

A stylized map of Europe in shades of blue and black. The map is overlaid with a network of white lines and circles, suggesting a data-driven or analytical theme. Numerous small white dots are scattered across the map, some with numerical values next to them. Three prominent white lines originate from different points on the map and converge towards the right side of the image.

Portugal: Macroeconomic and financial outlook

CaixaBank Research

October 2026

PORTUGAL: MACROECONOMIC AND FINANCIAL OUTLOOK is a publication by CaixaBank Research that contains information and opinions from sources considered to be reliable. This document is for informative purposes only and CaixaBank is not liable in any way for any use made thereof. The opinions and estimates are those of the CaixaBank Research and are liable to change without prior notice.

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Activity

- ▶ **Geopolitical uncertainty, supply risks and low inventories continue to keep energy prices elevated.** Brent has traded at \$100–110/b since mid-September, while TTF averaged above €70/MWh in September. Futures point to Brent at \$91/b in 2026 and \$86/b in 2027, above our current forecasts of \$87/b and \$79/b. European gas futures stand at €56/MWh and €57/MWh, also above our forecasts of €53/MWh and €45/MWh.
- ▶ **The ECB raised the deposit rate by 25bp to 2.50% in September** and signaled that further tightening is likely, amid a worsening energy outlook and increased risks of a significant and prolonged deviation of inflation from target. We expect the deposit rate to reach 2.75% by end-2026 and 3.00% in spring 2027, while markets are pricing in a more aggressive path towards 3.25%.
- ▶ **Better than expected performance in Q3 and INE's revision of the GDP series justified upward revision in our growth prediction in 2026 to 2.3%, +0.5 p.p. than previously expected.** Domestic demand continue to be the main growth driver, with investment supported by NG funds and consumption by a strong labor market. Afterwards growth is seen to decelerate, reflecting the end of the NG funds and signs that the labor market have already registered its maximum levels. Main risks for activity in Portugal continues linked to the persistence of geopolitical tensions
- ▶ **Global CPI increased to 3.6% in September (3.3% in August).** Core inflation stood at 2.7%, stabilizing compared to the previous month. The acceleration of the CPI was almost entirely explained by the increase in fuel prices (15.4% in energy, according to flash estimates).
- ▶ **After strong momentum, the labor market is showing signs of consolidation and moderation.** The unemployment rate increased marginally to 5.7% in August (5.4% in July) and the number of employed people declined monthly for the first time since February. The yoy variation in employment (+46,4 thousand people) is the lowest since July 2024.
- ▶ **Public finances remain balanced, although risks are emerging.** On cash basis, the General Government budget balance recorded a surplus equivalent to 0.1% of GDP in the first 8 seven months of 2026, less 0.9 p.p. compared to the same period in 2025. This performance reflects expenditure growth (10.4%) outpacing revenue growth (7.9%). The main fiscal risk stems from the increase in rigid expenditure, especially related with pensions and personal costs. The expectation for 2027 is that this trend will persist.
- ▶ **Rating upgrade:** Portugal has regained an A+ credit rating from Fitch for the first time since March 2011, matching the grade attributed by S&P. The ratings agency upgraded Portugal from A to A+, with a stable outlook, citing stronger public finances, a sustained reduction in government debt and budgetary results “considerably stronger” than those of comparable countries.
- ▶ **Execution of RRP (Recovery and Resilience Plan) appears to be accelerating more significantly.** Up to now, Portugal received 17.2 billion euros, equivalent to 79% of the total amount of the RRP. Payments reached 14.18 billion (88% of the total amount received from RRP), but only 69% of the approved projects.

Banking Sector

- ▶ **Profitability and solvency remained robust in the first half of 2026.** CET1 raised to 18.2% in Q2 (vs 14.3% in Q4 2019) and ROA kept unchanged at 1.3%. The capital position of Portuguese banks provides buffers against risks that could arise, due to geopolitical tensions or any adverse unexpected event that could eventually impact NPL's.

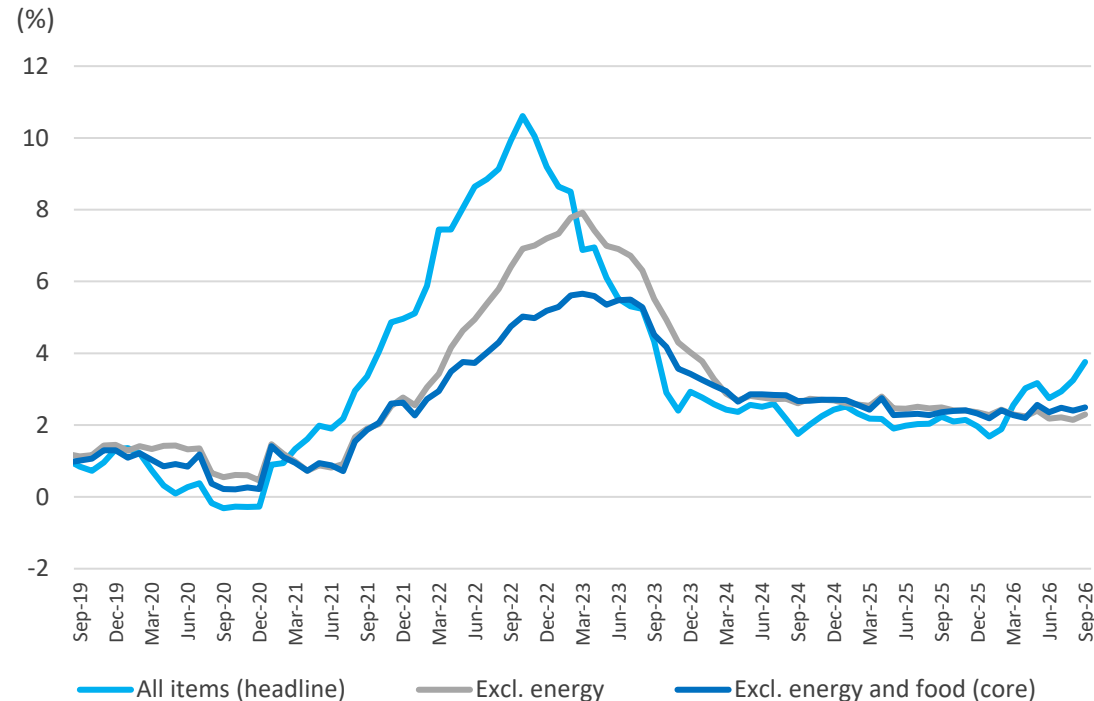
Main economic forecasts

%, yoy	2017	2018	2019	2020	2021	2022	2023	2024	2025	Forecasts	
										2026	2027
GDP	3,3	2,9	2,7	-8,2	5,6	7,0	3,1	2,1	1,9	2,3	1,9
Private Consumption	1,8	2,6	3,5	-6,8	4,9	5,6	2,3	3,0	3,5	1,9	1,8
Public Consumption	0,1	0,5	2,1	0,4	3,8	1,7	1,8	1,5	1,6	1,4	1,1
Gross Fixed Capital Formation (GFCF)	11,6	6,2	5,5	-2,3	7,8	3,3	6,0	3,8	3,7	6,5	1,7
Exports	8,4	4,3	4,0	-18,4	12,1	17,2	4,2	3,1	0,4	2,2	2,9
Imports	8,0	4,9	5,1	-11,6	12,3	11,3	2,3	4,8	4,3	4,0	2,1
Unemployment rate	9,2	7,2	6,6	7,0	6,7	6,1	6,5	6,4	6,0	5,7	5,7
CPI (average)	1,4	1,0	0,3	0,0	1,3	7,8	4,3	2,4	2,3	3,0	2,4
External current account balance (% GDP)	1,5	0,8	0,8	-0,7	-0,7	-2,0	0,6	2,2	1,2	0,4	0,6
General Government Balance (% GDP)	-3,0	-0,4	0,1	-5,8	-2,8	-0,3	1,1	0,6	0,7	-0,2	-0,4
General government debt (% GDP)	126,0	121,1	116,1	134,1	123,9	111,2	96,9	93,5	89,7	86,3	83,2
Housing Prices	9,2	10,3	10,0	8,8	9,4	12,6	8,2	9,1	17,6	15,7	6,6
Risk premium (PT-Bund) (average)	269	138	100	90	60	100	70	62	44	38	45

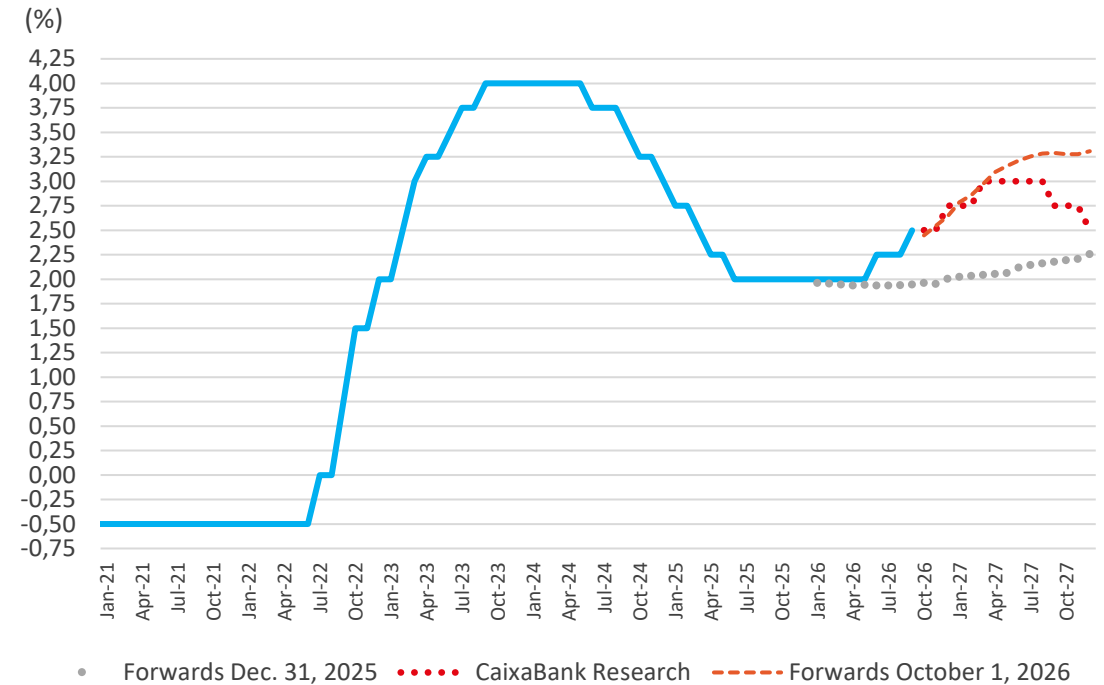
Source: Caixabank Research.

