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Portugal:
Macroeconomic and financial outlook

CaixaBank Research

November 2026

CaixaBank

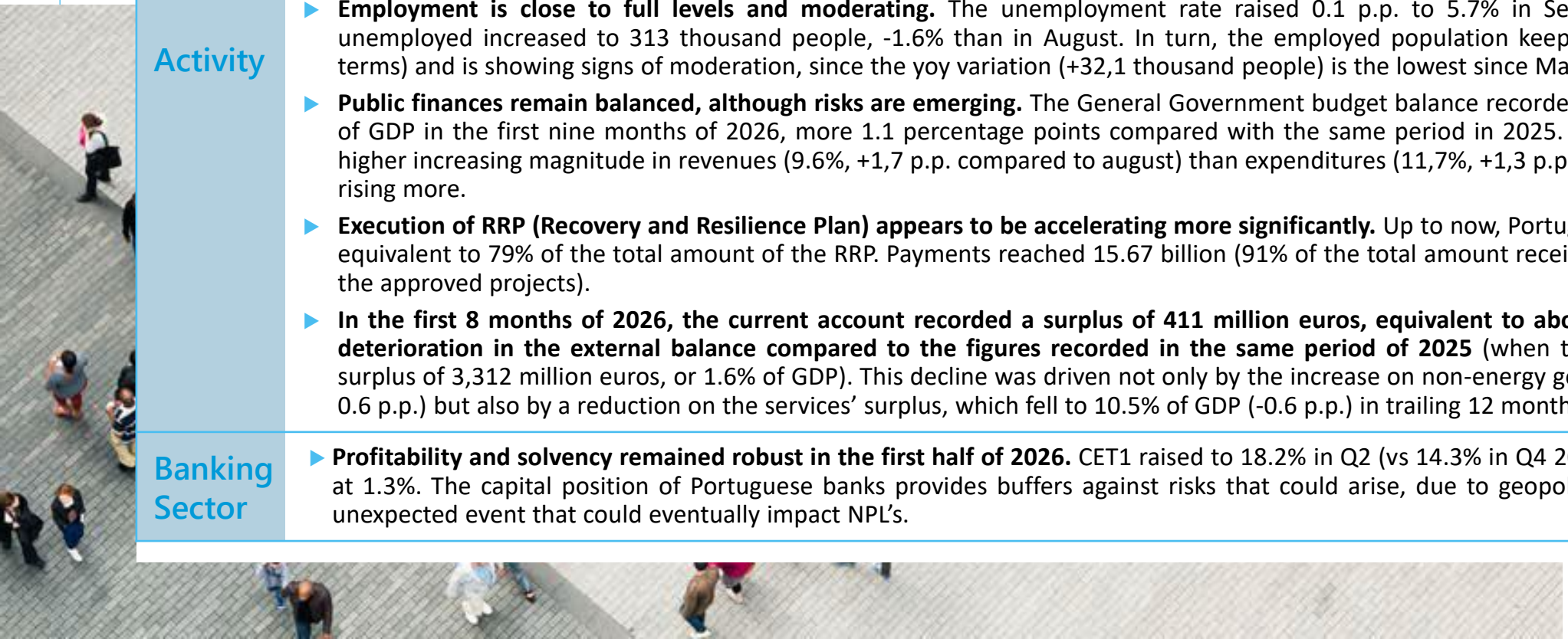
Main messages

Activity

- **Energy prices remain elevated but declined following the US midterms** amid expectations of a possible de-escalation in the Middle East.
- **The ECB left the deposit rate unchanged at 2.50% in October but signalled a likely hike in December.** We expect rates to reach 3.00% in spring 2027, in line with market expectations.
- **The most recent indicators are showing a moderation in activity and decreased or less pronounced confidence in most sectors.** The economic climate and sentiment indicators presented lower figures in October compared to Q3, while the daily economic indicator and consumer confidence even decreased. Confidence in industry keeps negative and slower in construction and services.
- **Inflation stood at 3.8% (3.6% in September 2026).** The core component just changed marginally: excluding the most volatile products – unprocessed food and energy – prices increased by 2.78% year-on-year (+0.06 p.p. compared to September). The acceleration of CPI in October was almost entirely explained by the increase in fuel prices.
- **Employment is close to full levels and moderating.** The unemployment rate raised 0.1 p.p. to 5.7% in September and the number of unemployed increased to 313 thousand people, -1.6% than in August. In turn, the employed population keeps slightly decreasing (in mom terms) and is showing signs of moderation, since the yoy variation (+32,1 thousand people) is the lowest since March 2021.
- **Public finances remain balanced, although risks are emerging.** The General Government budget balance recorded a surplus equivalent to 2.1% of GDP in the first nine months of 2026, more 1.1 percentage points compared with the same period in 2025. This performance reflects the higher increasing magnitude in revenues (9.6%, +1,7 p.p. compared to august) than expenditures (11,7%, +1,3 p.p.), although expenditure keeps rising more.
- **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 15.67 billion (91% of the total amount received from RRP, but only 72% of the approved projects).
- **In the first 8 months of 2026, the current account recorded a surplus of 411 million euros, equivalent to about 0.2% 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 3,312 million euros, or 1.6% of GDP). This decline was driven not only by the increase on non-energy goods deficit (to -8.2% of GDP, -0.6 p.p.) but also by a reduction on the services' surplus, which fell to 10.5% of GDP (-0.6 p.p.) in trailing 12 months cumulative terms.

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.



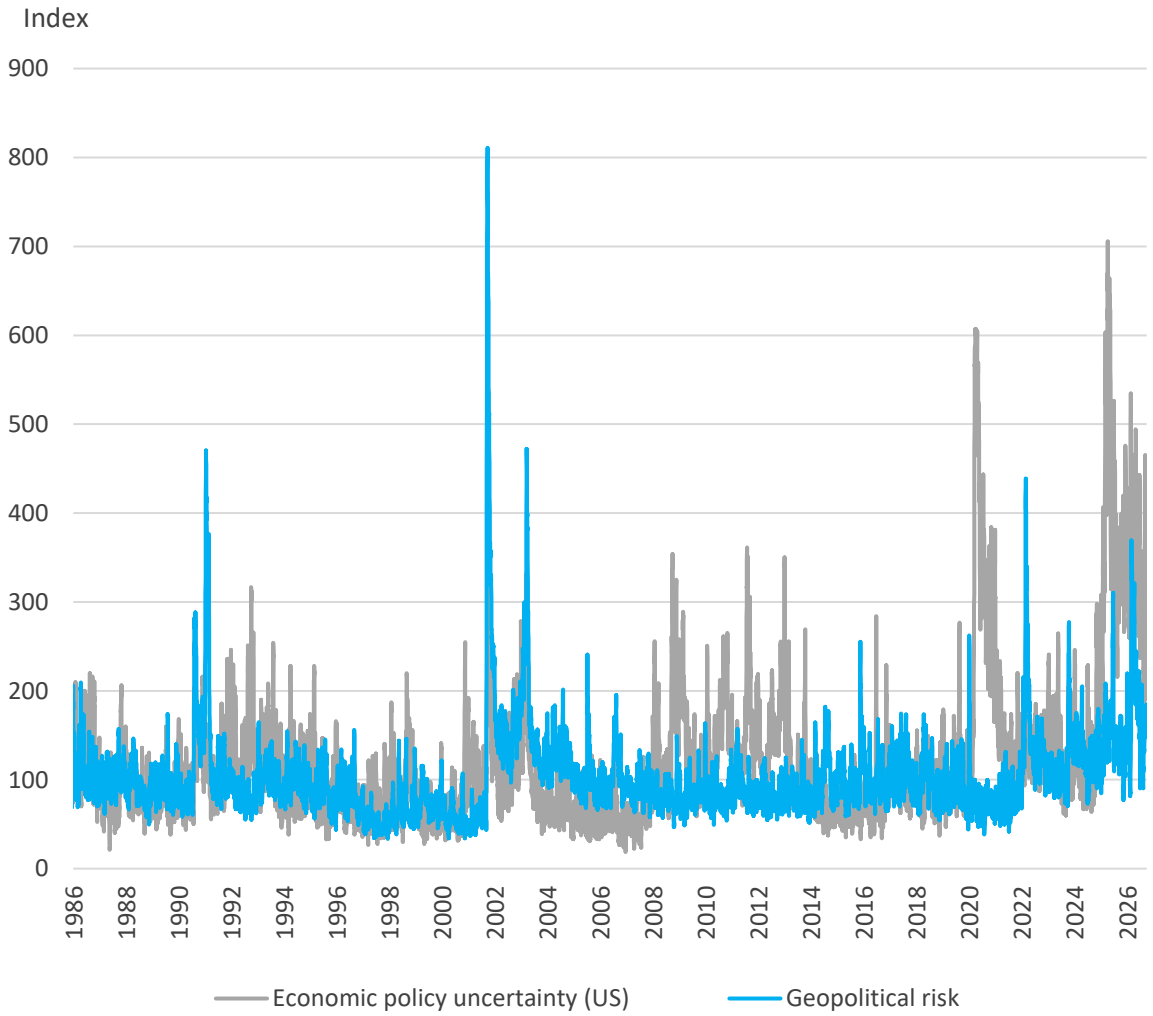
Main economic forecasts

%, yoy	2017	2018	2019	2020	2021	2022	2023	2024	2025	Forecasts 2026	Forecasts 2027
GDP	3,3	2,9	2,7	-8,2	5,6	7,0	3,1	2,7	1,9	2,3	1,9
Private Consumption	2,0	2,7	3,6	-6,8	5,0	5,5	2,3	2,9	3,7	2,9	1,9
Public Consumption	1,8	2,6	3,5	-6,8	4,9	5,6	2,3	3,0	3,7	1,6	1,1
Gross Fixed Capital Formation (GFCF)	11,6	6,2	5,5	-2,3	7,8	3,3	6,0	4,7	4,3	5,1	1,7
Exports	8,4	4,3	4,0	-18,4	12,1	17,2	4,2	3,4	0,0	3,9	3,4
Imports	8,0	4,9	5,1	-11,6	12,3	11,3	2,3	4,1	4,6	5,6	2,4
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	0.0	0,1
General government debt (% GDP)	126,0	121,1	116,1	134,1	123,9	111,2	96,9	93,5	89,7	87,7	85,0
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

