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Portugal:
Macroeconomic and financial outlook

CaixaBank Research

January 2026

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Main messages

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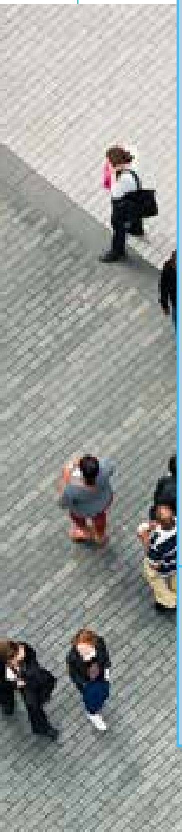
Activity

- **The detailed release confirmed that Q3 GDP rose 0.8% qoq and 2.4% yoy, driven by strong domestic demand, mainly private consumption and GFCF in transport equipment.** This along with the upward revision of historic series last September, led us to update our forecast for 2025 annual growth to 1.8%. For 2026 we forecast a growth of 2.0%, as the economy is expected to benefit from a set of tailwinds, such as NGEU funds, supportive fiscal policy and easing financial conditions. Still, perspectives for the labour market suggest that private consumption will continue resilient. Risks for the scenario are balanced. Household's savings rate persist at double digit levels, far higher than the historical pattern (household's saving rate kept stable at 12.5% in Q3) and leverage is low across the sectors, which gives some comfort going forward.
- **Average inflation for 2025 at 2.3%.** Looking ahead to 2026, our current forecast for global CPI is 2.1%, already very close to the target value and therefore maintaining the disinflationary trend of 2025.
- **Labor market continues to surprise positively, with employment again in maximums and increasing at considerable growth rates**. Employed population increased 3.8% in November, a pace not seen since the post-pandemic period. Additionally, the unemployment rate continues at considerable low levels, having declined to 5.7% in November (vs 5.8% in October).
- **In Q3 2025, the House Price Index recorded a year-on-year change of 17.7%.** On a quarter-on-quarter basis, the housing price index grew by 4.1%, six tenths less than in the previous quarter**.** Given the Q3 data, the fulfilment of our forecast for the average IPH appreciation in 2025 (15.8%) would imply a 2% decline in quarterly terms in Q4 2025, which does not seem likely. In the legislative field, a set of measures were approved aimed to increase supply with potential benefits in housing accessibility and impact on housing market valuation.
- **Budget execution throughout 2025 unveils another positive year.** Data until Q3 (in accrual basis) and November (in cash basis) reveals the same drivers: both fiscal and social contributions explained most of the revenues' growth, while social benefits and compensation of employees are exerting more pressure on expenditure side. With these figures in mind, and despite some expenditure pressure until the end of the year, it is probable that fiscal balance will end the year slightly better than the Government's forecasts (of 0.3% of GDP).
- **Execution of RRP (Recovery and Resilience Plan) appears to be accelerating but is still below desired levels.** Up to now, Portugal received 13.8 billion euros (63% of the total amount of the RRP). At the same time, the rate of implementation of the funds has been gradually accelerating and is expected to increase, given the approaching end of the programme and its reprogramming to facilitate the transition of funds allocated to programmes with a low probability of implementation by the end of 2026 to other projects. In this context, we anticipate that the implementation of the RRP could add 0.4 percentage points to inertial growth in 2026.

Banking Sector

- **Profitability is slightly lower due to reduced interest rates but remains well above the pre-pandemic period.** CET1 reached 17.7% in Q3 (vs. 18% in Q4 2024 and 14.3% in Q4 2019). **The capital position of Portuguese banks provide buffers against the risks that could arise, due to geopolitical risks or any adverse unexpected event that could eventually impact NPL's**. ROA ratio increased in the last years and stood at 1.3% in Q3 2025 (vs. 1.5% in Q3 2024 and 0.4% in Q4 2019).



Main economic forecasts

%, yoy	2016	2017	2018	2019	2020	2021	2022	2023	2024	Forecasts 2025	Forecasts 2026
GDP	2,0	3,3	2,9	2,7	-8,2	5,6	7,0	3,1	2,1	1,8	2,0
Private Consumption	2,4	1,8	2,6	3,5	-6,8	4,9	5,6	2,3	3,0	3,2	2,3
Public Consumption	0,9	0,1	0,5	2,1	0,4	3,8	1,7	1,8	1,5	1,5	1,5
Gross Fixed Capital Formation (GFCF)	2,7	11,6	6,2	5,5	-2,3	7,8	3,3	6,0	3,8	2,6	5,5
Exports	4,7	8,4	4,3	4,0	-18,4	12,1	17,2	4,2	3,1	1,0	2,7
Imports	5,2	8,0	4,9	5,1	-11,6	12,3	11,3	2,3	4,8	4,6	4,3
Unemployment rate	11,5	9,2	7,2	6,6	7,0	6,7	6,1	6,5	6,4	6,3	6,4
CPI (average)	0,6	1,4	1,0	0,3	0,0	1,3	7,8	4,3	2,4	2,3	2,1
External current account balance (% GDP)	1,2	1,3	0,6	0,4	-1,0	-0,8	-1,2	1,4	2,1	0,6	0,9
General Government Balance (% GDP)	-1,9	-3,0	-0,4	0,1	-5,8	-2,8	-0,3	1,3	0,5	-0,1	-1,2
General government debt (% GDP)	131,2	126,0	121,1	116,1	134,1	123,9	111,2	96,9	93,6	92,2	90,4
Housing Prices	7,1	9,2	10,3	10,0	8,8	9,4	0,0	0,0	9,1	15,8	6,3
Risk premium (PT-Bund) (average)	307	269	138	100	90	60	100	70	62	47	61

***Source**: Caixabank Research.*

Growth in Q3 2025 confirmed and driven by domestic demand

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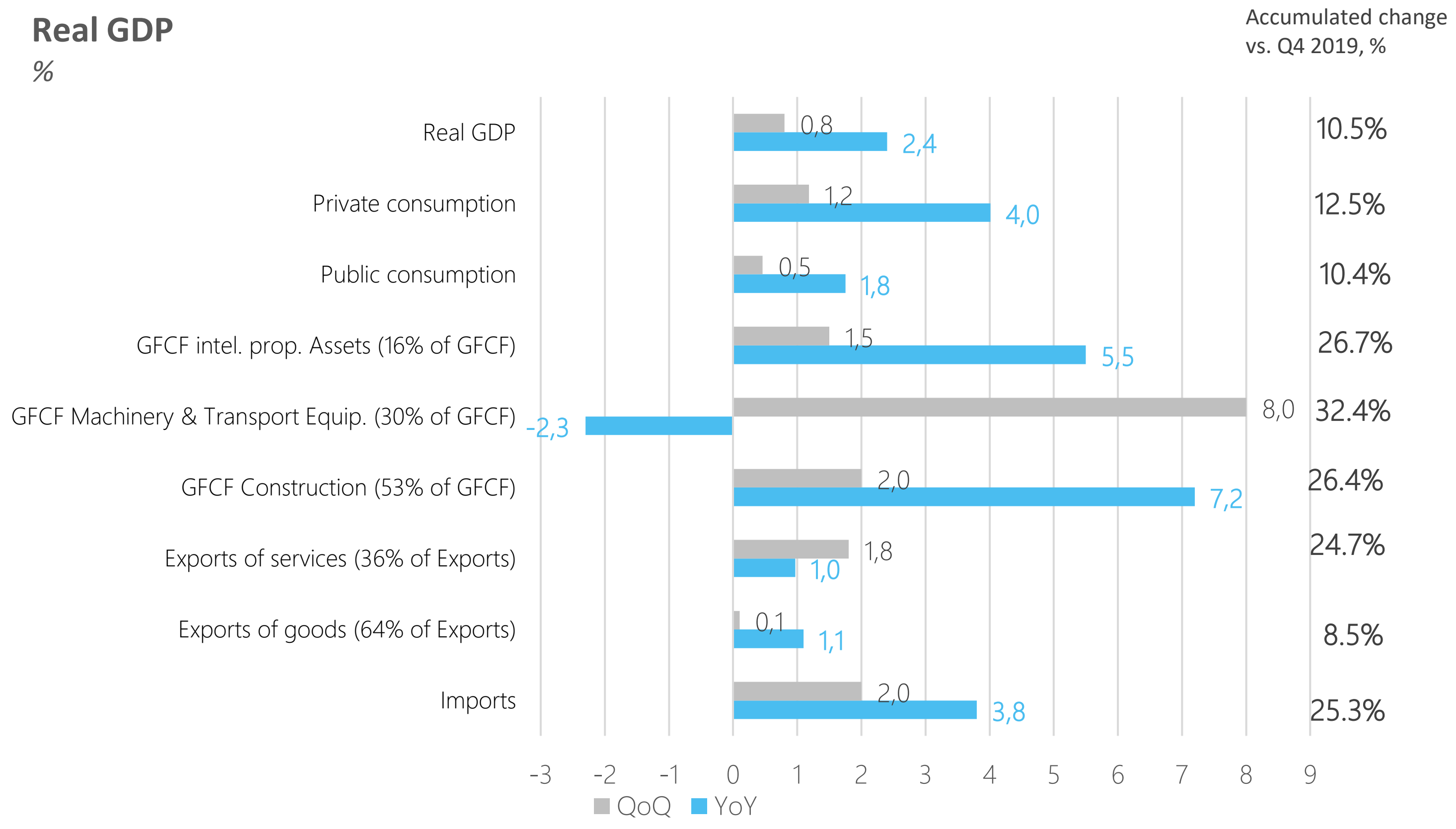
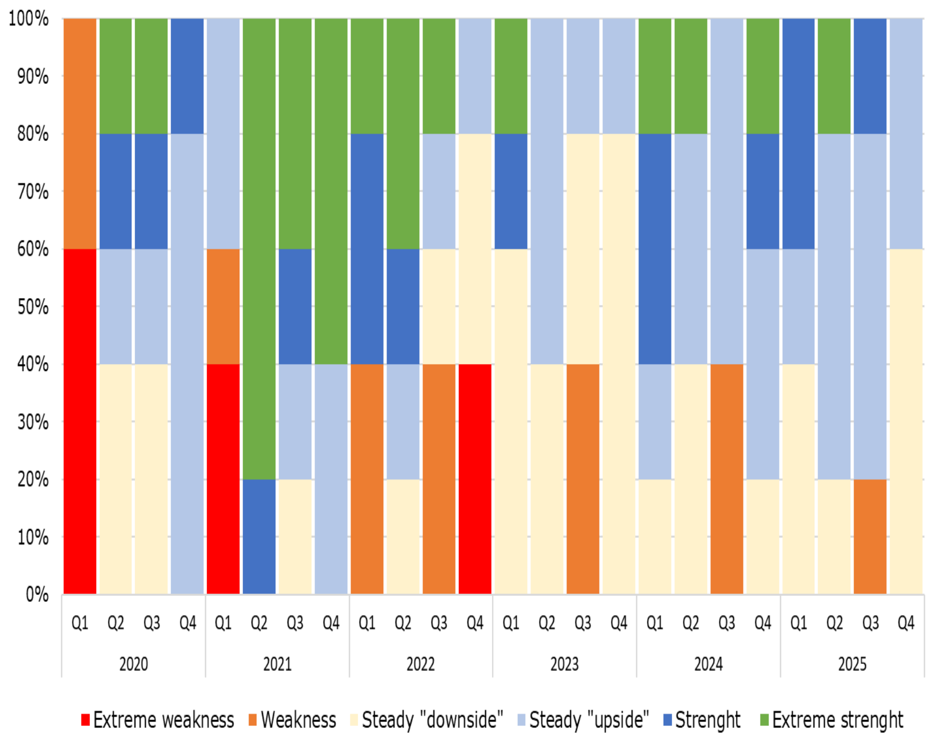
Real GDP
%



