REPÚBLICA PORTUGUESA

XXV GOVERNO CONSTITUCIONAL

Draft Budgetary Plan 2026

Orçamento do Estado

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1. Draft Budgetary Plan 2026

1.1. Net Expenditure Growth

Table 1. Net Expenditure Growth

	Council recommendation	2024	2025	2026
1a	**Net nationally financed primary expenditure (annual growth rate)**		**5,0**	**5,1**
1b	Outturn/projection			
	Net nationally financed primary expenditure (annual growth rate)		5,5	4,8

1.2. Budgetary Targets

Table 2. General Government Budgetary Targets

		Outturn/projection		
		2024	2025	2026
		% GDP	% GDP	% GDP
1	Net lending/borrowing	0,5	0,3	0,1
2	Structural balance	0,3	0,5	0,2
3	Structural primary balance	2,3	2,6	2,3
4	Gross debt	93,6	90,2	87,8
5	Change in gross debt	-3,3	-3,3	-2,4

1.3. Macroeconomic Projections

Table 3. External Assumptions

			2024	2025	2026
1	Short-term interest rate	(%, annual average)	3,6	2,1	2,0
2	Long-term interest rate	(%, annual average)	3,0	3,1	3,4
3	USD/EUR exchange rate	(annual average)	0,9	0,9	0,9
4	World real GDP (excluding EU)	(growth rate)	3,8	3,1	3,3
5	EU real GDP	(growth rate)	1,1	1,2	1,5
6	World import volumes, excluding EU	(growth rate)	5,1	2,3	2,9
7	Oil prices	(Brent, USD/barrel)	79,7	68,9	65,4

Table 4. Macroeconomic Scenario

	GDP	ESA Code	2024 bn NAC	2024 growth rate	2025 growth rate	2026 growth rate
1	Real GDP	B.1*g		2,1	2,0	2,3
2	GDP deflator			4,8	3,6	2,5
3	Nominal GDP	B.1*g	289	7,1	5,7	4,8
	Components of real GDP	ESA Code		growth rate	growth rate	growth rate
4	Private consumption expenditure	P.3		3,0	3,4	2,7
5	Government consumption expenditure	P.3		1,5	1,5	1,2
6	Gross fixed capital formation	P.51		4,2	3,6	5,5
7	Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53		-0,2	-0,1	-0,1
8	Exports of goods and services	P.6		3,1	1,5	1,8
9	Imports of goods and services	P.7		4,8	4,0	3,6
	Contribution to real GDP growth			growth rate	growth rate	growth rate
10	Final domestic demand			2,9	3,2	3,1
11	Changes in inventories and net acquisition of value	P.52 + P.53		-0,1	0,1	0,0
12	External balance of goods and services	B.11		-0,7	-1,2	-0,9
	Deflators and HICP			growth rate	growth rate	growth rate
13	Private consumption deflator			2,8	2,4	2,2
14	p.m. HICP			2,7	2,4	2,1
15	Government consumption deflator			6,6	5,1	2,2
16	Investment deflator			2,5	2,6	2,7
17	Export price deflator (goods and services)			0,8	0,7	1,0
18	Import price deflator (goods and services)			-2,4	-0,8	0,5
	Labour market	ESA Code	level	growth rate	growth rate	growth rate
19	Domestic employment (1000 persons, national accounts)		5 275	0,7	1,7	0,9
20	Average annual hours worked per person employed		1 912	0,2	0,0	0,0
21	Real GDP per person employed			1,4	0,3	1,4
22	Real GDP per hour worked			1,3	0,3	1,3
23	Compensation of employees (bn NAC)	D.1	138	8,6	7,2	6,2
24	Compensation per employee (NAC) (= 23 / 19)		26 153	7,8	5,4	5,3
				%	%	%
25	Unemployment rate (%)			6,4	6,1	6,0
	Potential GDP and components			growth rate	growth rate	growth rate
26	Potential GDP			2,9	2,6	2,4
	Contribution to potential growth					
27	Labour			1,6	1,3	0,8
28	Capital			0,4	0,5	0,6
29	Total factor productivity			0,9	0,9	1,0
				% pot. GDP	% pot. GDP	% pot. GDP
30	Output gap			0,5	-0,1	-0,2

1.4. Expenditure and Revenue Projections under the No-police Change Scenario

Table 5. Budgetary projections under unchanged policies

			2024	2024	2025	2026
	Revenue	ESA Code	bn NAC	% GDP	% GDP	% GDP
1	Taxes on production and imports	D.2	41,6	14,4	14,4	14,4
2	Current taxes on income, wealth, etc	D.5	29,5	10,2	9,9	9,7
3	Social contributions	D.61	35,9	12,4	12,4	12,5
4	Other current revenue	(P.11+P.12+P.131) + D.39 + D.4 + D.7	15,1	5,2	5,7	5,3
5	Capital taxes	D.91	0,0	0,0	0,0	0,0
6	Other capital revenue	D.92+D.99	2,6	0,9	1,8	1,9
7	Total revenue (= 1+2+3+4+5+6)	TR	124,6	43,1	44,2	43,8
	Expenditure	ESA Code	bn NAC	% GDP	% GDP	% GDP
8	Compensation of employees	D.1	30,3	10,5	10,6	10,6
9	Intermediate consumption	P.2	15,1	5,2	5,2	5,0
10	Interest expenditure	D.41	5,9	2,1	2,1	2,1
11	Social benefits other than social transfers in kind	D.62	46,4	16,0	16,1	16,2
12	Social transfers in kind via market producers	D.632	5,8	2,0	1,9	1,8
13	Subsidies	D.3	1,9	0,7	0,5	0,4
14	Other current expenditure	D.29 + (D.4-D.41) + D.5 + D.7 + D.8	7,4	2,6	3,0	2,9
15	Gross fixed capital formation	P.51	7,9	2,7	3,3	3,4
16	*Of which: Nationally financed public investment*		6,5	2,2	2,1	2,0
17	Capital transfers	D.9	2,4	0,8	1,1	1,2
18	Other capital expenditure	P.52+P.53+NP	0,1	0,0	0,0	0,0
19	Total expenditure (= 8+9+10+11+12+13+14+15+17+18)	TE	123,2	42,6	43,9	43,7
	Balances	ESA Code	bn NAC	% GDP	% GDP	% GDP
20	Net lending/borrowing (= 7-19)	B.9	1,5	0,5	0,3	0,1
21	Primary balance (= 20+10)	B.9+D.41p	7,4	2,6	2,4	2,2

1.5. Expenditure and Revenue Targets

Table 6. Budgetary projections

			2024	2024	2025	2026
	Revenue	ESA Code	bn NAC	% GDP	% GDP	% GDP
1	Taxes on production and imports	D.2	41,6	14,4	14,4	14,4
2	Current taxes on income, wealth, etc	D.5	29,5	10,2	9,9	9,7
3	Social contributions	D.61	35,9	12,4	12,4	12,5
4	Other current revenue	(P.11+P.12+P.131) + D.39 + D.4 + D.7	15,1	5,2	5,7	5,3
5	Capital taxes	D.91	0,0	0,0	0,0	0,0
6	Other capital revenue	D.92+D.99	2,6	0,9	1,8	1,9
7	Total revenue (= 1+2+3+4+5+6)	TR	124,6	43,1	44,2	43,8
8	Of which: Transfers from the EU (**accrued revenue, not cash**)	D.7EU+D.9EU	3,4	1,2	2,9	2,7
9	Total revenue other than transfers from the EU (= 7-8)		121,2	41,9	41,3	41,2
10	p.m. Revenue measures (increments, excluding EU funded measures)		-1,5	-0,5	-0,5	0,2
10b	p.m. Revenue reductions funded by transfers from the EU (levels)		0,0	0,0	0,0	0,0
11	p.m. One-off revenue included in the projections (levels, excluding EU funded measures)		0,0	0,0	0,0	0,0
	Expenditure	ESA Code	bn NAC	% GDP	% GDP	% GDP
12	Compensation of employees	D.1	30,3	10,5	10,6	10,6
13	Intermediate consumption	P.2	15,1	5,2	5,2	5,0
14	Interest expenditure	D.41	5,9	2,1	2,1	2,1
15	Social benefits other than social transfers in kind	D.62	46,4	16,0	16,1	16,3
16	Social transfers in kind via market producers	D.632	5,8	2,0	1,9	1,8
17	Subsidies	D.3	1,9	0,7	0,5	0,4
18	Other current expenditure	D.29 + (D.4-D.41) + D.5 + D.7 + D.8	7,4	2,6	3,0	2,9
19	Gross fixed capital formation	P.51	7,9	2,7	3,3	3,4
20	*Of which: Nationally financed public investment*		6,5	2,2	2,1	2,0
21	Capital transfers	D.9	2,4	0,8	1,1	1,2
22	Other capital expenditure	P.52+P.53+NP	0,1	0,0	0,0	0,0
23	Total expenditure (= 12+13+14+15+16+17+18+19+21+22)	TE	123,2	42,6	43,9	43,7
24	Of which: Expenditure funded by transfers from the EU (= 8)	D.7EU+D.9EU	3,4	1,2	2,9	2,7
25	Nationally financed expenditure (23-24)		119,8	41,4	41,0	41,1
26	p.m. National co-financing of programmes funded by the Union		0,5	0,2	0,2	0,3
27	p.m. Cyclical component of unemployment benefits		0,1	0,0	0,0	0,0
28	p.m. One-off expenditure included in the projections (levels, excluding EU funded measures)		0,0	0,0	0,1	0,0
29	Net nationally financed primary expenditure (before revenue measures) (= 25-26-27-28-14)		113,2	39,1	38,5	38,7
	Net nationally financed primary expenditure				growth rate	growth rate
30	Net nationally financed primary expenditure growth				5,5	4,8
	Balances	ESA Code	bn NAC	% GDP	% GDP	% GDP
31	Net lending/borrowing (= 7-23)	B.9	1,5	0,5	0,3	0,1
32	Primary balance (= 31+14)	B.9+D.41p	7,4	2,6	2,4	2,1
	Cyclical adjustment			% GDP	% GDP	% GDP
33	Structural balance			0,3	0,5	0,2
34	Structural primary balance			2,3	2,6	2,3
	Debt		bn NAC	% GDP	% GDP	% GDP
35	Gross debt		270,9	93,6	90,2	87,8
36	Change in gross debt		9,0	-3,3	-3,3	-2,4
37	Contributions to changes in gross debt					
38	Primary balance (= minus 32)			-2,6	-2,4	-2,1
39	Snowball effect			-4,2	-2,9	-2,1
40	*Interest expenditure (= 14)*			*2,1*	*2,1*	*2,1*
41	*Growth*			*-1,9*	*-1,8*	*-1,9*
42	*Inflation*			*-4,4*	*-3,2*	*-2,2*
43	Stock-flow adjustment (= 36-38-39)			3,5	1,9	1,7
				%	%	%
44	p.m. Implicit interest rate on debt (= 14(t) / 35(t-1))			2,1	2,2	2,3
			bn NAC	% GDP	% GDP	% GDP
45	Total defence expenditure	COFOG 2	2,5	0,9	1,1	1,2
46	Of which: Defence investment	COFOG 2, P.51g	0,6	0,2	0,3	0,3

1.6. Description of Discretionary Measures Included in the Draft Budget

Table 7. Discretionary Measures

	Measures	ESA Code	Accounting principle	One-off	2025 % GDP	2026 % GDP
001	Exemption for advanced biofuels (reversion)	D.2	Accrual	No	0,0	0,0
002	Further decrease of PIT rates	D.5	Accrual	No	0,0	0,0
003	Update of the minimum existence threshold - PIT	D.5	Accrual	No	0,0	0,0
004	1pp cut in CIT rates	D.5	Accrual	No	0,0	-0,1
005	Tax credit for corporate investment	D.5	Accrual	No	0,0	0,0
	Total measures on the revenue side				**0,0**	**-0,1**
	TOTAL				**0,0**	**-0,1**

1.7. Recovery and Resilience Plan

Table 8. RRF Grants

	Revenue from RRF grants	2021 % GDP	2022 % GDP	2023 % GDP	2024 % GDP	2025 % GDP	2026 % GDP
1	RRF grants as included in the revenue project	0,0	0,2	0,5	0,7	2,2	1,8
2	Cash disbursements of RRF grands from EU	0,8	0,2	1,7	0,6	0,6	1,8
	Expenditure financed by RRF grants						
3	Total current expenditure	0,0	0,1	0,1	0,2	0,8	0,5
4	Gross fixed capital formation	0,0	0,1	0,1	0,2	0,9	0,8
5	Capital transfers	0,0	0,0	0,2	0,3	0,5	0,5
6	Total capital expenditure (4+5)	0,0	0,1	0,4	0,5	1,4	1,3
	Other costs financed by RRF grants						
7	Reduction in tax revenue	-	-	-	-	-	-
8	Other costs with impact on revenue	-	-	-	-	-	-
9	Financial transactions	-	-	-	-	-	-

Table 9. RRF Loans

	Revenue from RRF loans	2021 % GDP	2022 % GDP	2023 % GDP	2024 % GDP	2025 % GDP	2026 % GDP
1	Disbursements of RRF loans from EU	0,2	0,2	0,3	0,4	0,2	0,8
2	Repayment of RRF loans to EU	-	-	-	-	-	-
	Expenditure financed by RRF loans						
3	Total current expenditure	-	0,0	0,0	0,0	0,0	0,1
4	Gross fixed capital formation	-	0,0	0,0	0,1	0,2	0,2
5	Capital transfers	-	0,0	0,1	0,1	0,2	0,3
6	Total capital expenditure (4+5)	-	0,0	0,1	0,2	0,4	0,6
	Other costs financed by RRF loans						
7	Reduction in tax revenue	-	-	-	-	-	-
8	Other costs with impact on revenue	-	-	-	-	-	-
9	Financial transactions	-	0,1	0,0	0,1	0,1	0,2

1.8. Distributional Impact of Policy Measures

Distributional impact[1], per adult equivalent[2], of the following policy measures:

- reduction in income tax rates;
- update of the minimum subsistence reference value.
- Update of the value of the Solidarity Supplement for the Elderly.

Table 10. Distributional impacts by income decile per adult equivalent

	Average Disposable Income	Impact	
		Euros	%
Decile 1	10 241,79	134,61	1,31%
Decile 2	14 992,02	195,64	1,30%
Decile 3	19 410,18	61,15	0,32%
Decile 4	22 536,44	83,51	0,37%
Decile 5	25 901,00	53,56	0,21%
Decile 6	31 288,02	84,02	0,27%
Decile 7	34 310,08	69,60	0,20%
Decile 8	41 825,03	81,90	0,20%
Decile 9	46 067,07	82,24	0,18%
Decile 10	74 258,73	102,86	0,14%
Total	**32 525,27**	**96,95**	**0,30%**

Table 11. Impact on inequality indicators and the at-risk-of-poverty rate

	Without Measures	After Measures
Gini	31,59	31,48
Dif.		*-0,11*
S80/S20	4,87	4,84
Dif.		*-0,03*
At Risk of Poverty Rate	15,93%	15,74%
Dif.		*-0,19*

[1] Impacts calculated using the EUROMOD microsimulation model and EU-SILC 2023 microdata.

[2] Income per equivalent adult using the modified OECD scale.

1.9. Adequacy between Measures in the Draft Budgetary Plan and the Country Specific Recommendations (CSR) approved by the Council

Table 12. Country Specific Recommendations

#	2025 Recommendation	Measures and state of play / Description of direct relevance
1	Reinforce overall defence and security spending and readiness while ensuring debt sustainability in line with the European Council conclusions of 6 March 2025.	Faced with an international scenario of growing uncertainty, the Government is moving forward with a Plan for the Strategic Boost in Defence Investment, which brings forward to 2025 the commitment to invest 2% of GDP in National Defence – four years ahead of the initially set target. This investment, in line with the commitments undertaken with NATO and our European partners, seeks to ensure the security and safety of the Portuguese, upgrade the Military and set up the conditions for the Portuguese defence industry to grow. The aim is clear: give Portugal the means, infrastructure, and capabilities that will boost military readiness and increase their strategic projection. The Military is fundamental at times of peace. We invest in dual use equipment for: • Medical equipment • Search and Rescue • Fire prevention and fire fighting • Support in fighting crime • Organ transport. Among the measures, we highlight: • Developing infrastructure, equipment, and cutting-edge technological systems for the Army, Navy, and Air Force. • Driving the national defence industry with a direct impact on the creation of qualified jobs and added value generation. • Boosting cybersecurity capabilities and response to emerging threats. • Investing in dual use (civilian and military) and food resilience strategies for crises. Nevertheless, Portugal acknowledges that, going forward, structurally higher defence expenditure may require policies to preserve fiscal sustainability and compliance with the fiscal rules over the medium term. Such measures include the use of the flexibility provided by the national escape clause in a coordinated manner with other Member States, thus facilitating the transition to higher levels of defence spending on a permanent basis.

