Prepared with information available by April 11th , 2025

Portugal:
Macroeconomic and financial outlook

CaixaBank Research

April 2025

CaixaBank

Main messages

Activity

- **The Bank of Portugal updated its macroeconomic scenario last March,** and foresees GDP to advance 2.3% in 2025 and 2.1% in 2026, respectively 1 tenth more and 1 tenth less than in the December scenario. This update reflects the easing of financing conditions, associated with the ECB's cut in key interest rates, the expected acceleration in external demand and the implementation of European funds, which is more concentrated in 2026. Adverse risks worsened compared to December, reflecting the possible negative impact of changes in US geostrategic and trade policy. Latest economic indicators point to a deceleration on the quarterly growth, which is normal given the boost the economy had in 4Q24 (+1,5%), but continue to suggest that activity is expanding.
- **Inflation continues its path to the target.** In March decelerated to 1.9% in both global and core indices. Looking ahead to 2025, the outlook for prices looks more favourable so global inflation, on average should approach levels close to the 2.0% target.
- **In the labour market, BoP's projections for job creation were revised upwards, accompanied by the stabilization of the unemployment rate at 6.4% throughout the projection period.** In February employment rose 2.2% year-on-year, and the unemployment rate rose 1 tenth to 6.4%, minus 2 tenths than in December and in January 2024. The outlook for 2025 remains positive, with the unemployment registered at job centres reversing the upward trend seen in previous months, with a lower year-on-year increase in February (2.3%); on a mom base it fell 3.0%. There was also an increase in job offers: 10.3% yoy and 13.4% qoq.
- **In 2024, house prices rose 9.1% and the number of transactions reached 156 325 houses, more 14.5% than in 2023.** This, combined with moderate supply growth (only +4.2% of new family homes built in 2024 vs. 2023), will continue to support further price growth in 2025. However, there are other favourable factors reinforcing prices and transactions: lower interest rates and an increase in real disposable household income, as well as the resilient labour market; finally, favourable fiscal policy (tax exemptions for young people purchasing houses).
- **BoP's projections for the current and capital account balance improved compared to December, anticipating a surplus of 4.5% of GDP in 2025, 0.5 p.p. more than in December, with an improvement of 4 tenths in the balance of goods and services.** In 2024, the current account balance recorded a surplus equivalent to 2.2% of GDP, (0.6% of GDP in 2023), reflecting the reduction in the energy deficit and the improvement in the balance of services, both tourism and others. **The improvement of the external balance has been reflected in the reduction of the external debt, which in 2024 represented 44.5% of GDP, the lowest level since the beginning of 2005.**
- **Public accounts registered a surplus equivalent to 0.7% of GDP, surpassing the Government's estimate of 0.4% of GDP.** Revenues increased by 6.3%, driven by the positive performance of fiscal revenues and contributions to social security. Expenditures increased by 7.6%, with higher contributions from personal spending and social benefits. In this environment, the public debt ratio declined to 94.9% of GDP, -3.2 p.p. than in 2023. Despite the good performance, some caution should be kept in the future given the domestic political scenario and the negative risks to global growth.

Banking Sector

- **NPLs ratio declined in Q4.** The total NPL ratio stood at 2.4% in Q4 2024, with the NPL of households declining to 2.3% and the one for NFC declining to 4.3%. We are not expecting a significant deterioration of credit quality in the following months.

Main economic forecasts

%, yoy	2016	2017	2018	2019	2020	2021	2022	2023	Forecasts 2024	2025	2026
GDP	2,0	3,3	2,9	2,7	-8,2	5,6	7,0	2,6	1,9	2,4	2,1
Private Consumption	2,4	1,8	2,6	3,5	-6,8	4,9	5,6	1,9	3,2	2,3	1,8
Public Consumption	0,9	0,1	0,5	2,1	0,4	3,8	1,7	0,6	1,1	0,9	0,8
Gross Fixed Capital Formation (GFCF)	2,7	11,6	6,2	3,5	-4,9	10,5	4,9	2,0	3,0	5,5	5,2
Exports	4,7	8,4	4,3	4,0	-18,4	12,1	17,2	3,8	3,4	3,4	3,7
Imports	5,2	8,0	4,9	5,1	-11,6	12,3	11,3	1,8	5,0	4,0	4,1
Unemployment rate	11,5	9,2	7,2	6,6	7,0	6,7	6,1	6,5	6,4	6,4	6,4
CPI (average)	0,6	1,4	1,0	0,3	0,0	1,3	7,8	4,3	2,4	2,2	2,0
External current account balance (% GDP)	1,2	1,3	0,6	0,4	-1,0	-0,8	-1,2	1,4	2,2	2,3	2,2
General Government Balance (% GDP)	-1,9	-3,0	-0,4	0,1	-5,8	-2,8	-0,3	1,2	0,7	0,3	0,2
General government debt (% GDP)	131,2	126,0	121,1	116,1	134,1	123,9	111,2	97,7	94,9	90,9	88,0
Housing Prices	7,1	9,2	10,3	10,0	8,8	9,4	12,6	8,2	9,1	7,0	3,8
Risk premium (PT-Bund) (average)	307	269	138	100	90	60	100	70	62	67	78