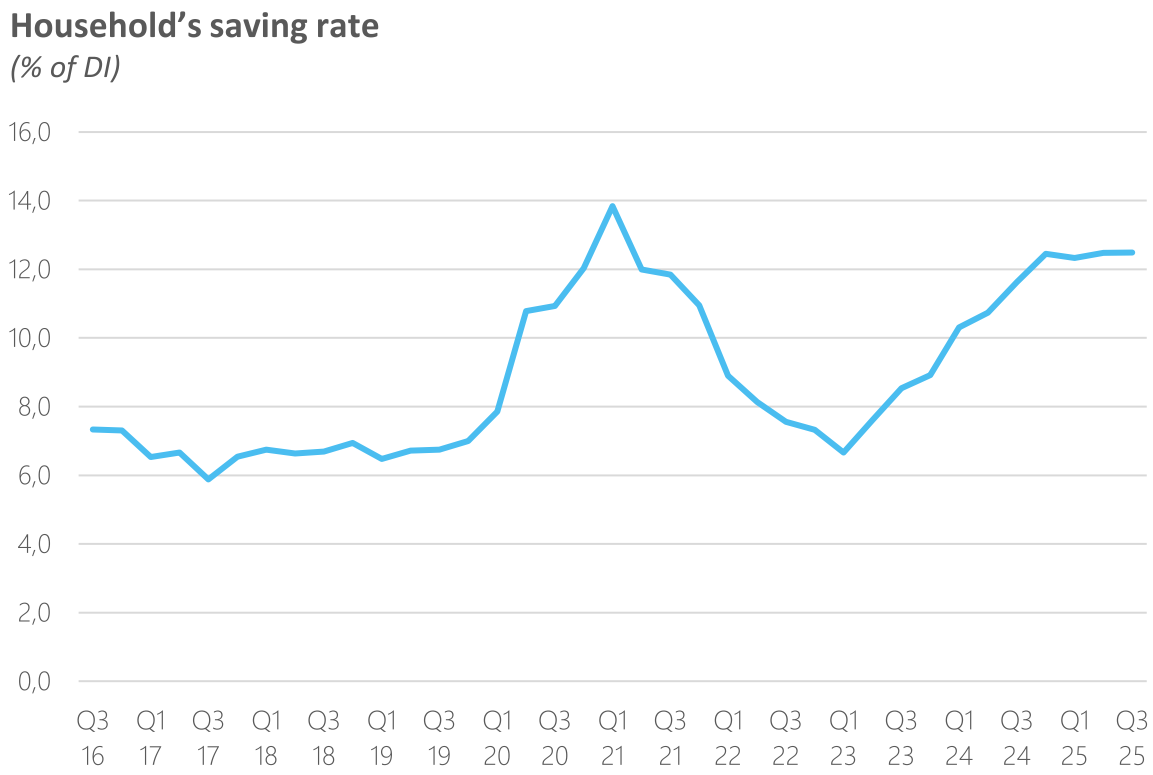
Activity traffic light – BPI Research
%

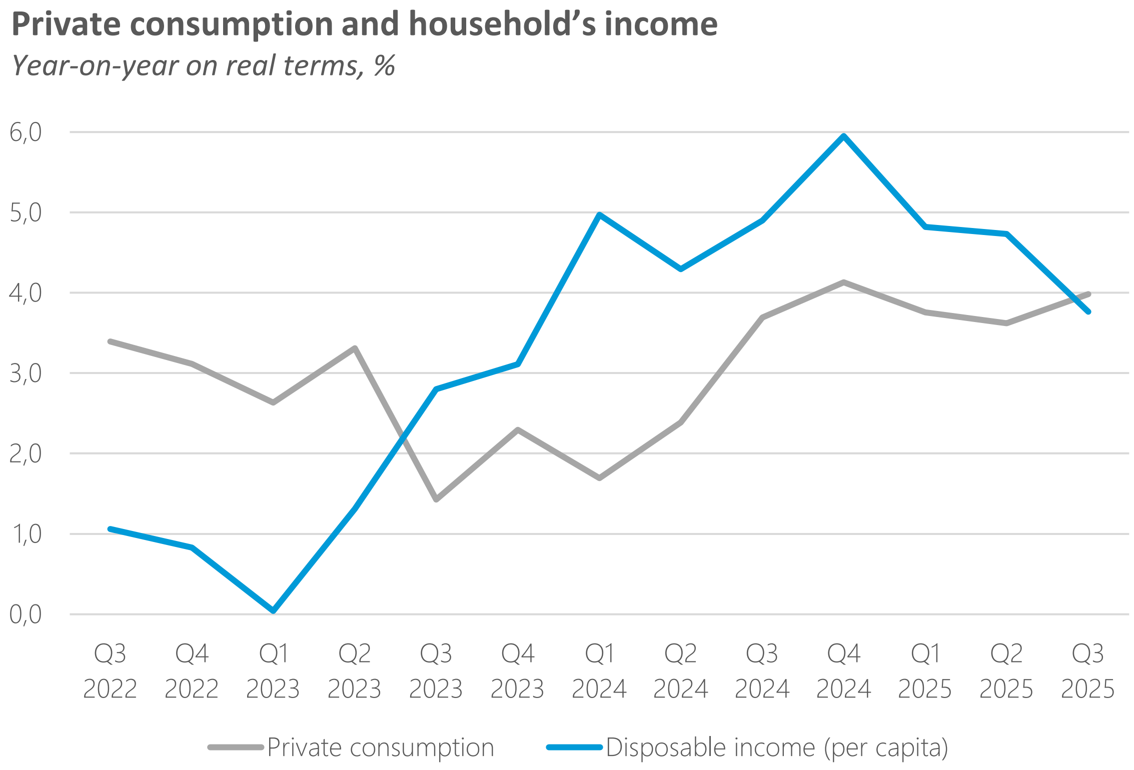


Source: BdP and INE.

- **Q3 real GDP grew 0,8% qoq (+0,1 p.p.) as expected.** This movement mainly consolidates the growth trend and was boosted by domestic demand. The main growth drivers were private consumption and GFCF in transport equipment, while net external demand keeps its negative contribution to economic growth. In yoy terms, Q3 GDP grew 2,4% (+0,6 p.p.) supported by private consumption and exports. The unusual growth of GFCF in transport equipment (28,8% qoq) is not justified by INE, which brings some uncertainty about whether it is or not a structural shift.
- **The strong performance of domestic demand in Q3 2025 aligns with BPI Research's forecast for real GDP growth in 2025 (1,8%).** The main factors supporting our growth expectations include the robustness and resilience of the labor market (as a result of rising employment and wages); the reception of European funds, with the possibility of accelerating their implementation as we approach the end of the NGEU (2026); the signing of several investment contracts and the reduction in financing costs; the low level of interest rates; and the reduction of income taxes, which include retroactive payments to January 2025 (received in August and September), giving a considerable boost to income in Q3, with a visible impact on consumption.

Private consumption is seen to continue to perform favorably, but disposable income is slowing





Source: Caixabank Research, from INE, BoP.

- **Savings rate persist at double digit levels, far higher than the historical pattern**. The household's saving rate kept stable at 12.5% in Q3 2025, the highest level since 2003 excluding the adverse years of COVID pandemics.
- However, real disposable income (per capita) grew slower than consumption in Q3 2025, stopping the trend verified since the end of 2023 (when it grew faster than consumption), which might compromise the maintenance of the high levels of savings verified, despite these can be boosted by economic policy and geopolitical uncertainty.

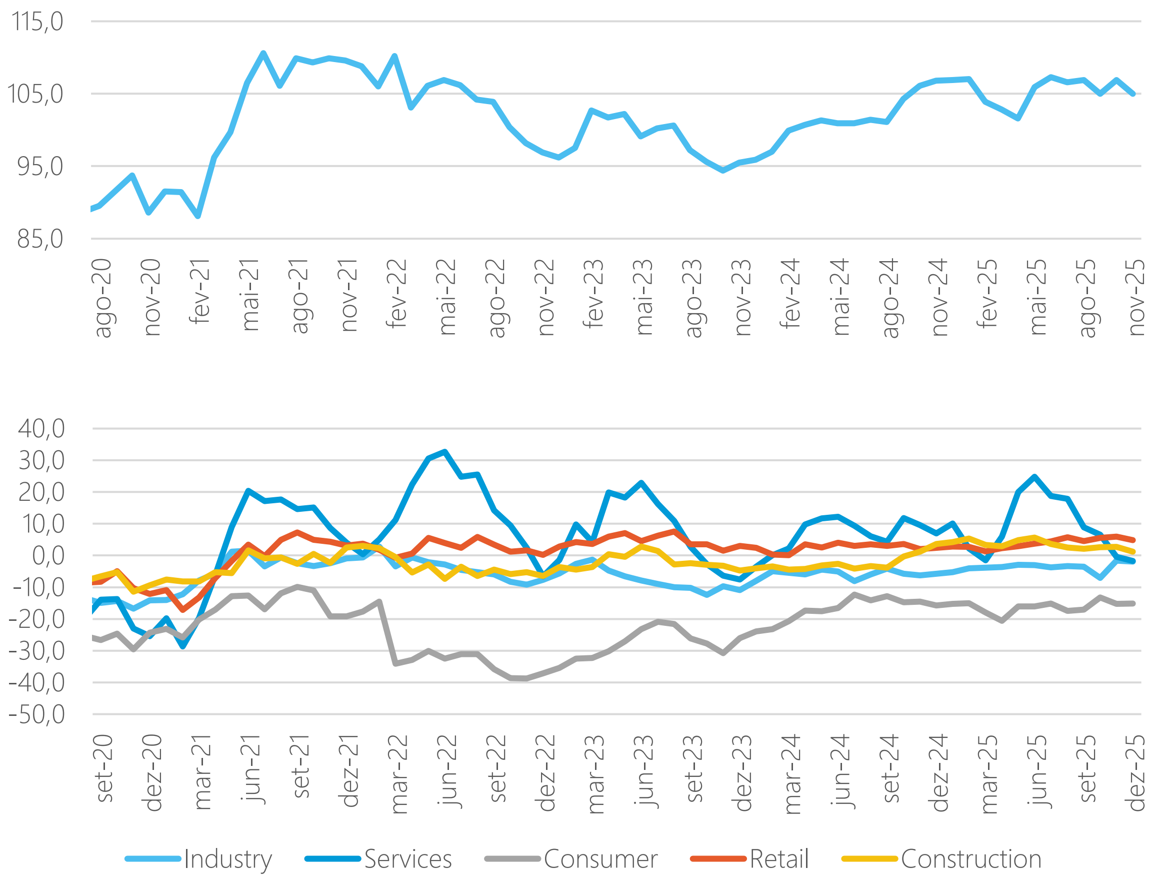
4th quarter data points upwards with some drawbacks

