Portugal:
Macroeconomic and financial outlook

BPI ***Research***

April 2026

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BPI Grupo CaixaBank

Main messages

Activity

- **The Middle East war continues to weigh on the global economic outlook, although the recent fragile ceasefire between the US and Iran has reduced the likelihood of the most adverse scenarios.** Markets are pricing in a relatively swift resolution and a largely transitory shock. However, uncertainty remains high while energy prices are likely to stay above early-year expectations, reflecting instability in flows through the Strait of Hormuz and damage to energy infrastructure that will take time to fully recover. In the euro area, markets have shifted towards **pricing two rate hikes in 2026,** compared with a pre-conflict situation in which no hikes were contemplated.
- **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. **However, it is important to have in mind that our current forecast scenario was prepared before the beginning of the Middle East conflict, which has significantly increased downside risks to growth and upward risks to inflation. Our next scenario update is scheduled for May.**
- **Recently, the Bank of Portugal released its new macroeconomic scenario,** that already incorporates potential impacts of the storms (that took place in February) and the beginning of the Middle East conflict. Growth was revised from 2.3% to 1.8% in 2026 and inflation rate from 2.1% to 2.8%.
- **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 1.2p.p..
- **Inflation accelerated in March to 2.7% and the core index rose to 2.0%.** This hike on inflation was mostly driven by an increase in energy prices, which performance puts considerable upside risks to our forecast (2.1% for 2026, forecasted in February).
- **Employment is still increasing but at a slower pace.** In February 2026, employed population reached 5,258.6 thousand people, a 2.0% annual growth. In the same period, the unemployment rate rose to 5.8%.
- **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 24.59 billion euros (which includes RRP funds, amounting to 22.98 billion euros, and other sources of financing, totaling 1.61 billion euros) and payments reached 11.95 billion (80% of the total amount received from RRP), but only 48% of the approved projects.

Banking Sector

- **Profitability reduced slightly due to diminishing interest rates but remains well above the pre-pandemics.** CET1 reached 17.9% in 2025 (vs. 18% in 2024 and 14.3% in 2019). **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 year and stood at 1.3% in 2025 (vs. 1.4% in 2024 and 0.4% in 2019).

Main economic forecasts

UNDER REVIEW

Forecasts have not been updated after the Middle East war.

%, 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	2,1	1,9	2,1	1,9
Private Consumption	1,8	2,6	3,5	-6,8	4,9	5,6	2,3	3,0	3,5	2,6	2,1
Public Consumption	0,1	0,5	2,1	0,4	3,8	1,7	1,8	1,5	1,6	1,5	1,0
Gross Fixed Capital Formation (GFCF)	11,6	6,2	5,5	-2,3	7,8	3,3	6,0	3,8	3,6	5,4	2,2
Exports	8,4	4,3	4,0	-18,4	12,1	17,2	4,2	3,1	0,4	2,2	4,1
Imports	8,0	4,9	5,1	-11,6	12,3	11,3	2,3	4,8	4,3	3,4	3,9
Unemployment rate	9,2	7,2	6,6	7,0	6,7	6,1	6,5	6,4	6,0	5,9	5,9
CPI (average)	1,4	1,0	0,3	0,0	1,3	7,8	4,3	2,4	2,3	2,3	3,3
External current account balance (% GDP)	1,3	0,6	0,4	-1,0	-0,8	-1,2	1,4	2,1	1,2	1,1	1,2
General Government Balance (% GDP)	-3,0	-0,4	0,1	-5,8	-2,8	-0,3	1,1	0,6	0,7	-0,6	-0,5
General government debt (% GDP)	126,0	121,1	116,1	134,1	123,9	111,2	96,9	93,5	89,7	86,4	83,4
Housing Prices	9,2	10,3	10,0	8,8	9,4	12,6	8,2	9,1	17,6	10,1	3,7
Risk premium (PT-Bund) (average)	269	138	100	90	60	100	70	62	44	61	75

***Source**: BPI Research.*

Markets eye a measured ECB hiking cycle due to the Middle East conflict

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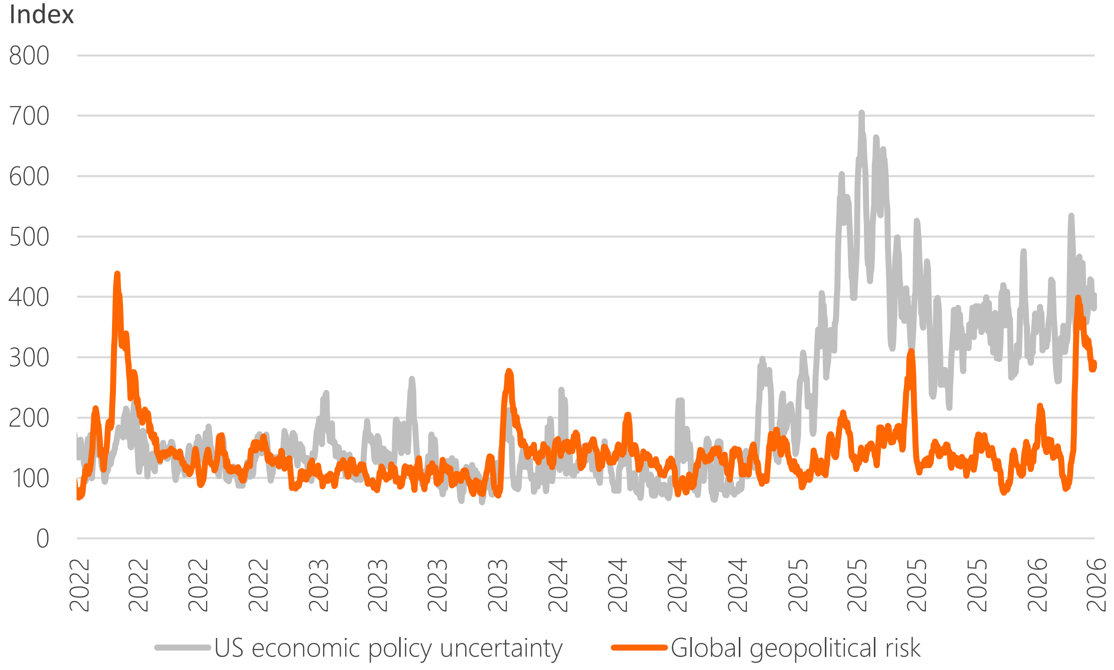
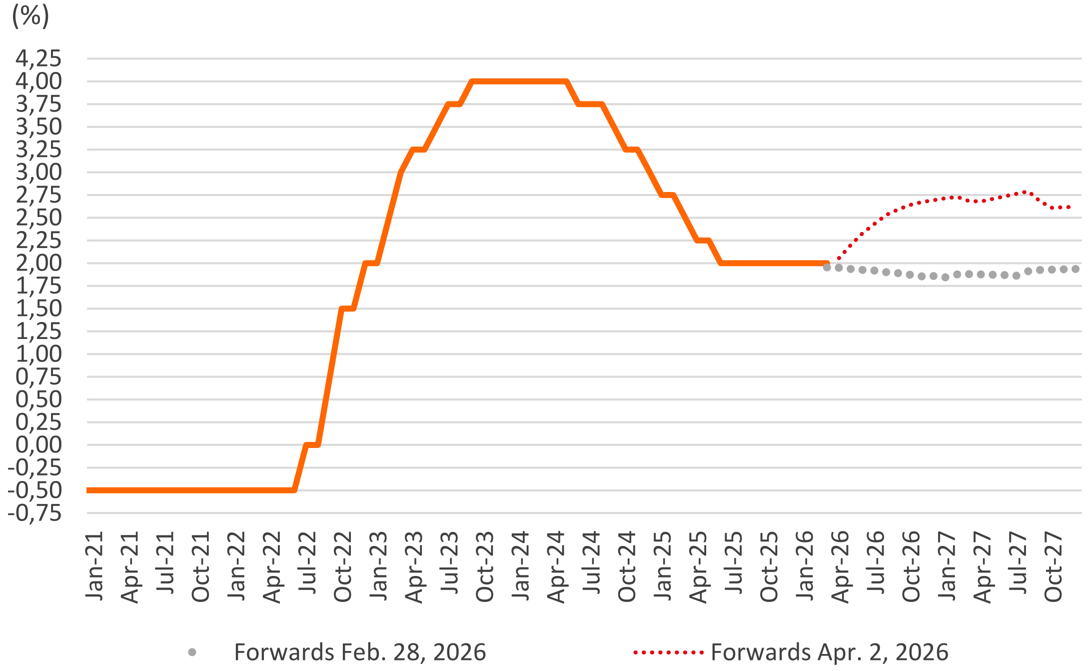
Policy uncertainty and geopolitical risk



ECB deposit rate

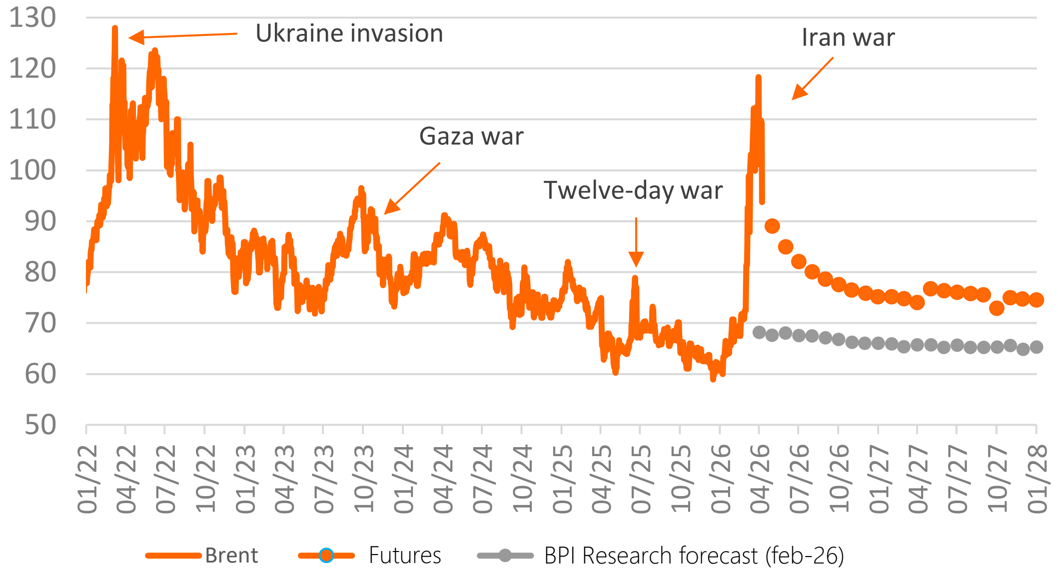


- **The Middle East conflict raises the odds of ECB rate hikes**. Markets have shifted towards pricing two ECB hikes in 2026 (3 before the truce) adjusting from a pre-conflict market-implied 30% probability of one cut. ECB officials emphasized the need to wait and see and not to overreact to extremely volatile energy-market futures (whose implied impact on inflation fluctuated between “small” and “meaningful”). Officials outlined a three-pronged strategy: i) if the energy shock is limited and short-lived, the classical prescription would be to “look through”; ii) if there is a meaningful but not-too-persistent impact on inflation, some measured adjustment of policy could be warranted; and iii) if inflation overshoots in a significant and persistent way, the response must be forceful.
- **The ECB sets off from a “good place”**. It can rely on anchored inflation expectations, a neutral monetary policy stance (vs. highly expansionary in the run-up to the Ukraine shock), moderate demand growth and decelerating wages. Yet, the ECB must be cautious about amplification risks from lingering price inertia, Ukraine-inflation memories and tariff-related risks of supply disruptions.
- **Markets switch to a “risk-off, inflation-on” mood**. The Middle East conflict led to a spike in uncertainty and risk aversion, and widespread losses across global stock markets. Consumer, materials and industrial sectors took a larger hit, as did Asian, European and emerging stocks, while US benchmarks and tech stocks were comparatively resilient. Markets see a meaningful impact on short-term inflation (while long-term expectations remain anchored) and have adopted a hawkish bias in their monetary policy expectations, triggering a jump in sovereign yields. Although euro area peripheral spreads tightened, they remain remarkably low (at the start of the year, they reached lows not seen since 2008 [except for France]).