The ECB takes another step into its “measured tightening”

Euro area: HICP inflation



ECB deposit rate

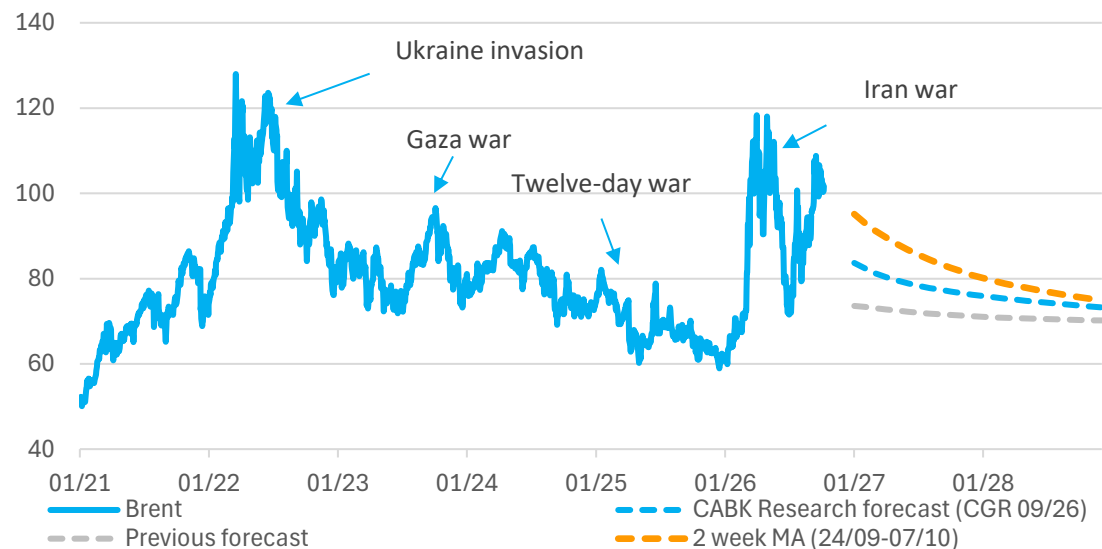


- ▶ **The ECB hiked in September (depo at 2.50%) and sent hawkish signals.** Tighter policy is driven by the worsening outlook for energy prices and the higher risks of a significant and prolonged inflation deviation from target. Reflecting the outlook’s dependency on geopolitical events that can change swiftly, the ECB continued to stick to a “meeting-by-meeting, data dependent” approach. Yet, ECB communications suggest that there is a low bar for (at least) one more rate hike, including ECB estimates showing monetary policy becomes restrictive only when the depo reaches 2.75%, and a broad set of ECB scenarios suggesting a depo at 2.75% or even 3.00% would be a robust move given the euro area activity’s resilience.
- ▶ **We see the ECB hiking to 2.75% by end-2026 and to 3.00% in spring 2027.** We expect the ECB to start normalizing rates by the end of 2027, amid a strong drag from energy base effects on headline inflation and limited indirect and second round effects. Market expectations are more aggressive (depo at 3.25% for a prolonged time) and would be consistent with a scenario of stronger underlying inflationary pressures. So far, there is little evidence of such indirect inflation effects, but the Middle East conflict is key to the economic outlook, and it can change in fast and abrupt ways. The longer the stress on energy prices, the greater the chances of spillovers on the broad HICP basket. At the same time, markets have already shown that oil and gas prices can fall fast in response to (expectations of) improvements in energy flows (as they did last June with the U.S.-Iran memorandum of understanding).

Energy prices remain high, as the US-Iran conflict has no end in sight

Brent oil prices and futures

\$ per barrel

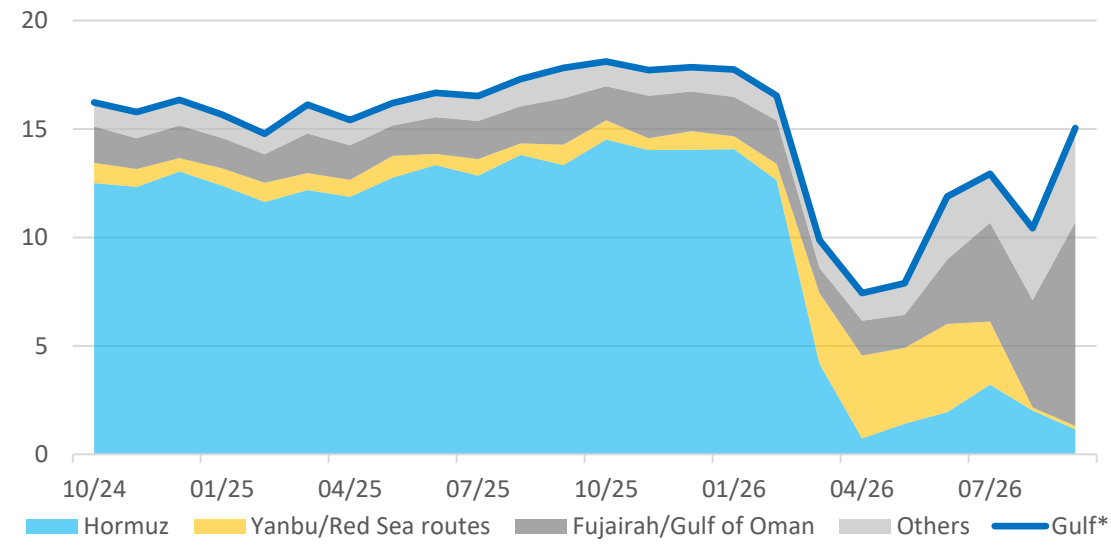


Note: Graph elaborated with data as of October 7th.

Source: CaixaBank Research, based on data from Bloomberg.

Crude oil flows from Gulf countries

Mbpd



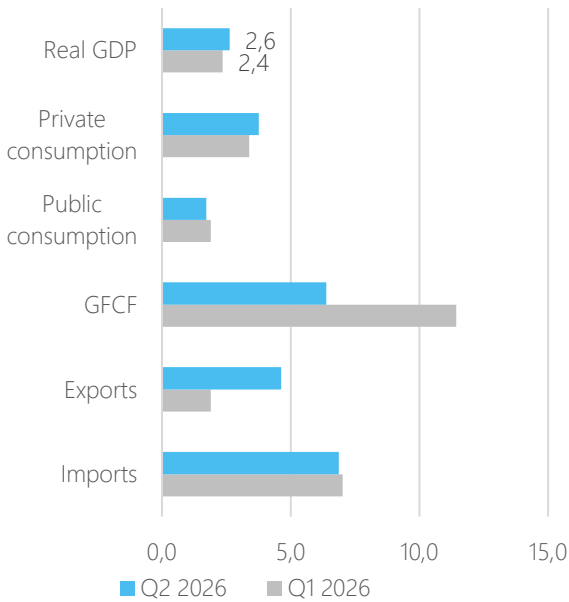
Note: Graph elaborated with data as of September 30th. (*) Preliminary data for September, subject to revision.

Source: CaixaBank Research, based on data from Vortexa (via Bloomberg).

- ▶ **Geopolitical uncertainty, supply risks and global inventories near record lows continue to weigh on energy prices.** Brent prices have remained elevated over recent weeks, with front-end contracts trading within the 100-110\$ per barrel range since mid-September. Futures contracts point to an average of 91\$/b in 2026 and 86\$/b in 2027 (our forecast: 87\$/b and 79\$/b, respectively). Meanwhile, Houthi attacks in Saudi Arabia have practically halted oil flows in Red Sea routes, but shipments from Gulf countries have recovered to close to pre-war levels in September. While **opacity in shipments' tracking data** has increased, record-high departures from the port of Fujairah in September indicate that (shadow) traffic through SoH has indeed improved, as UAE's pipeline flows also remain high. Recent data for October also point to a modest recovery in flows from Saudi Arabia. While refined products' markets remain strained, the recent announcement of a 100-million-barrel release by G-7 countries and the apparent U-turn by the US administration to impose an export ban on diesel has minimized fears of a supply-crunch and moderated margins in these segments, still near record-highs.
- ▶ **Gas prices remain very high, with the average TTF price in September exceeding 70€/MWh.** Futures contracts currently point to an average of 56€/MWh in 2026 and 57€/MWh in 2027 (our forecast: 53€/MWh and 45€/MWh, respectively). This increase reflects the combination of lower-than-expected LNG supplies and stronger electricity demand. EU gas reserves now stand close to 70%, a seasonal low (average 2023-25 c. 90%), which will keep upward pressure on the European gas market into 2027.
- ▶ **While a reduction in geopolitical tensions could lead to some correction in oil and gas prices, risks remain tilted to the upside.** With US-Iran negotiations apparently at a standstill, further escalation could heighten uncertainty over supply security, while low global inventories and the vulnerability of key transport routes continue to pose significant upside risks to energy prices.