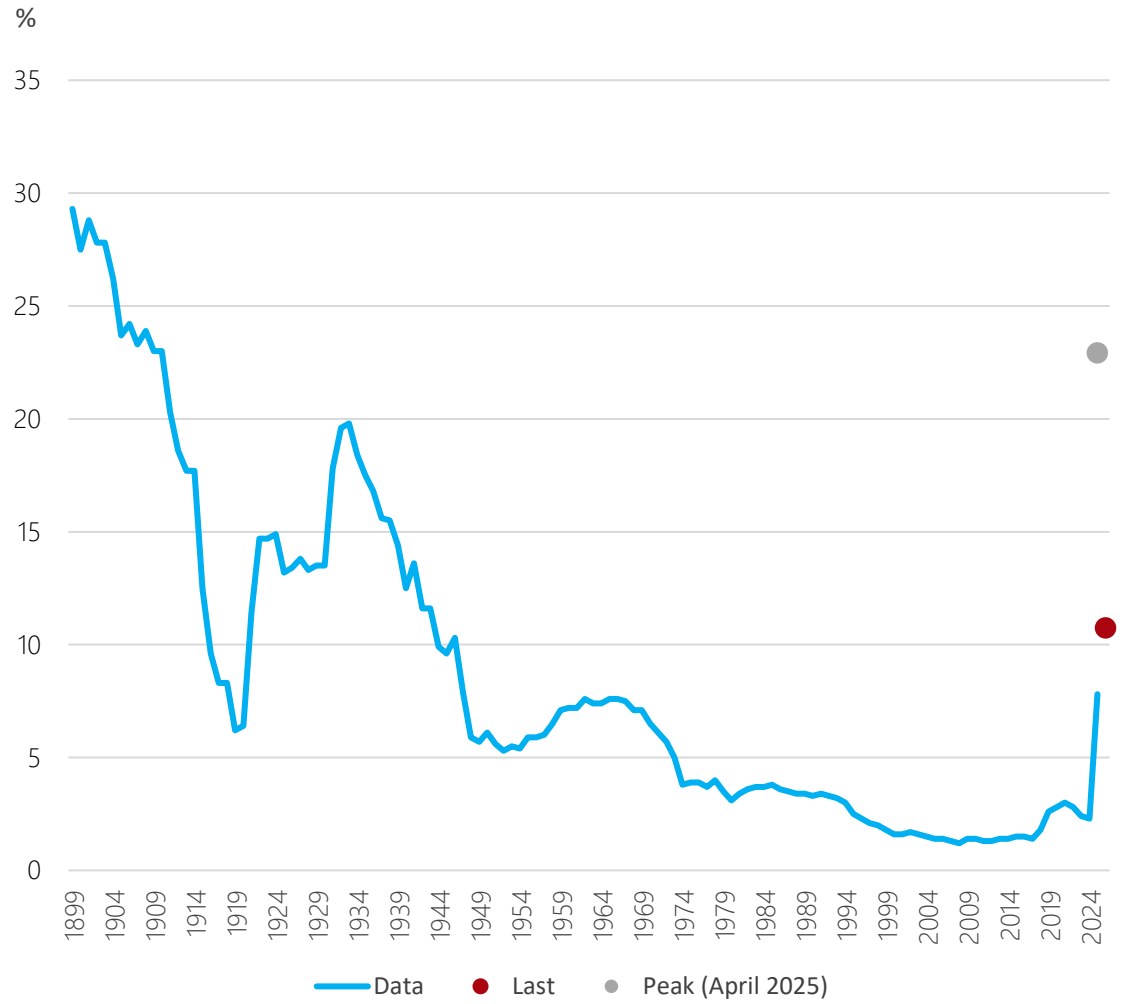
***Source**: Caixabank Research.*

Geopolitics pressure the macroeconomic scenario while there is a background disruption in international relations

Uncertainty and geopolitical risk

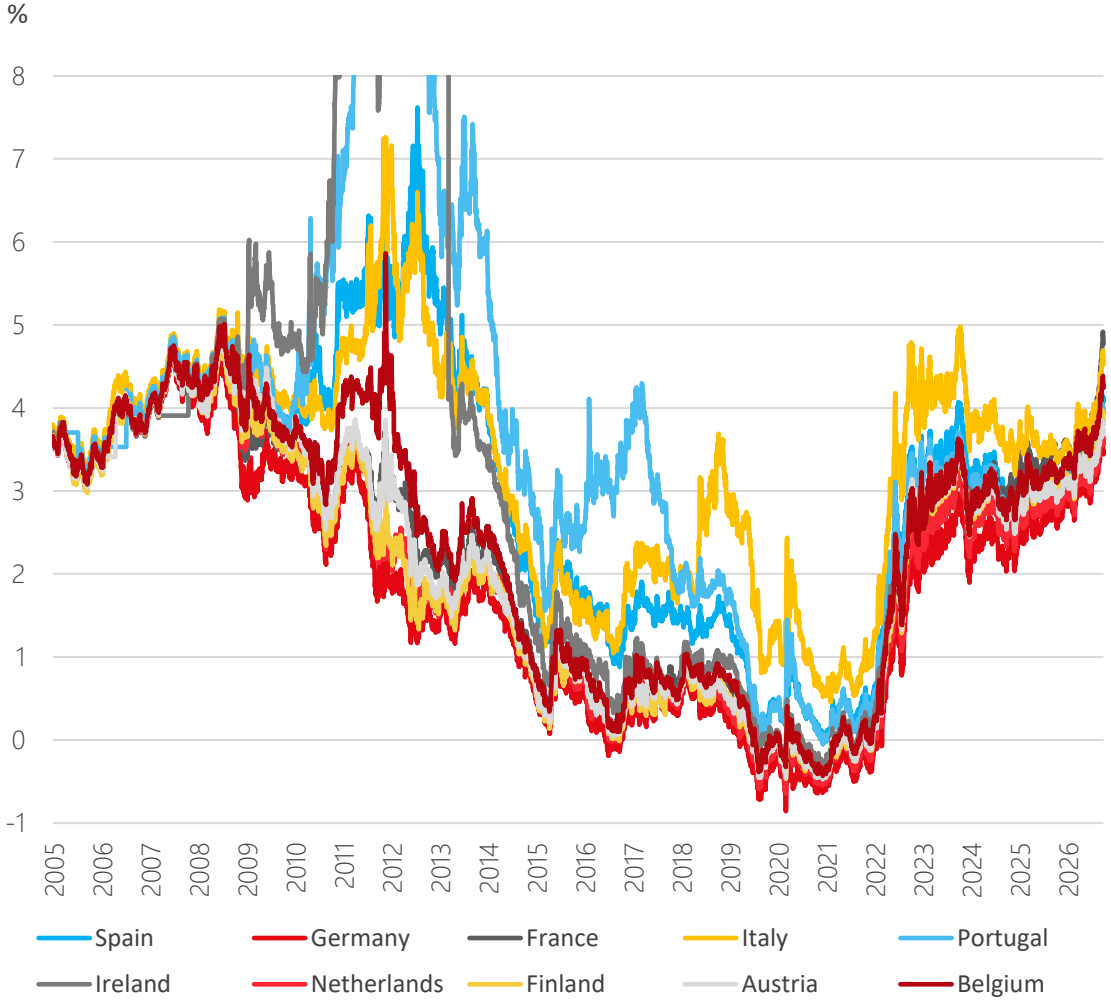


US average effective tariff rate



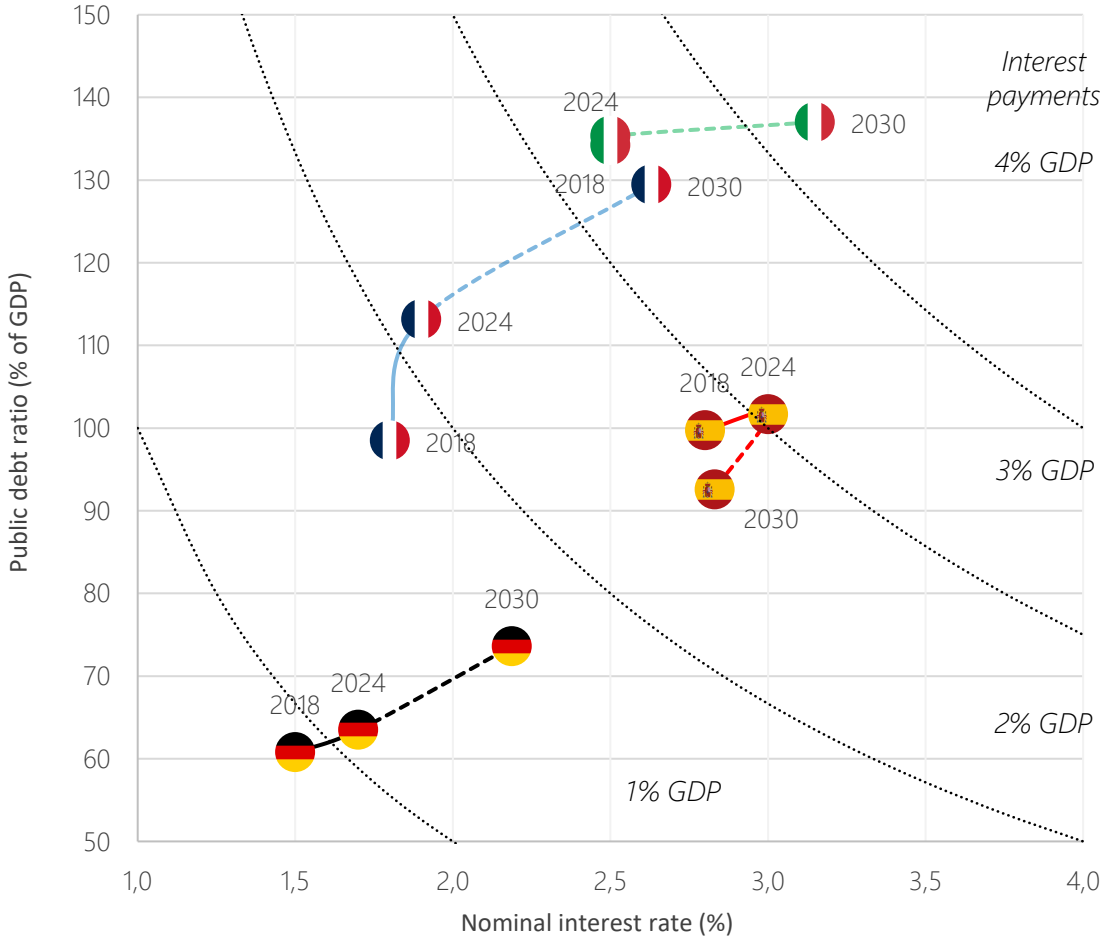
New geopolitical conditions and the instability in sovereign debts, namely in France, take new challenges to fiscal policy and public finances

