



# Portugal:

## Macroeconomic and financial outlook

**BPI** *Research*

March 2026

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## Activity

- ▶ **Global economic uncertainty has risen after the joint U.S.-Israeli intervention in Iran.** Oil and gas prices reacted sharply to the closure of the Strait of Hormuz (through which 20% of global crude and gas flows). Markets initially did not expect a prolonged or highly disruptive conflict, but uncertainty about its duration remains high, triggering volatility. **In the euro area, market expectations have started pricing the possibility of ECB hikes by the end of 2026.**
- ▶ **The Portuguese economy faces the current context of geopolitical uncertainty from a position of relative strength.** This reflects its resilient recent performance and several factors that should continue to support the internal demand (such as a strong financial situation, the ongoing deployment of NGEU funds, healthy balance sheets in the private and public sector and high households' savings rate). The exposure of Portugal to the energy imports that pass through the Strait of Hormuz is relatively small: around 7% for oil and less than 1% for natural gas. **Our current forecast scenario was prepared before the start of the Middle East war, which has significantly increased downside risks.**
- ▶ **Real GDP advanced 1.9% in 2025,** taking advantage from the contribute of domestic demand (3.7 p.p.). External demand was negatively impacted by the slowdown on exports, while imports advanced almost 5%. We underline that GDP advanced 0.9% qoq in Q4, elevating the carryover effect for 2026 to 1.2%.
- ▶ **Inflation accelerated in February to 2.1% and the core index rose to 1.9%.** Going forward, we expect that inflation continues to have a benign performance, reaching a level around 2% by the end of the year. However, the recent conflict US-Israel/Iran poses significant risks for the behavior of energy prices, being a constrain for the fall of inflation.
- ▶ **Employment is still increasing but at a slower pace, while approaching full levels.** In January 2026, employed population reached 5,273.1 thousand people, a 2.6% annual growth, pushing up the employment rate to 65.5% (vs 64.3% in January 2025). In the same period, the labour force rose by 1.8%. The unemployment rate fell to 5.6%, while the labour sub-utilization rate fell to 9.6%.
- ▶ **Execution of RRP (Recovery and Resilience Plan) appears to be accelerating but is still below desired levels.** Up to now, Portugal received 14.9 billion euros, equivalent to 68% of the total amount of the RRP. Projects already approved amount to 23.63 billion euros (which includes RRP funds, amounting to 22.12 billion euros, and other sources of financing, totaling 1.52 billion euros) and payments reached 11.36 billion (76% of the total amount received from RRP), but only 48% of the approved projects.

## Banking Sector

- ▶ **Profitability is slightly lower due to reduced interest rates but remains well above the pre-pandemics.** CET1 reached 17.7% in Q3 (vs. 18% in Q424 and 14.3% in Q419). **Capital position of Portuguese banks provide buffers against risks that could arise, due to geopolitical or any adverse unexpected event that could eventually impact NPL's.** ROA increased last years and stood at 1.3% in Q325 (vs. 1.5% in Q324 and 0.4% in Q419).

# Main economic forecasts

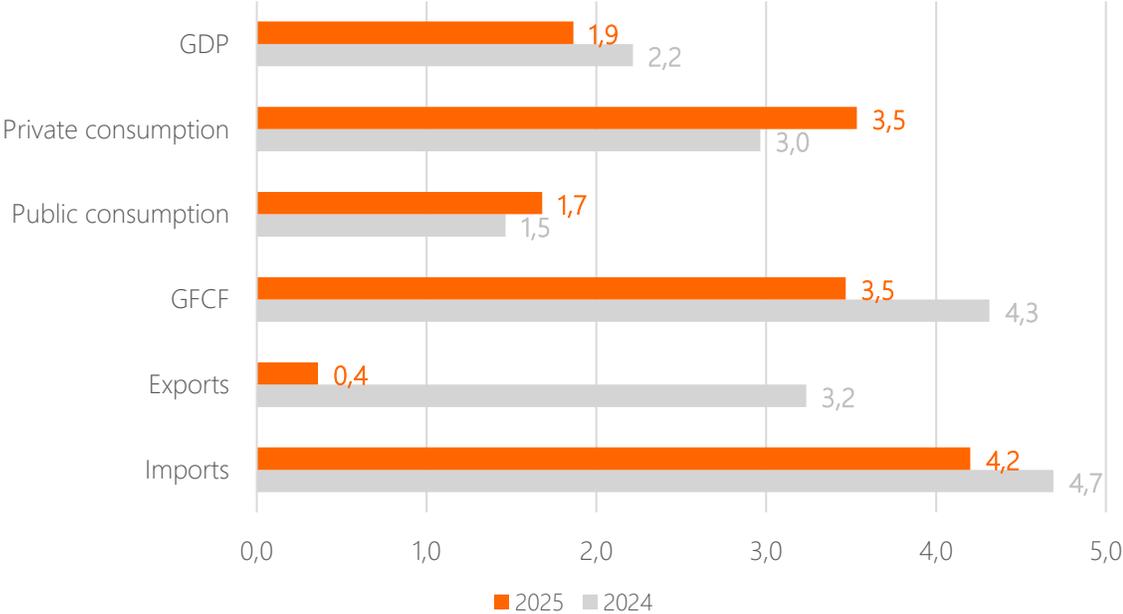
% , yoy	2016	2017	2018	2019	2020	2021	2022	2023	2024	Forecasts	
										2025	2026
<b>GDP</b>	2,0	3,3	2,9	2,7	-8,2	5,6	7,0	3,1	2,1	1,9	2,1
<b>Private Consumption</b>	2,4	1,8	2,6	3,5	-6,8	4,9	5,6	2,3	3,0	3,5	2,6
<b>Public Consumption</b>	0,9	0,1	0,5	2,1	0,4	3,8	1,7	1,8	1,5	1,7	1,6
<b>Gross Fixed Capital Formation (GFCF)</b>	2,7	11,6	6,2	5,5	-2,3	7,8	3,3	6,0	3,8	3,5	5,2
<b>Exports</b>	4,7	8,4	4,3	4,0	-18,4	12,1	17,2	4,2	3,1	0,4	2,2
<b>Imports</b>	5,2	8,0	4,9	5,1	-11,6	12,3	11,3	2,3	4,8	4,2	3,5
<b>Unemployment rate</b>	11,5	9,2	7,2	6,6	7,0	6,7	6,1	6,5	6,4	6,0	5,9
<b>CPI (average)</b>	0,6	1,4	1,0	0,3	0,0	1,3	7,8	4,3	2,4	2,3	2,1
<b>External current account balance (% GDP)</b>	1,2	1,3	0,6	0,4	-1,0	-0,8	-1,2	1,4	2,1	1,2	1,1
<b>General Government Balance (% GDP)</b>	-1,9	-3,0	-0,4	0,1	-5,8	-2,8	-0,3	1,3	0,5	0,4	-0,6
<b>General government debt (% GDP)</b>	131,2	126,0	121,1	116,1	134,1	123,9	111,2	96,9	93,6	89,7	86,4
<b>Housing Prices</b>	7,1	9,2	10,3	10,0	8,8	9,4	0,0	0,0	9,1	17,2	10,1
<b>Risk premium (PT-Bund) (average)</b>	307	269	138	100	90	60	100	70	62	44	61

Source: BPI Research.

# Growth reached 1.9% in 2025

## Real annual GDP

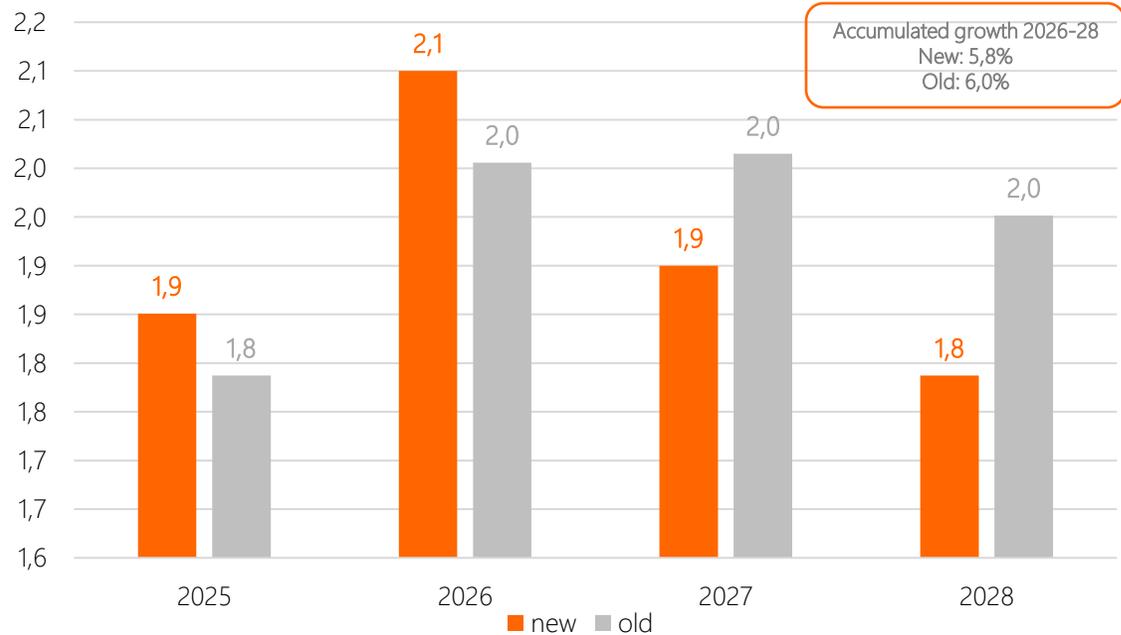
%



Source: BPI Research based on INE data.