Positive data and INE's updates pushed up expected GDP growth

Portugal: demand components yoy (%)



Source: BPI Research, from Datastream data

Source: CaixaBank Research based on Portuguese INE.

New BPI's macroeconomic scenario (%)

		2025	2026	2027	2028	Acum 2026-2028
GDP	sep-26	1,9	2,3	1,9	1,8	6,1
(annual growth)	jul-26		1,8	1,8	1,8	5,5
Unemployment rate	sep-26	6,0	5,7	5,7	5,6	-0,4
(% labour force)	jul-26		5,7	5,7	5,6	-0,4
Employment rate	sep-26	3,2	2,4	1,3	1,2	5,0
(annual growth)	jul-26		2,2	1,3	1,2	4,8
Global inflation	sep-26	2,3	3,0	2,4	2,0	7,6
(annual average)	jul-26		2,9	2,3	2,0	7,4
Core inflation	sep-26	2,2	2,4	2,2	1,9	6,6
(annual average)	jul-26		2,4	2,2	1,9	6,6
Housing prices	sep-26	17,6	15,7	6,6	2,8	26,8
(annual growth)	jul-26		15,7	6,6	2,8	26,8

Source: CaixaBank Research forecasts.

Other institutions forecasts for GDP (%)

		2025	2026	2027	2028	Accum. 25-27
BPI	Sep/26	1,9	2,3	1,9	1,8	6,1
Bank of Portugal	Oct/26		2,3	1,8	1,8	6,0
NECEP	Oct/26		2,2	1,5	1,9	5,7
EIU	Sep/26		2,1	1,7	1,5	5,4
CFP	Sep/26		2,2	1,8	1,7	5,8
IMF	Jun/26		1,7	1,6	1,8	5,2
OECD	Jun/26		1,8	1,7	-	-
Focus Economics	Jun/26		2,0	1,8	1,9	5,8
European Commission	May/26		1,7	1,8	-	-

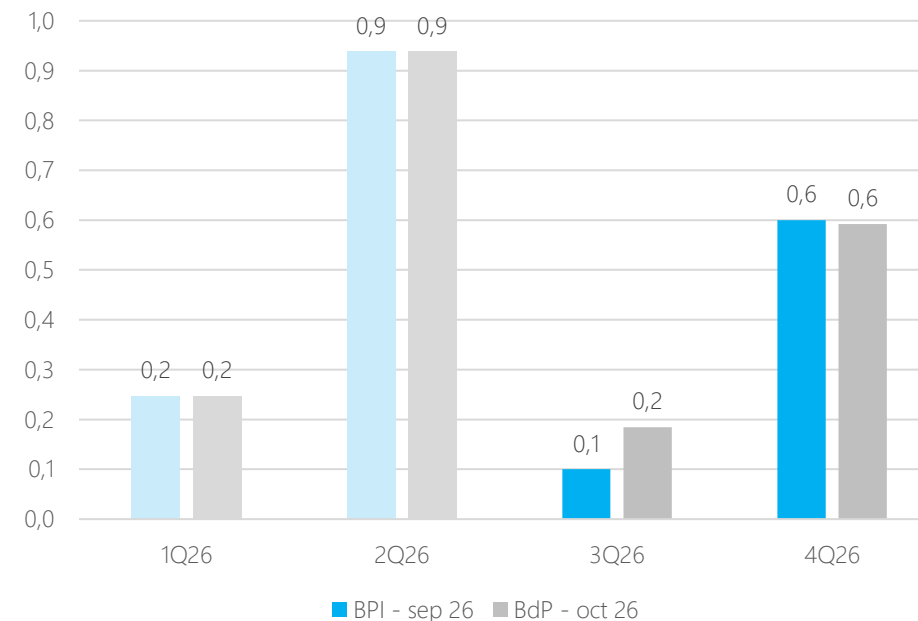
- **Why our growth forecasts for 2026 was increased in 5 tenths:** 1) INE revised GDP series resulting in a higher estimate of economic growth in 2024, now at 2.7% (+0.5 percentage points compared with the previous estimate). Preliminary revision of the 2025 series did not change previous data, **but it had a positive impact on growth in the first half of 2026, raising year-on-year GDP growth in the period to 2.5%, from 2.4% prior to the revision.** 2) **GDP in Q2 performed much better than anticipated, growing 0.9% qoq and 2.6% yoy.** Domestic demand was the main driver of growth in the period. This together with the favorable performance of the indicators available for Q3 and the government's announcement of new fiscal stimulus measures in Q4, namely the reduction in personal income tax rates with retroactive effect to January and an extraordinary bonus for pensioners, (c. €800 million) boosting household income, led BPI Research to revise its 2026 real GDP growth forecast upwards to 2.3%, from 1.8% previously.
- Bank of Portugal has revised its macroeconomic scenario in October, bringing its GDP growth forecast to levels broadly in line with those of BPI Research. Likewise, other institutions have already incorporated the Q2 GDP data (including the EIU and the CFP) as well as the upward revision of the national accounts series by Statistics Portugal (NECEP).

Q3 indicators are reflecting moderate expansion

yoy, level		Q2 26	Q3 26	Jul/26	Aug/26	Sep/26
Synthetic indicators	Economic climate indicator	2,8	2,8	2,8	2,9	2,7
	Economic sentiment indicator	101,6	102,4	103,0	101,9	102,3
	Daily economic indicator	1,3	0,7	1,1	0,5	0,5
Consumption	Consumer confidence	-25,9	-20,6	-19,5	-20,1	-22,3
	Wholesale and retail trade (yoy)	3,5	2,5	2,6	2,4	-
	Retail sales excl. fuels (yoy)	4,5	3,2	3,1	3,3	-
	Card withdrawals and purchases deflated (yoy)	7,4	6,7	8,9	4,6	-
	Car sales (yoy)	11,8	9,0	3,5	8,4	15,2
Investment	GFCF indicator	6,6	8,8	8,8	-	-
	Imports of capital goods	16,6	15,1	15,1	-	-
Supply	Confidence in industry	-4,4	-4,3	-4,1	-4,7	-4,1
	Confidence in construction	4,3	4,5	5,1	6,1	2,3
	Confidence in retail	4,2	1,7	2,3	1,5	1,4
	Confidence in services	8,5	8,8	7,4	8,6	10,5
	Cement sales	9,7	8,3	6,8	9,9	-
Demand	Industrial production	-0,8	-2,3	-0,8	-3,8	-
	Electricity consumption adjusted for temperature&working days	2,5	2,4	1,7	2,1	3,3
	Non-resident tourists (yoy)	1,4	0,5	-0,8	1,9	-
	Number of flights (yoy)	1,1	1,3	1,5	2,0	0,4
Labour market	Change in regist. unemployment (thousand people)	-28,5	-25,8	-23,7	-27,9	-
	Change in employment (thousand people)	127,7	64,2	81,5	46,9	-

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

GDP quarter-on-quarter growth in 2024: BPI vs BoP (%)



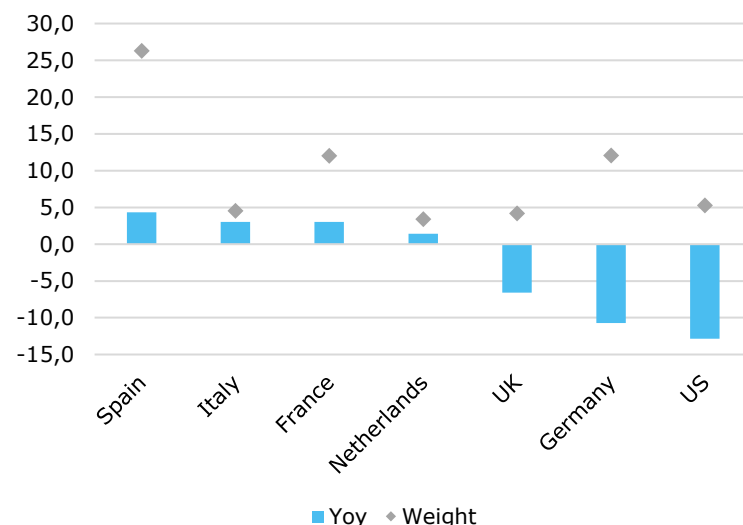
Source: Caixabank Research based on Portuguese INE.

- ▶ **The most recent indicators are showing growth moderation but are still favorable overall.** Consumption (accounting for over 60% of GDP) remains the primary growth driver and the trend continues to be positive, but sentiment deteriorated in September, reflecting higher concerns about prices evolution. Other indicators, such as retail sales and car sales continue to suggest that consumption is performing well, supported by increases in employment and declines on the unemployment. Confidence continues weak on industry and is showing some deterioration on the other sectors.
- ▶ Bank of Portugal is marginally more optimistic regarding growth in Q3.

Exports with good performance in 2026 but losing share in some markets

Goods' exports: main destinations

Yoy or weight of the cumulative figures to July (%)



Source: CaixaBank Research, based on data from INE.

