CATÓLICA-LISBON Forecasting Lab | NECEP

April 8th, 2026

Executive Summary

The Portuguese economy is predicted to have expanded by **0.2% quarter over quarter** (qoq) and **2.4% year over year** (yoy) in the first quarter of 2026, after 0.9% and 1.9%, respectively, in the previous quarter. This slowdown stems from the expected increase of imports due to the rise in fuel prices, observed in recent weeks following the US and Israeli aggression against Iran, which began on February 28th.

The **possibility of stagnation or even a contraction cannot be ruled out**, particularly given the recent behaviour of investment, measured by cement sales, as well as exports. However, the **central scenario** is one of **slight growth** resulting from the normality that characterizes the evolution of the main high-frequency indicators, including retail sales and the economic sentiment indicator (ESI).

In the case of the **eurozone**, the central scenario appears to be one of stagnation (0.0% qoq) in the first quarter, resulting from the impact of rising fuel prices, like that in Portugal.

In Portugal, year-on-year **inflation** reached 2.7% in March due to the aforementioned rise in energy prices. However, core inflation remained at a moderate level (2.0%), and the transmission of this price increase to the general range of goods and services is not yet evident. Nevertheless, inflation is expected to rise this year from 2.1% to 2.3%, remaining aligned with the **monetary policy** target (2%) by 2027.

Both the Fed and the ECB maintained their respective benchmark interest rates at the levels seen at the end of last year. The value of the Fed's balance sheet has risen slightly in recent months as a result of the implementation of the US banks' reserve management mechanism, introduced in December. The upward pressure on interest rates is evident in the recent evolution of yields on US and European Treasury bonds. It is also worth noting the depreciation of the dollar in March, after two months in which it appreciated against the euro.

The midpoint estimate for **Portuguese economic growth** is revised downward from 1.8% to **1.5%** in **2026**, following the expected impact of rising fuel prices, measured at 0.3 percentage points (pp). Due to a less favourable dynamic, growth in **2027** is revised slightly downwards from 1.6% to the same **1.5%**. The estimate for **2028** remains at **1.9%**, in line with the trend growth.

The **eurozone** economy may grow by only **0.8%** in **2026**, a downward revision of 0.3 pp from the previous estimate of 1.1%. For 2027 and 2028, the previous estimates of 1.3% and 1.4% are maintained. Increases in security and defence spending, whether in the US or Europe, could undermine medium-term growth prospects, due to additional pressure on fiscal balances and debt.

Portugal's fourth-quarter **unemployment rate** might be **6.0%**, a slight increase from the previous figure of 5.8%, with an outlook of 6.0% in 2026 and 2027.

Geopolitical risks are now more pronounced, with a conflict of unpredictable effects in the Middle East adding to the conflict in Eastern Europe and negatively affects the economies of Southeast Asia. Despite the geopolitical and commercial tension, markets appear to be recovering from the losses of early March.

Forecasts from Católica Lisbon Forecasting Lab – NECEP

Region	Indicator	2025 Q4 a)	2026 Q4	2026	2027
Portugal	GDP (% change on previous quarter)	0.9	0.2	-	-
	GDP (year on year/annual % change)	1.9	2.4	1.5	1.5
	Unemployment rate (%)	5.8	6.0	6.0	6.0
	Consumer prices (annual % change)	2.2 a) b)	2.7 a) b)	2.3	2.1
Euro Area	GDP (% change on previous quarter)	0.2	0.0	-	-
	GDP (year on year/annual % change)	1.2	0.6	0.8	1.3
	Consumer prices (annual % change)	2.0 a) b)	1.5 a) b)	2.2	2.1

a) Official values (Statistics Portugal – INE/Eurostat); b) Year-on-year change at the end of the quarter.

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