***Source**: CaixaBank Research.*

Boosted economic growth driven by internal demand

Key economic projections for the Portuguese economy in 2025

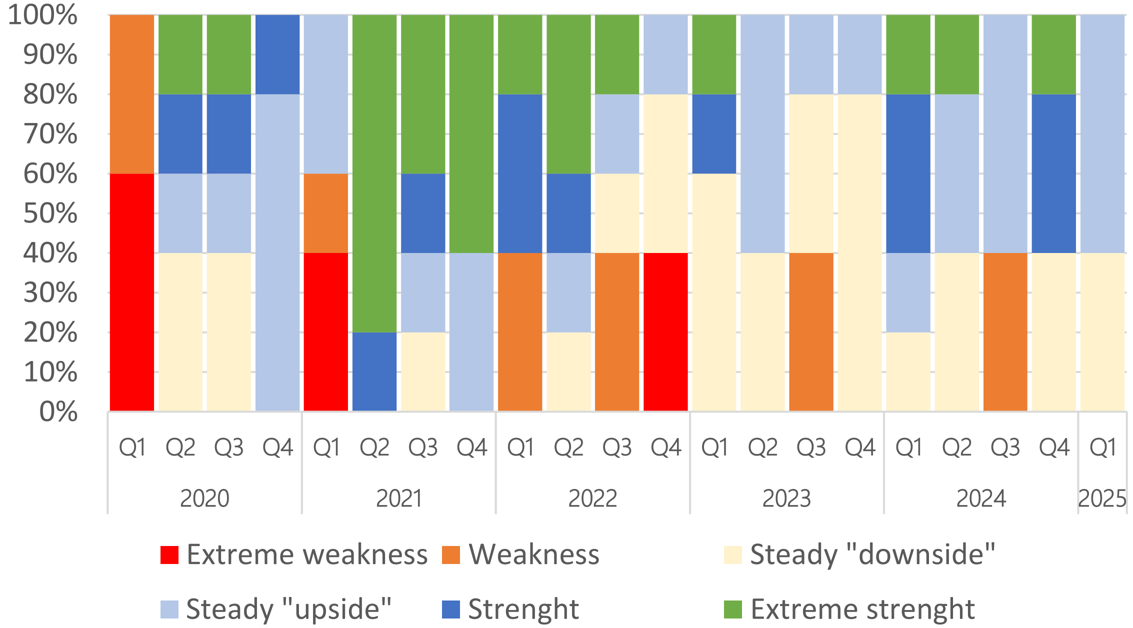
%

		2024	2025	2026	2027	Accum. 25-27
GDP	BoP, Mar-25	1,9	2,3	2,1	1,7	**6,2**
(annual growth)	BPI, Feb-25		2,4	2,1	2,0	6,7
Unemployment rate	BoP, Mar-25	6,4	6,4	6,4	6,4	**0,0**
(% labour force)	BPI, Feb-25		6,4	6,4	6,4	0,0
Inflation[1]	BoP, Mar-25	2,7	2,3	2,0	2,0	6,5
(annual average)	BPI, Feb-25		2,2	2,0	2,0	6,3
Core inflation[1]	BoP, Mar-25	2,7	2,5	2,2	2,2	7,0
(annual average)	BPI, Feb-25		2,2	1,9	1,9	6,2

1 BoP's forecasts are for the HICP; BPI's forecasts are for the CPI.

Activity semaphore – BPI Research

%



Source: BdP and INE. Note: The inflation rate is the annual percentage change of (i) the CPI in the case of BPI and (ii) the HCPI in the case of BdP

- **The Bank of Portugal updated its macroeconomic scenario, rising the expected growth in 2025 to 2.3%, 1 tenth below the BPI’s forecasts.** Investment is the key contributor for this acceleration (3.9% projected for 2025, 1.6 pp above the 2024 figure), while private demand is expected to decelerate, as well as exports and imports due to the increasing trade tensions coming from the change in the United States Administration. Unemployment and inflation are projected to be relatively steady at 6.4% and 2.2% respectively, favoured by a robust labour market. For 2026, growth was downwards by 1 tenth, to 2.1%. The Bank of Portugal considers that downside risks have increase, due to the higher uncertainty related with US tariffs policy.
- **Regarding our activity semaphore, relatively to 2025 Q1, growth is expected to be positive, although low due to uncertainty around the future of trade policies**, with 60% of the embedded indicators suggesting a steady upside and 40% suggesting a steady downside. This environment reflects a cooling of the main activities compared to 2024 Q4, potentially driven by a slight drop on industry and economic sentiment but limited by robust retail commerce and services. According to this model, GDP is expected to grow 0.4% in 2025 Q1, in line with our estimate for this period.