yoy, level		Q2 25	Q3 25	Q4 25	Tendência	Last month available
Synthetic indicators	Economic climate indicator	2,6	2,9	3,1	▲	December
	Economic sentiment indicator	104,9	106,2	105,5	▼	November
	Daily economic indicator	2,1	1,6	1,6	=	December
Consumption	Consumer confidence	-17,5	-16,6	-14,5	▲	December
	Wholesale and retail trade (yoy)	3,2	3,5	3,6	▲	November
	Retail sales excl. fuels (yoy)	5,4	6,2	6,1	=	November
	Card withdrawals and purchases deflated (yoy)	6,7	6,2	5,3	▼	November
	Car sales (yoy)	13,9	14,5	3,1	▼	December
Investment	GFCF indicator	3,6	5,2	7,7	▲	October
	Imports of capital goods	2,1	0,6	0,6	=	October
Suply	Cement sales	-1,7	4,9	6,3	▲	November
	Industrial production	1,2	2,7	-0,9	▼	October
Demand	Electricity consumption adjusted for temperature&working days	2,2	1,9	3,0	▲	December
	Non-resident tourists (yoy)	4,1	0,9	1,9	▲	November
	Number of flights (yoy)	5,3	4,1	3,5	▼	December
Trade	Exports G&S (accum. Year, yoy)	1,6	1,7	1,8	=	October
	Imports G&S (accum. Year, yoy)	4,8	4,0	3,5	▼	October
Labour market	Change in regist. unemployment (thousand people)	-8,5	-10,7	-18,9	▲	November
	Change in employment (thousand people)	165,1	192,1	171,3	▼	October

Source: Caixabank Research based on Portuguese INE, Bank of Portugal and European Commission.

Economic sentiment index

1990=100

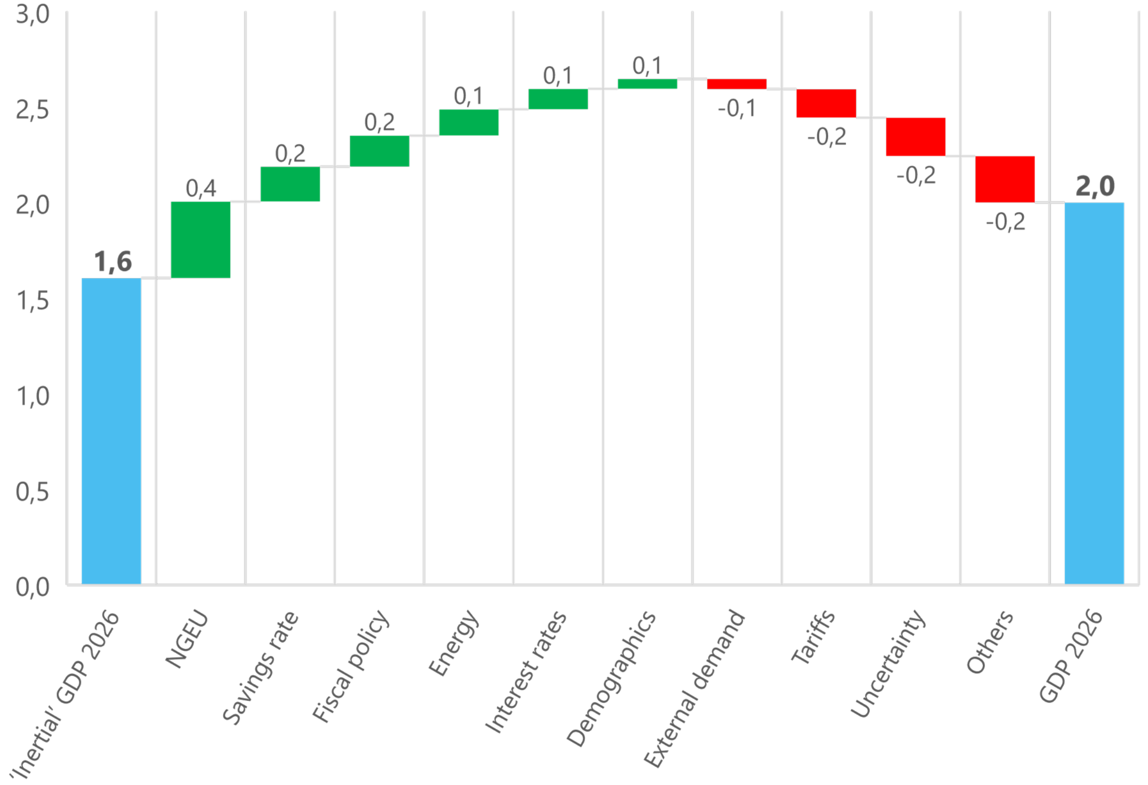


- **In November, the economic sentiment index (ISE) disclosed by the European Commission, increased to 106,5 points**, mainly due to a surge in the confidence of the industry, while services are being constrained. **Despite the robustness of the labour market (employment continues to register historical highs and the number of unemployed keeps decreasing), consumer confidence is deteriorating in the short run** (-2 points from October to November and -0,7 points yoy), despite being better than the figures verified in Q2 and Q3, when international uncertainty was more remarkable.

The economy should accelerate slightly in 2026

GDP: contributions for growth

P.p.

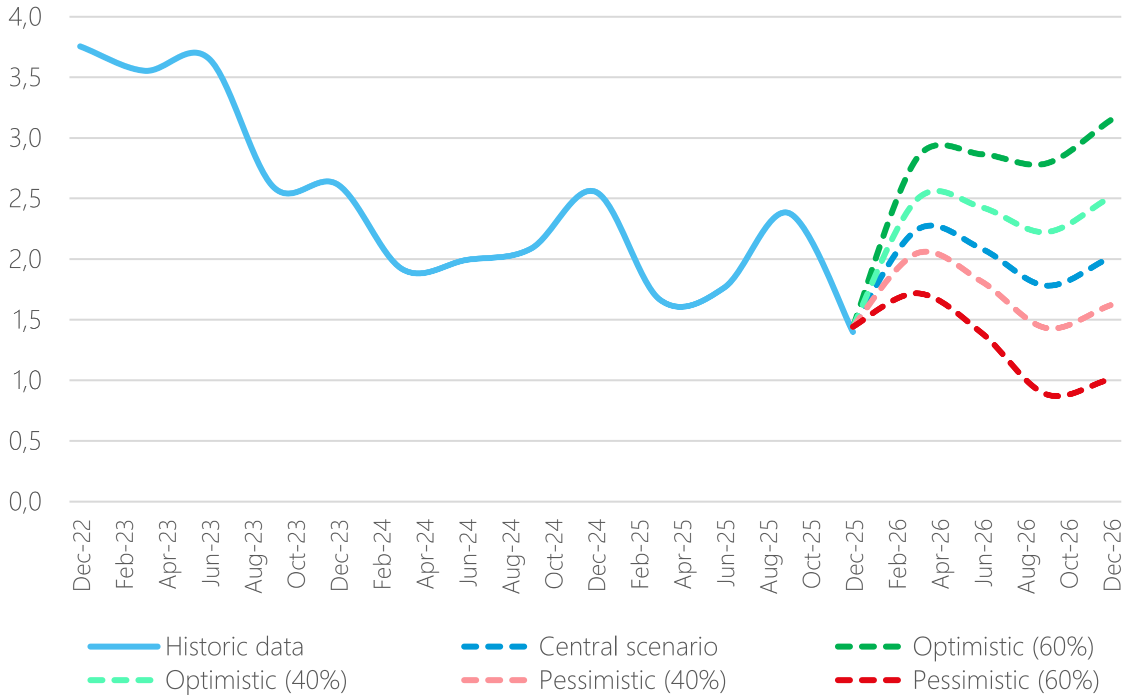


Note: "Inercial" GDP 2026 refers to the GDP that would result from not considering extraordinary effects and was obtained through regression of the annual GDP growth with its autoregressive component and the output gap published by the IMF in the October 2025 World Economic Outlook.

Source: Caixabank Research based INE, Bank of Portugal and European Commission.

Scenarios for GDP growth in 2026

Yoy (%)

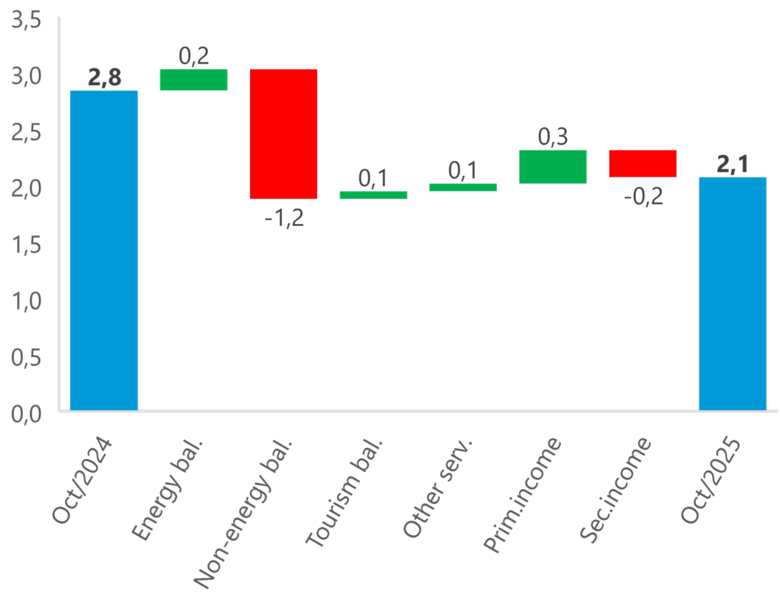


Note: the 'Optimistic' and 'Pessimistic' margins have an implied probability of 60% and 40%. This probability was calculated by applying a shock to the qoq GDP series in Q1 2026 based on the percentiles (20, 30, 70 and 80) of the residuals from an AR(2) regression to the series of quarterly GDP changes.

