






PORTUGAL

Economic resiliency and deleveraging at a strong pace



Index

	Executive Summary Portuguese economy in numbers
	Macro Outlook Latest developments and projections
	Fiscal Outlook Fiscal balance and public debt – performance and forecasts
	Debt Management and Funding Plan Risk indicators and markets developments
	ESG Outlook Energy and climate

Executive Summary

- **Portuguese economy is growing above most European peers**
- **Exports continue as engine of growth**, supported by a diversified structure of the economy and a **buoyant tourism sector**
- Travel and tourism exports fuel the services surplus, which together with a lowering goods deficit have resulted in a **current and capital account in positive territory**
- **Banking sector profitability has increased considerably**, with the **improvement in asset quality** and the rise in net interest margins
- **Public accounts are posting a surplus in 2023**, benefitting from economic outperformance, with tax revenues increasing considerably, which provide flexibility for the adoption of policy measures to contain the rising cost of living
- **Strong primary balances**, above interest expenses, combined with economic growth have resulted in a sharp decline of the public debt ratio, in a process of **deleveraging of the entire Economy**
- **Prudent public debt management has kept risks at bay**, with a lower refinancing risk and a safe weighted average maturity in the current high interest rates environment
- **Retail savings certificates have attracted high levels of net subscriptions by households**, making PGB net supply to institutional investors negative in 2023 in a context of end of reinvestments from the Eurosystem

Portuguese economy in numbers

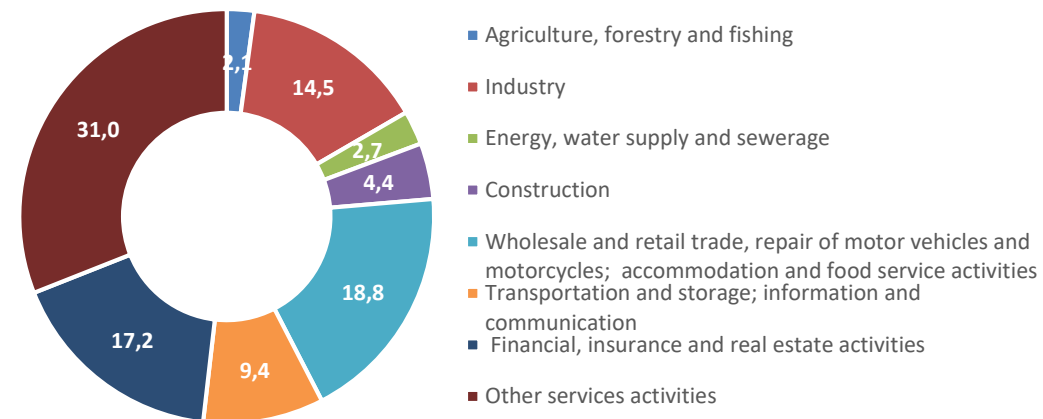
2022

 Area (sq. km '000)	92.2
 Resident population (number, 2022)	10 467 366
 GDP real growth rate (%)	6.8%
 GDP per capita (€)	23 531
 Savings rate (GDI %)	6.5%
 Unemployment rate (%)	6,0%
 General Government balance (GDP %)	-0.3%
 Public Debt (GDP %)	112.4%
 Current and Capital account (GDP %)	-0.20%
 Inflation (HIPC, annual average)	8.1%

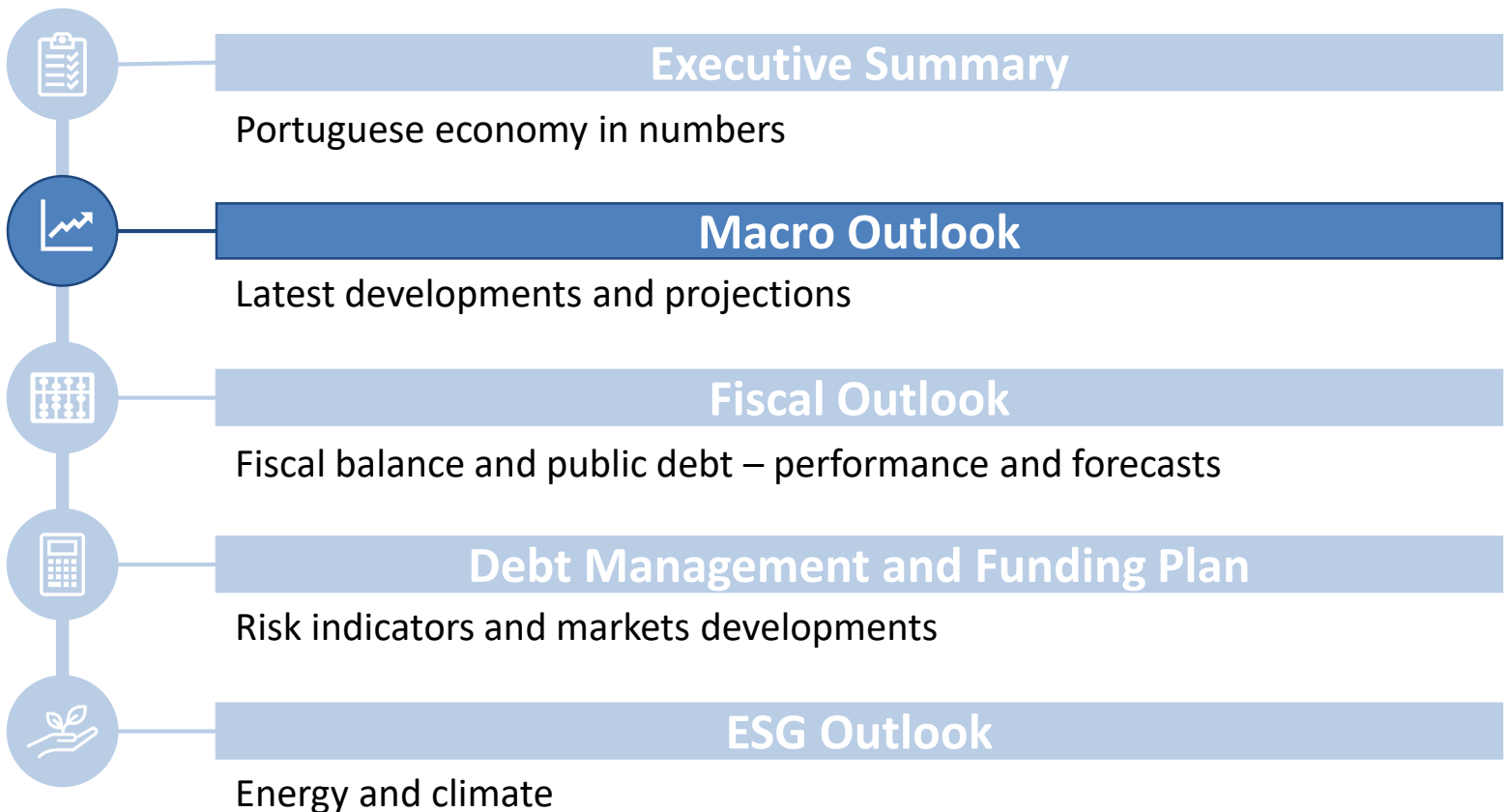
Open and diversified Economy within Euro Area

- Strong growth fundamentals and diversified economic activity

GVA decomposition by sector of activity, 2022, current prices, % of total



- Robust and diversified exports (both in terms of sectors and markets)
- Solid labor market - low unemployment and high level of employment
- Stable political situation - Government supported by an outright majority in Parliament
- Marginal exposure to Russian economy and gas
- One of the safer countries in the World



Portugal's GDP among the EA's economies with the higher YoY growth in 2023Q3

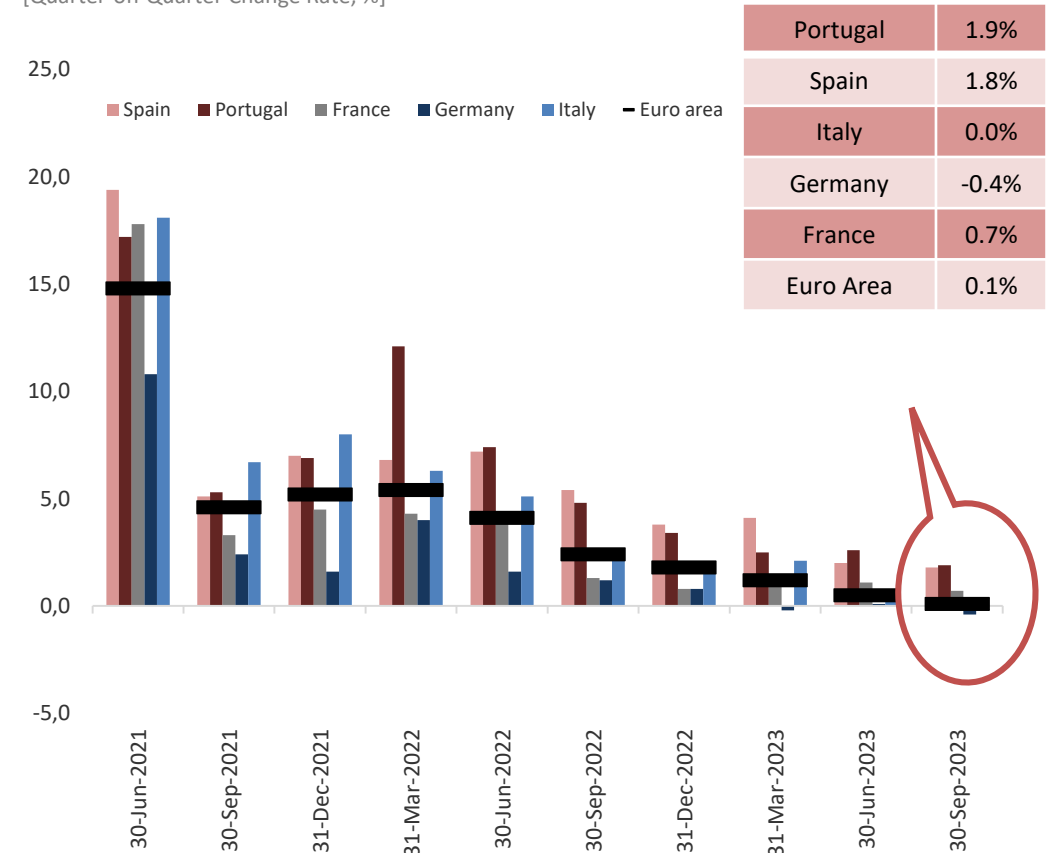
Portugal's GDP in 2023Q2 is 4.8% higher than pre-pandemic, while EA's is 3.0% above

[GDP (quarterly data), Chain linked volumes, index 2019Q4=100]



After slowing down in 2023Q2, Portugal's GDP registered a -0.2% rate of change QoQ and 1.9% YoY in Q3

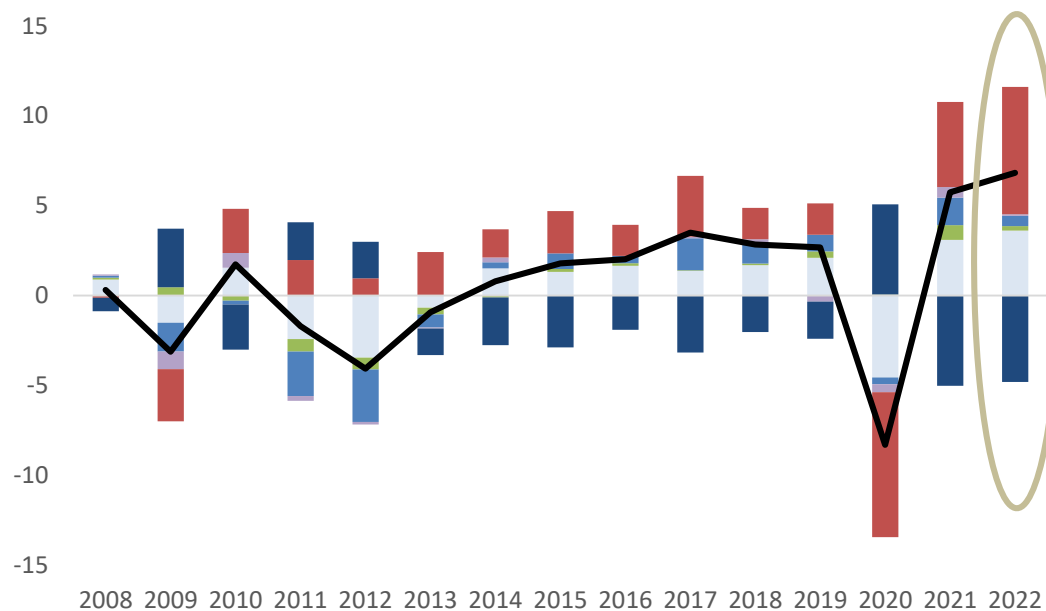
[Quarter-on-Quarter Change Rate, %]



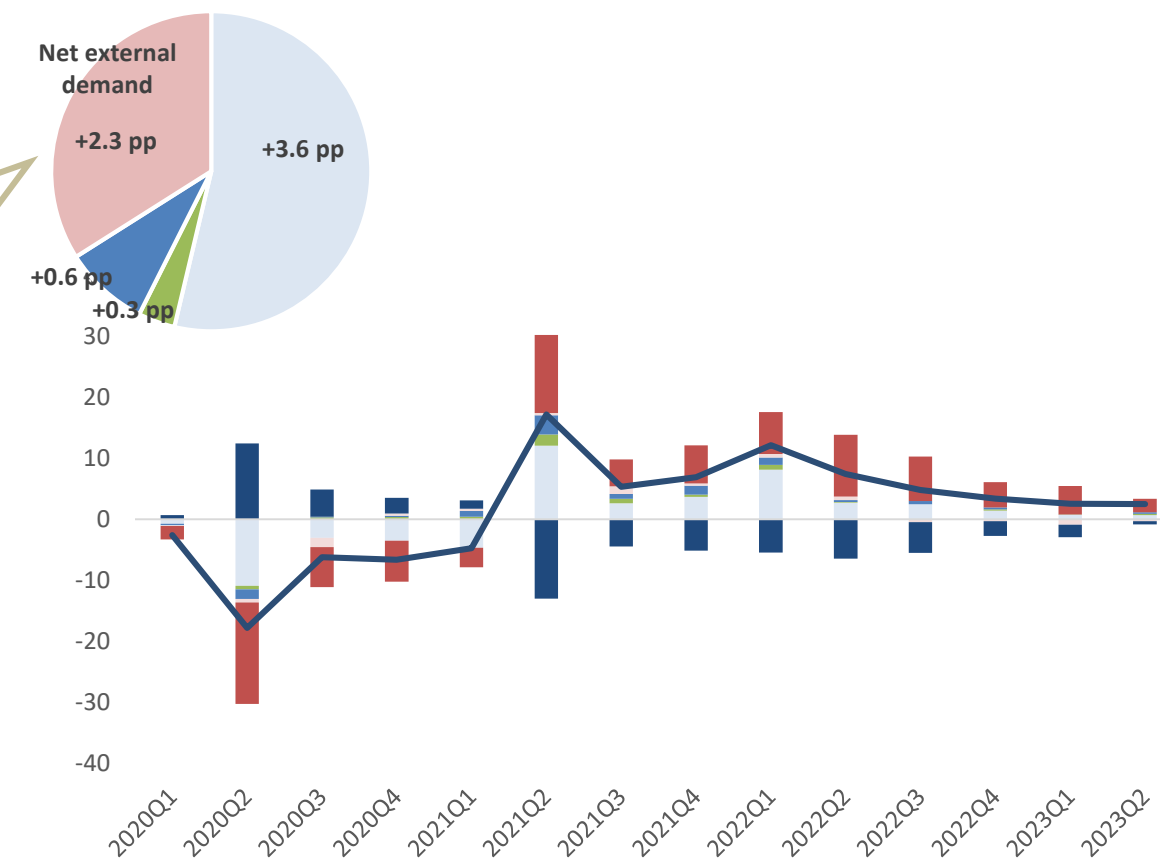
Private consumption and exports have been the main growth drivers

Despite slowing down as the year progressed, private consumption was the main contributor to GDP growth in 2022

[Real GDP (annual and quarterly), YoY growth (%) and contributions (pp)]



[GDP 2022, contributions pp]



- Private Consumption
- Gross fixed capital formation
- Exports
- GDP
- Public Consumption
- Changes in inventories
- Imports

Exports grew robustly and investment showed resilience

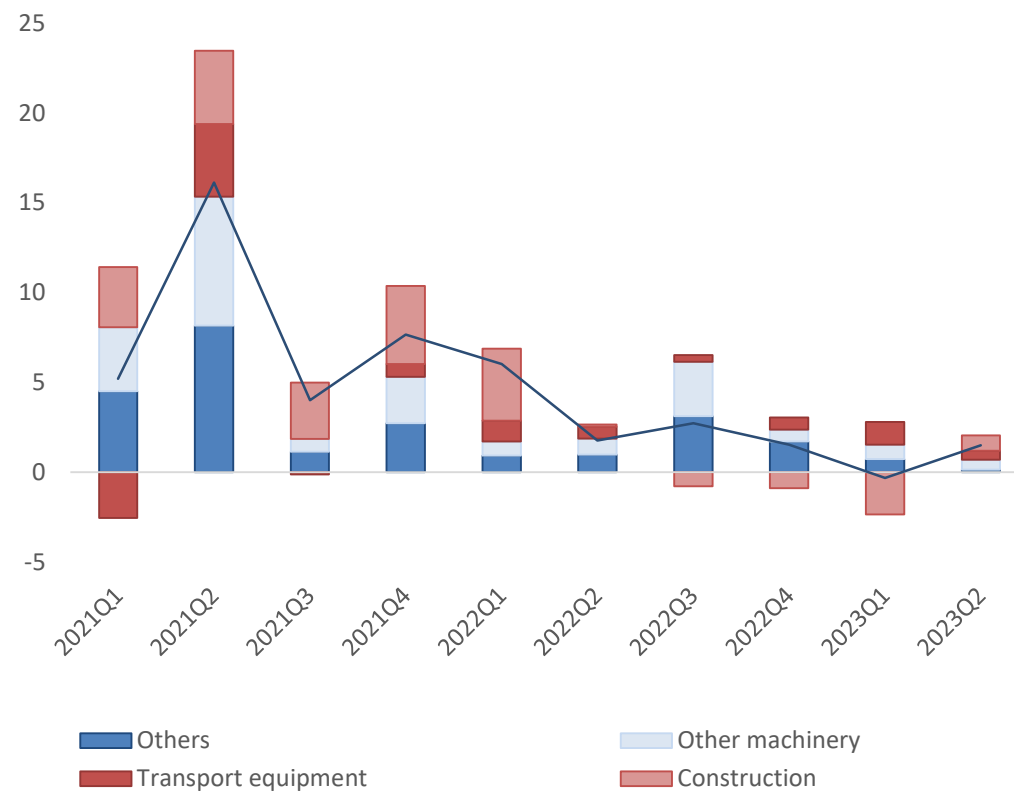
Exports showed signs of slowing down in the second quarter

[Exports, yoy growth (%) and contribution (p.p.)]



Albeit at a modest pace, investment keeps growing

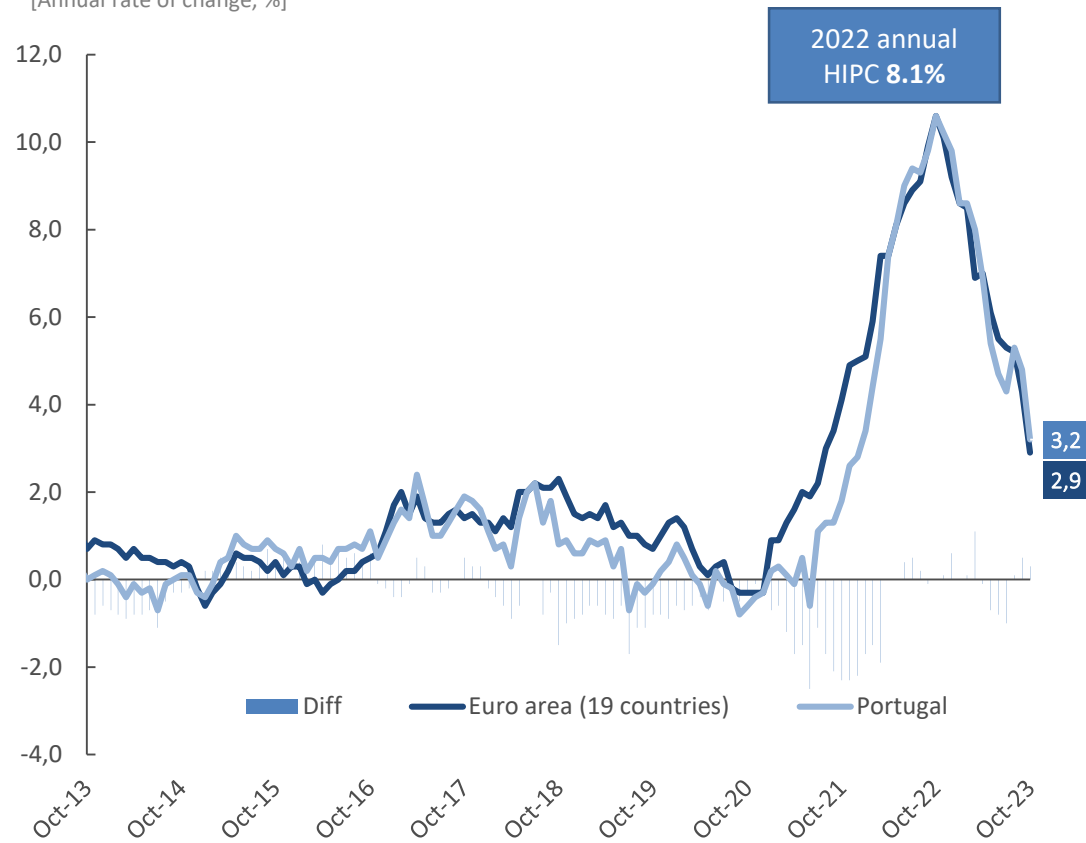
[Gross fixed capital formation, yoy growth (%) and contributions (p.p.)]