#	2025 Recommendation	Measures and state of play / Description of direct relevance
		Furthermore, Portugal will: • Keep a medium-term fiscal framework that will preserve fiscal stability (surplus targets and continued attention to debt) even while raising defence spending — i.e., the additional defence envelope is meant to be financed within a credible fiscal path; • Use EU financing to reduce national borrowing needs; • Phase increases and protect structural balance; and • Prioritise high-value procurement, better procurement practices and investments in dual-use infrastructure help raise capability without proportionate increases in long-term current expenditure.
	Adhere to the maximum growth rates of net expenditure recommended by the Council on 21 January 2025, while making use of the allowance under the national escape clause for higher defence expenditure.	Portugal will respect the Council's recommended maximum growth rates for net expenditure by treating the defence allowance as a narrowly-defined, time-limited deviation, ring-fencing additional defence outlays (mainly capital/equipment front-loading), phasing the increases, offsetting recurrent pressures through reprioritisation/revenue measures and EU financing, and subjecting the whole package to the Commission/Council monitoring and the Military Programming Law.
	Take action to ensure the medium-term fiscal sustainability of the pension system.	On this matter, we note that, since the latest update in April, and since the Government was restricted in its powers due to the electoral context, no further and significant updates occurred, and we base our answer mainly on the latest update. First, the law regarding the update of pensions will be implemented: 1) pensions will be automatically updated in light of the macroeconomic context, taking into consideration the economic growth and inflation variability; 2) the retirement age will also be readjusted in accordance with the law, automatically depending on the evolution of average life expectancy at 65 years old. The Government will also improve the management of the Social Security Stabilisation Fund (*Fundo de Estabilização Financeira da Segurança Social – FEFSS*) created in 1989 to guarantee coverage of predictable expenses with pensions for a minimum period of 2 years. It will avoid, as well exposure to Portuguese public debt, in line with the recommendation of the Court of Auditors and the position of the Public Finance Council. Regarding sustainability, the "Green Book for the sustainability of the implementation of the social security system", prepared by the Commission for the Sustainability of Social Security, appointed in 2022, is expected to be made available to social partners. The measures of the Green Book will be subject to public discussion and evaluation by the Government. Furthermore, to address this recommendation, Portugal has established a Working Group that will implement measures with the main objectives of defining action lines to strengthen the sustainability and modernization of Social Security. This will address the National medium-term fiscal-structural plan (MTF), the Major Options Law, the Court of Auditors (Auditing process no. 1/2023), whose findings highlight the need to ensure the financial sustainability of Social Security, and the Green Paper on Social Security, based on the contributions received and reflections on the future of the Social Security system, as well as the recommendations of the European Commission through the 2024 Country-Specific Recommendation for Portugal – which emphasizes the importance of ensuring the sustainability of the Social Security System.

#	2025 Recommendation	Measures and state of play / Description of direct relevance
		In particular, this Working Group has the following objectives: a) To conduct an actuarial review of the Global Contribution Rate of the Social Security System, as provided in Article 51 of Law no. 110/2009, of September 16, with a detailed breakdown of the various contingencies covered. b) To promote an integrated analysis of the sustainability, adequacy, and intra- and intergenerational equity of the public social protection systems, including the Social Security System, the Convergent Social Protection Scheme of the Caixa Geral de Aposentações, and the Citizenship Social Protection System, considering the different contingencies covered, with a long-term strategic vision for the Integrated Social Security System. c) To promote an integrated analysis of the sustainability of the pension system, including the Citizenship Social Protection System and the Social Security System, with a long-term strategic vision for the Integrated Social Security System. d) To promote an analysis of the sustainability of the Convergent Social Protection Scheme of the Caixa Geral de Aposentações. e) To define strategies and assess proposals that ensure the long-term sustainability of the pension system and improve its adequacy and equity. f) To develop complementary schemes, both collectively and individually initiated, as well as the public capitalization scheme, offering contributors greater flexibility and personalized options, reinforcing savings and the resilience of the system. g) To study Partial Retirement Mechanisms that facilitate the gradual transition from working life to retirement, assessing the impact of these measures on the financial sustainability of the system and the adequacy of social benefits. h) To reassess the Early Retirement Scheme, prioritizing policies that encourage remaining in the workforce and increasing the volume of contributions, thereby promoting the medium- and long-term sustainability of the system. The Order that establishes the aforementioned Working Group stipulates that, six months after beginning its duties, the Working Group must present a progress report addressing items f), g), and h).
2	In view of the applicable deadlines for the timely completion of reforms and investments under Regulation (EU) 2021/241, accelerate the implementation of the recovery and resilience plan, including the REPowerEU chapter.	Under the National MTP 2025-2029, the following measures are being implemented: • Strengthening human resources in the Recover Portugal Task Force (*EMRP*). The *EMRP* team has been reinforced with additional staff, through an external recruitment completed in January 2025, ensuring compliance with the deadlines for analysing applications and payment requests (60 and 20 days, respectively). • Strengthening technical coordination between the various areas of government to coordinate the work leading to the implementation of the RRF and PT2030. It is expected to eliminate redundancies between programmes, reduce implementation delays, and allocate financial resources to high-quality projects through specific monitoring meetings in 2025, which monitor implementation, identify risks, and promote corrective measures.

#	2025 Recommendation	Measures and state of play / Description of direct relevance
		Within the scope of the *Lei das Grandes Opções 2025-2029* (National Strategic Plan), the following measures are planned to be implemented: • Directing funds to companies and to the generation of added value, in line with the evaluation of results, with maximum requirements for approval and total alignment with the long-term transformation of the economy; • Adoption of instruments for anticipating incentives and financing external capital; • Transformation of the entire funds operational model. Under the Programmes of the XXV Constitutional Government (2025-2029), the following measures are planned: • Make available, through the Portuguese Promotional Bank (*BPF*), new financial instruments that accelerate the execution of European funds from the RRF, Portugal 2030, and the Strategic Plan for the Common Agricultural Policy (*PEPAC*), enabling companies to anticipate investment incentives, discount repayable incentives, and finance external capital for projects; • Establish a structuring and recurring fund-of-funds, managed by the *BPF* Group, which can continue the mission of the Capitalization and Resilience Fund – focused on capitalizing the business fabric, replicating the market practices of capital partnerships with the EIB/EIF Group and promoting the capacity building of the national venture capital ecosystem; • Continue the technological transformation of *BPF*, based on automation, robotization, and generative intelligence, in order to reduce response times to companies and modernize the services provided; • Strengthen the availability of financial incentives, within the scope of European funds, for non-SME companies, as a way of supporting their consolidation and growth.
	Accelerate the implementation of cohesion policy programmes (ERDF, JTF, ESF+, CF), building, where appropriate, on the opportunities offered by the mid-term review.	Under the National MTP 2025-2029, the following measure is being implemented: • Strengthening technical coordination between the various areas of government to coordinate the work leading to the implementation of the RRF and PT2030. With a focus on the management of European funds, the aim is to eliminate redundancies between the various Programmes, reduce delays in their implementation, and allocate financial resources to high-quality projects with a multiplier effect on the economy. To achieve these objectives, it is planned to strengthen technical coordination between the various government areas covered by the respective funds. Among other actions, this coordination will involve greater communication between all areas in order to eliminate potential specific problems. In addition to regular interactions within the scope of specific RRF measures and the most recent coordination with the various government areas in technical meetings held with the European Commission in the context of the RRF's reprogramming, a series of specific meetings should be held in 2025 to assess the progress of the implementation of the RRF measures. The main objective

#	2025 Recommendation	Measures and state of play / Description of direct relevance
		of these meetings will be to monitor the achievement of milestones and targets, identify potential inherent risks, and promote mitigating measures to accelerate the implementation of the RRF.
	Make optimal use of EU instruments, including the opportunities provided by the InvestEU programme and the Strategic Technologies for Europe Platform, to improve competitiveness.	Under the National MTP 2025-2029, the following measure is being implemented: • Enhance the use of funds from the Common Agricultural Policy, the Environmental Fund, PT2030, MAR2030, and European Programmes such as Horizon Europe and InvestEU. The following initiatives are noteworthy within the scope of this measure: • The 3rd reprogramming of the *PEPAC* (formally submitted on October 15, 2024, and approved on February 4, 2025) was carried out, allowing farmers to have more income through an increase in Basic Income Support and the strengthening of measures to maintain agricultural activity in disadvantaged areas; • Revision of the boundaries between cohesion policy funds and the EAFRD, in particular regarding access for the agroforestry sector, producer organizations, and cooperatives; • Proposal by the European Commission to evaluate the creation of a standard instrument for agriculture, within the scope of the national component of InvestEU; • Early achievement of the RRF RE-C08-01 target - Target 8.2 (Publication of Integrated Landscape Management Operations), scheduled for Q3 2025 and achieved in Q4 2024, which allowed €52 million to be reallocated for the purchase of equipment and vehicles for prevention and fight fires; • In the RRF, under component C10-i02, €9.7 million was paid by January 2025 (46% of the available allocation), which exceeds the average financial execution rate of the other RRF components (28% by December 31, 2024).This measure has the support of the PA, *PEPAC*, and RRF. Under the *Lei das Grandes Opções 2025-2029* (National Strategic Plan), the following measures are planned to be implemented: • Directing funds to companies and to the generation of added value, in line with the evaluation of results, with maximum requirements for approval and total alignment with the long-term transformation of the economy; • Adoption of instruments for anticipating incentives and financing external capital; • Transformation of the entire funds operational model. Under the Programme of the XXV Constitutional Government (2025-2029), the following measures are planned: • Make available, through the *BPF*, new financial instruments that accelerate the execution of European funds from the RRF, Portugal 2030, and the Strategic Plan for the Common Agricultural Policy (*PEPAC*), enabling companies to anticipate investment incentives, discount repayable incentives, and finance external capital for projects;

#	2025 Recommendation	Measures and state of play / Description of direct relevance
		• Establish a structuring and recurring fund-of-funds, managed by the *BPF* Group, which can continue the mission of the Capitalization and Resilience Fund – focused on capitalizing the business fabric, replicating the market practices of capital partnerships with the EIB/EIF Group and promoting the capacity building of the national venture capital ecosystem; • Continue the technological transformation of *BPF*, based on automation, robotization, and generative intelligence, in order to reduce response times to companies and modernize the services provided; Strengthen the availability of financial incentives, within the scope of European funds, for non-SME companies, as a way of supporting their consolidation and growth.
3	Simplify regulation, improve regulatory tools and reduce administrative burden on businesses, mainly by reducing barriers to industrial licensing and removing other obstacles to their capacity to scale up and boost innovation and productivity.	Under the National MTP 2025-2029, the following measure is being implemented: • Simplify and make the tax regime associated with corporate restructuring and merger operations more attractive. The aim is to make mergers more attractive from a tax perspective and reduce the associated costs, in order to encourage them and promote economies of scale for domestic companies. Measure 12 of the Programme «Accelerate the Economy» (*Programa Acelerar a Economia*), which revises the rules on the tax deductibility of goodwill in concentration operations, also contributes to this purpose. It is expected that this measure will be implemented in 2025. The scope of this measure is reflected in three main dimensions: • Making mergers more attractive from a tax perspective. • Reducing the financial costs associated with mergers and acquisitions. • Stimulating economies of scale for domestic companies, promoting greater competitiveness, innovation, and capacity for expansion. Together, the tax simplification of merger operations contributes to boosting the Portuguese business fabric, favouring growth strategies and positioning in more demanding markets. The following measures are planned under the *Lei das Grandes Opções 2025-2029* (National Strategic Plan): • Reducing bureaucracy and speeding up licensing, authorization, and public procurement regimes, eliminating excessive pre-procedures (including opinions, whether binding or not), favouring ex post supervision, adopting tacit approval whenever possible, and penalizing unjustified rejections; • Introduce sunset clauses, ensuring that the absence of clarification regarding a licensing process extinguishes certain requirements, giving citizens and businesses predictability and security in their investments;

#	2025 Recommendation	Measures and state of play / Description of direct relevance
		• Create a Specialized Arbitration Court for small and medium-sized disputes between companies/citizens and the Public Administration (licensing, administrative offenses, fines); fast-track proceedings (less than 6 months) with binding decisions; • Simplify and digitize licensing and registration processes for new entrants in regulated sectors.
	Foster private investment into venture capital and private equity for local businesses, including public-private risk sharing, and improve financial literacy.	Under the National MTP 2025-2029, the following measure is being implemented: • Co-investment line for start-ups and venture capital. The *BPF* is currently preparing the Strategic Plan and new products that will respond to this measure. *BPF* already has capital instruments that contribute to this objective. In addition, the Programme «Accelerate the Economy» includes related measures, such as: • Measure 15: setting up a fund for investment in *deep tech* start-ups (based on high technology and scientific advances); • Measure 16: stimulating the growth and capacity building of start-ups through support vouchers for applications to international acceleration programmes. • Measure 17: ignition fund to support start-up projects in advanced stages of maturity. This measure falls within the scope of the reforms and investments that make up Component C05 - Investment and Innovation of the RRF (RE-C05-r10, RE-C05-r13, and RE-C05-i06). Under the *Lei das Grandes Opções 2025-2029* (National Strategic Plan), the following measures are planned: • Strengthen the capitalization of companies and the venture capital ecosystem by creating a fund-of-funds, managed by *BPF*, promoting the mobilization of private investment and capacity building in the sector. • Stimulate savings by moving towards a system of limited taxation on savings and reinvested income; • As part of the European process of strengthening savings mechanisms, involve specific financial products for workers in this system, associated with long-term savings plans; • Raise the level of financial literacy among the population, particularly in matters relating to savings, investment, and retirement planning.
	Further increase the efficiency of administrative and tax courts, to decrease the length of proceedings.	Under the National MTP, the following measures are being implemented: • Propose urgent measures for administrative and tax jurisdiction, based on existing contributions; These measures fall under the Prevention axis of the Anti-Corruption Agenda, presented in June 2024, and aim to increase the efficiency and speed of administrative and tax courts, recognizing the need to decongest these courts and ensure faster and more effective justice.

#	2025 Recommendation	Measures and state of play / Description of direct relevance
		In this context, a Commission for the Review of Tax Processes and Procedures and Taxpayer Guarantees was set up by Order No. 8340/2024 of July 25, issued by the Ministry of Finance. At the same time, Law No. 56/2025 of July 24 was approved, amending the provisions of the Code of Civil Procedure relating to the distribution of cases, aiming to enhance transparency and speed the distribution of cases, and Law No. 57/2025 of July 24, which introduces a series of changes to the organization of the judicial system, namely in the Statute of Administrative and Tax Courts and in the Law on the Organization of the Judicial System. Requalify court buildings and strengthen the development of their technological equipment. To address the poor or insufficient material conditions of the courts and associated services, several investments have been made to improve the conditions of the justice facilities, including refurbishment, rehabilitation, accessibility, and energy efficiency of the buildings. Of particular note are the signing of several contracts for the rehabilitation, conservation, and air conditioning of courts and courthouses throughout the country, the conclusion of twenty inter-administrative contracts with local authorities (Santa Maria da Feira, Vila do Conde, Coimbra, Santa Cruz, Velas, Lagos, Penafiel, Horta, Fafe, Nazaré, Santo Tirso, Santarém, Aveiro, Ponte da Barca, Mondim de Basto, and Arraiolos), the acquisition of land for new Criminal Investigation Departments (Ponta Delgada and Setúbal), and the establishment of surface rights for the construction of new courthouses — signed in Vila Franca de Xira and awaiting the deed of concession in Guimarães. A set of eighteen new tenders for projects and works was also launched in 2025, with a total value excluding VAT of over €12 million. As part of the *Lei das Grandes Opções 2025-2029* (National Strategic Plan), the following measure is planned: • New procedural management based on promoting the reduction of the length of procedural documents, improving procedures for summoning and notifying parties and incidental interveners, scheduling proceedings after prior coordination of the agendas of the intervening court clerks, and completion of the regulatory framework for court advisors by strengthening and assigning a more relevant role to advisors, particularly in speeding up proceedings, by strengthening advisors in legal sciences and other technical and scientific areas. Under the Programme of the XXV Constitutional Government (2025-2029), the following measures are planned to be implemented: • In terms of the electronic processing of judicial, administrative, and tax proceedings, plans are underway to migrate proceedings from SITAF to CITIUS, with the regulatory legislation already in the final stages of completion. • Simplified processing of TAFs. A draft law is currently being drafted and contributions are being gathered with a view to complying with the need to implement, as a matter of priority, specific measures to respond to the current congestion in administrative and tax jurisdiction. • Provision of *RAL* resources for administrative and tax litigation Legislative changes are being planned to simplify and streamline procedural processing in the first instance, with the use of *RAL* resources in administrative and tax litigation.