- **For 2026, we anticipate growth of 2%, influenced by a stronger set of tailwinds** (NGEU funds, families' savings, fiscal policy, energy, interest rates) **than headwinds** (tariffs, external demand,…). However, uncertainty is still high, rising the probability that the final reading will differ from our central scenario. Because of that we estimate ranges for the forecast, which may oscillate between 1,7%-2,4% with a probability of 40% and 1,3-2,9% with a probability of 60%.

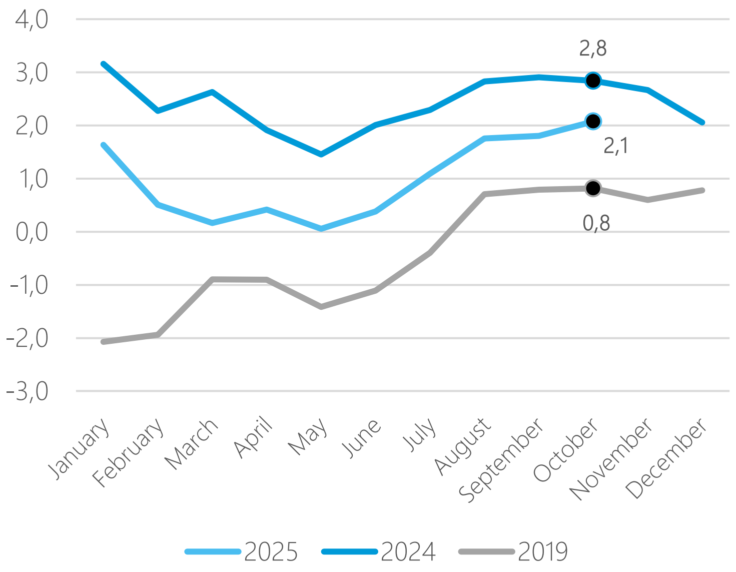
Current account surplus shrank considerably up to October

Current account up to October 2025
% of GDP and percentage points change



Source: Caixabank Research, from BoP.

Current account up to October 2025
% of nominal GDP



Source: Caixabank Research, from BoP. Note: the values of current account and nominal GDP correspond to the accumulated figures in the year.

Portugal: exports and imports variation
Ytd October 2025

	Exports	Imports
annual change (%)	1.8	3.5
Contribute (p.p.)		
Goods	-0.5	2.8
Non-energy	0.4	4.0
Energy	-0.9	-1.2
Services	2.3	0.8
Tourism	1.2	0.2
Others	1.1	0.6
annual change by region/country (%)		
Euro area	2.8	5.5
Goods	0.5	5.7
Spain	2.7	4.3
Goods	1.9	4.0
Germany	5.6	8.0
Goods	4.1	8,9
US	-4.8	0.2
Goods	-15.0	2.2
Asia	4.8	0.4
Goods	-3.2	-2.2

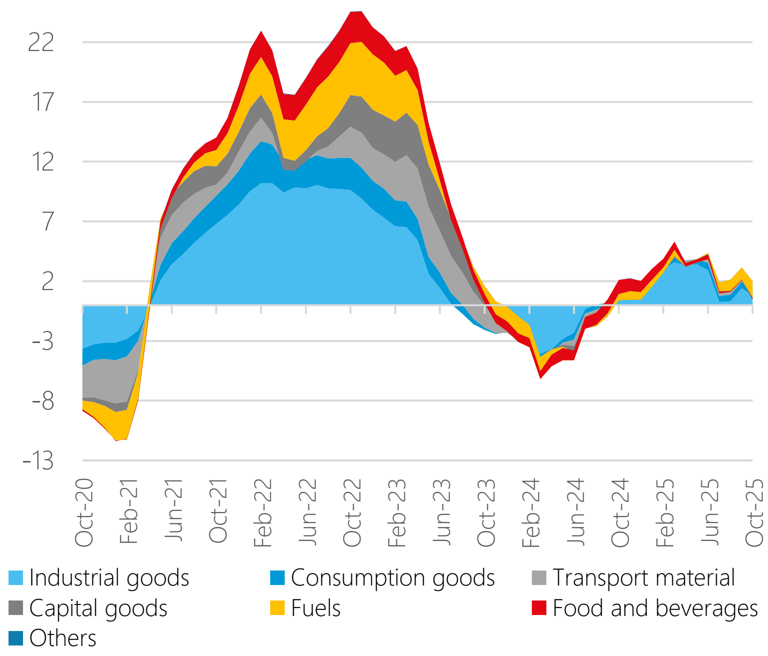
Source: Caixabank Research, from BoP.

- **In the first ten months of 2025, the current account surplus stood at 5,254 million euros**, equivalent to 2.1% of GDP, a significant decline compared to the figures registered in the same period of 2024 (-23%). This reduction has been mainly due to the increase in the non-energy deficit (to 7.7% of GDP). That means that Portugal in this period experienced a worsening of its trade in goods dynamic not related to energy products. The worsening seen so far this year might, in part, be related to the volatility and uncertainty associated with the trade and commercial policy of the US Government (however the uncertainty has been reduced due to the trade agreement between EU and USA). Going forward we see a recovery of the current account, by a more moderate growth on imports and by the impact of NG EU funds. **We foresee a surplus of 0.6% of GDP in 2025 and a small improvement to 0.9% in 2026.**
- The reduction in the surplus compared to the same period of 2024 is justified by the increase of 17% in the **deficit in goods account** (to -24,094 million euros), which was partially offset by the increase of 6% in the **surplus of services account** (to 29,464 million euros).

International trade of goods: a slowdown in exports entering Q4

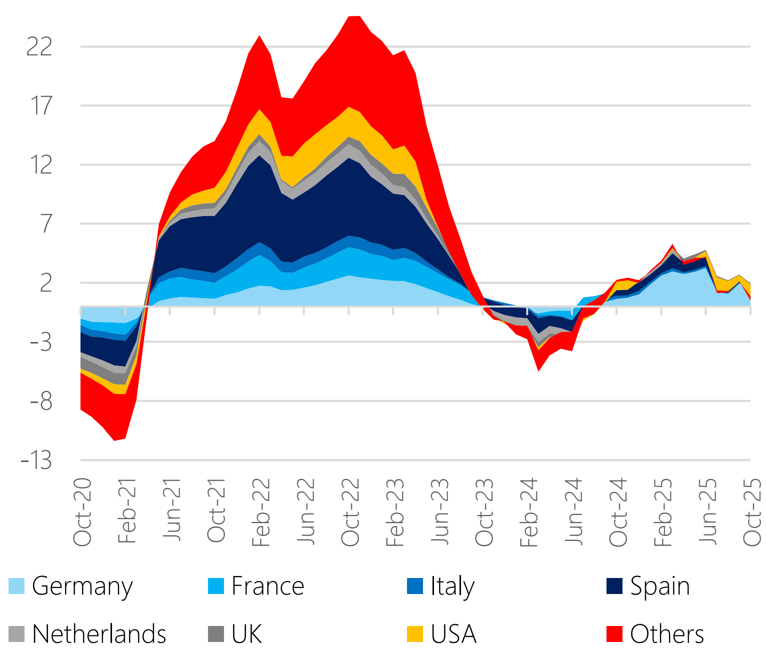
Exports of goods by economic category (*CGCE*)

Contributions for the yoy change (%) of the dynamic cumulative values over 12 months



Exports of goods by country of destination

Contributions for the yoy change (%) of the dynamic cumulative values over 12 months



Main countries of destination (2025 vs. 2019)

Cumulative exports up to October and respective weight

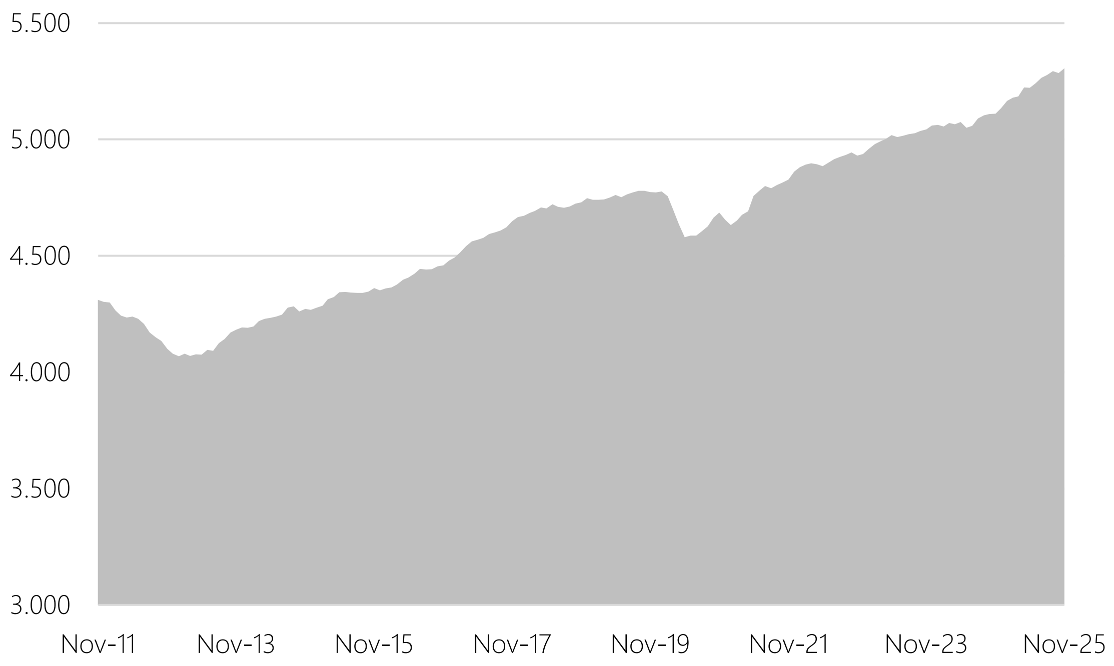
	Exports Jan-Oct 2025 (M€)	Weight Jan-Oct 2025 (%)	Weight Jan-Oct 2019 (%)
Spain	17,357.2	25.9	24.6
Germany	9,441.2	14.1	12.1
France	8,023.0	12.0	13.0
USA	4,057.0	6.0	5.0
UK	3,010.6	4.5	6.1
Italy	2,915.7	4.3	4.5
Netherlands	2,281.5	3.4	3.9

Source: Caixabank Research, from INE.