The Middle East war is having a significant impact on energy prices

Brent oil prices and futures

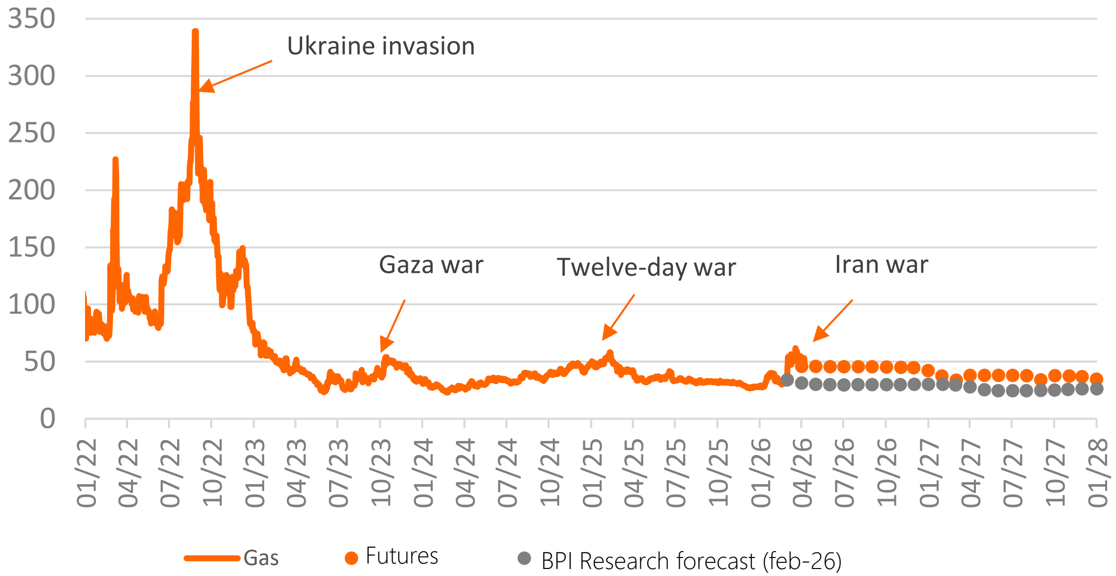
$ per barrel



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

TTF gas prices and futures

€ per MWh



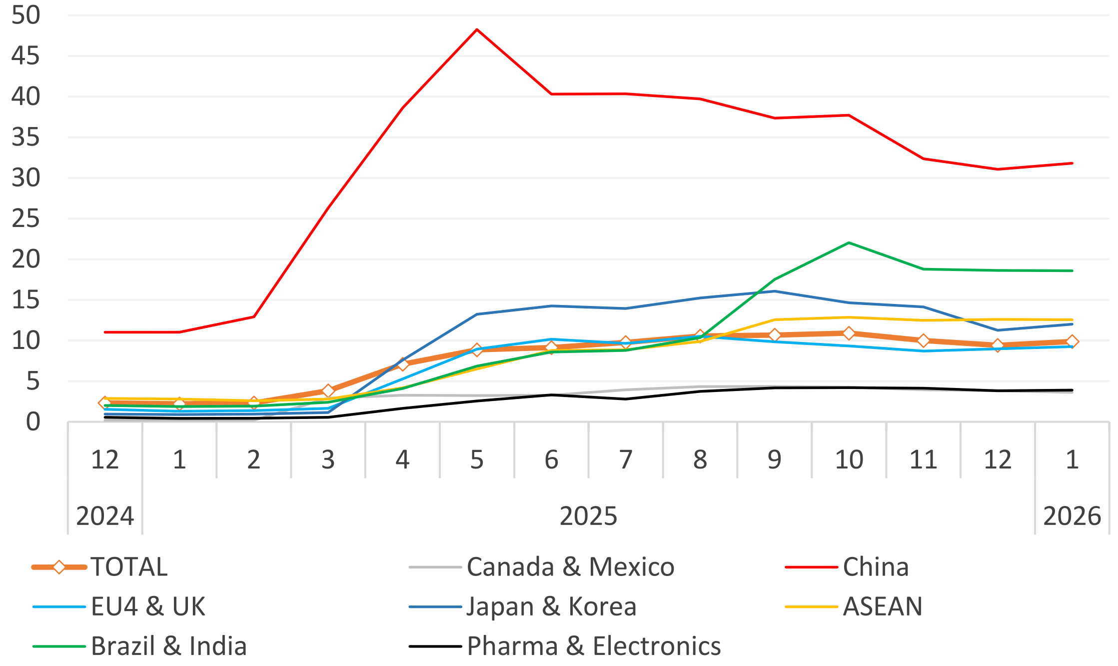
Note: Graph elaborated with data as of April 8.
Source: BPI Research, based on data from Bloomberg.

- **After nearly 6 weeks of war, a fragile truce holds in the Middle East**. Brent crude prices neared $100/b in March (vs. $69/b on average in February), with significant volatility. Specifically, Brent futures for late-2026 delivery hovered around $80/b and held around these levels even after a ceasefire was announced on April 8th. Contracts for June delivery have adjusted more strongly upon the announcement, but then partially reversed course and stand close to $100/b. While the oil market entered the conflict with a high level of inventories —7.9 billion barrels, the highest in four years— after a period of market surplus driven by moderate demand and the reversal of OPEC cuts, unclear ceasefire conditions, protracted clashes in the region, instability in flows through the Strait of Hormuz (SoH), and damage to strategic infrastructure could keep prices in the $80-100 range over the next few months, given that Middle Eastern producers account for roughly 30% of global crude supply (c. 20% via SoH).
- **The gas shock has also been significant but more contained from a historical perspective**. Gas prices neared €50/MWh in March (vs. €32/MWh on average in February) and have remained moderate compared with past spikes. Futures contracts for delivery until winter 26/27 stood in the 45-50€/MWh band upon the announcement of a ceasefire, on hopes of a resumption in LNG tanker flows through SoH. Yet, Qatar supplies 4% of global gas (20% of LNG), nearly all of it via Hormuz, and extensive damage to gas plants is likely to damage the near-term supply outlook. While EU gas flows remain diversified (only 3–4% sourced from the region), storage is at historically low levels and demand from Asian countries (particularly, those most dependent on SoH flows) is likely to keep prices high over the near-term.

US tariff strategy reshaped after Supreme Court ruling

Observed tariff rates

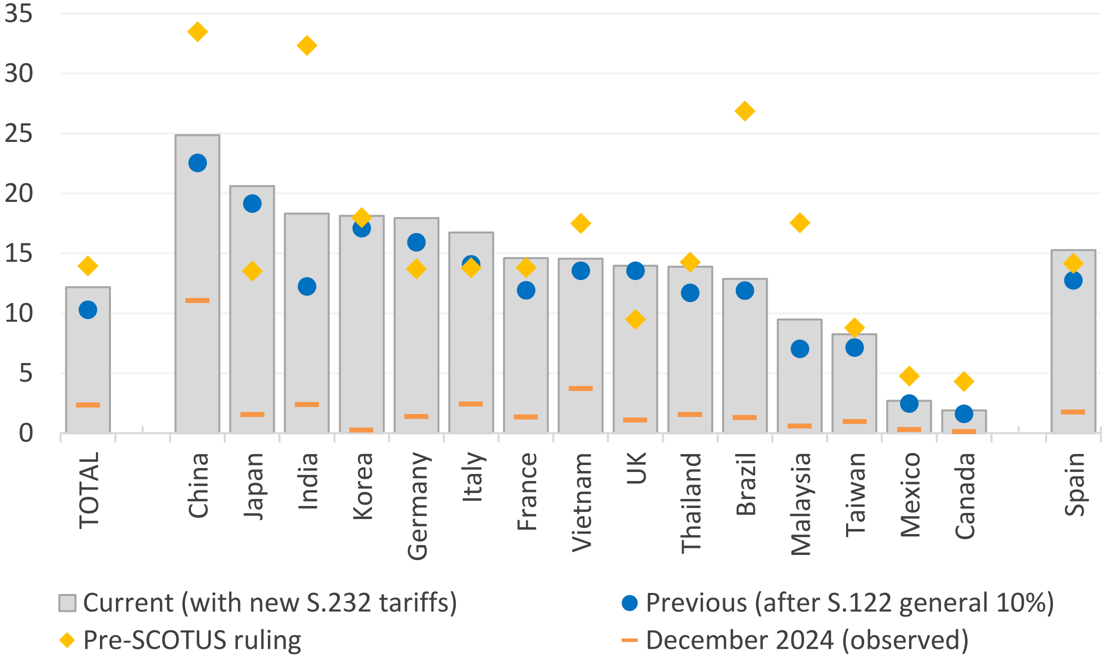
By group of trade partners (%)



Note: EU4 = Germany, France, Italy and Spain. ASEAN = Cambodia, the Philippines, Indonesia, Malaysia, Thailand and Vietnam. Pharma & Electronics (producers) = Belgium, Ireland, the Netherlands, Switzerland, Singapore and Taiwan.
Source: BPI Research, based on data from Bloomberg.

Effective tariffs based on announced policies

By main trade partner (%)



Note: SCOTUS = Supreme Court of the United States.
Source: BPI Research, based on data from Bloomberg, UN COMTRADE and the White House.

- **The US Supreme Court (SCOTUS) ruling has extended the moderation of effective tariff rates in Q126**. Trade-flow normalization, together with a more settled policy outlook, helped drive an initial easing and subsequently keep rates broadly stable, below last summer's peak levels. Since November 2025, the world average has remained within the 9–10% range, and the lower rate implied by the general 10% tariff under Section 122 of the Trade Law –that entered into force on February 24, includes extensive exemptions and is set to last for 150 days– would likely have pushed it further down in March.
- **The administration is pivoting from emergency tariffs toward legally-robust, targeted investigations.** Following the adverse SCOTUS ruling, the US Trade Representative has launched probes under Section 301 into 16 economies –including major trading partners– over structural excess capacity in manufacturing, alongside a broader investigation covering around 60 economies related to the failure to impose and effectively enforce bans on goods produced with forced labor. In parallel, sectoral investigations under Section 232 have already produced tangible outcomes, including reviews of the tariff regime on pharmaceutical products, and on steel, aluminum and copper products and their derivatives.
- **US-EU trade relations remain unresolved.** The SCOTUS ruling has blurred the July agreement, leaving lingering uncertainty over which tariffs will ultimately apply to European exports. The auto sector is the clearest illustration of this policy volatility: heavily taxed under the additional 25% sectoral tariff surcharge last year, subsequently relieved by a 15% cap (pending legal clarification), and now once again explicitly subject to a 25% rate under the new Section 232 measures on steel derivatives –outside the scope of the 2025 cap.

Trump 2.0: Portugal's exposure to the US is relatively low

Main Portuguese goods exports to the US in 2025

	Exports to the US 2025 (million €)	% of total	% of the sector
Pharmaceutical Produts	1.230	23,1	25,5
Generics*	410	7,7	25,5
Non generics	820	15,4	25,5
Mineral fuels	589	11,1	14,2
Rubber	333	6,3	18,5
Clothing	330	6,2	8,4
Electrical machinery	285	5,4	4,0
Nuclear reactors	191	3,6	3,7
Cork and articles	160	3,0	14,6
Textil products	139	2,6	21,1
Articles of iron and steel	138	2,6	5,9
Furniture	129	2,4	5,8
Organical chemicals	102	1,9	13,0
Beverages	96	1,8	7,0
Ceramic products	89	1,7	10,1
Footwear	86	1,6	4,8
Optical, photografical, cinematograpl	47	0,9	2,2
Others	1.371	25,8	3,5
Total	**5.318**	**6,7**	**6,7**
% of GDP	**1,9**		

Source: BPI Research, with data from Eurostat, INE.

- **We estimate that, following Trump's announcements after the Supreme Court ruling, the average tariff on Portuguese exports to the United States will remain below 15%**. We estimate that the Court's decision reduced the average tariff to 13.9%, from 14.6%.

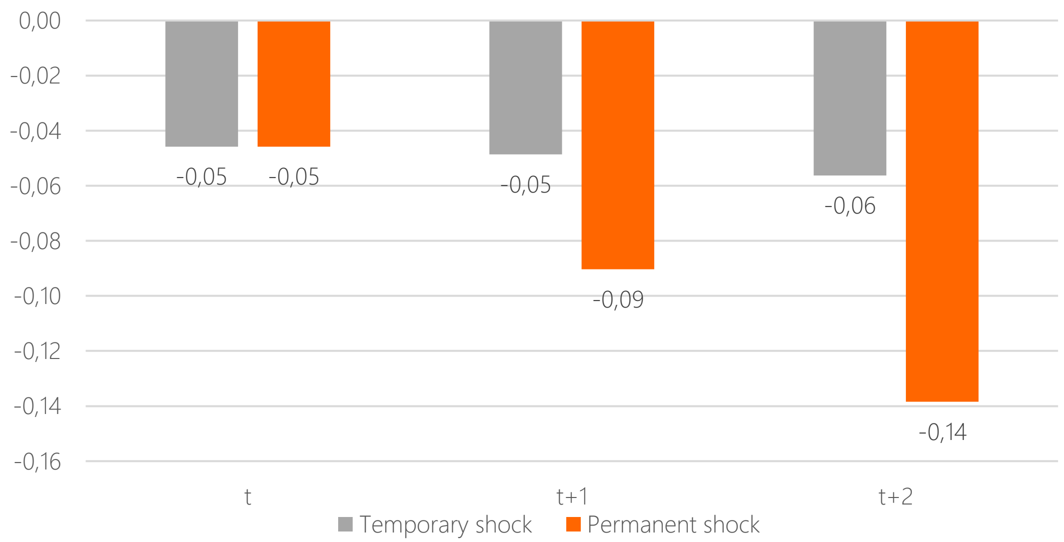
The new macroeconomic scenario of the Bank of Portugal

Macroeconomic scenario

		2025	2026	2026	2028	Accum. 26-28
GDP	BoP, Mar-26	1,9	1,8	1,6	1,8	**5,3**
(annual growth)	BoP, Dec-25		2,3	1,7	1,8	6,0
Unemployment rate	BoP, Mar-26	6,0	5,9	5,8	5,8	**-0,2**
(% of labour force)	BoP, Dec-25		6,3	6,3	6,3	0,3
Inflation rate (HCPI)	BoP, Mar-26	2,2	2,8	2,3	2,0	**7,3**
(annual average)	BoP, Dec-25		2,1	2,0	2,0	6,1
Current & Capital Balance	BoP, Mar-26	2,7	3,5	1,7	1,6	**-1,1**
(% of GDP)	BoP, Dec-25		3,2	2,0	1,8	-0,9

Impact on GDP of an increase of 10% in oil prices

Deviation from the no-shock scenario%



Note: The impact was estimated using tools that allow for both the direct effects on the Portuguese economy and the indirect effects stemming from the impact on other euro area economies.

Source: BPI Research based on Bank of Portugal data.