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<tr><th>#</th><th>2025 Recommendation</th><th>Measures and state of play / Description of direct relevance</th></tr>
<tr><td></td><td></td><td>Revisiting case distribution procedures with a view to greater transparency and speed of proceedings, by eliminating the current in-person mechanism for controlling operations, increasing automation and randomness, and reinstating the role of the duty judge, with the important role of clarifying doubts and ensuring control of manual acts performed, as well as control of operations through mandatory supervision.
In this context, Law No. 56/2025 of July 24 was approved, amending the provisions of the Code of Civil Procedure relating to the distribution of cases, and is currently in the process of being regulated by ministerial order.</td></tr>
<tr><td></td><td>Improve the effectiveness of the tax system, particularly by strengthening the efficiency of its administration and reducing the associated administrative burden.</td><td>Another focus of the Government is the simplification of tax procedures. In this regard, the Government has already approved a tax simplification agenda comprising 30 measures aimed at simplifying reporting obligations and reducing compliance costs for both citizens and businesses.
Some of these measures include:
Improve the support provided to taxpayers, namely through digital tools;
Harmonize the deadlines for the submission of information and the fulfilment of certain tax obligations;
Eliminate certain legal tax obligations in cases where the associated administrative costs are not justified;
Simplifying reimbursement procedures;
Streamlining corporate obligations in the submission of the Simplified Corporate Information (IES).
In March 2025, the Government implemented, through Decree-Law No. 49/2025, of 27 March, 12 of the 30 measures previously announced, while additionally introducing 8 new tax simplification measures. Some of the most relevant measures are:
Simplification of invoicing rules, specifically through enhancements to the Tax Authority’s invoicing application, enabling the cancellation of invoices and the sending of notifications to purchasers;
Automatic submission of the Periodic VAT Return for individuals without taxable transactions;
Extension of the deadline for requesting payment of VAT in instalments;
Waiver of the requirement to file a declaration of commencement of activity when there is only a single taxable transaction, regardless of its value;
Extension of the deadline for the submission of the declaration regarding residents’ income and withholdings made by companies (Modelo 10).
A second legislative package is currently under development, aimed at implementing five additional measures outlined in the Tax Simplification Agenda.
Under the National MTP 2025-2029, the following measures are being implemented:</td></tr>
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#	2025 Recommendation	Measures and state of play / Description of direct relevance
		• Combating tax and benefit fraud and combating tax evasion; This measure focuses on the use of advanced technologies to detect and prevent irregularities. The *Instituto de Informática, I.P.* (Institute of Informatics) is developing intelligent surveillance models based on machine learning, including a predictive model and a risk index model, which are expected to be completed by the first half of 2026. • Implement the *SNC-AP* and programme-based budgeting. Supported by the RRF (Component C17), these instruments replace the former *POCP* with the adoption of the *SNC-AP* and the introduction of programme budgeting. The measure aligns public accounting with international standards and provides for its full implementation in the 2026 State Budget. Within the scope of the *Lei das Grandes Opções 2025-2029* (National Strategic Plan), the following measure is planned to be implemented: • Implement a culture of systematic evaluation of public policies, based on data and evidence.
	Foster evidence-based policy making including by conducting ex post public policy evaluations.	Under the National MTP 2025-2029, the following measure is being implemented: • Capacity building of the Government Center. This measure promotes the development of public policies based on concrete data, through ex post evaluations and greater strategic planning capacity. The intervention takes the form of strengthening centers of excellence, in particular *PlanAPP* and the State Legal Center (*CEJURE*). The new structure of *PlanAPP*, approved by Decree-Law No. 67/2024, expands the functions of forecasting, planning, and evaluation, promoting interministerial cooperation through *REPLAN*. At the same time, the new organizational structure of *CEJURE*, enshrined in Decree-Law No. 68/2024, consolidates the centralization of legal services in the public administration, reducing dispersion and strengthening specialization. Within the scope of the *Lei das Grandes Opções 2025-2029* (National Strategic Plan), the following measure is planned to be implemented: • Implement a culture of systematic evaluation of public policies, based on data and evidence.
	Sustain the focus of investment-related economic policy on research and innovation.	Under the National MTP 2025-2029, the following measure is being implemented: • Creation of the National Digital Strategy (*EDN*). The objective of this measure is to maintain the focus of economic policy on investment in research and innovation. Under the motto "Portugal, where digital simplifies," the *EDN* was approved in December 2024, together with the 2025-2026 Action Plan, through Council of Ministers Resolution No. 207/2024.

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		In line with the European Digital Decade programme, the *EDN* defines ten strategic objectives and ten targets for 2030, structured around four dimensions — People, Businesses, State, and Infrastructure — and operationalised in 16 initiatives. The initial Action Plan mobilizes 49 measures and an estimated investment of €350 million, the implementation of which will be monitored by a working group set up in early 2025. As part of the *Lei das Grandes Opções 2025-2029* (National Strategic Plan), the following measure is planned: • Review of the exclusivity regimes for researchers and higher education teachers to facilitate their movement and simultaneous participation in scientific and business activities.
	Strengthen stakeholders' involvement and increase transparency in the preparation of public policies.	Within the scope of the *Lei das Grandes Opções 2025-2029* (National Strategic Plan), the following measures are planned to be implemented: • Regulate lobbying and increase the potential of the BASE Portal (namely with regard to the possibility of mass data processing); • Continue the institutional reform of public entities specializing in transparency and corruption prevention: *MENAC*, Transparency Authority, and Political Financing Accounts Authority; • Strengthen the role of State audit and inspection bodies, increasing coordination between entities with preventive and enforcement functions, including in receiving and handling complaints.
4	Reduce overall reliance on fossil fuels in the transport sector in particular by phasing out fossil-fuel subsidies, and by investing in sustainable transport, particularly in rail, taking into account regional disparities.	Under the National MTP 2025-2029, the following measures are being implemented: • Assessing the creation of incentives for energy conversion of passenger transport vehicles; This measure aims to convert fossil fuel-powered vehicles to renewable energy-powered vehicles. It is in the final stages of technical studies, with a draft bill already prepared for subsequent legislative procedure. This measure is provided for in the RRF (C15 - Sustainable Mobility and C21 - REPowerEU: TC-C15-i05; TC-C15-i06; TC-C15-r30; RP-C21-i12) and the Partnership Agreement (PA). In addition, €227 million in financing was approved through the Environmental Fund for the purchase of 861 zero-emission buses for mainland Portugal. • Ensure the implementation of the National Investment Programme (*PNI2030*); In this context, it should be noted that through Council of Ministers Resolution of No. 69/2025, the government determined the study and implementation of priority road projects, in accordance with the objectives established in the plans and programmes already defined, namely in the National Road Plan (*PRN*) (Decree-Law No. 222/98, of July 17), which includes the study of new roads, as well as adaptations, upgrades, and widening of existing roads and major projects underway: the new Lisbon airport and the high-speed railway line. This measure has the support of the PA. • Start construction of transport infrastructure (railway and high-speed train);

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		The Concession Agreement for the design, financing, construction, operation, and maintenance of the high-speed rail infrastructure on the Porto (Campanhã)/Oiã section, under a Public-Private Partnership (PPP), was signed in July 2025. By the end of 2025, the second PPP will be launched between Oiã and Soure, and in 2026, the third PPP between Soure and Carregado. The quadrupling of the section between Carregado and Lisbon is still in preparation. • Review and implement the National Energy and Climate Plan (*PNEC 2030*). The component of the measure relating to the revision of the *PNEC* has already been completed and implementation is underway. The *PNEC 2030* was updated through a participatory process that included a public consultation that took place between July and September 2024. Resolution No. 127/2025 of the Assembly of the Republic, dated April 14, approved the update of the National Energy and Climate Plan 2030, in compliance with Article 20 of the Basic Climate Law. The new *PNEC* has more ambitious targets for reducing greenhouse gas emissions and for renewable energy. As part of the *Lei das Grandes Opções 2025-2029* (National Strategic Plan), the following measures are planned to be implemented: To diversify mobility options: • Launching tenders for the concession of specific railway lines and accelerating the opening up to competition on lines that allow the simultaneous operation of several operators; • Promoting the provision of public road transport, limiting operational restrictions in geographical areas covered by concessions and all barriers related to the use of terminals, stops, or others; • Liberalising the electric mobility and vehicle charging systems market, promoting competition and transparency, and continuing to support fleet renewal. To accelerate the modal shift to public transport and, consequently, contribute to decarbonisation and system efficiency: • Implement fare systems that bring greater flexibility, simplification, and universality in the use of public transport, based on integrated ticketing solutions; • Develop new business and operating models for multimodal interfaces, ensuring universal access and better service for citizens. For the modernisation of the railway and implementation of the national railway plan, ensuring a modern and competitive passenger and freight transport system: • Timely implementation of the high-speed network (Porto-Lisbon, Porto-Valença, and Lisbon-Caia), as well as the Third Tagus Crossing; • Definition of priorities for the expansion of the network, particularly in connection with district capitals that are not yet connected (Viseu, Vila Real, Bragança) and metropolitan lines (Vale do Sousa and Loures);

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		• Carrying out the necessary studies for decision-making regarding cross-border connections between Bragança/Zamora, Aveiro/Salamanca, and Faro/Huelva; • Plan for the integration of the various metro systems in the Lisbon Metropolitan Area into a single metro system, connecting the two banks of the Tagus (the Lisbon Metro, the Metro Sul do Tejo and the other light rail lines proposed for the North Bank). Under the Programme of the XXV Constitutional Government (2025-2029), the following measures are planned: To promote the decarbonisation of transport: • Accelerate the decarbonisation of the transport sector by providing support, via the Environmental Fund, for public transport, social passes, investments in infrastructure, and equipment; • Strengthen incentives for scrapping and purchasing zero-emission vehicles. • Approve and implement the Roadmap for the Decarbonisation of Aviation (*RONDA*).
	Further accelerate the roll-out of renewables by providing a predictable, regulatory framework with clear and digital procedures for permitting including for collective self-consumption and renewable energy communities.	Under the National MTP 2025-2029, the following measures are being implemented: • Operationalising the Mission Structure for the Licensing of Renewable Energy Projects (*EMER 2030*); The creation of this Structure allows for the development and implementation of tools that support more transparent, agile, and simplified licensing processes. Its main objectives are: the simplification of the legal and regulatory framework applicable to renewable energy projects; the implementation of a one-stop shop for project licensing; and a monitoring system that results in effective project monitoring and control. In June 2024, EMER launched a public consultation to identify constraints in renewable energy licensing procedures and gather contributions to address them, particularly in the context of implementing renewable energy communities and self-consumption. This structure should also present a Sectoral Programme for "Renewable Energy Acceleration Areas" and develop the respective annual calendar for the allocation of new capacity for renewable energy projects, taking into account the Sectoral Programme. *EMER 2030* also plays an important role in training public administration, having held a first programmatic event called "Transformation Station," with several training sessions and thematic workshops in the areas of renewable energy licensing, which brought together more than 500 technicians and public administration officials. EMER is part of a set of reforms, aligned with the REPowerEU Plan and integrated into the RRF (RP-C21-i09 and RP-C21-r48), with the aim of stimulating the incorporation of renewable energies into the national energy system. This measure also has the support of the PA. • Launch tender procedures for offshore wind energy production auctions; With regard to the promotion of offshore wind production, Portugal reaffirms its commitment to launch tender procedures corresponding to a capacity of 2 GW by 2030 through capacity auctions, thereby strengthening the stability of the electricity system

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		and attracting the offshore technology value chain to the country. Subsequently, depending on the maturity of the procedures and projects to be implemented, new auctions may be held in phases and new capacities of up to 10 GW may be allocated. Council of Ministers Resolution No. 19/2025 of January 9 approved the Allocation Plan for Offshore Renewable Energy. The Government is currently carrying out the necessary work to design and implement the competitive procedure for the allocation of offshore wind production capacity. This measure has the support of the RRF (C21 - REPowerEU: RP-C21-i07 and RP-C21-r48) and the PA. • Review and implement the National Energy and Climate Plan (*PNEC 2030*); The component of the measure relating to the revision of the *PNEC* has already been completed and implementation is underway. The *PNEC 2030* was updated through a participatory process that included a public consultation that took place between July and September 2024. Resolution No. 127/2025 of the Assembly of the Republic, dated April 14, approved the update of the National Energy and Climate Plan 2030, in compliance with Article 20 of the Basic Climate Law. The new *PNEC* has more ambitious targets for reducing greenhouse gas emissions and for renewable energy. • Launch auction for the centralized purchase of biomethane and hydrogen; In 2024 (Order No. 5971-A/2024), the first electronic auction was held for the centralised purchase of biomethane and hydrogen, produced by electrolysis from water, using electricity from renewable energy sources, with the final results published in February 2025. Under the Programme of the XXV Constitutional Government (2025-2029), the following measures are planned to be implemented: To reinforce the commitment to the transition to renewable energies and accelerate its implementation: • Approve the sectoral programme for Renewable Energy Acceleration Areas; • Create a programme for agrovoltaics, promoting renewable energies in the agricultural sector. • Accelerate self-consumption and the installation of Energy Communities; • Accelerate the licensing of Self-Consumption (*UPAC*) and Renewable Energy Communities (*CER*); To support the competitiveness of companies and promote green reindustrialisation: • Apply the Energy-Intensive Consumer Statute to lower companies' electricity bills by reducing Costs of General Economic Interest (*CIEG*); • Support companies with indirect electricity costs via the Environmental Fund; • Approve the Green Industrial Strategy in line with the Clean Industry Pact presented by the European Commission;

#	2025 Recommendation	Measures and state of play / Description of direct relevance
		• Launch the "Portugal offshore winds" initiative, providing for the implementation of offshore wind projects, considering their industrial relevance; • Promote innovation and the development of a battery and electric vehicle value chain, supporting projects that develop industrial capacity for battery refining and production. To boost the market for renewable gases and sustainable fuels: • Develop a legal framework for biomethane, green hydrogen, and Sustainable Aviation Fuels (*SAF*) that simplifies procedures, creates predictability, and encourages a strong increase in production; • Accelerate the implementation of the Biomethane Action Plan and ensure domestic production that will replace 10% of natural gas consumption by 2030; • Review the National Hydrogen Strategy (*EN-H2*).
	Enhance stability in the electricity market through long-term contracts, investment in energy storage capacities and demand-side response tools.	Under the National MTP 2025-2029, the following measures are being implemented: • Develop and implement the National Strategy for the Integrated Development of Energy Networks; The Government is reviewing the procedures for evaluating and approving development and investment plans for energy sector infrastructure (electricity and natural gas distribution and transport), as defined in the various legal instruments governing this sector, with a view to optimising them. In the area of network flexibility and storage: support has been provided for the installation of at least 500 MW of electricity storage capacity, with the aim of introducing a flexibility mechanism that allows for the optimisation and flexible management of the electricity system, considering the significant increase in electricity consumption and demand expected, associated, on the one hand, with the industrial investments planned in the green hydrogen sector and, on the other hand, with the capacity to store the renewable electricity generated by these. The aim is also to distribute and use renewable energy by strengthening or expanding the grid and creating the energy infrastructure necessary to enable the decarbonisation of energy systems, contributing to the national targets of the *PNEC 2030*. To this end, an investment of €99.7 million has been approved (REPowerEU component of the RRF - RP-C21-i08). • Review and implement the National Energy and Climate Plan (*PNEC 2030*). The component of the measure relating to the revision of the *PNEC* has already been completed and implementation is underway. The *PNEC 2030* was updated through a participatory process that included a public consultation that took place between July and September 2024. The Resolution No. 127/2025 of the Assembly of the Republic, dated April 14, approved the update of the National Energy and Climate Plan 2030, in compliance with Article 20 of the Basic Climate Law. The new *PNEC* has more ambitious targets for reducing greenhouse gas emissions and for renewable energy. Under the Programme of the XXV Constitutional Government (2025-2029), the following measures are planned to be implemented:

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<tr><td></td><td></td><td>Introduce the conclusions of studies and audits resulting from the "blackout" on April 28 and ensure that critical services such as black start are operational;
Develop the National Energy Storage Strategy, with a particular focus on strengthening hydro pumping and batteries;
Implement electricity storage solutions;
Strengthen energy interconnections within the Iberian and European Union frameworks;
Establish a flexibility and capacity market in the national electricity system to ensure security of supply and promote investment in new technologies, in accordance with the new European Electricity Market Regulation;
Prioritize the promotion — within a framework of multilateral cooperation and security — of the diversification of primary energy sources, both domestic and those that the country will continue to import.</td></tr>
<tr><td></td><td>Strengthen the capacity of the electricity transmission and distribution grid, including in cross-border electricity interconnections, improve connection procedures and increase their transparency to incentivise investments in the national network.</td><td>Under the National MTP 2025-2029, the following measures are being implemented:
Develop and implement the National Strategy for the Integrated Development of Energy Networks;
The Government is reviewing the procedures for evaluating and approving development and investment plans for energy sector infrastructure (electricity and natural gas distribution and transmission), as defined in the various legal instruments governing this sector, with a view to optimising them.
In the context of network flexibility and storage
Support was provided for the installation of at least 500 MW of electricity storage capacity, with the aim of introducing a flexibility mechanism that allows for the optimisation and flexible management of the electricity system, considering the significant increase in electricity consumption expected, associated, on the one hand, with the industrial investments planned in the green hydrogen sector and, on the other hand, with the capacity to store the renewable electricity generated by these. The aim is also to distribute and use renewable energy by strengthening or expanding the grid and creating the energy infrastructure necessary to enable the decarbonisation of energy systems, contributing to the national targets of the PNEC 2030. To this end, an investment of €99.7 million has been approved (REPowerEU component of the RRF - RP-C21-i08).
Review and implement the National Energy and Climate Plan (PNEC 2030).
The component of the measure relating to the revision of the PNEC has already been completed and implementation is underway. The PNEC 2030 was updated through a participatory process that included a public consultation that took place between July and September 2024. Resolution No. 127/2025 of the Assembly of the Republic, dated April 14, approved the update of the National Energy and Climate Plan 2030, in compliance with Article 20 of the Basic Climate Law. The new PNEC has more ambitious targets for reducing greenhouse gas emissions and for renewable energy.
As part of the Lei das Grandes Opções 2025-2029 (National Strategic Plan), the following measure is planned to be implemented:</td></tr>
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#	2025 Recommendation	Measures and state of play / Description of direct relevance
		• Increasing the capacity of the national electricity grid and the electricity interconnections between the Iberian Peninsula and France, the security of electricity supply, and the sustainable and competitive incorporation of renewable energies as a way of sustaining the attraction and installation of new business investments, maintaining and strengthening national energy competitiveness, industrial resilience, and equity in access. Under the Programme of the XXV Constitutional Government (2025-2029), the following measures are planned: • Review the model for approving Energy Network Investment Plans with a view to streamlining it; • Complete the process of awarding concessions for the operation of low-voltage electricity distribution networks; • Focus on boosting and stabilising the rules of long-term electricity markets, particularly by creating risk mitigation instruments in bilateral *PPAs*.
	Step up policy efforts aimed at the provision and acquisition of skills, and competences needed for the green transition, particularly for the public administration.	The National Institute of Administration, I.P. (INA), in pursuit of its mission to develop skills for public administration, has been promoting initiatives and training programmes aligned with the challenges of ecological transition and the achievement of the Sustainable Development Goals (SDGs). Since 2023, the INA has approved an Integrated Sustainability Training Course for Public Administration (PICSAP, also aligned with PlanAPP) as well as a published offer of a Kit for the Development of Sustainability Policy aligned with Agenda 2030 and the SDGs – A guide for PA professionals. This framework is currently reinforced by the UNESCO Chair Programme, under the theme ‘Education for Development in Public Administration: Participation, Innovation and Training’, assigned to the INA. INA is also involved in other collaborative research projects – within the scope of the European Commission's ComPACT initiative and/or other forums – covering the following topics: • Human Sustainability in Public Administration, focusing on generational renewal, talent attraction and retention, succession strategies and intergenerational knowledge management, motivation and well-being; • Leadership and Mentoring in Public Administration, addressing situational and agile leadership, leadership skills development and transformational mentoring programmes; • Ethics, Transparency and Integrity, including the fight against corruption, open government policies and accountability; • Multilevel governance and management of community funds, in partnership with the Agency for Development and Cohesion (AD&C), exploring cases of European governance, decision-making networks and the implementation of community directives; • Green policies and Agenda 2030, with an emphasis on sustainable public procurement, gender equality, diversity and the integration of SDGs into public administration.

#	2025 Recommendation	Measures and state of play / Description of direct relevance
		Since 2023, the INA's annual Training Programme has expressly identified the alignment and contribution to the Sustainable Development Goals in each and every one of its training offerings. However, there is also a specific thematic category for Sustainability, Environment and Energy, which includes courses that address crucial skills for integrating sustainability into public action. Among the most relevant examples are: • Smart Cities and Sustainability – addressing urban planning, innovation and resource efficiency; • ESG in the Public Sector – integrating environmental, social and governance principles into public management; • Environmental Simplex – geared towards administrative simplification and regulatory sustainability; • Agenda 2030: From Strategy to Action – promoting the integration of SDGs into public planning and management instruments; • Concepts and Principles of Sustainable Development – ensuring basic literacy on sustainability; • Leadership for Sustainability – empowering leaders for green organisational transformation. The INA's Training Programme for 2026 reaffirms this strategic alignment, highlighting sustainability, together with digital transition and innovation, as one of the priority emerging challenges for Public Administration. These training courses directly respond to the need to acquire core skills and competencies for the ecological transition, enabling public entities to: • Integrate sustainability criteria into organisational plans and projects; • Align public policies with national and European carbon neutrality commitments; • Develop behavioural skills (such as those set out in ReCAP: Strategic Vision, Innovation, Results Orientation) geared towards sustainability. In this way, INA is a structuring vector for capacity building for the Public Administration in the area of sustainability, contributing to intensifying strategic efforts for the green modernisation of the State and disseminating concepts such as SDGs, circular economy and integrated planning. In line with the training context outlined above and taking as a reference the public recruitment strategy promoted by the Directorate-General for Public Employment Administration, it is important to highlight the central role of the Competency Framework for Public Administration (ReCAP) as a structuring tool for people development in Public Administration. ReCAP brings together a set of core and functional behavioural competencies that provide a solid foundation for acquiring skills relevant to the ecological transition, notably: • Orientation towards Change and Innovation, essential for the adoption of sustainable practices and new resource management models;

#	2025 Recommendation	Measures and state of play / Description of direct relevance
		• Results Orientation, which encourages the definition and monitoring of environmental indicators; • Planning and Organisation, fundamental for the implementation of energy efficiency and sustainability projects; • Decision Making and Ethics and Public Responsibility, which ensure that strategic choices take environmental and social impacts into account; • Safety Orientation, which includes the mitigation of environmental risks in the performance of duties. The relevance of ReCAP extends to various dimensions of human resource management in public administration: • Recruitment and Selection, by allowing the definition of competency profiles that incorporate requirements associated with sustainability and the Sustainable Development Goals (SDGs); • Training and Development, as a basis for building training catalogues aligned with green training needs; • Performance Evaluation, ensuring consistency between strategic sustainability objectives, evaluated behaviours and expected results. ReCAP is therefore a pillar for integrating sustainability into people management in public administration, ensuring consistency between recruitment, skills development and performance assessment throughout the entire career path. The Directorate-General for Administration and Public Employment (DGAEP), within the scope of its responsibilities as the entity responsible for coordinating recruitment and public employment policies, is drawing up technical recommendations for the development of job profiles and for the planning and application of selection methods, encouraging the use of ReCAP as the benchmark for behavioural skills in public administration. Considering the growing relevance of ecological transition and the achievement of the Sustainable Development Goals (SDGs) in public administration, it recommends that, when defining the Competency Profile, ReCAP competencies with an environmental focus be mobilised, namely: • Strategic Vision (with an environmental focus) – integrates sustainability considerations and climate goals into strategic decisions. • Innovation and Continuous Improvement (ecological) – promotes innovative solutions to reduce environmental impact and optimise resources. • Results and Sustainability Orientation – establishes and monitors environmental performance indicators, ensuring their continuous improvement. • Green Project Management – plans, implements and monitors energy efficiency, sustainable mobility or circular economy initiatives.

#	2025 Recommendation	Measures and state of play / Description of direct relevance
		• Ethical and Responsible Decision-Making – assesses environmental risks and incorporates sustainability criteria into decision-making options. When applying selection methods, it is recommended that assessment tools be aligned with these competencies, namely: • Competency Assessment Interview (CAI): include structured behavioural questions aimed at assessing pro-environmental behaviours and the ability to align decisions with sustainability goals. • Psychological Assessment: select tests of relevant skills and constructs (e.g., ethical judgement, social responsibility, ability to make decisions under uncertainty with environmental impact). • Technical Tests or Practical Exercises: focus on problem situations and practical cases that allow for the assessment of the candidate's knowledge, solutions, and attitudes in the face of ecological transition challenges. These recommendations aim to ensure that public recruitment contributes to the sustainable modernisation of public administration and the pursuit of the SDGs, promoting an organisational culture more aligned with national and European environmental commitments. Also within the framework of the DGAEP's responsibilities, specifically its participation in the Service Evaluation Coordination Council at SIADAP1, it is worth highlighting the contributions made to establishing technical recommendations and guidelines for Management Cycles, to be followed by services and bodies in their planning of management tools, namely through their commitment to meeting the Sustainable Development Goals (SDGs). By publicising technical recommendations, the aim is to promote the alignment of services and bodies towards a more environmentally friendly public administration that is committed to a sustainable and consistent transition. Under the National MTP 2025-2029, the following measure is being implemented: • Operationalise the Task Force for the Licensing of Renewable Energy Projects (*EMER 2030*). Created to streamline the licensing of renewable energy projects, *EMER 2030* launched a public consultation in June 2024 to identify constraints and gather contributions, particularly on renewable energy communities and self-consumption. The structure also plays an important role in training public administration, notably through the programmatic event "Posto de Transformação" (Transformation Station), with several training sessions and thematic workshops on renewable energy licensing, which brought together more than 500 technicians and managers. *EMER 2030* is part of reforms aligned with the REPowerEU Plan and integrated into the RRF (RP-C21-i09 and RP-C21-r48), aiming to stimulate the incorporation of renewable energies into the national energy system. This measure also has the support of the Partnership Agreement (PA). Under the Programme of the XXV Constitutional Government (2025-2029), the following measures are planned to be implemented:

#	2025 Recommendation	Measures and state of play / Description of direct relevance
		• Reform public regulatory and administrative institutions in the energy sector in order to reduce bureaucracy and speed up licensing and authorisation processes and strengthen supervision; • Empower the human and technical capacity of the *DGEG* and other national energy institutions and agencies, while also weighing their merger; • Consolidate the Mission Structure for the Licensing of Renewable Energy Projects (*EMER 2030*), focusing on simplifying legislation and digitizing procedures.
	Accelerate investment in energy efficiency by promoting financial schemes to attract private investment and supporting households experiencing energy poverty.	Under the National MTP 2025-2029, the following measure is being implemented: • Strengthen energy efficiency support programmes in housing A Working Group has been set up for the national transposition of the Energy Performance of Buildings Directive (Directive (EU) 2024/1275 of April 24), which defines principles and targets such as: zero-emission buildings, minimum energy performance standards, National Building Renovation Plan, analysis and limits of life cycle emissions, and mandatory installation of solar systems. In 2025, the "More Sustainable Neighborhoods" Programme was launched, aimed at supporting energy efficiency interventions (thermal insulation, redevelopment of public spaces and green areas), transforming vulnerable urban areas into Sustainable Urban Areas. At the same time, the "E-LAR" Programme was launched to fight energy poverty and energy inefficiency in vulnerable families, promoting the replacement of obsolete equipment with more energy-efficient electrical solutions. Under the Programme of the XXV Constitutional Government (2025-2029), the following measures are planned to be implemented: • Approve and implement the Social Plan on Climate, introducing new support for decarbonisation and fighting energy poverty; • Move forward, among other things, with more renewable electricity and a programme for energy efficiency in housing; To fight energy poverty and improve energy efficiency: • Implement the «More Sustainable Neighborhoods» programme to fight energy poverty by supporting vulnerable families; • Implement the «E_LAR» programme aimed at energy efficiency and the electrification of consumption through support for the purchase of household appliances; • Review the Social Energy Tariff model with a view to strengthening equity; • Simplify the system for allocating support for the purchase of bottled gas cylinders for vulnerable families.

#	2025 Recommendation	Measures and state of play / Description of direct relevance

	Improve the conditions for the transition towards a circular economy, particularly by increasing waste prevention, recycling and reuse to reduce landfill and incinerator waste.	Under the National MTP 2025-2029, the following measures are being implemented:
		• Develop programmes to increase the use of treated wastewater;
		The Águas de Portugal Group Action Plan forecasts the production of 116 hm³ by 2040, with an estimated investment of around €137 million.
		Under the RRF (RE-C09-i01.04), €23 million is being invested by 2026, allowing for an additional 8 hm³/year of treated wastewater to be made available.
		• Implement a waste management policy in favour of a circular economy.
		The "restructuring" of the Waste Management Monitoring Committee (*CAGER*) involves the transfer of powers to the Water and Waste Services Regulatory Authority (*ERSAR*), a process that began in 2024. Although the transfer of powers has already been partially completed by law (with regard to urban waste), further progress is still needed in relation to non-urban waste, which implies amending *ERSAR*'s statutes and strengthening its financial resources.
		The Circular Economy Action Plan II (*PAEC II*) has been finalized and is ready to enter the legislative process. This measure has the support of the RRF (TC-C12-r39) and the Partnership Agreement (PA).
		In addition, the TERRA Plan – Efficient Transformation of Waste into Environmental Resources – was presented, structured around three axes: (i) prevention of waste production and promotion of the circular economy; (ii) expansion of the capacity of existing infrastructure; (iii) action at the institutional level. The plan identifies critical situations and investment priorities (between €2.1 and €3.7 million), with the aim of putting Portugal on track to meet EU waste targets.
		Under the Programme of the XXV Constitutional Government (2025-2029), the following measures are planned to be implemented:
		• Approve the Action Plan for the Circular Economy (*PAEC 2030*);
		• Launch a national awareness campaign to reduce waste production and increase recycling;
		• Implement the TERRA Action Plan - Efficient Transformation of Waste into Environmental Resources:
		  ○ urgently expand existing landfills through reengineering and capacity optimisation solutions;
		  ○ promote the sharing of infrastructure for multi-material sorting and organic recovery facilities;
		  ○ strengthen the capacity for multi-material sorting of urban waste;
		  ○ strengthen the organic recovery capacity of urban waste;
		  ○ modernize and upgrade Mechanical and Biological Treatment (*MBT*) units, increasing their efficiency in recovering recyclables and the organic fraction to be sent for recovery;
		  ○ expand the installed capacity for energy recovery from municipal waste;