Private consumption is seen to continue to perform favorably

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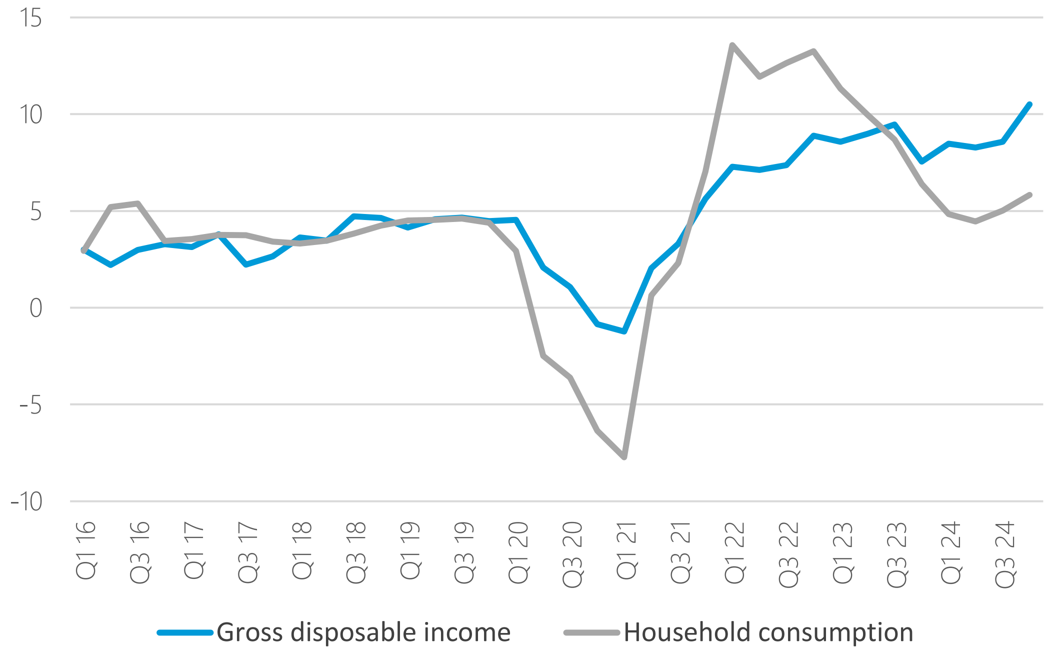
Families' saving rate

(% of DI)

Household's income and consumption

Year-on-year, %



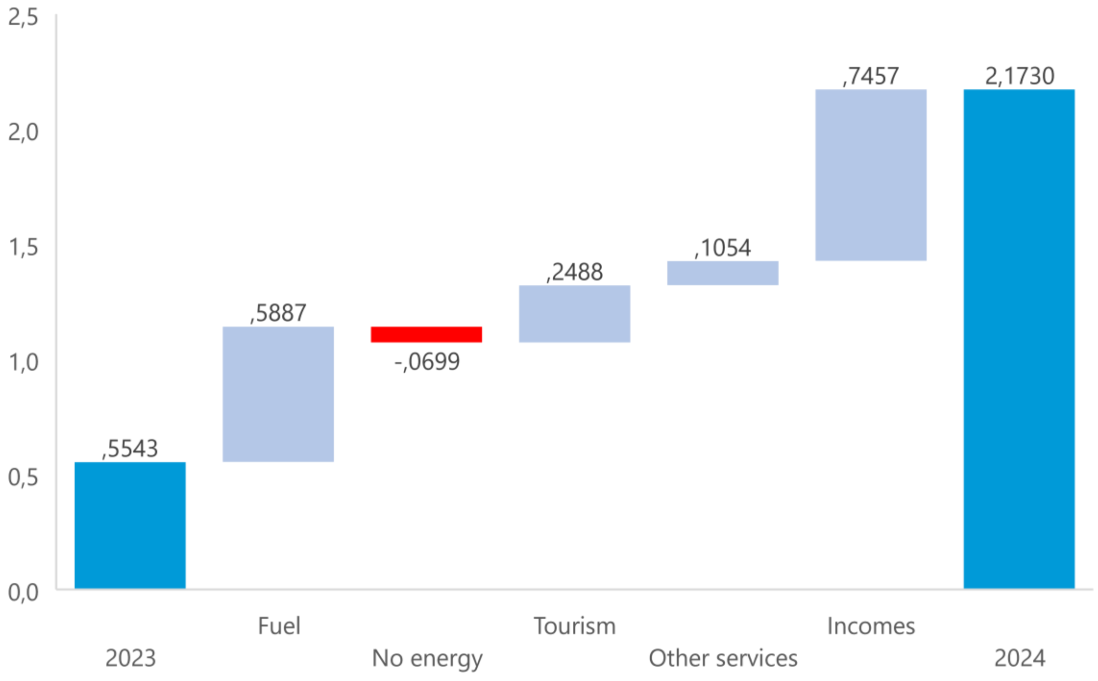
Source: CaixaBank Research, from INE, BoP.