Sovereign *yields* with maturity of 10 years



Euro area: sovereign debt interest payments

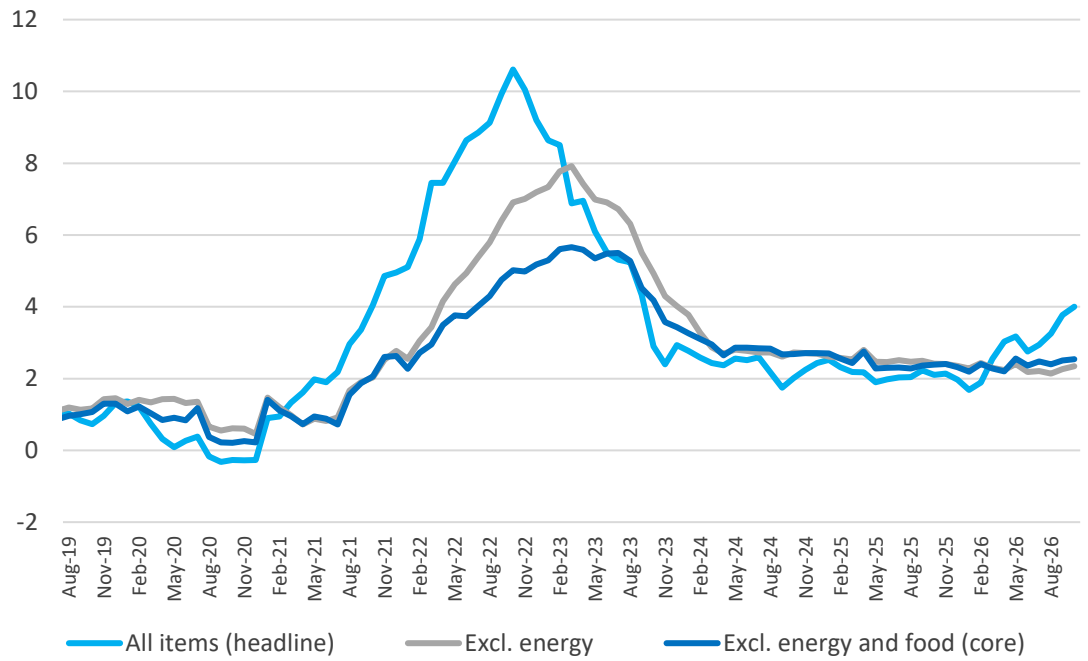
2018-2030



The ECB is on a measured tightening path

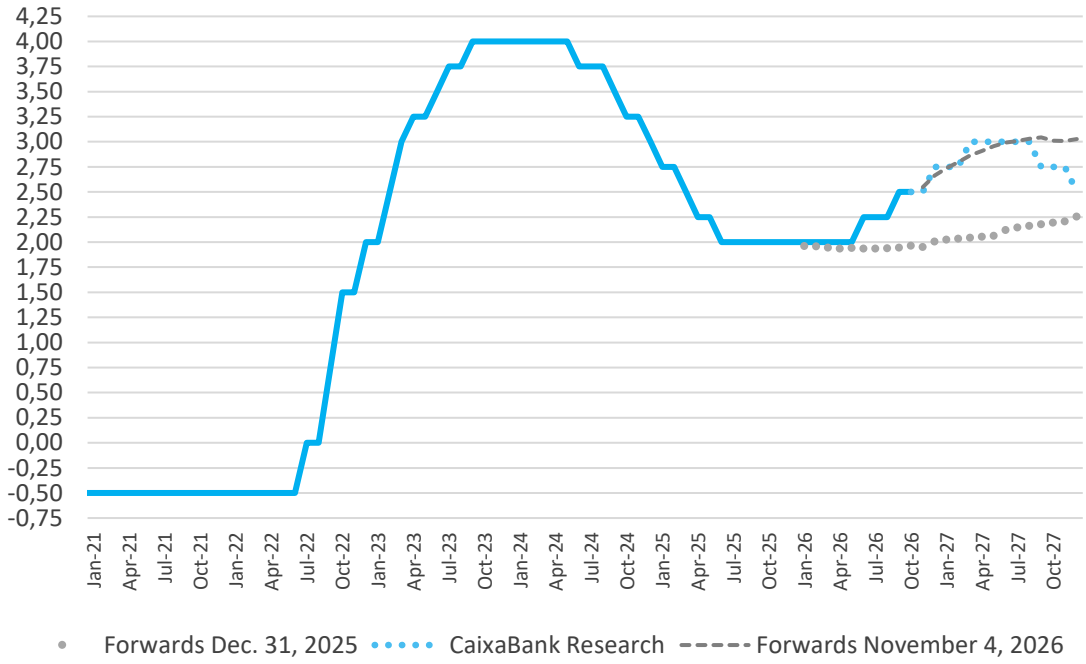
Euro area: HICP inflation

(%)



ECB deposit rate

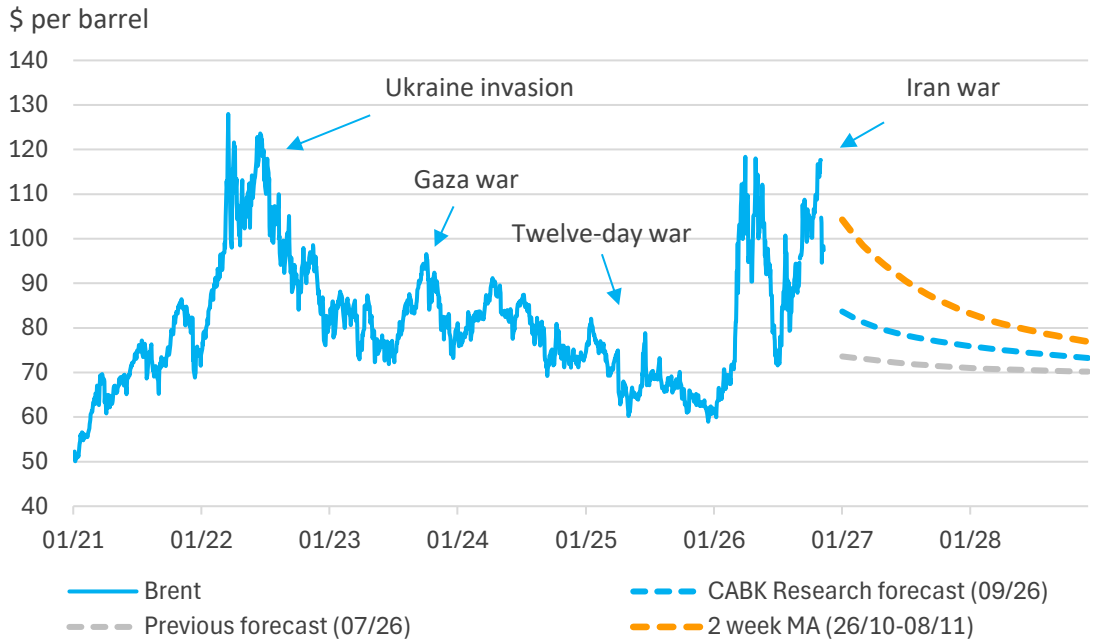
(%)



- **The ECB left rates unchanged in October (depo at 2.50%) but pointed to a rate hike in December**. Reflecting the outlook's dependency on geopolitical events that can change swiftly, the ECB chose to stay put in October, gather more information and wait until December for the next rate hike. At the same time, the ECB signaled that it remains comfortable with a measured tightening path, balancing the persistent disruption in energy flows (and its upward pressure on headline inflation) with the fact that underlying price pressures remain mostly stable (showing little evidence of the indirect effects that would call for a more sustained ECB monetary tightening).
- **Lagarde announced it is stepping down on February 7, 2027**. According to media reports, the frontrunners to replace her are former Eurosystem governors Klaus Knot (Netherlands) and Pablo Hernández de Cos (Spain). Knot used to be considered a hawk, but has recently presented himself as a pragmatist, while de Cos was seen as a moderate dove but has recently warned against excessive indebtedness. In a more "consensus-building ECB", the change of leadership is not seen as affecting the course of the ECB's monetary policy in the coming quarters.
- **We see the ECB hiking to 2.75% by end-2026 and to 3.00% in spring 2027 (as do markets)**. Under our baseline scenario of gradually easing energy prices and limited indirect effects on inflation, we expect the ECB to start normalizing rates by the end of 2027. However, a more prolonged energy disruption and stronger underlying inflationary pressures would favor a scenario of higher rates for longer, similar to what markets are pricing.

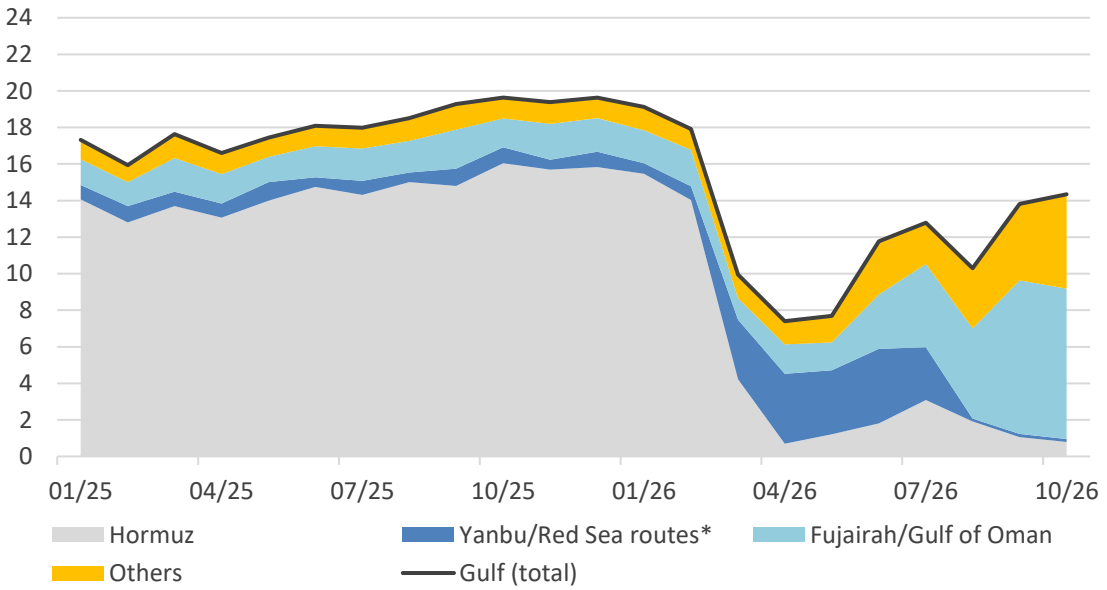
Energy prices remain elevated, but they have eased following the US midterms

Brent oil prices and futures



Note: Graph elaborated with data as of Novembre 8.
Source: CaixaBank Research, based on data from Bloomberg.