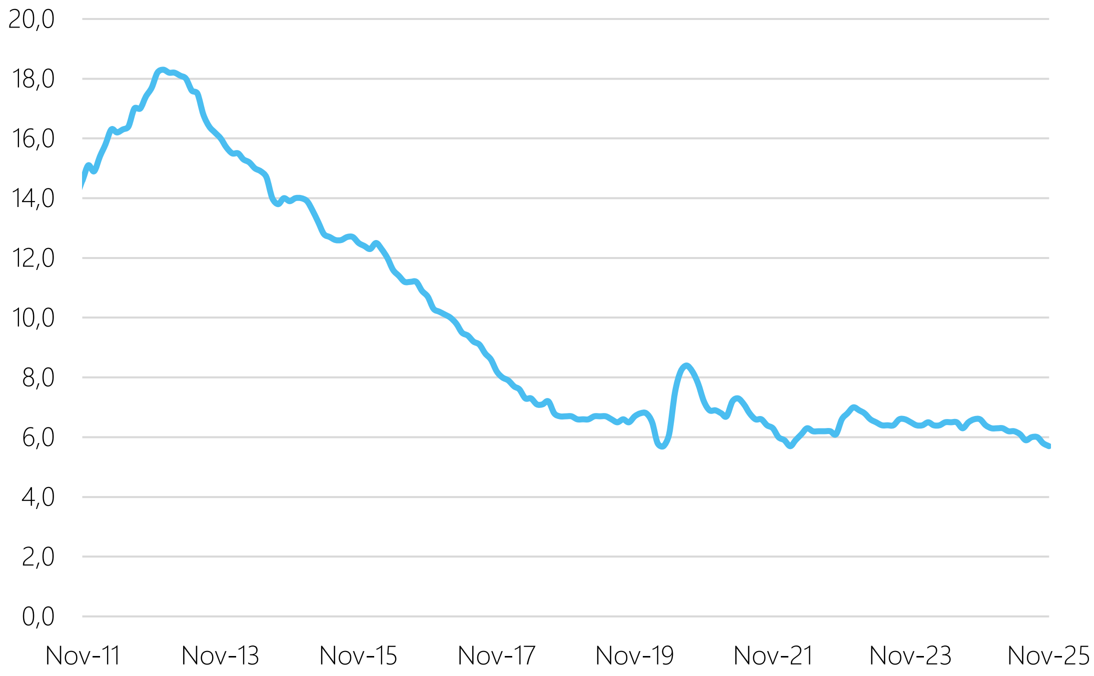
- **Exports of goods are increasing at a slower pace than what was verified last year (0,5% yoy in October vs. 2.9% yoy on average since January) due to uncertainty in international trade, totaling 67,133.6 M€ in year-to-date terms through October 2025 (+1% compared to the same period of 2024).** Considering the dynamic cumulative values over the last 12 months, exports raised 0.5% (2.1% in October 2024) and in terms of economic category, they have been mainly stimulated by industrial goods (contribution of 0.8 p.p. to yoy change) while fuels are limiting the growth (contribution of -1.4 p.p.), a trend that has been verified in the last months and is becoming more severe.
- **By country of destination, Spain keeps its leading position as main trade partner (cumulative exports from Jan-Oct 2025 were 17,357.2 M€)** and reinforced that position over the medium term (25.9% weight in Jan-Sep 2025, +0.7 p.p. compared to 2020), followed by Germany (9,441.2 M€ and a weight of 14.1%, +2.1 p.p. compared to 2020) and France (8,023.0 M€ and a weight of 12%, -1.8 p.p), which lost relevance on the structure of destinations. **The exports to Germany are boosting external demand considering the dynamic 12-month cumulative amounts (growth of 16.2%, and this double-digit figures have been systematic since September 2024).** On the other hand, countries like France (-1.8%), UK (-0.4%) and USA (-13.9%) are losing relevance.

Labor market: employment keeps increasing swiftly

Employed population
Number of people ('000 individuals)



Unemployment rate
(%)



Note: Seasonally adjusted. Figures for October are preliminary. Source: Caixabank Research, from INE.

- **Employment is increasing at growth rates not seen since the post-pandemic period.** In November, employed population reached 5,306,100 people, a 3.8% yoy growth rate. This represents an acceleration in comparison to the previous months (3.1% on average in last 10 months), an impressive performance. Additionally, other data is remarkable: the number of job offers is increasing at double digit (35.8% yoy in November) for the 10th consecutive month, in line with the number recorded, on average, for 2022 (the post-pandemic year).
- **The unemployment rate remains at considerably low levels.** In fact, the rate decreased to 5.7% in November, from 5.8% in October, levels like the ones recorded at the beginning of 2002. Despite increasing number of collective dismissals (+16.6% yoy in accumulated terms until October), it seems that the people can find employment more easily than in the past.
- **To sum up, the strength of the labour market will continue to be one of the main factors supporting economic activity in the following quarters**. The unemployment rate in 2025 should have been at around 6%, below projections of main institutions.

RRP: execution continues at slow pace (49% of total program)

Approvals and payments to direct and final beneficiaries

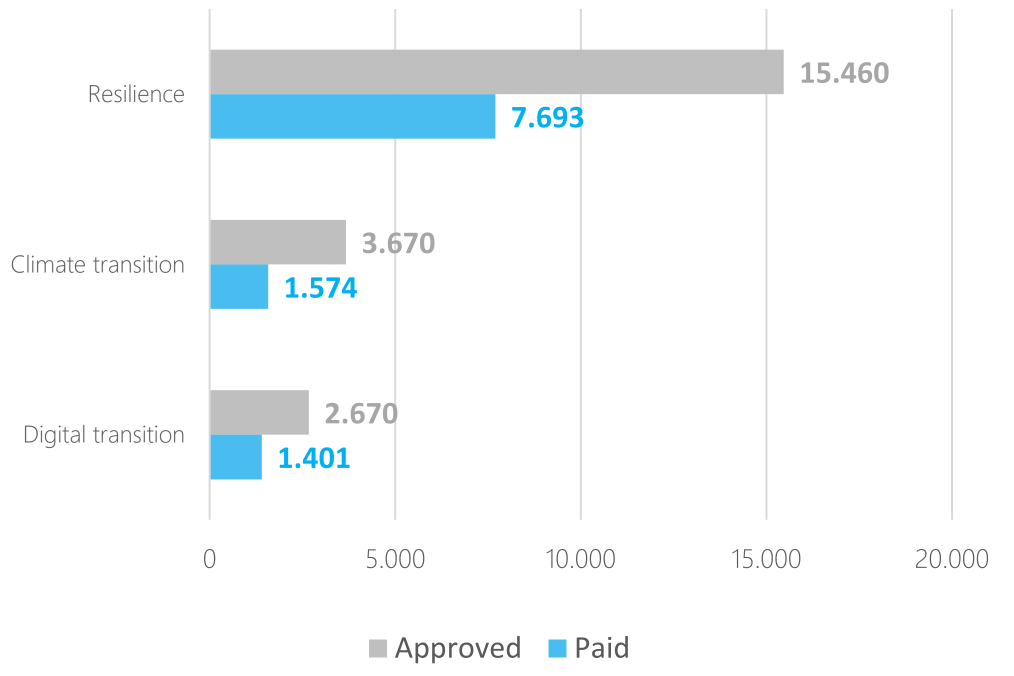
(Up to December 30th)	Approved (EUR million)	Paid (EUR million)	Paid rate
Families	360	290	80.6
Social and solidarity economy institutions	856	348	40.7
Firms	7,289	3,847	52.8
Excl. R&I System Non-firms	*6,141*	*3,258*	53.1
R&I System Non-firms in consortium with firms	*1,148*	*588*	51.2
Institutions of the scientific and technological system	696	280	40.2
Higher Education Institutions	1,000	424	42.4
Schools	986	609	61.8
Municipalities and metropolitan areas	4,637	1,576	34.0
Public entities	4,856	2180	44.9
Public firms	2,761	1,113	40.3
Total * (million euros)	**23,440**	**10,668**	**46%**
(% total RRP)	***100%***	***49%***	

Note (*): *In December 2025, the Council of the EU approved the revisions regarding the Portuguese RRP program. In that way, the total cost of the national program was revised to* ***21,905 million €*** *(instead of 22.216 million €). To implement the projects, the government has now other sources for financing them, amounting to 1,640 million €.*

Source: *Caixabank Research, from Recuperar Portugal.*

RRP: amounts approved and paid by dimension

Eur million

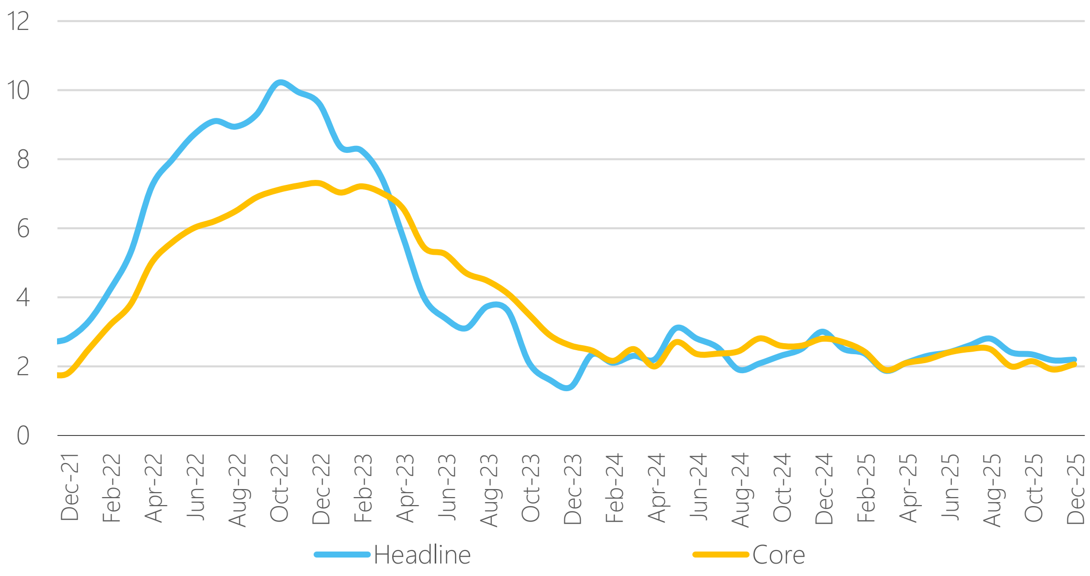


- **Up to now, Portugal received 13.8 billion euros, equivalent to 63% of the total amount of the RRP. Projects already approved amount to 23.44 billion euros (which includes RRP funds, amounting to 21.9 billion euros, and other sources of financing, totalling 1.64 billion euros) and payments reached 10.67 billion** (77% of the total amount received from RRP), but only 46% of the approved projects.
- At the same time, the rate of implementation of the funds has been gradually accelerating and is expected to increase, given the approaching end of the program and its reprogramming to facilitate the transition of funds allocated to programs with a low probability of implementation by the end of 2026 to other projects. In this context, we anticipate that the implementation of the RRP could add 0.4 percentage points to growth in 2026.

