,6	130,6	130,6	146,5	146,5	146,5	143,1	143,1
Encargos com Juros	(2)	Milhares de M€	6,0	6,0	6,0	6,7	6,7	6,7	8,2	8,2
Despesa cíclica com subsídio de desemprego	(3)	Milhares de M€	0,1	0,1	0,1	0,0	0,0	0,0	0,0	0,0
Despesa financiada por fundos da UE	(4)	Milhares de M€	4,8	4,8	4,8	12,2	12,2	12,2	4,4	4,4
Cofinanciamento nacional de programas financiados pela EU	(5)	Milhares de M€	0,6	0,6	0,6	1,5	1,5	1,5	2,4	2,4
One-offs da despesa (nível, excl. Fundos da UE)	(6)	Milhares de M€	0,2	0,2	0,2	1,6	1,6	1,6	0,7	0,7
Despesa líquida antes medidas discricionárias de Receita	(7)=(1-2-3-4-5-6)	Milhares de M€	118,9	118,9	118,9	124,5	124,5	124,5	127,4	127,4
p.m. Correção de corte de série	(7A)	Milhares de M€	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3
Varição da despesa Líquida (antes MDR)	(8)=(7(t)-7(t-1))	Milhares de M€	6,4	6,4	6,4	5,6	5,6	5,6	2,9	2,9
Crescimento da Despesa Líquida (antes MDR)	(9)=(7(t)/7(t-1))		5,7%	6,0%	6,0%	4,7%	4,7%	4,7%	2,4%	2,4%
Medidas Discricionárias de Receita (incremental, excl. One-offs)	(10)	Milhares de M€	-0,2	-0,2	-0,2	-1,2	-1,2	-1,5	-0,1	-0,1
Despesa líquida incl. medidas discricionárias de Receita	(11)=(7)-(7A)-(10)	Milhares de M€	119,1	119,4	119,4	125,7	125,7	126,0	127,6	127,6
Varição da despesa Líquida (inclui MDR)	(12)=(11(t)-11(t-1))	Milhares de M€	6,6	6,9	6,9	6,8	6,8	7,1	3,1	3,1
Trajectoria da despesa líquida										
Crescimento anual										
Crescimento da despesa líquida	(13)=(11(t)/11(t-1))	Δ %	5,9%	6,2%	6,2%	5,7%	5,7%	6,0%	2,5%	2,5%
POEN-MP	(14)	Δ %		5,0%		5,1%			1,2%	
Crescimento Cumulativo										
Crescimento da Despesa Líquida	(15)	Δ %	18,0%	18,3%	18,3%	24,7%	25,1%	25,3%	27,8%	28,1%
Compromisso POEN-MP	(16)	Δ %	17,4%	17,4%	17,4%	23,4%	23,4%	23,4%	24,9%	24,9%
Desvios na trajetória da despesa líquida										
Desvio Anual	(17)=((13-14) x 7)	Milhares de M€	1,0	1,3	1,3	0,8	0,8	1,1	1,6	1,6
Desvio Acumulado	(18) = (acum. do 17)	Milhares de M€	0,6	0,9	0,9	1,4	1,7	2,0	2,9	3,2
PIB Nominal	(19)	Milhares de M€	308,5	308,5	308,5	325,5	325,5	325,5	340,5	340,5
Conta de Controlo										
Saldo Anual	(20)=(17/19)	% PIB	0,3	0,4	0,4	0,2	0,2	0,3	0,5	0,5
Saldo Acumulado	(21)=(18/19)	% PIB	0,2	0,3	0,3	0,4	0,5	0,6	0,9	0,9
Despesa com Defesa	(22)	% PIB	0,8	0,8	0,8	1,0	1,0	1,0	1,2	1,2
Flexibilidade decorrente do aumento das despesas com a defesa	(23)	% PIB	0,0	0,0	0,0	0,2	0,2	0,2	0,4	0,4
Saldo acumulado após flexibilidade	(24)=(21)-(23)	% PIB	0,2	0,3	0,3	0,2	0,3	0,4	0,5	0,6

Source: INE (2025), MF and CFP calculations. Note: **Statistical correction** refers to net expenditure recalculated by the CFP following the incorporation of the statistical correction applied by the European Commission as part of the *ex-post* assessment for the purposes of determining, in 2025, the cumulative deviation recorded in the control account. Consequently, the change in net expenditure in 2024 and 2025 has been adjusted to reflect breaks in the time series for total expenditure, associated with (i) the reclassification of SATA Air Açores and SATA Gestão de Aeródromos (SGA) into the general government sector from 2024, with an impact on total expenditure of 37.1 million euros, and (ii) the reclassification of CP – Comboios de Portugal out of the general government sector from 2025 onwards, with an impact on total expenditure of €341 million. **'Sensib. MdR'** corresponds to an additional recalculation of net expenditure which, whilst already incorporating the aforementioned statistical adjustment, excludes the fight against fuel fraud (€300 million) from the classification of discretionary revenue measures (MdR) and includes, as MdR, the loss of revenue associated with the Minimum Stock Level (€121 million)