Inflation in Portugal has tracked the EA, decreasing to 3.2% in October 2023

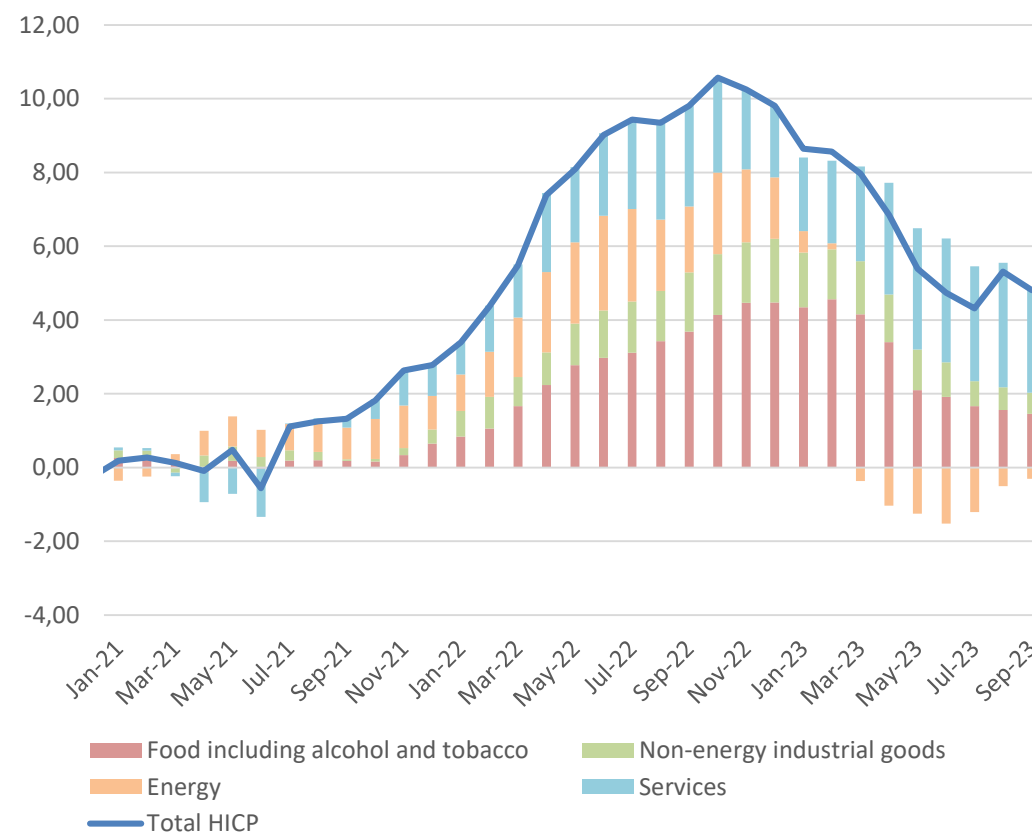
Headline inflation (HICP, monthly data)

[Annual rate of change, %]



Food prices continue to push up HIPC while energy prices continue to pull it down

[Contribution to HICP growth, pp]



Recent projections point to a slowdown in 2023 and 2024

Despite the global slowdown due to the energy crisis/geopolitics and high inflation/central banks' policies, the Portuguese economy expanded fast in 2022 and continues to grow in 2023

Macroeconomic projections for Portugal	Statistics Portugal			Ministry of Finance State Budget 2024 October 2023		IMF World Economic Outlook October 2023			Banco de Portugal October 2023			European Commission May 2023	
	2020	2021	2022	2023 F	2024 F	2023 F	2024 F	2025 F	2023 F	2024 F	2025 F	2023 F	2024F
	Real GDP (yoy %)	-8.3	5.7	6.8	2.2	1.5	2.3	1.5	2.1	2.1	1.5	2.1	2.4	1.8
Private Consumption (yoy %)	-6.9	4.7	5.6	1.1	1.1	.	.	.	1,0	1.3	1.6	.	.
Public Consumption (yoy %)	0.4	4.5	1.4	2.0	2.3	.	.	.	1.2	1.2	0.8	.	.
Gross Fixed Capital Formation (yoy %)	-4.8	10.9	3.5	1.3	4.1	.	.	.	1.5	5,0	5,0	.	.
Exports of goods and services (yoy %)	-18.8	12.3	17.4	4.3	2.5	8.0	2.8	2.0	4.1	2.1	3.9	.	.
Imports of goods and services (yoy %)	-11.8	12.3	11.1	1.8	3.2	5.2	3.9	2.9	1.3	3.4	3.9	.	.
Domestic demand contribution (pp GDP growth)	-5.3	6.0	4.6	1.0	1.8	.	.	.	0.9	2.1	2.1	.	.
Net exports contribution (pp GDP growth)	-3.1	-0.3	2.3	1.2	-0.3	.	.	.	.	.	.	.	.
Employment growth (yoy %)	-1.9	2.2	1.7	1.1	0.4	.	.	.	0.8	0.2	0.4	.	.
Unemployment rate (% labor force)	7.0	6.6	6.0	6.7	6.7	6.6	6.5	6.3	6.5	6.7	6.9	6.5	6.3
Net lending/borrowing of the economy (% GDP)	-0.2	0.6	-0.4	3.8	1.8	.	.	.	.	.	.	-0.1	-0.1
Current account balance (% GDP)	-1.0	-0.8	-1.2	1.4	0.1	1.3	1.1	1.0	.	.	.	1.0	0.8
GDP deflator (yoy %)	2.0	1.9	5.0	6.9	2.9	3.8	2.7	2.2	.	.	.	.	.
Inflation (HICP. yoy %)	-0.1	0.9	8.1	5.3	3.3	5.3	3.4	2.4	5.4	3.6	2.1	5.1	2.7

Economic sentiment and activity indicators show timid signs

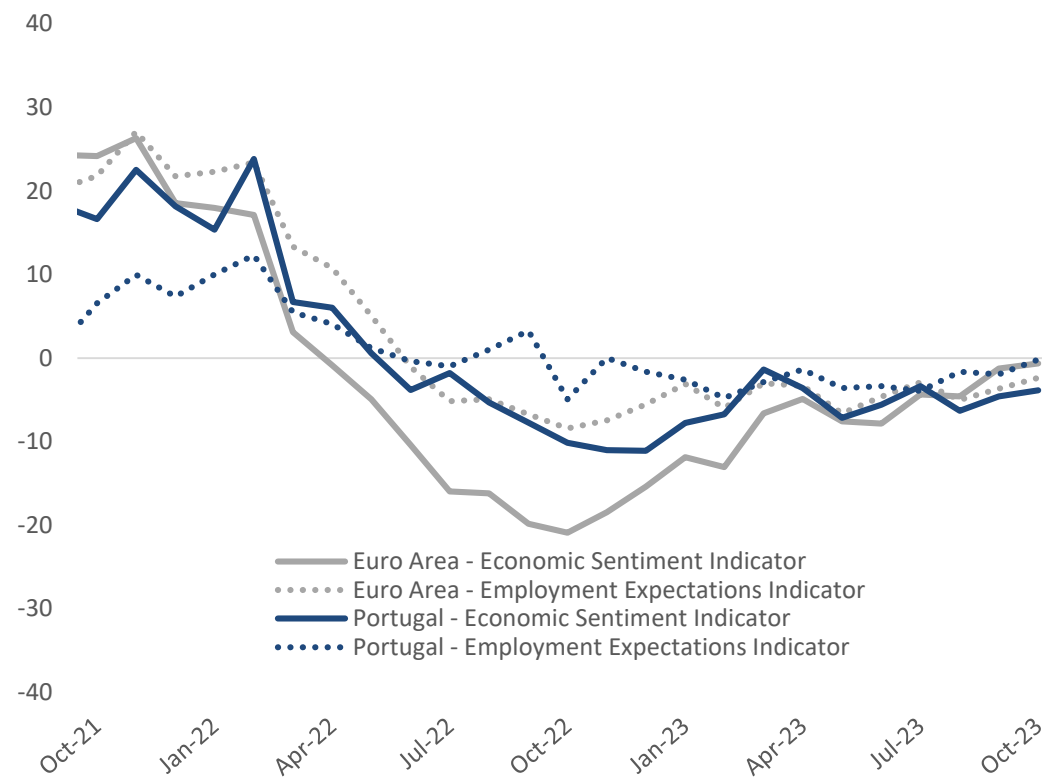
Business turnover indicators point to slower growth, while industrial turnover has become negative

[Business turnover index; year-on-year change (%)]



Economic sentiment and employment expectations show only timid signs of recovery

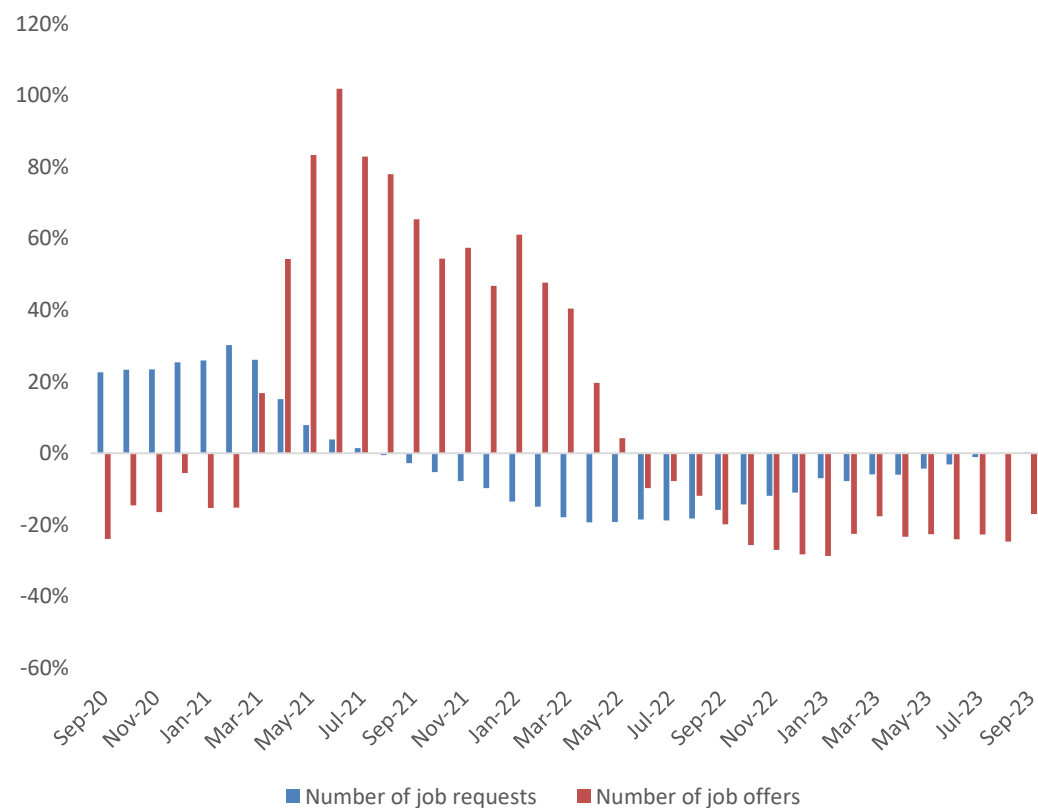
[Confidence indicators; year-on-year change (%)]



Strong labour market weathers economic slowdown in 2023

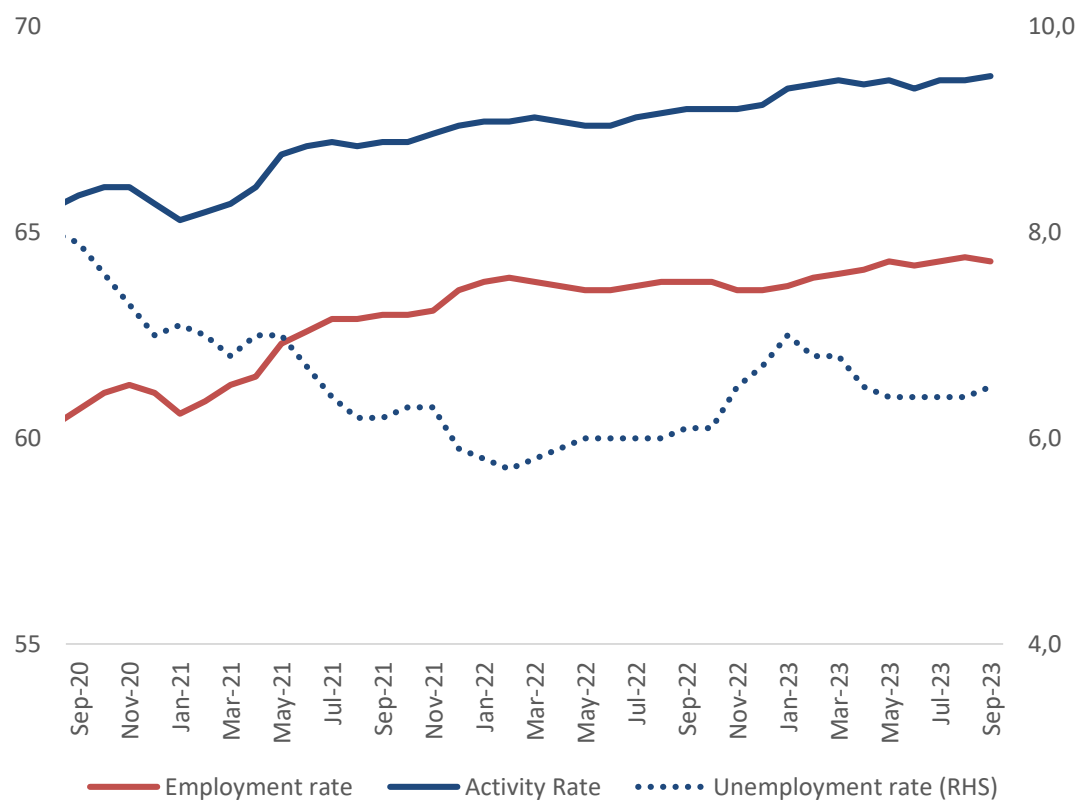
Job offers have been decreasing due to heightened economic uncertainty

[Job offers and job requests; year-on-year change (%)]



Labor market has shown signs of resilience

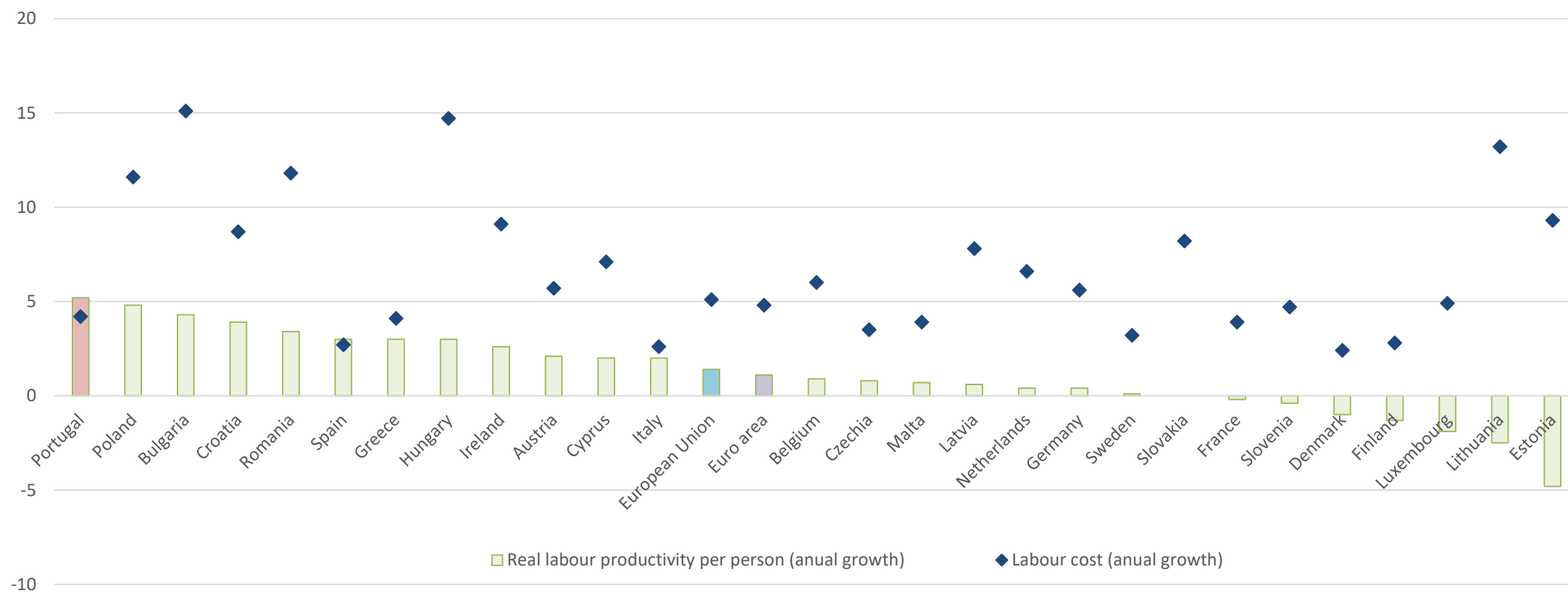
[Labour market indicators, seasonally adjusted (%)]



Real labour productivity growth above labour cost increases

In 2022, productivity growth in Portugal was 1st in the EU, way above the EA.

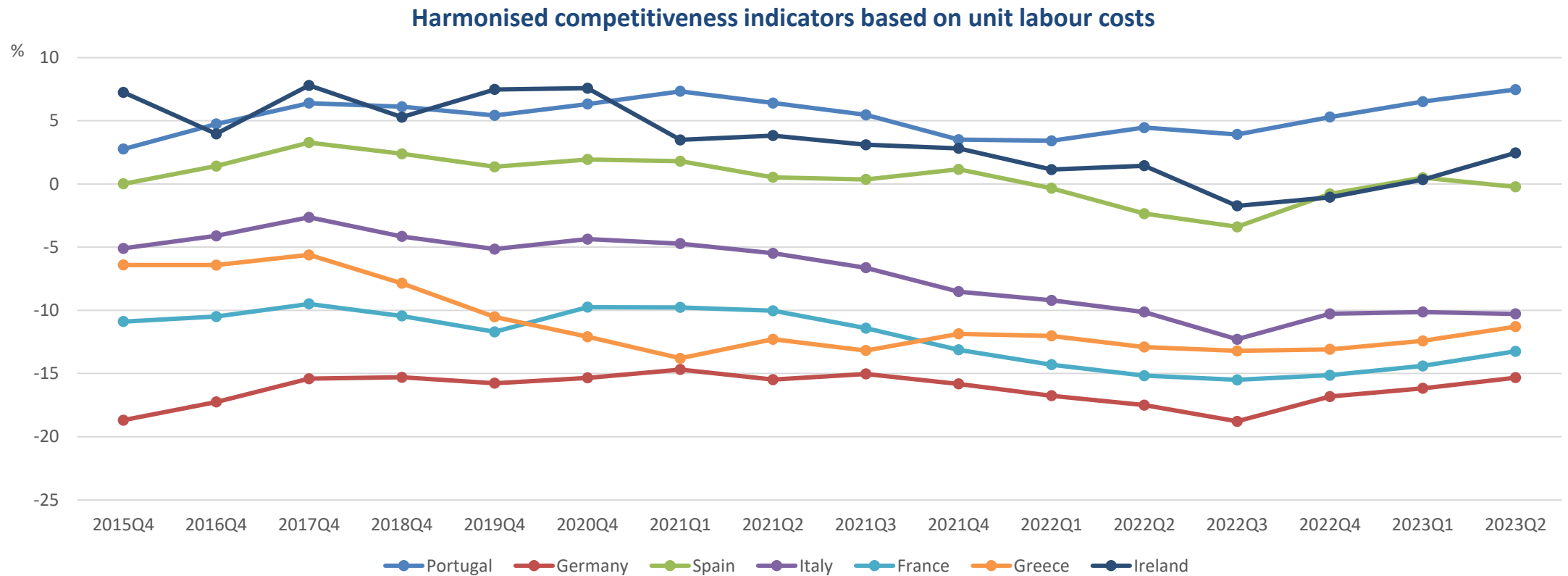
[Growth of real labour productivity and labour costs, 2022 anual growth, %]



Portugal has experienced strong competitiveness gains

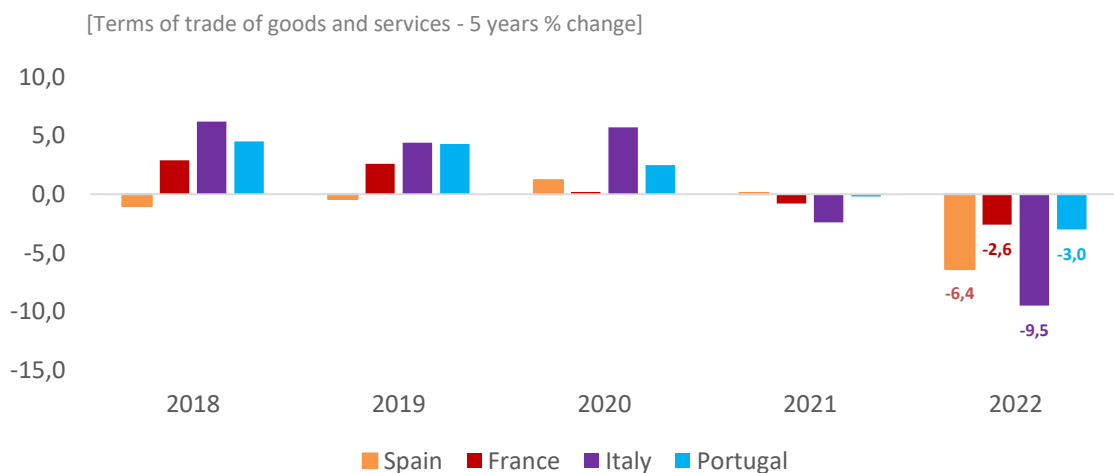
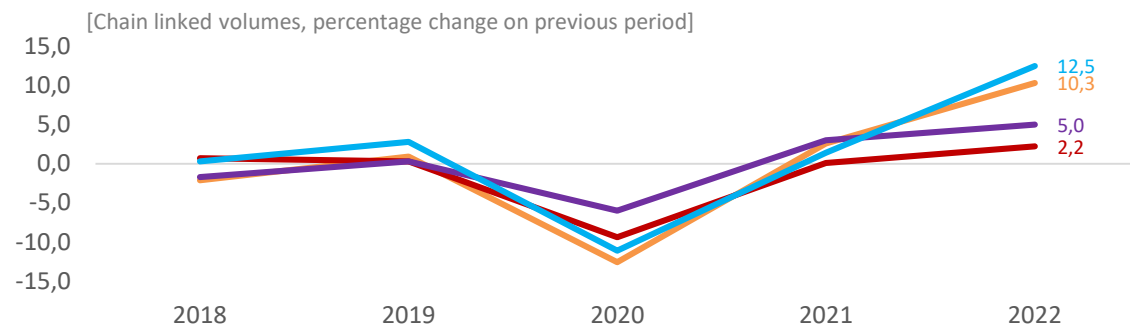
Unit labor costs in Portugal have been on a increasing trend

[Harmonised competitiveness indicators based on ULC % yoy annual rate of change]

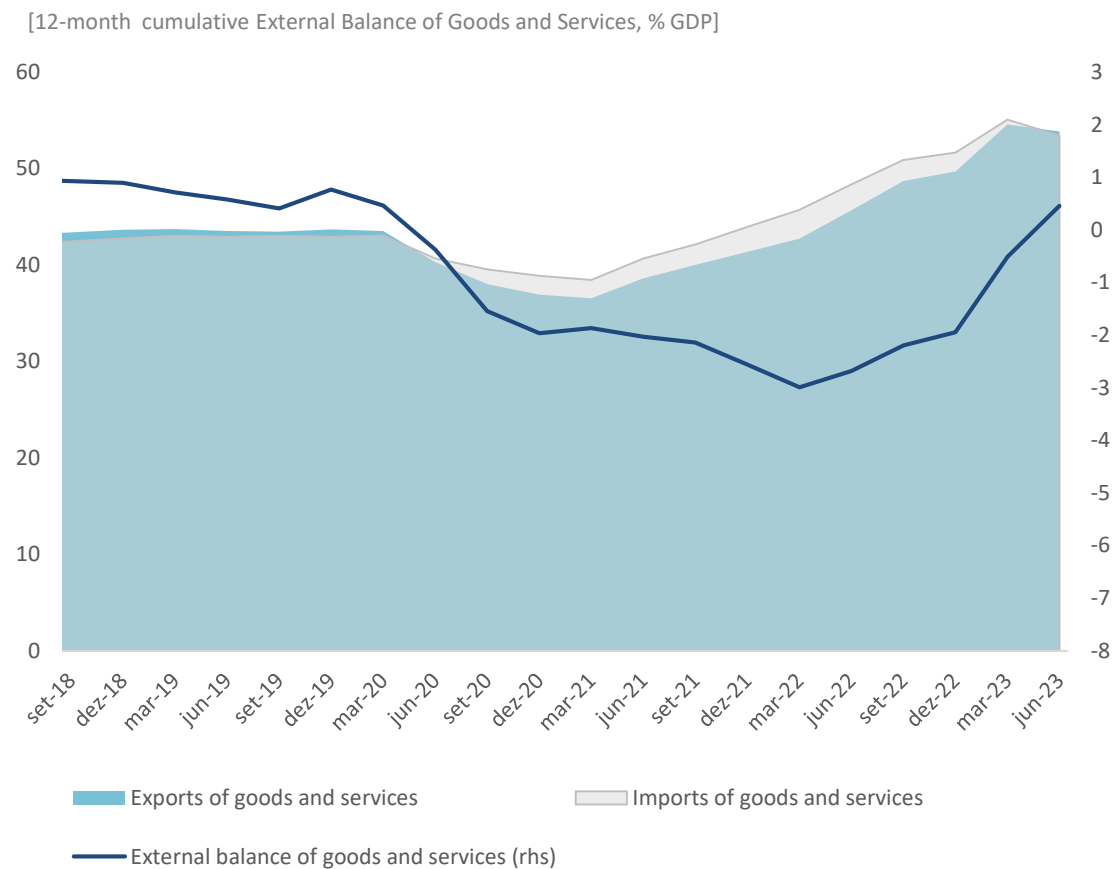


Portuguese exports have proven to be competitive

Market share gains soften effect of weakening terms of trade...