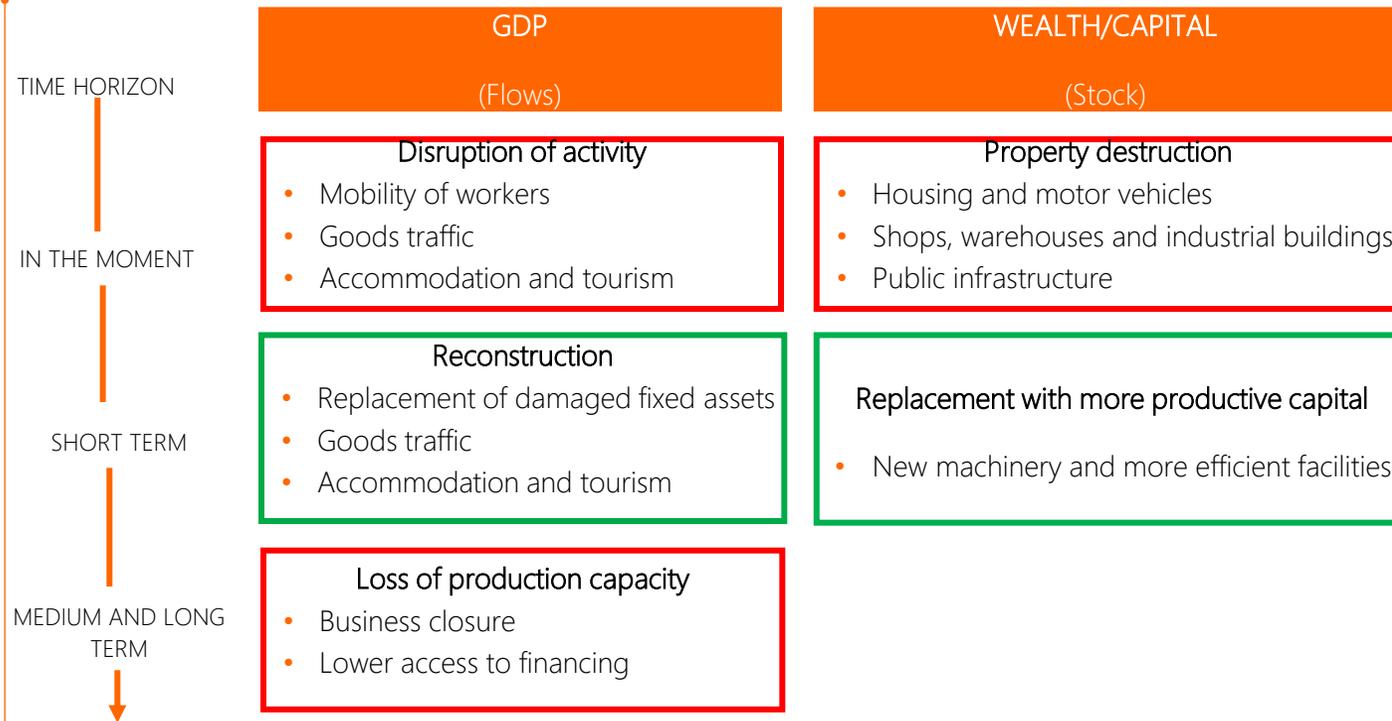
## 2025 growth trend led to upward revision in 2026

%



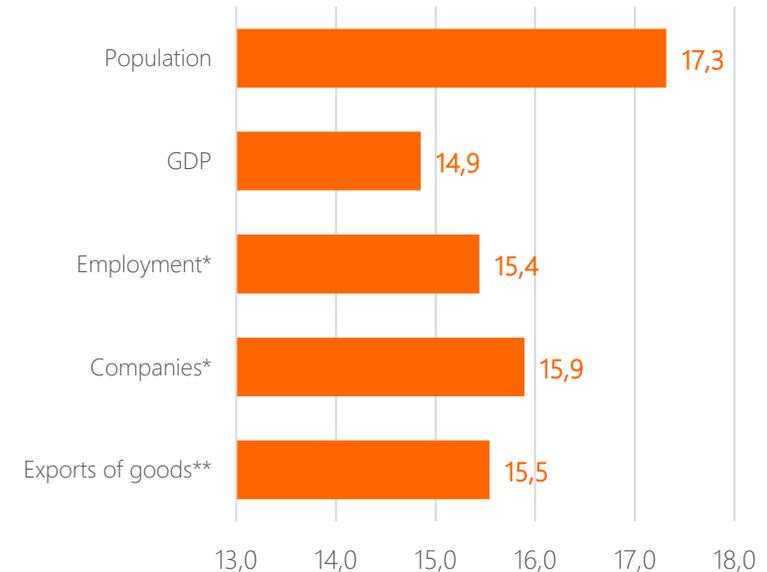
- ▶ **In 2025, the economy expanded by 1.9%, driven by domestic demand**, which contributed 3.7 percentage points, mainly due to private consumption. On the other hand, the contribution of external demand was negative (-1.8 p.p.), as a result of a sharp slowdown in exports (0.4% vs. 3.2% in 2024), while imports grew by 4.2%, 0.5 percentage points less than in 2024.
- ▶ **Our outlook (prepared before the outbreak of the Middle East war) projects the Portuguese GDP growth of 2.1% this year. However, the Middle East conflict has significantly increased downside risks.** The extent of any deviation from the forecast will depend on the duration and intensity of the war, its geographical scope, and any structural damage to energy infrastructure in the Gulf countries. These factors will shape how strong and persistent the rebound in energy prices is, and the degree to which trade flows, financial conditions and confidence are affected. Another factor to bear in mind is the impact of recent storms, which are expected to have curbed growth in Q1.
- ▶ **The Portuguese economy faces the current context of geopolitical uncertainty from a position of relative strength.** This is underpinned by three distinct drivers: stronger investment linked to the PRR’s final-year rollout; an expansionary fiscal stance that reduces tax burdens on households and firms; and solid household balance sheets, with the savings rate remaining close to historical highs.

# The economic impact of a natural disaster



Source: BPI Research based on Bank of Spain article and INE.

**Weight of the regions most affected by storms**  
% of total 2024



Note: \* 2023 data; \*\*: 2025 data

- ▶ Assessing the impact of these adverse weather conditions on GDP growth in 2026 is a very uncertain exercise. It depends on the length of time that activity is interrupted and the percentage of productive activity that was affected. **In an attempt to estimate the impact on growth in Q1 2026, we assumed that on average 15% of activity in the region was paralysed for a period of two weeks. Bearing in mind that the GDP of the affected regions represents 15% of national GDP, the negative impact on national GDP growth could be -0.3 percentage points.**
- ▶ However, this impact could be much greater if the period during which activity was interrupted and/or the duration of the interruption were longer. We therefore assign a high probability that growth in the first quarter will be close to 0%.
- ▶ **However, for 2026 as a whole, the impact is likely to be more limited.** The impact of the reconstruction effort on investment behaviour and public support for public consumption will tend to be reflected in a significant increase in the following quarters. Therefore, our estimate for GDP in 2026 does not change significantly from the pre-storm scenario, i.e. around 2%.

# Public measures to support reconstruction after severe weather

## Support for families:

- ❑ Support of up to €10,000 for the reconstruction of own homes;
- ❑ Elimination of prior controls on reconstruction;
- ❑ Possibility of requesting a 90-day suspension of mortgage payments; this may be extended to 12 months in more serious cases;
- ❑ Deferral until 30 April of tax obligations;
- ❑ Support of up to €573 per person or €1,075 per household for families and individuals in need or who have lost income, which may last up to 12 months.

## Support for agriculture:

- ❑ Covering expenses related to infrastructure, equipment, animals, crops, animal feed, equipment immobilisation and soil stabilisation, among others;
- ❑ Deferral until 30 April in fulfilling tax obligations.

## Support for companies:

- ❑ Credit lines for reconstruction and cash flow financing granted by Banco Português de Fomento:
  - ❑ Reconstruction support line (investment): €1 billion. Covers 100% of damages not covered by insurance, has a maturity of 10 years and a 12-month grace period;
  - ❑ Reconstruction support line (cash flow): €1 billion. Amount per company between €100,000 and €2,500,000, depending on size of the company.
- ❑ Exemption from administrative controls during reconstruction;
- ❑ Exemption from social security contributions;
- ❑ Simplified layoff scheme;
- ❑ Extraordinary financial incentive IEFP: support for salary costs and loss of income for self-employed workers. Equivalent to one month's costs/income up to a maximum of €1,840 per person;
- ❑ Mobilising and Green Agendas: extension of deadlines for submitting payment requests;
- ❑ COMPETE 2030 support measures: extension of deadlines for the execution of operations; priority given to operations in affected areas;
- ❑ Postponement until 30 April of compliance with tax obligations 3-month moratorium on loans, with the possibility of extension up to 12 months.