2025 inflation stood at 2,3%

Inflation: Headline and Core

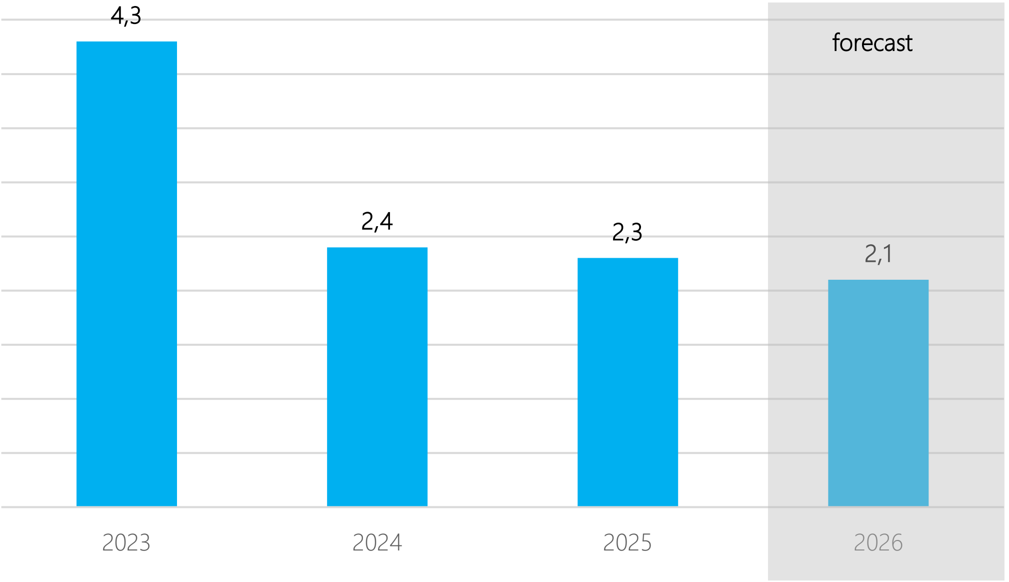
Year-on-year (%)



Source: Caixabank Research, from INE.

Average annual inflation

(%)



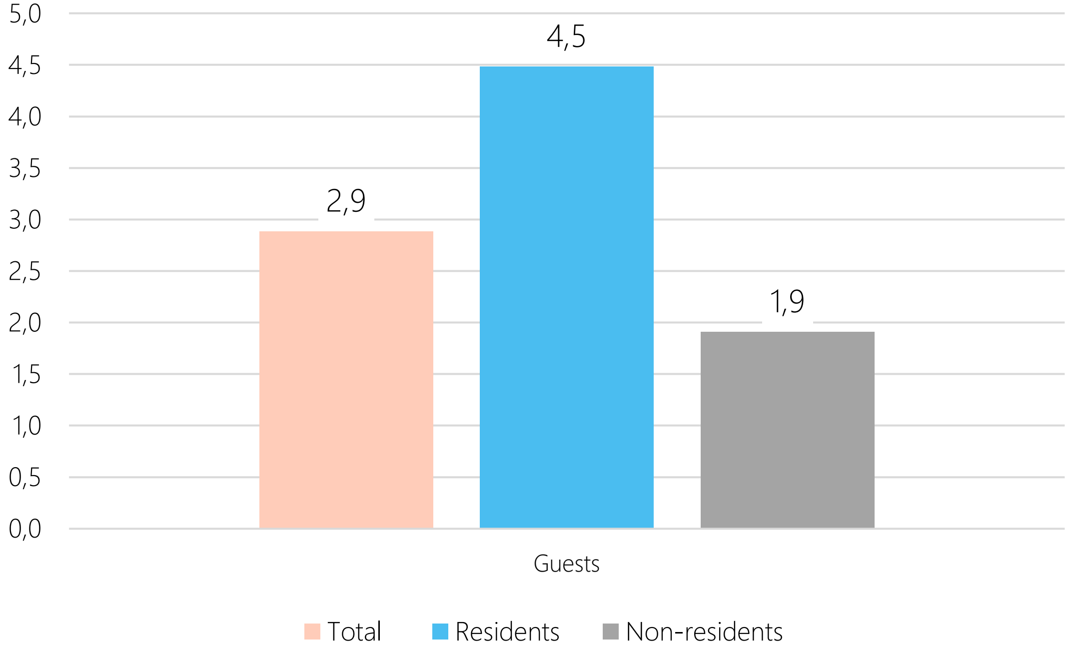
Source: Caixabank Research, from INE.

- **Average inflation for 2025 at 2.3%.** With the Global CPI registering a yoy change of 2.2% in December, 2025 closes with an average inflation rate of 2.3%. The stability of global inflation was not matched by core inflation, which rose slightly, with prices increasing by 2.1% year-on-year (2.0% in November).
- **Looking ahead to 2026, our current forecast for global CPI is 2.1%, already very close to the target value and therefore maintaining the disinflationary trend of 2025.** On the energy front, we foresee support for disinflation based on an average Brent price lower than that recorded in 2025, and on the food front, high cereal production and reserves should also support some relief in processed food products.

Total tourism revenues up to November already exceeded whole 2024

Number of guests

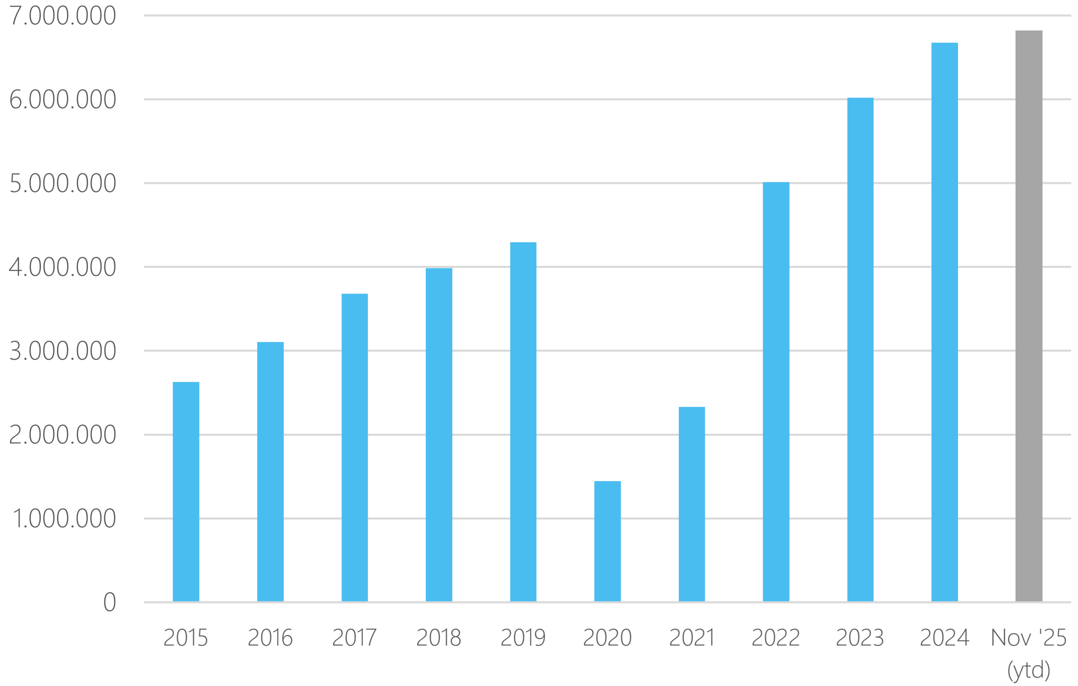
Jan-Nov 2025 yoy change (%)



Source: Caixabank Research, from INE.

Total revenues in tourist accommodation establishments

Thousand €



- **In November, the tourism sector recorded a year-on-year increase of 0.8% in guests and 1% in overnight stays.** In the first eleven months of the year, the number of tourists reached 30.5 million (11.7 million residents and 18.8 million non-residents).
- **In the first eleven months of the year, total revenues in tourist accommodation establishments already exceeded total revenues for the whole of 2024.** Total revenue in tourist accommodation establishments up to November grew by 7.2% compared to the same period in 2024, mainly driven by the dynamism in Madeira (18.3%), Alentejo (10.6%) and Azores (10.9%).