...and keep trade broadly balanced with increasing weight of exports in Economy (50% of GDP)

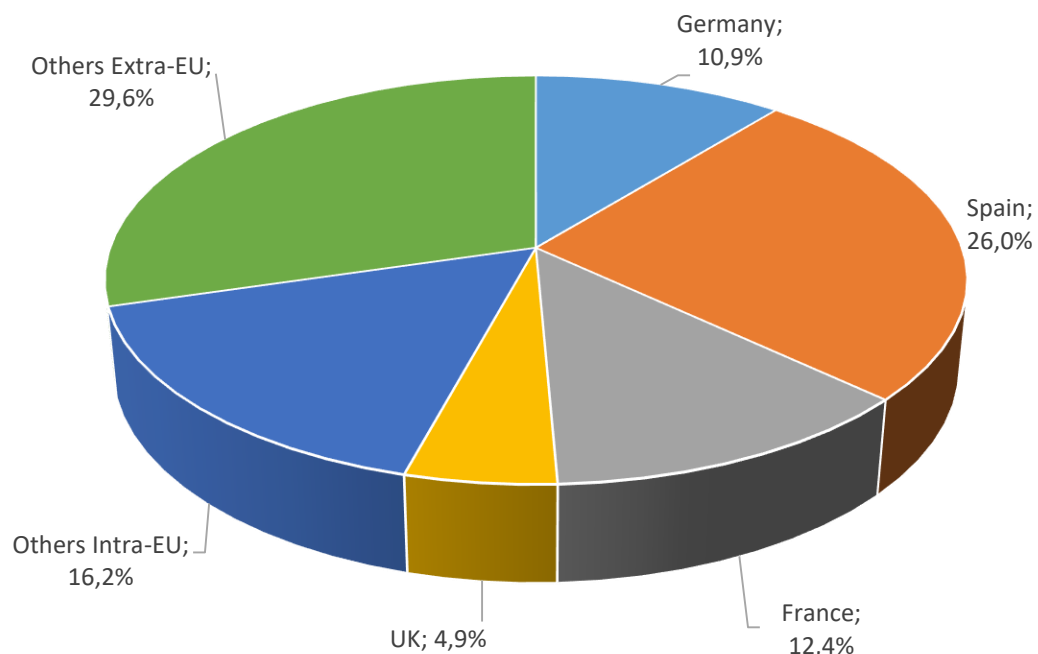


Portuguese goods exports had diversified base of destinations and product type in 2022

Germany, Spain, France and UK represented 54.2% of total goods exports

[% of total goods exports, 2022]

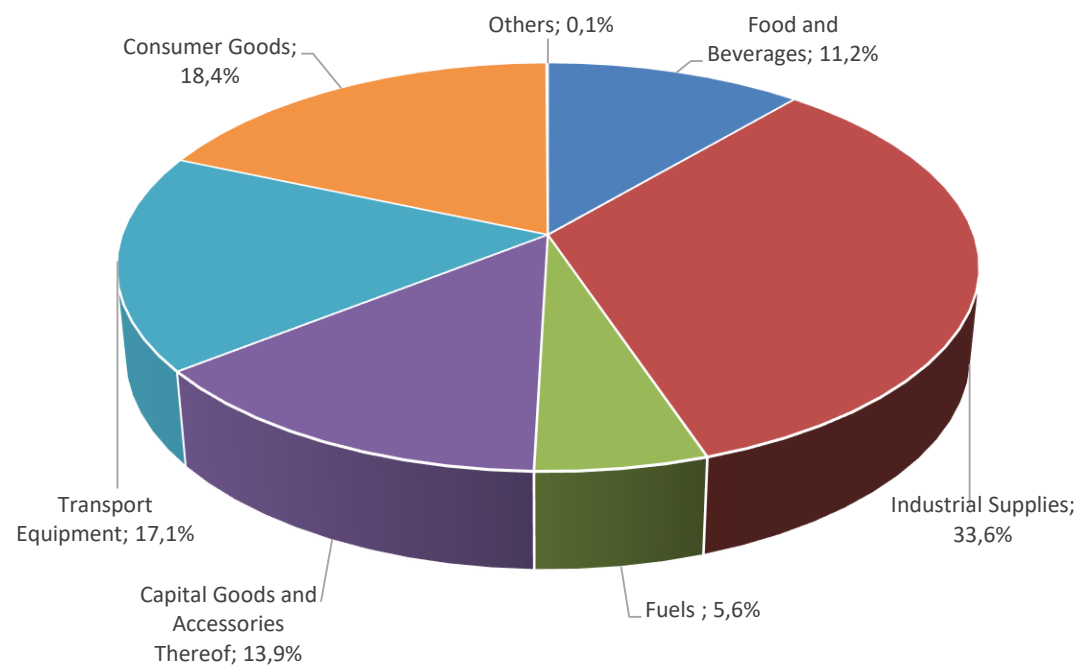
Exports destination, 2022



Industrial Supplies represented 33.6% of total goods exports

[% of total goods exports, 2022]

Exports type, 2022

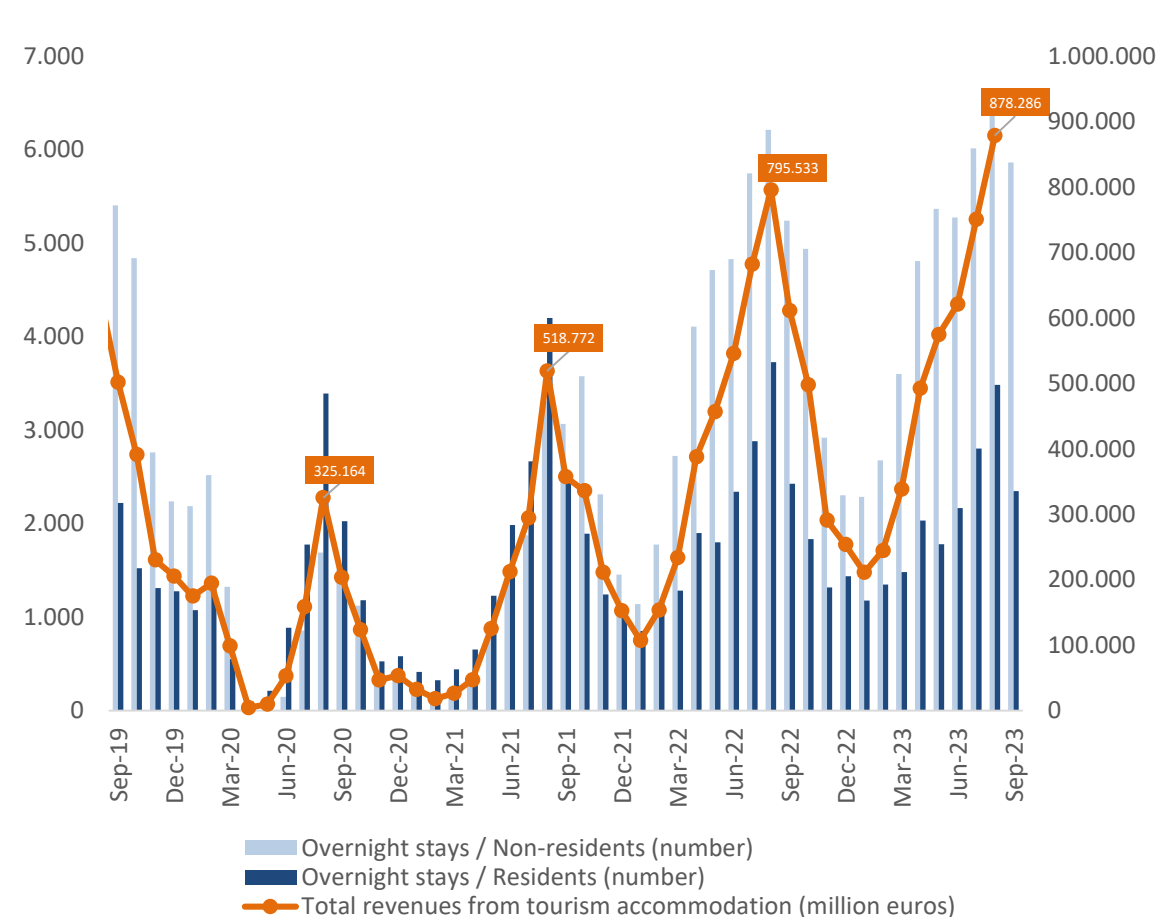


Tourism activity has surpassed pre-pandemic levels, both by resident and non-resident tourists

Tourism plays a key role in the Portuguese economy



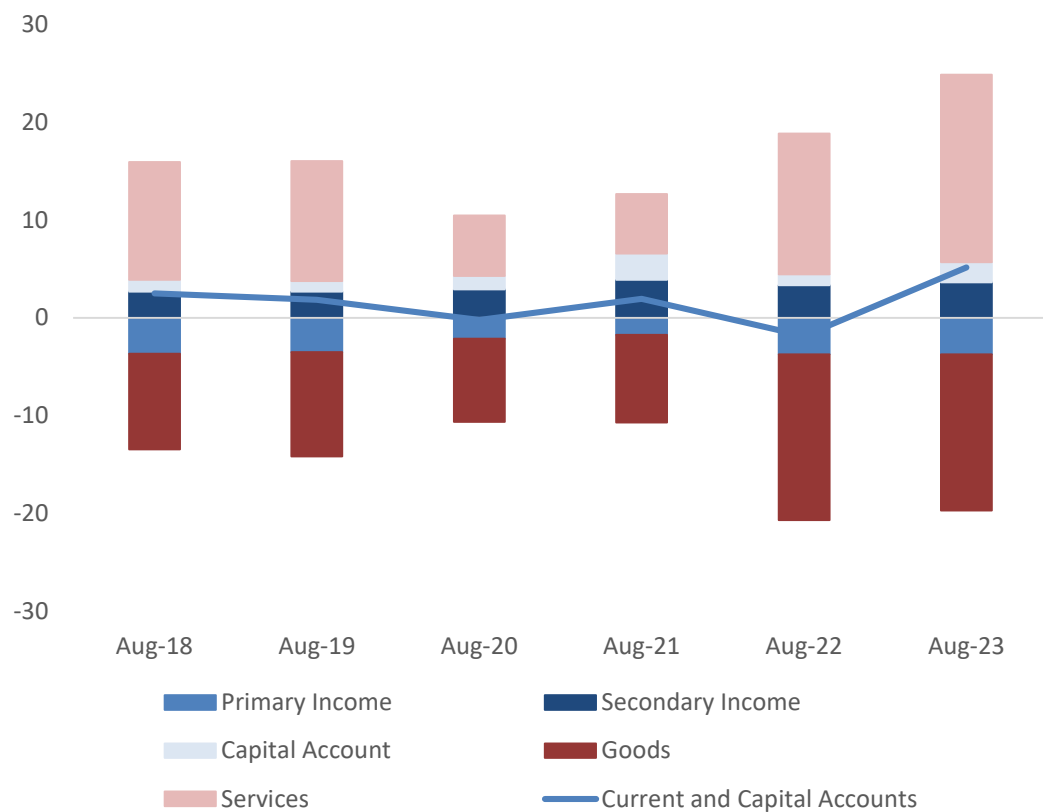
Total revenues full recovery has created a strong momentum for tourism activity this summer



Portugal has improved its external position, confirming the positive structural change

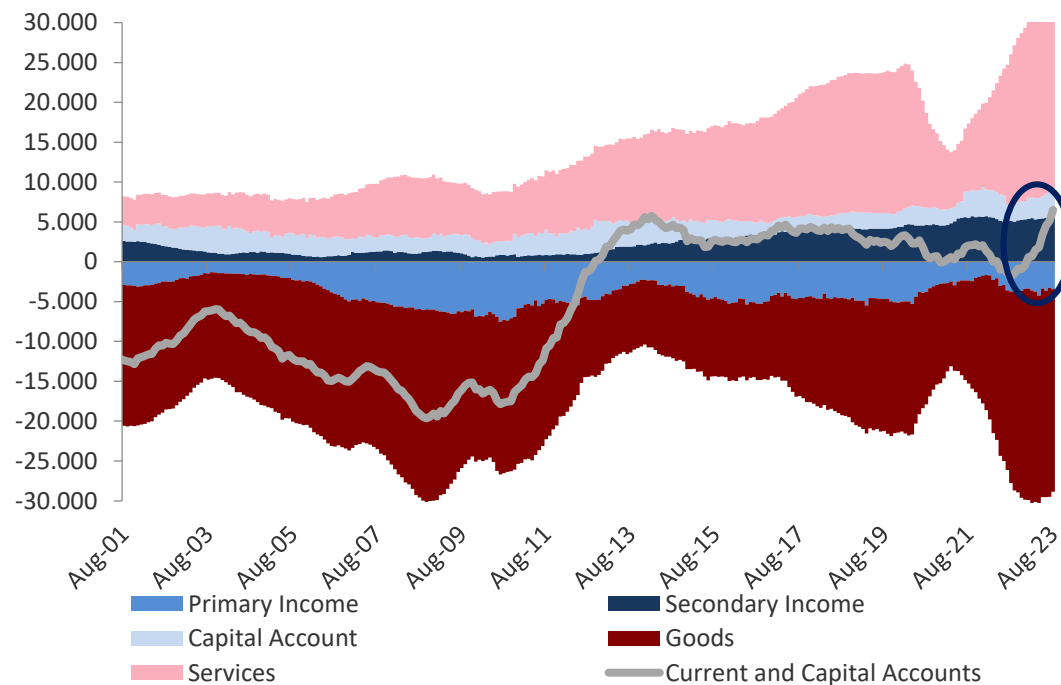
Services surplus offsets goods deficit both in pre and post Covid

[Cumulative current account balance up to August, EUR billion]



Current and capital account flows have been consistently balanced

[12-month cumulative Current and Capital Account, EUR billion]

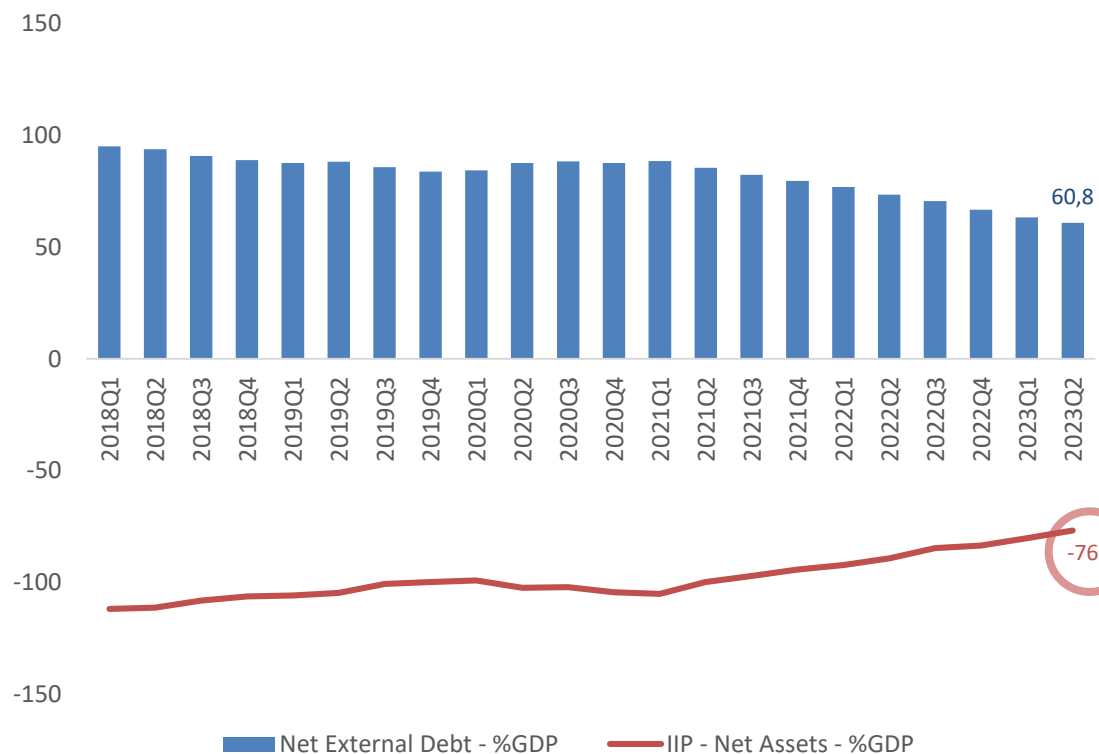


	2023	2024	2025	2026	2027	2028
Current Account (%GDP)	1.3%	1.1%	1.0%	0.7%	0.4%	0.2%

Portugal's external vulnerability has decreased significantly

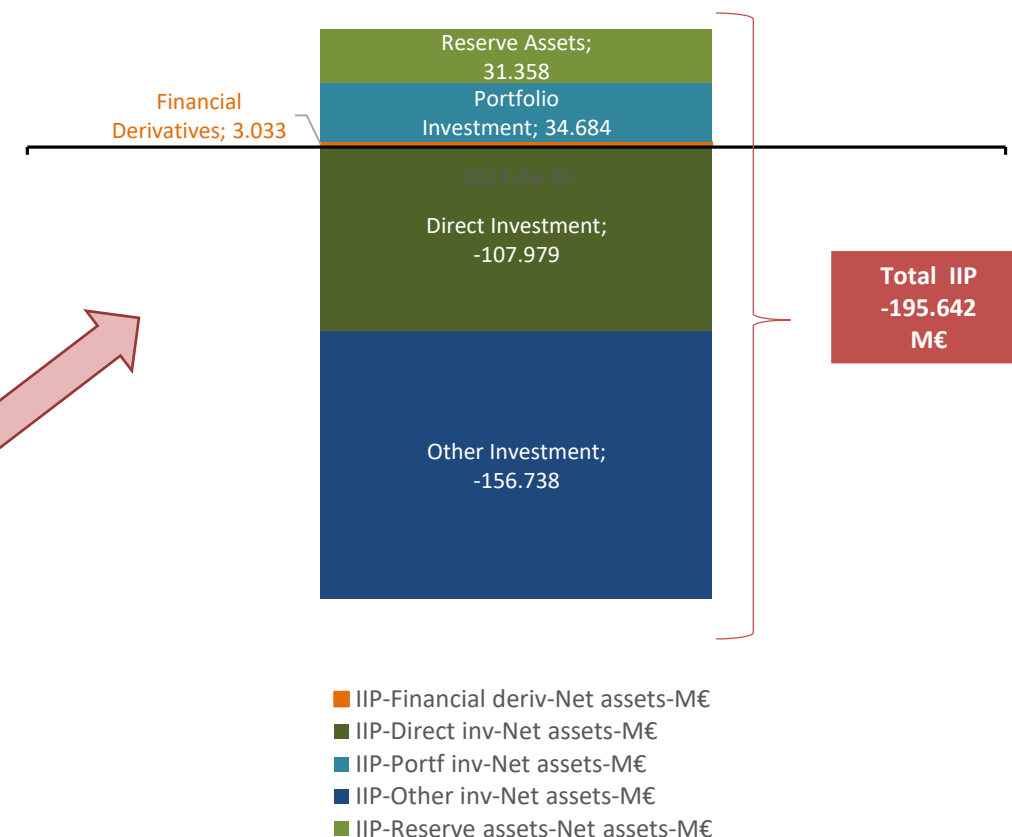
Net external debt has maintained a downward trend, reaching the lowest level since 2007

[Net External Debt and International Investment Position, % GDP]



Net International Investment Position has seen a strong improvement

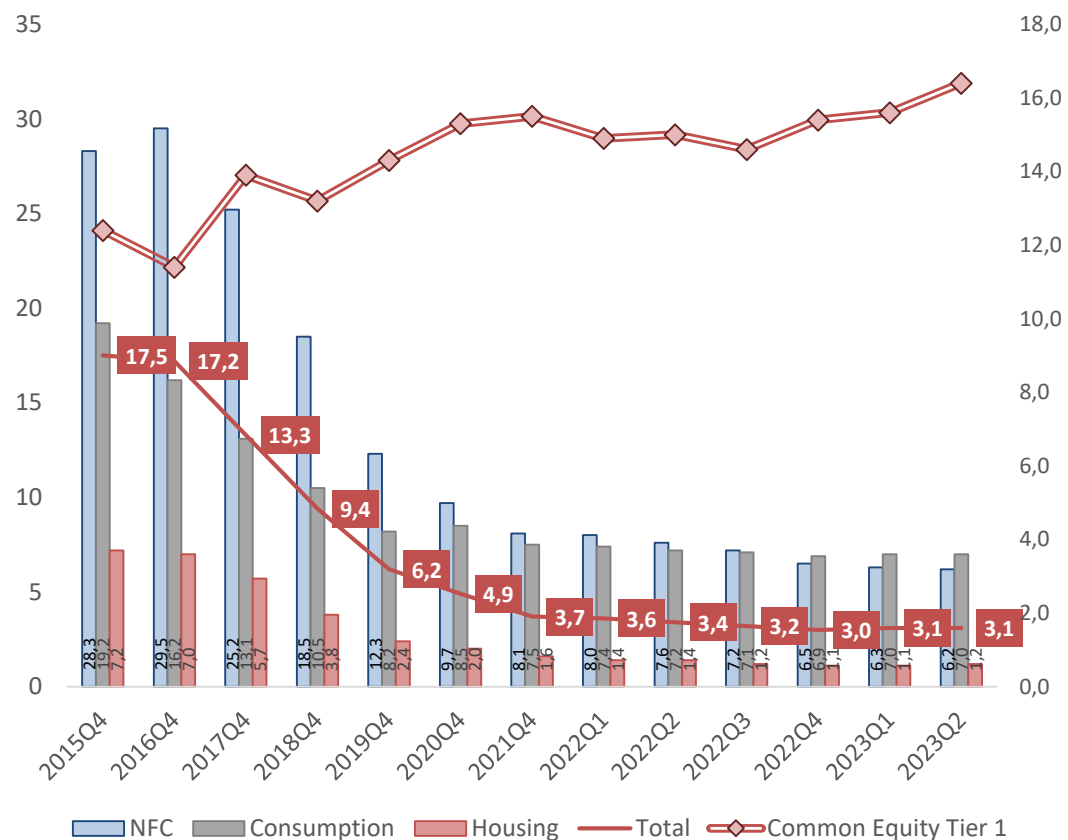
[International Investment Position decomposition, M€, 2023Q1]



Stronger banking sector and favourable financial conditions have made Portugal more resilient

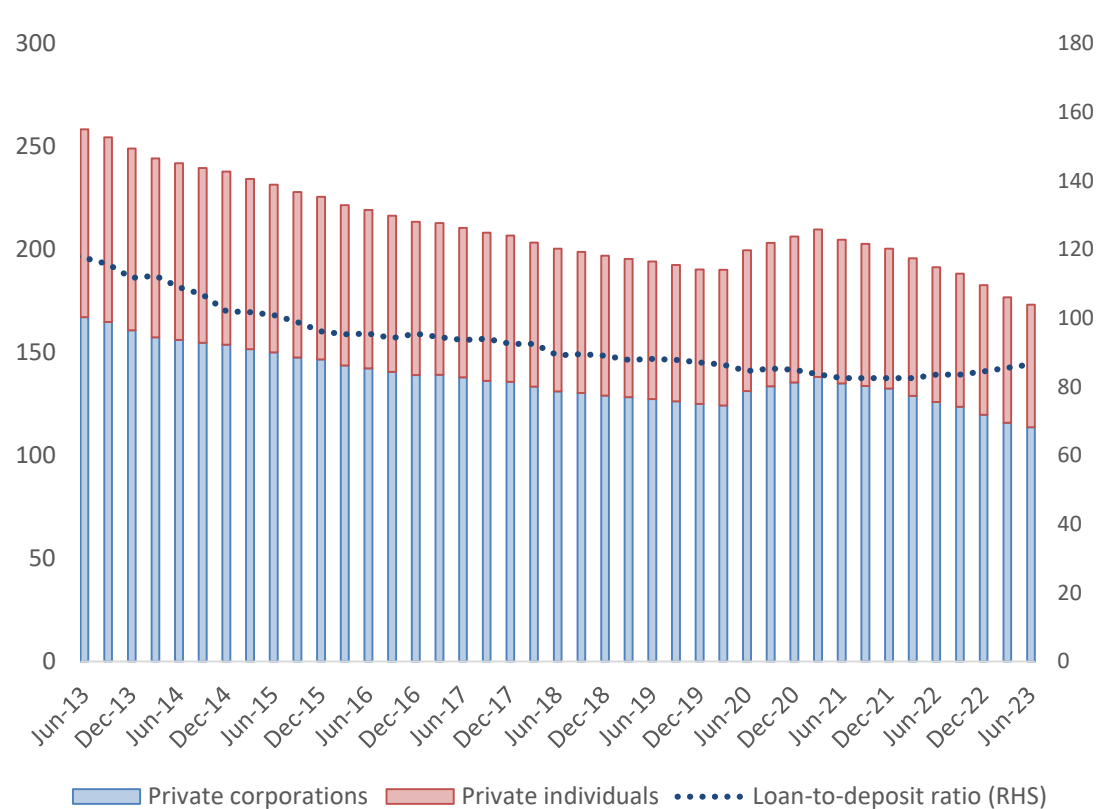
Banks recent profitability improvement builds on strengthened capital, liquidity and asset quality

[NPL ratio, as % of gross credit; end of period]



Private sector indebtedness has decreased past pre-pandemic level

[Non-financial private sector debt, % GDP]

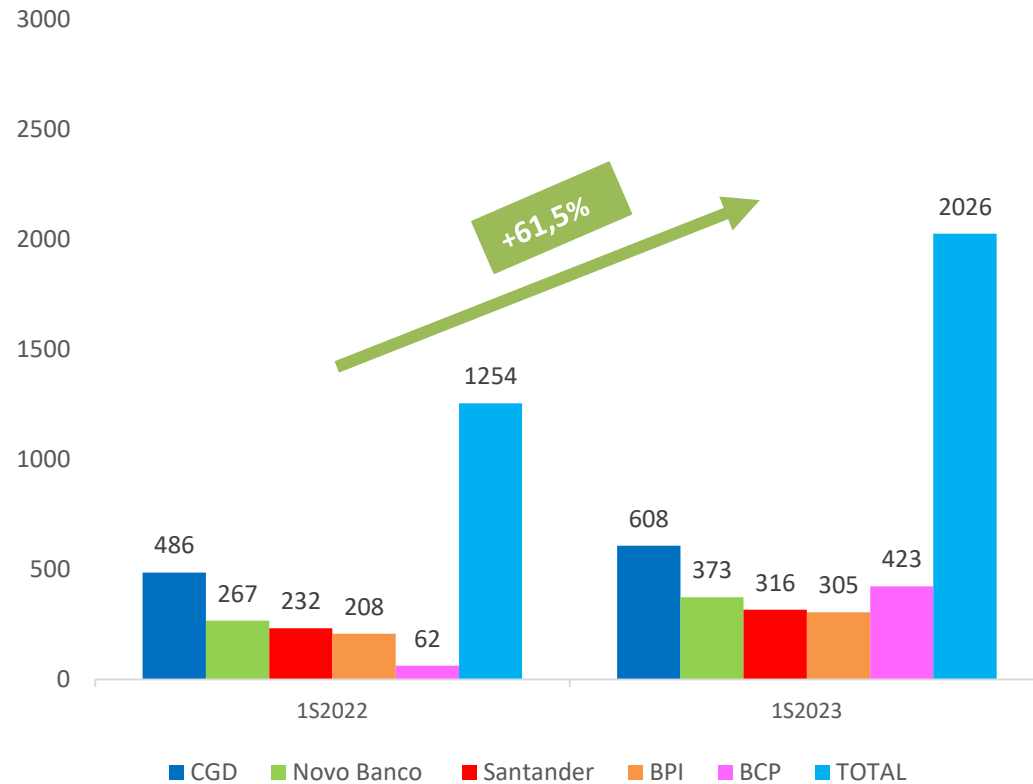


Recovery of net interest income pulled up profits of the banking sector

In the first semester of 2023, larger banks operating in Portugal increased their net income by 61.5% (vs. 1S2022)

[Five biggest Portuguese bank's net income, EUR million]

Five largest portuguese bank net income



ROE of Portuguese banks higher than EA

[Return on Equity (ROE), %]