#	2025 Recommendation	Measures and state of play / Description of direct relevance
		○ promote the production and distribution of Waste Derived Fuel from the processing of the remaining fraction of urban waste treatment; ○ expand selective collection in municipalities, ensuring the diversion of biodegradable waste for proper treatment and increasing the recycling of packaging materials. • Update the Strategy for Biowaste and create conditions for selective collection and recovery to be operationalised throughout the national territory; • Implement the operation of new specific waste streams in extended producer responsibility systems; • Review and update *UNILEX* / General Waste Management Regime; • Open up waste management to private entities on a complementary basis, as well as in the operation of door-to-door collection circuits; • Promote compliance with the provisions of *PERSU 2030* and encourage improvements in light of performance indicators, strengthening coordination between management entities and monitoring of results; • Regulate the financial compensation to be awarded to municipalities for the installation of waste treatment infrastructure in their territories.
	Improve water management to strengthen climate change adaptation and ensure long-term economic and environmental resilience.	Under the National MTP 2025-2029, the following measures are being implemented: • Develop and implement the National Strategy "Water that Unites"; Order No. 7821/2024 of July 16 created the working group to develop this new national strategy for water management. The implementation of the "Water that Unites" strategy provides for 9 structural programmes and 294 measures aimed at strengthening the sustainability and security of water supply. Under this strategy, the Government will implement a set of projects and measures that will contribute to more efficient, resilient, and intelligent management of water resources throughout the country, including: • Rehabilitation of supply networks to reduce water losses; • Construction of the Algarve desalination plant (completion in 2027); • Completion of the Pomarão water intake (completion in 2027); • Planning of the Fagilde, Alportel, and Foupana dams; • Construction of the Pisão dam to complete the Crato multi-purpose water project; • Modernisation of water resource monitoring networks;

#	2025 Recommendation	Measures and state of play / Description of direct relevance
		• Approval of the Action Plan for the Digitization of the Water Cycle; • Approval of *PRO~RIOS* – Action Plan for the Restoration of Rivers and Streams; • Increase in the storage capacity of existing infrastructure; • Environmental awareness initiatives for water saving. As part of the *Lei das Grandes Opções 2025-2029* (National Strategic Plan), the following measure is planned to be implemented: • Programme for the efficiency of Hydro-Agricultural Enterprises, which includes various measures for the improvement and modernisation of public enterprises with a view to strengthening their productive potential. • Programme for Strengthening Water Storage by increasing the capacity of existing dams and building new dams and interconnections; • Programme for the Water Resilience of the Tagus, which strengthens national autonomy and the economic and environmental value of the region through a set of measures that include the construction of the Alvito/Ocreza dam, the optimisation of the operation of existing dams, and the strengthening of agricultural production potential. Under the Programme of the XXV Constitutional Government (2025-2029), the following measures are planned: • Strengthen measures relating to flood prevention, ensuring the necessary investments to reduce risks and safeguard the safety of people and property; • Execute planned investments in the Algarve region (already underway or planned) to ensure security of supply to the population and sectors of activity, preventing water crises, such as: ○ Rehabilitate supply networks to reduce losses; ○ Build the desalination plant (2027); ○ Complete the Pomarão water intake (2027); ○ Plan the Alportel and Foupana dams. • Complete the Crato multi-purpose water project with the completion of the Pisão dam (2029).
	Implement an integrated water management strategy and streamline water governance.	Under the National MTP 2025-2029, the following measures are being implemented: • Develop and implement the National Strategy "Water that Unites"; In 2026, the "Water that Unites" strategy will be operationalised, providing for 9 structural programmes and 294 measures aimed at strengthening the sustainability and security of water supply. Under this strategy, the Government will implement a set of

#	2025 Recommendation	Measures and state of play / Description of direct relevance
		projects and measures that will contribute to more efficient, resilient, and intelligent management of water resources throughout the country, including: • Rehabilitation of supply networks to reduce water losses; • Construction of the Algarve desalination plant (completion in 2027); • Completion of the Pomarão water intake (completion in 2027); • Planning of the Fagilde, Alportel, and Foupana dams; • Construction of the Pisão dam to complete the Crato multi-purpose water project; • Modernization of water resource monitoring networks; • Approval of the Action Plan for the Digitization of the Water Cycle; • Approval of PRO~RIOS – Action Plan for the Restoration of Rivers and Streams; • Increase in the storage capacity of existing infrastructure; • Environmental awareness initiatives for water saving. • Develop programmes to increase the use of treated wastewater. The Águas de Portugal Group's Action Plan forecasts the production of 116 hm^3 by 2040, with an estimated investment of €137 million. Under the RRF (RE-C09-i01.04), €23 million is being invested by 2026, allowing for an additional 8 hm^3/year of treated wastewater to be made available. Under the *Lei das Grandes Opções 2025-2029* (National Strategic Plan), the following measures are planned to be implemented: • ZILS/H2O programme for the integrated and sustainable management of the supply to the Sines industrial hub; • Action Programme for the Integral Digitization of the Water Cycle, which promotes the strengthening of technologies and methodologies for real-time knowledge of the state of surface and groundwater bodies and the consumption and use of water resources; • Programme for the establishment of the Médio Tejo and Mondego Multi-Purpose Enterprise, taking into account the multiple uses existing in the regions, with the creation of specialized management structures and qualified s (similar to *EDIA - Empresa de Desenvolvimento e Infraestruturas do Alqueva, S.A*). Under the Programme of the XXV Constitutional Government (2025-2029), the following measures are planned to be implemented: • Ensure the modernisation of water resource monitoring networks;

#	2025 Recommendation	Measures and state of play / Description of direct relevance
		• Strengthen investment in monitoring the ecological status of groundwater and surface water bodies by investing in the automatic monitoring network, ensuring real-time data and its public and easily accessible dissemination for a more effective response.
	Promote investments in wastewater collection and treatment, the reduction of leaks and water monitoring, develop nature-based solutions, water body rehabilitation and improve water efficiency and reuse.	Under the National MTP 2025-2029, the following measures are being implemented: • Develop and implement the National Strategy "Water that Unites"; In 2026, the "Water that Unites" strategy will be operationalised, providing for 9 structural programmes and 294 measures aimed at strengthening the sustainability and security of water supply. Under this strategy, the Government will implement a set of projects and measures that will contribute to more efficient, resilient, and intelligent management of water resources throughout the country, including: • Rehabilitation of supply networks to reduce water losses; • Construction of the Algarve desalination plant (completion in 2027); • Completion of the Pomarão water intake (completion in 2027); • Planning of the Fagilde, Alportel, and Foupana dams; • Construction of the Pisão dam to complete the Crato multi-purpose water project; • Modernisation of water resource monitoring networks; • Approval of the Action Plan for the Digitization of the Water Cycle; • Approval of PRO~RIOS – Action Plan for the Restoration of Rivers and Streams; • Increase in the storage capacity of existing infrastructure; • Environmental awareness initiatives for water saving. As part of the *Lei das Grandes Opções 2025-2029* (National Strategic Plan), the following measures are planned to be implemented: • Action Programme for the Reduction of Water Losses, with a view to controlling and reducing losses in drinking water supply systems. • «Água+Circular» Programme, to promote the use of treated wastewater. • «PRORios 2030» Programme, providing for measures to conserve, rehabilitate, and restore rivers and streams, as well as remove obsolete barriers to river continuity.

#	2025 Recommendation	Measures and state of play / Description of direct relevance
5	Ensure equal access to quality health and long-term care, while preserving the sustainability of the National Health Service.	Under the National MTP 2025-2029, the following measure is being implemented: • Ministry of Health Multi-Year Investment Plan 2030 (*PPI MS 2030*). Ensuring equal access to quality healthcare and long-term care, while preserving the sustainability of the NHS, is the central purpose of this plan. The measure is aimed at technologically modernising units, upgrading infrastructure, and strengthening the motivation of professionals, while also incorporating the humanization of care. Structured around seven strategic pillars — from primary care to mental health, including digital transition, environmental sustainability, and professional training — the plan will mobilize €6.3 billion by 2030 from the RRF, *PIAS*, and other complementary sources. Status: implemented. Under the *Lei das Grandes Opções 2025-2029* (National Strategic Plan), the following measures are planned: To fight inequality in access to healthcare: • Complete the implementation of the 2024-2029 Health Emergency and Transformation Plan, with an emphasis on the new National System for Access to Consultations and Surgery (*SINACC*) and access to family doctors and family health services; To increase efficiency in health: • Evolve the healthcare service financing model based on the production of acts to a model based on centrality and value, from and for the user ("Value-Based Healthcare"), enabling the measurement of costs and results for citizens, their consultation, and risk sharing with suppliers, compatible with the concept of per capita financing; To extend local care: • Increase quality access to healthcare, palliative care, and long-term care, focusing in particular on PPPs, contracted health centres (USF B and C), and agreements.
	Address skills mismatches by improving the skills level of the population and by making education and adult learning more relevant to the needs of the labour market.	Under the National MTP 2025-2029, the following measures are being implemented: • Design specific upskilling and reskilling programmes according to identified market needs, including the possibility of career change. The measure responds to the urgent need to align the workforce with the digital and structural transformations of the economy by designing up , retraining, and reskilling programmes tailored to emerging needs, while also allowing for career changes. Provided for in Ordinance No. 219/2024/1 and supported by instruments such as the RRF, the Partnership Agreement, and *Portugal 2030*, it promotes the integration of young people and the retraining of the unemployed, while also strengthening the flexibility of training paths through the revision of the «Pessoas 2030» Programme. Status: adopted Within the scope of the *Lei das Grandes Opções 2025-2029* (National Strategic Plan), the following measures are planned to be implemented:

#	2025 Recommendation	Measures and state of play / Description of direct relevance
		• Reform the current model of public vocational training, focusing on linking supply to the actual needs of the labour market and economic changes, and on the interdependence between funding and training outcomes in terms of employability, productivity, and added value; • Strengthen quality control mechanisms for vocational training in order to ensure greater employability, increased productivity, and consequent wage increases; • Focus on training Portuguese people in technological and digital skills and preparing the workforce for the artificial intelligence revolution; • Based on the experience of the current «INTEGRAR» programme aimed exclusively at unemployed immigrants, create a programme aimed at a wider range of particularly disadvantaged groups in the labour market; • Strengthen the role of vocational training and qualifications, including on-the-job training, in combination with active employment measures aimed at people with disabilities or incapacities; • Formulate specific employment and professional retraining programmes for workers in economic activities whose production and business models have more difficulty adapting to a circular and decarbonised economy, through which the development of green skills among these workers is also promoted; • Continue to promote vocational training programmes to empower immigrants in key sectors of the labour market; • Enhance the social economy dedicated to the protection and integration of immigrants; • Expand the offer for adults to enable their retraining and adaptation to new labour market conditions.
	Address housing affordability and availability in high demand areas, by eliminating barriers to renting vacant houses and renovating derelict buildings and promote efficient public transport connections to reduce the pressure on house prices in urban centres and improve the attractiveness of other territories.	Under the National MTP 2025-2029, the following measure is being implemented: • Ensure the implementation of the measures included in the Housing Strategy. Continuing the work begun in the XXIV (80% of measures implemented), «Construir Portugal 2.0» is reorganised into three pillars: 1) Supply (increasing and diversifying the supply of affordable housing and strengthening the public housing stock); 2) Access (promoting stable and decent access to housing, with financial sustainability, inclusion, and protection of the most vulnerable); and 3) Simplification (simplifying the urban planning control process and promoting regulatory stability and clarity in the legal framework for construction). This is a structured and coordinated intervention, combining investment, regulation, and planning instruments, with a view to promoting and boosting the housing market. Within the scope of the Lei das Grandes Opções 2025-2029 (National Strategic Plan), the following measures are planned to be implemented: • Increasing the supply of housing by mobilising State property is essential to overcome the housing crisis:

#	2025 Recommendation	Measures and state of play / Description of direct relevance
		• Build 59,000 public housing units and provide financing for more projects, including PPPs on vacant state-owned properties suitable for housing; • Inject vacant or underutilised public real estate into the market, intended to provide affordable housing either directly or indirectly (allocation of revenue when value maximization justifies it). This injection may take the form of property packages for experienced and qualified investors, namely through concessions, starting with this methodology being applied to properties freed up by the concentration of ministries and entities in Campus XXI; • Transfer buildings and scattered housing units from the State to municipalities for their recovery and rehabilitation and subsequent allocation for public housing rental. In this context, a credit line of €1.34 billion was approved to build 12,000 affordable homes by 2030, supplemented by funds from the State Budget. To promote integrated urban development that allows for the redevelopment and expansion of urban areas in a planned and integrated manner: • Boost priority areas for urban expansion through urban regeneration and housing promotion companies, in coordination with municipalities, following the Parque Expo model, with decentralised planning and licensing and rapid implementation of infrastructure and social facilities, in the spirit of the announced Parque Cidades do Tejo (transformation of the Lisbon metropolitan area, organized around four major axes – Arco Ribeirinho Sul, Ocean Campus, Humberto Delgado Airport, and Airport City); To strengthen and stabilise the rental market: • Review the urban rental regime, restoring confidence in the market and effectively guaranteeing landlords' rights to effective termination of contracts in the event of non-compliance; • Review rental programmes, either by simplifying and strengthening the efficiency of affordable rentals or by promoting the build-to-rent investment contract model with predictable profitability and legislative stability, which are essential to attract private investment; • Review and streamline all public rent support programmes, simplifying and speeding up procedures and boosting the efficiency and fairness of support. To promote inclusive mobility that ensures territorial cohesion: • Develop complementary services to regular public transport in low-density areas or in situations of low demand, ensuring access for people with reduced mobility.

2. Portuguese Public Finance Council Opinion

Conselho das Finanças Públicas

Macroeconomic forecasts underlying the 2026 Draft State Budget

8 October 2025

Opinion no.

02/2025

The Portuguese Public Finance Council is an independent body, created by Article 3 of Law No. 22/2011 of 20 May, which made the 5th amendment to the Budgetary Framework Law (Law No. 91/2001 of 20 August, republished by Law No. 37/2013 of 14 June).

The initiative to create it followed the publication of the final report of the Task Force for the European Council on European economic governance and was implemented in October 2010 through a protocol between the Government, then supported by the Socialist Party, and the Social Democratic Party. The final version of the CFP Statutes was approved by Law No. 54/2011 of 19 October.

The CFP began its activity in February 2012, with the mission of conducting an independent assessment of the consistency, compliance and sustainability of budgetary policy, promoting its transparency, in order to contribute to the quality of democracy and economic policy decisions and to strengthen the financial credibility of the State.

This Opinion was prepared based on information available as of 7 October 2025.

INTRODUCTION

This Opinion focuses on the macroeconomic forecasts underlying the Draft State Budget for 2026 (DSB/2026), presented by the XXV Constitutional Government in the XVII Legislature, in accordance with the "Protocol between the Ministry of Finance and the Portuguese Public Finance Council on the preparation of an opinion on the macroeconomic forecasts underlying the Stability Programme and the Draft State Budget", signed on 6 February 2015.

In accordance with the provisions of the aforementioned Protocol, the Government formally notified the Portuguese Public Finance Council (CFP) on 14 August that the DSB/2026 would be presented to the Assembly of the Republic on 10 October (day "D" for the purposes of the calendar included in section 5 of the Protocol).

Under the terms of the Protocol, on 12 September (day D-20), the Ministry of Finance (MF) should have submitted the macroeconomic trend forecasts – embodied in the scenario of unchanged policies.

On 15 September, the MF sent the CFP a programmatic scenario (which includes the impact of possible policy measures), stating that the DSB/2026 scenario did not incorporate policy measures beyond those assumed in the Invariant Policy Framework (QPI) sent to Parliament. Following the scenario presented, and in accordance with step 3 of the Protocol, on 17 September the CFP sent the MF its initial reaction to the trend scenario.

Under the terms of the Protocol, on 26 September (day D-10), the MF should have submitted an update of the macroeconomic scenario, in a scenario of policies and invariant policies. On 29 September, the MF sent the CFP an update of the macroeconomic forecasts for the programme scenario and the first version of the scenario with unchanged policies. It also sent a response to the request for clarification sent on 17 September. On the same day, the CFP asked a further set of questions regarding the revisions made.

On 30 September, the CFP requested additional methodological clarifications from the MF and proposed a technical meeting on 1 October. Also on the 30th, the MF submitted additional documentation with responses to the questions raised by the CFP.

On 1 October, the CFP responded to the clarifications submitted by the MF. On the same day, a meeting took place between the technical teams of the MF and the CFP.