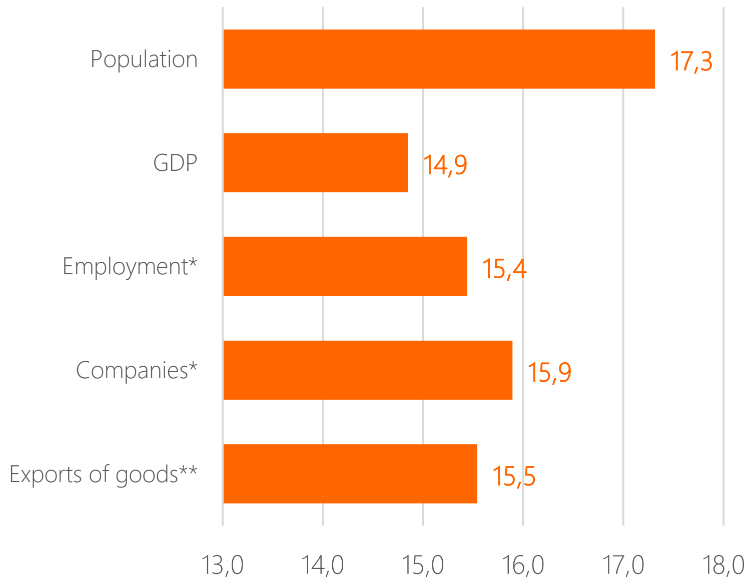
- **The Bank of Portugal reviewed the macroeconomic outlook, incorporating risks associated with the February storms and the beginning of the conflict in Iran.** The projections assume that the conflict will be relatively short-lived, estimating a reduction of the cumulative economic growth between 2026 and 2028 to 5.3%, 0.7 percentage points lower than estimated in December**. 2026 will be the year most affected, with growth revised down to 1.8%, 0.5 percentage points lower than expected in December**. Domestic demand will continue to be the driver of growth, but at a slower pace than expected in December, mainly due to lower investment growth, but also lower private consumption, which will continue to be supported by the strength of the labour market.
- **The conflict in the Middle East will have a significant impact on the inflation rate, with inflation rising to 2.8%,** reversing the previous estimate which pointed to a continued gradual slowdown in the rate of price growth.
- This scenario is set against a backdrop of high geopolitical instability and is therefore subject to significant downside risks to growth and upside risks to inflation.

The economic impact of a natural disaster

TIME HORIZON	GDP (Flows)	WEALTH/CAPITAL (Stock)
IN THE MOMENT	**Disruption of activity** • Mobility of workers • Goods traffic • Accommodation and tourism	**Property destruction** • Housing and motor vehicles • Shops, warehouses and industrial buildings • Public infrastructure
SHORT TERM	**Reconstruction** • Replacement of damaged fixed assets • Goods traffic • Accommodation and tourism	**Replacement with more productive capital** • New machinery and more efficient facilities
MEDIUM AND LONG TERM	**Loss of production capacity** • Business closure • Lower access to financing	

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 the adverse weather conditions occurred last February on GDP growth in 2026 is a very uncertain exercise. It depends on the length of time that activity is interrupted and the proportion 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 higher if the period during which activity was interrupted and/or the duration of the stoppage is longer. We therefore assign a high probability that growth in the first quarter may 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 higher energy costs

Support for transports companies:

- The return of the increase in VAT revenue through a reduction in the Tax on Petroleum and Energy Products whenever the price rises by more than 10 cents per litre compared with the first week of March;
- An additional refund of 10 cents per litre of diesel for passenger vehicles (over 22 seats) and freight vehicles (over 35 tonnes),up to a limit of 15,000 litres (cumulative with the ISP discount);
- Support for taxi companies amounting to €120 per vehicle, equivalent to 10 cents per litre for 400 litres per month;
- 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 and fishing:**
- Support for the agricultural, forestry, fisheries and aquaculture sectors, amounting to 10 cents per litre on coloured and marked diesel;
- Deferral until 30 April in fulfilling tax obligations.
- **Support for Volunteer firefighters:**
- Subsidies for humanitarian firefighting associations amounting to €360 per heavy vehicle (equivalent to 10 cents per litre for 1,200 litres per month) and €120 for other vehicles (equivalent to 10 cents per litre for 400 litres per month);
- **Support for Social sector:**
- Granting of a one-off payment to organisations in the social sector, amounting to €600, equivalent to 10 cents per litre for 2,000 litres per month.

➢ **These measures are estimated to reach €450 million between April 1st and June 30th, representing c. 0.1% of GDP**

Source: BPI Research based on Government

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 obligations3-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**

Source: BPI Research based on Government

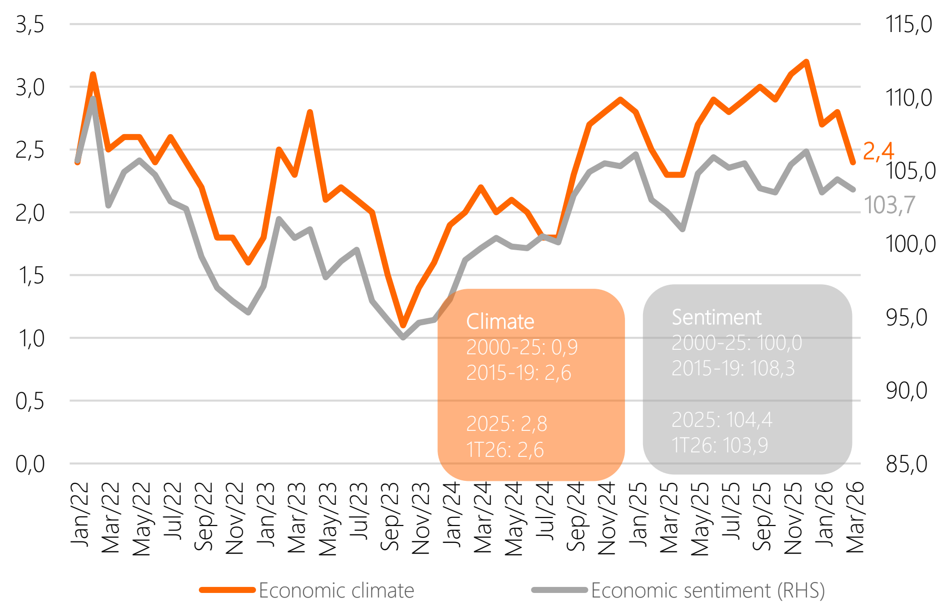
First readings for 1Q26 continue positive, albeit with a fading trend

yoy, level		Q4 25	Q1 26	Jan-26	Feb-26	Mar-26	Last month available
Synthetic indicators	Economic climate indicator	3,1	2,6	2,7	2,8	2,4	March
	Economic sentiment indicator	105,1	103,9	103,5	104,4	103,7	March
	Daily economic indicator	2,2	2,1	4,3	3,2	-1,1	March
Consumption	Consumer confidence	-14,5	-18,7	-13,7	-17,0	-25,4	February
	Wholesale and retail trade (yoy)	3,3	4,3	4,3	4,3	-	February
	Retail sales excl. fuels (yoy)	5,2	5,0	4,8	5,2	-	February
	Card withdrawals and purchases deflated (yoy)	4,7	4,3	4,4	4,1	-	February
	Car sales (yoy)	3,1	10,1	16,1	5,5	8,5	March
Investment	GFCF indicator	3,3	-	-	-	-	December
	Imports of capital goods	0,8	1,1	1,1	-	-	January
Suply	Cement sales	1,9	-9,9	-5,5	-14,2	-	February
	Industrial production	0,3	-2,0	0,4	-4,4	-	February
Demand	Electricity consumption adjusted for temperature&working days	2,9	3,8	5,5	4,6	1,4	March
	Non-resident tourists (yoy)	1,6	1,4	1,9	0,9	-	February
	Number of flights (yoy)	3,5	3,1	3,3	1,3	4,7	March
Trade	Exports G&S (accum. Year)	1,1	-3,8	-3,8	-	-	January
	Imports G&S (accum. Years)	3,5	0,0	0,0	-	-	January
Labour market	Change in regist. unemployment (thousand people)	-24,7	-36,1	-38,6	-33,6	-	February
	Change in employment (thousand people)	180,9	122,6	136,7	108,4	-	February

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

Economic sentiment and Economic Climate indicators

1990=100; yoy (%)



- Available data for Q1 continue to suggest growth in the period, supported by private consumption. The economic sentiment indicator continues above the 100-level, indicating expansion of activity and the climate indicator, a synthetic indicator for industry, construction, retail and services, decelerated but on a moderate path.

Families' savings are an important cushion in a highly uncertain environment

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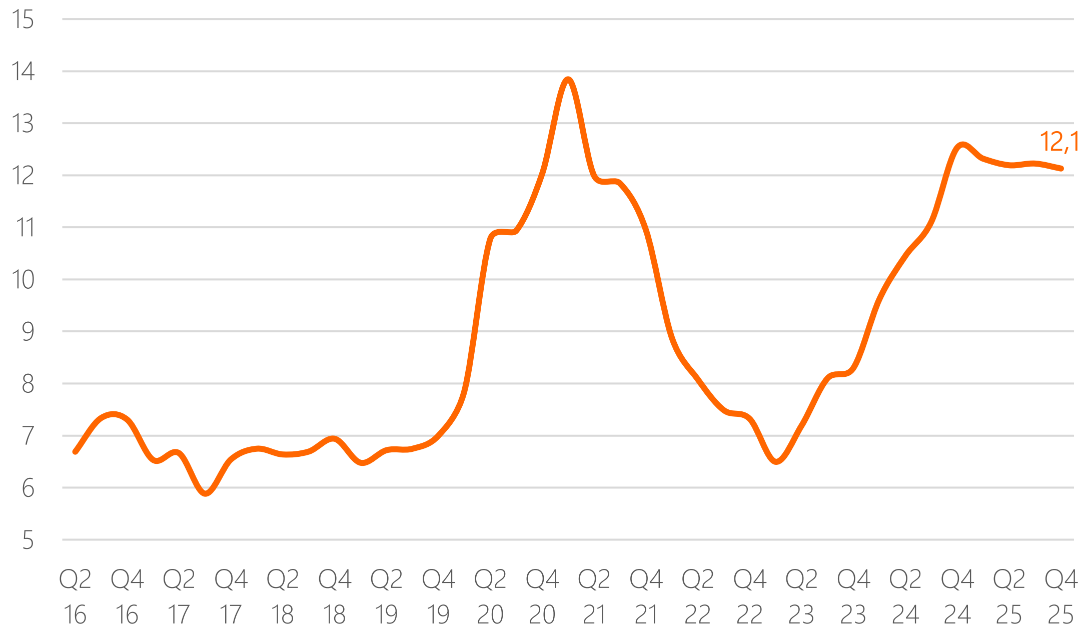
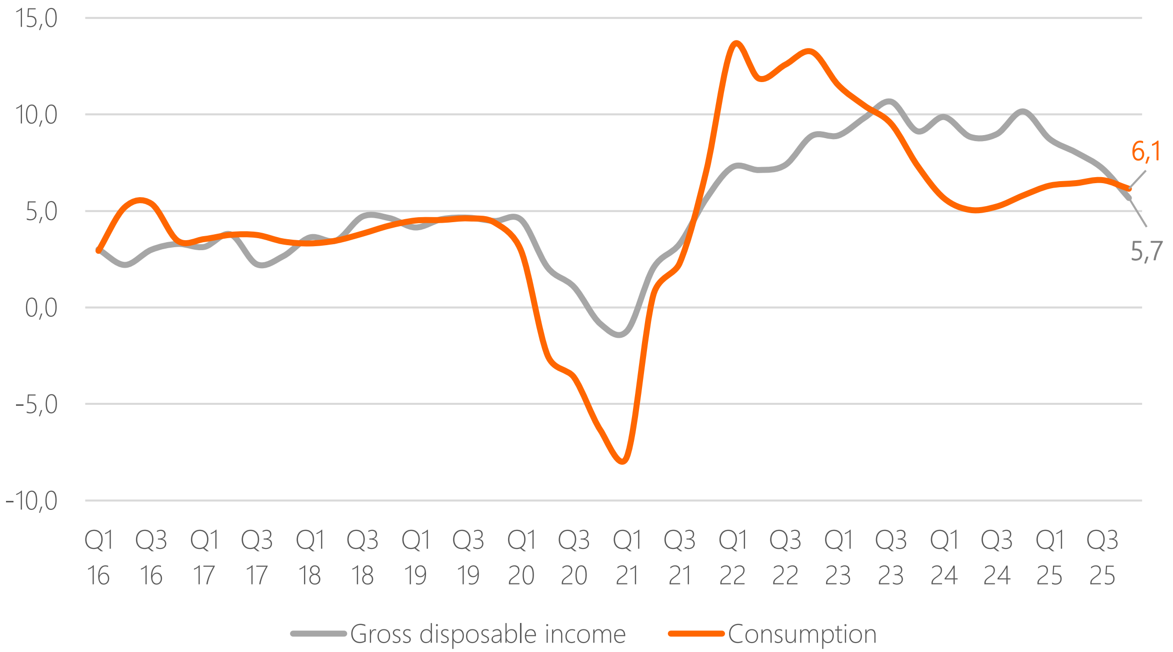
Families' saving rate
(% of DI)



Household's income and consumption
Year-on-year, %

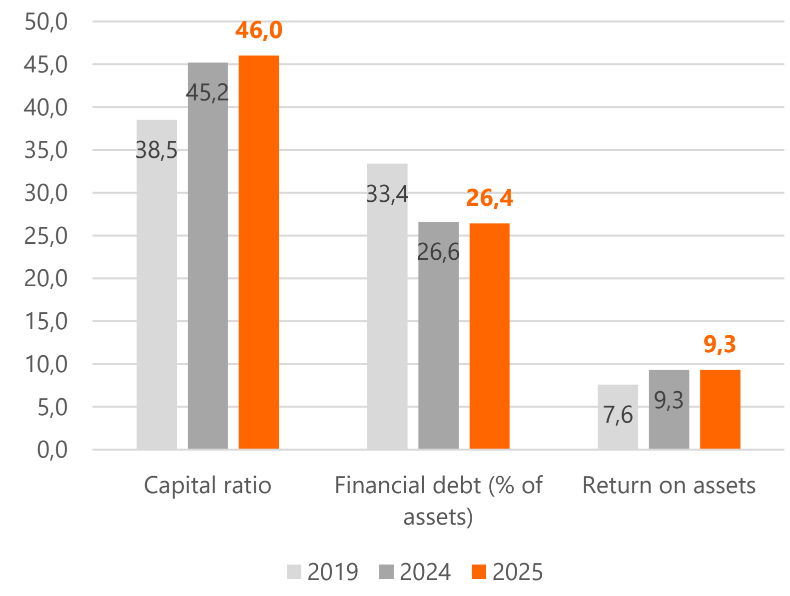


Source: BPI Research, from INE, BoP.

