

Portugal

Moderate steady growth on stronger foundations

Portugal enters 2027 with the economy still expanding, but in a more demanding environment than during the post-pandemic reopening. The baseline scenario is moderate, steady growth supported by stronger structural fundamentals: activity remaining near potential, inflation gradually declining, the labour market normalising without any sharp deteriorations, and financial conditions staying orderly, though less supportive than during the low-rate period.



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2027 is expected not to mark a new acceleration phase, but rather **a period of controlled normalisation from a stronger potential-growth base.** Gross domestic product (GDP) is projected to grow by around 2%, after a 2026 performance constrained by the temporary energy shock, weaker confidence and softer external demand. Comparing Portugal's potential-growth trajectory before and after the sovereign-debt adjustment period, we find that between 2013 and 2019, the average pace of potential growth was around 1.5 times higher than in 2000-08. This suggests that the economy entered the current cycle with sounder fundamentals, such as lower indebtedness and greater financial autonomy, higher productivity and greater energy autonomy. Growth of around 2% in 2027 would not be a temporary rebound, but evidence of a more resilient underlying trajectory.

Domestic demand is still the main growth driver, supported by employment, wage increases and household savings, although higher prices and financing costs should keep consumption selective. Within this moderate growth path, the composition of demand matters more than GDP expansion alone. Buoyancy will depend increasingly on the quality, timing and execution of investment in, inter alia, digitalisation, renewable energy, logistics, data infrastructure and artificial intelligence (AI)-related technologies, as well as the spillover effects from Recovery and Resilience Plan projects. Tourism and services should continue to support exports, while exports of goods remain exposed to subdued European industrial activity and high input costs. The central issue is whether moderate growth can translate into a more productive and resilient expansion.

Inflation is expected to decline again in 2027, but the last mile is yet to be completed. After a temporary increase in 2026, mainly linked to energy prices, average inflation is projected to ease to around 2.4%. Headline inflation should benefit from the fading of the energy shock, while services prices, wage dynamics and residual pass-through from earlier cost increases may prove more persistent.

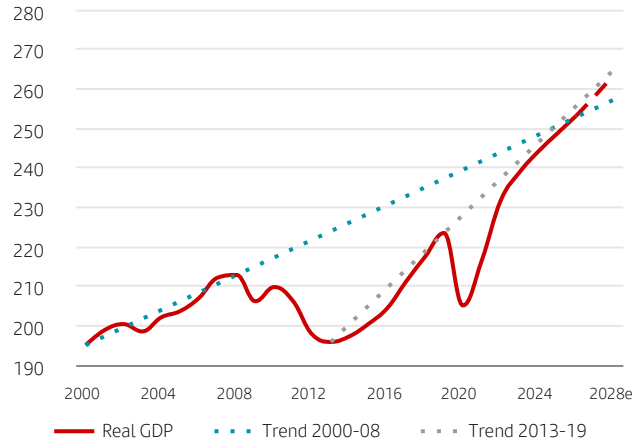
Portugal

The labour market should remain strong, although less tight than in recent years. The unemployment rate is projected to rise only marginally, to around 6.1% in 2027, after staying close to 6% in 2025-26. This points to labour-market normalisation rather than deterioration. Employment growth should slow as activity stabilises, and firms may become more selective in hiring. However, demographic constraints, labour shortages and demand for digital, energy and services-related skills should continue to support employment. Wage growth is expected to moderate, while still sustaining household income and contributing to persistent services inflation.

Portugal's public debt ratio is projected to decline to around 80% of GDP in 2027, providing a stabilising factor that will help to preserve investor confidence and contain sovereign spreads. This perceived stabilisation will also strengthen fiscal credibility by reducing refinancing risk and creating a larger buffer against adverse scenarios.

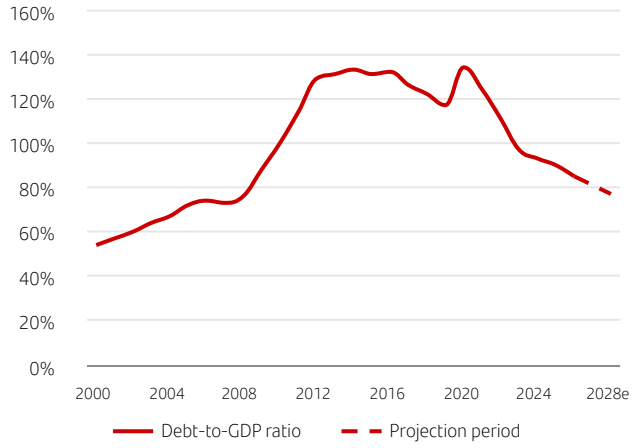
Overall, the 2027 outlook points to controlled normalisation rather than cyclical stress. The main challenge is not short-term stabilisation, but turning a stronger growth base into higher productivity, better investment quality and greater macroeconomic resilience.

Portugal: Real GDP and long-term growth trends
(Historical data and projections, 2000–2028)



Sources: INE and Santander Research.

Portugal: Debt-to-GDP ratio on a downward path
(Historical data and projections, 2000–2028)



Sources: INE and Santander Research.