Crude oil flows from Gulf countries



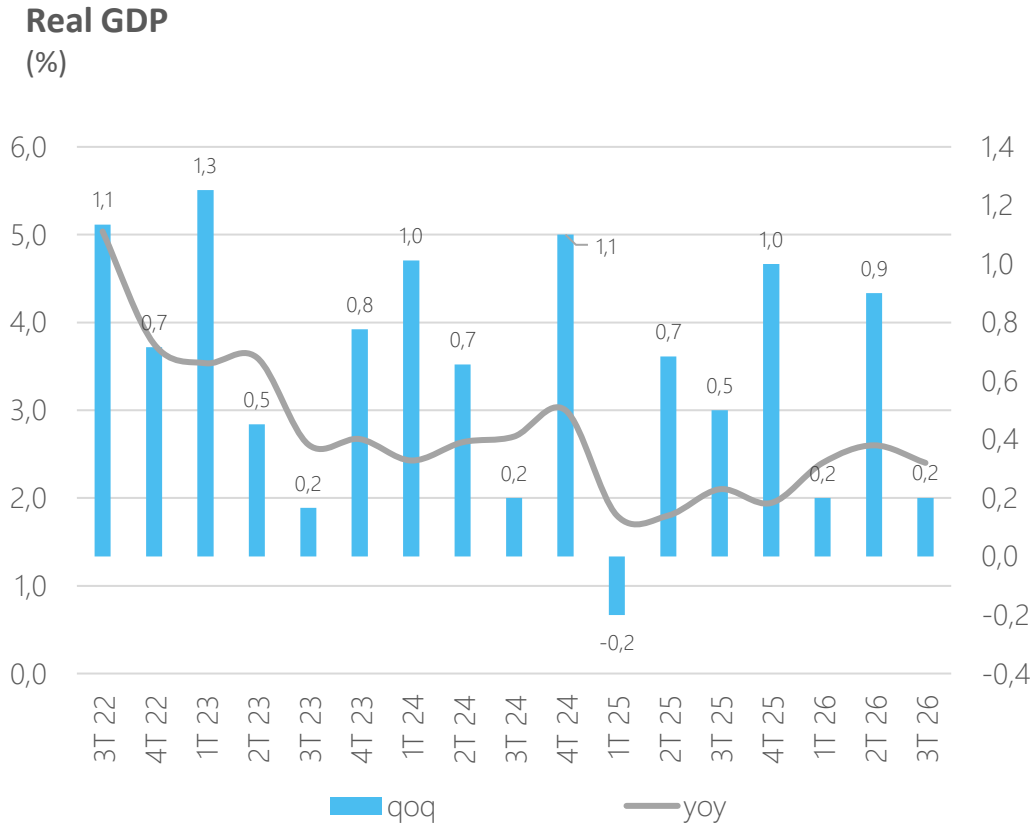
Note: Graph elaborated with data as of September 30th. (*) Preliminary data for September, subject to revision.
Source: CaixaBank Research, based on data from Vortexa (via Bloomberg).

- **Oil and gas prices have declined following the US midterms amid expectations of a possible de-escalation in the Middle East.**
- **The correction in oil prices brought 2027 futures closer to our forecast of 78.5$/barrel, although they remained somewhat above it**. Brent had risen sharply in late October as attacks on shipping through the Strait of Hormuz and strikes on Saudi infrastructure intensified concerns over Persian Gulf supply. However, prices subsequently reversed as the geopolitical risk premium eased, Gulf flows recovered and the US administration signalled a lower likelihood of further strikes on Iran. Measures to alleviate supply pressures also helped reduce immediate concerns over shortages. Following the midterms, Brent fell below $95/b, around 11% below its pre-election level.
- **European gas futures remained well above our forecast amid lower-than-usual storage levels**. TTF prices also declined following the midterms, falling to slightly above €80/MWh, around 20% below their pre-election level. However, the correction in gas futures for 2027 was more contained, as European storage levels stood at around 70%, compared with a seasonal average of close to 90%. While higher-than-usual temperatures could ease market tensions in the coming months, low reserves will likely keep upward pressure on European gas prices into 2027.

Q3 indicators reflect some warning signs related to growth in Q4

yoy, level		Q2 26	Q3 26	Q4 26	Aug/26	Sep/26	Oct/26
Synthetic indicators	Economic climate indicator	2,8	2,8	2,3	2,9	2,7	2,3
	Economic sentiment indicator	101,5	102,3	100,8	101,8	102,2	100,8
	Daily economic indicator	1,4	1,1	-1,3	0,5	1,5	-1,3
Consumption	Consumer confidence	-25,9	-20,6	-26,9	-20,1	-22,3	-26,9
	Wholesale and retail trade (yoy)	3,5	1,5	-	2,0	0,1	-
	Retail sales excl. fuels (yoy)	4,5	2,1	-	2,9	0,5	-
	Card withdrawals and purchases deflated (yoy)	7,4	4,0	-	4,6	-1,6	-
	Car sales (yoy)	11,8	9,0	2,8	8,4	15,2	2,8
Investment	GFCF indicator	6,5	6,1	-	3,3	-	-
	Imports of capital goods	17,3	16,9	-	17,3	-	-
Suply	Confidence in industry	-4,4	-4,3	-3,5	-4,7	-4,1	-3,5
	Confidence in construction	4,3	4,5	3,6	6,1	2,3	3,6
	Confidence in retail	4,2	1,7	1,8	1,5	1,4	1,8
	Confidence in services	8,5	8,8	3,3	8,6	10,5	3,3
	Cement sales	9,7	5,4	-	9,9	-0,5	-
	Industrial production	-0,8	-2,5	-	-4,1	-2,7	-
Demand	Electricity consumption adjusted for temperature&working days	2,6	2,4	-	2,1	3,3	-
	Non-resident tourists (yoy)	1,6	1,0	-	2,0	1,8	-
	Number of flights (yoy)	1,1	1,3	-0,1	2,0	0,4	-0,1
Labour market	Change in regist. unemployment (thousand people)	-28,5	-27,4	-	-27,9	-30,6	-
	Change in employment (thousand people)	127,7	54,5	-	46,9	32,3	-

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



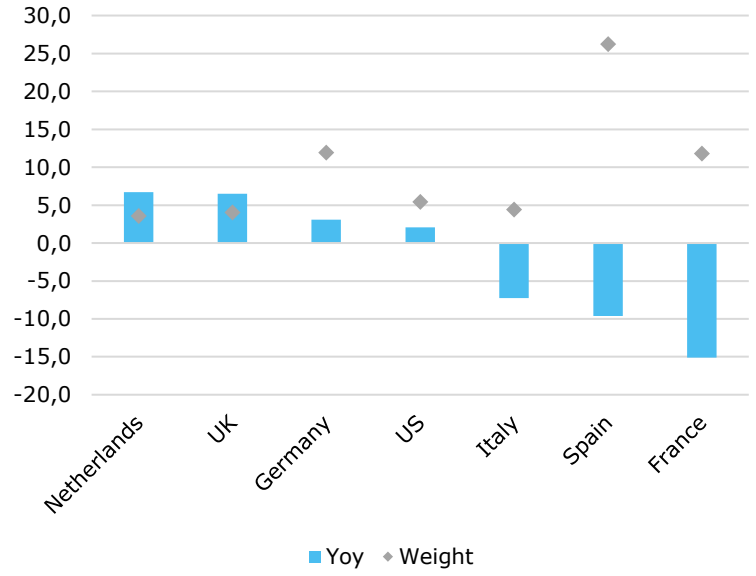
Source: Caixabank Research based on Portuguese INE.

- **The most recent indicators are showing a moderation in activity and decreased or less pronounced confidence in most sectors**. The economic climate and sentiment indicators presented lower figures in October compared to Q3, while the daily economic indicator and consumer confidence even decreased. Confidence in industry keeps negative and slower in construction and services. The labor market is close to full levels, with lower decreases in unemployment and lower increases in employment.
- **Real GDP performed better than expected by the BPI Research in Q3, advancing 0.2% qoq and 2.4% yoy, supporting our expectation of an annual growth of 2.3% in 2026.** Activity in Q4 may accelerate from Q3, benefiting from the boost provided by the fiscal stimulus announced for Q4, which is expected to increase household income by around €800 million.

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

Goods' exports: main destinations

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



Source: CaixaBank Research, based on data from INE.