Table 17 – Calculation of net expenditure projected by the CFP

	Fórmulas	Unidade	2025		2026		2027	
			Proj. CFP	CE (SF26)	Proj. CFP	CE (SF26)	Proj. CFP	CE (SF26)
Despesa Total (da qual se exclui)	(1)	Milhares de M€	130,6	130,9	141,7	143,5	145,2	143,5
Encargos com Juros	(2)	Milhares de M€	6,0	6,0	6,4	6,4	7,0	6,9
Despesa cíclica com subsídio de desemprego	(3)	Milhares de M€	0,1	0,1	0,1	0,1	0,1	0,0
Despesa financiada por fundos da UE	(4)	Milhares de M€	4,8	4,7	6,8	9,5	5,7	3,9
Cofinanciamento nacional de programas financiados pela EU	(5)	Milhares de M€	0,6	0,6	0,9	0,5	1,5	1,0
One-offs da despesa (nível, excl. Fundos da UE)	(6)	Milhares de M€	0,2	0,2	0,8	0,9	0,0	0,2
Despesa líquida antes medidas discricionárias de Receita	(7)=(1-2-3-4-5-6)	Milhares de M€	118,9	119,3	126,6	126,1	130,9	131,4
p.m. Correção de corte de série	(7A)	Milhares de M€	-0,3	-0,3				
Variação da despesa Líquida (antes MDR)	(8)=(7(t)-7(t-1))	Milhares de M€	6,8	6,9	7,7	6,8	4,2	5,3
Crescimento da Despesa Líquida (antes MDR)	(9)=(7(t)/7(t-1))		6,0%	6,1%	6,5%	5,7%	3,3%	4,2%
Medidas Discricionárias de Receita (incremental, excl. One-offs)	(10)	Milhares de M€	0,6	0,6	-1,3	0,1	-0,2	-1,6
Despesa líquida incl. medidas discricionárias de Receita	(11)=(7)-(7A)-(10)	Milhares de M€	118,6	119,1	127,9	126,0	131,1	133,0
Variação da despesa Líquida (inclui MDR)	(12)=(11(t)-7(t-1))	Milhares de M€	6,1	6,2	9,0	6,6	4,5	6,9
Trajetória da despesa líquida								
Crescimento anual								
Crescimento da despesa líquida	(13)=(11(t)/7(t-1))	Δ %	5,5%	5,5%	7,6%	5,6%	3,5%	5,5%
POEN-MP	(14)	Δ %		5,0%		5,1%		1,2%
Crescimento Cumulativo								
Crescimento da Despesa Líquida	(15)	Δ %	18,2%	18,7%	27,2%	25,2%	31,7%	32,1%
Compromisso POEN-MP	(16)	Δ %	17,4%	17,4%	23,4%	23,4%	24,9%	24,9%
Desvios na trajetória da despesa líquida								
Desvio Anual	(17)=((13-14) x 7)	Milhares de M€	0,5	0,6	2,9	0,5	3,0	5,4
Desvio Acumulado	(18) = (acum. do 17)	Milhares de M€	0,8	1,3	3,8	1,8	6,7	7,2
PIB Nominal	(19)	Milhares de M€	308,5	306,8	325,1	320,8	340,3	335,1
Conta de Controlo								
Saldo Anual	(20)=(17/19)	% PIB	0,2	0,2	0,9	0,2	0,9	1,6
Saldo Acumulado	(21)=(18/19)	% PIB	0,3	0,4	1,2	0,6	2,0	2,1
Despesa com Defesa	(22)	% PIB	0,8	0,8	0,9	0,8	0,8	0,8
Flexibilidade decorrente do aumento das despesas com a defesa	(23)	% PIB	0,0	0,0	0,1	0,0	0,0	0,0
Saldo acumulado após flexibilidade	(24)=(21)-(23)	% PIB	0,3	0,4	1,1	0,6	2,0	2,1

Source: INE (2025), European Commission (SF26 – Spring Forecast 2026) and CFP calculations and projections; The cumulative deviations projected by the CFP for 2026 and 2027 are based on the cumulative deviation calculated by the EC in the control account established in 2025, updated to take account of new statistical information that must be incorporated.

Table 18 – List of Discretionary Revenue Measures (MDR) for 2026–2027 considered by the CFP

(in M€)

Medidas Discricionárias da Receita	2026	2027
IVA	0	-94
Pacote Habitação: Redução do IVA da construção de 23% para 6%		-94
Outros impostos indiretos	34	295
Fim da isenção de Biocombustíveis avançados	156	
Alteração do ISP e suspensão da taxa de carbono	173	
Desconto ISP Temporário - Conflito Irão (9 meses)	-295	295
IRS	-854	-371
Pacote IRS 2024 ⁽¹⁾	144	
IRS Jovem	144	
Pacote IRS 2025	-510	
IRS Jovem	-510	
Pacote IRS 2026	-525	
Redução taxas	-33	
Atualização escalões	0	
Atualização ME	-121	
Redução adicional de taxas Setembro 2026 (Proposta Governo)	-371	
Pacote IRS 2027		-121
Atualização ME		-121
Atualiz. Autom. dos escalões (componente de produtividade na parte que excede a inflação)	37	-41
Pacote Habitação - Redução IRS rendas moderadas de 25% para 10%		-209
IRC	-421	-74
Crédito fiscal extraordinário para investimento (2021, COVID)	10	
IRC - SIFIDE indireto (reversão)		124
Redução de 1 p.p. na taxa normal e reduzida de IRC	-328	
Red. de 1pp na Tx normal IRC em [2026-2028] e 1pp na tx red. em 2026		-341
Incentivo fiscal à recuperação - IFR e outros relacionados	33	143
Regime Fiscal de Apoio ao Investimento (RFAI)	8	143
Sistema de Incentivos Fiscais à I&D Empresarial (SIFIDE)	12	
Incentivo Fiscal à Recuperação	13	
Alargamento/ reforço do Incentivo à Capitalização das Empresas (ICE)	-136	
Outras receitas	-35	
Alargamento de eliminação taxas de portagem ex-SCUTs	-35	
Total medidas discricionárias de receita	-1 276	-244

Source: Ministry of Finance and CFP calculations.

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