Details on goods' exports: main items

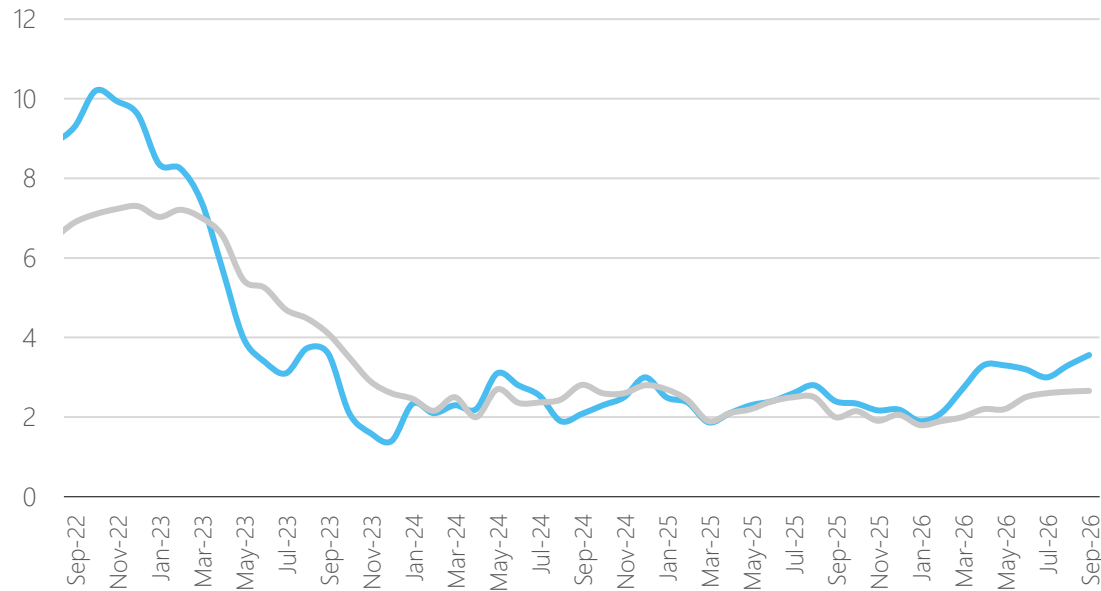
Yoy or weight of the cumulative figures to July (%)

	Yoy vs. 2025 (%)				Weight in 2026 (%)			
	World	Germany	US	UK	World	Germany	US	UK
Total	2,5	-10,7	-12,8	-6,6	100,0	100,0	100,0	100,0
Machines and equipment	9,7	15,1	1,4	8,4	16,5	32,4	11,5	14,5
Transport material	-0,3	4,4	20,2	-28,2	12,9	19,4	1,3	20,4
Base metals (iron, copper, steel, ...)	12,3	-9,2	62,2	5,5	8,6	4,9	7,5	8,4
Mineral products	24,4	12,9	4,7	-46,6	8,4	0,3	18,5	1,8
Textiles	3,2	-1,6	2,7	-3,5	7,0	4,8	10,2	9,9
Plastic and rubber	6,2	0,2	-23,0	12,8	7,0	6,4	7,5	6,5
Chemicals	-28,8	-68,5	-46,5	6,7	6,5	7,7	18,5	3,5
Food, beverages and tobacco	1,3	2,1	-7,1	-0,6	6,3	2,0	3,6	8,7
Wood, paper and related products	-5,8	-5,3	48,2	-5,8	3,7	1,7	2,7	4,9
Other goods	1,2	-22,9	-19,5	17,8	3,0	1,3	2,8	3,4
Vegetables	-0,7	0,1	-6,8	11,9	2,9	2,1	0,2	2,6

- **In cumulative terms up to July 2026, exports of goods are characterized by a recovery from the slight drop of the previous year, increasing by 2.5% (-0.3% in 2025).** This is the best performance since 2023, having been supported by an easing of tensions over tariffs and trade policies and considered benign in the current context of high geopolitical uncertainty and instability in energy and commodity markets. However, the reorientation of US trade policy over the past year is having an adverse impact on some of the main destinations for Portuguese exports, namely the UK, Germany and the US, which recorded yoy decreases of -6.6%, -10.7% and -12.8%, respectively. These countries are among the 7 largest export markets, with weights of 4.2%, 12.1% and 5.3%.
- **Analyzing the export breakdown, the overall performance was driven by some product categories (e.g. mineral products and metals), but limited by others, namely chemicals (-28.8% yoy in total) and wood, paper and related products (-5.8%).** Focusing on the three main destinations with reductions, we see that exports in:
 - **Germany:** pressured by base metals (-9.2%), wood and related (-5.3%), other goods (-22.9%) and, mainly, chemicals (-68.5%), which weigh 7.7% in the total exported to this destination;
 - **United Kingdom:** wood and related (-5.8%), textiles (-3.5%) and, mainly, mineral products (-46.6%, although they weigh 1.8% in this market) and transport material (-46.6%, weighing 20.4%);
 - **US:** pressured by food, beverages and tobacco (-7.1%), other goods (-19.5%) and, mainly, plastics and rubber (-23%, weighing 7.5%) and chemicals (-46.5%, weighing 18.5%).
 - In the detail of products from the chemical industries (i) for Germany, these were most affected by pharmaceuticals (-72.5%), essential oils (-30.4%) and soaps and surface organic agents (-38.7%). In the case of (ii) USA, the poor performance of this sector was due to multiple products: organic chemicals (-24.4%), pharmaceuticals (-51.8%), fertilizers (-94.2%), extracts (-25.4%), essential oils (-32%) and soaps and organic agents (-14.7%), some of them affected by tariffs.

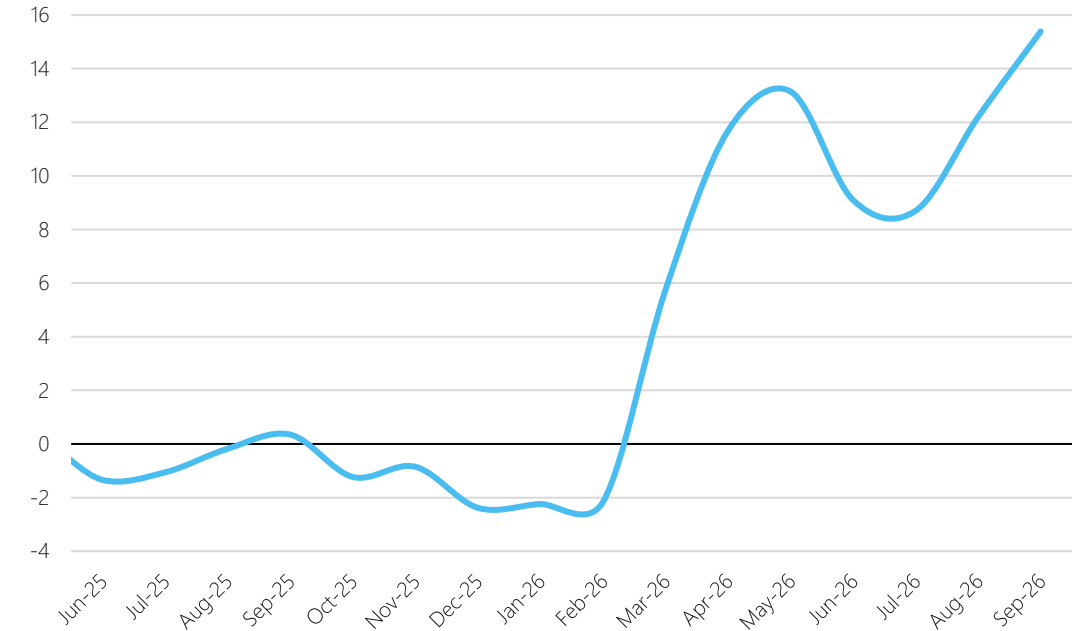
Again, energy inflation boosts global CPI in September (flash estimates)

Inflation: Headline and Core
Year-on-year (%)



Source: CaixaBank Research, from INE.

Energy: price index
Year-on-year (%)



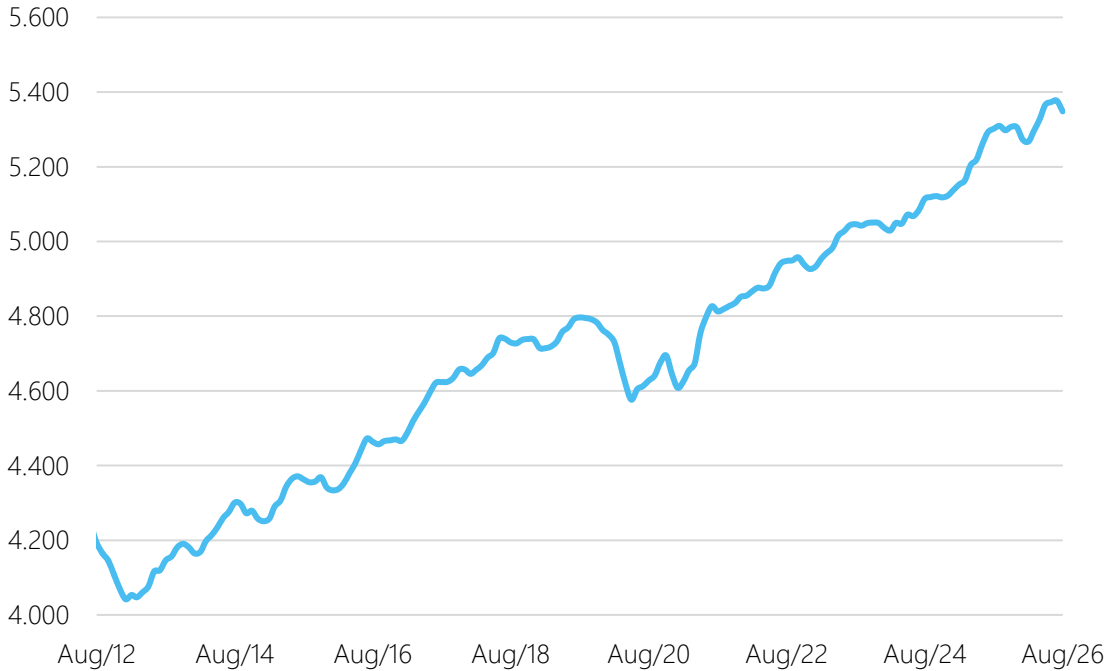
Source: CaixaBank Research, from INE.