Most residential property loans in Portugal are indexed to Euribor

84.2% of contracts are indexed at variable interest rate

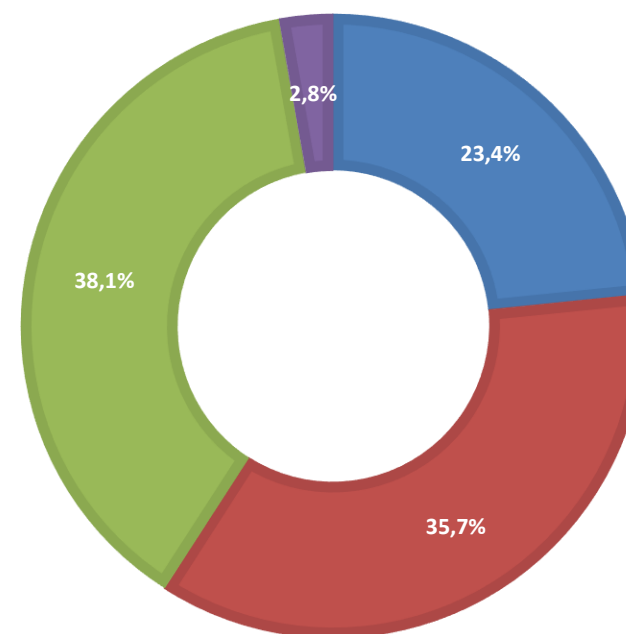
[Stock of loans for personal and permanent residential property with variable interest rate, by the type of interest rate,%, September 2023]



Almost all variable interest rate loans are indexed to Euribor

[Stock of loans for personal and permanent residential property with variable interest rate, by reference rate, %, September 2023]

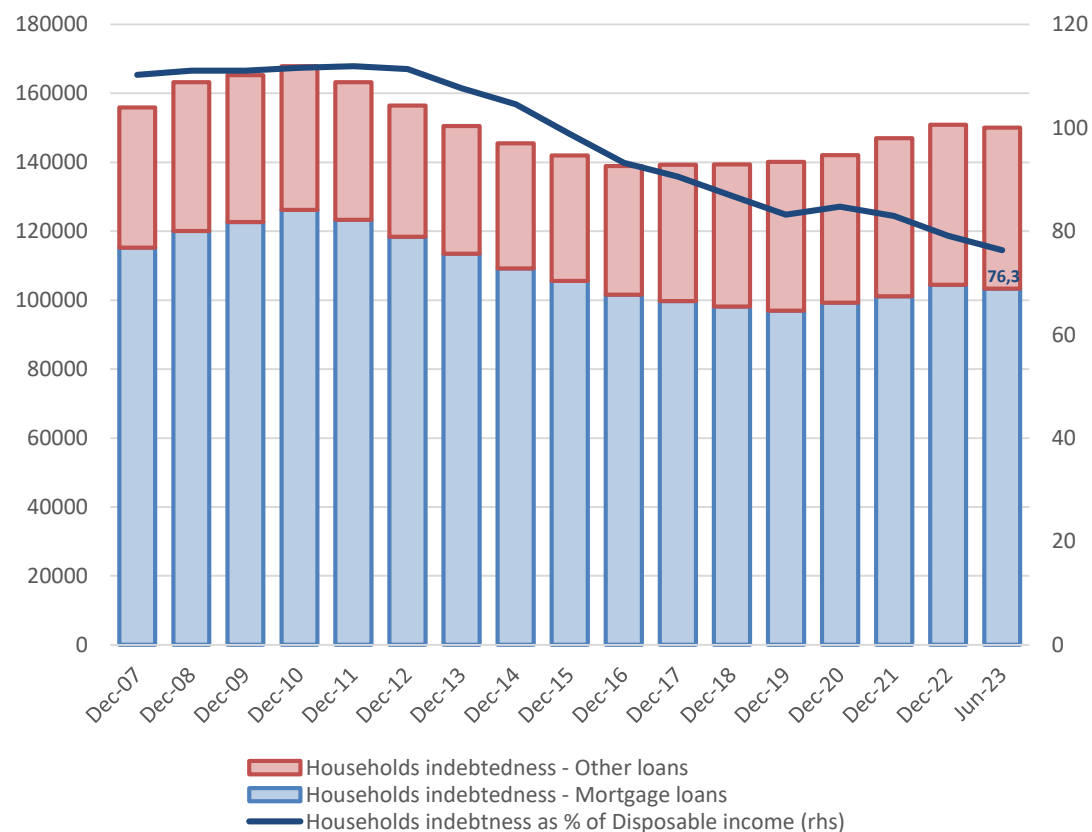
■ 3-month Euribor ■ 6-month Euribor ■ 12-month Euribor ■ Other



Growth in disposable income cushions negative impacts on Households' financial situation

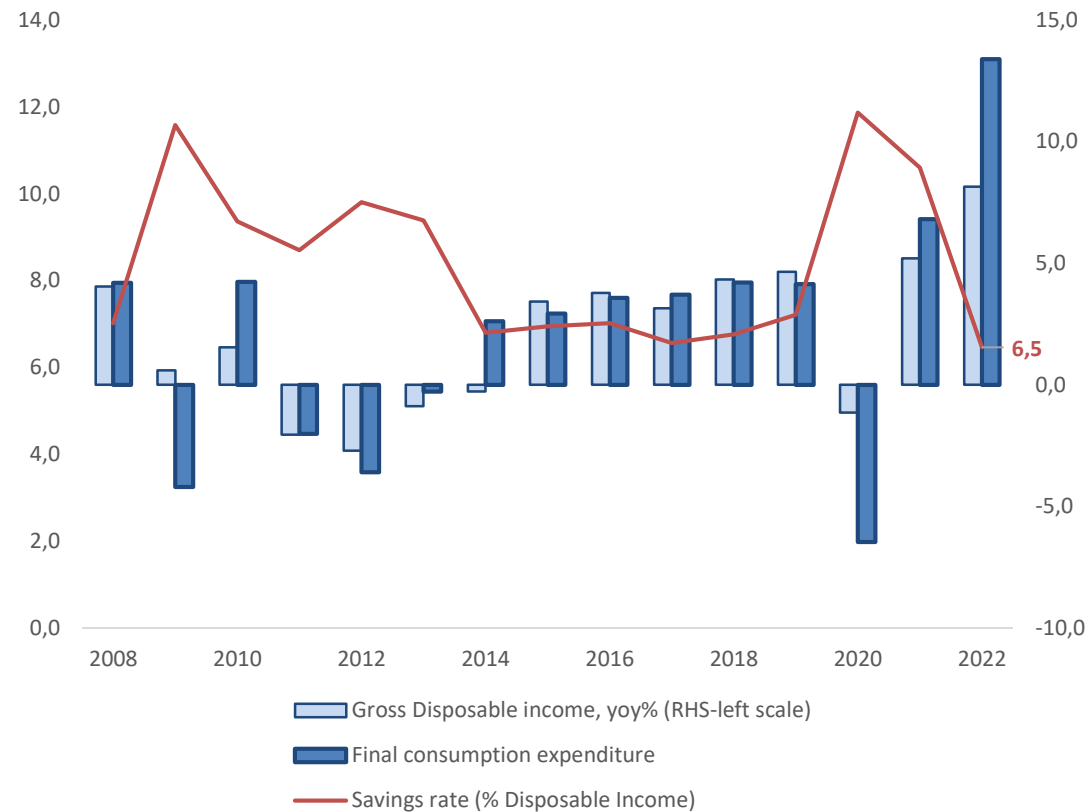
Increase in disposable income more than offsets the growth of households indebtedness

[Households indebtedness, EUR billions and % of Disposable income]



Savings rate returns to historical levels

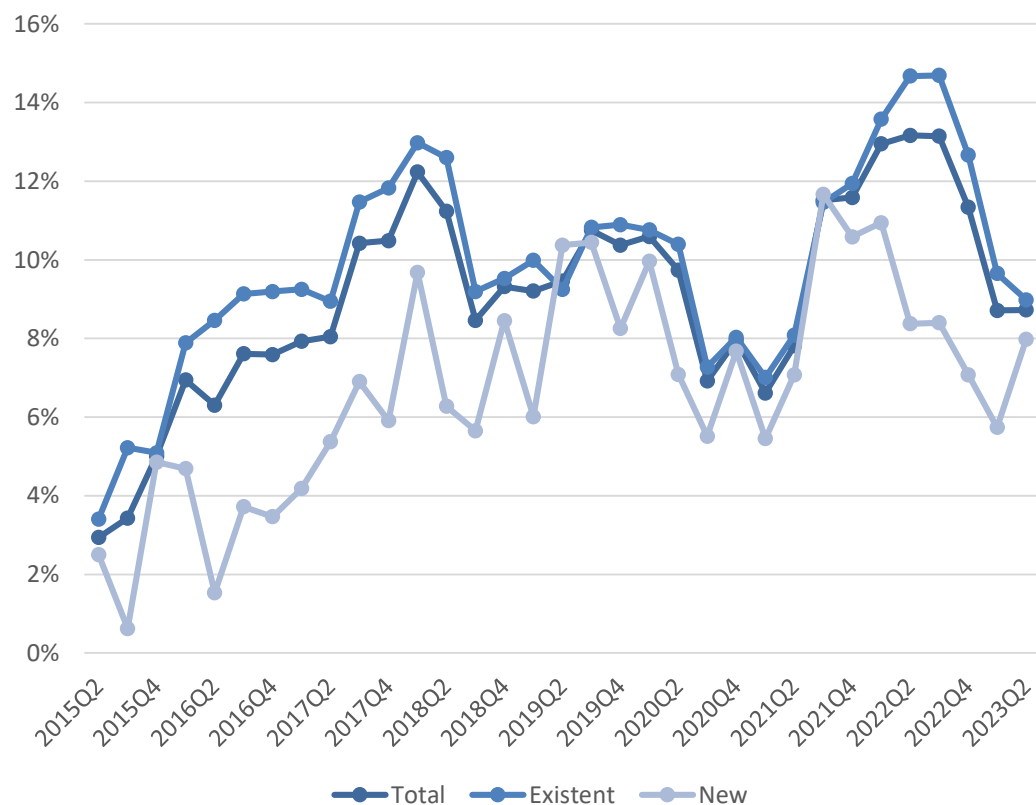
[Gross Disposable Income (GDI) yoy %; Savings rate (% Disposable Income) and Final consumption expenditure]



In Q2 2023, House Price Index (HPI) rose 8.7% YoY, same as in the previous quarter

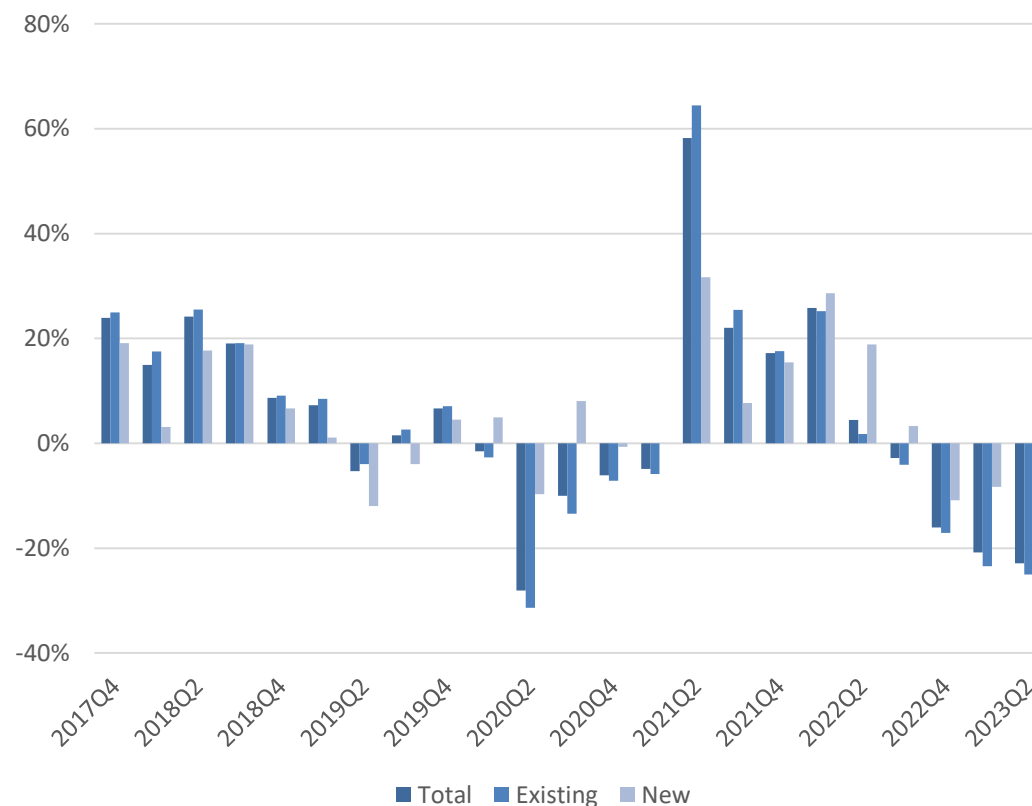
Increase in prices of existent dwellings (9.0%) surpassed that of new dwellings (8.0%)

[House Price Index, YoY change]



Number of transactions in the Housing Market in Q2 2023 decreased by -22.9% (YoY)

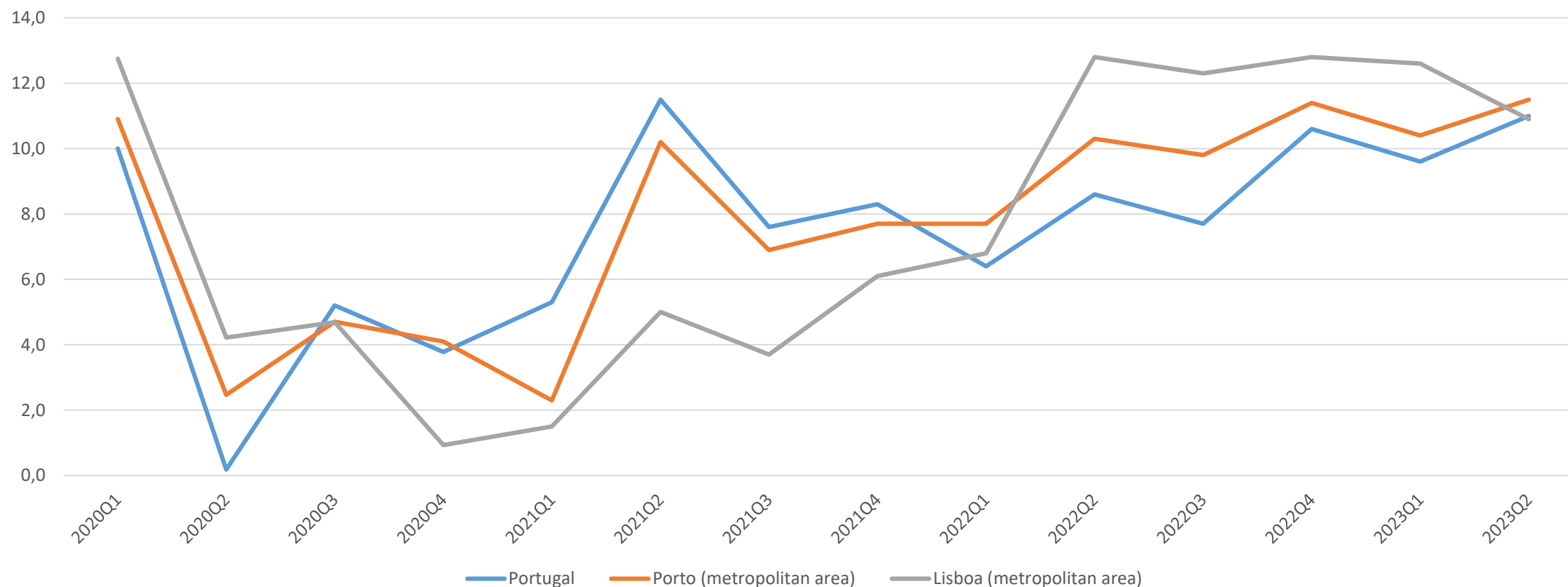
[Number of Transactions in Housing Market, YoY change]

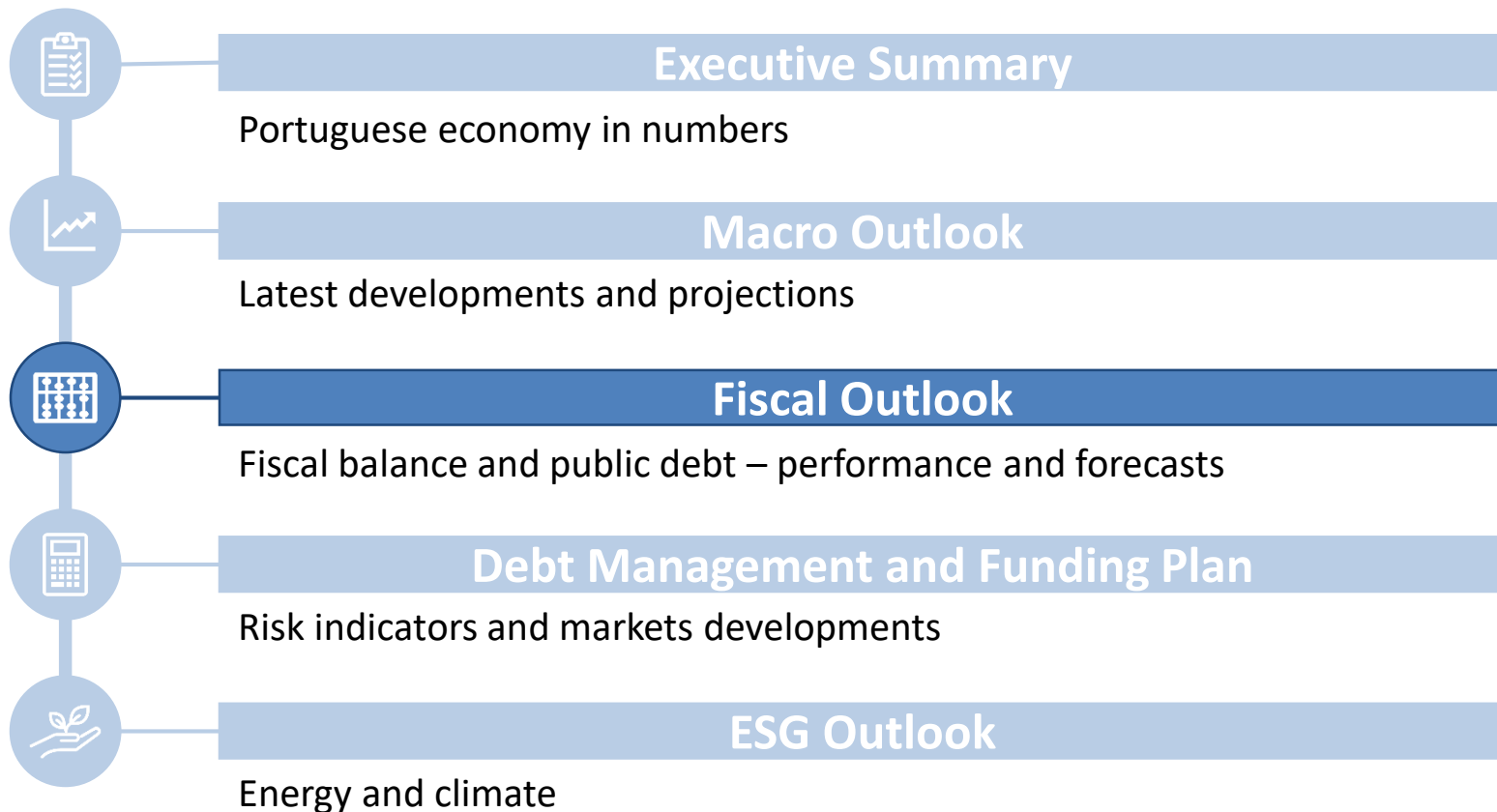


In Q2 2023, median house rents of new lease agreements increased 11.0% (YoY)

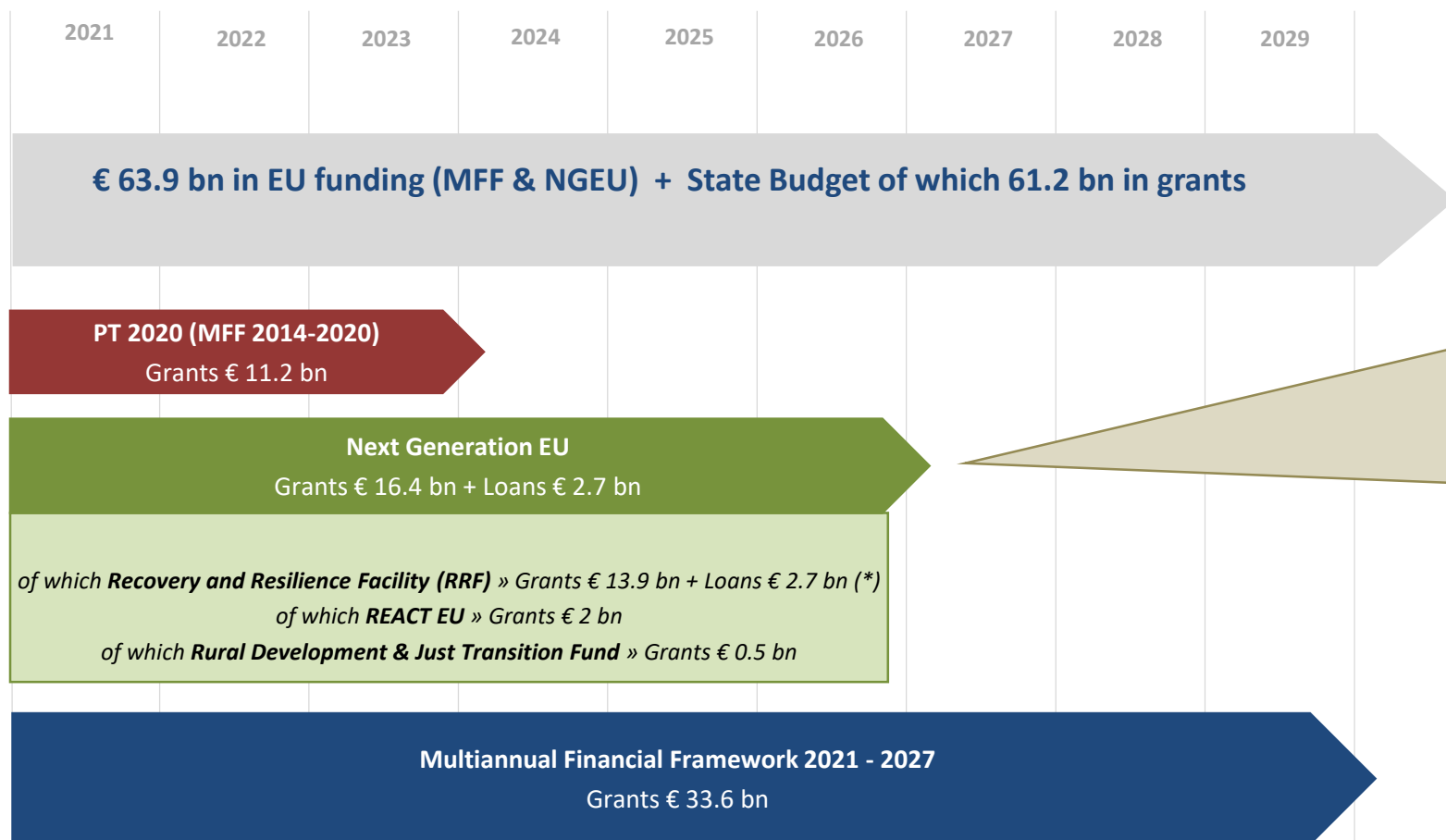
In Metropolitan Area of Lisbon median house rents increased by 10.9% and 11.5% in the Metropolitan Area of Porto (YoY)

[Year-on-year rate of change in the Median value of rents per m2 of new rental contracts for family accommodation (%)]





Growth agenda boosted by EU funds



Last May, **Portugal submitted a request to the Commission to modify its recovery and resilience plan.**

The modified plan:

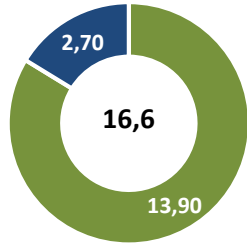
- includes a new chapter on RePower EU;
- follows the upward revision of maximum RRF grant allocation and comprises the effect of supply chain disruptions and the very high inflation; and
- request for €3.2 billion in additional loans.

The changes make the submitted **overall modified plan worth €22.2 billion.**

Revision of Recovery and Resilience Plan approved by EU

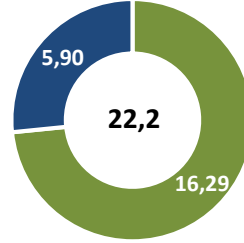
Increased total amount

Initial RRP



■ Grants ■ Loans

Modified RRP



■ Grants ■ Loans

Revision of RRF grants allocation
+ € 1.6 bn

RePower EU additional funds
+ € 0.8 bn

Additional loans request
+ € 3.2 bn

Further ambition: more reforms and investments

- **New REPowerEU chapter** includes **6 reforms and 18 investments**, focusing on energy efficiency in buildings, renewables and biogas, sustainable transport, the electricity grid and green industry, reinforcing the commitment with energy transition in line with the European Union's priority
- Portugal also proposes to include **31 new or scaled up investments and 5 new reforms** with focusing on:
 - i. Foster competitiveness of the Portuguese economy
 - ii. Strengthen the Welfare State; and
 - iii. Enhance of territorial cohesion

Impact on GDP growth from EU funds

Portuguese authorities* estimate a 3.5 p.p. increase in potential GDP by 2025...