- **Savings keep the increasing trend**. The household's saving rate rose to 12.2% in 2024, more 1.1 p.p. than in 2023, reaching the highest level since 2004 excluding the adverse years of COVID pandemics.
- Additionally, gross disposable income is growing faster than consumption, favouring the building up of savings, which will tend to constitute an important cushion of confidence for future consumption decisions. The higher quarterly increase on the disposable income seen in 4Q 24 was partially due to the personal tax reduction in September and October 2024. For 2025, the trend should become smoother, but higher uncertainty may contribute to the savings build up.

The current account strengthened its surplus in 2024

Current account 2024

% of GDP and percentage points change

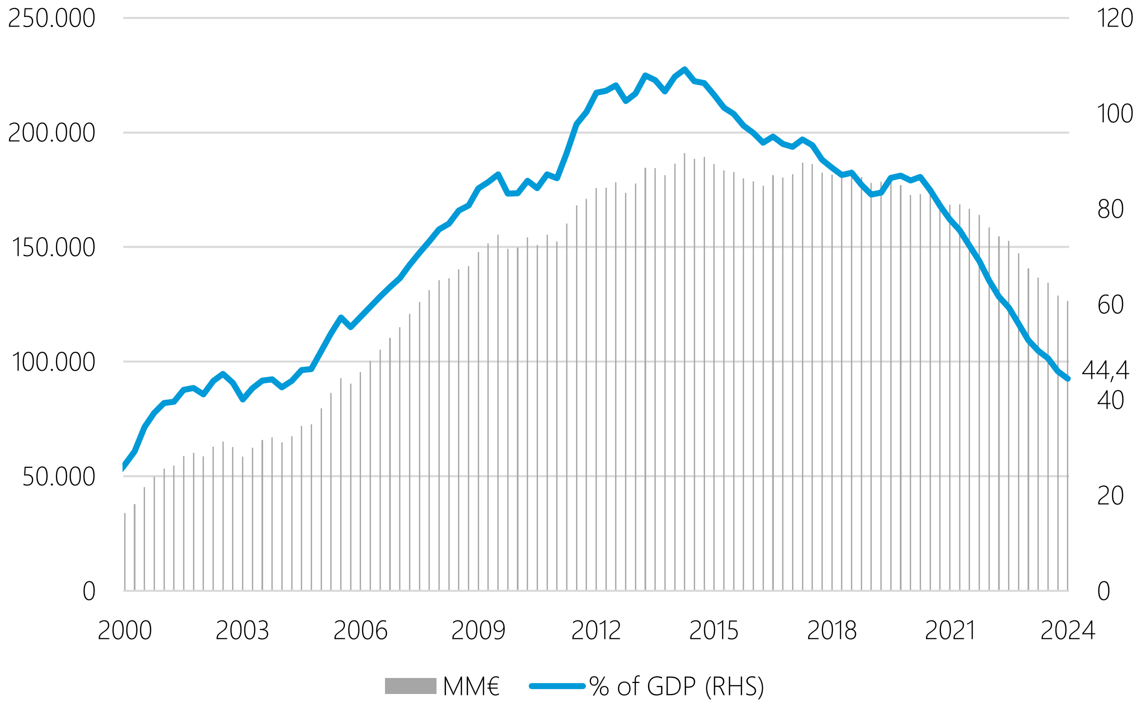


Source: CaixaBank Research, from BoP.