Details on goods' exports: main items

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

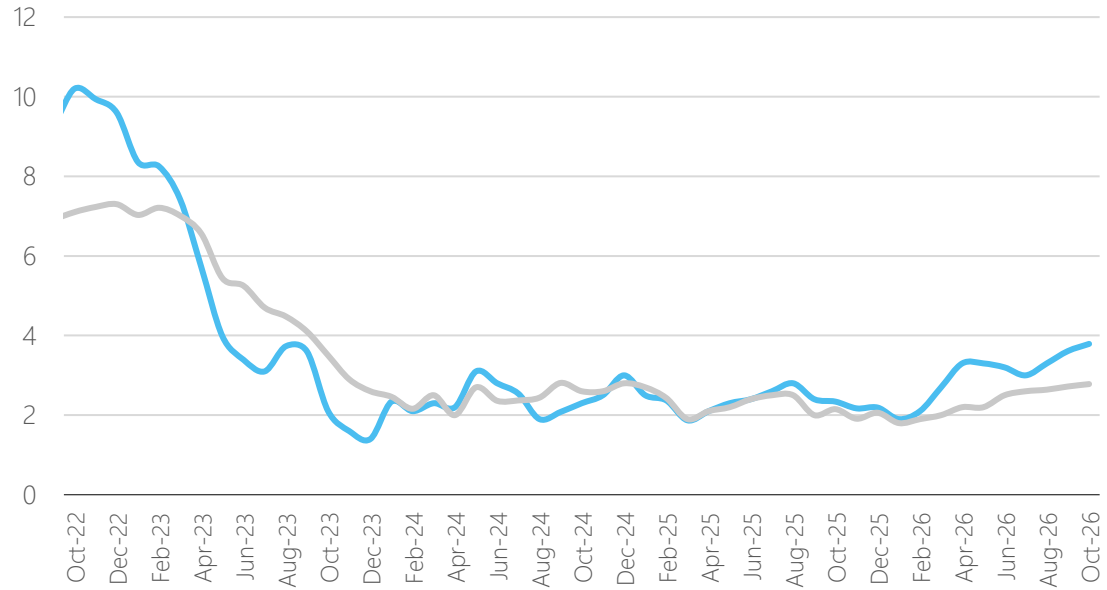
	Yoy vs. 2025 (%)				Weight in 2026 (%)			
	World	Spain	France	Italy	World	Spain	France	Italy
Total	2,9	4,9	3,1	2,1	100,0	100,0	100,0	100,0
Machines and equipment	10,4	4,0	12,0	11,0	16,5	11,7	13,4	13,1
Transport material	-1,8	-11,0	12,8	16,1	12,4	11,0	16,2	18,3
Mineral products	28,8	38,3	-56,8	-21,0	8,8	7,1	0,5	0,7
Base metals	13,1	22,8	2,1	9,0	8,4	12,6	12,0	2,4
Plastic and robber	6,7	3,8	10,8	6,9	7,0	7,8	7,9	6,6
Textiles	2,4	-0,1	4,1	-11,1	7,0	6,1	8,7	8,0
Chemicals	-28,4	5,2	-4,5	4,8	6,6	4,3	3,4	5,1
Food, beverages and tobacco	1,3	5,0	-6,1	-12,1	6,4	7,2	6,4	14,0
Wood, paper and related	-3,7	-1,4	-10,2	-0,5	3,8	4,1	3,6	4,1
Diverse goods	1,2	-2,9	9,1	-4,3	3,0	3,4	7,8	1,2
Animal products	1,1	-4,5	-2,7	0,4	3,0	6,2	1,5	3,5
Vegetables	1,4	2,1	-3,0	-7,0	3,0	5,0	3,1	1,7
Others	3,6	5,8	-3,2	3,1	14,2	13,4	15,6	21,3

- **In cumulative terms up to August 2026, exports of goods are characterized by a recovery from the drop of the previous year, increasing by 2.9% (-0.5% 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 as well as the increased uncertainty in global markets have an adverse impact on the demand from some export markets, namely Italy, Spain and France, which recorded yoy decreases of -7.2%, -9.6% and -15.1%, respectively. These countries are among the 7 largest export markets, with weights of 4.4%, 26.2% and 11.8%, posing a risk to the performance of international trade. The raised political and social instability in France partially justify the bad figures.
- **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 (-28.4% yoy in total) and wood, paper and related products (-3.7%).** Focusing on the three main destinations with reductions, we see that exports in Spain were mainly pressured by transport material and animal products, while in France they were by mineral products (despite the low weight); food beverages and tobacco; wood, paper and related products and others. In Italy, the main negative driver came from food, beverages and tobacco also.

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

Inflation: Headline and Core

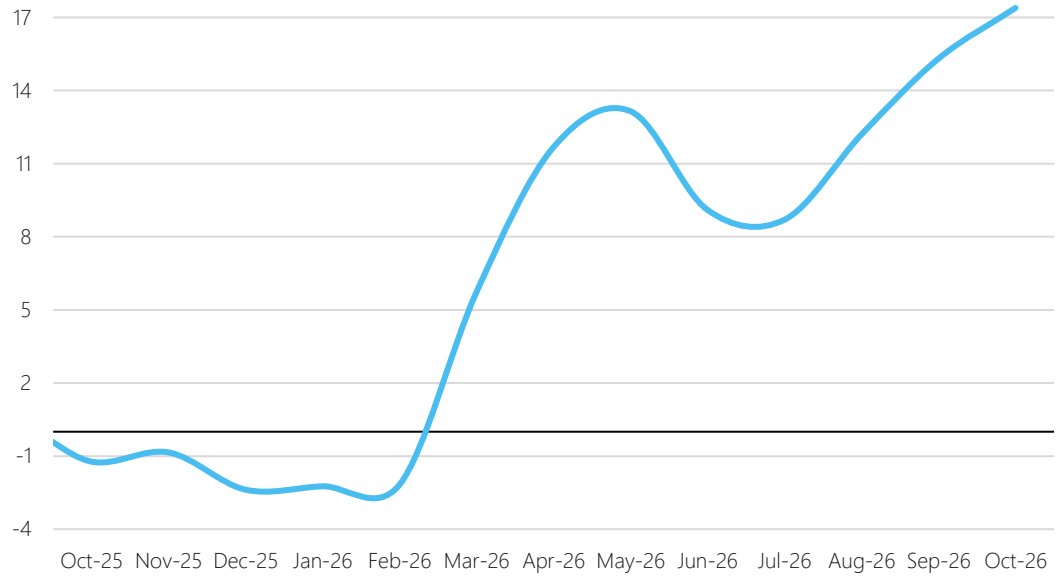
Year-on-year (%)



Source: Caixabank Research, from INE.

Energy: price index

Year-on-year (%)



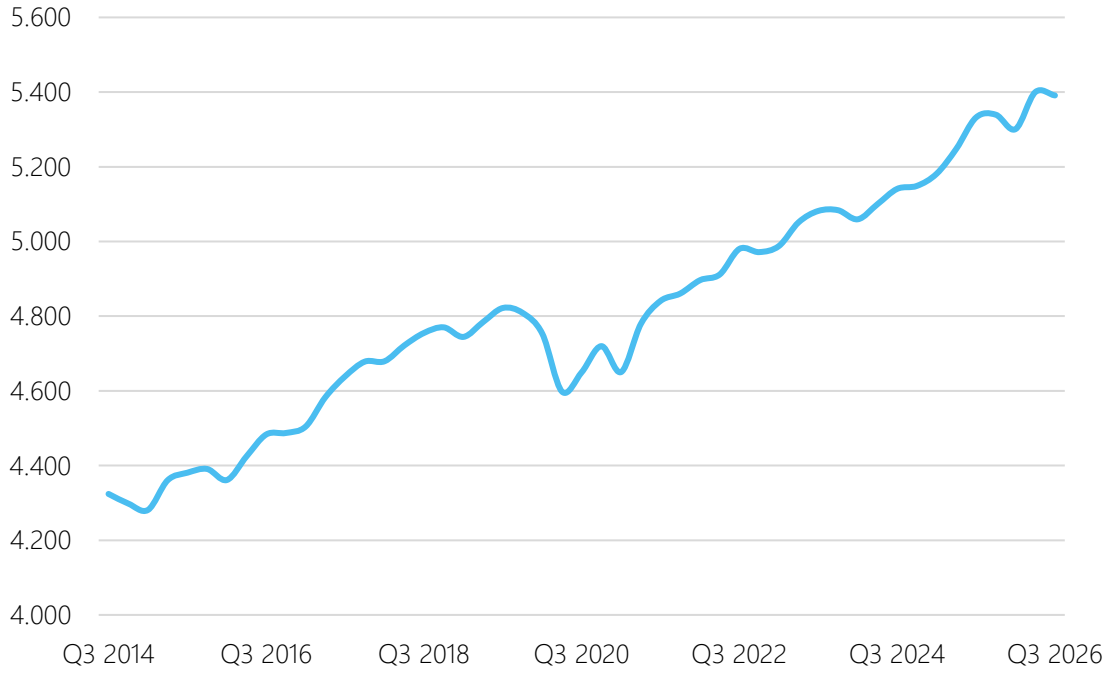
Source: Caixabank Research, from INE.

- **The year-on-year rate of change of October estimate for CPI stood at 3.8% (3.6% in September 2026).** The core inflation rate just changed marginally: excluding the most volatile products – unprocessed food and energy – prices increased by 2.78% year-on-year (+0.06 p.p. compared to September).
- **The acceleration of CPI in October was almost entirely explained by the increase in fuel prices**. In fact, energy prices increased 17.4% year-on-year, with details of the contributions and final estimates arriving later.

Labour market remains strong, but is showing signs of moderation

Employed population

Number of people ('000 individuals)



Unemployment rate

(%)



Source: Caixabank Research, from INE.

- **The unemployment rate raised 0.2 p.p. to 5.5% in Q3 from Q2, but is still below** the 5.8% registered one year ago. In the same period, employment declined 0.2% qoq, slowing its pace of yoy growth to 1.1% from 2.9% in Q2. In Q3, the number of employed people was 5,391,000 people, minus 8,800 than the peak reached in the previous quarter.
- **The labour market performance in Q3 was weaker than expected, as we had pointed to an unemployment rate of 5.3% in Q3 and employment growth of 2.4% compared with Q3 2025. But despite this weaker-than-expected outcome, we believe that the risks surrounding our forecast for the annual unemployment rate (currently 5.7%) remain broadly balanced.**

Public finances remain balanced, although risks are emerging

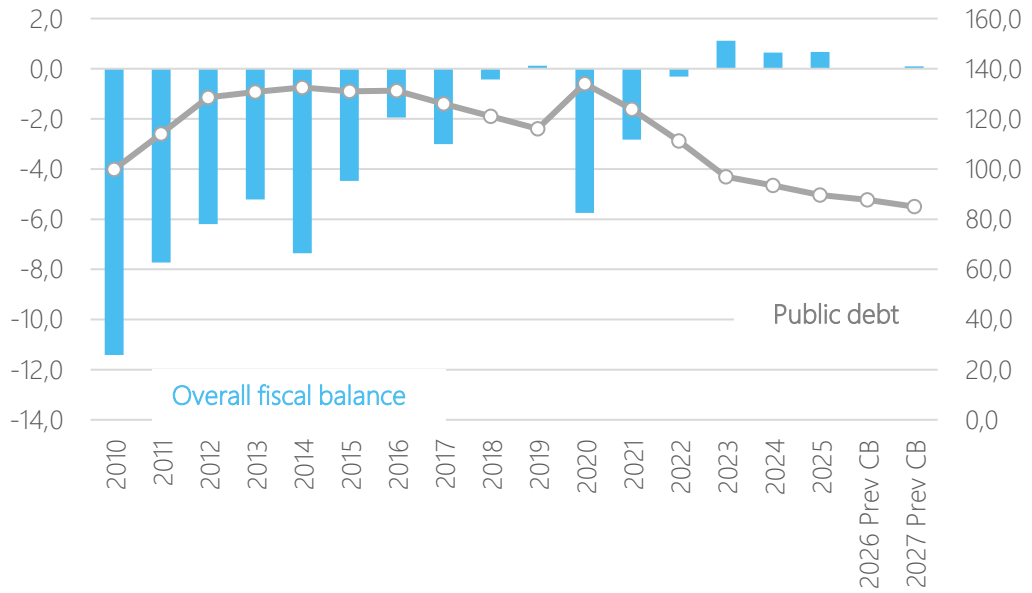
Public accounts (main items)