- ▶ **The year-on-year rate of change of September flash estimate for CPI stood at 3.6% (3.3% in August 2026).** The core inflation rate just changed marginally: excluding the most volatile products – unprocessed food and energy – prices increased by 2.66% year-on-year (+0.02 p.p. compared to August).
- ▶ **The acceleration of CPI in September was almost entirely explained by the increase in fuel prices.** In fact, energy prices increased 15.4% year-on-year, with details of the contributions and final estimates arriving later.

Employment is showing signs of consolidation and moderation

Employed population

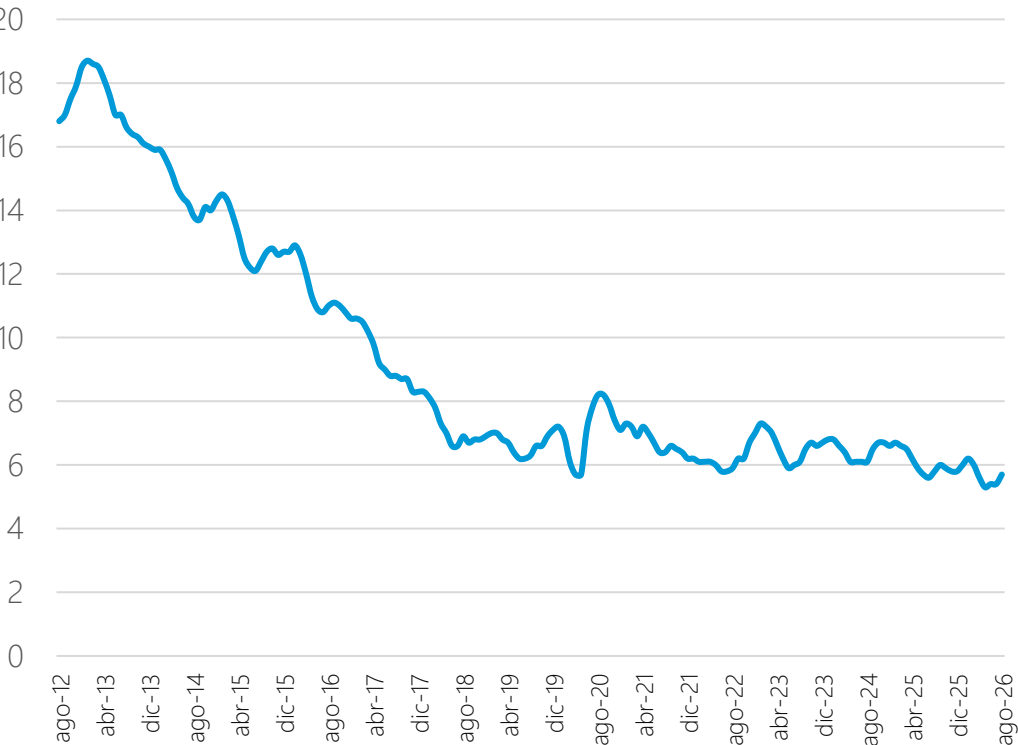
Number of people ('000 individuals)



Source: Caixabank Research, from INE.

Unemployment rate

(%)



- ▶ **The unemployment rate raised to 5.7% in August** and the number of unemployed increased to 323.2 thousand people, 4.9% less than in July and -1.0% compared to August 2025.
- ▶ **In turn, the employed population decreased for the first time since February (in mom terms) and is showing signs of moderation**, since the yoy variation (+46,4 thousand people) is the lowest since July 2024. In August, the employed population stood at 5,348 thousand people. This suggests that the labour market remains robust, although with signs of stabilization in the level of employment at around 5,300 thousand individuals.

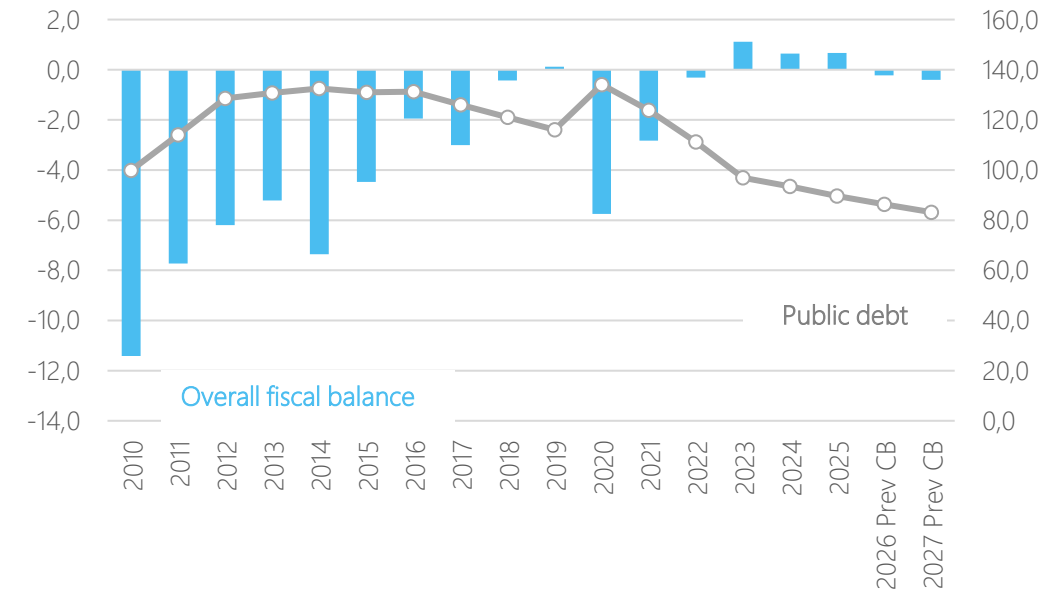
Public finances remain balanced, although risks are emerging

Public accounts (main items)

January-August	2019	2024	2025	2026	Var. 2026 vs 2019	Average Growth Rate 2019-2025 (%)*	Growth Rate 2025- 2026 (%)
Revenues	40.0	38.6	39.3	42.4	2.4	6.0	7.9
Fiscal revenues	22.9	21.0	21.6	22.7	-0.2	5.3	4.9
Social security contributions	10.2	10.7	10.9	11.7	1.5	7.5	6.8
Expenditure	39.7	38.3	38.3	42.3	2.6	5.3	10.4
Staff costs	9.6	9.3	9.6	10.1	0.5	6.0	5.5
Current transfers	17.2	17.4	17.2	18.1	0.9	6.0	5.3
Aquisition of goods & services	5.5	5.4	5.2	6.1	0.6	4.7	18.3
Interests	3.9	2.5	2.3	2.5	-1.3	-3.1	10.4
Investment	1.9	2.1	2.3	3.3	1.5	9.4	47.5
Primary current expenditure	33.3	33.0	33.1	35.5	2.1	5.8	7.3
Budget balance	0.3	0.3	1.0	0.1	-0.2	-0.2	-

Source: Caixabank Research, based on data from DGO and INE.

Overall fiscal balance and public debt (% of GDP)



- ▶ **The General Government budget balance recorded a surplus equivalent to 0.1% of GDP in the first eight months of 2026**, less 0.9 percentage points compared with the same period in 2025. This performance, reflects expenditure growth (10.4%) outpacing revenue growth (7.9%). Even excluding the settlement of NHS (SNS) arrears, expenditure would still have increased by 8.9%.
- ▶ **The main fiscal risk stems from the increase in rigid expenditure: in 2026, the increase in rigid expenditure mostly exceeded revenue growth.** Nevertheless, August brought a boost to revenue growth, with current revenues increasing 5.5 billion euros (moved mainly by indirect taxes and social contributions) while current expenditure increased 5.4 billion.
- ▶ **The expectation for 2027 is that this trend will persist. The government has already indicated that , without further measures, the cost of invariable policies stands at €4.8 billion. The largest contribution comes from higher pension expenditure (accounting for 42% of the deterioration in the balance), followed by personnel expenditure (26%) and interest expenditure (16%).**
- ▶ After the presentation of the 2027 budget proposal, some highlights are the maintenance of supporting measures for the younger people (extension of public guarantee to 2027, and a revision of the upper limit for tax exemption on the house purchase), in addition to the extraordinary (extra-budgetary) reduction of income tax rates in the first 6 brackets (corresponding to a tax relief of approximately 400 million). **The government points to a zero balance in 2026 and a surplus of 0.1% of GDP in 2027 (public debt decreases to 84.5% of GDP, despite the upward pressure on financing costs). Economic growth projections are 2.3% in 2026 and 2.1% in 2027, in line with our own forecast for this year but slightly optimistic for 2027 (BPI expects GDP to grow 1,8%).**

RRP: execution starts to accelerate (69% of total program)