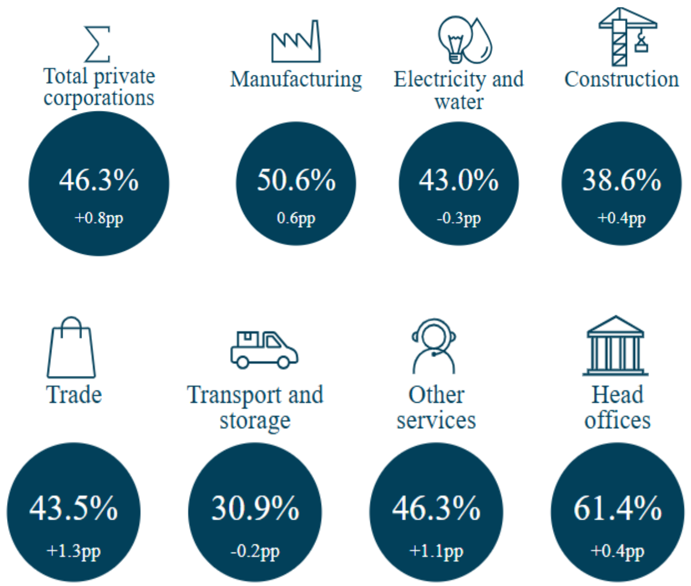
- **Households' savings rate is stabilizing around 12% of disposable income**. In 2025, the saving rate fell to 12.1%, minus 4 tenths than a year ago, reflecting the deceleration of the growth rate of disposable income while consumption continued to expand at c. 6%. At the same period there was a considerable increase on the pace of growth of families' investment, probably reflecting the increasing of investment in housing. In 2025, families' gross capital formation rose 16.8% (10.5% in 2024). In the current climate of heightened uncertainty, households may adopt a more cautious approach to their consumption decisions, helping to keep the savings rate at levels close to historic highs.
- In 2025, households continued to see a recovery in disposable income, as data on the growth of real disposable income per capita rose at a rate higher than inflation. In 2025, it grew by 3.6%, while the inflation rate stood at 2.3%. In 2026, this trend may change given the current environment of rising energy prices and likely second-round effects in the prices of other goods and services; however, the level of savings accumulated in recent years and the resilience of the labour market suggest that households are in a comfortable position to face the current crisis.

Non-Financial Corps face the current crisis with better financial situation

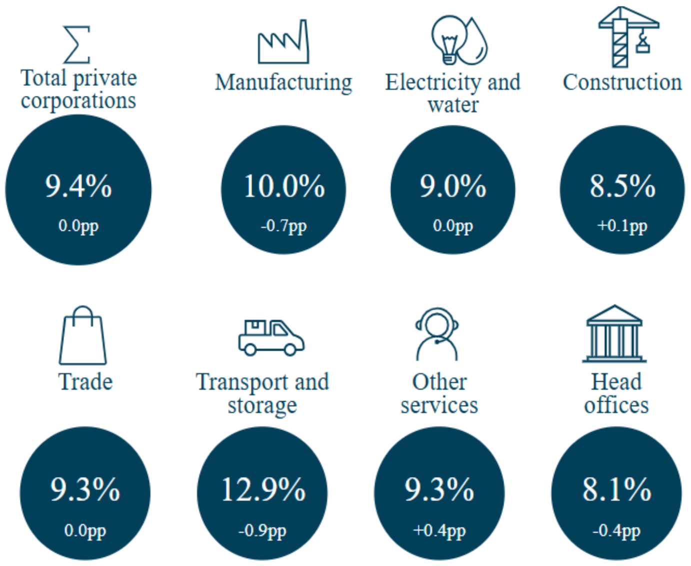
Financial autonomy, financial debt and ROA
(%)



Financial autonomy by sector
Equity/total assets (%), yoy (p.p.)



ROA by sector
EBITDA/total assets (%), yoy (p.p.)

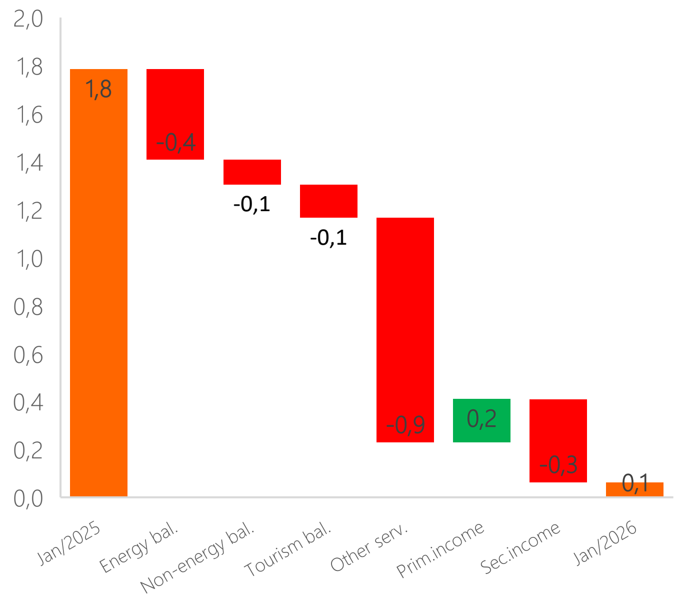


Source: BPI Research, from BoP.

- **In 2025 NFC improved their financial autonomy (capital ratio) due to the incorporation of earnings of the year in the capital.** This indicator rose in most sectors of activity. The sharpest increases were seen in the trade sector (+1.3 pp) and in other services (1.1 pp). In the electricity, gas and water sector, the decline in financial autonomy (-0.2 pp) resulted from an increase in assets that exceeded the growth in equity, mainly due to the impact of cash management operations between group companies. In the transport and storage sector, the reduction also reflected the sharper increase in assets, particularly in trade receivables. The improvement of the financial debt ratio is explained by a lower growth in financial debt than in assets.
- **In 2025, ROA remained unchanged at 9.3%, an historical high since 2006.** The only sectors to see an improvement in profitability were other services and construction. The decline in transport and storage reflects a fall in EBITDA and an increase in assets; in industry, the reduction in EBITDA reflects both a narrowing of the refining margin and an increase in external supplies and services, and in staff costs.

Current account with a poor performance at the beginning of 2026

Current account in January 2026
% of GDP and percentage points change



Source: BPI Research, from BoP.

Exports of goods in January 2026
Top 10

	2026 million of euros	weight	Change 2026/2025 (%)
Vehicles	665,5	11,0	-2,7
Foodstuffs	514,5	8,5	-6,7
Computer, electronic and	442,3	7,3	-5,6
Rubber and plastic	344,4	5,7	-9,3
Machinery and equipment	344,1	5,7	8,7
Electrical equipment	316,4	5,2	6,6
Fabricated metal products	301,4	5,0	-8,7
Clothing	234,1	3,9	-29,2
Chemical products	247,5	4,1	-28,9
Pharmaceutical products	242,5	4,0	-71,7
Total	**6.056,1**		**-14,1**

Source: BPI Research, from INE

Imports of goods in January 2026
Top 10

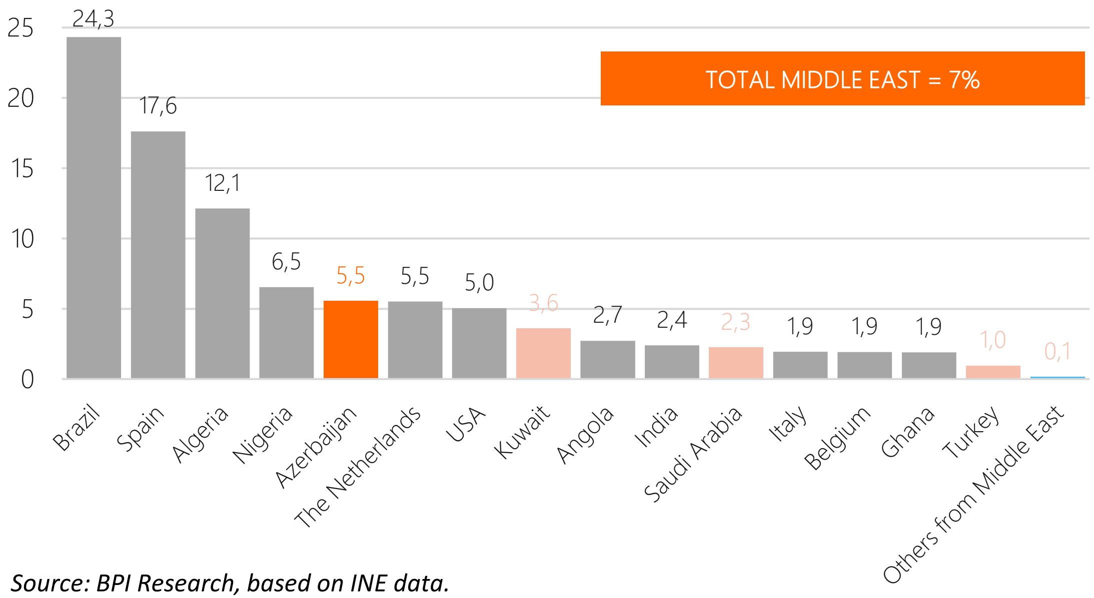
	2026 million of euros	weight	Change 2025/2024 (%)
Chemicals	938,5	15,5	19,5
Vehicles	911,6	15,1	7,5
Food products	895,8	14,8	2,8
IT, electronic and optical products	697,5	11,5	-0,6
Machinery and equipment	501,8	8,3	1,8
Crude oil and natural gas	485,3	8,0	5,4
Base metals	440,2	7,3	-9,9
Electrical equipment	424,0	7,0	6,5
Pharmaceutical products	387,4	6,4	-48,2
Agricultural products	326,1	5,4	-11,0
	8.565,8		**-2,5**

- **In January 2026, the current account deteriorated significantly, with surplus falling to 17 million euros,** equivalent to 0.1% of GDP (1,8% in Jan 25). This reduction has been mainly due to the increase in the energy deficit and a decline on the surplus of the other services (excluding tourism). **We foresee a small decrease of the current account balance 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 decline is explained by the fall of exports of coke and refined petroleum products (-29.2% yoy), while imports remain almost unchanged (-0.3%). On the exports side, also pharmaceuticals, chemical products and clothing witnessed strong decline at the beginning of the year.

Portuguese energy imports by country of origin (2025)

Imports: crude and its derivatives

% of total imports of crude and its derivatives

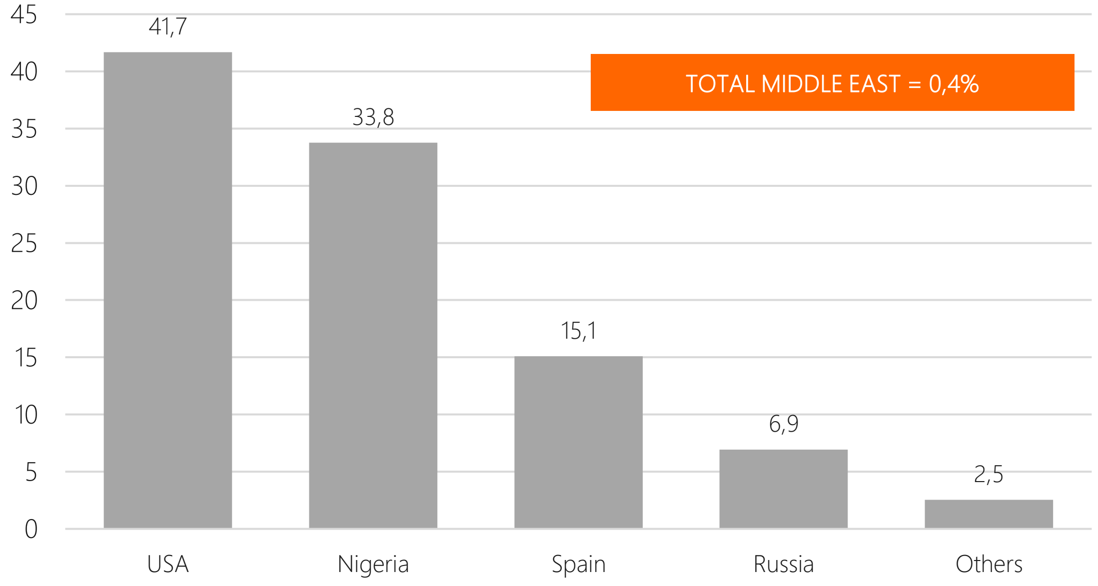


Source: BPI Research, based on INE data.