- Annual average rate of **GDP growth estimated to be 0,7 p.p. higher than on a scenario without RRP.**

	T+2	T+5
GDP (%)	1,4	3,5
Employment (p.p.)	0,7	1,4
Unemployment rate (p.p.)	-0,4	-1,6
Overall fiscal balance (p.p.)	0,5	1,5

(*) The impact assessment of RRP in the short term on the main macro indicators was based on a model by the Ministry of Finance

... the EC forecasts an increase between 1.5% and 2.4% by 2026

- “Model simulations conducted by the Commission using the QUEST model show that the **economic impact of the NGEU in Portugal could lead to an increase of GDP of between 1.5% and 2.4% by 2026. After 20 years, GDP could be 0.9% higher.** This stylised scenario does not include the possible positive impact of structural reforms, which can be substantial. A model-based benchmarking exercise shows that undertaking structural reforms that would result in halving the gap vis-à-vis best performers in terms of indicators of structural reforms could raise Portuguese GDP by up to 10% in 20 years’ time, in line with findings for the EU average.”

Summary of the Commission’s assessment of the Portuguese recovery and resilience plan

Both exercises recognize the positive effect of the plan and acknowledge that other dimensions will likely benefit from the reforms introduced, creating a positive and lasting impact on the economy and society

Implementation of NGEU funds is advancing

All contracts between “Recuperar Portugal” and the investment executing entities have been signed

Disbursements to final and direct beneficiaries stand at EUR 2.872 M



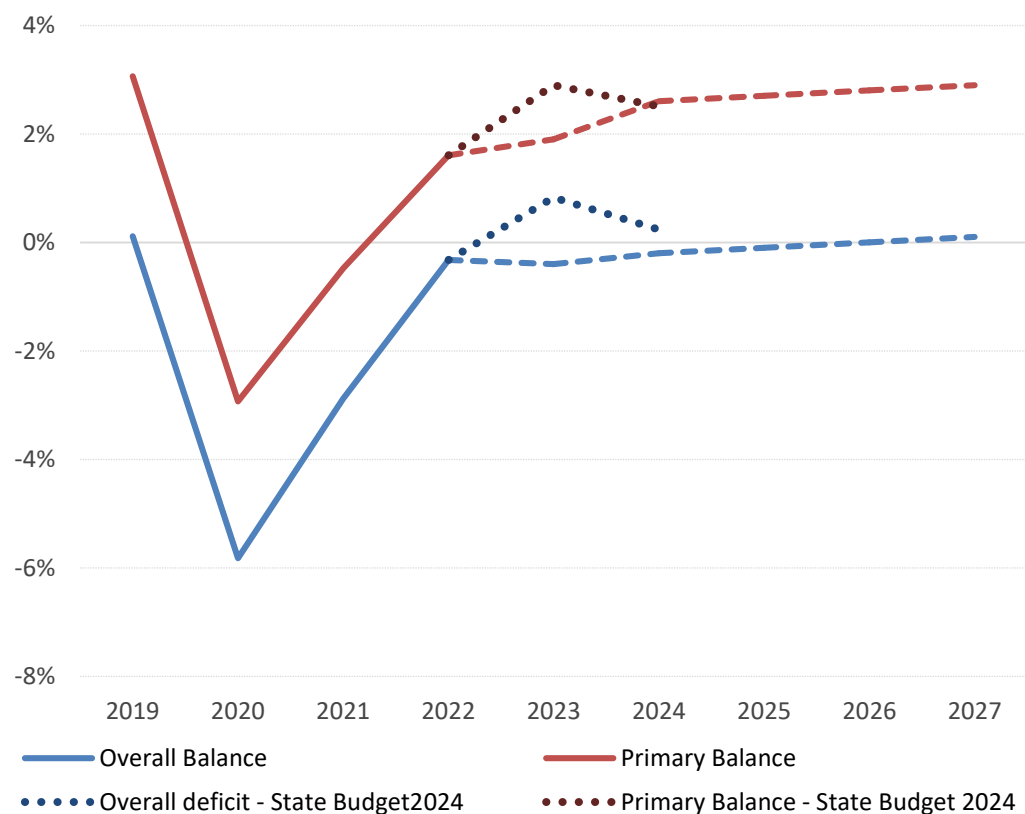
Fluxos Financeiros PRR²

	Recebido Comissão Europeia (M€)	Pago a Beneficiários Diretos (M€)	Em trânsito em Beneficiários Intermediários (M€) ¹	Pago a Beneficiários Finais (M€)	Total (M€)
RESILIÊNCIA		309M €	797M €	1.509M €	2.615M €
TRANSIÇÃO CLIMÁTICA		153M €	87M €	319M €	559M €
TRANSIÇÃO DIGITAL		447M €	92M €	136M €	674M €
	5.142M €	909M €	976M €	1.963M €	3.848M €

Fiscal consolidation expected to continue

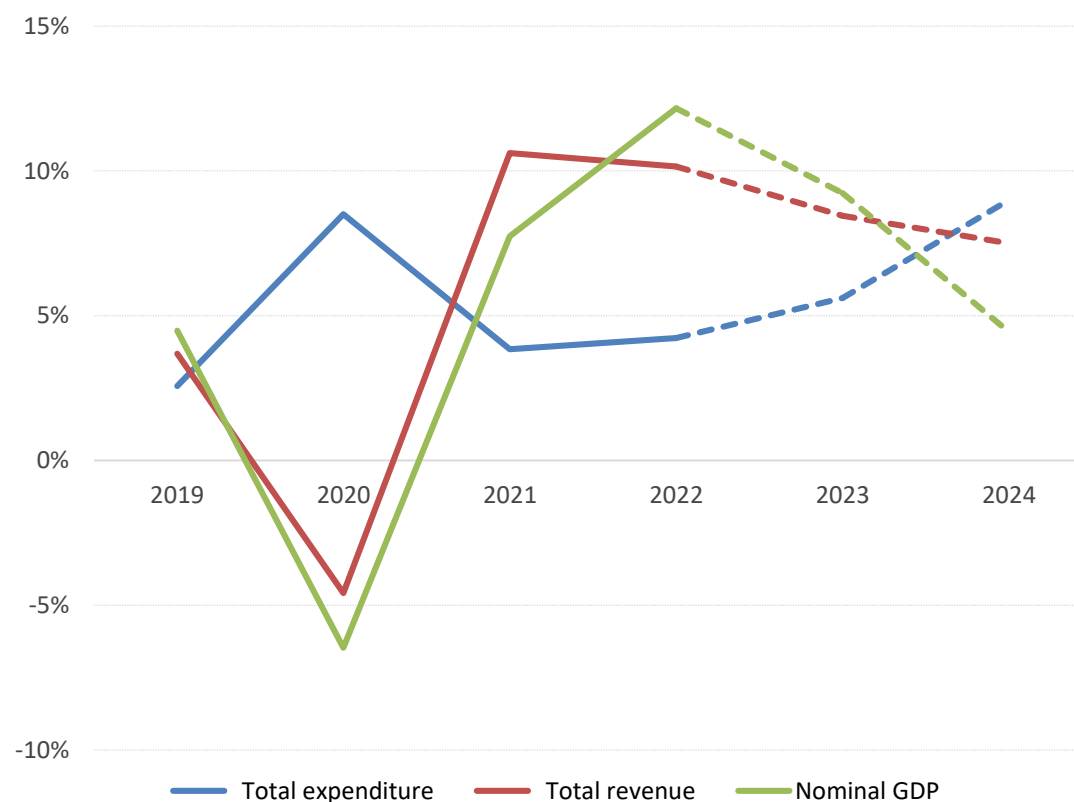
Overall balance improved significantly in 2023 to a surplus of 0.8% of GDP and reduce slightly in 2024

[Overall and Primary Balances, %GDP]



Economic resiliency and a commitment to fiscal prudence, supported by incoming EU funds, underpin further fiscal consolidation

[Expenditure and Revenue, yoy growth]



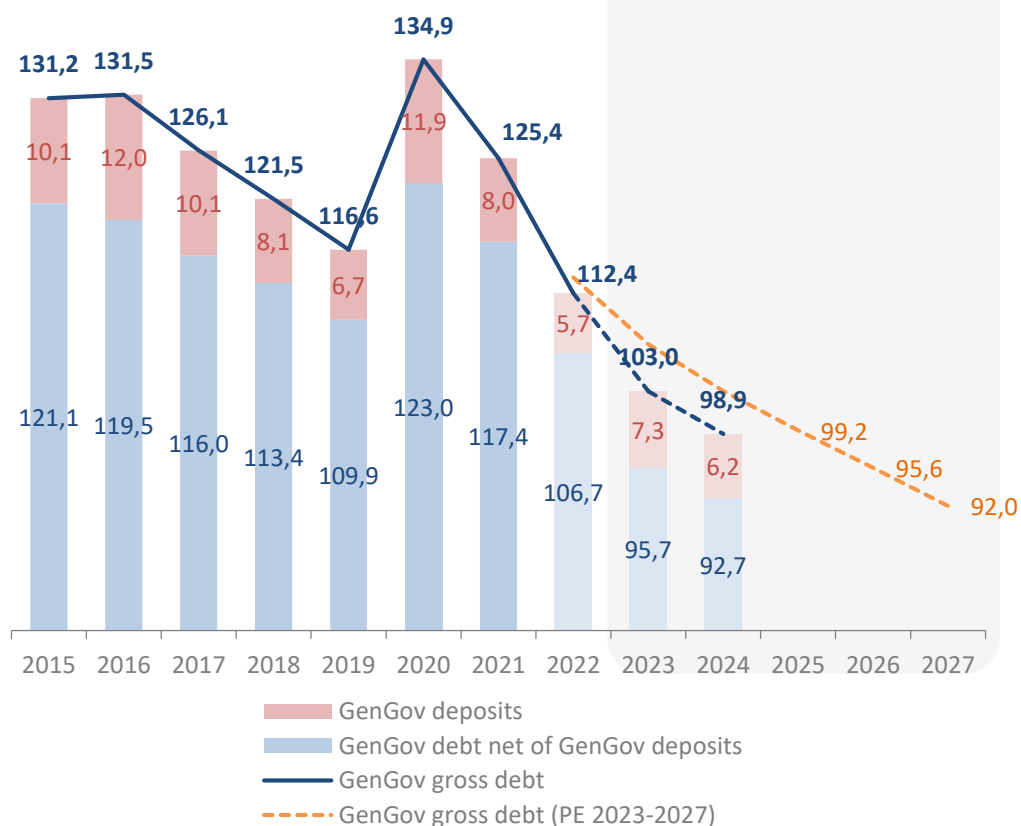
Breakdown of Fiscal Balance shows improvement

General Government Accounts (Accrual basis, as % of GDP)	2019	2020	2021 (P)	2022 (P)	2023 F	2024 F
Total revenue	42,6	43,4	44,6	43,8	43,5	44,7
Current revenue	42,2	42,9	43,4	43,2	42,4	43,0
Current taxes on income and wealth	9,7	10,0	9,6	10,6	14,4	15,0
Taxes on production and imports	15,0	14,5	15,0	15,0	10,5	10,1
Social contributions	11,8	12,8	12,7	12,2	12,3	12,3
Sales	3,4	3,2	3,1	3,2	3,0	3,0
Other current revenue	2,2	2,4	3,0	2,1	2,2	2,6
Capital revenue	0,4	0,5	1,2	0,6	1,1	1,8
Total expenditure	42,5	49,2	47,5	44,1	42,6	44,5
Current expenditure	39,6	44,8	43,6	40,3	39,0	40,0
Social benefits	18,1	20,0	19,3	18,5	17,7	18,1
Compensation of employees	10,8	11,9	11,6	10,7	10,5	10,6
Interest	3,0	2,9	2,4	1,9	2,1	2,3
Intermediate consumption	5,1	5,5	5,6	5,5	5,5	5,6
Subsidies	0,4	1,8	2,0	1,1	0,8	0,7
Other current expenditure	2,2	2,6	2,7	2,6	2,4	2,7
Capital expenditure	2,8	4,5	3,8	3,8	3,7	4,5
Gross Fixed Capital Formation	1,7	2,4	2,6	2,4	2,8	3,3
Other capital expenditure	1,1	2,1	1,3	1,4	0,9	1,2
Overall Balance	0,1	-5,8	-2,9	-0,3	0,8	0,2
Primary Balance	3,1	-2,9	-0,5	1,6	2,9	2,5

Commitment to fiscal prudence takes public debt ratio lower than 100% in 2024

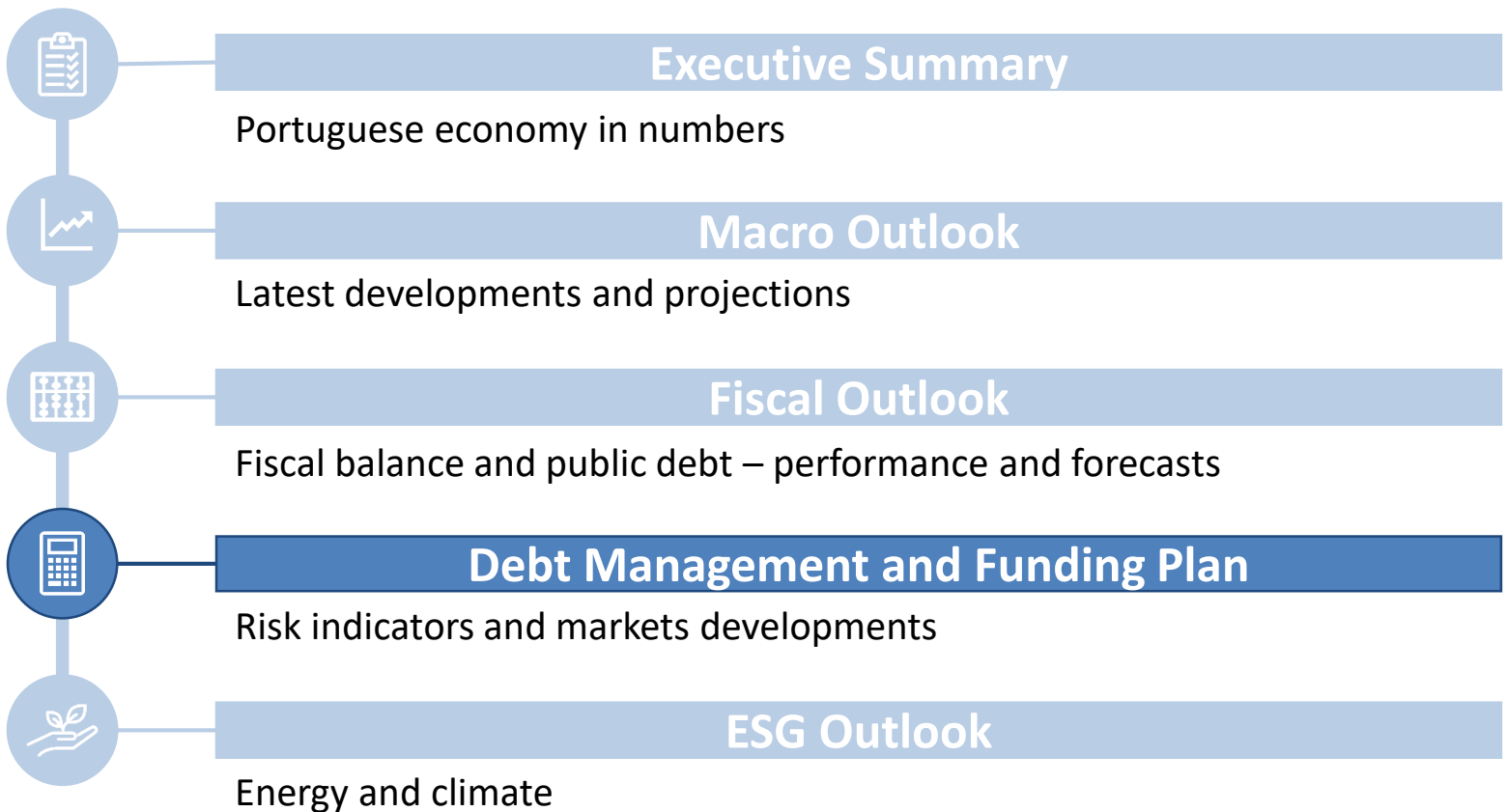
Debt-to-GDP ratio spiked to a maximum in 2020, but the pre-Covid downward trend resumed in 2021 anchored in favorable metrics

[Maastricht debt, % GDP]



[pp GDP]

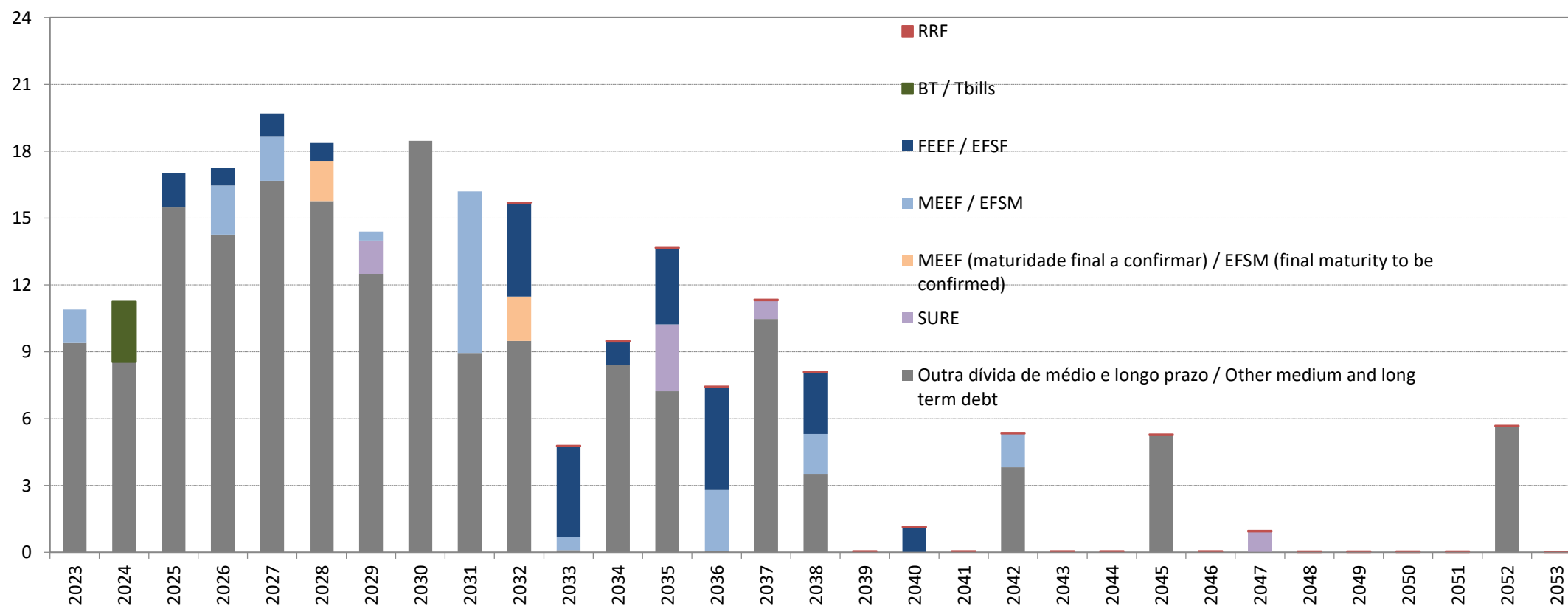
YEAR	2020	2021	2022P	2023F	2024 F
Maastricht debt (% GDP)	134,9	124,5	112,4	103,0	98,9
Annual change (pp GDP)	18,3	-10,3	-12,1	-9,4	-4,2
Primary balance effect	2,9	0,5	-1,6	-3,0	-2,6
Snowball effect	10,9	-7,3	-11,6	-7,4	-2,5
Interest costs	2,9	2,4	1,9	2,1	2,3
Nominal GDP	8,1	-9,7	-13,5	-9,5	-4,4
Real GDP	10,3	-6,9	-8,0	-2,4	-1,5
Deflator	-2,3	-2,0	-5,6	-7,1	-2,8
Stock-flow adjustments	4,4	-3,5	1,1	1,0	0,5
Nominal GDP growth rate (yoy)	-6,5	7,7	12,2	9,2	4,4
Overall fiscal balance (%GDP)	-5,8	-2,8	-0,3	0,8	0,2
Primary balance (%GDP)	-2,9	-0,5	1,6	2,9	2,5
Interest costs (%GDP)	2,9	2,4	1,9	2,1	2,3



Smooth debt redemption profile

Objectives: avoid peaks of amortization, reduction of refinancing risk and flexibility in issuance plans

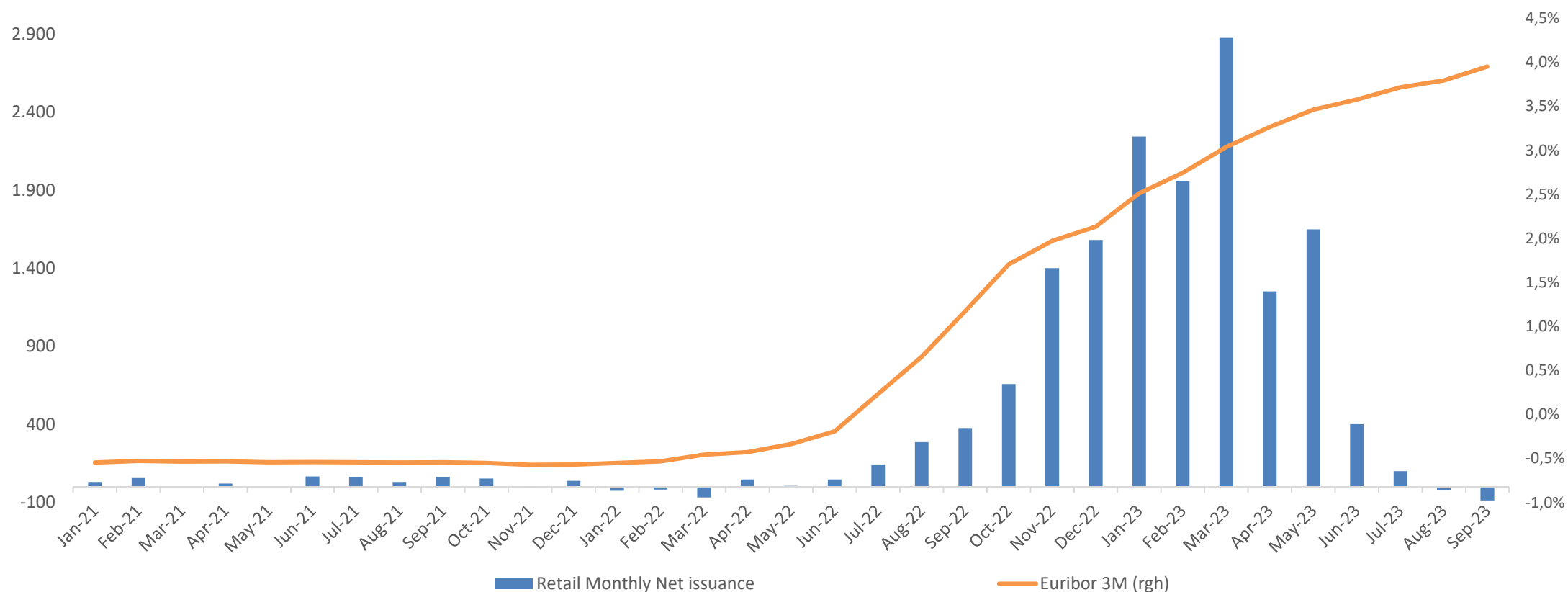
[Redemption calendar debt; September-2023 + rollover EFSM; EUR billion]



Net issuance of retail debt certificates consolidates performance

Net issuance in 2023 YTD has reached EUR 10.8 bn (at target for 2023)

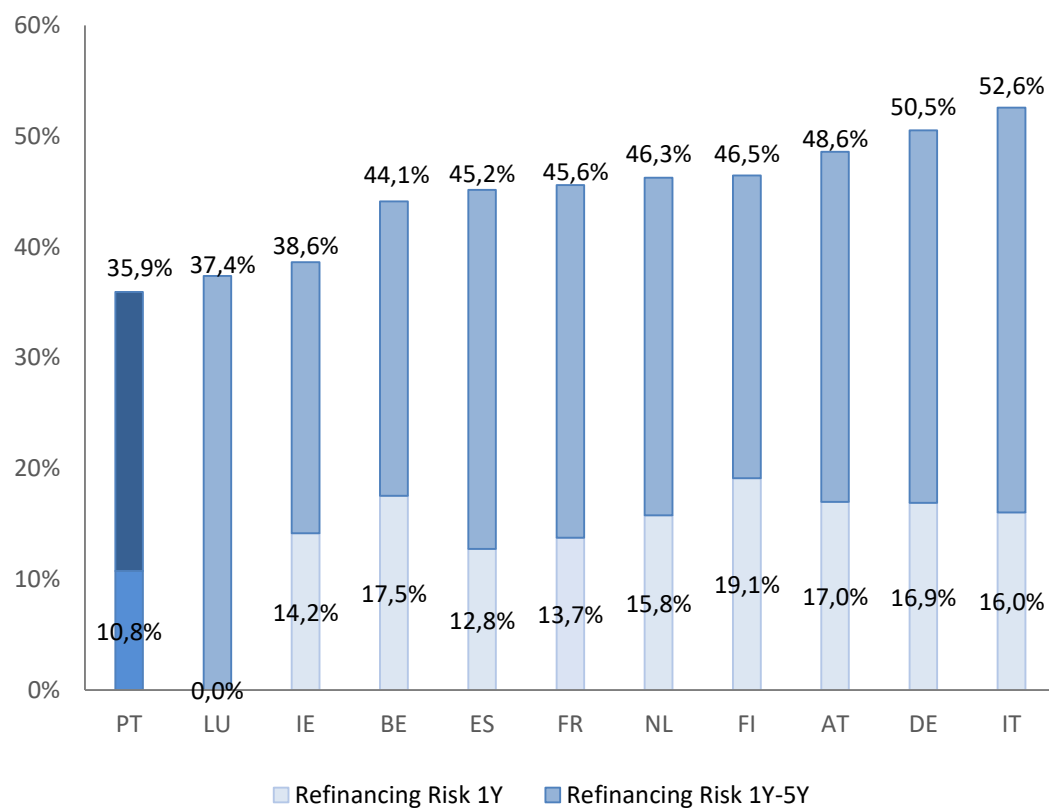
[Monthly net subscriptions; EUR million; %]