Approvals and payments to direct and final beneficiaries

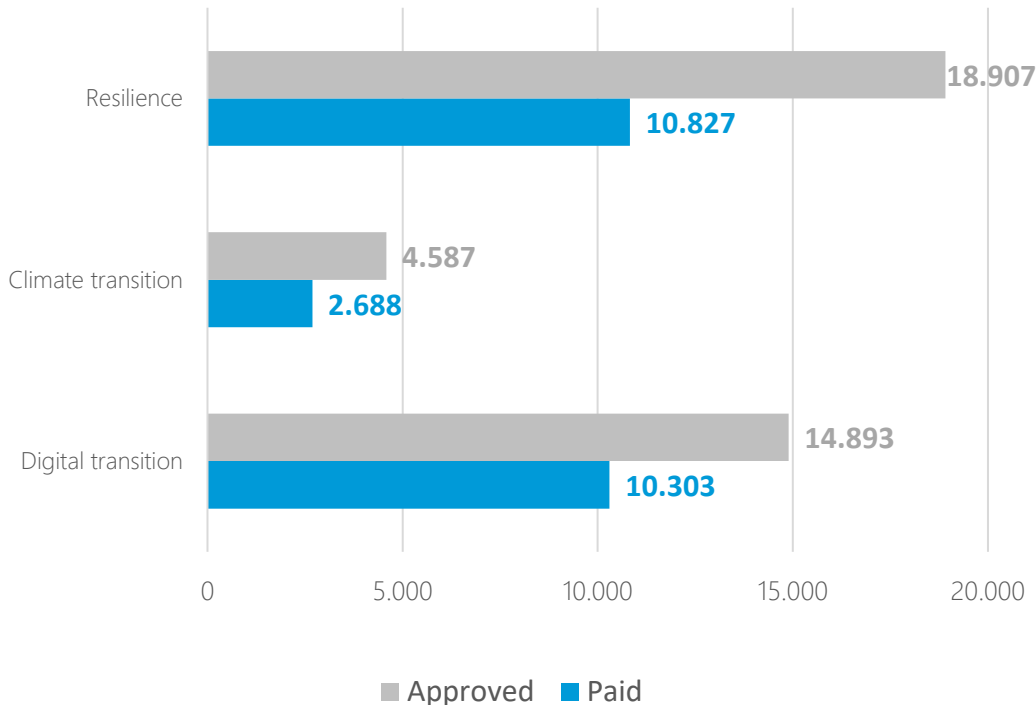
(Up to September 30th)	Approved (EUR million)	Paid (EUR million)	Paid rate
Families	500	387	77,4
Social and solidarity economy institutions	884	519	58,7
Firms	9 014	5 435	60,3
<i>Excl. R&I System Non-firms</i>	7 807	4 435	56,8
<i>R&I System Non-firms in consortium with firms</i>	1 206	849	70,4
Institutions of the scientific and technological system	735	447	60,8
Higher Education Institutions	998	592	59,3
Schools	995	666	66,9
Municipalities and metropolitan areas	4 733	2 500	52,8
Public entities	4 742	3 007	63,4
Public firms	2 589	1 626	62,8
Total * (million euros)	25 190	15 179	60
(% total RRP)	107%	69%	

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

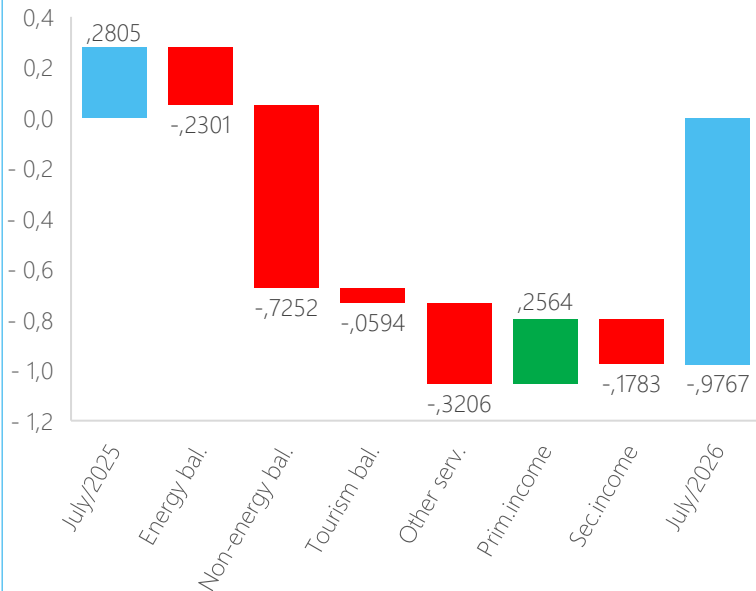


- ▶ Up to now, Portugal received 17.2 billion euros, equivalent to 79% of the total amount of the RRP. Projects already approved amount to 25.19 billion euros (which includes RRP funds, amounting to 23.54 billion euros, and other sources of financing, totaling 1.65 billion euros) and payments reached 15.18 billion (88% of the total amount received from RRP), but only 69% of the approved projects.
- ▶ At the same time, the rate of implementation of the funds is starting to accelerate more significantly and is expected to increase this year, 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.

Current account balance worsened considerably up to July

Current account up to July 2026

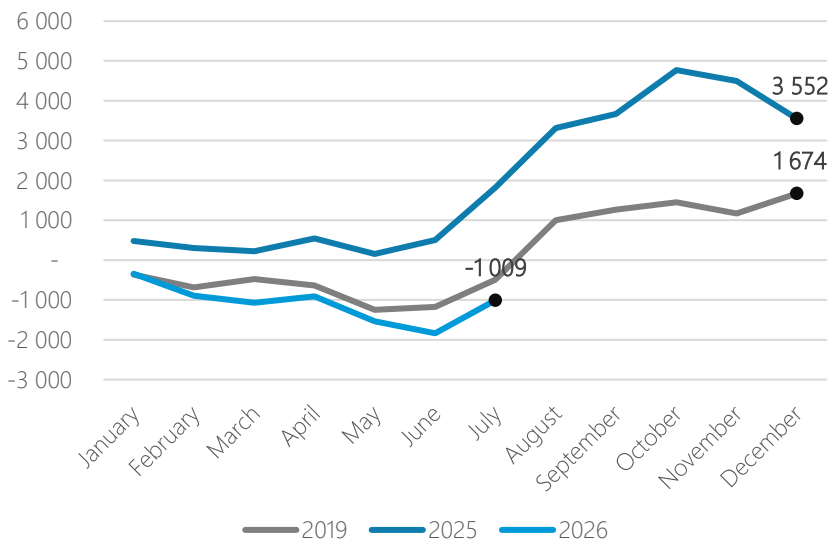
% of GDP and percentage points change



Source: Caixabank Research, from BoP.

Current account up to July 2026

In million euros



Source: Caixabank Research, from BoP.

Portugal: exports and imports change

Ytd July 2026

	Exports	Imports
annual change (%)	5,5	9,3
Contribute (p.p.)		
Goods	6,1	4,6
Non-energy	5,2	7,5
Energy	21,4	22,6
Services	4,6	10,8
Tourism	3,6	5,5
Others	5,5	12,5
annual change by region/country (%)		
Euro area	5,0	8,8
Goods	5,1	7,7
Spain	6,0	7,7
Goods	4,2	6,3
Germany	5,5	11,0
Goods	5,9	9,6
US	2,1	11,4
Goods	2,8	13,6
Asia	6,9	4,0
Goods	9,0	2,9

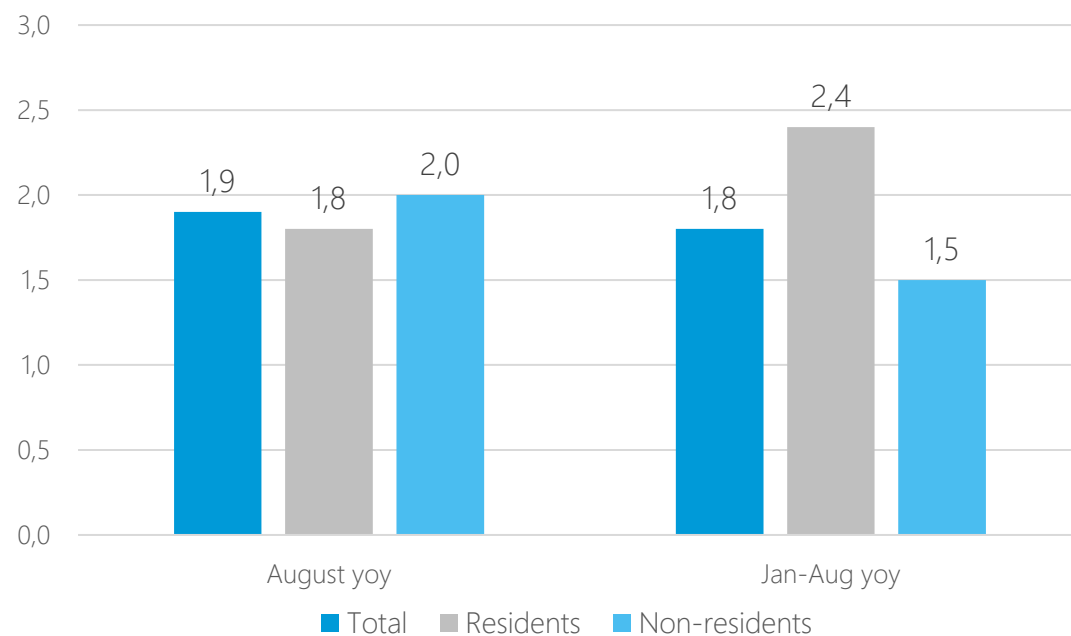
Source: Caixabank Research, from BoP.

- In the first 7 months of 2026, the current account recorded a deficit of 1,009 million euros, equivalent to about -1.0% of GDP, a significant deterioration in the external balance compared to the figures recorded in the same period of 2025 (when the current account showed a surplus of 1,823 million euros, or +0.3% of GDP). This decline was driven not only by the increase on non-energy goods deficit (to -8.5% of GDP, -1,0 p.p.) but also by a reduction on the services' surplus, which fell to 10.4% of GDP (-0.4 p.p.) in trailing 12 months cumulative terms. Moreover, the secondary income surplus contributed slightly to the worsening balance, which was partially offset by a reduction in the primary income deficit, which improved to -1.3% of GDP (+0.2 p.p.).
- It is worth noting that the non-energy goods balance improved slightly in July compared to June, showing a yoy variation of just -24,1 million euros, mainly due to a sharp moderation in imports (+360,3 million compared to July 2025). In June, the variation of the balance was -590,4 million and imports increased by 1,044,3 million.