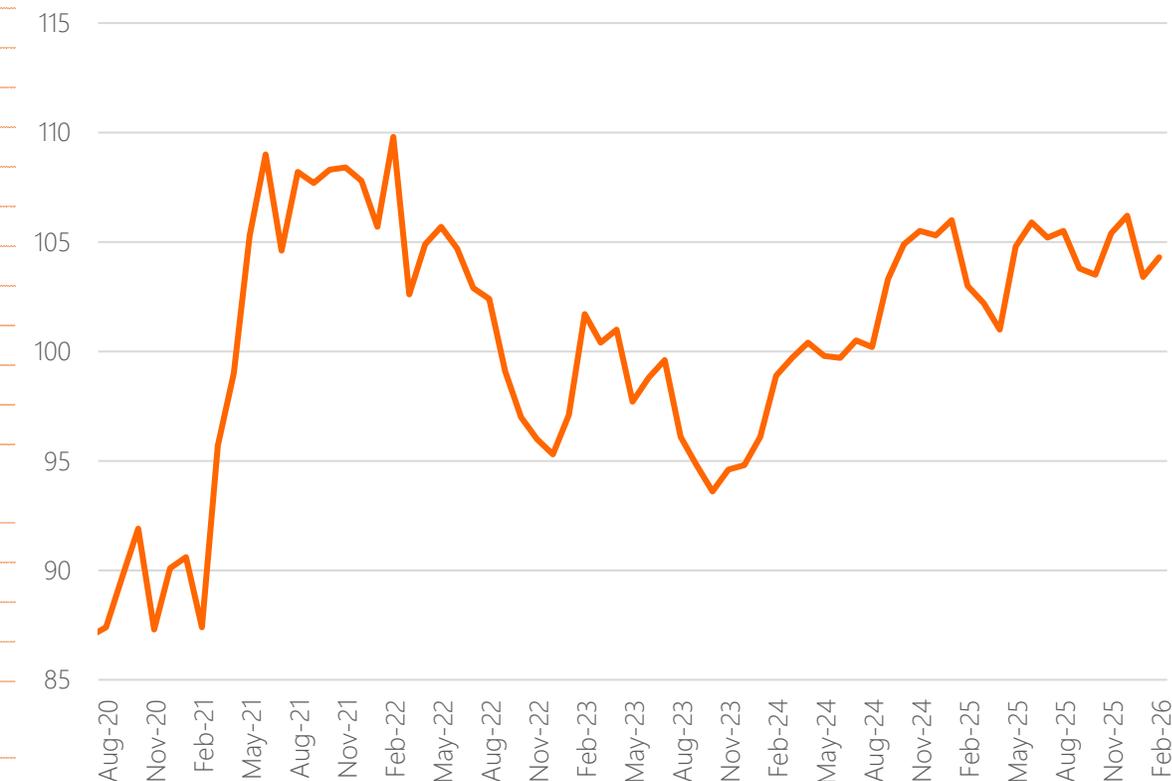
➤ **These measures are estimated to reach €3.5 billion, covering around 60% of losses estimated up to now, representing c. 1% of GDP**

# First readings for 1Q26 continue positive, but quantitative indicators still not reflect storms impact

yoy, level		Q4 25	Q1 26	Last month available
Synthetic indicators	Economic climate indicator	3,1	2,8	February
	Economic sentiment indicator	105,0	103,9	February
	Daily economic indicator	2,0	3,2	February
Consumption	Consumer confidence	-14,5	-15,4	February
	Wholesale and retail trade (yoy)	2,5	2,1	January
	Retail sales excl. fuels (yoy)	5,2	5,1	January
	Card withdrawals and purchases deflated (yoy)	4,7	4,4	January
	Car sales (yoy)	3,1	10,8	February
Investment	GFCF indicator	3,3	-	December
	Imports of capital goods	0,4	-	December
Supply	Cement sales	1,9	-	December
	Industrial production	0,5	1,2	January
Demand	Electricity consumption adjusted for temperature&working days	2,9	5,6	February
	Non-resident tourists (yoy)	1,6	2,0	January
	Number of flights (yoy)	3,5	2,3	February
Trade	Exports G&S (accum. Year)	1,4	-	December
	Imports G&S (accum. Years)	3,3	-	December
Labour market	Change in regist. unemployment (thousand people)	-24,7	-38,6	January
	Change in employment (thousand people)	180,9	136,7	January

## Economic sentiment index

1990=100



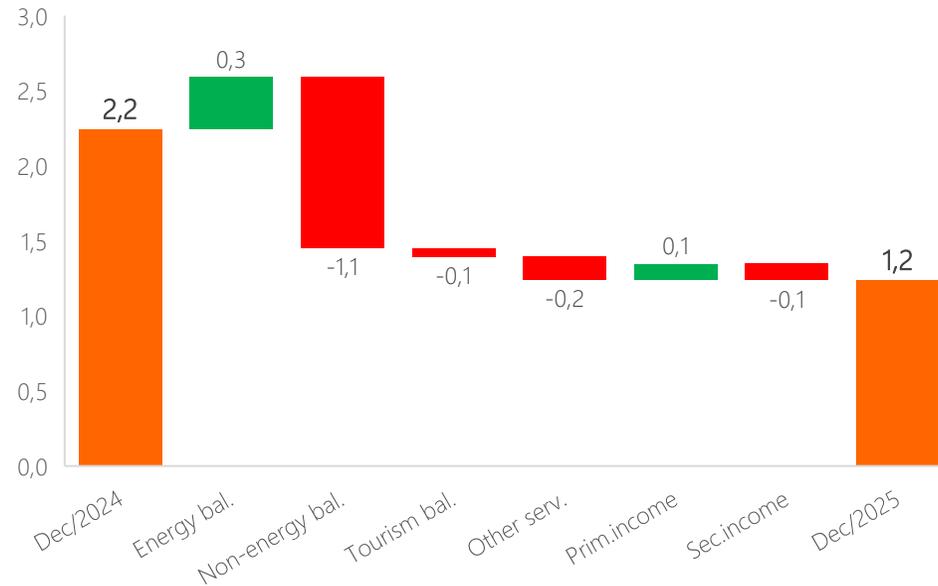
Source: BPI Research based on Portuguese INE, Bank of Portugal and European Commission.

- ▶ First data for February – covering already the storms period – continue suggesting activity growth; the economic sentiment indicator released by the European Commission continues comfortable above the 100-level, signing expansion. However, quantitative indicators covering the period are still scarce.

# Current account shrank considerably in 2025

## Current account up to December 2025

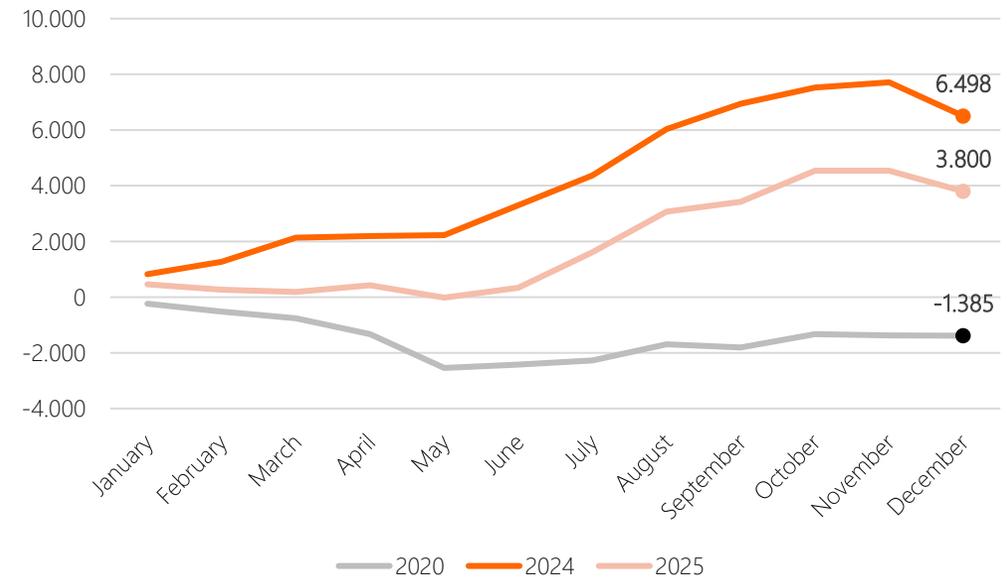
% of GDP and percentage points change



Source: BPI Research, from BoP.

## Current account

Million euros



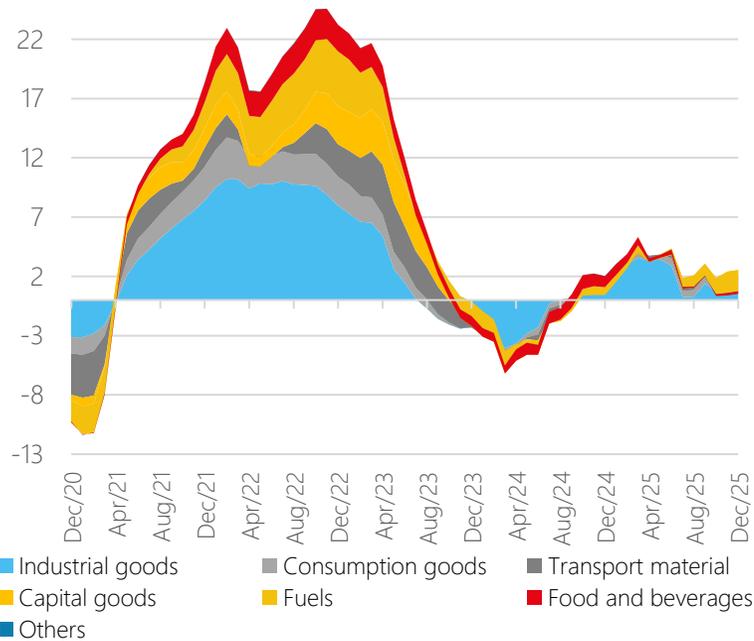
Source: BPI Research, from BoP.