This Opinion focuses on the values considered by the MF for external and technical assumptions, as well as for the macroeconomic forecasts underlying this scenario, presented in Table 1. The analysis carried out by the CFP technical team:

- highlights the revisions, and their justification, compared to the latest macroeconomic scenario published by the MF;

- assesses consistency with the most recent statistical information available for the first half of 2025, produced by the national statistical authorities – the National Statistics Institute (INE) and the Bank of Portugal (BdP);
- quantifies the intra-annual growth forecast for 2026, considering the estimated carry-over effect for 2025;
- verifies the estimate presented for potential output growth and the output gap in accordance with the common methodology agreed in the European Union;
- validates the external assumptions used, such as external demand growth and oil price developments, and takes into account the policy measures communicated to it;
- compares the scenario with the MFP projections and with the available forecasts and projections made by other reference institutions: BdP, European Commission (EC), International Monetary Fund (IMF) and Organisation for Economic Co-operation and Development (OECD);
- highlights recent revisions to average growth projections for the Portuguese economy in 2025 and 2026;
- assesses the probability of the forecasts, taking into account the confidence intervals calculated with past forecast errors for the Portuguese economy;
- takes into account the written and verbal technical clarifications provided by the MF regarding the forecasts presented.

MACROECONOMIC SCENARIO UNDERLYING THE DSB/2026

Presentation of the MF forecast for 2025 and 2026 and reconciliation with previous forecasts

In the macroeconomic scenario underlying the DSB/2026, the MF forecasts that Gross Domestic Product (GDP) in volume terms will grow by 2.0% in 2025, a marginal slowdown compared to the 2.1% observed in 2024. The growth projected by the MF is based on the expectation of an increase in the contribution of domestic demand and a more negative contribution from net exports (Table 1).

The expected dynamics for domestic demand in 2025 reflect exclusively an acceleration in the growth rate of private consumption. In fact, the macroeconomic scenario anticipates a slowdown in gross fixed capital formation (GFCF) and the maintenance of the growth rate of public consumption compared to 2024. Of particular note is an increase of 0.4 p.p. to 3.4% in private consumption growth and a decrease of 0.6 p.p. to 3.6% in GFCF growth, mainly due to the slowdown in private investment growth. On the other hand, the deterioration in the contribution of net exports results from a slowdown in the growth rate of exports (-1.6 p.p. to 1.5%) greater than that projected for imports (-0.8 p.p. to 4.0%).

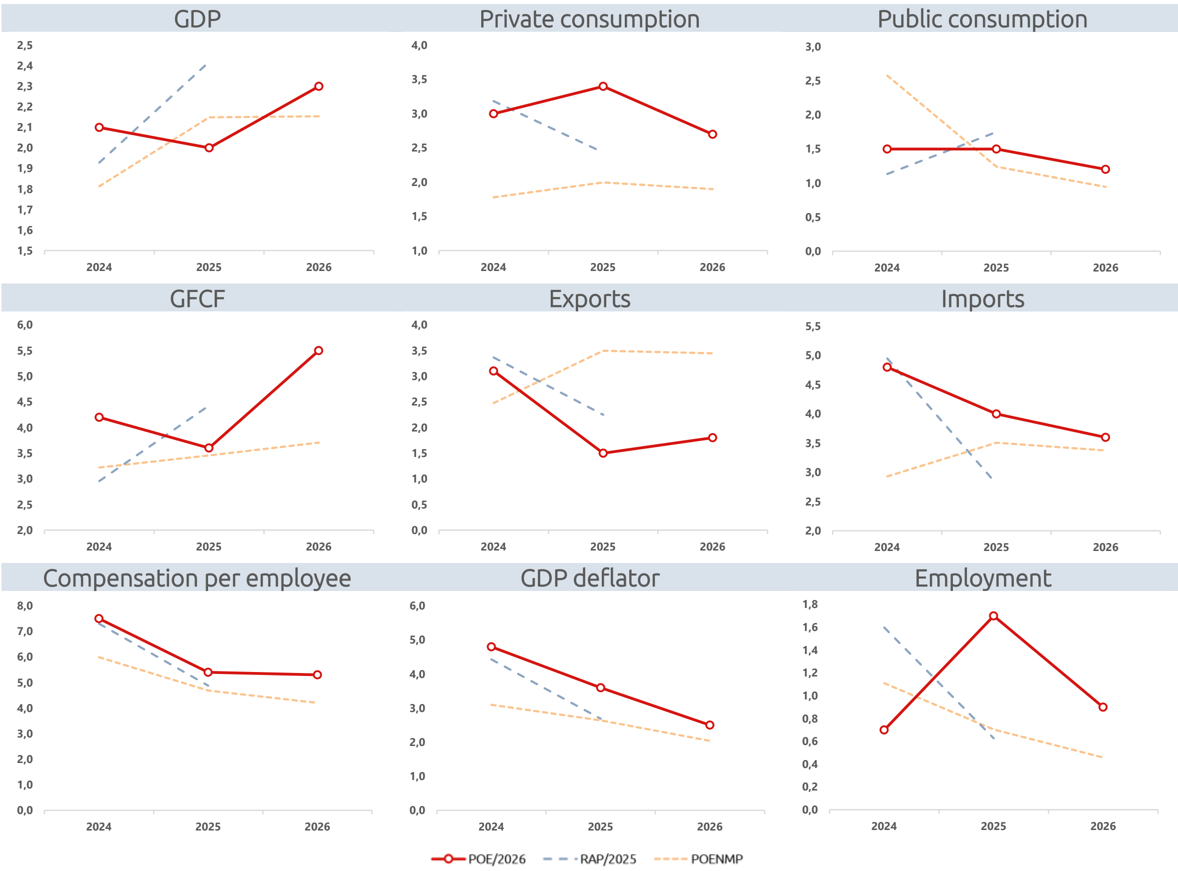
This estimate constitutes a downward revision of GDP growth compared to the scenario underlying the Annual Progress Report (RAP/2025). In April, the forecasts underlying the RAP/2025 anticipated growth of 2.4% during the year (Chart1). This revision reflects lower growth in exports of goods and services (-0.7 p.p.), as well as a less favourable outlook for investment growth (-0.8 p.p.) and the pace of growth in public administration consumption (-0.2 p.p.). These factors are only partially mitigated by an upward revision in private consumption dynamics (+1.0 p.p.). The CFP warned in its Opinion on the 2025 Annual Progress Report that the forecast for 2025 appeared likely, but not prudent. In the context of the multiple shocks that have affected the global economy, it should be noted that exports of goods and services were the only component of demand with downward revisions to their growth in 2025 and 2026, both compared to the RAP/2025 and the 2025-2028 National Medium-Term Budgetary and Structural Plan (MTP).

The MF's macroeconomic scenario points to a slowdown in the growth of the implicit GDP deflator compared to 2024 by 1.2 p.p. to 3.6% in 2025. The MF's current forecast[1] revises upwards the forecast included in the scenario underlying the RAP/2025 (+0.9 p.p.), an increase resulting from both the upward revision of the implicit deflator of general government consumption and GFCF, and the estimate of terms of trade gains associated with higher growth in export prices than import prices, which in RAP/2025 were expected to be zero. Thus, the MF anticipates nominal GDP growth of 5.7% (5.2% in RAP/2025). For inflation,

[1] The expected growth rate of 3.6% in 2025 is underpinned by a growth rate of 1.5% in the second half of the year, compared to the chain growth observed in the first half of 1.9%.

measured by the harmonised index of consumer prices (HICP), the scenario points to growth of 2.4% in 2025, a slowdown compared to that observed in 2024 (2.7%).

Chart1 – Comparison of forecasts included in DSB/2026, RAP/2025 and MTP (variation, %)



Source: MF – DSB/2026, RAP/2025 and MTP.

The forecasts for employment and the unemployment rate reflect the significant improvement in labour market conditions recorded throughout the year. The MF projects employment growth of 1.7% in 2025, an increase of 1.0 p.p. compared to 2024. This forecast is a significant upward revision compared to the scenario set out in RAP/2025 (0.6%). The unemployment rate will fall by 0.3 p.p. to 6.1% of the working population in the same period, a downward revision from the 6.4% expected in the same document. In this context, the MF also anticipates an increase in average wages per worker of 5.4% in 2025, compared to the 4.9% expected in April. Finally, the MF forecasts a slowdown in apparent labour productivity of 1.1 p.p. to 0.3%. The latter reflects a substantial downward revision (-1.5 p.p.) compared to the RAP/2025.

The realisation of the real GDP growth estimate in 2025 depends on a very strong acceleration in economic growth in the second half of the year. The growth rate observed for economic activity in the first half of 2025 was 0.6% compared to the previous half-year. Taking into account the information already available for the National Accounts for the first half of 2025, the growth rate for the second half of the year would have to reach 1.6% compared to the first half for the 2.0% forecast

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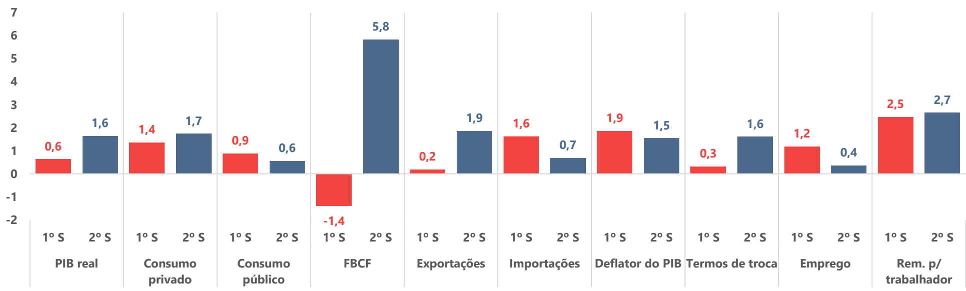
Only the Portuguese version is authentic.

underlying the MF scenario to materialise. The economic growth anticipated by the MF is influenced by the forecast of lower import growth in the second half of 2025, despite more significant growth in all components of demand with high import content. The forecasts imply very high implicit growth rates for the second half of the year in the case of investment (from a contraction of 1.4% in the first half to growth of 5.8% in the second) and exports (from marginal growth of 0.2% to 1.9% in the same period). With regard to the labour market, the MF forecast is consistent with a slowdown in employment growth to 0.4% in the second half of 2025, following the 1.2% increase recorded in the first six months of the year. At the same time, the MF's forecast for compensation per employee depends on stronger growth in the second half of the year (2.7%) than that already recorded in the first half (2.5%), which appears challenging. The implied intra-annual growth rates are illustrated in Chart 2.

Chart 2 – Growth compared to the previous half-year: observed (first half of 2025) and implied in forecasts (second half of 2025)



Source: MF – DSB/2026, INE and CFP calculations.

For 2026, the MF anticipates greater economic dynamism (2.3%), forecasting higher growth in investment and exports. The forecast for GDP growth in volume terms is for an acceleration of 0.3 p.p. to 2.3% (Table 1). In fact, the MF forecasts an acceleration of 1.9 p.p. to 5.5% in the growth rate of GFCF, a boost originating exclusively from private investment growth,[2] and an acceleration in exports of goods and services to 1.8% (+0.3 p.p. compared to 2025). The MF also forecasts a slowdown in private consumption growth to 2.7% (-0.7 p.p.) and public consumption (-0.3 p.p. to 1.2%). These forecasts imply intra-annual GDP growth of 1.1%, slightly higher than expected in 2025 (+0.2 p.p.), which is not explained by the scale of the policy measures communicated to the CFP when compared to those in force this year (Box 1). The MF's latest forecast for 2026 was presented in the MPT and anticipated growth of 2.1% in 2025 and 2.2% in 2026. Thus, despite revising its forecast for 2025 downwards, the MF is now revising its forecast for 2026 upwards (Chart 1).

Despite the acceleration in real growth, the scenario underlying the DSB/2026 forecasts a slowdown in nominal growth in 2026 associated with the moderation

[2] According to the MF, real public investment is expected to grow by 20.8% in 2025 and 17.8% in 2026; private investment, in turn, is expected to grow by 1.0% in 2025 and accelerate in 2026 to 3.3%.

of the GDP deflator. The forecast growth for the deflator is 2.5% compared to 2025 (3.6%). Contributing to this downward trajectory is the slowdown in most domestic demand deflators, with the exception of investment. However, the slowdown is not more significant only because gains in terms of trade (0.5%) are expected to continue, impacting nominal GDP growth, albeit less than expected for 2025. The size of these terms of trade gains is reflected in the external assumptions for the evolution of oil prices and the exchange rate.[3] This is also an upward revision compared to the MTP, in which the MF anticipated GDP deflator growth of 2.0% in 2026. The forecast growth in nominal GDP was 4.2%, around 0.6 p.p. lower than that now presented. At the time, the CFP considered the estimates and forecasts for real GDP growth and the respective deflator to be probable and plausible. The MF also anticipates a reduction in the inflation rate to 2.1%, a figure already very close to the European Central Bank's (ECB) monetary policy target. Considering the cumulative growth in 2025 and 2026, the MF's forecast for real GDP remains unchanged from the MTP (4.3%), with an upward revision in nominal GDP (from 9.3% to 10.8%).

For the labour market, the macroeconomic scenario points to high wage growth. The MF forecasts employment growth of 0.9% in 2026, almost half of the estimate for the previous year. The MF also forecasts that the unemployment rate will fall marginally to 6.0% in the same period. Apparent labour productivity is expected to grow robustly in 2026, increasing by 1.1 p.p. to 1.4% (Table 1). This growth, identical to that observed in 2024, compares with an average growth of 0.5% between 2015 and 2019. Finally, compensation per employee remains highly dynamic, growing by 5.3%, close to the forecast for 2025 (5.4%). These forecasts represent a significant upward revision compared to the 4.2% forecast in the MTP, which already predicted a slowdown in compensation per worker compared to 2025 (4.7%). Taking into account the inflation forecast for 2025 and 2026, and productivity growth over the same period, an increase in wage gains of the magnitude forecast should be reflected in the consumer price forecast. In its absence, the compression of business margins would have to be reflected in the investment forecast.

The MF forecast results in a slightly negative output gap in 2025 and 2026. However, these figures are not compatible with those obtained by the CFP estimate, based on the macroeconomic scenario under consideration and using the common methodology agreed in the European Union. In fact, the CFP estimate points to potential output growth underlying the MF forecast of 2.1% in 2026 and a widening of the output gap from 0.2% in 2025 to 0.4% in 2026. This evolution of the economic cycle reinforces doubts about the forecast acceleration of real GDP for 2026.

[3] These variables are essential in projecting terms of trade. See, for example, Bokan, N., Dossche, M., and Rossi, L. (2018). 'Oil prices, the terms of trade and private consumption'. ECB Economic Bulletin, Issue 6/2018.

Table 1 – Macroeconomic forecasts underlying the DSB/2026

	2024	2025	2026
PIB real e componentes (variação, %)			
PIB	2,1	2,0	2,3
Consumo privado	3,0	3,4	2,7
Consumo público	1,5	1,5	1,2
Investimento (FBCF)	4,2	3,6	5,5
Exportações	3,1	1,5	1,8
Importações	4,8	4,0	3,6
Contributos para a variação real do PIB (p.p.)			
Procura interna	2,9	3,2	3,1
Exportações líquidas	-0,7	-1,2	-0,9
Preços (variação, %)			
Deflator do PIB	4,8	3,6	2,5
Deflator do consumo privado	2,8	2,4	2,2
Deflator do consumo público	6,6	5,1	2,2
Deflator do investimento (FBCF)	2,5	2,6	2,7
Deflator das exportações	0,8	0,7	1,0
Deflator das importações	-2,4	-0,8	0,5
IHPC	2,7	2,4	2,1
PIB nominal			
Variação (%)	7,1	5,7	4,8
Mercado de trabalho (variação, %)			
Taxa de desemprego (% pop. ativa)	6,4	6,1	6,0
Emprego	0,7	1,7	0,9
Remuneração média por trabalhador	7,5	5,4	5,3
Produtividade aparente do trabalho	1,4	0,3	1,4
Desenvolvimentos cíclicos			
PIB potencial (variação, %)	2,9	2,6	2,4
Hiato do produto (% PIB potencial)	0,5	-0,1	-0,2
Pressupostos			
Procura externa (variação, %)	1,7	3,3	1,9
Taxa de juro de curto prazo (média anual, %)	3,6	2,1	2,0
Taxa de câmbio EUR-USD (média anual)	1,10	1,10	1,20
Preço do petróleo (Brent, USD/barril)	79,7	68,9	65,4

Source: MF – Information sent on 3 October 2025.