Internal tourism keep performing strongly up to August

Number of guests

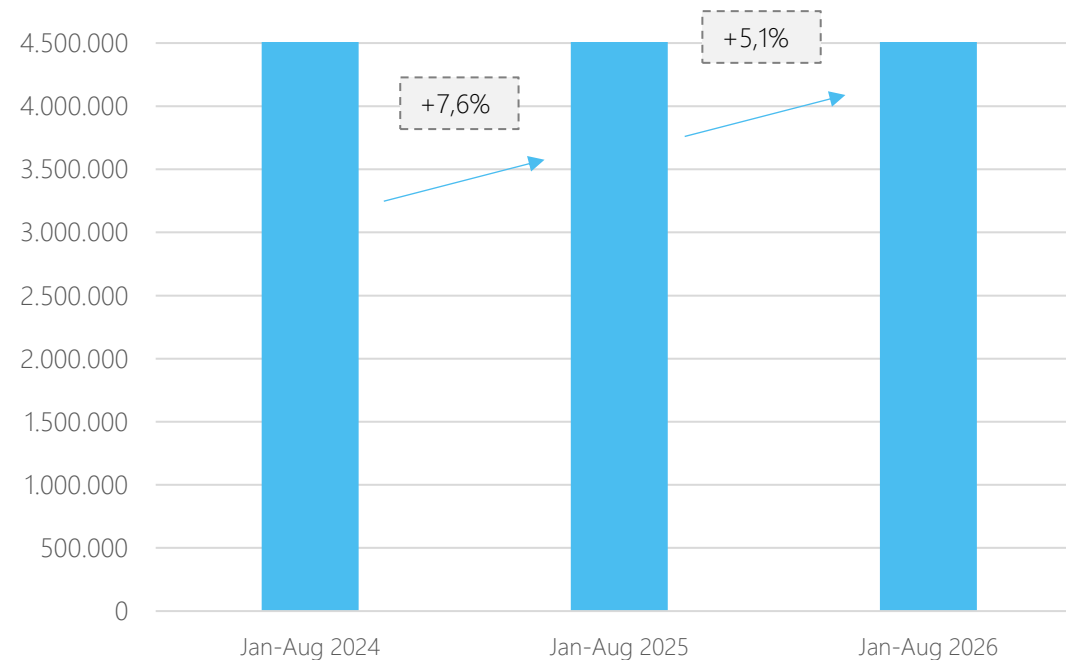
Annual change



Source: Caixabank Research, from INE.

Total revenues in tourist accommodation establishments

Thousand €

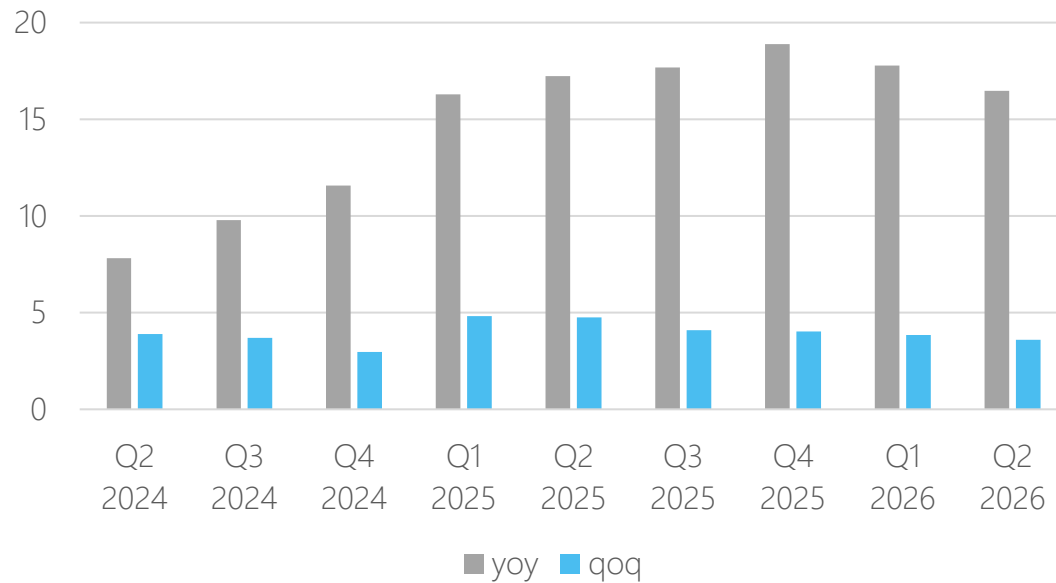


- ▶ In August 2026, tourism registered 3.9 million guests (+1,9%), driven both by the growth in the number of resident (+1.8%) and non-resident guests (+2.0%). In cumulative terms in the year, the tourism sector recorded an increase of 1.8% in the number of guests compared to the same period in 2025.
- ▶ Total revenues in tourist accommodation establishments are growing 5.1% in the year up to August, mainly driven by dynamism in some regions such as Alentejo (10.6%) and RA Madeira (11.6%), which is being one of the main beneficiaries of the increased attractiveness of Portugal.

Housing market keeps strong...with some moderation signs

House Price Index (HPI)

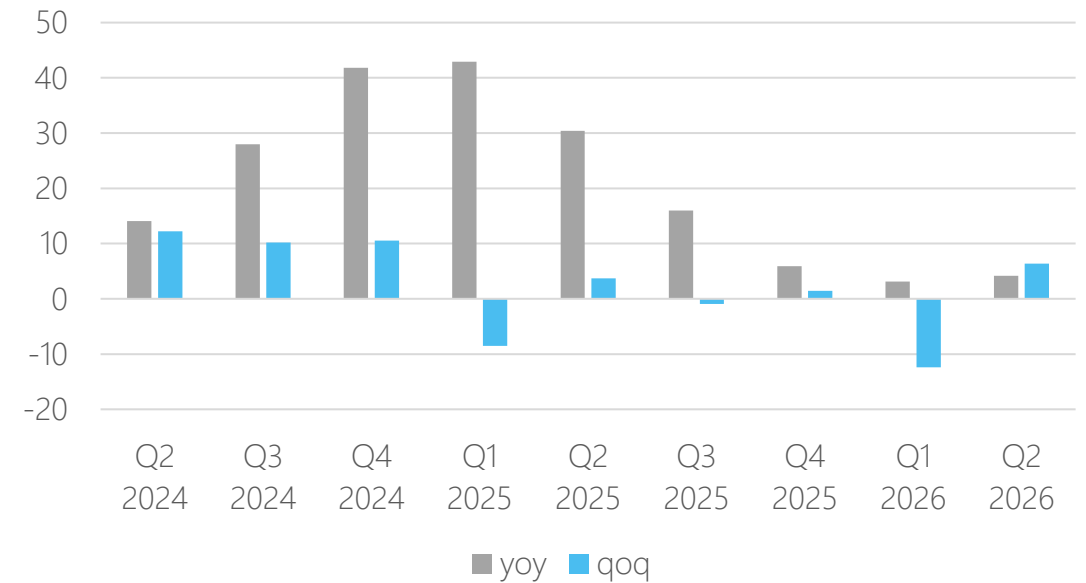
qoq and yoy variation (%)



Source: CaixaBank Research, using data from INE.

Number of transactions

qoq and yoy variation (%)

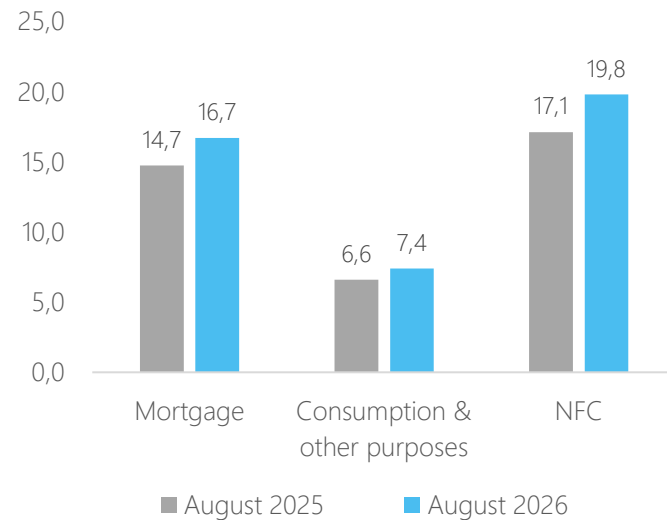


Source: CaixaBank Research, using data from INE.

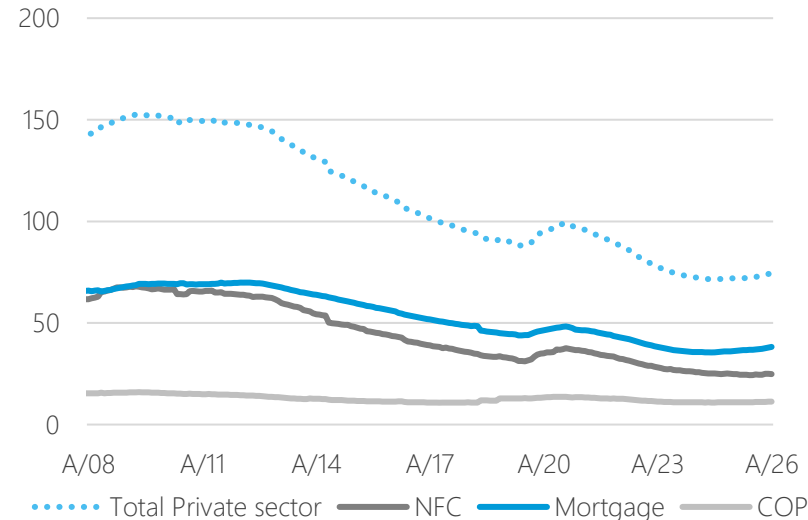
- ▶ **The residential market recorded a slight slowdown in activity in the 1H 2026.** In Q2, the house price index (HPI) increased 16,5% yoy and 3,6% qoq, slightly below figures from previous quarters. At the same time, the number of transactions increased 3,2% in Q1 and 4,2% in Q2 in yoy terms, the lowest increases since Q1 2024 (in mom terms, the results are also supporting a deceleration).
- ▶ Going forward, the raising decoupling between prices and the purchasing power of resident households, that is limited due to the lower increase in salaries, the upward trend in interest rates and the recent change of macroprudential measures, that turned stricter, should probably justify further moderation ahead. Indeed, last august new credit for house purchase registered a significant monthly decline, trend that worths be monitored.