- ▶ **In 2025, the current account surplus stood at 3,800 million euros**, equivalent to 1.2% of GDP (in line with BPI Research's forecasts), a significant decline compared to the figures registered in the same period of 2024 (-41.5%). This reduction has been mainly due to the increase in the non-energy deficit (to 7.9% 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 small decrease to 1.1% in 2026, although this does not reflect yet the worsening of energy prices due to recent intensification of the conflict in the Middle East.**
- ▶ The reduction in the surplus compared to the same period of 2024 is justified by the increase of 15.5% in the **deficit in goods account** (to -29,392 million euros), which was partially offset by the increase of 4.0% in the surplus of services account (to 33,141 million euros).

# International trade of goods: a continued slowdown in exports

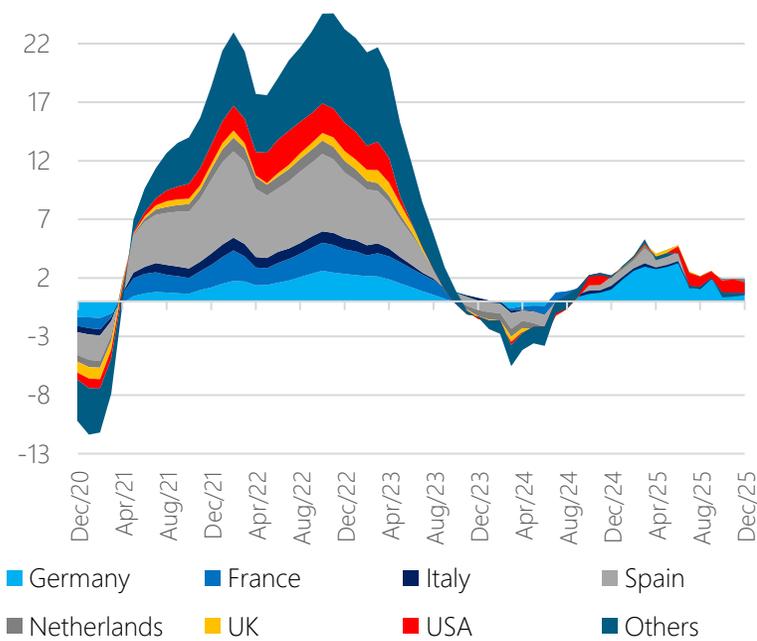
## Exports of goods by economic category (CGCE)

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 values at year end and respective weight

	Exports 2025 (M€)	Weight 2025 (%)	Weight 2019 (%)
Spain	20.586,5	26,0	24,7
Germany	11.060,6	13,9	12,0
France	9.539,5	12,0	12,9
USA	4.601,3	5,8	5,1
UK	3.577,0	4,5	6,1
Italy	3.535,7	4,5	4,5
Netherlands	2.638,4	3,3	3,9

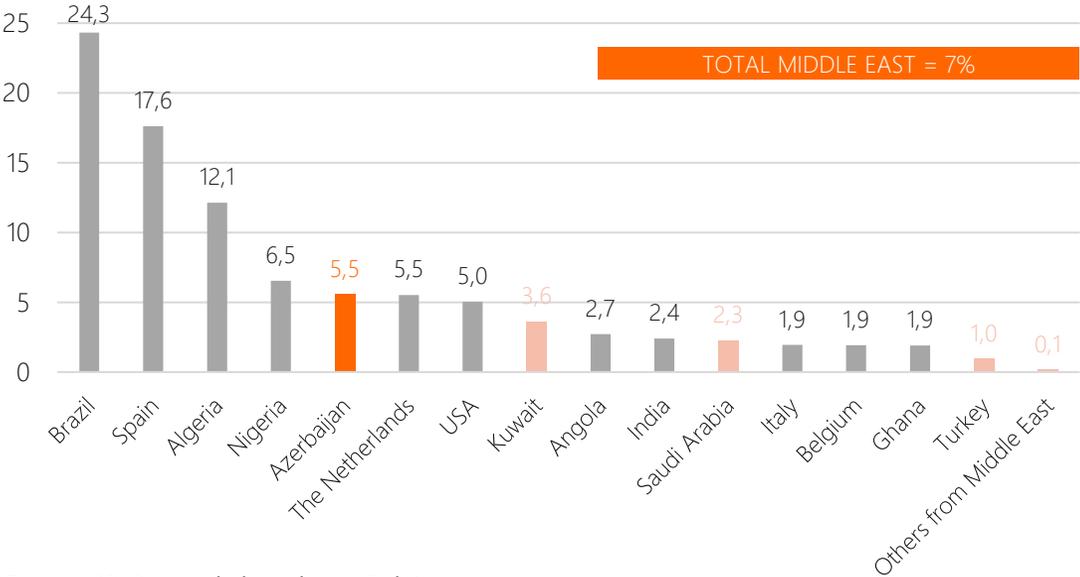
Source: BPI Research, from INE.

- ▶ **Exports of goods increased more slowly compared to the figures of 2024 (0.5% yoy in 2025 vs. 2.0% yoy in 2024) due to uncertainty in international trade since the beginning of 2025, totaling 79,312 M€ in year-to-date terms through December 2025.** In terms of economic category, they have been mainly stimulated by industrial goods and capital goods (respective contributions of 1.3 and 0.6 p.p. to yoy change) while fuels are still limiting the growth (contribution of -1.8 p.p.), a trend that had been aggravated during the year.
- ▶ **By country of destination, Spain keeps its leading position as main trade partner (cumulative exports in 2025 were 20,586.5 M€) and reinforced that position over the medium term (26.0% weight in 2025, +1.3 p.p. compared to 2019), followed by Germany (11,060.6 M€ and a weight of 13.9%, +1.9 p.p. compared to 2019) and France (9,539.5 M€ and a weight of 12.0%, -0.9 p.p.), which lost relevance on the structure of destinations. Exports to Germany are boosting external demand considering the dynamic 12-month cumulative amounts (growth of 14.5%, and this double-digit figures have been systematic since September 2024).** On the other hand, countries like Italy (-1.0%), Netherlands (-6.9%), UK (-1.0%) and USA (-13.4%) are losing market and relevance.

# Portuguese energy imports by country of origin (2025)

## Imports: crude and its derivatives

% of total imports of crude and its derivatives

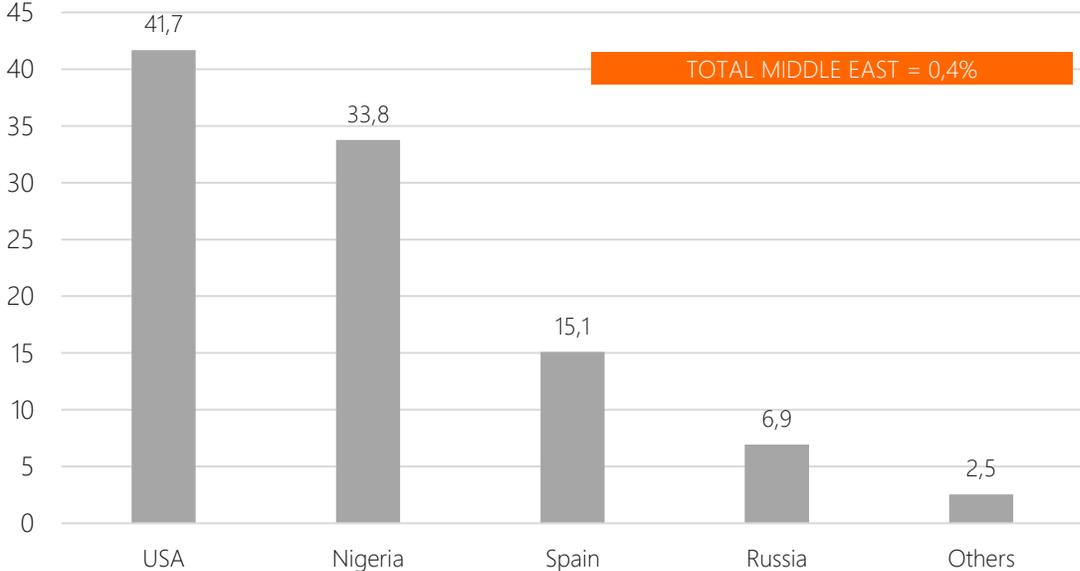


Source: BPI Research, based on INE data.

**Note:** Includes the Combined Nomenclature (CN) headings "Crude petroleum oils or oils obtained from bituminous minerals"; "petroleum oils or oils obtained from bituminous minerals (other than crude oils) and preparations not elsewhere specified or included, containing by weight as basic constituents = > 70% petroleum oils or oils obtained from bituminous minerals (other than those containing biodiesel and residues of oils)"; Vaseline; paraffin, microcrystalline petroleum wax, slack wax, ozokerite, lignite wax, peat wax, other mineral waxes and similar products obtained by synthesis or other processes, whether or not coloured"; "Petroleum coke, petroleum bitumen and other residues of petroleum oils or bituminous minerals"; "Bitumen and natural asphalts; schists and tar sands; asphaltites and asphalt rocks"; "Bituminous mastics, cut backs and other bituminous mixtures based on natural asphalt or bitumen, petroleum bitumen, mineral tar or mineral tar pitch".