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

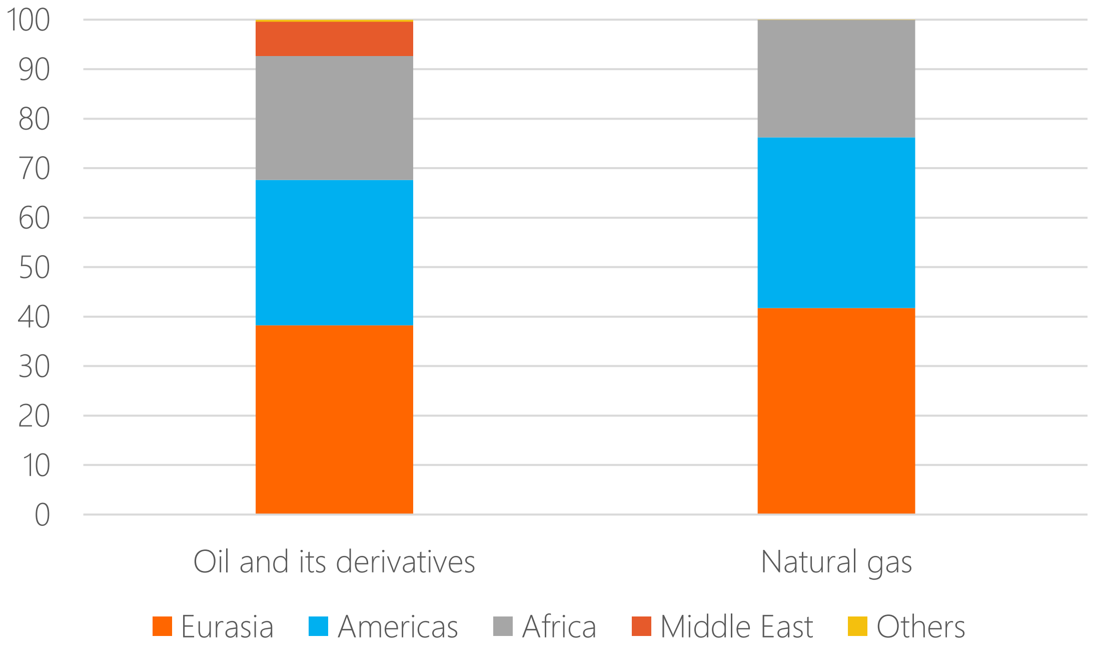


Source: BPI Research, based on INE data. Note: Includes the Combined Nomenclature (CN) heading "Petroleum gas and other gaseous hydrocarbons".

Portugal: limited direct exposure to the Gulf region

Oil and gas imports by region

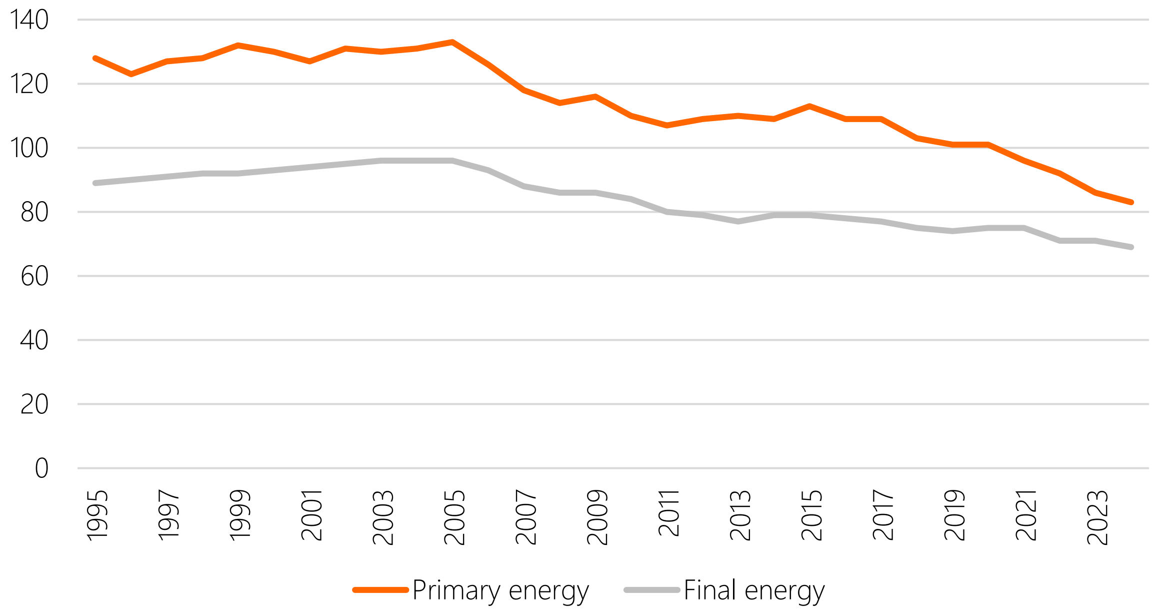
Percentage over total (%)



Note: Data from 2025.
Source: BPI Research, based on data from INE.

Energy intensity

Tonnes of oil equivalent (toe) of primary or final energy per M€ of GDP



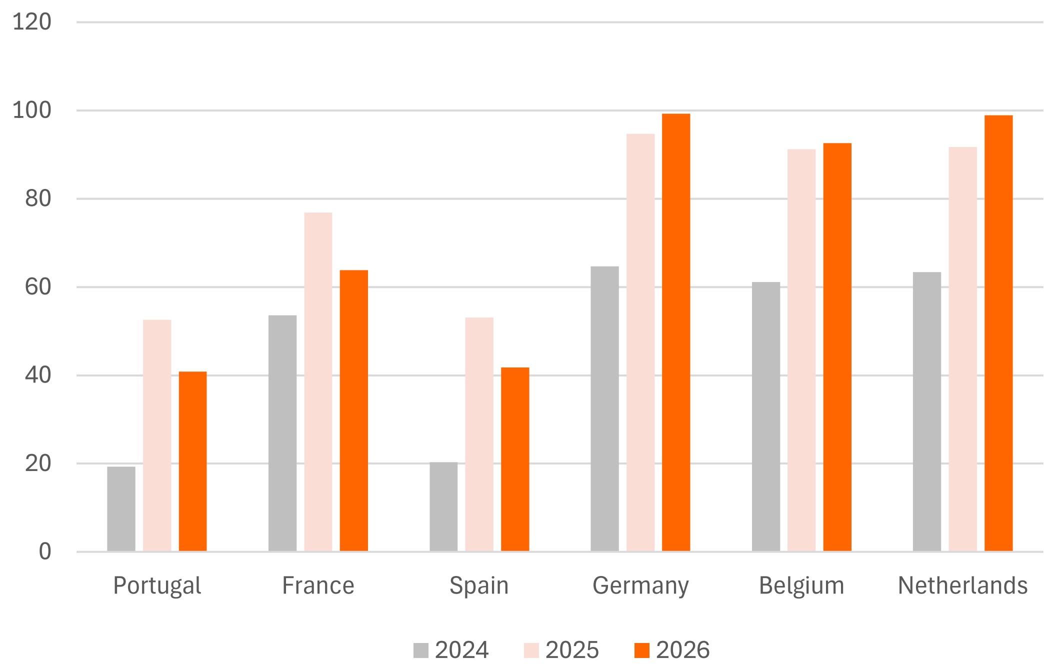
Note: Primary energy is the total raw energy source before conversion. Final energy is the energy delivered to and consumed by the end-user.
Source: BPI Research, based on data from DGEG.

- **Portugal's direct exposure to Middle East energy exports is relatively limited on both oil and gas**. Around 7% of Portugal's imported oil comes from the Middle East, while no imported gas originates from the region according to INE data (Egypt was included in Africa). In both cases, more than 65% of imports come from the Eurasia and Americas.
- **Lower energy intensity, while energy dependence remains high**. Portugal's energy intensity—measured as total energy consumption divided by GDP —has fallen by around 35% (primary energy, 27% in the case for final energy) since the early 2000s. However, Portugal continues to show a high reliance on external energy sources.
- **Limited trade exposure**. The Middle East accounts for 2.8% of Portugal's goods exports, which accounts for around 0.7% of nominal GDP. Goods exports to the region are more concentrated in wood pulps; agriculture products; transport equipment; stone, plaster, cement, etc.; leather and food & beverages. Imports' relevance from the region is even smaller—just 2.0% of total imports and around the same 0.7% of nominal GDP — and only 16% of these are mineral products, which include energy. The remainder is largely composed by transport material; metals; machines and textiles.

The Iberian electricity market: a comparative advantage

Wholesale electricity prices in March

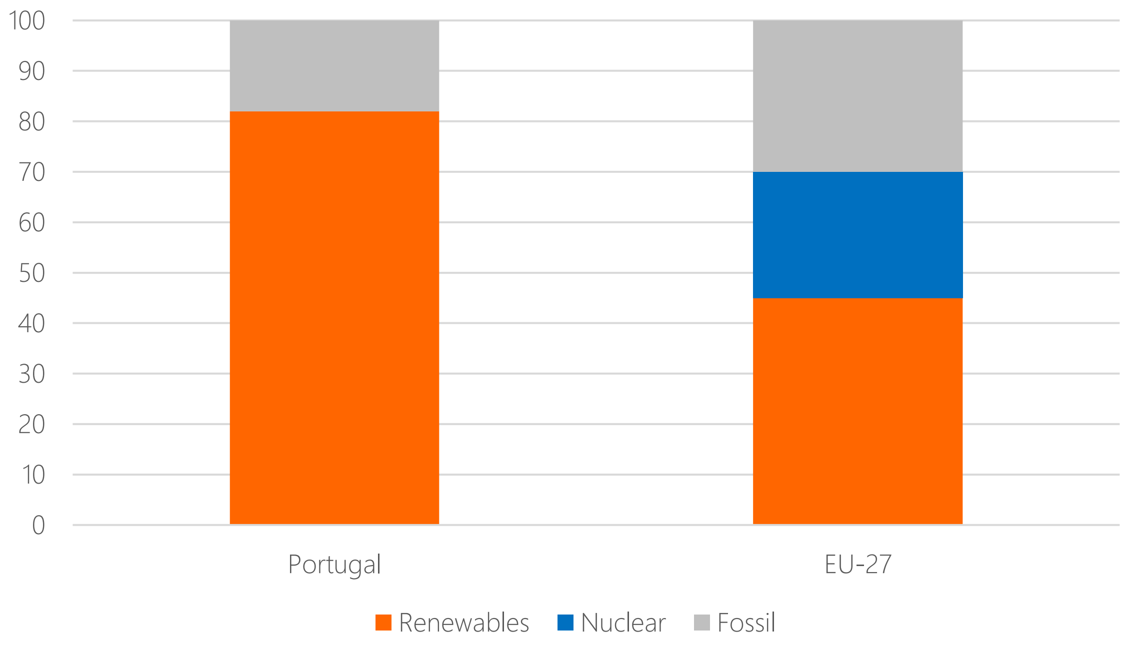
€/MWh



Source: BPI Research, based on data from ESIOS-REE.

Power generation structure

(%)



Note: Data from 2025.
Source: BPI Research, based on data from Eurostat.

- **The electricity market has once again stood out relative to the rest of Europe**, with wholesale prices proving more resilient amid the recent energy tensions and remaining at lower levels than in other major European economies.
- **The majority share of renewables in power generation** means that low marginal-cost technologies more frequently set market prices, helping to contain average electricity prices even in an adverse international environment.

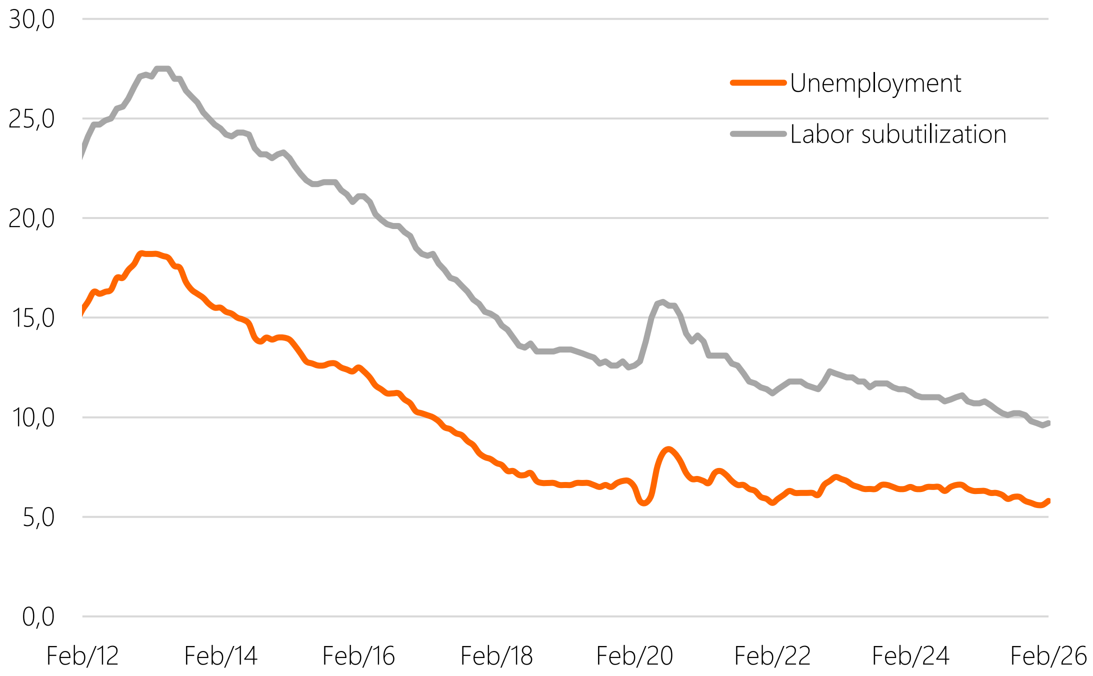
Labour market kept healthy last February with moderating signs

Employed population

Number of people ('000 individuals)

Unemployment and labour subutilization rates

(%)



Source: BPI Research, from INE.

