PORTUGAL

LATEST KEY DEVELOPMENTS

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Gabinete de Planeamento, Estratégia, Avaliação e Relações Internacionais
MINISTÉRIO DAS FINANÇAS
Office for Economic Policy and International Affairs
MINISTRY OF FINANCE

ECONOMIC ACTIVITY

According to INE, in the second quarter of 2026, **real GDP** experienced a y-o-y growth of 2.5% (2.4% in the previous quarter). The less negative contribution of net external demand to the y-o-y rate of change of GDP reflected the fact that exports of goods and services accelerated more than imports. The positive contribution of domestic demand to the y-o-y growth rate of GDP decreased in the second quarter, due to the slowdown of investment, despite the acceleration of private consumption.

The consumer confidence indicator increased between May and July, after declining in the previous three months, significantly in March, and registering in April its lowest value since November 2023. This evolution was driven by positive contributions from expectations regarding the future evolution of the country's economic situation, households' financial situation and major purchases by households. Conversely, opinions on the past evolution of households' financial situation contributed negatively. **The economic climate indicator** decreased slightly in July, after having increased in the two previous months. **The confidence indicators** increased in Construction and Public Works and in Manufacturing Industry, while decreasing in Trade and Services. INE's press release available here.

LABOUR MARKET

According to INE's provisional estimates, the **unemployment rate** stood at **5.6% in June**, the same value as in May, but down from March 2026 (-0.3 p.p.) and from June 2025 (-0.4 p.p.). Furthermore, in June, the **employed population** was **5,351.8 thousand people**, less 13.7 than in May.

TOURISM INDUSTRY

In June 2026, the **tourism accommodation sector** accounted for 3.1 million guests (+1.0%) and 8.1 million overnight stays (+0.7%). The increase in overnight stays was driven exclusively by the domestic market, as resident overnight stays increased by 3.8% (+6.7% in May) to 2.5 million, while non-residents overnight stays declined by 0.6% (+1.1% in May) to 5.7 million. INE's flash estimate available here.

EXTERNAL ADJUSTMENT

i. International Trade

In the second quarter of 2026, **exports and imports of goods** growth by 10.0% and 8.2%, respectively, in nominal terms and compared to the same period in the previous year. Excluding TTE transactions (without transfer of ownership), there was an increase in exports and imports of goods of 10.6% and 12.0%, respectively. INE's press release here.

ii. Balance of Payments

In May 2026, **the current account (CA)** balance recorded a deficit of €632.82M (deficit of €445.25M in May 2025). The CA deficit is influenced by the negative contribution of the balance of goods (-€2,566.01M) and the positive contribution of the balance of services (€2,710.71M). At the same time, the capital account registered a surplus of €390.20M. BdP's data here.

PRICE DEVELOPMENTS

The **CPI annual rate** is estimated to have decelerated to 3.0% in July 2026 (3.2% in June), with the index for energy products and for unprocessed foods estimates pointing to 8.7% and 3.7%, respectively (9.1% and 5.1% in June). Core inflation presented a rate of change of +2.6%, (+2.5% in the previous month). INE's flash estimate available here.

According to INE, the **industrial production price index** recorded an increase of 5.0% in June, when compared with the same period of 2025 (+0.1 p.p. in the previous month). Excluding Energy, this variation was +3.5% (2.5% in May).

BUDGETARY OUTTURN

As of June 2026, the general government budget on a cash basis recorded a €212.6M deficit, representing a decrease of €2,230.4M compared to the previous year. The primary surplus reached €3,951.6M, €1,791.3M less than in 2025. Excluding payments to NHS entities for debt settlement, the overall and primary balances stood at €1,154.9M and €5,319.1M, respectively. This outcome reflects expenditure growth of 11.3%, exceeding the increase in revenue of 7.0%.

The increase in **revenue** was mainly driven by non-tax and non-contributory revenue (19.3%), social contributions (6.8%) and tax revenue (3.2%). The tax revenue growth was essentially due to the positive evolution of the VAT (7.9%), municipal property tax (90.6%), and personal income tax (3.1%), partly offset by the decline in corporate income tax (-16.2%).

On the **expenditure** side, primary expenditure increased by 7.6%, excluding payments to NHS entities for debt settlement, mainly due to higher transfers (7,5%) and investment (37.8%).

TREASURY FINANCING

According to the Debt Management Agency (IGCP), in June 2026, the Portuguese **State direct debt** reached €322,437M, an increase of €6,062M compared to May. This rise was primarily caused by the increase in Treasury Bonds € 4,331M.

On July 15, IGCP issued €1,005M of 12-month T-Bills at the weighted average interest rate of 2.682%.

On July 8, 2026, IGCP, E.P.E. auctioned €559M of PGB 1.15% 11April2042 and €703M of PGB 3.25% 13Jun2036, at the weighted average interest rate of 3.838% and 3.439%, respectively.

GENERAL GOVERNMENT DEBT

According to Bank of Portugal (bdp), in June 2026, general government debt amounted to €293,894M, an increase of €5,235M compared to May. Maastricht debt net of general government deposits stood at €262,452M, reflecting a monthly decrease of €1,317M.