## Imports: Natural gas

% of total imports of natural gas



Source: BPI Research, based on INE data. Note: Includes the Combined Nomenclature (CN) heading "Petroleum gas and other gaseous hydrocarbons".

# Labour market: employment advanced 2.6% and unemployment rate fell to 5.6%

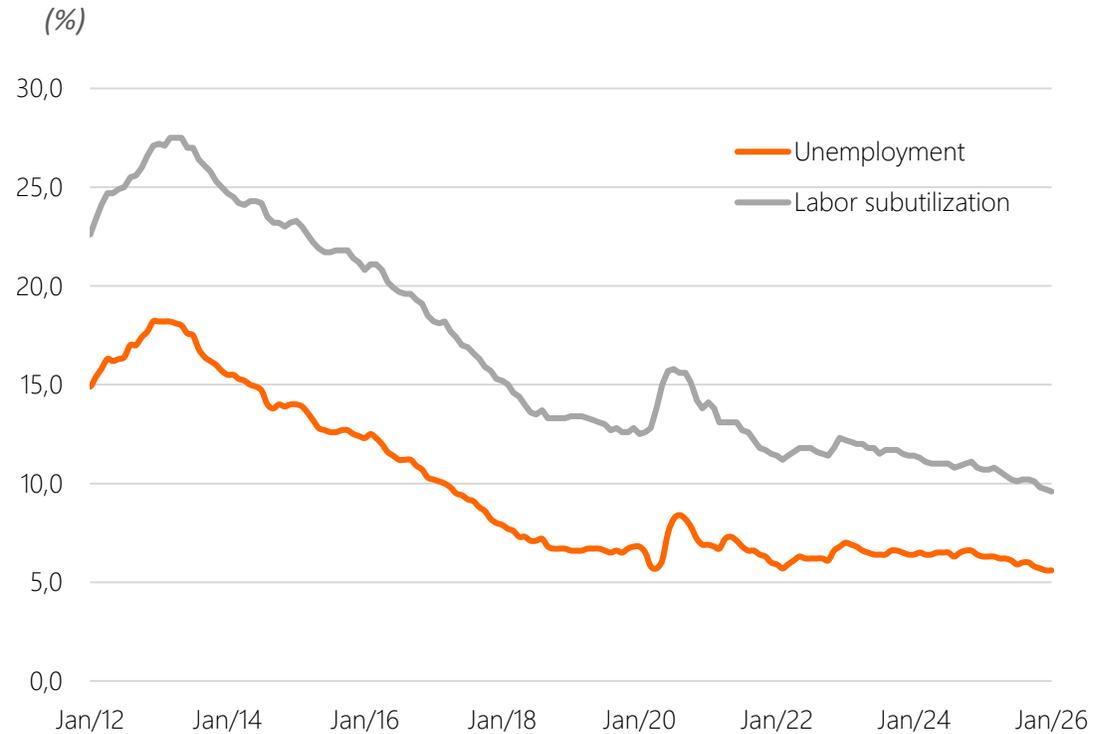
## Employed population

Number of people ('000 individuals)



Source: BPI Research, from INE.

## Unemployment and labour subutilization rates (%)



- ▶ **Employment is still increasing but at a slower pace, while approaching full levels.** In January 2026, employed population reached 5,273.1 thousand people, a 2.6% annual growth, pushing up the employment rate to 65.5% from 64.3% in January 2025. In the same period, the labour force rose by 1.8%. **The unemployment rate fell to 5.6%, while the labour subutilization rate fell to 9.6%.**
- ▶ A signal of a slowdown in employment is the number of job offers created by IEFP, which were 11,451 in January 2026, a yoy growth of 3,5% but significantly lower than the monthly average of 2025 (16,478). The registered unemployment by sector decreased in most activities, mainly in services (-15.3%, namely real estate, administrative and support activities (-22.8%)), followed by agriculture (-11,9%) and industries (-11.6%, namely extraction (-24.3%) and IT, electrical, machine equipment (-19.2%)).

# RRP: execution continues at slow pace (52% of total program)

## Approvals and payments to direct and final beneficiaries

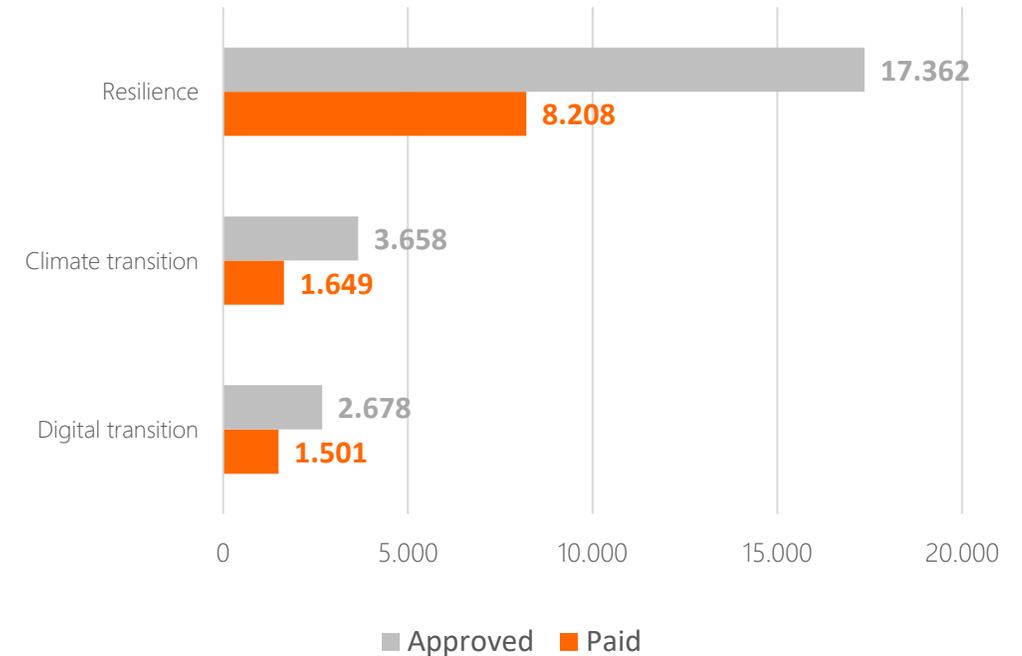
(Up to February 25th)	Approved (EUR million)	Paid (EUR million)	Paid rate
Families	405	297	73,3
Social and solidarity economy institutions	851	365	42,9
Firms	7.266	4.065	55,9
Excl. R&I System Non-firms	6.112	3.400	55,6
R&I System Non-firms in consortium with firms	1.154	616	53,4
Institutions of the scientific and technological system	726	301	41,5
Higher Education Institutions	997	457	45,8
Schools	987	612	62,0
Municipalities and metropolitan areas	4.675	1.654	35,4
Public entities	4.965	2.370	47,7
Public firms	2.812	1.235	43,9
<b>Total (million euros)</b>	<b>23.684</b>	<b>11.356</b>	<b>48</b>
<b>(% total RRP)</b>	<b>100%</b>	<b>52%</b>	

*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: BPI Research, from Recuperar Portugal.*

## RRP: amounts approved and paid by dimension

*Eur million*

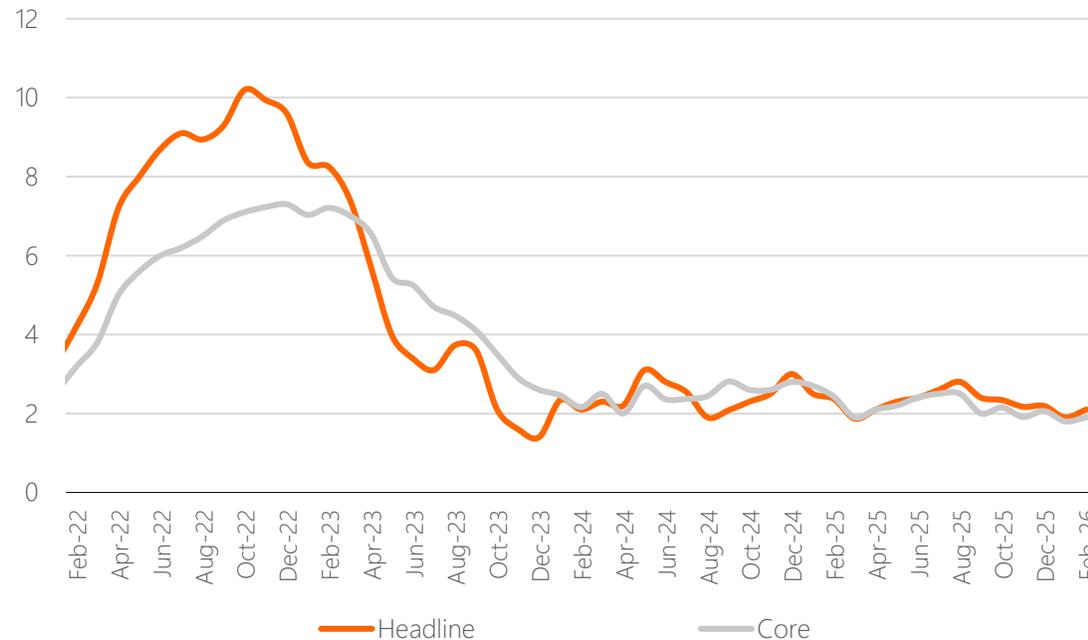


- ▶ **Up to now, Portugal received 14.92 billion euros, equivalent to 68% of the total amount of the RRP. Projects already approved amount to 23.68 billion euros (which includes RRP funds, amounting to 22.18 billion euros, and other sources of financing, totalling 1.52 billion euros) and payments reached 11.36 billion (76% of the total amount received from RRP), but only 48% of the approved projects.**
- ▶ **At the same time, the rate of implementation of the funds has been gradually accelerating 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.**

# Inflation accelerated in February

## Inflation: Headline and Core

Year-on-year (%)



Source: BPI Research, from INE.