Limited refinancing and refixing risks

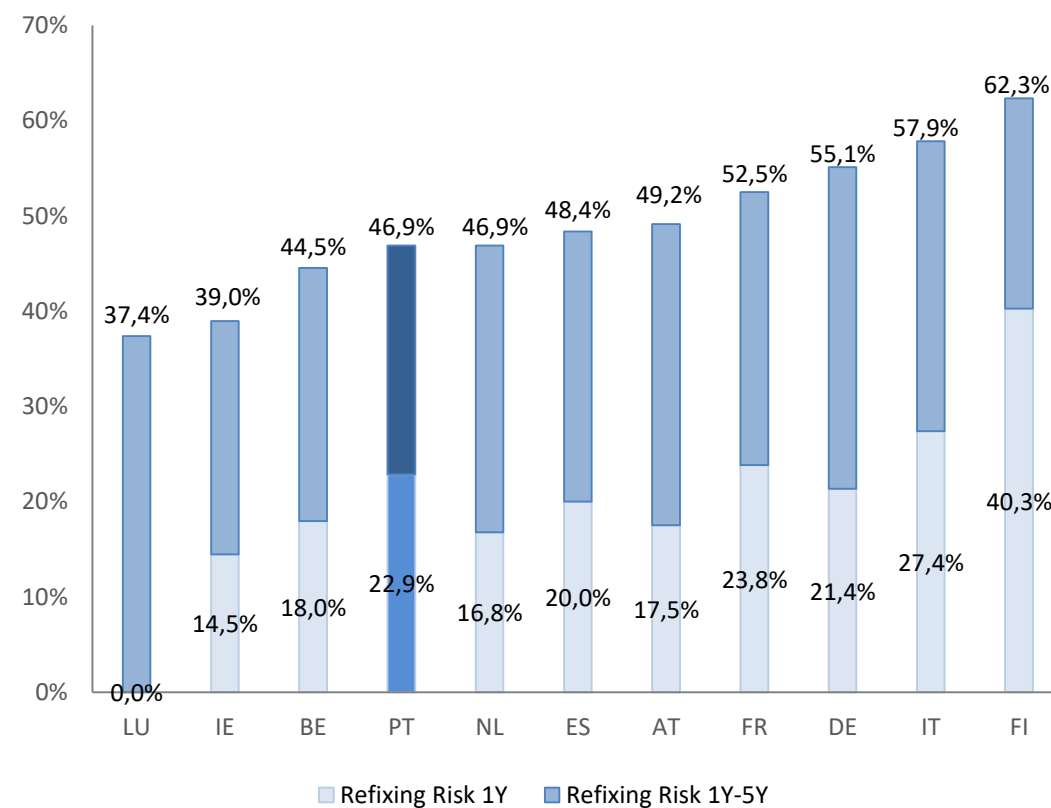
Refinancing risk low compared with peers

[% outstanding debt with reference to end September-2023]



Refixing risk increase due to high subscriptions of floating rate certificates (new series cap at 2.5%)

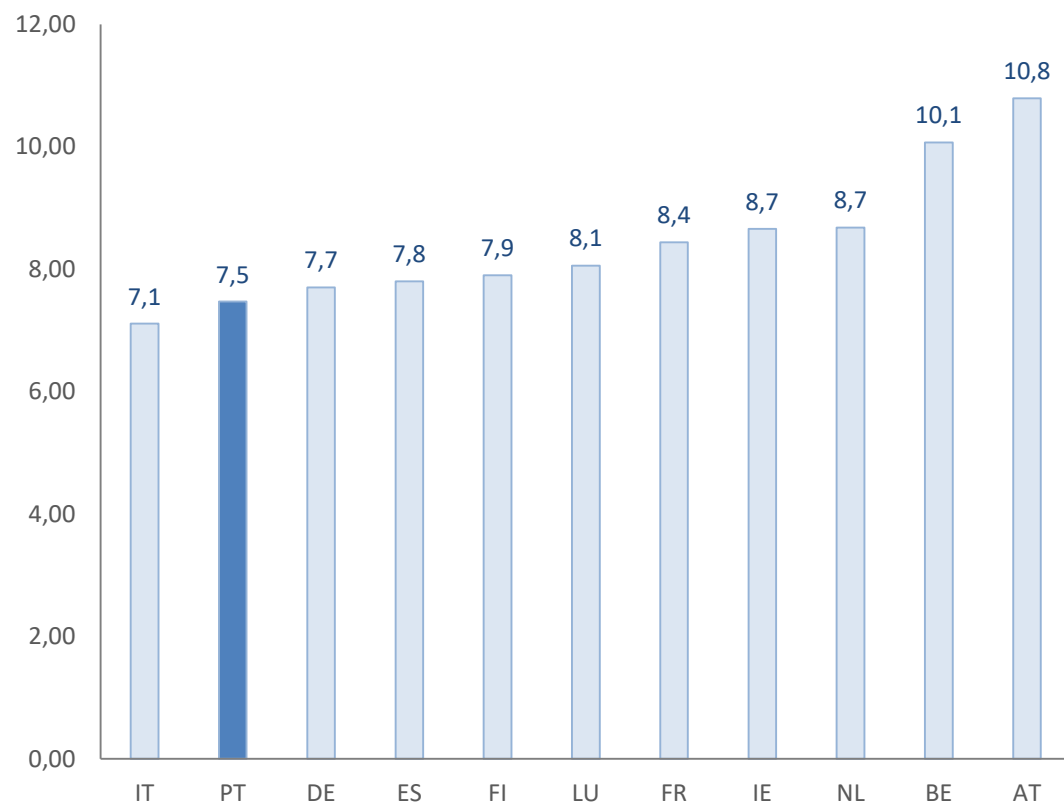
[% outstanding debt with reference to end September-2023]



WAM expected to stay above 7 years

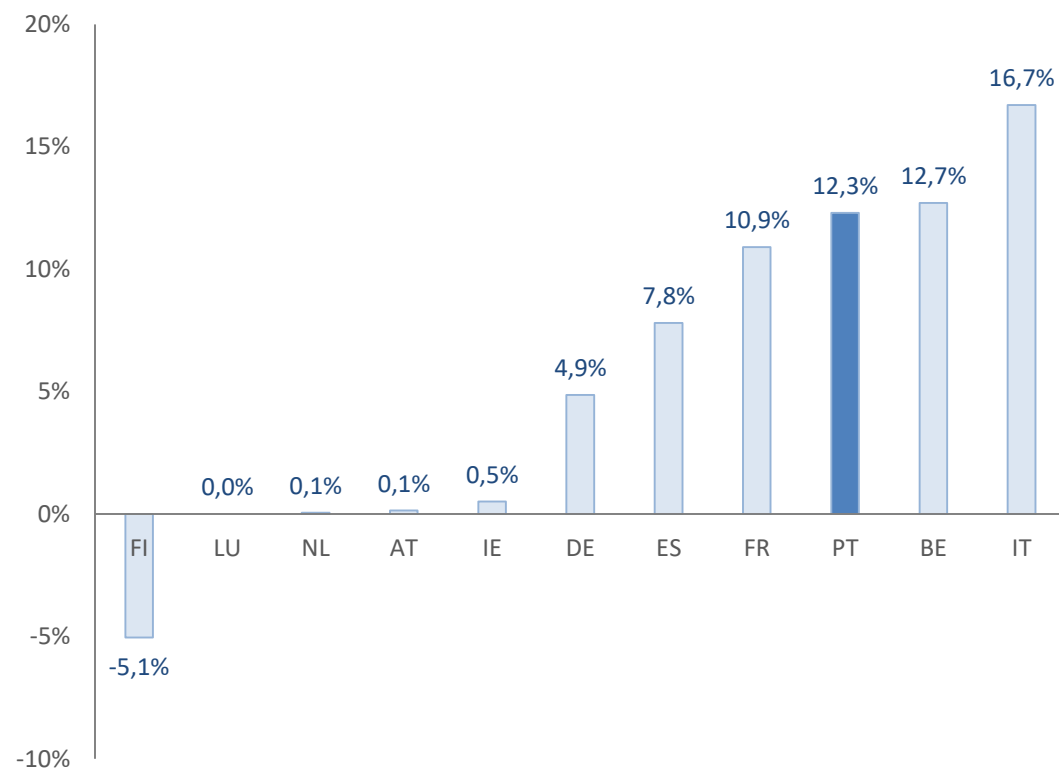
Average maturity

[in years; average residual maturity of outstanding debt with reference to end September-23]



Floating rate ratio* (new series of floating rate certificates cap at 2.5%)

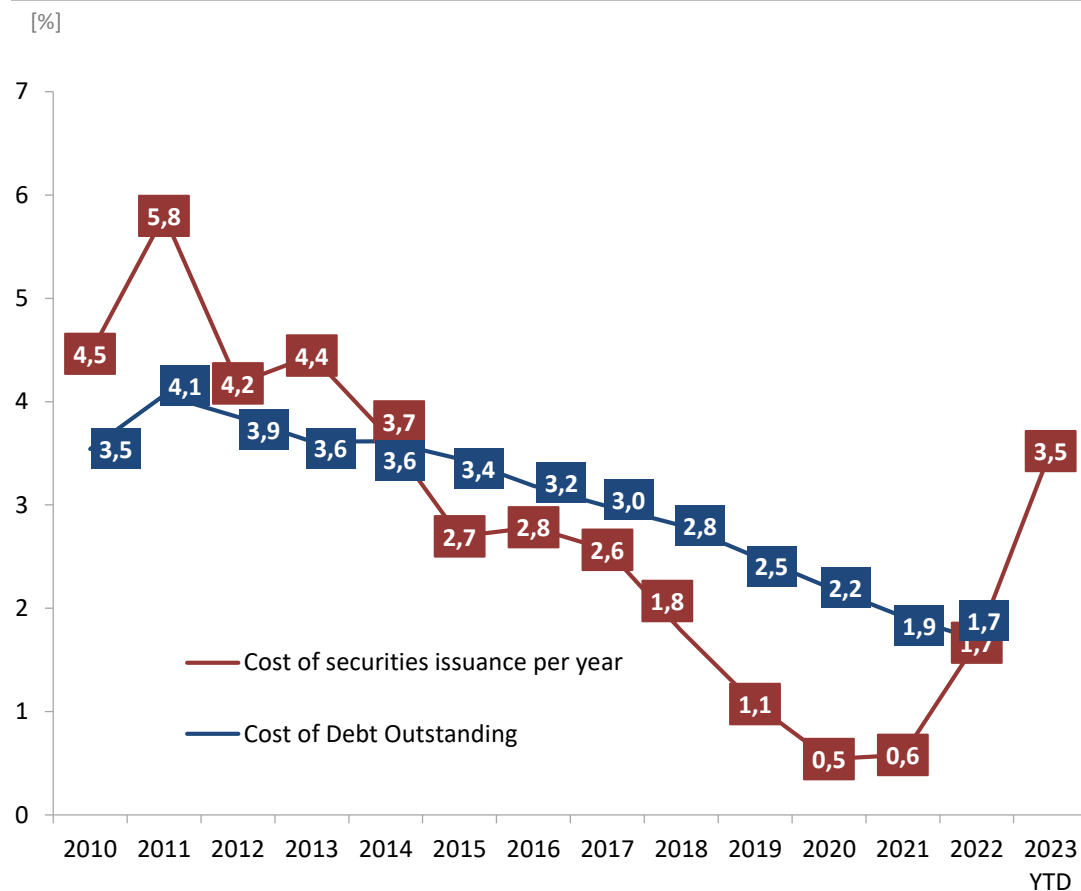
[% outstanding debt with reference to September-2023; before derivatives]



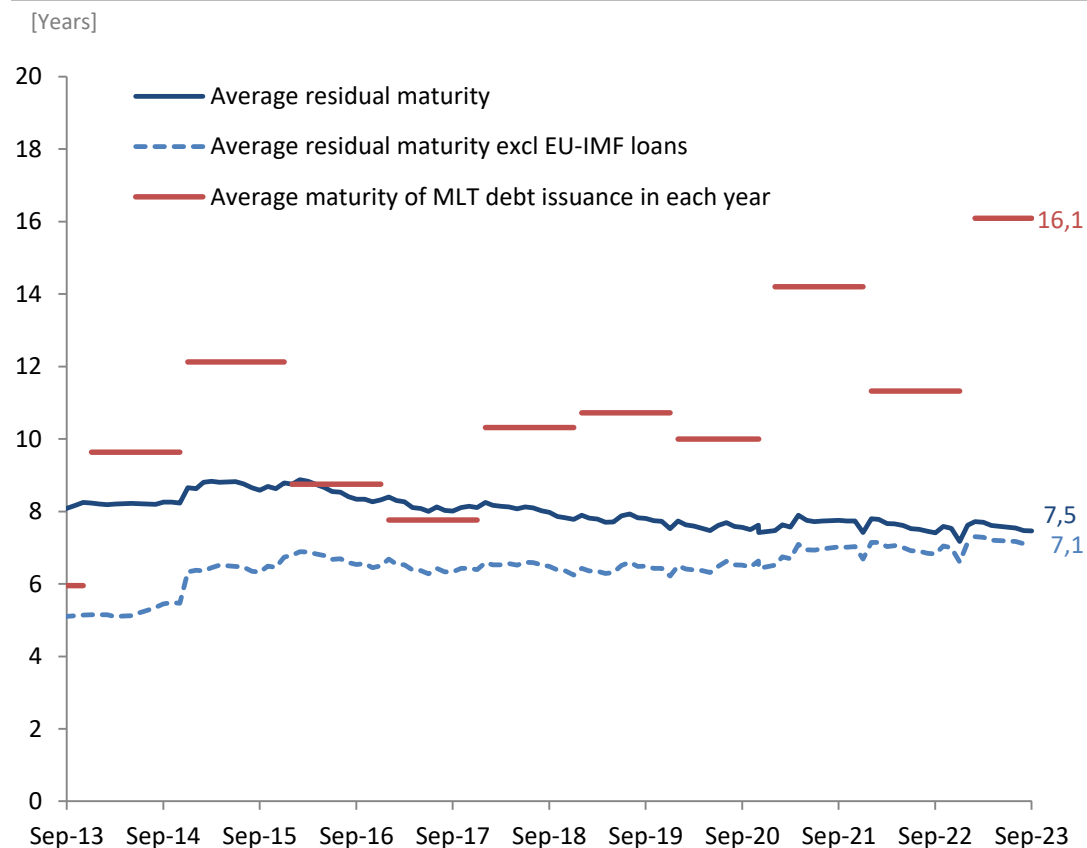
* According to ESDM methodology, floating rate debt also includes inflation linked bonds.

Affordability improved significantly with a stable average maturity

Sustained decline in the cost of debt



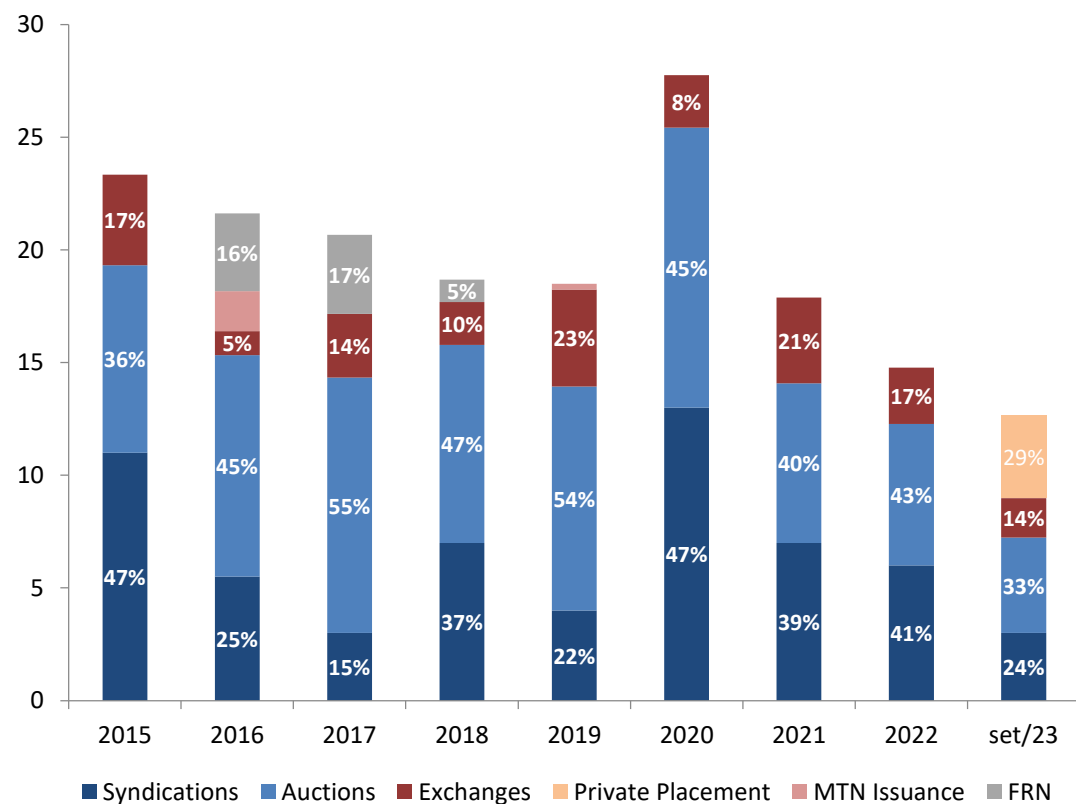
Stable weighted average maturity of debt



Regular and predictable issuance of MLT instruments

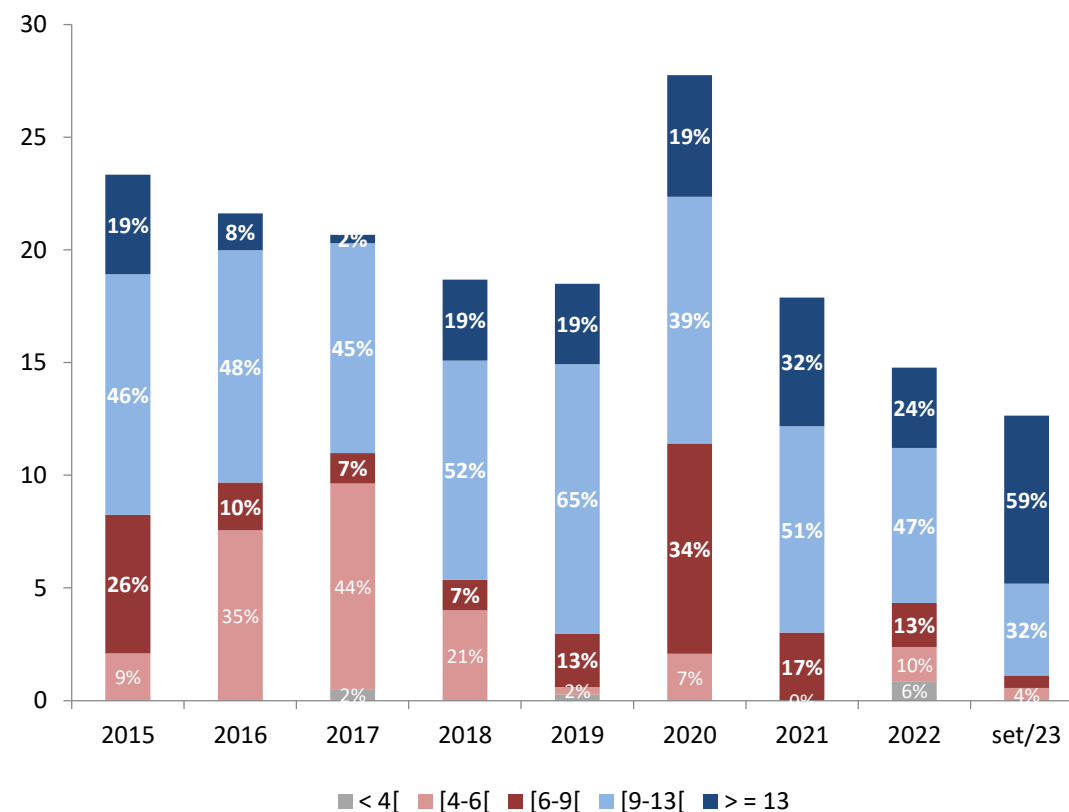
Balanced funding of auctions and syndications

[Medium- and long-term debt issuance per method of issuance; EUR billion and % of total]



Primary market issuance supports liquidity across the curve

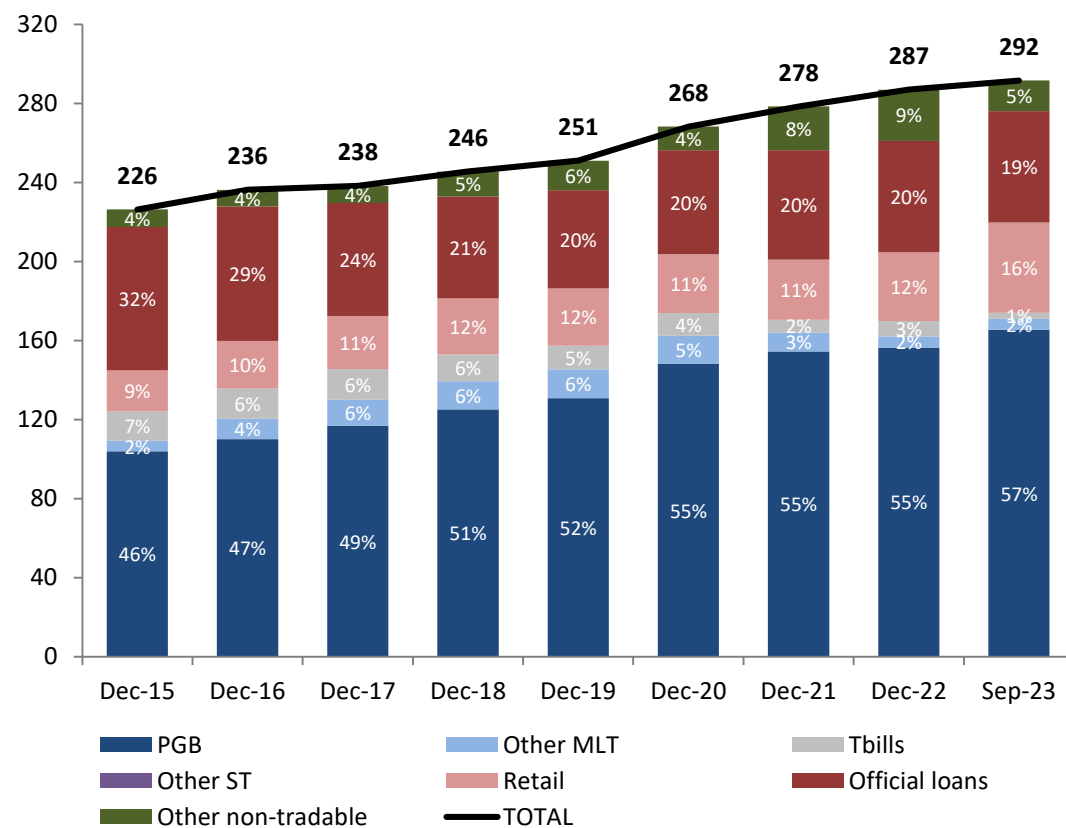
[Medium- and long-term debt issuance per bucket; EUR billion and % of total]



Debt breakdown points to diversification and stability

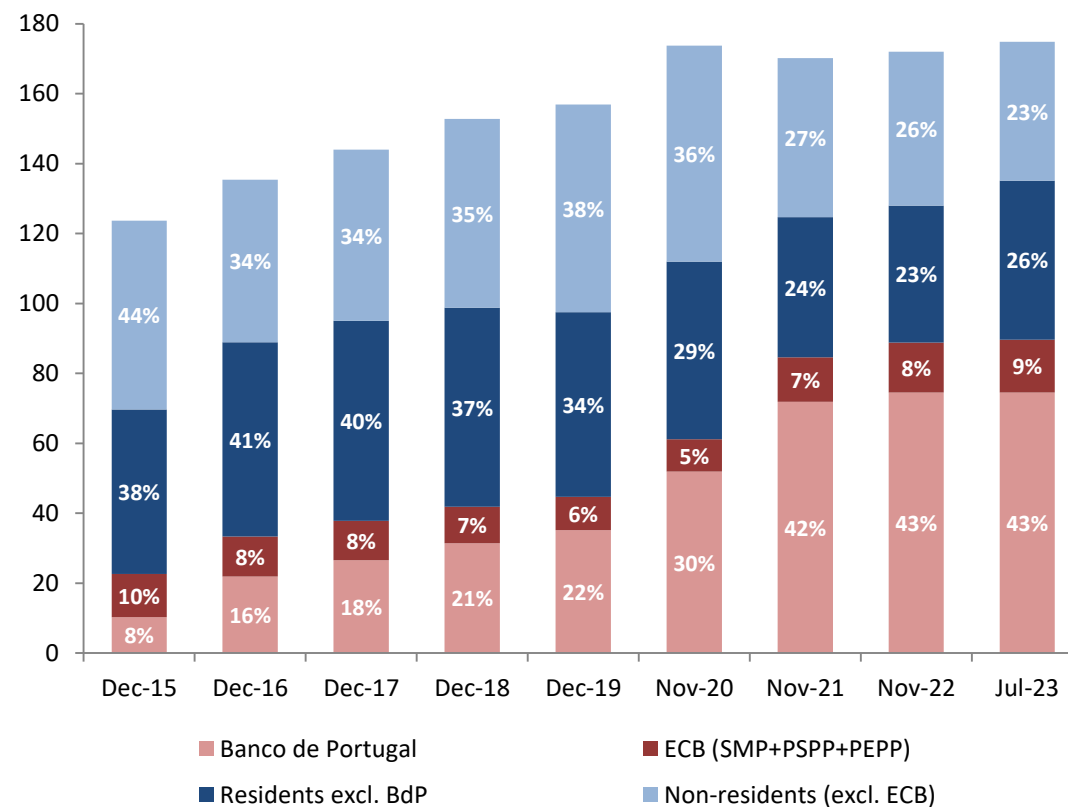
PGBs are the main funding instrument

[EUR billion and % of total State Direct Debt]