- **Employment is still increasing but decelerated in February for the 3rd month in a row.** In February 2026, employed population reached 5,258.6 thousand people, a 2.0% annual growth, pushing up the employment rate to 65.6% from 64.8% in February 2025. **The unemployment rate rose to 5.8% in comparison with 5.6% in January 2026, but it is 4 tenths below the level in February 2025.**
- **Registered unemployment at job centres continues to fall quite significantly year-on-year;** it fell by 9.9% year-on-year (-33,556 people) and by 1.8% month-on-month (-5,529), reaching 305,179 people. In sectorial terms, and analysing year-on-year trends, the decline is driven by real estate, administrative and support services (-18,939), accommodation and food services (-3,043) and construction (-2,519). Conversely, the increase recorded in ICT (+3,708) should be highlighted.
- Although there are signs that the labour market is cooling, **job vacancies suggest that the market remains resilient, as they rose significantly in February: up 14% year-on-year** (24.8% month-on-month) to 14,294, surpassing the average monthly figure for the past two months (around 11,400).

RRP: execution continues to increase smoothly (54% of total program)

Approvals and payments to direct and final beneficiaries

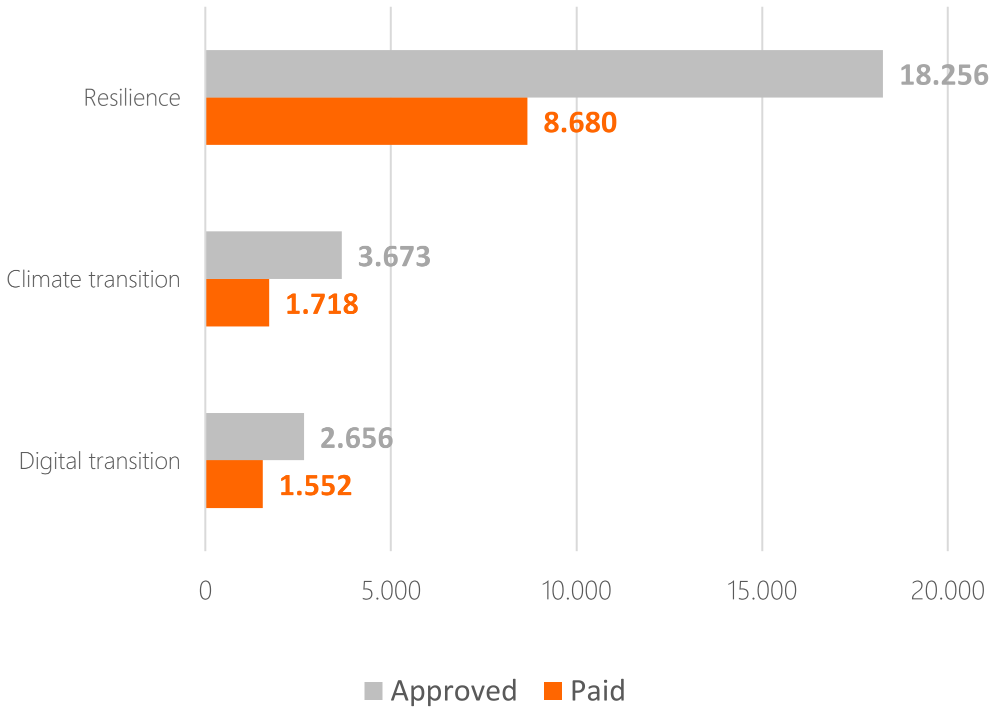
(Up to April 1st)	Approved (EUR million)	Paid (EUR million)	Paid rate
Families	467	306	65,5
Social and solidarity economy institutions	853	385	45,1
Firms	8.015	4.233	52,8
Excl. R&I System Non-firms	6.863	3.541	51,6
R&I System Non-firms in consortium with firms	1.151	641	55,7
Institutions of the scientific and technological system	751	320	42,6
Higher Education Institutions	997	457	45,8
Schools	987	617	62,5
Municipalities and metropolitan areas	4.753	1.821	38,3
Public entities	4.948	2.487	50,3
Public firms	2.813	1.291	45,9
Total (million euros)	**24.584**	**11.917**	**48**
(% total RRP)	***105%***	***54%***	

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

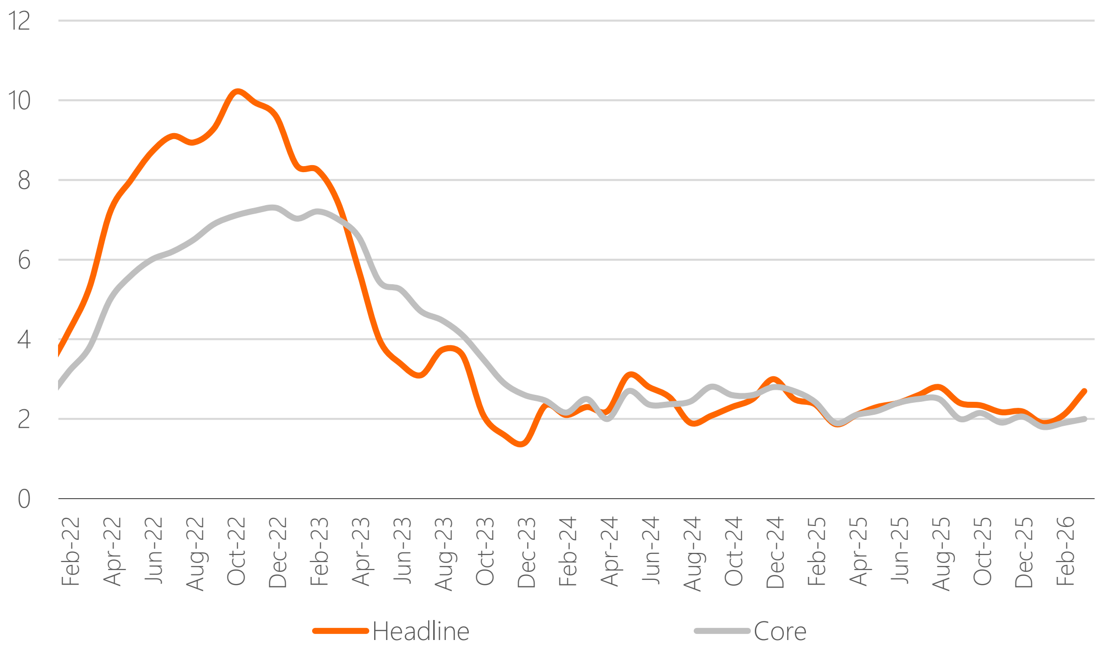


- **Up to now, Portugal received 14.9 billion euros, equivalent to 68% of the total amount of the RRP. Projects already approved amount to 24.59 billion euros (which includes RRP funds, amounting to 22.98 billion euros, and other sources of financing, totaling 1.61 billion euros) and payments reached 11.95 billion** (80% 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 March driven by energy prices

Inflation: Headline and Core

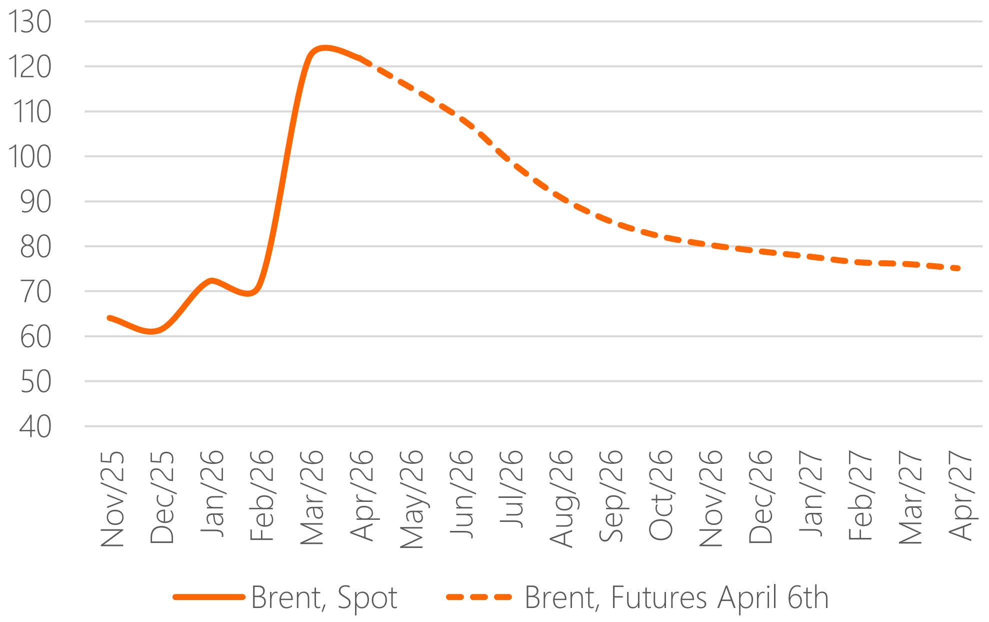
Year-on-year (%)



Source: BPI Research, from INE.

Brent: market forecasts a contained jump

%



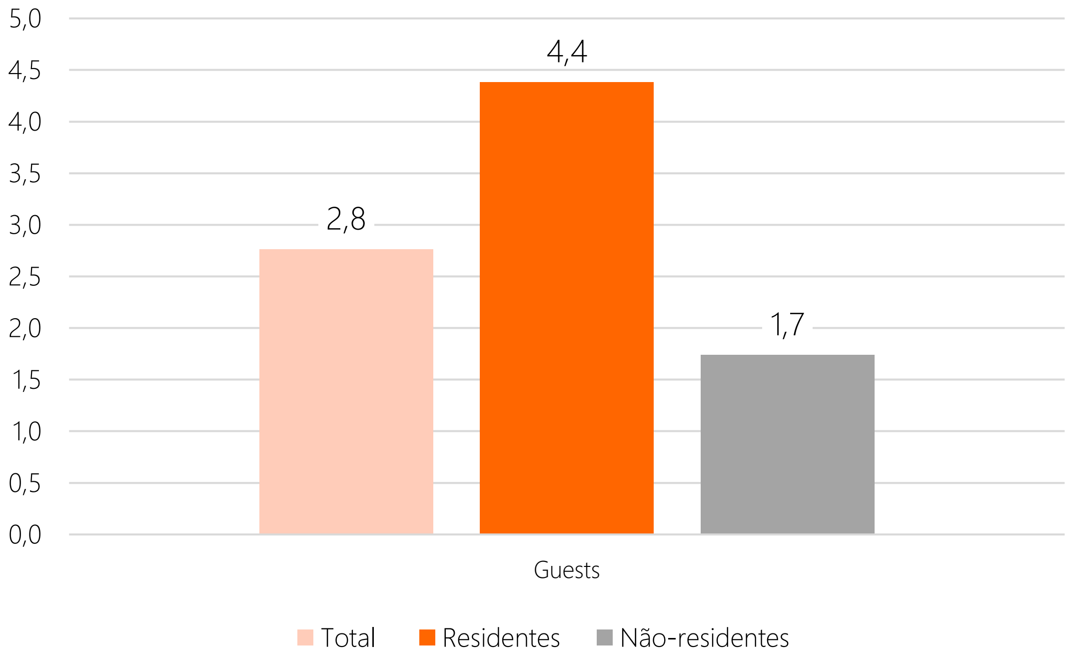
Source: BPI Research, from ICE website.

- **In March, inflation accelerated to 2.7% from 2.1% in February and the core indicator rose 1 tenth to 2.1%.** On a monthly basis, prices advanced 2% driven by an increase of 6.7% on energy. This movement on energy prices was due to the increase of tensions between US and Iran that pushed the Brent to a price above 120 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 rose circa 7% in the last 12 months

Number of guests

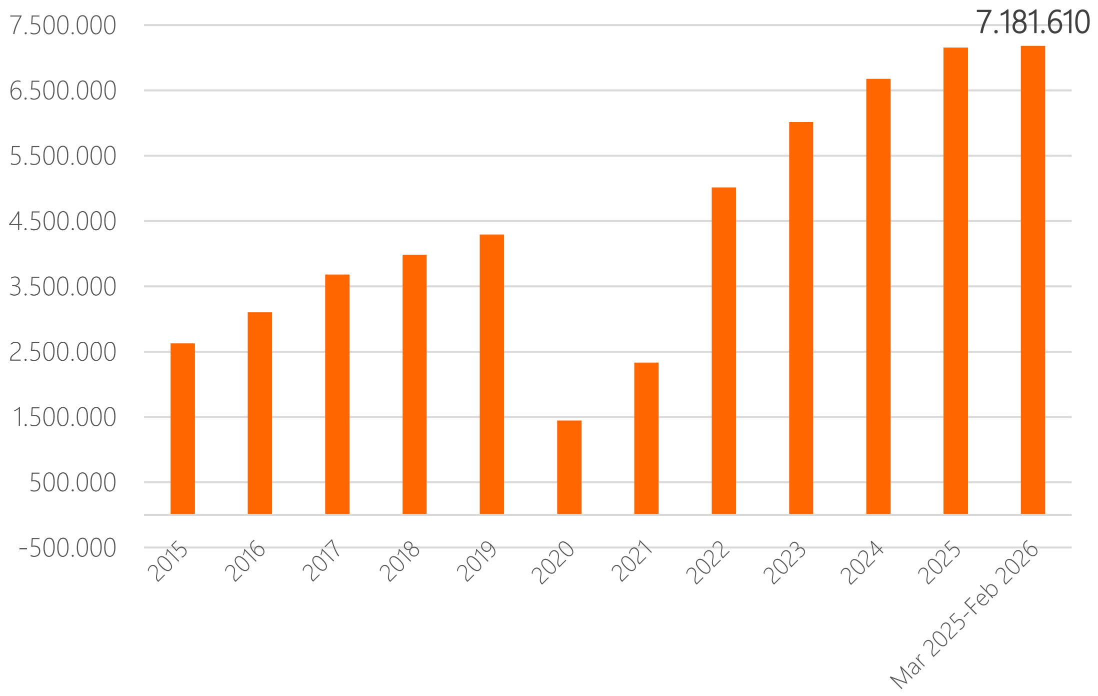
Annual change in cumulative values (Mar 2025-Feb 2026)



Source: BPI Research, from INE.