Net external debt

MM €

% of GDP

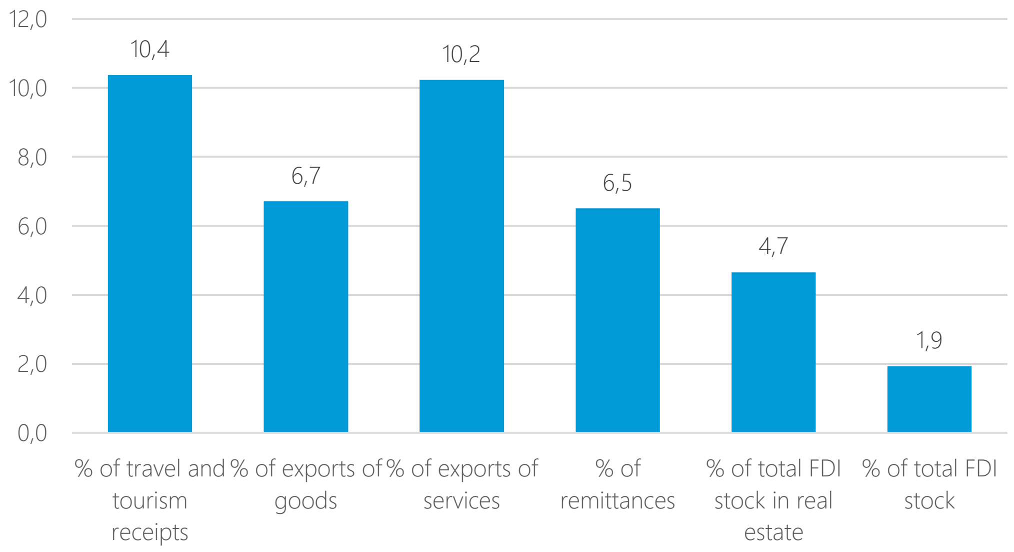


- In 2024, the current account balance recorded a surplus of 6,143.4 million euros, equivalent to 2.2% of GDP, which compares with a surplus of 0.6% of GDP in 2023. The reduction in the energy deficit and the improvement in the balance of services, both tourism and others, are mainly responsible for this improvement. The income balance deficit shrank in 2024, to 1.8% of GDP (2.6% in 2023), reflecting a smaller investment income deficit and the greater allocation of European funds to final beneficiaries in the form of subsidies. **The outlook for 2025 remains positive, with the surplus expected to end the year at a level close to that recorded in 2024.**
- The improvement of the external balance is reflected in the reduction of the external debt, which in 2024 represented 44.5% of GDP, the lowest level since the beginning of 2005.

Economic ties with the US - I

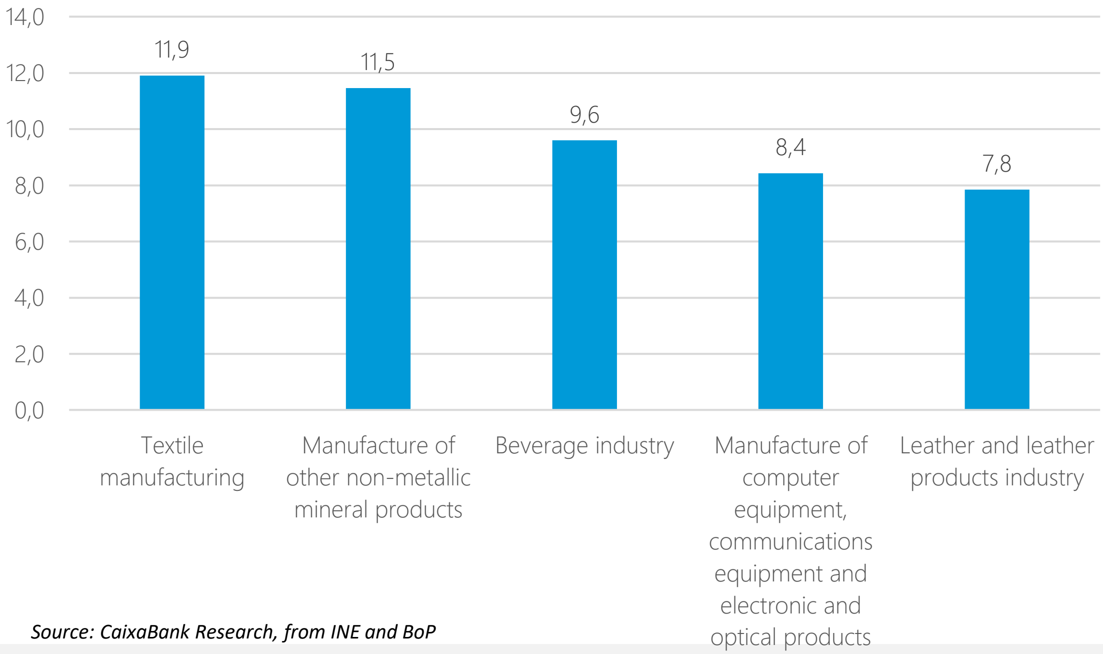
How much USA weighs in Portugal's foreign relations 2024