## Brent: market forecasts a contained jump

%



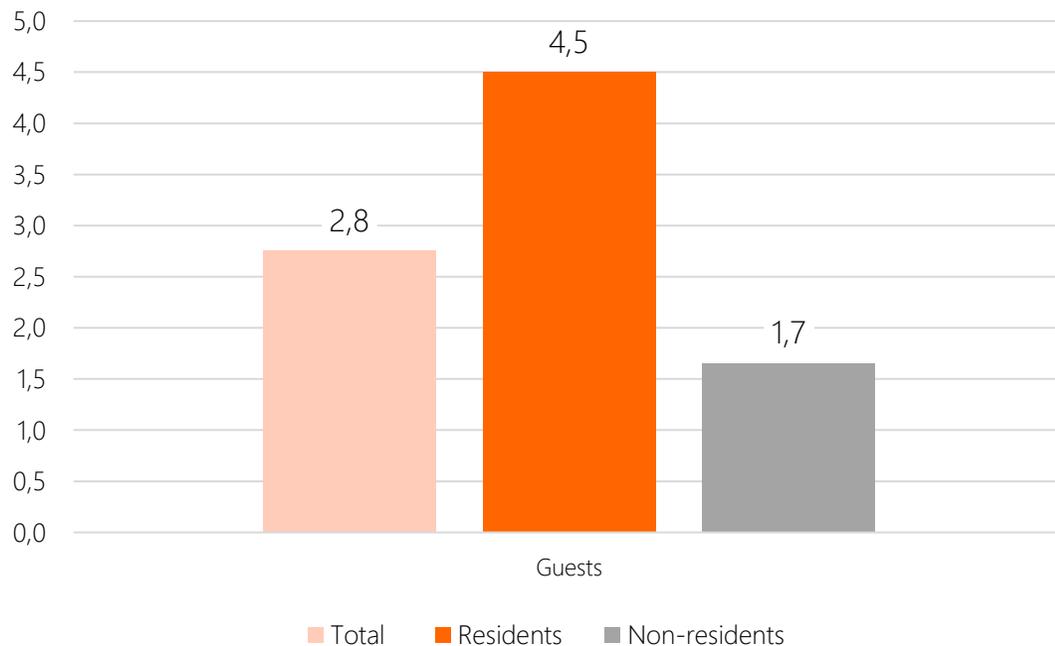
Source: BPI Research, from ICE website.

- ▶ **In February, inflation accelerated to 2.1% from 1.9% in January and the core indicator rose 1 tenth to 1.9%.** On a monthly basis, prices advanced 0.1% driven by an increase of 0.87% on energy above the BPI Research expectation of a mom increase of 0.64%. This movement on energy prices was due to the increase of tensions between US and Iran that pushed the Brent to a price slightly above 70 USD/barrel.
- ▶ The outbreak of attacks on Iran in early March increased geopolitical risks, posing additional risks to energy commodity price behaviour and potentially limiting the downward trend in inflation this year. The extent of the movement will depend on the duration of the conflict and whether it spreads to other oil and gas producing countries in the region. For now, we are keeping unchanged our forecast for inflation in 2026 at 2.1%, but risks are skewed upwards.

# Tourism revenues in 2025 surpassed 7.000 M€ for the first time

## Number of guests

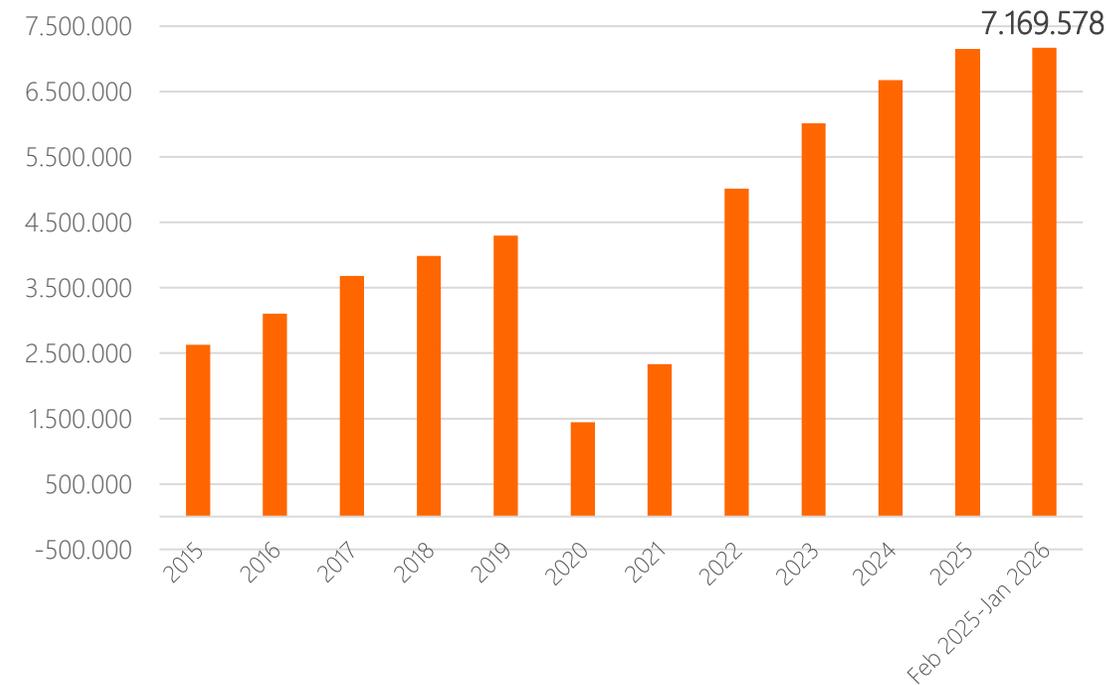
Annual change in cumulative values (Feb 2025-Jan 2026)



Source: BPI Research, from INE.

## Total revenues in tourist accommodation establishments

Thousand €

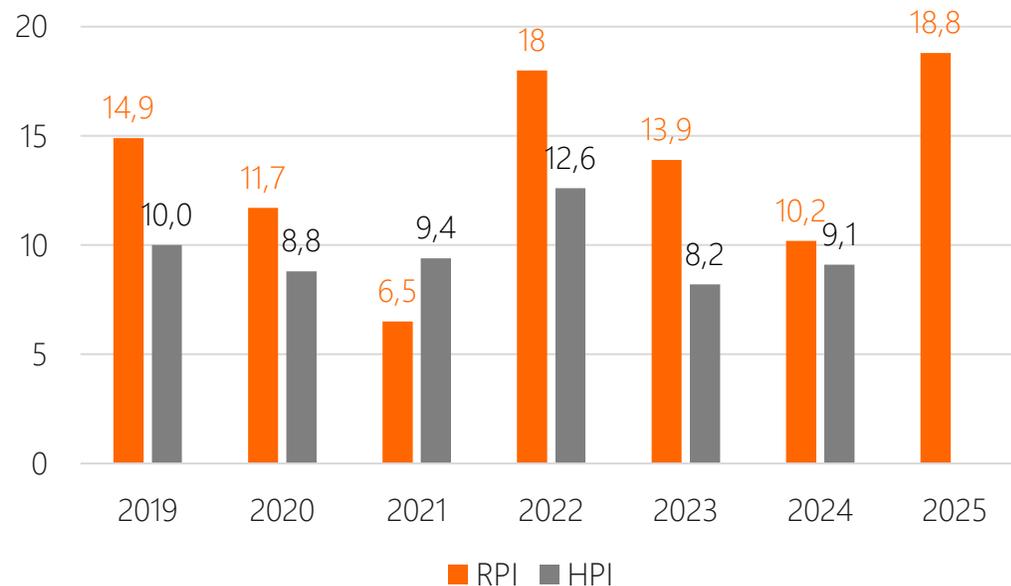


- ▶ In cumulative terms from February 2025 to January 2026, the tourism sector recorded an annual increase of 2.8% in guests and 2.0% in overnight stays. The number of tourists reached 32.6 million (12.8 million residents and 19.8 million non-residents).
- ▶ Total revenues in tourist accommodation establishments registered a historical record in 2025, surpassing 7.000 M€, and this is still being observed in 2026. Total revenue in tourist accommodation establishments grew by 6.9% compared to Feb/24-Jan/25, mainly driven by the dynamism in some regions such as Madeira (+16.4%), Azores (+9.9%) and Alentejo (+9.9%).