Total revenues in tourist accommodation establishments

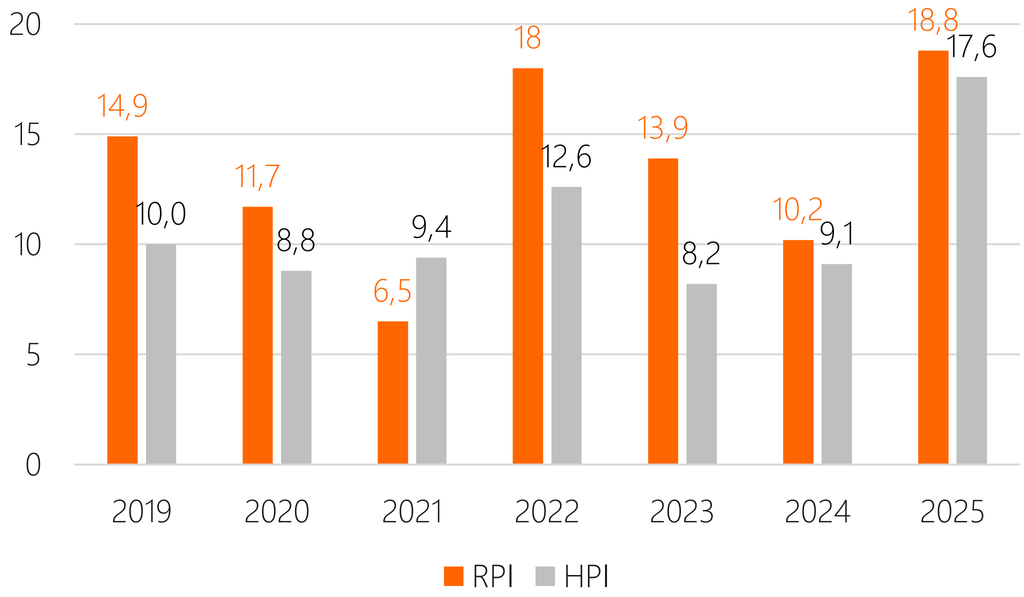
Thousand €



- **In cumulative terms from March 2025 to February 2026, the tourism sector recorded an annual increase of 2.8% in guests**. 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 Mar/24-Feb/25, mainly driven by the dynamism in some regions such as Madeira (+15.9%), Alentejo (+10.4%) and Azores (9.8%).

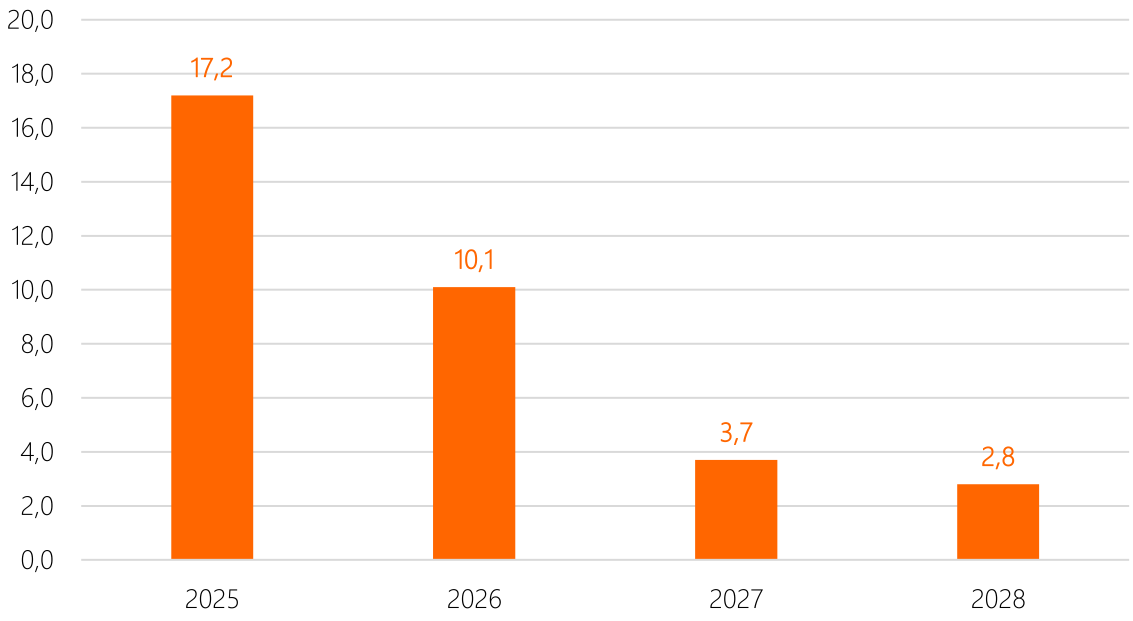
2025: a record rise in house prices

House Price Index (HPI) and Residential Price Index (RPI)
Average annual or yoy variation (%)



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

Scenario for housing prices
Annual growth (%)



Source: BPI Research, using data from INE

- **In 2025, the House Price Index recorded a year-on-year change of 17.6%, a huge acceleration from 2024. Second hand houses saw prices increasing 18.9% a stronger pace than those registered in new hoses: 14.2%.** In 2025 were sold 169,812 houses, more 8.6% than in 2024.
- Bank appraisal rose 17.2% yoy in February, marginally below the pace of growth in January, indicating that prices continue to expand strongly in the beginning of the year.
- Fundamentals for continued appreciation in this market remain in place: 1) economic growth; 2) robust labour market; 3) robust demand, stimulated internally by Government measures; 4) measures to expand supply will have a delayed effect; 5) in the current environment, higher interest rates may contribute to reduce somewhat demand, contributing to a more moderate house prices' growth.

Budget execution in 2025 above government expectations

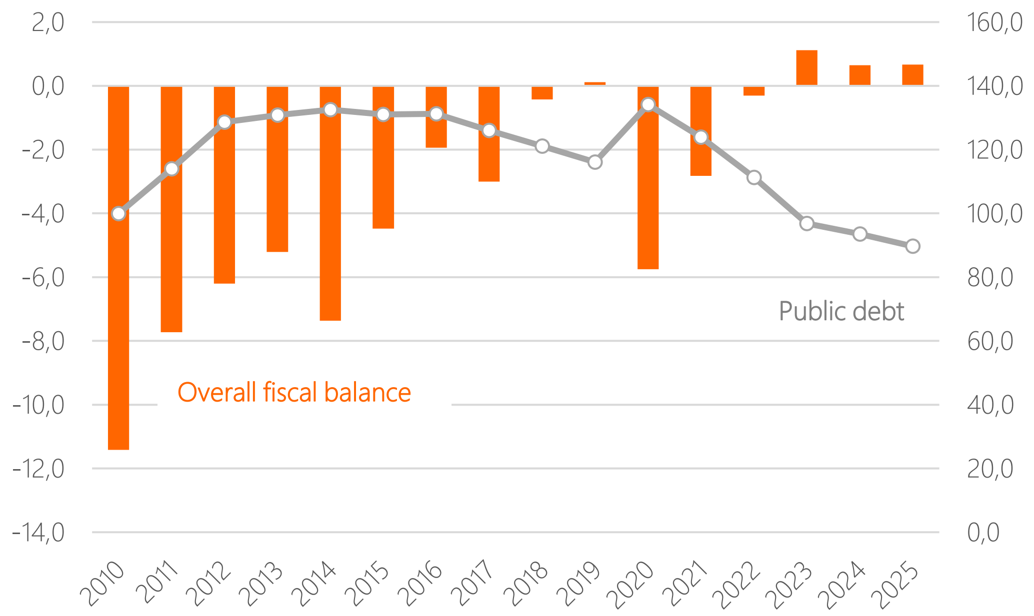
Public accounts (main items)

	2019 % GDP	2024 % GDP	2025 % GDP	Change 2025-2019 % of GDP	Change 2025-2024 yoy,%	Change 2025-2024 Contribution
Current revenue	42,2	42,1	42,1	-0,1	5,8	5,7
Tax and social security revenue	36,6	36,9	37,2	0,6	6,6	5,7
Capital revenue	0,4	0,9	1,2	0,9	47,6	1,0
Total revenue	**42,6**	**43,0**	**43,4**	**0,8**	**6,7**	-
Intermediate consumption	5,1	5,2	5,1	0,0	4,3	0,5
Staff costs	10,8	10,5	10,6	-0,2	7,6	1,9
Social benefits	18,2	18,0	18,0	-0,2	5,9	2,5
Interest	2,9	2,0	1,9	-1,0	0,5	0,0
Subsidies	0,4	0,7	0,6	0,1	-8,9	-0,1
Investment	1,9	2,8	3,0	1,1	14,5	0,9
Total expenditure	**42,5**	**42,4**	**42,7**	**0,2**	**6,6**	-
Primary current expenditure	36,7	36,9	36,9	0,1	5,9	5,1
Overall balance	**0,1**	**0,6**	**0,7**	**0,6**	-	-
Primary balance	**3,0**	**2,7**	**2,6**	**-0,4**	-	-
Public debt	**116,1**	**93,5**	**89,7**	**-26,4**	-	-

Source: BPI Research, based on data from INE.

Overall fiscal balance and public debt

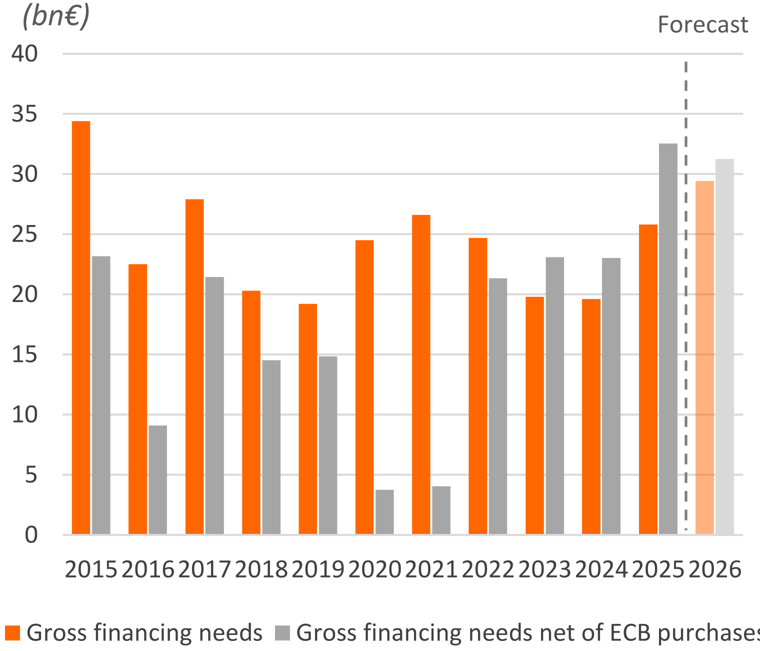
(% of GDP)



- **2025: the balance stood at 0.7% of GDP**, a slight improvement on the previous year's budgetary performance (0.6%) and higher than the Government's latest estimate (0.3% of GDP, as set out in the 2026 State Budget).
  - **Revenue:** rose by 6.7%, largely due to tax revenue and social security contributions (both explained 85% of revenue's increase).
  - **Expenses:** rose by 6.6% year-on-year in 2025, mainly due to increases in staff costs and social security contributions (which account for almost 2/3 of the increase). Public investment fell short of expectations, with growth of 14.5% proving insufficient to prevent the execution rate from standing at around 90% of the figure expected in the 2026 State Budge. Primary current expenditure stabilised at 36.9%, the highest level since 2018 (excluding the pandemic period).
- **2026 is clouded by significant challenges.** The storms that have devastated some regions of the country at the beginning of the year and the conflict in the Middle East add to challenges already anticipated for 2026 (existing geopolitical tensions, the volatility of US trade policies and investment in defence). Together, the package of measures to help households and firms to deal with devastating effects from storms and the recent boost in energy prices is estimated to be around 5bn€ (1.5% of GDP). Nevertheless, and in the absence of a more devastating impact from the conflict in the Middle East and/or other adverse effects, public balance is not expected to register a substantial deficit in 2026 as the Government should keep a prudent, albeit supportive, fiscal policy.