% of total (*)



Exposure of Portuguese exports to the US market

% of exporting companies in the sector

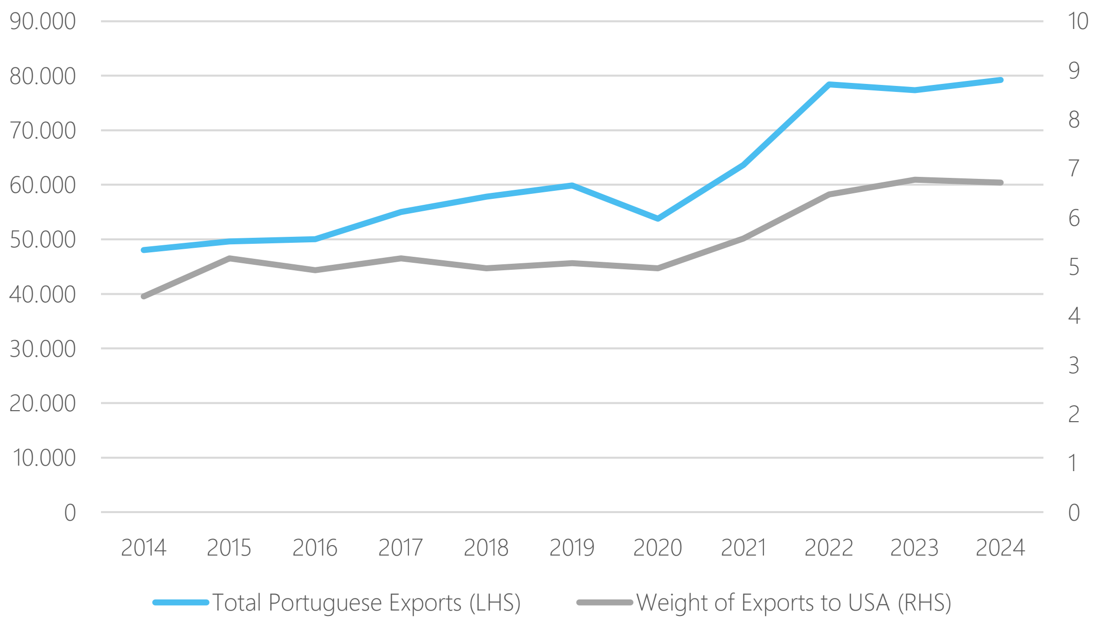


Source: CaixaBank Research, from INE and BoP

- **Political changes in the US after the last Presidential elections, namely the imposition of tariffs, may have impact on some domestic sectors.** According to the Bank of Portugal, within the manufacturing sector, the more exposed companies (whose exports of goods to the US represent more than 10 per cent of the value of sales (domestic and foreign) are in the textile and manufacturing (12% of companies in the sector), Manufacture of other non metallic products (11,5%), Beverage Industry (9,6%). In 2023, exports of these companies represented 76%, 82%, 34%, 75% and 69% respectively of total exports to the US from each of the five sectors shown in the graph in the right.
- **Between 3% and 3.5% of the Portuguese GDP is linked to final demand from the US.** Exports of goods to the US account for c. 7% of total Portuguese exports, particularly pharmaceutical products (23% of total exports to the US and 32% of the sector's total exports), coke and refined petroleum products (around 21% and 23% respectively of exports to the US and the sector's exports), textiles and clothing (8% and 17%), rubber and plastic products (7% and 9%).
- **In addition to trade, relations between Portugal and the US have gained importance in recent years as far as tourism and FDI are concerned, in particular FDI directed to the real estate market.** In the case of tourism, tourist receipts associated with US tourists represent 10% of total tourist receipts; and FDI in real estate represents 4.5% of the total real estate FDI stock.