# Pressures on the housing market pushed up housing prices forecasts

## House Price Index (HPI) and Residential Price Index (RPI)

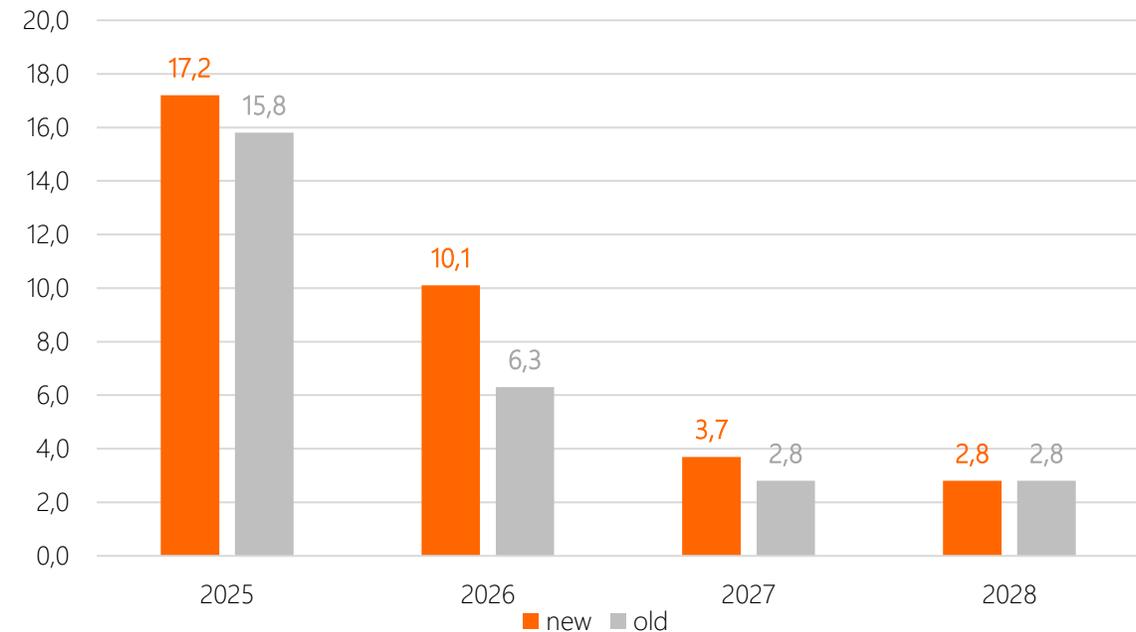
Average annual or yoy variation (%)



Source: BPI Research, using data from INE and CI.

## New scenario for housing prices

Annual growth (%)



Source: BPI Research, using data from INE

- ▶ In Q3 2025, the House Price Index recorded a year-on-year change of 17.7%, 2.3 p.p. more than estimated by BPI Research, which pointed to growth of 15.4%. Therefore, in order to achieve the previous annual appreciation forecast (15.8%), a qoq variation of 1.75% would be necessary in Q4 2025, which we think is too low.
- ▶ Bank appraisal rose 19.1% yoy in December, suggesting that housing prices kept evolving strongly in Q4, probably pushing up the carry over effect for 2026. Still, this indicator rose 18.7% yoy in January, confirming that prices continue to expand strongly.
- ▶ Furthermore, fundamentals for continued appreciation in this market remain in place: 1) economic growth; 2) robust labour market; 3) balanced interest rates; 4) robust demand; 5) measures to expand supply will have a delayed effect and fiscal stimuli to demand continue.

# Budget execution in 2025 above government expectations

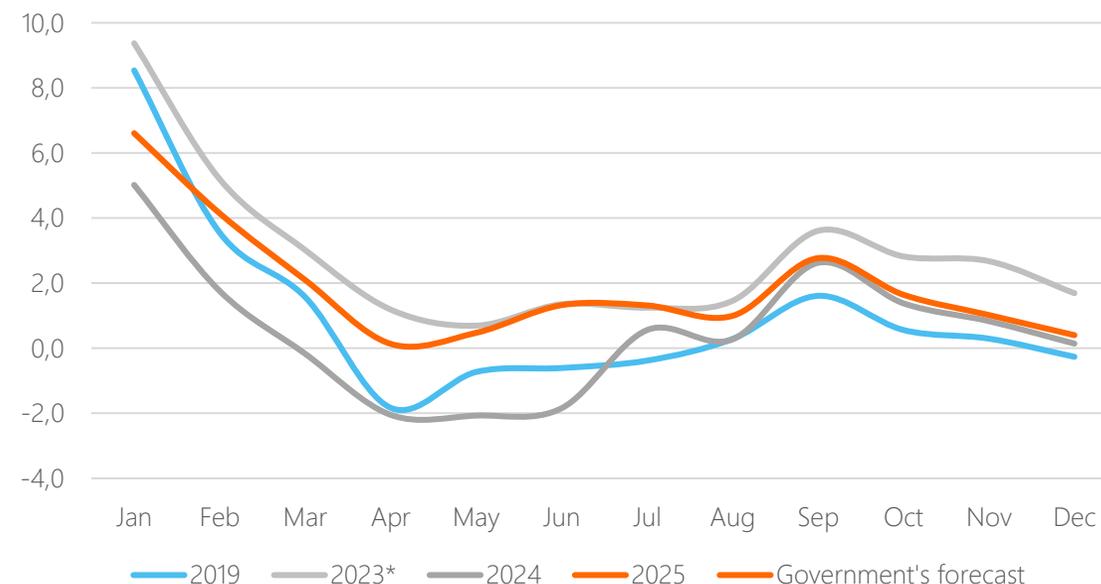
## Budgetary execution of Public administration (main items)

January-December	2019	2023*	2024	2025	Var. 2025 vs 2019	Average var. 2019-2025 (%)**	Var. 2024-2025 (%)
<b>Revenues</b>	<b>41,5</b>	42,6	41,8	42,9	1,3	7,4	7,6
Fiscal revenues	24,2	24,4	23,5	23,9	-0,3	6,4	7,1
Social security contributions	10,4	10,8	11,1	11,5	1,0	8,9	8,3
<b>Expenditure</b>	<b>41,8</b>	40,9	41,7	42,4	0,6	5,7	6,9
Staff costs	10,1	9,7	9,8	10,1	0,0	7,2	8,3
Current transfers	17,9	17,5	18,4	18,4	0,5	5,5	4,8
Acquisition of goods & services	6,2	6,4	6,4	6,5	0,3	5,9	6,3
Interests	3,8	2,5	2,4	2,2	-1,5	0,0	-2,2
Investment	2,3	2,7	2,7	3,1	0,9	12,1	22,5
<b>Budget balance</b>	<b>-0,3</b>	1,7	0,1	0,4	0,7	-	-

Note (\*): adjusted value for pension fund transfer from CGD to CGA; (\*\*) excludes 2020-2022, years affected by the pandemics. For 2023, adjusted revenue from the effect referred in the note\*. Source: BPI Research, based on EO data.

Source: BPI Research, based on data from INE.

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



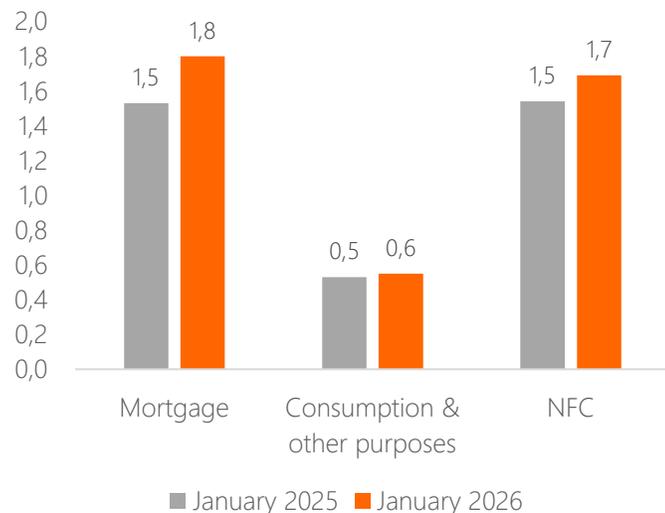
Note: (\*) Data for 2023 is adjusted by the transfer from the CGD Pension Fund to the CGA. Source: BPI Research, from EO.

- ▶ **The 2025 budget execution in cash basis reveals that the budget balance may be better than the Government's expectations, standing at 0.4% of GDP (against 0.1% in 2024 and the government estimate of -0.3%).** Applying the difference estimated by the Executive between cash and accrual basis, it would result in a surplus of 1% of GDP in 2025 in the national accounts.
- ▶ **Revenue:** the main support was social contributions, VAT and IRS. Tax and contributory revenues were 465 M€ above the Government's last estimate; **expenditure:** more than half of the increase is explained by personnel expenses and current transfers; Investment and acquisition of goods and services also stood out, although to a lesser extent. Personnel expenses were the only item above the Government's estimate; on the negative side, the under-execution of investment stands out (-1,750 million euros against the Government's estimate).
- ▶ **The budget execution known so far makes a deficit scenario in 2025 practically unlikely, as we anticipated in July.** Analyzing the execution in cash basis and assuming the difference between methods included in the 2026 State Budget, it would give a surplus of ≈1% of GDP. However, the difference between cash and accrual basis is always quite uncertain and volatile.
- ▶ **For 2026, the probability of a return to deficit is high, both due to the expansionary nature of fiscal policy and the expected increase in expenditure related to the storms that occurred in the first half of February.** Part of this latter expenditure may, according to European rules, be excluded from the overall budget balance calculation, but it is likely that most of the support measures announced so far, such as the simplified layoff scheme and support for families suffering loss of income, cannot be excluded from the calculation.