January-September	2019	2024	2025	2026	Var. 2026 vs 2019	Average Growth Rate 2019-2025 (%)*	Growth Rate 2025-2026 (%)
Revenues	**40,0**	**38,6**	**39,3**	**42,6**	**2,7**	**6,9**	**9,6**
Fiscal revenues	22,9	21,0	21,6	23,6	0,7	5,9	6,7
Social security contributions	10,2	10,7	10,9	11,1	0,9	9,1	6,7
Expenditure	**39,7**	**38,3**	**38,3**	**40,6**	**0,9**	**6,7**	**11,7**
Staff costs	9,6	9,3	9,6	9,5	-0,1	7,5	5,8
Current transfers	17,2	17,4	17,2	17,1	-0,1	7,2	4,6
Aquisition of goods & services	5,5	5,4	5,2	6,1	0,6	4,9	21,7
Interests	3,9	2,5	2,3	2,2	-1,6	1,7	8,9
Investment	1,9	2,1	2,3	3,3	1,4	8,6	48,0
Primary current expenditure	**33,3**	**33,0**	**33,1**	**33,8**	**0,5**	**7,0**	**7,3**
Budget balance	**0,3**	**0,3**	**1,0**	**2,1**	**1,8**	-	-

Source: Caixabank Research, based on data from DGO and INE. Note: (*) excludes 2020-2022, years affected by the pandemics.

Overall fiscal balance and public debt

(% of GDP)



- **The General Government budget balance recorded a surplus equivalent to 2.1% of GDP in the first nine months of 2026,** more 1.1 percentage points compared with the same period in 2025. This performance reflects the higher increasing magnitude in revenues (9.6%, +1,7 p.p. compared to august) than expenditures (11,7%, +1,3 p.p.), although expenditure keeps rising more.
- **The main fiscal risk stems from the increase in rigid expenditure: in 2026, the increase in current expenditure mostly exceeded fiscal and social contributions revenue growth.** Nevertheless, September brought a boost to fiscal revenue growth, increasing 6.7% (4.9% in August) while current expenditure increased 7.6%.
- **The expectation for 2027 is that this trend will persist, suggesting a possible deficit in the medium term.** The 2027 State Budget proposal suggests a trajectory of smoothing fiscal revenues (reduced taxes policy) while there are upward risks in interest payments (due to increasing yields) and the rigid expenditure will remain relevant.
- 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%). BPI forecasts a budget balance (debt ratio) of 0.0% and 0.1% (87.7% and 85.0%) in 2026 and 2027, respectively.**

RRP: execution accelerates in its final phase (72% of total program)

Approvals and payments to direct and final beneficiaries

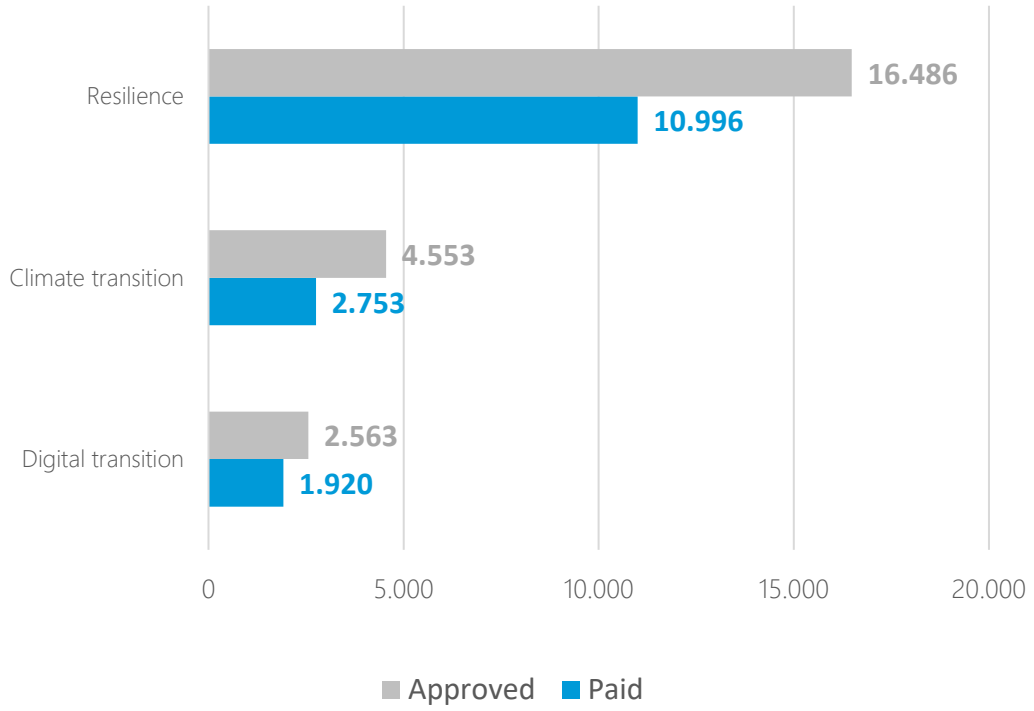
(Up to October 28th)	Approved (EUR million)	Paid (EUR million)	Paid rate
Families	487	395	81,1
Social and solidarity economy institutions	882	527	59,8
Firms	9 015	5 546	61,5
Excl. R&I System Non-firms	*7 865*	*4 564*	58,0
R&I System Non-firms in consortium with firms	*1 151*	*832*	72,3
Institutions of the scientific and technological syster	735	458	62,3
Higher Education Institutions	998	608	60,9
Schools	995	670	67,3
Municipalities and metropolitan areas	4 884	2 700	55,3
Public entities	4 663	3 097	66,4
Public firms	2 582	1 667	64,6
Total * (million euros)	**25 241**	**15 668**	**62,1**
(% total RRP)	***107%***	***72%***	

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

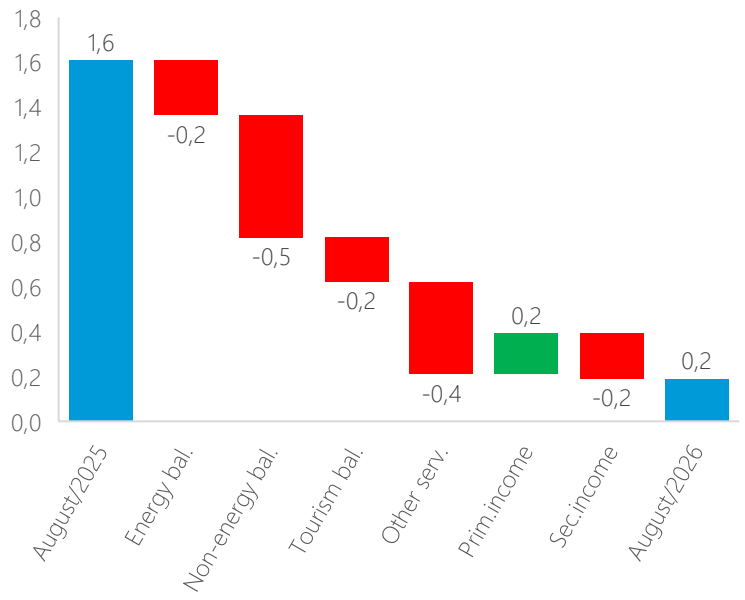


- **Up to now, Portugal received 17.2 billion euros, equivalent to 79% of the total amount of the RRP. Projects already approved amount to 25.24 billion euros (which includes RRP funds, amounting to 23.60 billion euros, and other sources of financing, totaling 1.64 billion euros) and payments reached 15.67 billion** (91% of the total amount received from RRP, but only 72% 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 August

Current account up to August 2026

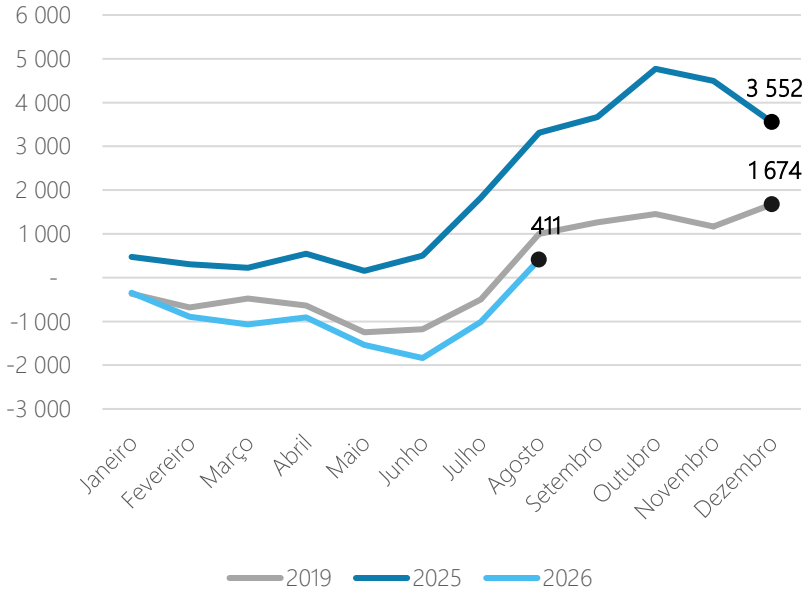
% of GDP and percentage points change



Source: Caixabank Research, from BoP.

Current account up to August 2026

In million euros



Source: Caixabank Research, from BoP.