Q3 2025 extends strong house price appreciation

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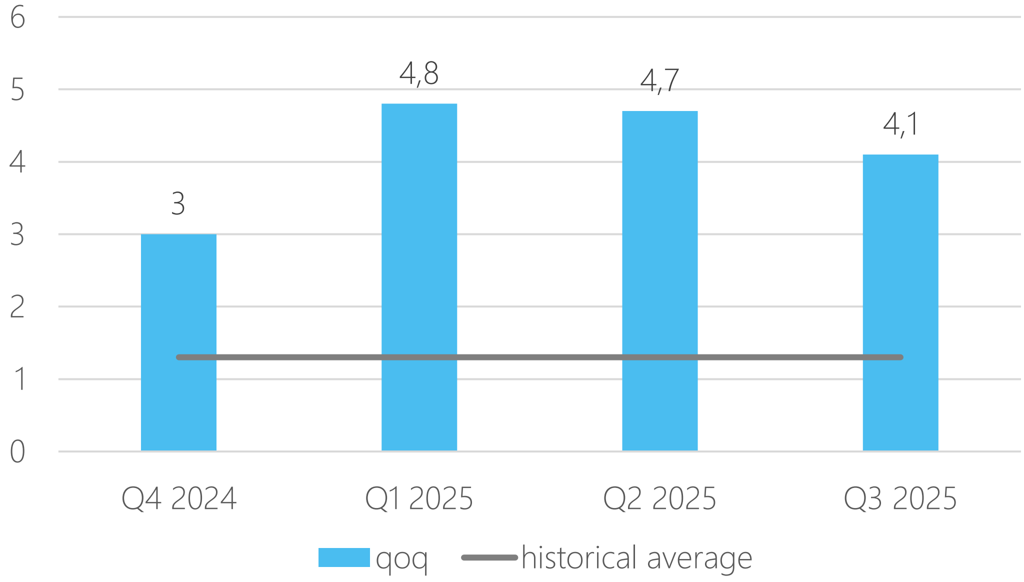
House Price Index

Quarter-on-quarter (%)



Source: Caixabank Research, using data from INE. ***Note****: historical average refers to the series quarter-on-quarter average up to Q4 2024.*

Bank appraisal of housing

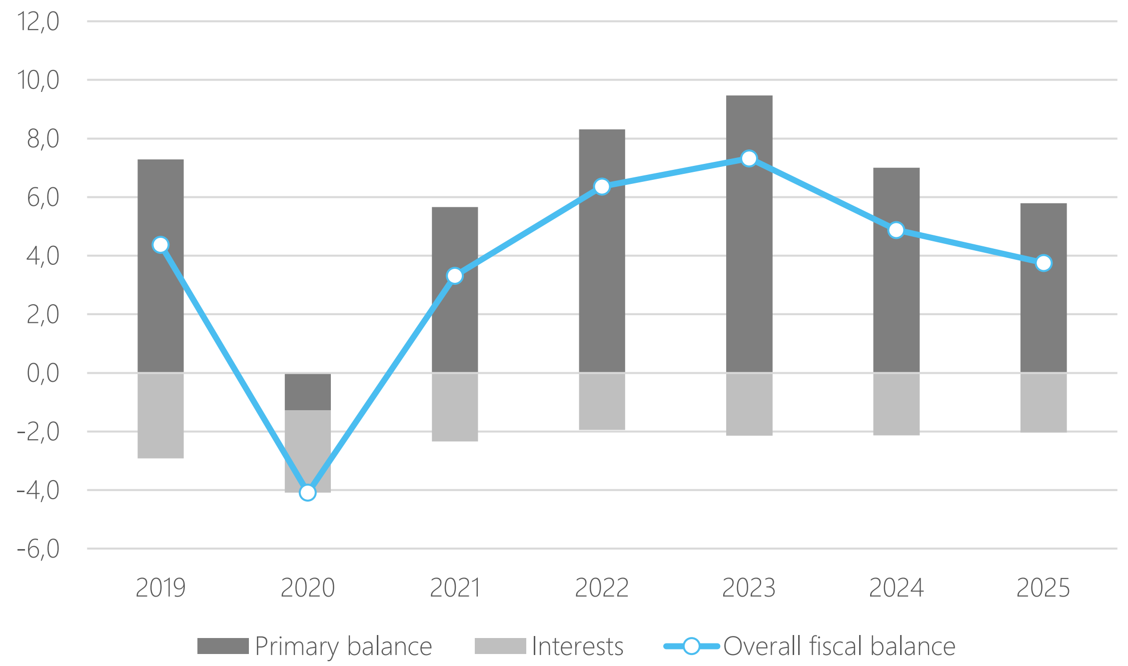
Yoy (%)

Source: Caixabank Research, using data from INE

- **In Q3 2025, the House Price Index recorded a year-on-year change of 17.7%.** On a quarter-on-quarter basis, the housing price index grew by 4.1%, six tenths less than in the previous quarter. With the release of this data, the average increase in house prices over the last 12 months stood at 15.7% (13.8% at the end of Q2 2025).
- **During the same period, 42,481 homes were sold, 3.8% more than in the same period last year and 7.4% more than in the same period in 2019.** In qoq terms, the number of transactions fell slightly (-1.0%), and the average price of homes sold rose to €247,100, up 3.2% on Q2 2025.
- **Other data already available and referring to Q4 2025 point to positive performance**. For instance, bank valuations in the context of mortgage lending rose by 18.4% year-on-year in November, and the median value per square meter (€2,060) is 17.9% higher than at the end of 2024. New mortgage lending also grew strongly, with an average value of €1.895 billion contracted monthly in the first ten months of the year.

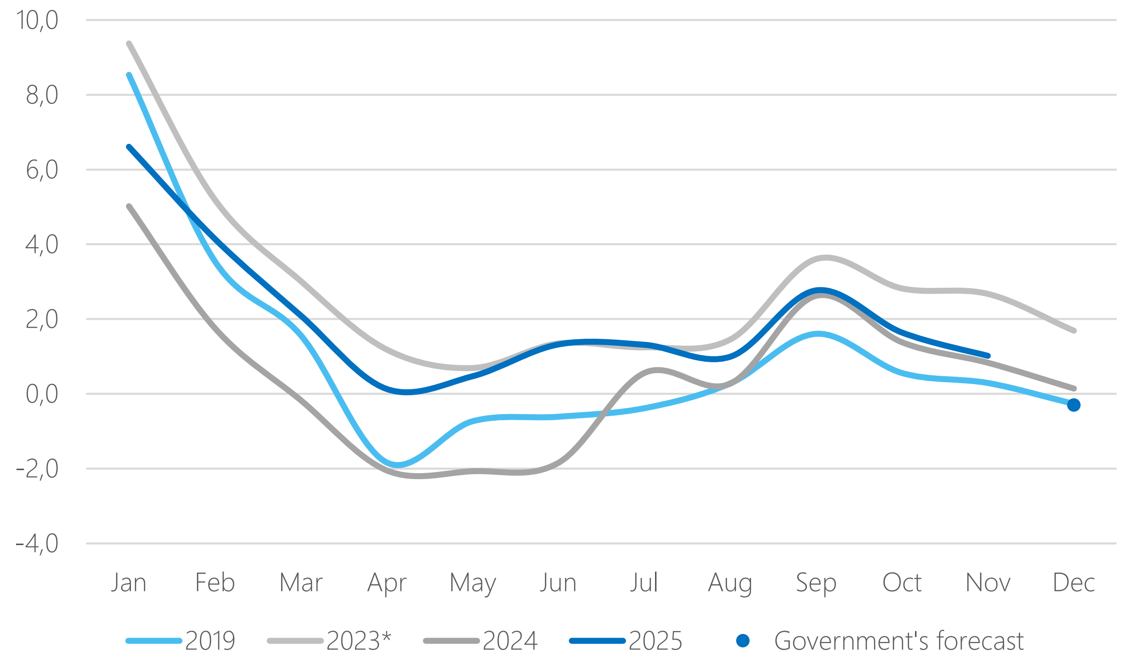
Budget execution throughout 2025 unveils another positive year

Budgetary execution of Public administration (accrual basis)
Q3 of each year (% of GDP)



Source: Caixabank Research, based on data from INE.

Budgetary execution pf Public Administration (cash basis)
(% of GDP)



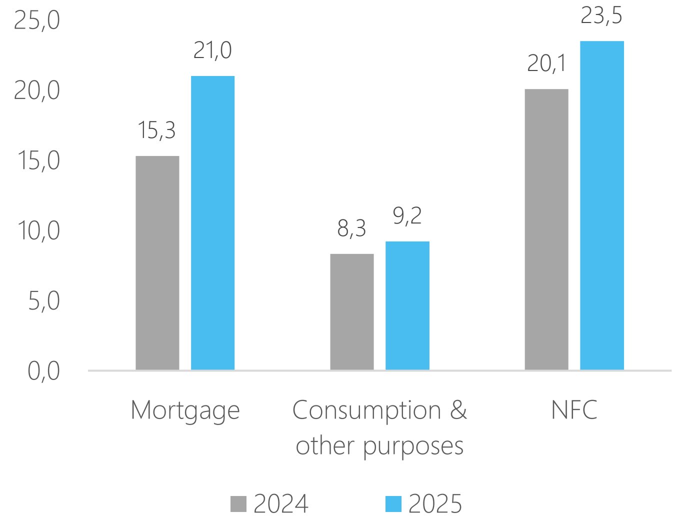
Note: (*) Data for 2023 is adjusted by the transfer from the CGD Pension Fund to the CGA. Source: Caixabank Research, from EO.

- **Public accounts remain in positive territory throughout 2025.** In fact, the fiscal balance stood at 3.8% of GDP in Q3, a lower surplus in comparison to the same quarter of 2023, explained by an increase in expenditure greater than the pace of revenues (10.8% and 7.7%, respectively). In line with monthly execution (in cash basis), fiscal and social contributions are the main drivers of revenues, while, on the other hand, social benefits and compensation of employees are exerting pressure on expenditure. Considering the data until Q3, the overall fiscal balance is at 2.0% of GDP.
- **Execution up to November remains positive**: fiscal balance stood at 1.0% of GDP or 2,836 M€ (0.8% or 2,202 M€ in the same period of 2024), with revenue increasing faster than expenditure, even though at lower margin (7.3% or +7,810 M€ vs. 6.9% or +7,180 M€). The main drivers of revenue were social contributions (+2,330 M€), VAT (+2,130 M€) and personal income tax (+1,280 M€). Relative to expenditure, half of increase is explained by compensation of employees (+2,110 M€, due to public wages updates) and current transfers (+2,420 M€).
- **Considering the data in accrual basis (until Q3) and cash basis (until November), we expect that the budgetary balance may end the year slightly above the Government forecast of 0.3% of GDP (in accrual basis)**, although there are still factors putting pressure on public finances in the last months of the year.