Share of Eurosystem holdings in total debt securities increased

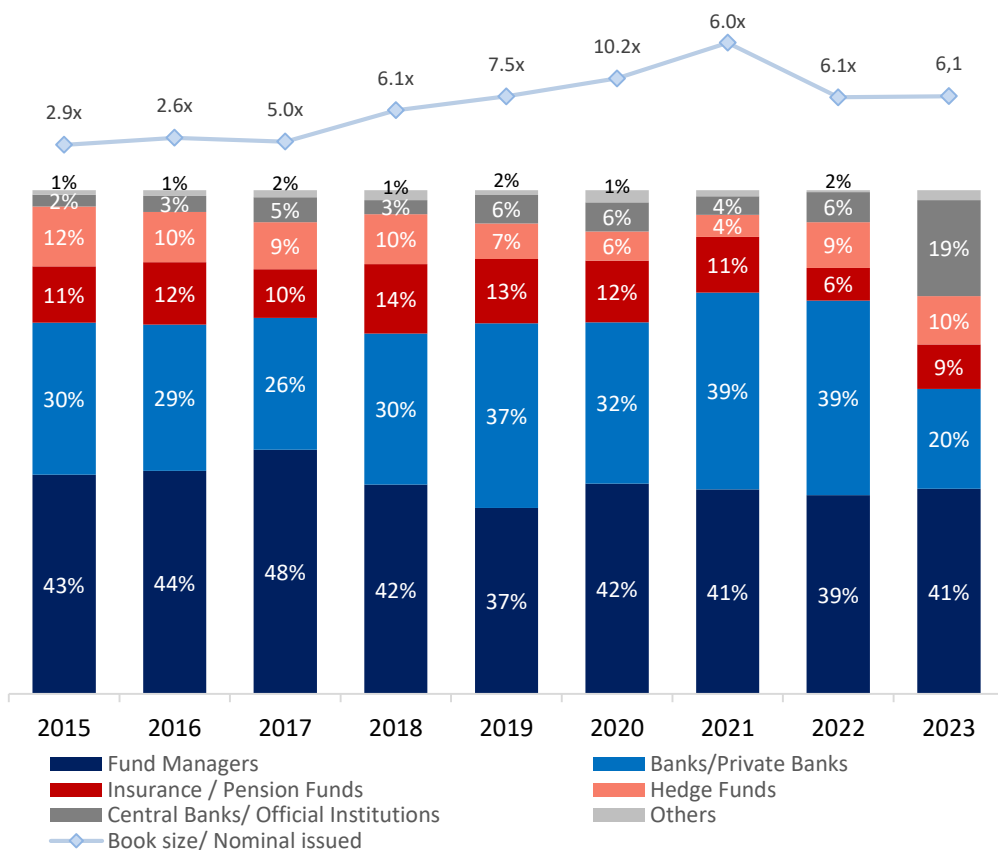
[EUR billion and % of State direct debt securities]



OT syndications with a diversified and stable investor base

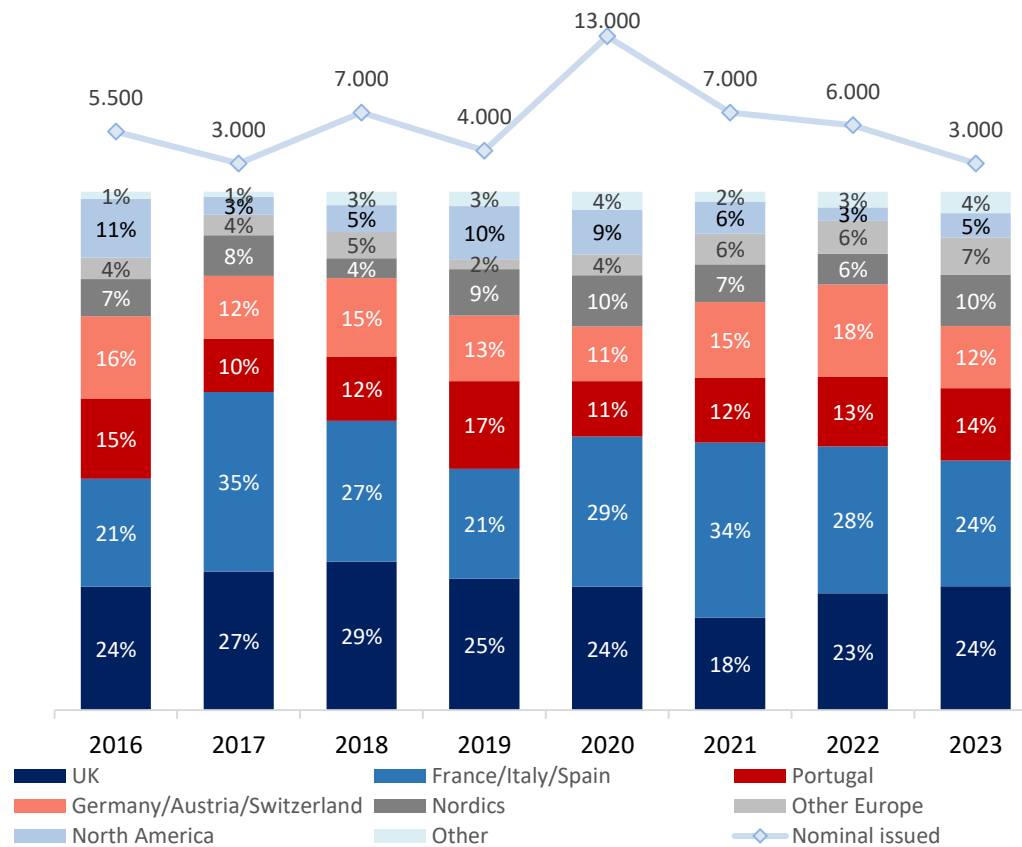
By Type

[% of total allocation; Book size/Nominal issued]



By Region

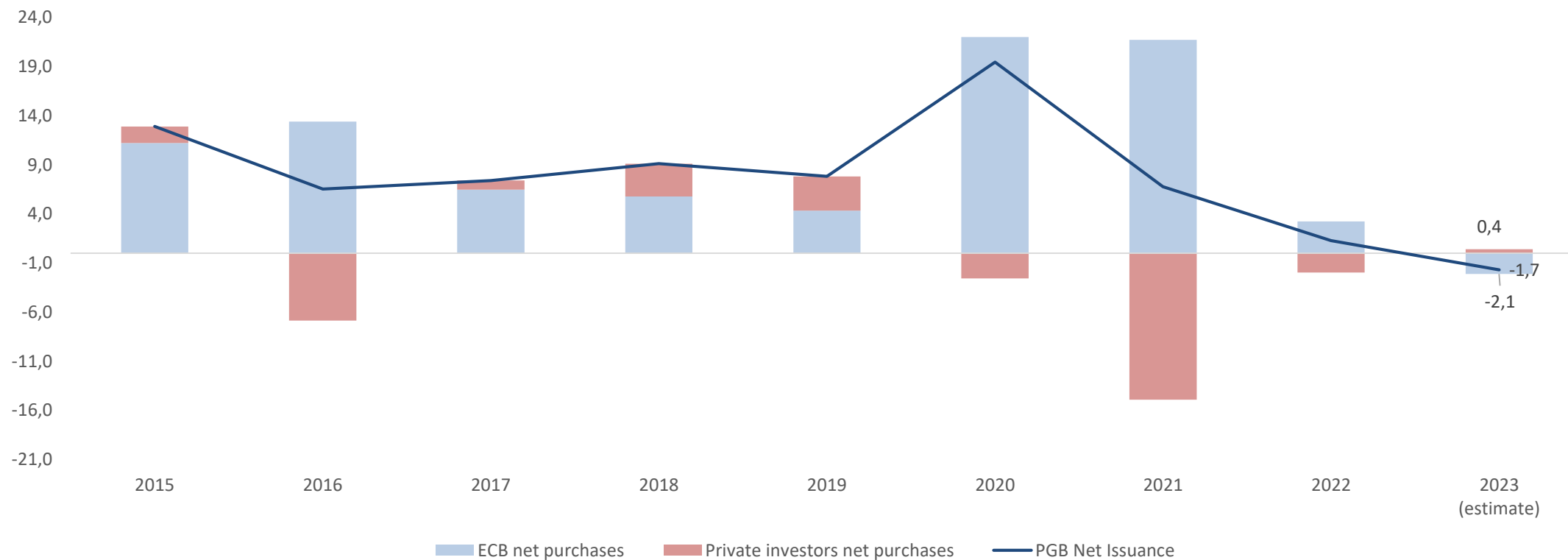
[% of total allocation; Nominal issued EUR million]



Despite Eurosystem retracting, private investors net purchases of OT in 2023 limited at 0.4bn

Eurosystem APP net purchases declining by €15bn a month from March to June and end reinvestments from July (estimate of €2.1bn in OT for the full year)

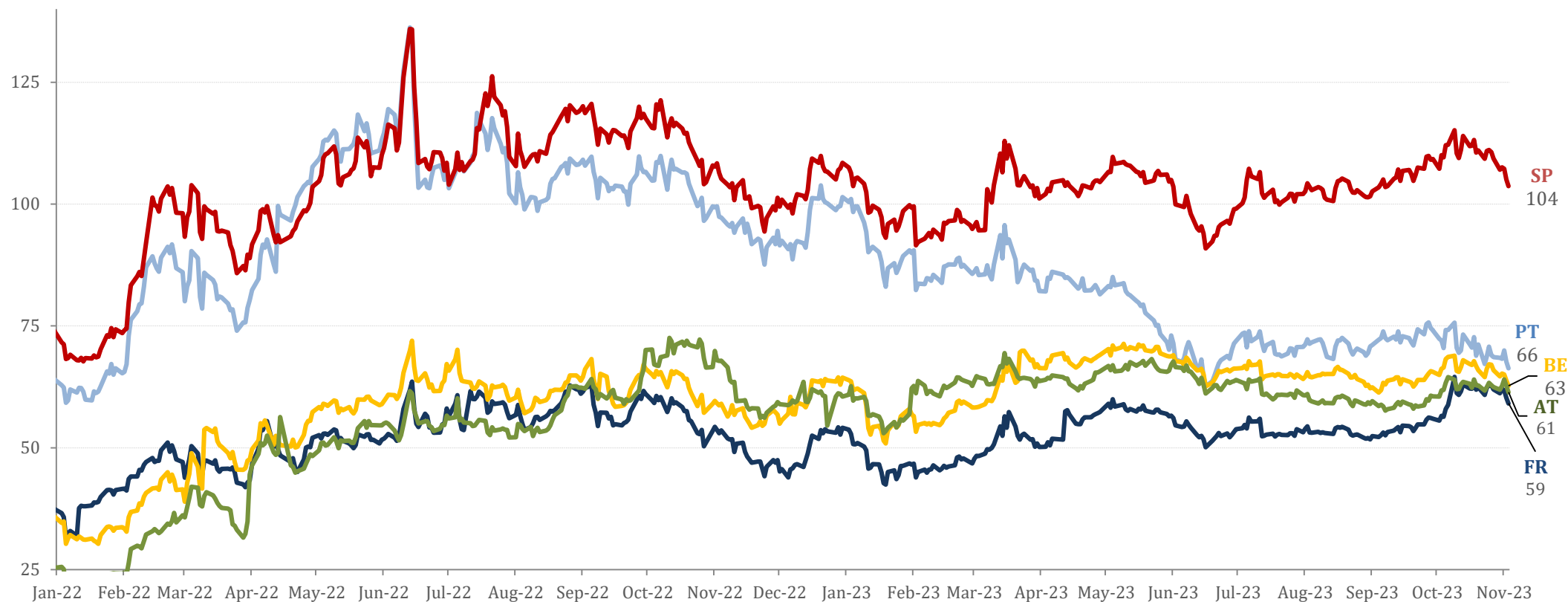
[PGB net issuance and ECB net purchases (EUR billion)]



After the overperformance of Spring 2023 PGB spreads compressed their position during the summer months

In 2023, PGB spreads have compressed relative to peers

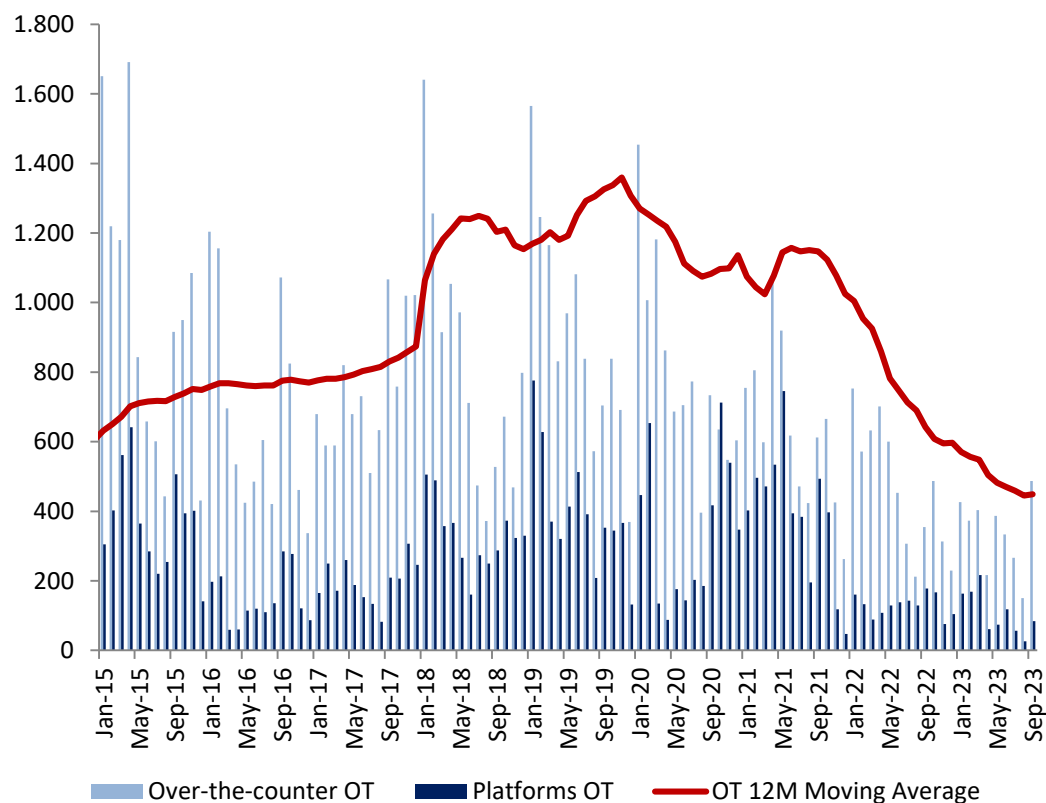
[10yr spreads vs Germany, basis points]



Lack of PGB supply has affected market liquidity

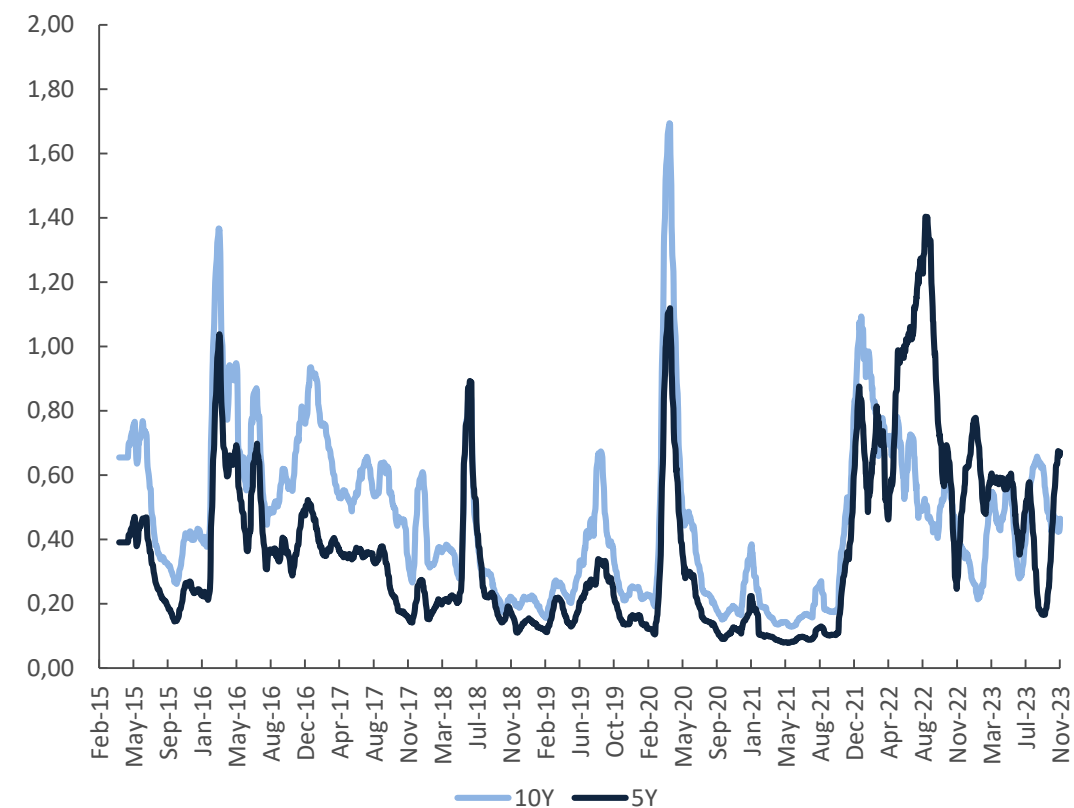
Average daily turnover decreased since 2022, with significant reduction in the dealer-to-dealer platforms

[PGB trading in secondary market yields, average daily turnover in EUR million]



Bid-offer spreads widened significantly since the beginning of 2022 and remain volatile since then

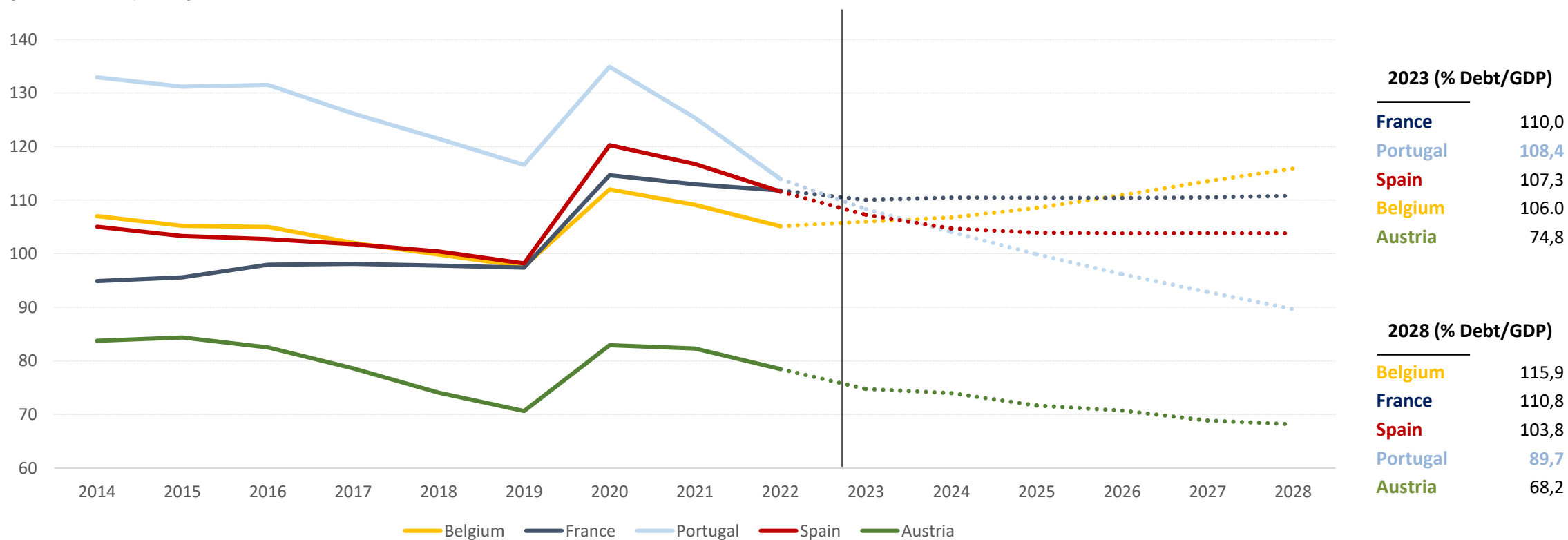
[PGB bid-offer spreads, 1M moving average (cents)]



Portugal's macro/fiscal outlook reflected in steep downward trend of public debt

Portugal's debt ratio is projected to become lower than 100%

[Gross Public Debt, % GDP]



2023 (% Debt/GDP)

France	110,0
Portugal	108,4
Spain	107,3
Belgium	106,0
Austria	74,8

2028 (% Debt/GDP)

Belgium	115,9
France	110,8
Spain	103,8
Portugal	89,7
Austria	68,2

Consistent funding plan with embedded flexibility

Contained borrowing requirements and increase of retail issuance led to negative PGB net issuance in 2023

[Executed financing up to end-Sep; EUR billion]

	2021	2022	2023 P	2024 P
State borrowing requirements	26,6	24,7	20,1	20,9
Net financing needs	13,8	9,3	6,6	11,9
Overall deficit (a)	9,5	5,8	2,2	5,2
Net acquisitions of financial assets (b)	4,3	3,5	4,4	6,6
One-off operations (c)				
MLT Redemptions	12,8	15,4	13,5	9,1
Tbonds (PGB + MTN) (d)	9,4	11,4	12,0	9,1
FRN/OTRV/Other MLT instruments	3,5	3,5		
Official loans		0,5	1,5	
State financing sources	26,6	24,7	20,1	20,9
Use of deposits	8,3	2,5	0,3	-1,7
Financing in the year	18,3	22,2	19,9	22,6
Executed	18,3	22,2	15,8	
EU	2,8	1,4	0,1	
Tbonds (PGB + MTN)	14,6	12,0	9,4	
FRN/OTRV				
Retail debt (net)	0,5	4,6	10,9	
Tbills (net)	-4,8	1,3	-4,5	
Other flows (net) (e)	5,2	3,0		
To be executed			4,0	22,6
EU			0,6	
Tbonds (PGB + MTN)			0,8	
FRN/OTRV				
Retail debt (net)			-0,3	
Tbills (net)			1,2	
Other flows (net) (e)			1,7	
State Treasury cash position at year-end (f)	8,8	6,3	6,0	7,7

(a) State sub-sector cash deficit (2023-2024 refer to State Budget 2024 estimates).

(b) Includes refinancing of other public entities (namely SOEs).

(c) Includes other operations that impact net financing needs (e.g. privatization revenues).

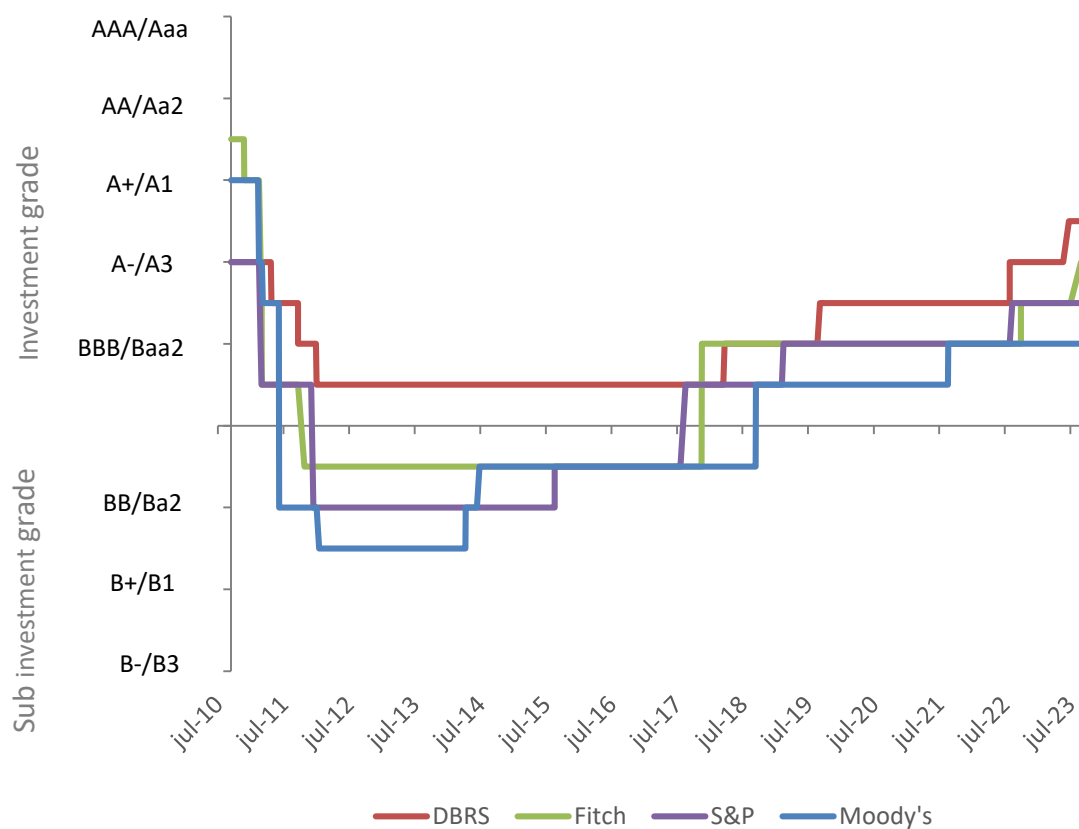
(d) Includes net impact of exchange offers.