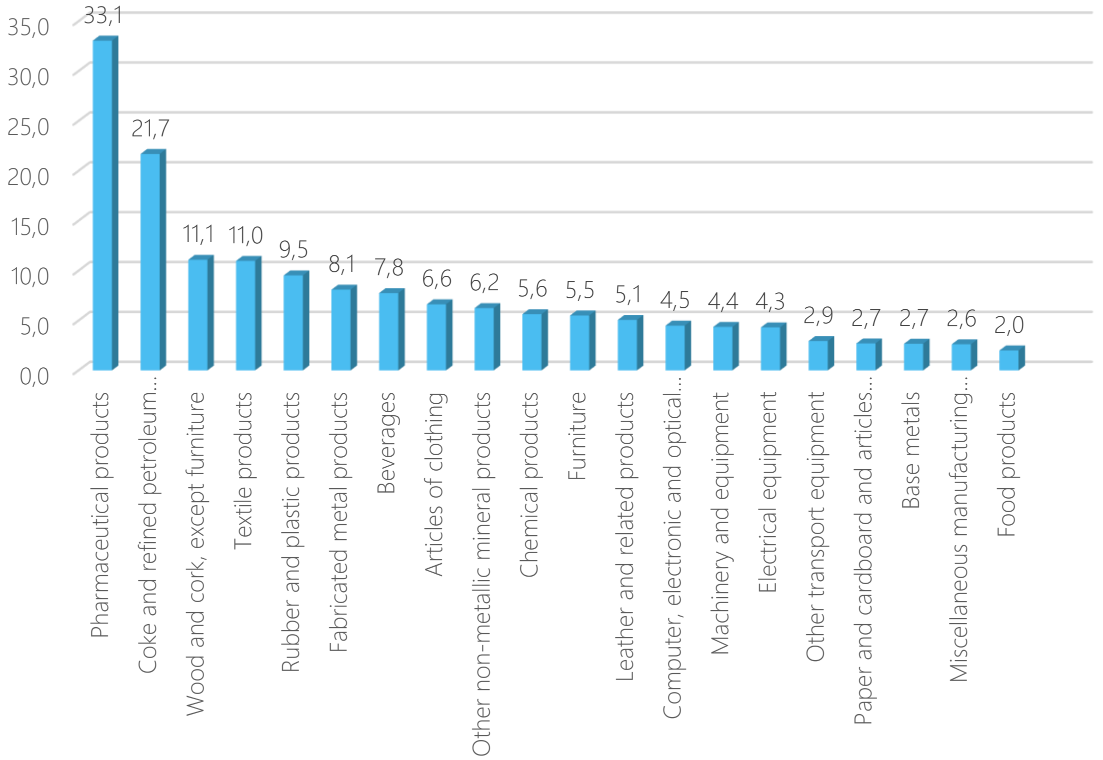
Economic ties with the US - II

Portuguese exports and relative weight of USA



Source: CaixaBank Research, from INE and BoP.
(*) YTD untill August for Trade and tourism and 1H24 for FDI

Weight of exports to the US in the sector's total export



- **Portuguese international trade raised its relevance, with total exports increasing approximately 2.5% in 2024.** Despite both total goods exported and the ones exported to the USA increased in 2024, the first aggregate raised much more in percentage terms, leading to a decreasing relevance of the trade with America. This trend is particularly relevant given the actual pressure on global markets due to increased protectionism.

Portugal's exposure to the US is relatively moderate

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Portuguese exports of goods to the US previous tariffs and new tariff liberation day

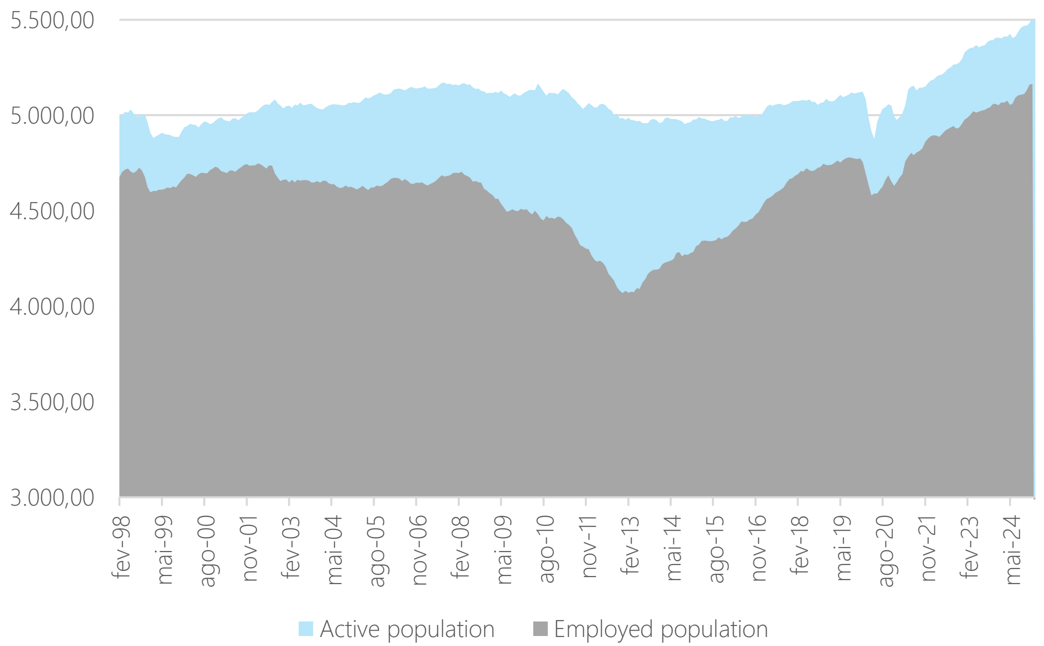
	Exports to the US 2024 (million €)	% of total	Average tariff	Average new tariff "liberation day"
Pharmaceutical Produts	1.168	22,0	0,2	21,8
Mineral fuels	1.078	20,3	0,5	25,0
Rubber	368	6,9	1,7	24,1
Electrical machinery	303	5,7	1,2	20,1
Nuclear reactors	227	4,3	1,3	21,8
Cork and articles	185	3,5	0,7	21,8
Articles of iron and steel	182	3,4	1,2	21,8
Textil products	144	2,7	6,8	30,6
Furniture	126	2,4	1,9	12,7
Clothing	183	3,4	12,8	30,6
Beverages	111	2,1	1,8	28,5
Organical chemicals	111	2,1	2,7	20,9
Footwear	98	1,8	10,5	24,1
Ceramic products	89	1,7	4,1	21,8
Optical, photografical, cinematographic	72	1,4	0,9	21,8
Others	873	16,4	3,9	19,3
Total	**5.318**	**6,7**	**2,0**	**22,6**
% of GDP	**1,9**			