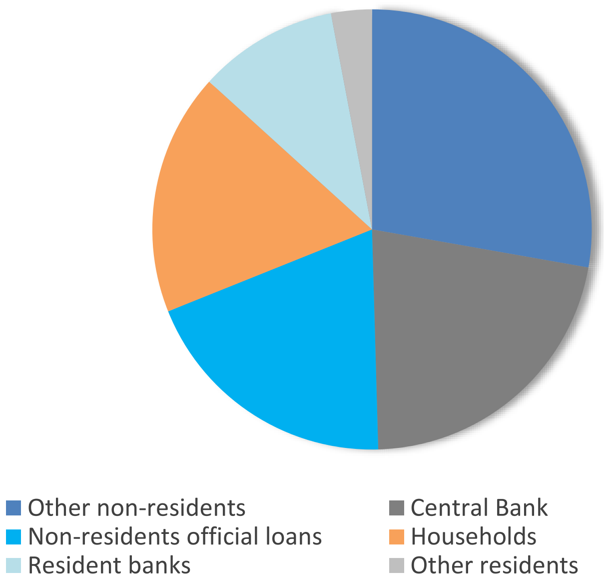
Increase in financing needs for 2026 should be manageable given the attractiveness of Portuguese public debt

Portugal: Gross financing needs
(bn€)



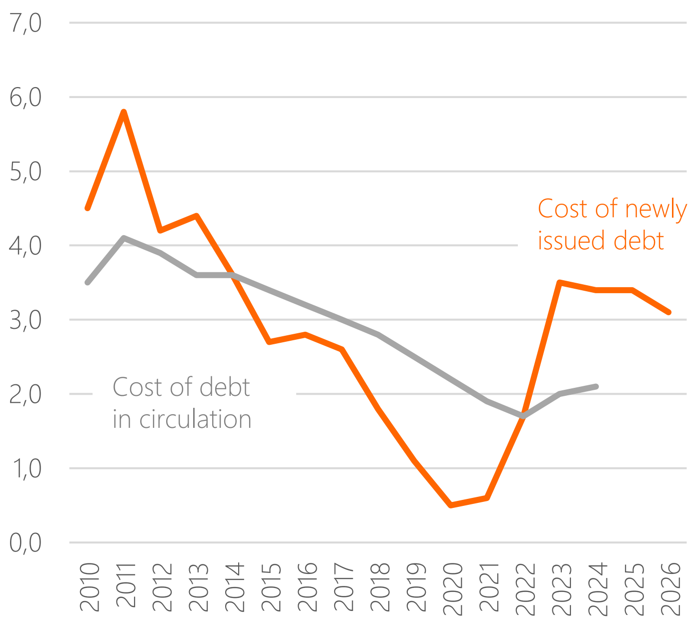
Source: BPI Research, based on data from IGCP and ECB.

Public debt holdings
(bn€)



Note: December 2025 data. Source: BPI Research, based on data from BoP.

Cost of debt
(%)

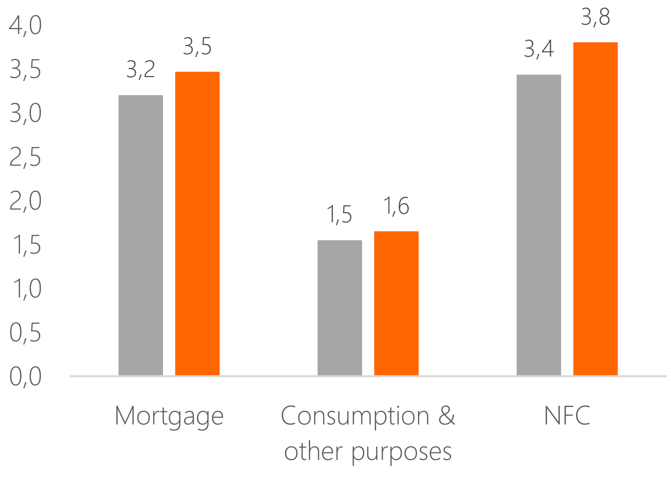


Source: BPI Research, based on data from IGCP.

- **Gross funding needs are estimated to be around 29 bn€ in 2026**, an increase of 3.6 bn€ from 2025, that should be covered through the issuance of medium- to long-term fixed-rate debt. The context of higher interest rates should attract investors and facilitate the absorption of Portugal's financing needs.
- **Government debt remains diversified**. At the end of 2025, around 70% were in hand of foreign institutions/investors (including official loans), with households also represent an important player (around 18% of total public debt vs 17% in 2024).
- **In 2026, the average cost of debt is expected to keep at contained levels**. The first emissions of the year pointed for a lower interest rate in comparison to previous year. The average maturity of the stock of debt is elevated (7.8 years, excluding EU-IMF loans), so the share of debt that needs to be re-financed is manageable. We are expecting that interests of the public administrations could stand at 2.0% of GDP in 2026, a similar level to that of 2025, but much lower than a decade ago (4.1% in 2016).

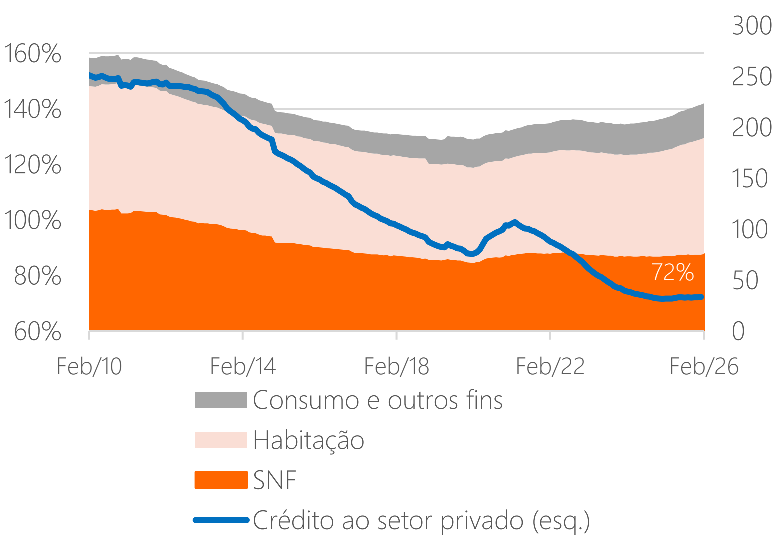
Banking system: private sector credit and deposits keep rising

New lending activity by sector
Billion euros

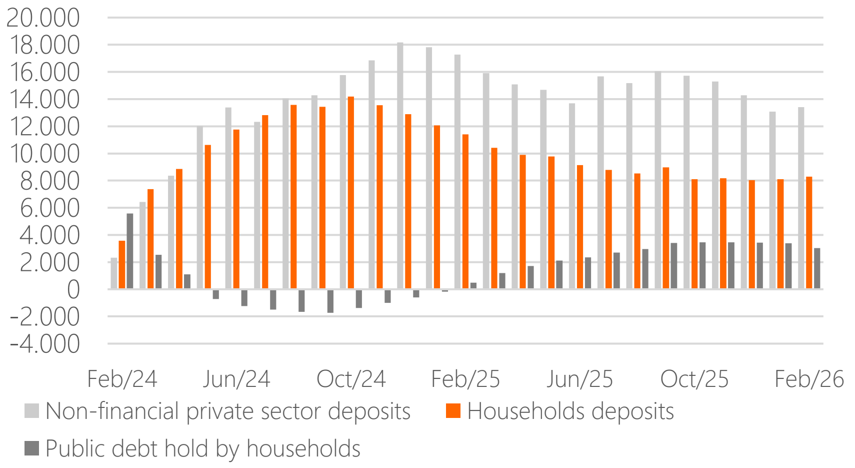


Source: BPI Research, based on data from Bank of Portugal and ECB.

Bank credit to the non-financial private sector
% nominal of the year GDP Bn€



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

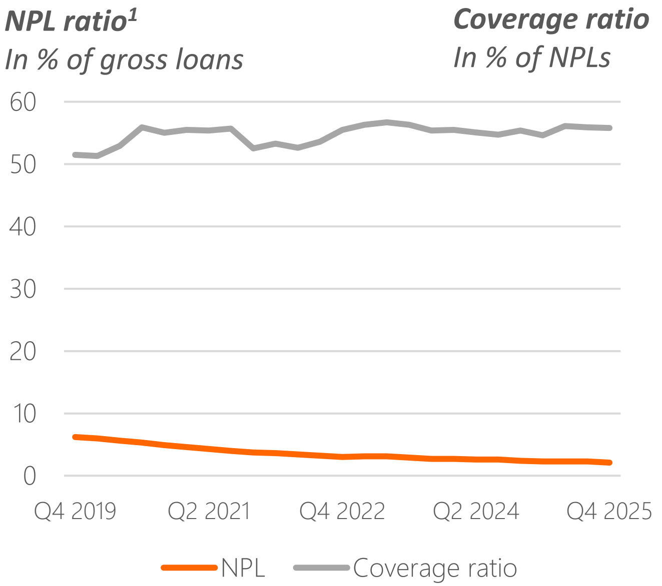


Notes (*): Public debt by households includes Certificados de Aforro and Certificados do Tesouro, which can only be subscribed by resident households. Source: BPI Research, based on data from Bank of Portugal.

- **The stock of credit to companies and households continues to increase:**
  - **Mortgage credit:** stock rose 9.6% in February, with new operations slowing down: 8.2% from 17% in Jan/26. The amount recorded in January was the maximum since August 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 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 3.5 billion euros in the first two months of 2026 (3.2 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 2.7% in February, while new operations expanded by 10.7%.
  - **% of GDP:** credit to non-financial private sector is around 72% of GDP, clearly below past levels (≈150% maximum).
- **In February, non-financial private sector deposits kept close to the maximum registered in December 2025 (the stock rose 5.1% yoy in February).** Both households' and NFC's deposits increased (4.3% and 7.4% yoy, respectively).

Banking system: deleveraging with high solvency and profitability

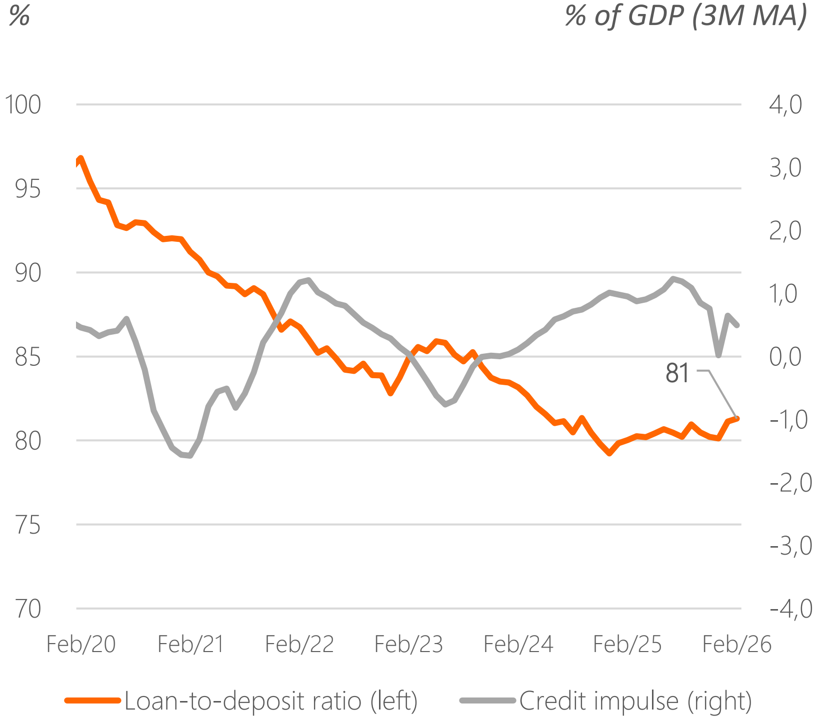
NPLs and coverage ratios



Cost of risk[1]
0.5% in Q4 2019
0.2% in Q4 2025

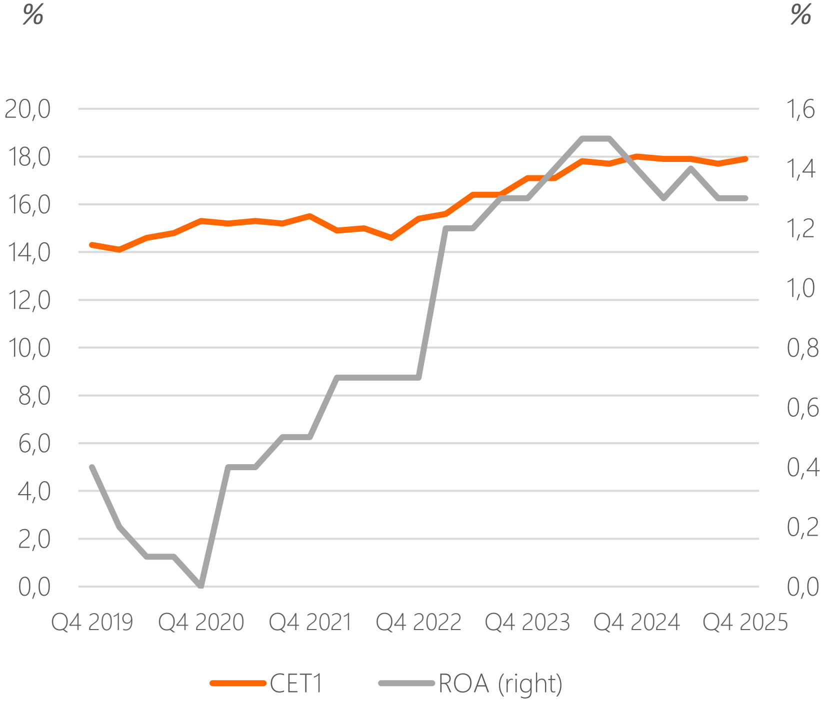
Notes: (1) flow of impairments to credit as a percentage of total gross loans.
Source: BPI Research, with data from Bank of Portugal.

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 fell to 2.1% in Q4, minus 3 tenths than in 2024.** Both ratios relative to NFC and households decreased by 0.1 p.p. to 3.7% and to 2.0% (2.2% in Q2 2025). We are not expecting a deterioration of credit quality in the future.
- **Deleveraging among firms and households shows signs of inverting slightly, despite still historically reduced levels.** Loan-to-deposit ratio increased in January to 81% and kept stable in February; the credit impulse (yoy absolute change in new operations as % of GDP) slowed in February 2026 to 0.5% from 0.6% in January.
- **Profitability in the banking sector in 2025 was slightly lower than before due to reduced interest rates but remained well above the pre-pandemic period.** CET1 stood at 17.9% (vs 18.0% in 2024 and 14.3% in Q4 2019). **The capital position of Portuguese banks provide buffers against the risks that could arise, due to geopolitical risks or any adverse unexpected event that could eventually impact NPL's**. The banking system ROA ratio increased in the last years and stood at 1.3% in Q4 2025 (vs. 1.4% in 2024 and 0.4% in 2019).