(e) Includes centralization of funds of other public entities in the Single Treasury Account.

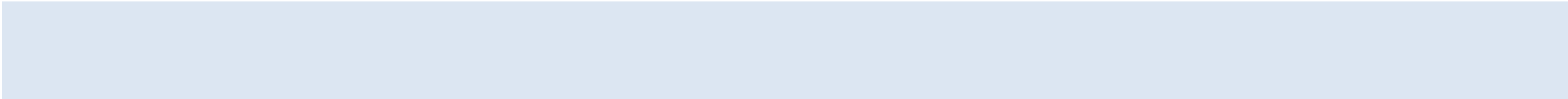
(f) Excluding cash-collateral.






Recognition by recent rating agencies upgrades

Portugal has received recent ratings upgrades by DBRS Morningstar (Jul.23), S&P (Sept. 22) and Fitch (Sep.23)



	DBRS	Fitch	Moody's	S&P
Current	(A / Sta.)	(A- / Sta.)	(Baa2 / Pos.)	(BBB+ / Pos.)
Sep-21			17/Sep Upgrade to Baa2	
Aug-2022	26/Aug Upgrade to A(low)			
Sep-2022				9/Sep Upgrade to BBB+
Oct-2022		28/Oct Upgrade to BBB+		
Jan-2023	27/Jan A(low) | Stable			
Mar-2023				10/Mar BBB+ | Stable
Apr-2023		14/Apr BBB+ | Stable		
May-2023			19/May Baa2 | Positive	
Jul-2023	21/Jul Upgrade to A			
Sep-2023		27/Sep Upgrade to A-		8/Sep BBB+ | Positive
Nov-2023			17-nov	



-  **Executive Summary**
Portuguese economy in numbers
-  **Macro Outlook**
Latest developments and projections
-  **Fiscal Outlook**
Fiscal balance and public debt – performance and forecasts
-  **Debt Management and Funding Plan**
Risk indicators and markets developments
-  **ESG Outlook**
Energy and climate

Sustainability Country Ranking and Rating

UN SDG Index

80.0
Ranking: 18 th/166



Environmental Performance Index

50.4
Ranking: 48 th/180



ESG Government Report

ESG Rating: BBB
Outlook: Positive



Environmental and Climate transition is a top priority for Portugal

A framework for strategic action

Roadmap for Carbon Neutrality 2050

- It establishes the vision and paths for Portugal to achieve carbon neutrality by 2050, contributing to the more ambitious goals under the Paris Agreement.
- The RNC2050 demonstrates that carbon neutrality by 2050 is economically and technologically feasible and is based on a reduction in emissions between 85% and 90% by 2050, compared to 2005, and on offsetting the remaining emissions through the sink provided by forests and other land uses.

Climate Law - Lei de Bases do Clima

National Energy and Climate Plan for 2021-2030

- It is the main energy and climate policy instrument for the decade 2021-2030. It arises within the scope of the obligations established by the Regulation on the Governance of the Energy Union and Climate Action and establishes ambitious, but achievable goals, for the 2030 horizon.

National Strategy for Adaptation to Climate Change

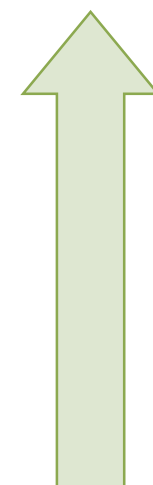
- It establishes objectives and the model for implementing solutions for adapting different sectors to the effects of climate change.

Action Program for Adapting to Climate Change

- The Action Program for Adaptation to Climate Change (P-3AC) complements and systematizes the work carried out in the context of the National Strategy for Adaptation to Climate Change (ENAAC 2020), with a view to its second objective, that of implementing measures to adaptation.

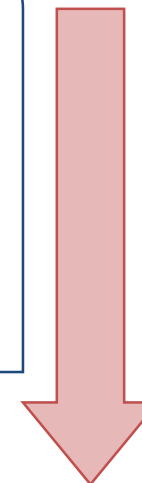
The state of environment in 2021

Improving indicators in reduction of greenhouse gas emissions but ground to cover in waste generation and treatment




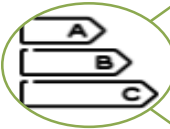



- Reduction of Greenhouse Gases Emissions
- Good quality of water
- Increasing share of electricity produced from renewables sources

- Generated waste increase
- Downward trend on reuse and recycling

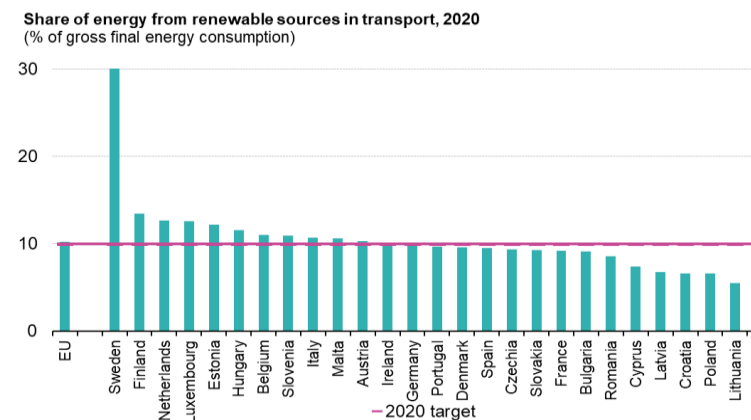
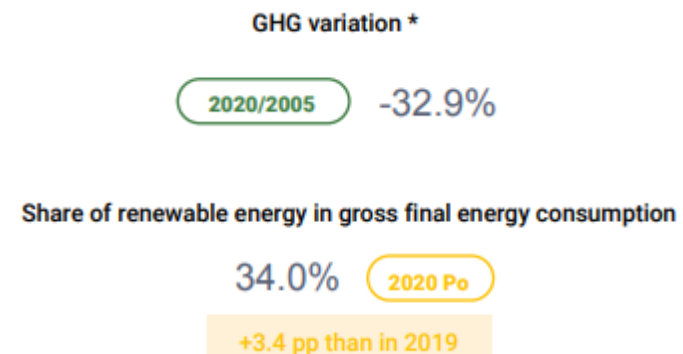


Portugal's National Energy and Climate Plan for 2021-2030

Ambitious, but achievable goals, for 2023

	2020 Target	2030 Target
 GHG emissions reduction *	-18% / -23%	-45% / -55%
 Energy efficiency	25%	35%
 Renewables	31%	47%
 Renewables on transportation	10%	20%
 Interconnections	10%	15%

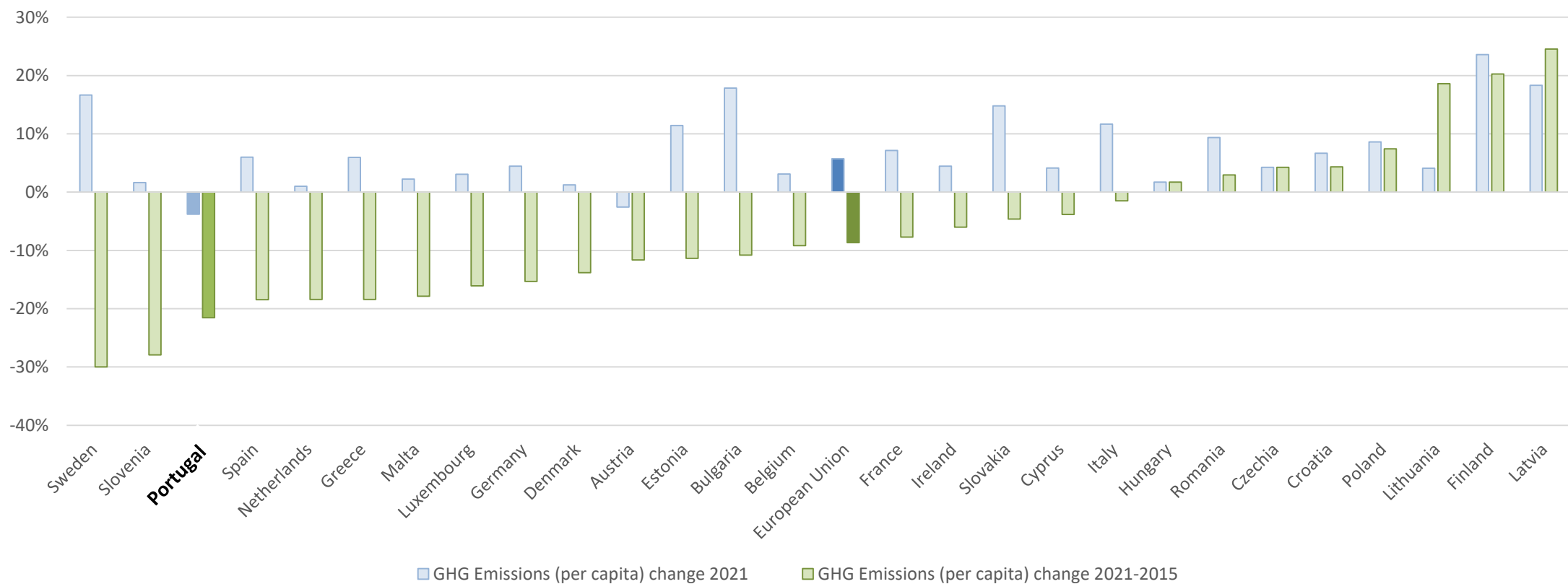
*compared to 2005



Source: Eurostat (online data code: nrg_ind_ren)

Portugal has shown results in reducing greenhouse gas emissions

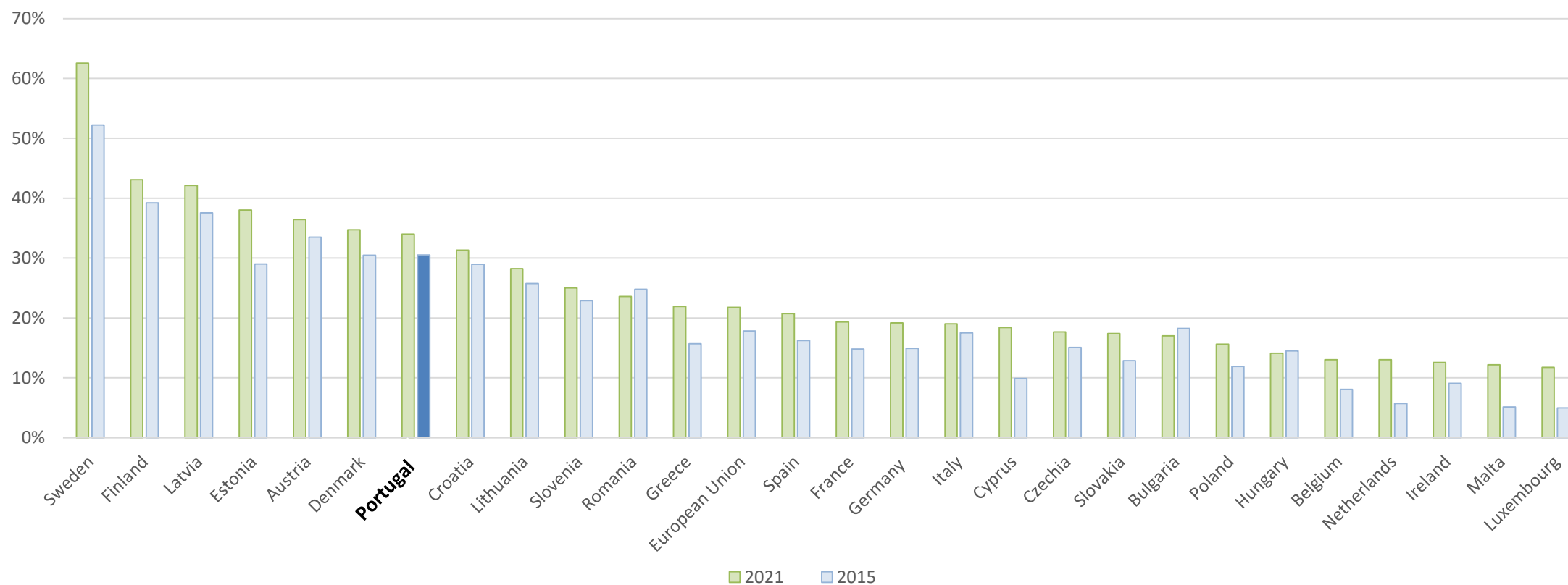
Significant cumulative reduction of GHG emissions in Portugal



Renewable energy sources gain increased weight in final energy consumption

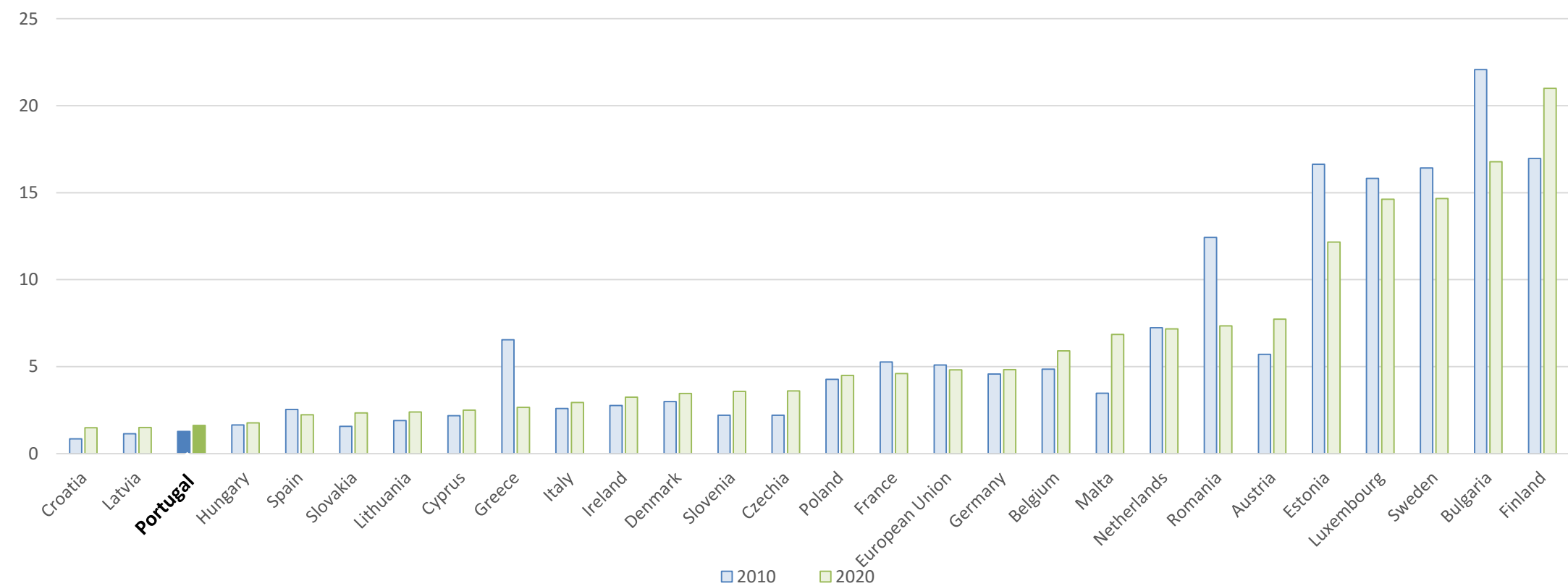
Share of renewables in final energy consumption was 34% in 2021. This share increases to 58% when considering only electricity production

[Share of renewables sources in gross final energy consumption, %]



Waste generation per capita in Portugal has stayed low

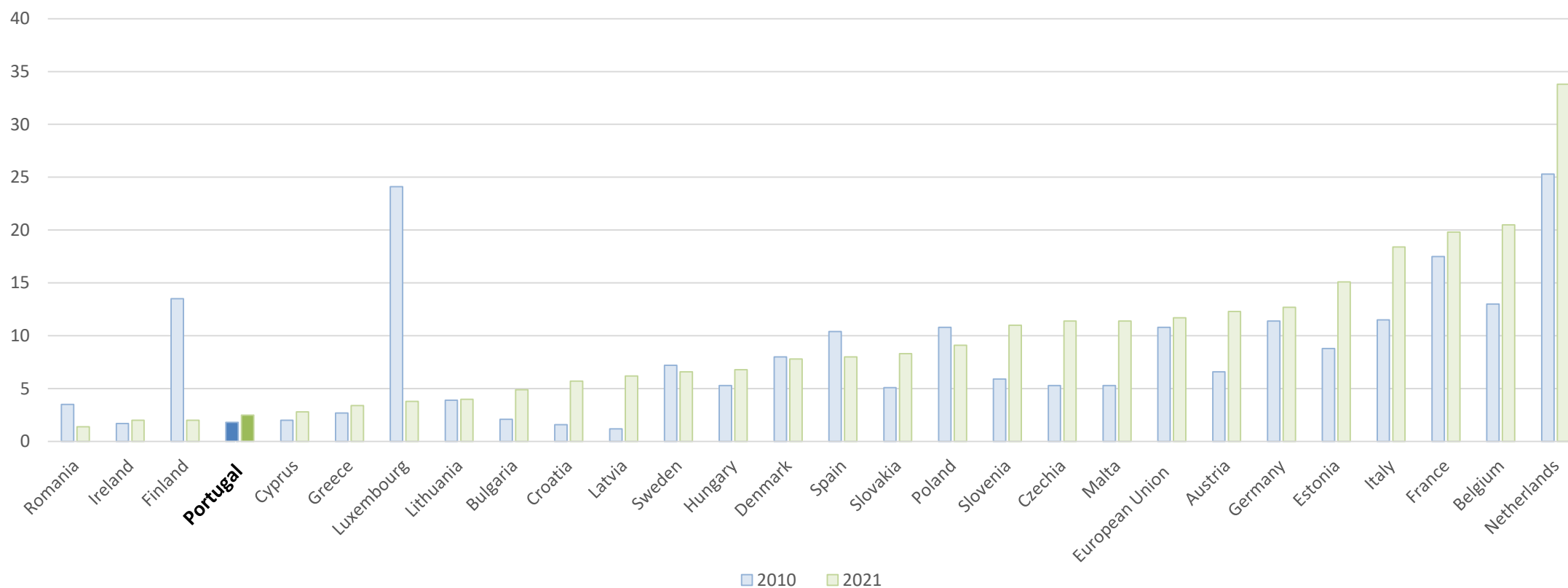
[Annual waste generation per capita, ton per capita]



Room for improvement in waste treatment and circular economy

Use rate of circular material remains low as well as the recycling rate

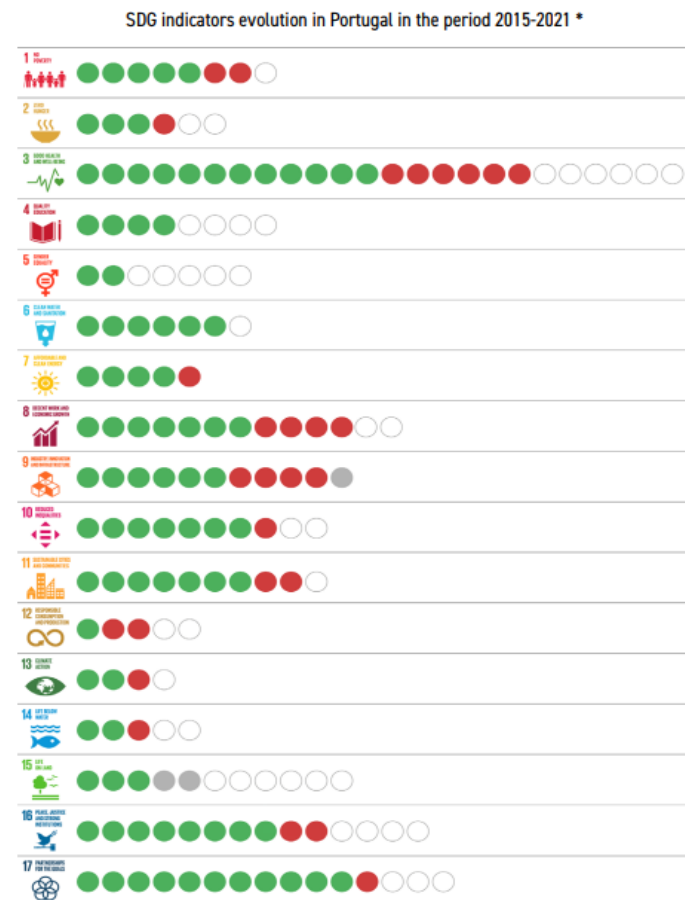
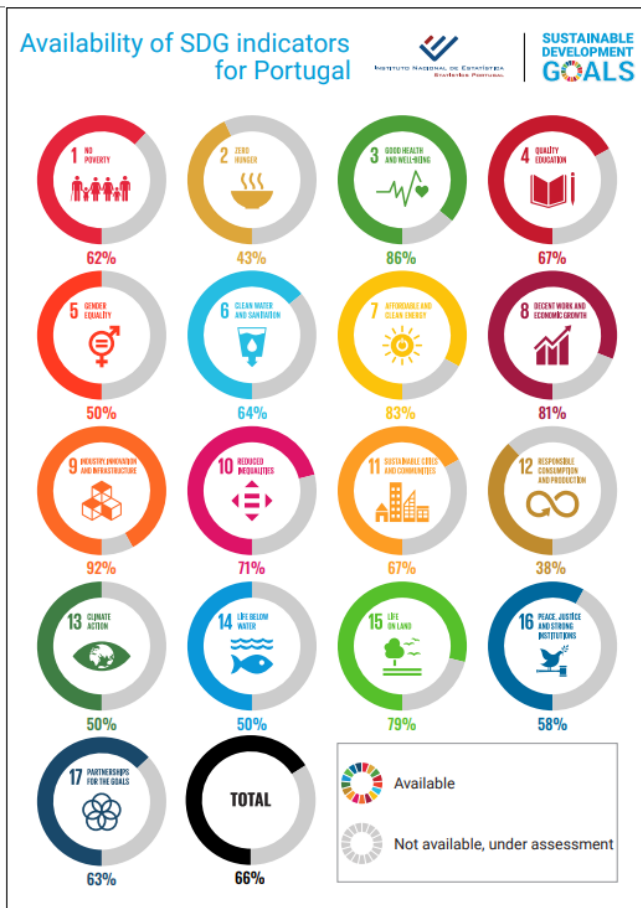
[Use rate of circular material, %]



National commitment to SDG

163 of the total 248 UN indicators are available for Portugal

55% of the indicators with improvement since 2015



Thank you

Disclaimer

The information and opinions contained in this presentation have been compiled or arrived at from Source(s) believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness.

All opinions and estimates contained in this document are published for the assistance of recipients, but are not to be relied upon as authoritative or taken in substitution for the exercise of judgment by a recipient and, therefore, do not form the basis of any contract or commitment whatsoever.

IGCP does not accept any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.

Web site: www.igcp.pt
Bloomberg pages: IGCP
Reuters pages: IGCP01

Annex

Government includes 3 priorities in 2024 State Budget

Reinforce income to stabilize the contribution of domestic demand to GDP

- Increase Public Administration wages (and from Private Sector)
- Reduction of income tax
- Pensions increases
- Foster young workers income through education additional premium
- Reduction of mortgage burden and boost to rental market with affordable rents
- Support to children with increase in children social benefit and free daycare
- Reinforce of social benefits (social complement for elderly people, social inclusion income)

Promote investment to increase productivity and competitiveness

- Increase on budget allocation to Health, Housing, Science and Education
- Investment on structural areas
- Incentives to corporate capitalization

Protect the future of current and future generations

- Reinforce Social Security Stabilization Fund
- New fund for structural investment (after RRF)

2024 State Budget priorities

Impact of measures in 2024 fiscal budget

1. Reinforce income	M€
Wages increases for Public Administration workers	1.538
Pensions updates	2.223
Reduction in income tax (mainly for middle class)	1.327
Reduction in income tax for young people	200
Premium for year of superior education	215
Free Public Transports until 23 years old	126
Reduction of expenses with house credit	200
Reduction of rents and access to housing	888
Increase in child benefit	320
Extension of free daycare	100
Reinforcement of the Solidarity Complement for the Elderly	55
Increase of Social Integration Income	30

2. Promote Investment	M€
Budget Reinforcement	
Health	1.209
Housing	336
Education	297
Science and Superior Education	182
Structural Investment	
Climate Changes	1.577
Housing and territorial cohesion	470
Education	414
Digital society, creativity and innovation	354
Health (SNS)	216
Other	265
Promoting corporate investment	265
3. Protecting the future	M€
Reinforce Social Security fund of financial stability	2.634
Structural Investment Fund Post 2026	2.000