# Banking system: private sector credit and deposits keep rising, but deposits decreased suggesting a possible turning point in savings

## New lending activity by sector

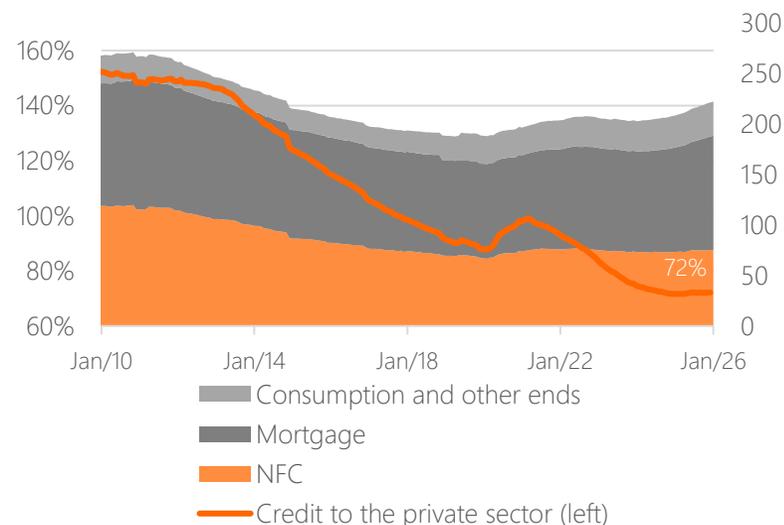
Billion euros



## Bank credit to the non-financial private sector

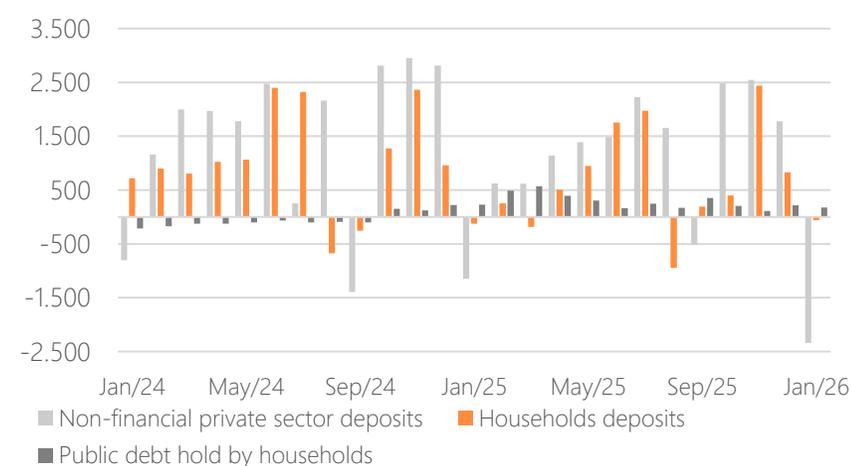
% nominal of the year GDP

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: BPI Research, based on data from Bank of Portugal.

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

### ► The stock of credit to companies and households continues to increase:

- **Mortgage credit:** stock rose 9.6% in January, with new operations still increasing at double digit levels (+16.3%). The amount recorded in January was the maximum since September 2013. It was boosted by the decline in interest rates, as well as the impact of Government's measures since 2024 (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. **New mortgage credit was 1.8 billion euros in January (1.5 billion one year ago), renewing the record.** Credit demand by young-adults justified mostly this figure, accounting for 60% of the amount of new contracts for own permanent home.

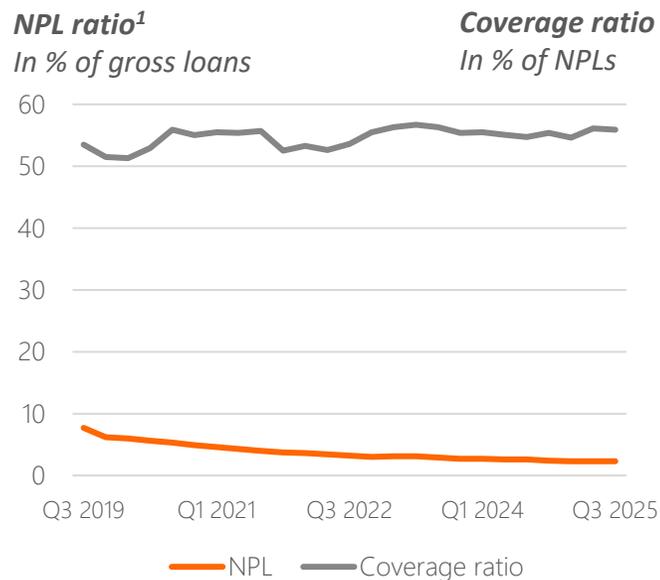
- **NFC:** the outstanding credit added 2.4% in January, while new operations expanded by 9.9%.

- **% of GDP:** credit to non-financial private sector is around 73% of GDP, clearly below past levels (≈150%).

- **In January, non-financial private sector deposits kept close to the maximum registered in December 2025 (the stock rose 5.0% yoy in January).** Both households' and NFC's deposits increased (7.3% and 4.2% yoy, respectively), a slight deceleration compared to the previous months for the case of NFC.

# Banking system: deleveraging with high solvency and profitability

## NPLs and coverage ratios

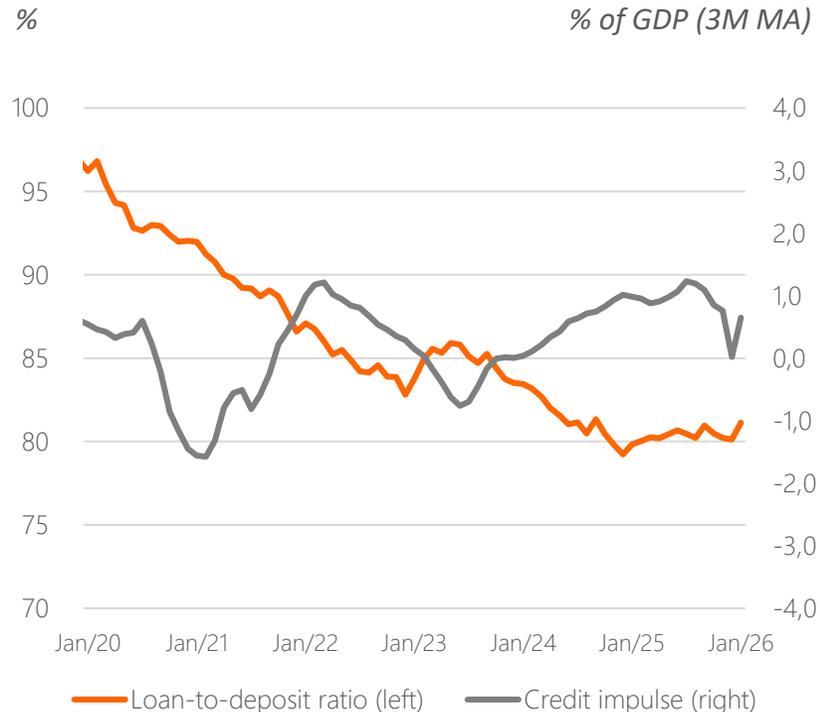


### Cost of risk<sup>1</sup>

0.5% in Q4 2019  
0.1% in Q3 2025

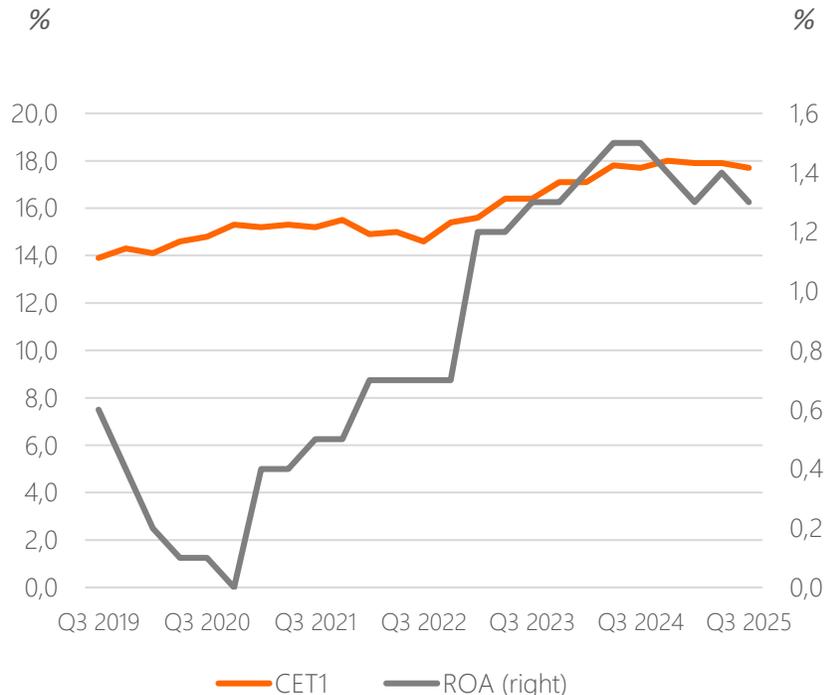
Notes: (1) flow of impairments to credit as a percentage of total gross loans.  
Source: BPI Research, with data from Bank of Portugal.

## Loan-to-deposit and credit impulse of private sector



Source: BPI Research with data from Bank of Portugal.

## Banks' solvency and profitability



Source: BPI Research with data from Bank of Portugal.

- ▶ **NPLs ratio keep steady in Q3 for the 3<sup>rd</sup> 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, showing signals of turn-around.** Loan-to-deposit ratio increased in January to 81% and the credit impulse (yoy absolute change in new operations as % of GDP) increased in January 2026 to 0.6%, the first increase since July 2025.
- ▶ **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).