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LATEST KEY DEVELOPMENTS

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ECONOMIC ACTIVITY

In the second quarter of 2026, **real GDP** recorded a y-o-y change of 2.5%, 0.1 p.p. higher than that observed in the first quarter. The negative contribution of net external demand to the y-o-y growth rate of GDP was less pronounced in the second quarter, driven by a sharper acceleration in exports of goods and services than in imports. The positive contribution of domestic demand to the y-o-y growth rate of GDP declined, from 4.6 p.p. in the first quarter to 3.8 p.p., reflecting a slowdown in investment. INE's release available here.

The **Consumer confidence** indicator decreased in August, after increasing in the previous three months. This evolution was driven by negative contributions from expectations regarding the future evolution of the country's economic situation, of major purchases by households and of households' financial situation. In the opposite direction, opinions on the past evolution of households' financial situation registered a positive contribution The **confidence indicators** increased in Construction and Public Works and in Services, having decreased in Manufacturing Industry and in Trade. INE's press release available here.

LABOUR MARKET

According to INE estimates, the **unemployment rate** in July stood at 5.7%, the same value for June and April 2026, but down for July 2025 (0.1 p.p.). Furthermore, in July, the employed population was 5,347.0 thousand people, decreasing 0.1% from the previous month.

TOURISM INDUSTRY

In July 2026, the **tourism accommodation sector** registered 3.4 million guests (+1.0%) and 9.6 million overnight stays (+2.1%). Overnight stays by residents grew by 5.1% (3.7% in June) to 3.1 million, while those by non-residents increased by 0.7% (-0.5% in June), totaling 6.6 million. INE's flash estimates available here.

EXTERNAL ADJUSTMENT

i. International Trade

In June, **exports and imports of goods** recorded y-o-y nominal changes of 10.0% and +19.6%, respectively (+5.4% and -1.9%, in the same order, in May 2026). When transactions without transfer of ownership (TTE) are excluded, increases were observed in both flows: +11.0% in exports and +17.0% in imports (+4.5% and +4.7%, in the same order, in May). INE's press release available here.

ii. Balance of Payments

In June 2026, the **current account (CA)** balance recorded a deficit of €303.42M (€346.64M surplus in June 2025). The CA deficit is negatively influenced by the **balance of goods** (-€3,108.86M) and positively by the **balance of services** which registered a surplus of €2,799.14M. The **capital account** registered a surplus of €651.61M. BdP's data available here.

PRICE DEVELOPMENTS

The **CPI annual rate** is estimated to have increased to 3.3% in August 2026 (3.0% in July). The annual rate of change of the index for energy products increased to 12.2% (8.7% in July), and the estimated rate for unprocessed food stood at 3.4% (3.7% in the previous month). In August 2026, the estimated **HICP** annual rate of change was 3.6% in Portugal (3.1% in July). INE's flash estimate available here.

According to INE's data, in July, the **Industrial Production Prices Index** recorded a y-o-y increase of 5.8% (accelerating by 0.7 p.p. from the previous month). The Energy and Intermediate Goods groupings made the largest contributions to this increase, accounting for 4.9 p.p. combined, following price increases of 15.8% and 6.5%, respectively.

BUDGETARY OUTTURN

As of July 2026, the general government budget on a cash basis recorded a €281.7M surplus, representing a decrease of €2,040.1M compared to the previous year. The primary surplus reached €5,331.4M, €1,571.5M less than in 2025. Excluding payments to NHS entities for debt settlement, the overall and primary balances stood at €1,708.1M and €6,757.8M, respectively. This outcome reflects expenditure growth of 10.6%, exceeding the increase in revenue of 7.4%.

The increase in **revenue** was mainly driven by non-contributory revenue (18.7%), such as transfers (22.3%), and tax revenue (4.2%). The tax revenue growth was essentially due to the positive evolution of VAT (6.8%), personal income tax (5.7%) and the municipal property tax (22.3%), partly offset by the decline in corporate income tax (-2.4%).

On the **expenditure** side, primary expenditure increased by 8.7%, excluding payments to NHS entities for debt settlement, mainly reflecting higher transfers (7,2%), investment (40,4%) and compensation of employees (6.2%).

TREASURY FINANCING

According to the Debt Management Agency (IGCP), in July 2026, the Portuguese **State direct debt** reached €314,966M, a decline of €7,471M compared to June. This rise was primarily caused by the decrease in Treasury Bonds €7,791M.

In July, IGCP did not issue any T-Bills. In the same period of time, IGCP did not issue any PGB as well.

GENERAL GOVERNMENT DEBT

According to Bank of Portugal (bdp), in July 2026, general government debt amounted to €286,340M, a decrease of €7,553M compared to June. Maastricht debt net of general government deposits stood at €262,244M, reflecting a monthly decrease of €208M.