Macroeconomic forecasts

	2026e	2027e	2028e
GDP growth (%)	2.2	2.1	2.1
Unemployment rate	5.8	6.1	6.4
CPI inflation	2.7	2.4	2.2

Source: Santander Research. Annual average.



Portugal In focus

Tourism: the hen that lays the golden eggs learns to look after the nest



Portuguese tourism has already proved that it can recover and grow. Its next challenge is harder: to turn scale into value, demand into better experiences, and short-term success into a more resilient model for territories, companies and communities.

An economic fable to explain the sector's maturity

The fable of the golden-egg-laying hen warns against extracting value without preserving its source. In Portuguese tourism, the 'golden eggs' are jobs, revenues and value added. The question is how to protect the 'hen' that produces them: the companies, services, territories and reputation on which the sector depends.

The logic has changed. Before the pandemic, growth came mainly from scale; today it depends less on increasing volumes and more on preserving the 'nest': the conditions that allow the sector to remain attractive, productive and trusted.

Tourism consumption expenditure has risen strongly over the past decade and is now well above pre-pandemic levels. Beyond this recovery, tourism has become a powerful vehicle for converting external demand into domestic revenue. The next phase is therefore about generating more value from each visit.

Where tourism first creates and then spreads value

Accommodation, food services and transport are still the sector's main monetisation channels, but sources of value are evolving. Accommodation combines location, brand and service; food services combine gastronomy and culture; and transport provides access to new markets.

Tourism activates diversified chains, from construction to technology, culture and urban services. Both characteristic tourism products and related or indirect products have expanded significantly, showing that the sector works as a wider demand platform. It can spread value, investment and employment, but also pressure housing, mobility and infrastructure. Sustaining tourism therefore means steering these effects towards productive gains while minimising congestion.

From visitor spending to domestic value added

Tourism spending matters because it is not only an external source of demand; it is also a channel through which income is created within the Portuguese economy. When visitors spend on accommodation, food, transport, culture or leisure, part of the money becomes national production through wages, margins, purchases from suppliers and investment. The recovery in tourism consumption has been accompanied by a stronger contribution to

gross value added (GVA). The next challenge is to improve that value added with higher productivity, better wages and stronger links to the rest of the economy.

Portugal now attracts a broader mix of visitors, with non-core European markets growing faster than traditional sources of demand. Rather than replacing historical markets, they add new sources of growth: different calendars and motivations help reduce seasonality and strengthen resilience.

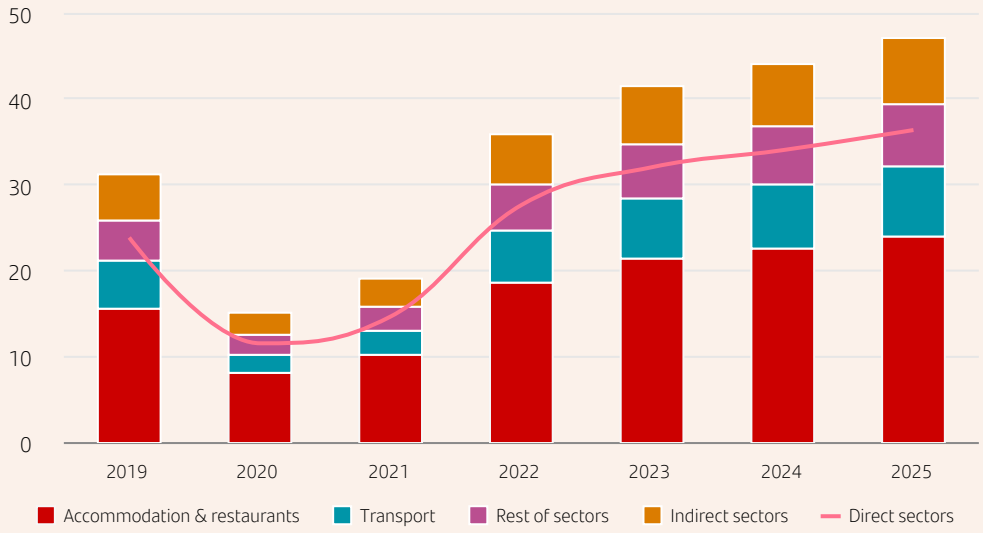
Revenue per overnight stay has risen materially, showing that tourism is not only attracting demand but also generating more value from each night. Being labour-intensive, the sector can still raise productivity through training and technology, from digital check-in to stock management. Tourism supports a particularly large share of employment in Portugal compared with the European average, making sectorial jobs and skills central to growth.

The next test: sustaining value creation

Having moved from scale to value, tourism now faces the challenge of sustainability. Its maturity agenda covers five fronts: product (from gastronomy to wine tourism), territory (spreading benefits across regions and seasons), human capital (upskilling teams), productive investment (technology and data) and governance of indirect effects (protecting housing, mobility and sustainability).

In conclusion, Portugal's tourism sector has built significant scale. There is an opportunity now for the country to make scale work harder: generating more value, supporting better jobs, easing pressure on territories and protecting the reputation that made the country attractive. In an unstable world, Portugal's safety, openness and Atlantic position are strategic assets. The task is to build a tourism model that remains competitive because it is also sustainable.

Portugal: Tourism spending trends
(€bn)



Sources: INE and Santander Research.