Banking system: private sector credit and deposits keep rising, and credit in % of GDP begins showing signs of recovery

New lending activity by sector

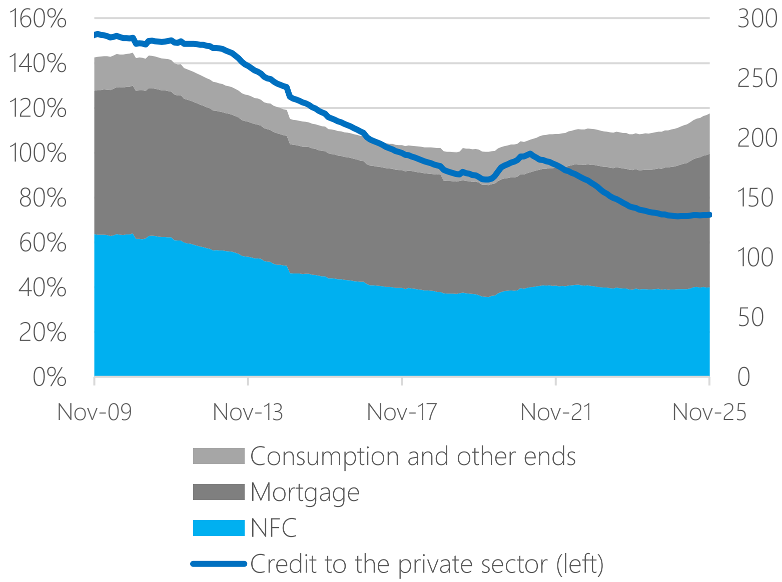
Accumulated in the year up to November, billion euros



Source: Caixabank Research, based on data from Bank of Portugal and ECB.

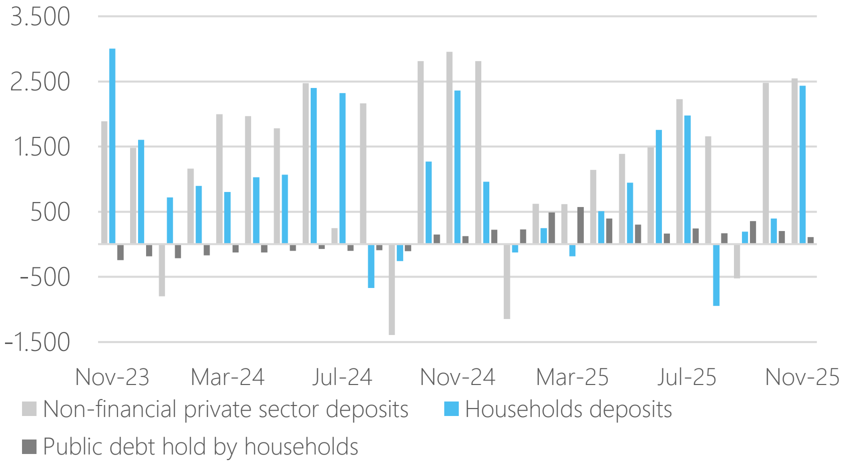
Bank credit to the non-financial private sector

% GDP *Bn€*



Deposits and public debt hold by families*

Monthly variation (M€)

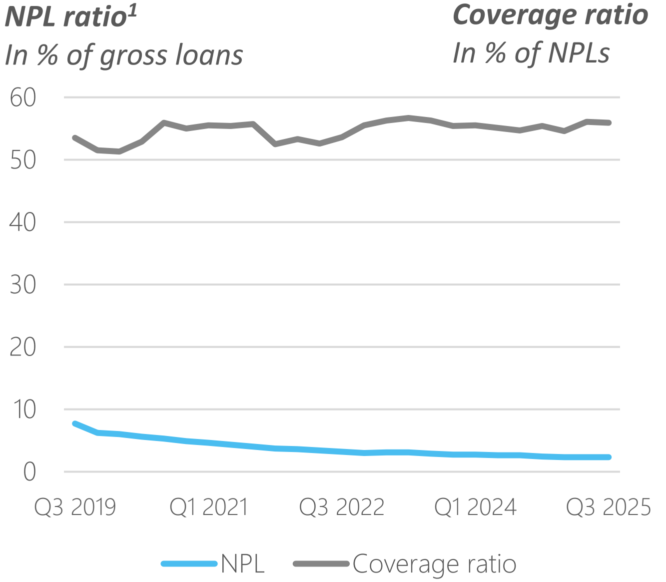


Notes (*): Public debt by households includes Certificados de Aforro and Certificados do Tesouro, which can only be subscribed by resident households. Source: Caixabank Research, based on data from Bank of Portugal.

- **The stock of credit to companies and households continues to increase:**
  - **Mortgage credit:** stock rose 8.9% in November, with new operations still increasing at double digit levels (+37.3% yoy until November). The amount recorded in November was the maximum of the series (started in December 2014). The decline in interest rates, as well as the impact of Government's measures (measures directed to young people with less than 35 years old - which represent ≈60% of the total amount of new contracts for permanent own housing - through a public state guarantee for 100% loan-to-value, exemptions from IMT (Mortgage Property Transfer Tax), Stamp Duty, and other support measures, such as the "You Have a Future in Portugal" plan). These measures are for young people up to 35 years old who do not own other properties, who are purchasing their first permanent home, and whose transaction value does not exceed 450,000 euros.
  - **NFC:** the outstanding credit added 2.8% in November, while new operations expanded by 17.1% yoy until November.
  - **% of GDP:** credit to non-financial private sector is now above 72% of GDP, clearly below past levels (≈150%).
- **Non-financial private sector deposits reached a new maximum:** the stock rose 5.9% yoy in November, reaching a new maximum. Both households' and NFC's deposits increased (4.3% and 10.6% yoy, respectively), and both are now at their highest level.

Banking system: deleveraging with high solvency and profitability

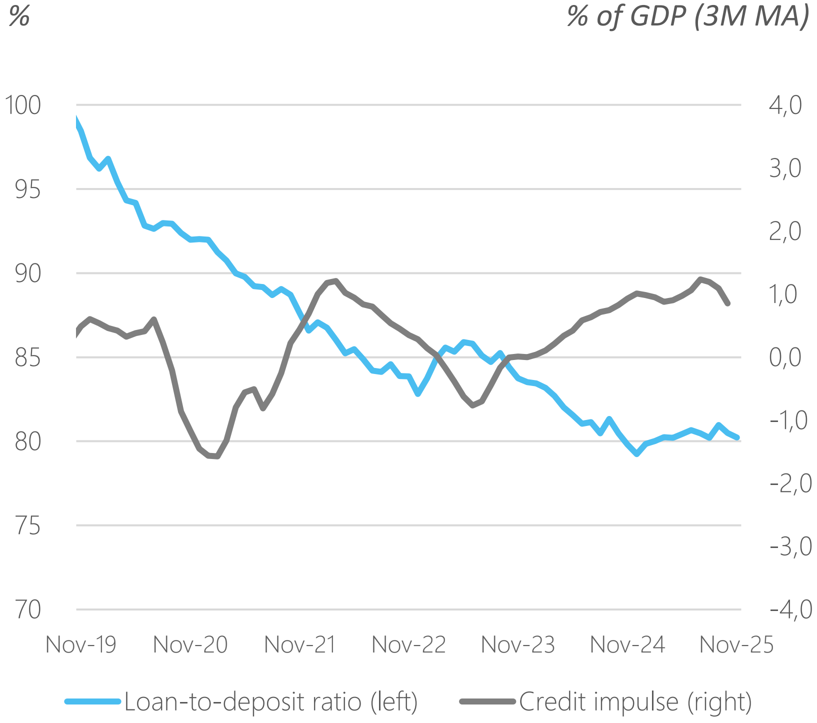
NPLs and coverage ratios



Cost of risk[1]
0.5% in Q4 2019
0.1% in Q3 2025

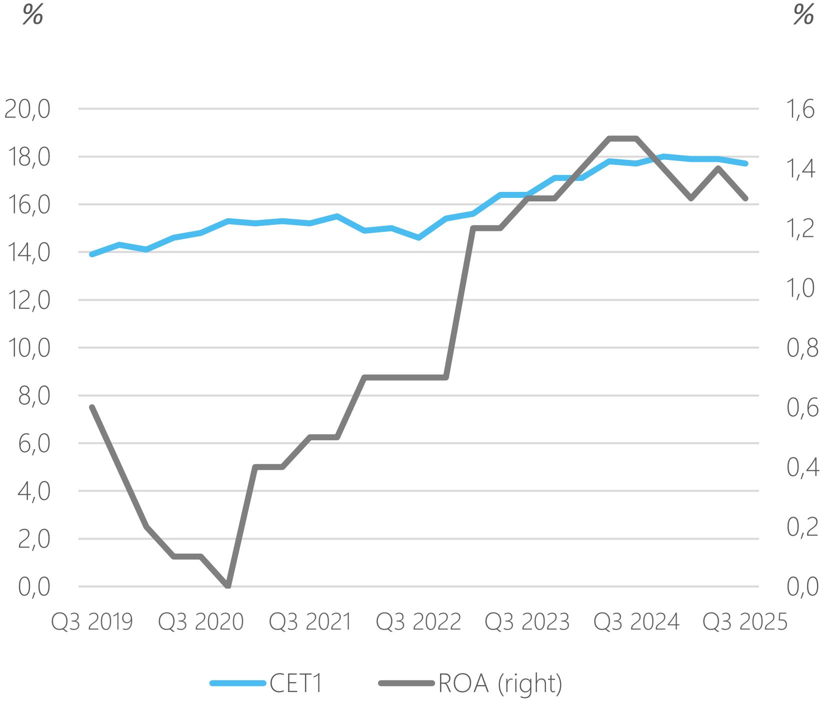
Notes: (1) flow of impairments to credit as a percentage of total gross loans.
Source: Caixabank Research, with data from Bank of Portugal.

Loan-to-deposit and credit impulse of private sector



Source: Caixabank Research with data from Bank of Portugal.

Banks' solvency and profitability



Source: Caixabank Research with data from Bank of Portugal.

- **NPLs ratio keep steady in Q3 for the 3rd consecutive quarter.** The total NPL ratio was stable at 2.3% in Q3 2025, while the ratio relative to NFC decreased by 0.2 p.p. to 3.8% and the one relative to households slightly fell to 2.1% (2.2% in Q2 2025). We are not expecting a deterioration of credit quality in the future.
- **Firms and households are deleveraging although at a slower pace.** Loan-to-deposit ratio keeps is increasing slightly but remains at levels below 80% and the credit impulse (yoy absolute change in new operations as % of GDP) decreased slightly in the last two months (September and October), but within a general increasing trend since 2024.
- **Profitability is slightly lower due to reduced interest rates but remains well above the pre-pandemic period.** CET1 decreased slightly to 17.7% (vs 17.9% in Q2 and 14.3% in Q4 2019). **The capital position of Portuguese banks provide buffers against the risks that could arise, due to geopolitical risks or any adverse unexpected event that could eventually impact NPL's**. The banking system ROA ratio increased in the last years and stood at 1.3% in Q3 2025 (vs. 1.5% in Q3 2024 and 0.4% in Q4 2019).