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LATEST KEY DEVELOPMENTS

Oct 2026

ECONOMIC ACTIVITY

Real GDP grew 2.4% y-o-y in the third quarter (2.6% in the previous one). The positive contribution of domestic demand to the growth rate of GDP decreased, reflecting a slower growth in investment and final consumption expenditure, while the negative contribution of net external demand was less pronounced. Compared to the second quarter, GDP increased by 0.2% in volume, after a 0.9% increase in the previous quarter. INE's flash estimate is available here.

Consumer confidence decreased between September and October, following an increase in the last three months. Such decrease was driven by negative contributions from all components: opinions on the past evolution of households' financial situation and expectations on the future evolution of the country's economic situation, of major purchases by households, and of households' financial situation. The **economic climate indicator** decreased in September and October, contrasting with the improvements observed in the previous month. **Confidence indicators** increased in Manufacturing Industry, in Trade and in Construction and Public works, despite having decreased in Services. INE's press release available here.

LABOUR MARKET

According to INE's provisional estimates, the **unemployment rate** in September stood at 5.6%, the same as in August and lower compared to June (0.1 p.p.) and September 2025 (0.3 p.p.). Furthermore, in September, the employed population was 5,325.8 thousand people. The underutilisation rate was estimated at 9.6% (the same value as in the previous month).

TOURISM INDUSTRY

In September 2026, the **tourism accommodation sector** registered 3.4 million guests and 8.7 million overnight stays, resulting in y-o-y increases of 2.5% and 2.0%, respectively. Overnight stays by residents grew by 3.1% to 2.5 million, alongside those by non-residents, by 1.6%, to 6.2 million. INE's flash estimate available here.

EXTERNAL ADJUSTMENT

i. International Trade of goods

In the third quarter, there was an increase in both trade flows in nominal terms. **Exports** increased significantly to 6.5%, while **imports** grew by 3.6%, respectively. It should be noted, however, that, when excluding TTE transactions, growth was more pronounced in both flows (10.9% in exports and 7.4% in imports). INE's press release here.

ii. Balance of Payments

In August 2026, the **current account** (CA) balance stood at €1,419.85M. The CA surplus was negatively impacted by the balance of **goods** (-€2,772.12M) and positively by the balance of **services** (€4,280.67M). The **capital account** recorded a surplus of €233.36M. BdP's data here.

PRICE DEVELOPMENTS

The **CPI annual rate** is estimated at 3.8% in October (3.6% in September), with the index for energy products estimated at 17.4% (15.3% in September) and for unprocessed foods at 3.7% (the same as in the previous month). In September, the estimated **HICP** annual rate was 3.9% (+0.3 p.p. relative to September). INE's flash estimate available here.

According to INE, in September, **the industrial production prices recorded a y-o-y increase of 9.2%** (+2.1 p.p. in comparison to August), reflecting the increase in prices of Energy and Intermediate Goods (contributing with 8.3 p.p. combined).

BUDGETARY OUTTURN

As of September 2026, the general government budget on a cash basis recorded a €5,064.4M surplus, representing a decrease of €1,238.5M compared to the previous year. The primary surplus reached €10,505.1M, €792,4M less than in 2025. Excluding payments to NHS entities for debt settlement, the overall and primary balances stood at €6,491.7M and €11,932.4M, respectively. This outcome reflects expenditure growth of 12.0%, exceeding the increase in revenue of 9.8%.

The increase in **revenue** was mainly driven by non-contributory revenue (26.4%), tax revenue (6.6%) and social contributions (6.7%). The tax revenue growth was essentially due to the positive evolution of personal income tax (13.2%), VAT (9.3%) and municipal property tax (21.8%), partly offset by the decline in corporate income tax (-6,3%) and tax on fuels (-5.1%).

On the **expenditure** side, primary expenditure increased by 10.7%, excluding payments to NHS entities for debt settlement, mainly reflecting higher transfers (8.4%), investment (48.8%) and purchases of goods and services (12.5%).

TREASURY FINANCING

According to the Debt Management Agency (IGCP), in September 2026, the Portuguese State direct debt reached €314,439M, a decreacre of €1,418M compared to August. This decrease was primarily caused by the decrease in official loans of 2,000M.

On October 14, IGCP, E.P.E. auctioned €769M of PGB 3.25% 13Jun2036 and €629M of PGB 1% 12Apr2052, at the weighted average interest rate of 3.897 and 4.316%, respectively.

GENERAL GOVERNMENT DEBT

According to Bank of Portugal (bdp), in September 2026, general government debt amounted to €284,882M, an decrease of €745M compared to August. Maastricht debt net of general government deposits stood at €257,031M, reflecting a monthly decrease of €3,545M.

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