Box 1 – The year 2026: the carry-over from 2025 and projected intra-annual growth

An annual economic growth forecast can be broken down into the carry-over effect (or *carry-over*[4]) from the previous year's growth and the forecast intra-annual growth (specific to the year).[5] The availability of statistical information from the Quarterly National Accounts allows us to estimate the carry-over effect

[4] For example, the growth that would be observed in 2026 if GDP stagnated at the level recorded in the fourth quarter of 2025. See https://www.cfp.pt/pt/glossario/carry-over-efeito-de.

[5] For a similar approach to forecasts, see Chapter 3 in ECB (2025). 'ECB staff macroeconomic projections for the euro area', September.

for the different components of the macroeconomic scenario for 2025 and 2026 (Chart 3). This makes it possible to isolate the forecast growth for each year, which is the real object of the forecast.

The acceleration in GDP growth projected for 2026 is based simultaneously on the expectation of higher intra-annual growth (1.1%) and a greater carry-over effect (1.2%). This results from the significant acceleration in growth expected for the second half of 2025, referred to in this Opinion, which benefits the forecast for 2026. However, this performance is, at least in part, due to the impact of substantial and one-off measures: the extraordinary pension supplement and the adjustment of the withholding tax tables for personal income tax. As in 2024, their temporary nature justifies the transitory effect on growth. However, the *carry-over* effect on growth should not be mechanically attributed to the forecast for 2026, as it is expected that growth for that year will be negatively affected by the non-repetition of these stimulus measures. Given the current adverse international context, where risks to activity are tending to decline, and in the absence of new policy measures of significant magnitude, it seems challenging to achieve an increase in economic activity.

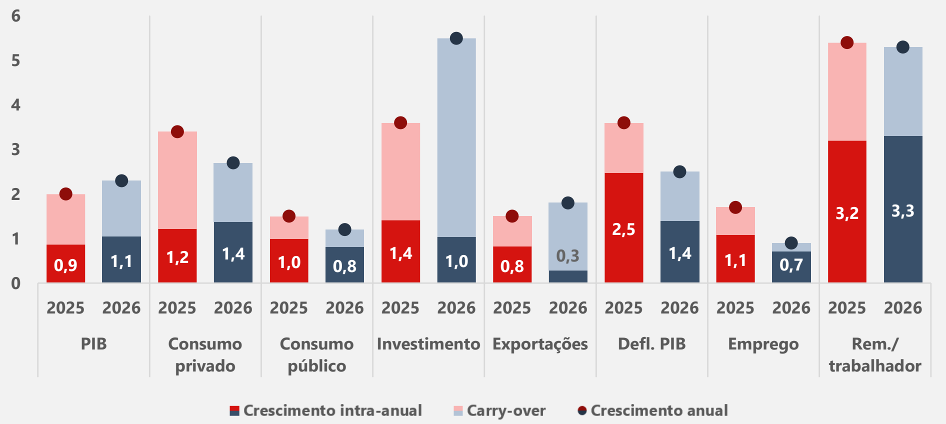
The analysis reveals that private consumption is the only component of overall demand with higher intra-annual growth forecast for 2026. The MF forecast for household consumption is consistent with intra-annual growth of 1.4% in 2026, compared to the 1.2% forecast for 2025. As mentioned above, it should be noted that in 2025, private consumption will benefit from the temporary impact of significant pro-cyclical measures to stimulate consumption implemented during the second half of the year. In the absence of policy measures with a similar impact, as assumed by the MF, it is unlikely that private consumption will be more dynamic in 2026 than in the current year, which points to downside risks to the forecast presented.

For the remaining components of aggregate demand, the forecast points to lower intra-annual growth. It should be noted that, unlike 2025, when intra-annual growth in private consumption is close to that expected for investment and exports, this balance is absent in 2026. In the case of **investment,** intra-annual growth is expected to be 0.4 p.p. lower than the 1.4% growth expected in 2025, with growth coming from the carry-over effect (**Erro! A origem da referência não foi encontrada.**). For **exports** of goods and services, the forecast also anticipates a slowdown, with intra-annual growth of 0.3% in 2026, compared to 0.8% in the current year. This means that the volume of exports at the end of 2026 will be close to that expected for the last quarter of 2025. For public consumption, a slowdown in intra-annual growth to 0.8% is also anticipated, compared to the 1.0% growth forecast for 2025.

In line with the downward trend in inflation, the forecast for GDP deflator growth is lower in 2026. The MF forecast anticipates a 0.9 p.p. reduction in the intra-annual growth rate. Although this expectation is consistent with the easing of domestic inflationary pressures, the MF forecast anticipates a slight acceleration in the growth rate of compensation per employee, which seems implausible. In fact, the intra-annual growth forecast for average wages in 2026 is 3.3% (0.1 p.p. above the expected growth of 3.2% in 2025).

With lower intra-annual employment growth in 2026, the GDP forecast is dependent on productivity gains. The MF forecast anticipates intra-annual employment growth of 0.7% in 2026, compared to 1.1% growth this year. Thus, the GDP growth forecast implies intra-annual productivity growth of 0.3%, compared to an intra-annual reduction of 0.2% in 2025.

Chart 3 – Breakdown of annual growth forecast by the MF between *carry-over and* intra-annual growth



Source: DSB/2026 and CFP calculations. | Note: the darker colour corresponds to intra-annual growth.

International framework assumptions

The starting point for drawing up a macroeconomic scenario for the Portuguese economy, a small open economy in the international context, is the set of external framework assumptions, which are exogenous to the exercise. This section briefly analyses the technical assumptions considered by the MF. These include the evolution of the euro exchange rate against the dollar, the price of oil, the short-term interest rate and the growth of external demand for goods and services. The figures assumed in the DSB/2026 are validated by reference to the figures traded on the market at the date of preparation of this document and, for the year 2025, put into perspective with those on which the RAP/2025 was based (**Erro! A origem da referência não foi encontrada.**). The DSB/2026 also presents assumptions for the long-term interest rate, for real growth in the European Union (EU), as well as for global economic growth excluding the EU.[6] However, these are not part of the information sent to the CFP for endorsement. This section also reports the total global policy measures communicated to the MFF, which may help to explain the difference in forecasts between a scenario of unchanged policies and a programme scenario.

The assumption regarding the evolution of the price of a barrel of Brent is in line with market values and with a reduction in external pressures on consumer price inflation. The DSB/2026 anticipates a 14% reduction in oil prices this year and a 5%

[6] In the GEP/2025, these are presented in Table 1 of Chapter 3 of the informative and supplementary elements.

reduction in 2026, to around $65/bbl. For both years, these figures are in line with the average market futures traded in the ten days prior to the preparation of this Opinion. The updated assumption for 2025 is in line with that assumed in the RAP/2025.

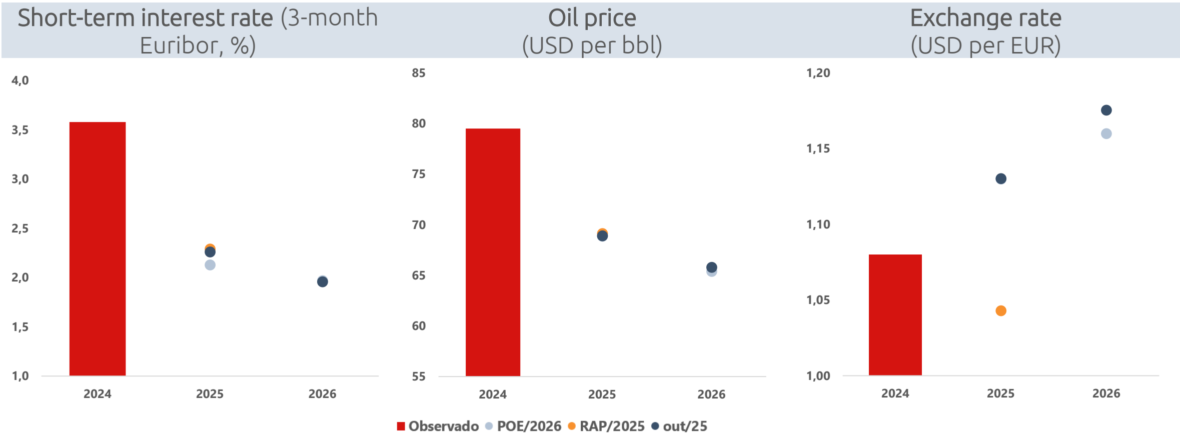
The exchange rate assumption is corroborated by market values and points to a significant appreciation of the euro, which will be reflected in import prices. The DSB/2026 assumes a significant appreciation of the euro exchange rate against the US dollar in 2025 and 2026 (4.6% and 2.7%, to $1.13/€ and $1.16/€ respectively). It should be noted that the expectation for 2025 is 8.3% higher than the assumption considered in the RAP/2025, which assumed a depreciation, which influenced the terms of trade gains recorded to date. Based on market prices in the ten days preceding the date of preparation of this Opinion, the reference assumption is for an annual average exchange rate of $1.13/€ in 2025 (appreciation of 4.6% compared to 2024) and $1.18/€ in 2026 (annual appreciation of 3.9%). There are therefore no significant deviations to report.

There is consensus that the short-term interest rate will stabilise at around 2.0%. The DSB/2026 anticipates a reduction in the 3-month Euribor to 2.1% in 2025 and 2.0% in 2026. In April, the RAP/2025 assumed a short-term interest rate of 2.3% in 2025. For this year, the futures markets anticipate a slower reduction to 2.3% (+0.2 p.p. compared to the assumption in the DSB/2026). In order to achieve the MF assumption for 2025, an average reduction of around 50 basis points would be necessary by the end of the year, compared to current market expectations, which appears to be unfeasible given the ECB's recent monetary policy *guidance*[7] . The 2.0% scenario for 2026 is in line with market expectations (Chart 4).

In light of the current international context, the assumption for external demand points to a slowdown in its growth in 2026. For 2025, the DSB/2026 presents an assumption identical to that of the BdP (3.3%), although higher than the figures considered by the CFP (2.3%) and the EC (2.0%). This represents an upward revision of 0.9 p.p. compared to the 2.4% assumption in the RAP/2025. For 2026, the DSB/2026 assumes growth of 1.9%, in line with the assumption made by the CFP and the BdP.

[7] European Central Bank, 11 September 2025.

Chart 4 – Technical assumptions underlying the DSB/2026, RAP/2025 and figures as at 3 October 20



Source: MF - DSB/2026, RAP/2025 and Macrobond.

According to information provided by the MF, DSB/2026 includes the negative budgetary impact of €211 million in policy measures compared to a scenario of unchanged policies (Table 2). This amount is distributed between changes in direct taxes on household income and social benefits (equivalent to a negative impact of €336 million), partly offset by measures with a positive impact on corporate income taxes (€125 million). The budgetary value of these measures does not imply macroeconomically relevant differences compared to a scenario of unchanged policies.

Table 2 – Fiscal policy measures with an impact in 2026

	Medidas existentes		Novas medidas		Total	
	M€	% PIB	M€	% PIB	M€	% PIB
Receita	716	0,22	-71	-0,02	645	0,20
Despesa	975	0,30	140	0,04	1 115	0,35
Impacto	-259	-0,08	-211	-0,07	-470	-0,15

Source: MF – DSB/2026. Note: the new fiscal policy measures include: on the revenue side, updating the minimum subsistence level and further reducing personal income tax rates; and reversing the indirect SIFIDE (corporate income tax); on the expenditure side, strengthening the Solidarity Supplement for the Elderly (CSI).

Reconciliation with the projections of other institutions

This section presents a comparison of the macroeconomic scenario of the DSB/2026 with that presented by other reference institutions. It should be noted that the comparability of the MF's macroeconomic scenario with that of other institutions is naturally limited by the fact that it includes the direct and indirect impact of policy measures, while the scenarios presented by other institutions do not incorporate the impact of policy measures that have not yet been legislated at the time of their preparation (unchanged policy scenarios). Nevertheless, given the size of the policy measures communicated to the CFP – 0.07% of GDP in 2026 – their impact is not considered relevant. Also, when reading the macroeconomic scenarios, it should be borne in mind that they were prepared at different points in time, based on different technical assumptions and using different methodologies, which affects their comparability. The following discussion takes into account the limitation of the time lag in interpreting the differences between projections.

This analysis also considers the degree of risk inherent in the MF's forecasts. In order to illustrate this risk, confidence intervals around the weighted average projection of the other institutions are presented. These confidence intervals consider the past performance of the projections of the main reference institutions between 2000 and 2024 and assume that the errors follow a normal distribution.[8] The results are presented in the web**Erro! A origem da referência não f oi encontrada.** .

The MF's projection for Portuguese economic growth is higher than the average projection of the other institutions for both 2025 and 2026. This difference, which is around 0.1 p.p. in 2025 and 0.3 p.p. in 2026, places the projection underlying the DSB/2026 for both years outside the 30% confidence interval (**Erro! A origem da referência não foi encontrada.**). In the case of 2025, the projection is only comparable to that presented by the IMF in April – the most recent of the various exercises considered.[9] The projection for 2026 is higher than any of the specific projections considered, the maximum value of which is 2.2%, by the EC and the BdP. In cumulative terms, the real growth projected by the MF for the 2025-2026 biennium (4.3%) is higher than the average projection of the other institutions (3.9%). Furthermore, it should be noted that in the DSBNMP, the cumulative growth projection was similar to that of the other institutions. Since then, the MF has maintained its cumulative projection, while the average projection of the other institutions has fallen significantly (-0.4 p.p.) (**Erro! A origem da referência não foi encontrada.**).

[8] For more details on the methodology used to calculate the average projection and the database used, see Leal, Martins and Marujo (2024), 'Back to the future: A database of macroeconomic and budgetary projections for the Portuguese economy in the 21st century', Portuguese Public Finance Council. The average projection only considers the projections of the BdP, EC, CFP, IMF and OECD. The calculation of the square root of the mean square error used to define the confidence intervals used the exercises compiled in the aforementioned database carried out in the second half of the year, with the decision to exclude the projection exercises for the years 2020 to 2022.

[9] The IMF will present an updated scenario on 14 October with the publication of *the World Economic Outlook.*

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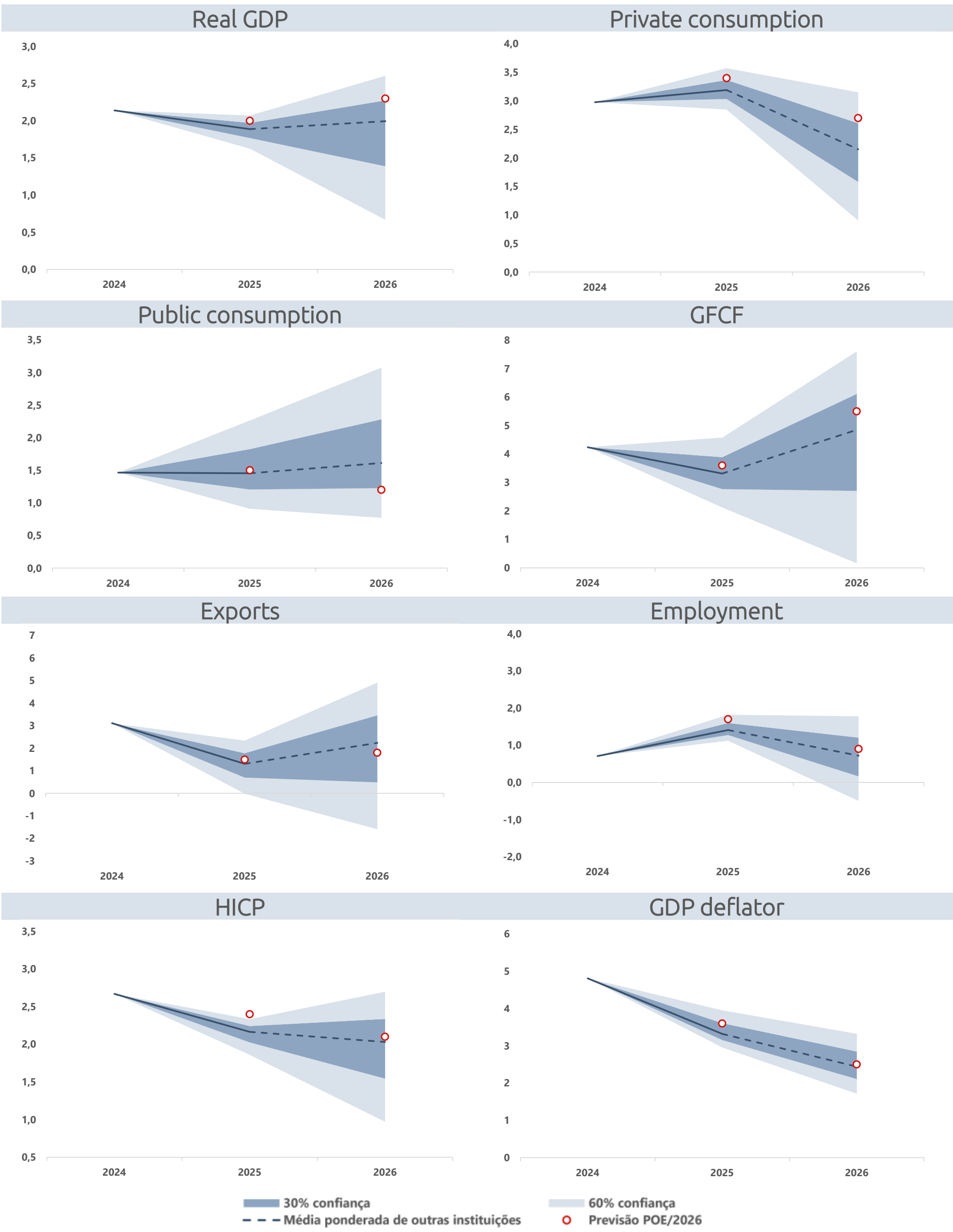
With regard to prices, the MF's forecasts for 2026 are in line with the independent projections available. The forecast presented for the GDP deflator in 2025 is identical to that of the CFP (3.6%) and, in 2026 (2.5%), it lies between the CFP projection (2.4%) and that of the BdP (2.9%). In the particular case of the HICP, the MF forecast for 2026 is close to the average of the projections of the other institutions. The only exception concerns the projection for 2025 (2.4%), which is outside the 60% confidence interval (Chart 5 and Table 3) and is the highest compared to any of the point projections considered.