Portugal: exports and imports change

Ytd August 2026

	Exports	Imports
annual change (%)	5,7	9,2
Contribute (p.p.)		
Goods	6,7	4,5
Non-energy	5,4	7,3
Energy	25,7	22,6
Services	4,5	10,8
Tourism	3,3	5,7
Others	5,7	12,6
annual change by region/country (%)		
Euro area	5,1	8,7
Goods	5,6	7,5
Spain	6,8	7,8
Goods	5,0	6,4
Germany	5,1	9,3
Goods	5,8	8,3
US	4,7	15,0
Goods	5,6	18,8
Asia	8,7	3,2
Goods	12,6	2,5

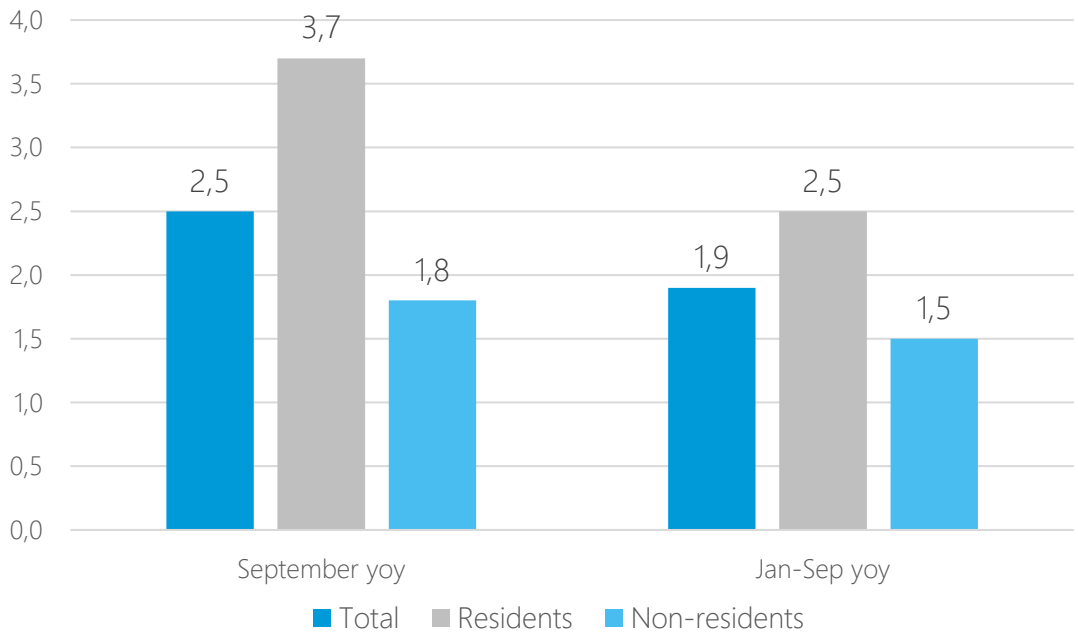
Source: Caixabank Research, from BoP.

- **In the first 8 months of 2026, the current account recorded a surplus of 411 million euros, equivalent to about 0.2% 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 3,312 million euros, or 1.6% of GDP). This decline was driven not only by the increase on non-energy goods deficit (to -8.2% of GDP, -0.6 p.p.) but also by a reduction on the services' surplus, which fell to 10.5% of GDP (-0.6 p.p.) in trailing 12 months cumulative terms. Moreover, the decrease In primary income deficit was offset by a decrease in secondary income surplus.
- **It is worth noting that the non-energy goods balance worsened slightly in August compared to July, showing a yoy variation of -44 million euros,** mainly due to a sharp increase in imports (+367,5 million compared to July 2025 vs. +323,6 million in exports).

Domestic tourism keep performing strongly up to September

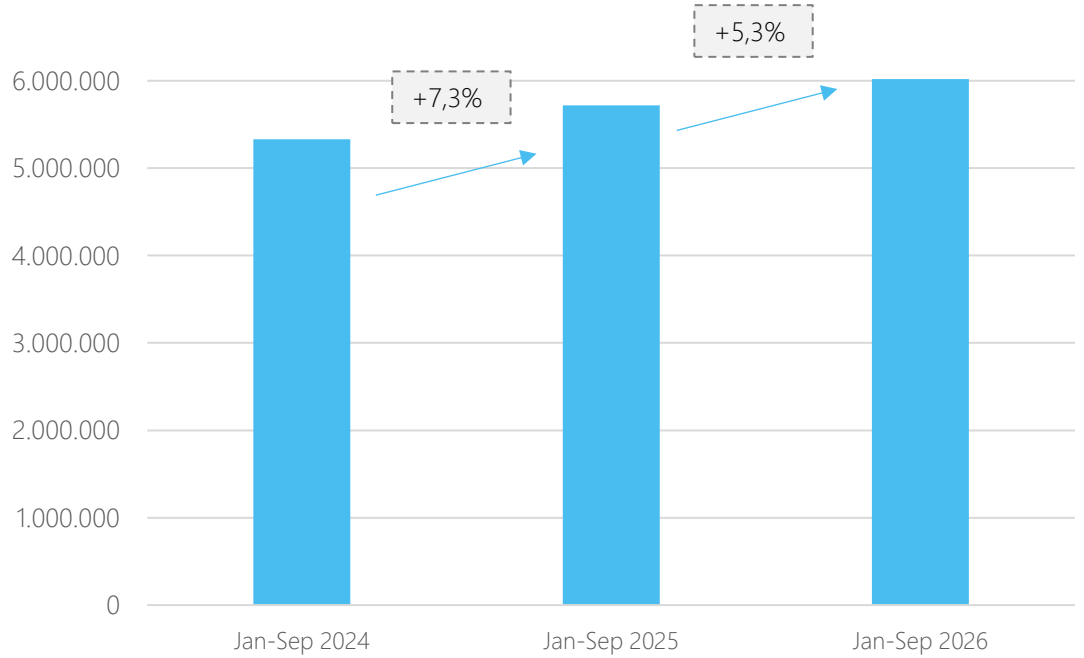
Number of guests

Annual change



Total revenues in tourist accommodation establishments

Thousand €



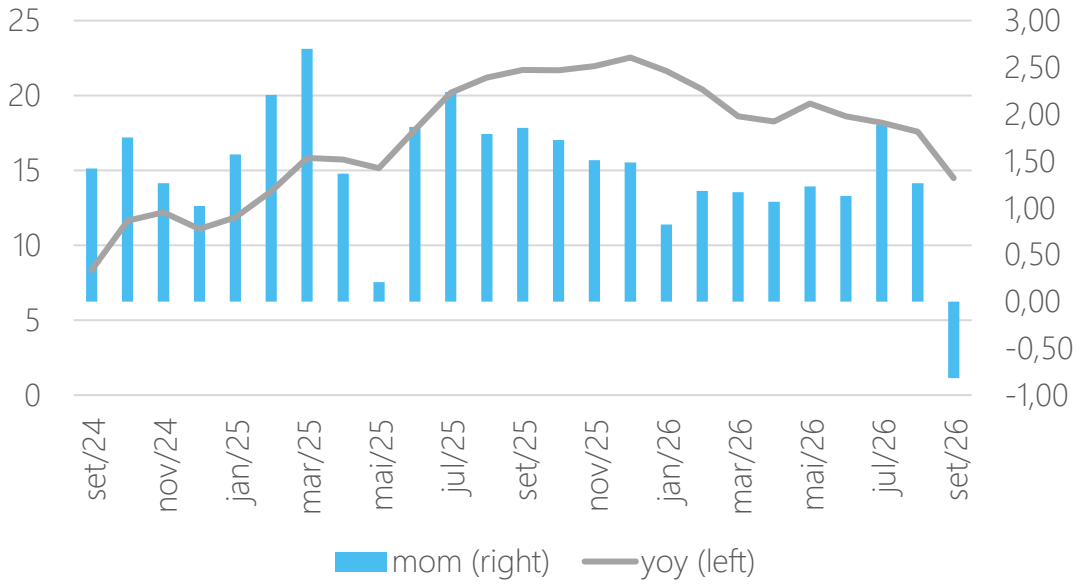
Source: Caixabank Research, from INE.

- **In September 2026, tourism registered 3.4 million guests (+2.5%), driven mainly by the residents (3.7% vs. 1.8% in non-residents).** In cumulative terms in the year, the tourism sector recorded an increase of 1.9% in the number of guests compared to the same period in 2025.
- **Total revenues in tourist accommodation establishments are growing 5.3% in the year up to September,** mainly driven by dynamism in some regions such as Alentejo (9.2%) and RA Madeira (8.6%), which is being one of the main beneficiaries of the increased attractiveness of Portugal.

Close to full levels, the housing market is slowing down

Residential Price Index (RPI)

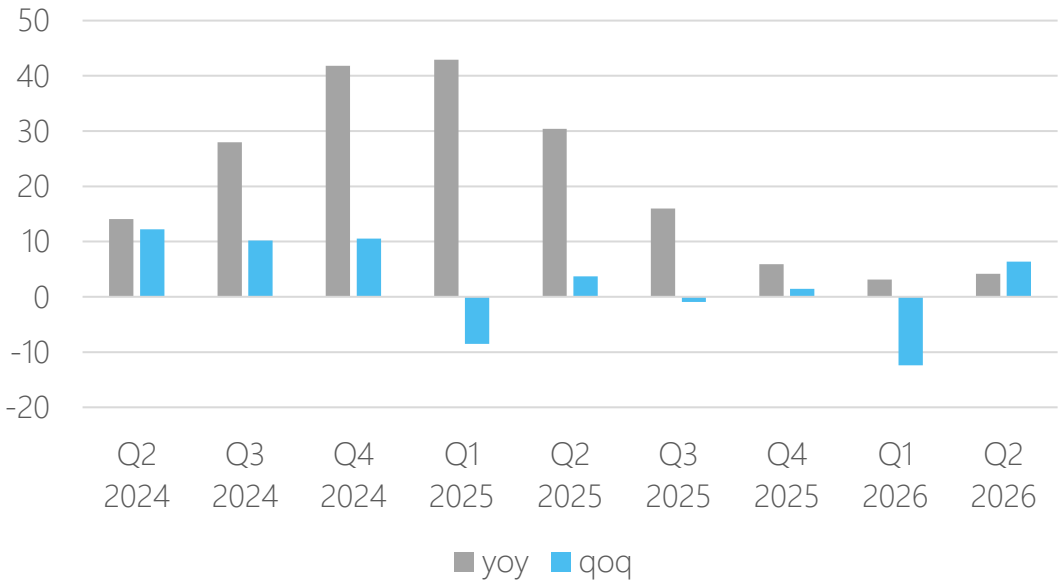
mom and yoy variation (%)



Source: Caixabank Research, using data from CI .