Banking system: private sector credit and deposits keep rising

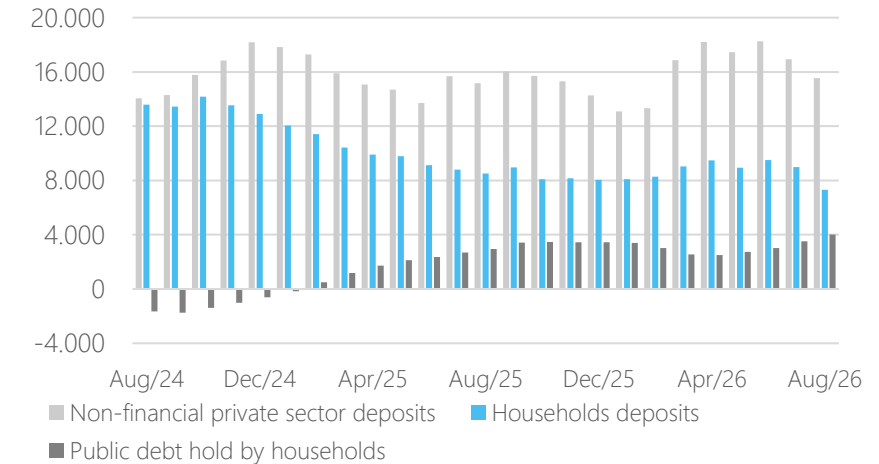
New lending activity by sector
Billion euros (accumulated in the year)



Bank credit to the non-financial private sector
% GDP



Deposits and public debt hold by families*
Annual variation (M€)



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

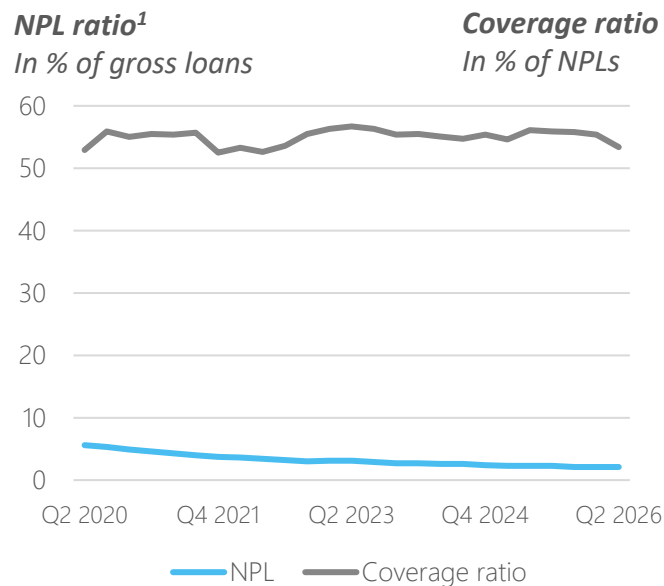
Notes (*): Public debt by households includes Certificados de Aforro and Certificados do Tesouro, which can only be subscribed by resident households. Source: Caixabank Research, based on data from Bank of Portugal.

► The stock of credit to companies and households continues to increase, albeit departing from historically low levels:

- **Mortgage credit:** stock increased by 11.2% in August, with accumulated new operations increasing 13.2%. The amount recorded in the first 8 months of 2026 was a maximum, supported by robust labour market and the impact of Government's measures for young people (measures directed to young people with less than 35 years old 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). However, considering monthly figures, new housing credit declined, probably reflecting stricter macroprudential rules by the Bank of Portugal, implemented last August.
- **NFC:** the outstanding credit added 5.2% in August, while YTD new operations expanded by 15.7%. A relevant part can be explained by credit lines available to companies to recover from the storms at the beginning of the year.
- **% of GDP:** credit to non-financial private sector is around 74% of GDP, clearly below high historical levels (≈150% maximum).
- **In August, non-financial private sector deposits reached a new historical maximum (the stock rose 5.8% yoy).** Households' deposits increased to new maximums (3.7% yoy) and deposits from NFC's also increased (11.2% yoy). Going forward this trend should diminish as expenditure and investment are expected to increase their pace.

Banking system: high solvency and profitability with abundant liquidity

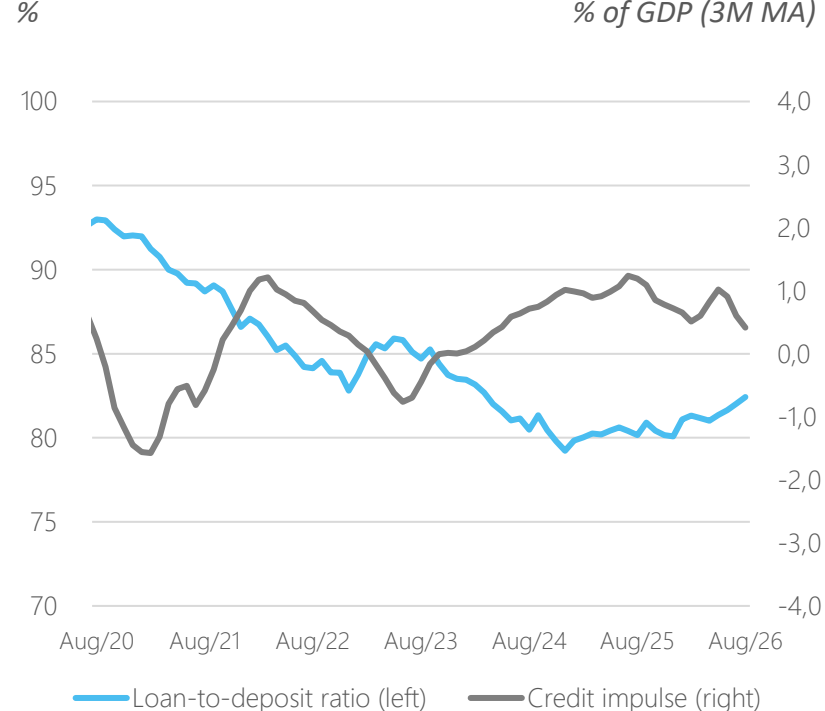
NPLs and coverage ratios



Cost of risk¹
0.5% in Q4 2019
0.1% in Q1 2026

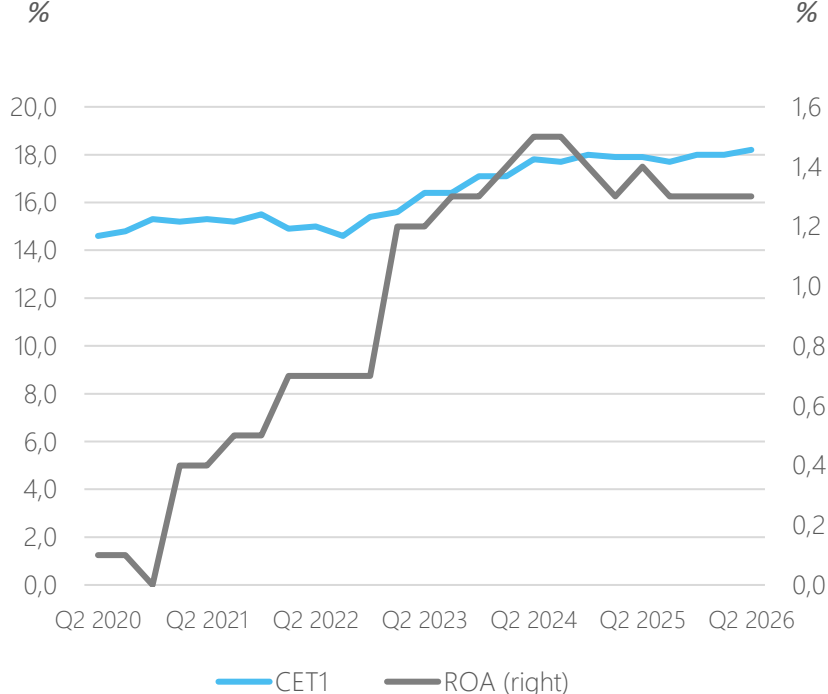
Notes: (1) flow of impairments to credit as a percentage of total gross loans.
Source: Caixabank Research, with data from Bank of Portugal.

Loan-to-deposit and credit impulse of private sector % of GDP (3M MA)



Source: Caixabank Research with data from Bank of Portugal.

Banks' solvency and profitability



Source: Caixabank Research with data from Bank of Portugal.

- ▶ **NPLs ratio kept unchanged at 2.1% in Q1, a minimum.** Both ratios relative to NFC and households are now at the lowest levels (3.6% and 1.9%, respectively). We are not expecting a deterioration of credit quality soon.
- ▶ **Deleveraging among firms and households shows signs of inverting, despite debt keeping at historically reduced levels.** Loan-to-deposit ratio is increasing again above 80%; the credit impulse (yoy absolute change in new operations as % of GDP) decelerated in August 2026 to 0.4%.
- ▶ **Profitability and solvency remains robust during the first half of 2026.** CET1 raised to 18.2% in Q2 (vs 14.3% in Q4 2019) and ROA kept unchanged at 1.3%. **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.**