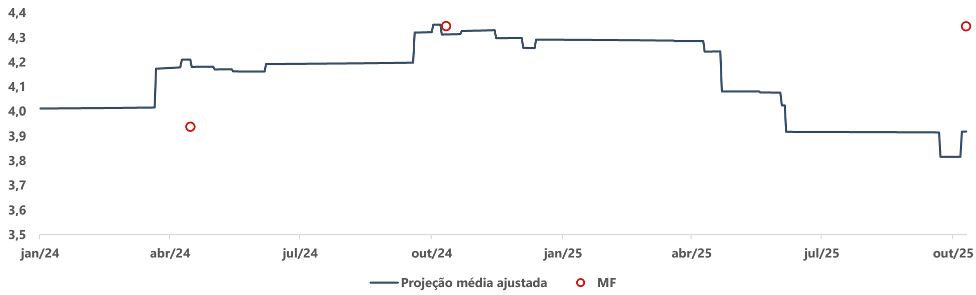
Chart 5 – Forecast intervals associated with MF forecasts (variation, %)



Source: DSB/2026 and CFP calculations. The confidence bands were calculated based on the projection deviations of 167 macroeconomic scenarios from the BdP, EC, CFP, IMF, MF and OECD, between 2000 and early 2025 (excluding the years 2020 to 2022), carried out in the second half of each year. An asymmetric normal distribution of projection errors was assumed. For more details on the methodology used to calculate the average projection and the database used, see Leal, Martins and Marujo (2024). The calculation of the average projection only considered the most recent projections from the BdP, EC, CFP, IMF and OECD.

These growth differentials are reflected in an estimate for the real output level of the Portuguese economy in 2026, which is higher than anticipated by the other institutions. The cumulative growth differential impacts the expected level of activity, which will serve as the economic basis for the budgetary scenario projections (**Erro! A origem da referência não foi encontrada.**). In particular, cumulative GDP growth in volume in 2025 and 2026, at 4.3%, compares with the BdP's projection of 4.1%, the second most favourable. Nevertheless, as a result of the forecast for the GDP deflator, this positive differential is not observed in the case of nominal GDP, where the MF forecast (10.8%) lies between that of the BdP (11.6%) and that of the CFP (10.8%).

Chart 6 – Average projection for cumulative real GDP growth and MF projections (2025-2026, %)



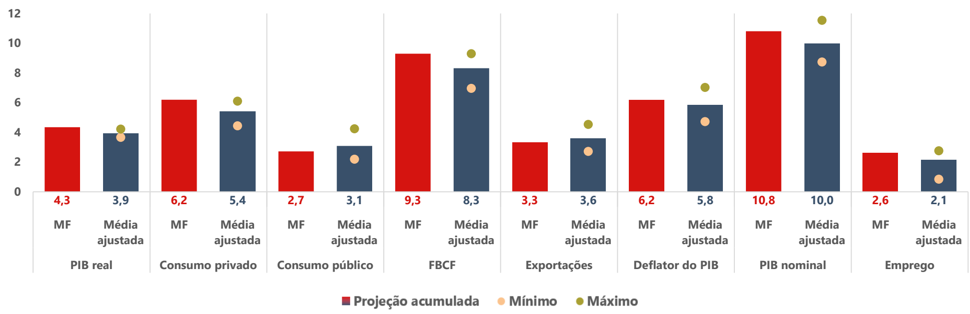
Source: DSB/2026, MTP, Stability Programme 2024-2028 and CFP calculations. For more details on the methodology used to calculate the average projection and the database used, see Leal, Martins and Marujo (2024). The calculation of the average projection only considered the projections of the BdP, EC, CFP, IMF and OECD.

In terms of the composition of growth, the main deviation arises in the projections for private consumption. More specifically, the MF projection for private consumption growth in 2025 (3.4%) is higher than any of the point projections considered and than the average of the institutions' projections (3.2%), which is also outside the 30% confidence interval. For 2026, there is a widening of the gap to 0.5 p.p. between the MF projection (2.7%) and the average projection of the institutions (2.2%), with the MF projection only lower than the EC projection (published in May). As a result, the difference in projections for this item in 2025 and 2026 is expected to result in real private consumption being approximately 0.7% higher. The projections put forward by the MF for the remaining components are broadly in line.

The forecast for compensation per employee in 2026 is higher than that of the other institutions. In terms of compensation per employee, the evolution envisaged by DSB/2026 in 2025 (5.4%) is in line with the figures presented by the other institutions (which range from 4.9% to 6.3%) and in line with the reference average. However, in 2026 (5.3%), the forecast is above the figures projected by the other institutions (the highest of which, 4.2%, was put forward by the CFP). Thus, the MF anticipates cumulative growth in the 2025/2026 biennium for compensation per employee of 11.0%, higher than the average of the other institutions (9.6%).

The expected evolution of productivity in 2025 and 2026 is close to the average reference projection. This projection for labour productivity growth results from a forecast that is higher than the average of the institutions for both economic activity and employment growth (Graph 5 and Table 3). Even so, the projection for employment in these two years can be considered plausible, as it is in line with the figures put forward by both the CFP (1.5% and 0.9% for 2025 and 2026, respectively) and the BdP (1.8% and 0.9%), the only institutions whose scenarios incorporate the economic developments observed for the first half of the year as a whole.

Chart 7 – Cumulative growth in 2025-2026: DSB/2026 and average adjusted by the informative content of the scenarios of the reference institutions



Source: DSB/2026 and CFP calculations. Note: The adjusted average refers to the average of the projections of the BdP, EC, CFP, IMF and OECD, weighted by their information content. For more details on the methodology used to calculate the average projection and the database used, see Leal, Martins and Marujo (2024).

Table 3

Ano	2024	2025							2026						
Instituição		FMI	CE	OCDE	CFP	BdP	Média ajustada	MF	FMI	CE	OCDE	CFP	BdP	Média ajustada	MF
Data de publicação	set25	abr25	mai25	jun25	set25	out25		out25	abr25	mai25	jun25	set25	out25		out25
PIB real e componentes (variação, %)															
PIB	2,1	2,0	1,8	1,9	1,9	1,9	1,9	2,0	1,7	2,2	1,9	1,8	2,2	2,0	2,3
Consumo privado	3,0	-	3,3	2,8	3,3	3,3	3,2	3,4	-	2,8	1,6	2,3	2,0	2,2	2,7
Consumo público	1,5	-	1,2	1,2	1,6	1,6	1,5	1,5	-	1,2	1,0	2,6	1,3	1,6	1,2
Investimento (FBCF)	4,2	-	3,5	3,2	3,6	3,0	3,3	3,6	-	4,3	3,7	5,5	5,3	4,9	5,5
Exportações	3,1	2,0	1,7	1,3	0,9	1,1	1,3	1,5	1,9	2,8	2,6	1,8	2,2	2,2	1,8
Importações	4,8	2,9	4,3	2,3	4,2	4,7	3,8	4,0	2,7	4,1	2,7	3,7	2,8	3,2	3,6
Preços (variação, %)															
Deflator do PIB	4,8	2,6	3,1	2,5	3,6	4,1	3,3	3,6	2,3	2,2	2,1	2,4	2,9	2,4	2,5
Deflator do consumo privado	2,8	-	2,1	1,9	2,6	-	2,2	2,4	-	2,0	2,2	2,2	-	2,1	2,2
Deflator do consumo público	6,6	-	4,4	4,4	5,4	-	4,8	5,1	-	2,8	2,2	3,0	-	2,7	2,2
Deflator da FBCF	2,5	-	1,7	2,5	2,6	-	2,3	2,6	-	1,6	1,9	1,8	-	1,8	2,7
Deflator das exportações	0,8	-	1,3	1,7	0,3	-	1,0	0,7	-	1,2	2,2	1,2	-	1,5	1,0
Deflator das importações	-2,4	-	-0,3	1,6	-0,9	-	0,0	-0,8	-	0,7	2,1	0,8	-	1,1	0,5
IHPC	2,7	1,9	2,1	2,1	2,3	2,2	2,2	2,4	2,1	2,0	2,1	2,1	1,9	2,0	2,1
PIB nominal															
Variação (%)	7,1	4,7	4,9	4,4	5,5	6,1	5,3	5,7	4,0	4,5	4,1	4,3	5,2	4,5	4,8
Nível (mil M€)	289,4	298,5	299,2	297,8	300,9	-	-	305,9	310,6	312,8	310,1	313,9	-	-	320,6
Mercado de trabalho (variação, %)															
Taxa de desemprego (% pop. ativa)	6,4	6,4	6,4	6,4	6,1	6,2	6,3	6,1	6,3	6,3	6,4	6,0	6,3	6,2	6,0
Emprego	0,7	0,5	1,0	1,8	1,5	1,8	1,4	1,7	0,4	0,9	0,3	0,9	0,9	0,7	0,9
Remuneração média por trabalhador	7,5	-	4,9	4,9	6,3	5,1	5,4	5,4	-	4,0	3,5	4,2	4,1	4,0	5,3
Produtividade aparente do trabalho	1,4	1,5	0,7	0,1	0,3	0,1	0,4	0,3	1,3	1,3	1,6	0,9	1,3	1,3	1,4
Custo de trabalho por unidade produzida	6,0	-	4,1	4,8	6,0	5,0	4,9	5,1	-	2,6	1,9	3,3	2,7	2,7	3,8
Sector externo (% PIB)															
Capacidade líquida de financiamento	2,8	-	2,4	-	2,8	3,6	-	3,1	-	2,0	-	2,3	4,2	-	3,0
Balança corrente	1,7	1,7	1,2	1,1	1,2	-	-	1,1	1,5	0,9	1,1	0,6	-	-	0,8
Balança de bens e serviços	1,8	-	1,4	1,4	0,8	1,6	-	1,4	-	1,0	1,4	0,1	1,6	-	0,9
Balança de rend. primários e transf.	-0,1	-	-0,1	-0,6	0,4	-	-	-0,3	-	-0,1	-0,6	0,4	-	-	-0,1
Balança de capital	0,9	-	1,1	-	1,7	-	-	2,0	-	1,1	-	1,7	-	-	2,3
Desenvolvimentos cíclicos															
PIB potencial (variação, %)	-	2,1	2,2	2,1	2,6	-	-	2,6	1,8	2,0	2,0	2,1	-	-	2,4
Hiato do produto (% PIB potencial)	-	0,5	0,2	0,4	0,1	-	-	-0,1	0,4	0,4	0,3	-0,1	-	-	-0,2

Sources: 2024: INE. 2025-2026: IMF - *World Economic Outlook*, April 2025; EC - *Spring 2025 Economic Forecast*, May 2025; OECD - *Economic Outlook Volume 2025 Issue 1*, June 2025; CFP - Economic and Budgetary Outlook 2025-2029 (update), September 2025; BdP - Economic Bulletin, October 2025; MF - Draft State Budget for 2026 - October 2025. Adjusted average calculated according to the methodology used in Leal, Martins and Marujo (2024).

KEY CONSIDERATIONS

This Opinion has been prepared at a time of high uncertainty in the macroeconomic outlook. In its latest projections, the CFP noted that the global economy continues to be affected by high levels of uncertainty, exacerbated by the unpredictability of the US administration's trade policy and escalating geopolitical tensions. It therefore assessed the risks surrounding the central macroeconomic scenario as predominantly downward and listed those it considered relevant, both internally and externally. In particular, at the domestic level, it highlighted investment growth projections, which reflect the expectation of greater financial execution of the PRR, with a positive impact on public investment, which in recent years has proven challenging to achieve.

Taking the risks into account, the macroeconomic scenario underlying the DSB/2026 appears to be statistically probable overall. Nevertheless, it should be noted that there are predominantly downside risks, as highlighted in this Opinion, particularly with regard to real GDP growth, which would warrant a greater degree of caution and should be taken into particular consideration when monitoring the economic situation in 2026.

- As explained in this Opinion, in 2025, the forecast growth is based on an expectation of export growth in the second half of 2025 that appears difficult to achieve and on lower import growth, despite more significant growth in all components of demand with high import content.
- The macroeconomic scenario for 2026 points to real growth in the Portuguese economy higher than anticipated in the most recent projections presented by other leading institutions. The analysis also confirmed that the real growth forecasts of 2.3% are not within the 30% confidence interval when weighted by past forecasting errors inherent in the projections.
- In 2026, the acceleration in real GDP growth is influenced by the expectation of higher intra-annual growth in household consumption than in 2025. This expectation by the MF is not justified by the size and nature of the policy measures that were communicated to the CFP. The analysis carried out reinforced that the forecast for private consumption is the furthest from the most recent projections of the other institutions and does not fall within the most likely range when weighted by past forecast errors inherent in the projections.
- Nevertheless, the analysis confirmed that the nominal growth forecast by the MF for 2025 and 2026 is in line with the latest independent projections available. This is due to a forecast for the GDP deflator in both years that is considered prudent and plausible.
- Finally, the forecast for growth in compensation per employee for 2026, which is close to that expected for 2025, is not in line with the forecast presented for inflation and productivity and is also significantly higher when compared to known independent projections.

CONCLUSION

The conclusion of this analysis by the Portuguese Public Finance Council takes into account the principles of Article 8 of the Budgetary Framework Law (Law No. 151/2015 of 11 September, in its current wording): "The budgetary projections underlying budgetary planning documents shall be based on the most likely macroeconomic scenario or on a more prudent scenario." This same guiding principle of using realistic forecasts for the conduct of fiscal policies is also enshrined in European legislation, in particular in the Stability and Growth Pact and Council Directive No. 2011/85/EU of 8 November 2011 (revised), which lays down the requirements applicable to Member States' budgetary frameworks.

In accordance with Article 4(4) of Regulation No 473/2013 of the European Parliament and of the Council of 21 May 2013, as a result of the analysis of the macroeconomic forecasts underlying the Draft State Budget for 2026 of the XXV Constitutional Government, based on the information currently available and considering the risks identified, the **Portuguese Public Finance Council endorses the macroeconomic forecasts presented, with the reservation of a possible overestimation of real GDP growth for 2026, whose components (domestic and external) are subject to various unfavourable risks, as noted in this opinion.** In this regard, there is a need to ensure greater prudence in the budgetary projections underlying the State Budget for 2026.

Orçamento do Estado