Number of transactions

qoq and yoy variation (%)

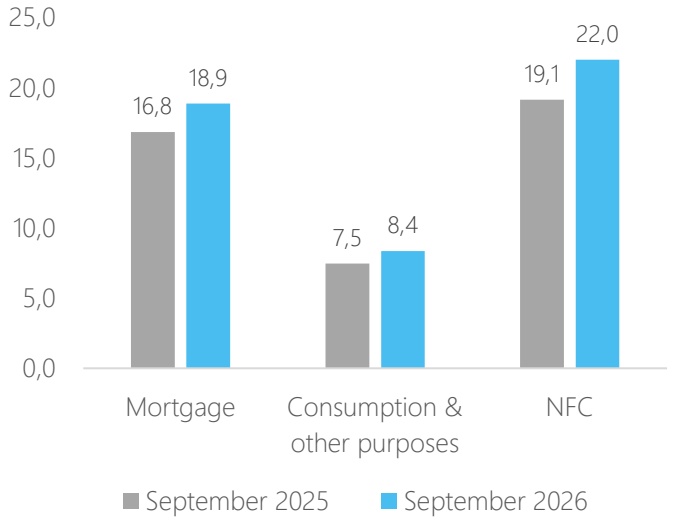


Source: Caixabank Research, using data from INE.

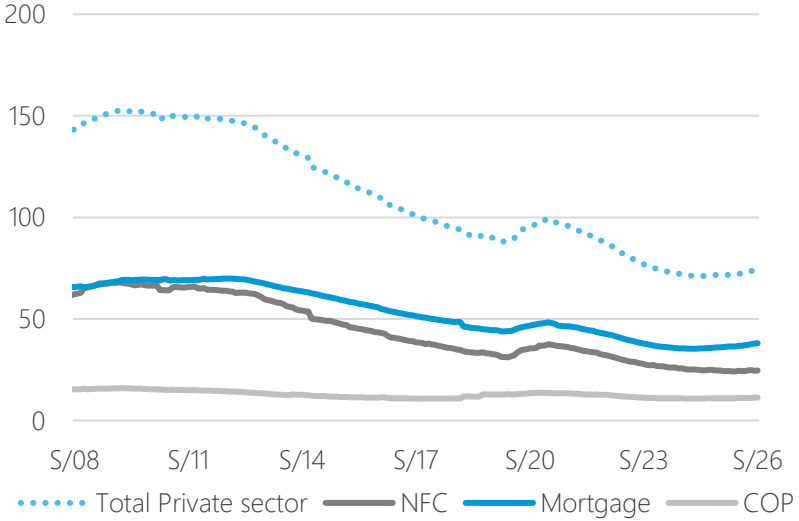
- **The residential market is slowing down after years of reaching new maximums, being the first time in more than 2 years that the Residential Price Index from CI falls.** In September, the residential price index decreased -0.8% mom and showed a yoy variation of 14.5% (the lowest since May 2025). At 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

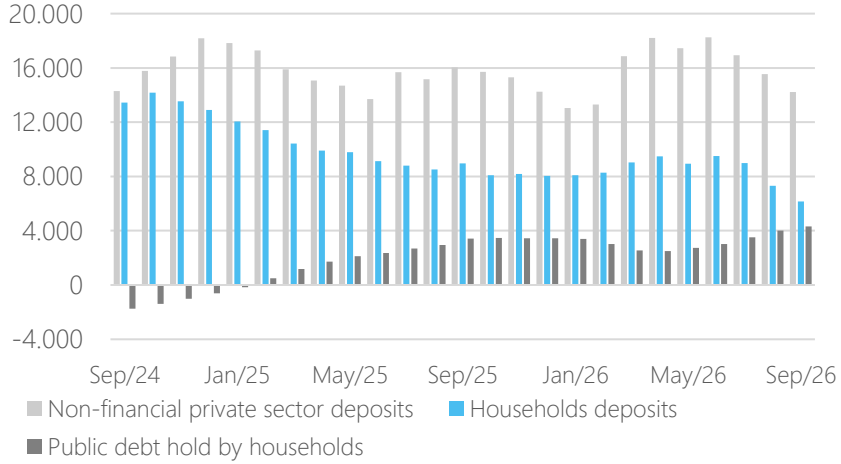
New lending activity by sector
Billion euros (accumulated in the year)



Bank credit to the non-financial private sector
% GDP



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



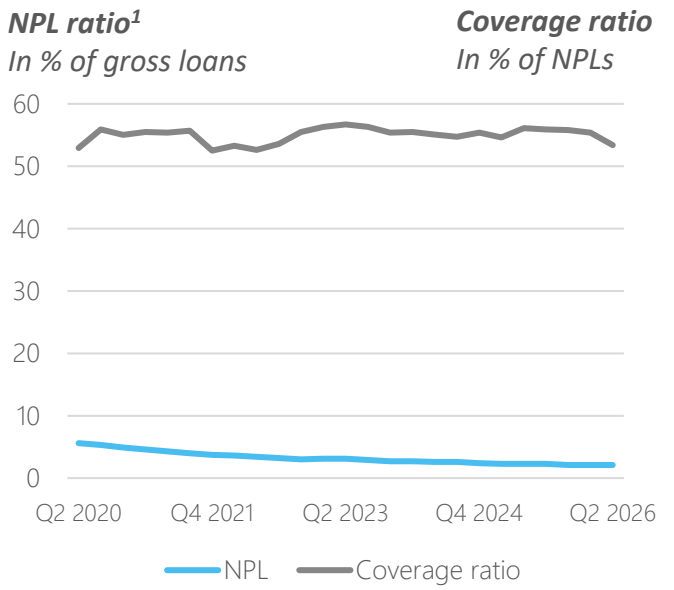
Source: Caixabank Research, based on data from Bank of Portugal and ECB.

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 11.3% in September, with accumulated new operations increasing 12.1%. The amount recorded in the first 9 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).
  - **NFC:** the outstanding credit added 5.2% in September, while YTD new operations expanded by 15.0%. 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 September, non-financial private sector deposits reached a new historical maximum (the stock rose 5.3% yoy).** Households' deposits increased to new maximums (3.1% yoy) and deposits from NFC's also increased (11.1% 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

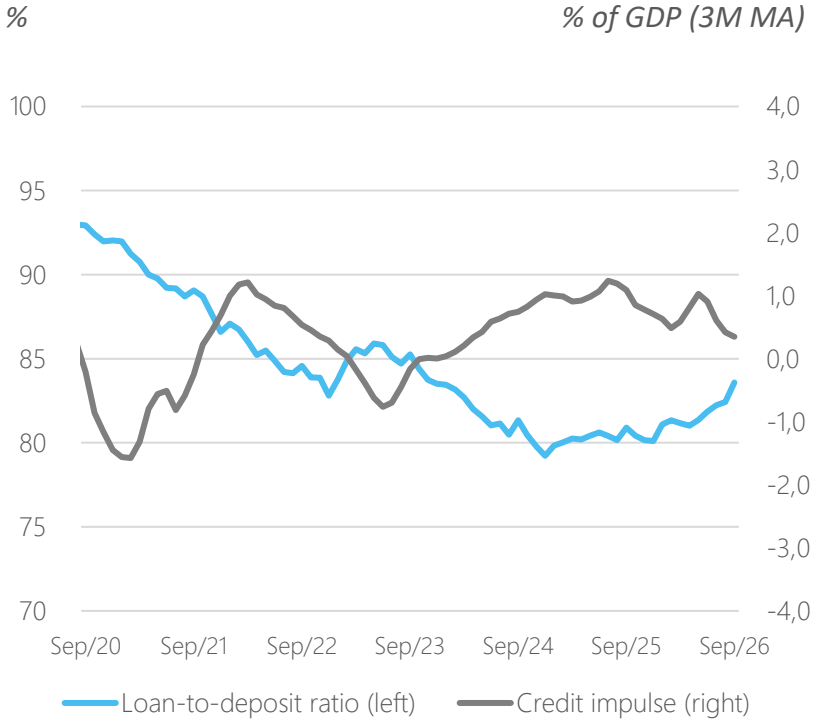
NPLs and coverage ratios



Cost of risk[1]
0.5% in Q4 2019
0.1% in Q1 2026

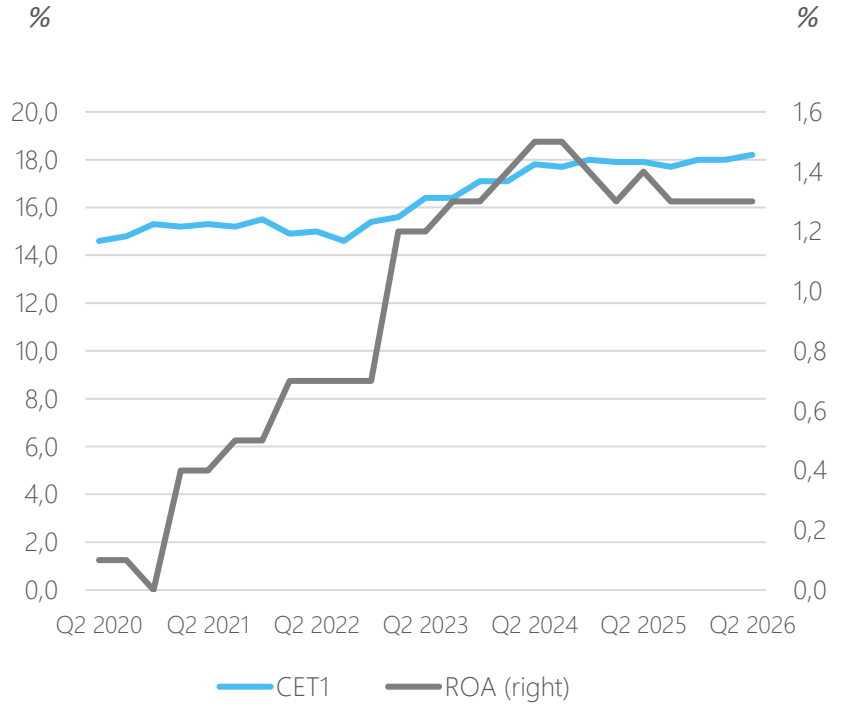
Notes: (1) flow of impairments to credit as a percentage of total gross loans.
Source: Caixabank Research, with data from Bank of Portugal.

Loan-to-deposit and credit impulse of private sector



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 Q2, 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 and is close to 85%; the credit impulse (yoy absolute change in new operations as % of GDP) decelerated in September 2026 to 0.3%.
- **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.**