- Portugal's exposure to the US is relatively low, it accounts for less than 7% of total exports of goods and 1,9% of GDP.
- For now, the liberation day tariff are suspended for 90 days and replaced by a 10% tariff.
- According to OECD near 3% of the Portuguese GDP is associated with US final demand, therefore if final US demand for Portuguese goods decline 10% in may reduce GDP by 0.3 p.p.
- To support the business sector in the current context, the Portuguese government has approved a package of 10 billion euros to support competitiveness, exports and the internationalization of companies. Among the main measures are:
    - Reinforcement of Banco Português de Fomento (BPF) financing lines, with a total of 5.2 billion euros allocated for operating funds and business investment;
    - A new financing line of 3.5 billion euros, including 400 million in subsidies, aimed at investment by exporting companies;
    - Reinforcement of export credit insurance ceilings, to 1.2 billion euros, to support market diversification, through the BPF Export Credit Agency;
    - A new incentive program under Portugal 2030, worth 200 million euros, to support internationalization and exports. Of this amount, 150 million euros are specifically earmarked for small and medium-sized companies.

Employment remains robust in early 2025

Employed population

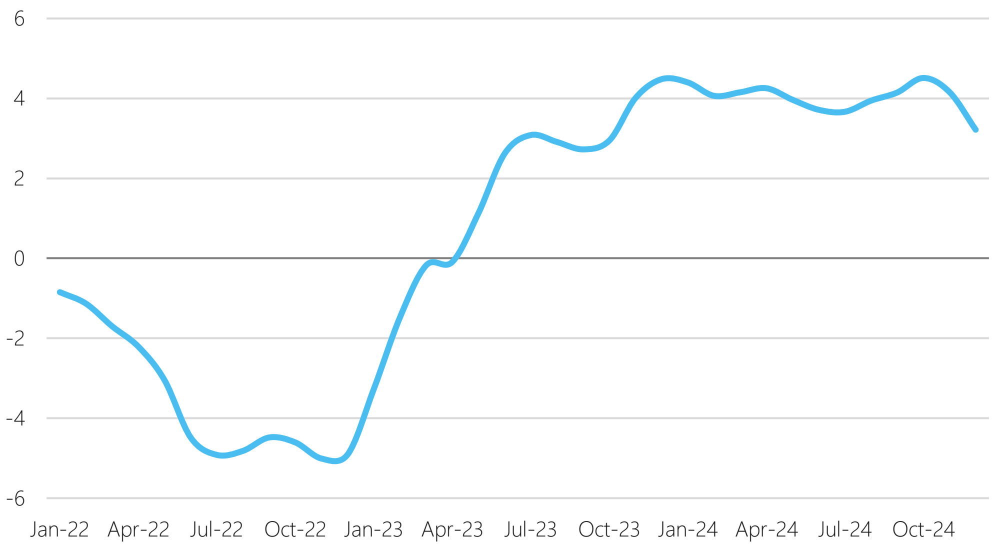
Number of people ('000 individuals)



Source: CaixaBank Research, from INE.

Real monthly earnings per worker

Year-on-year (%)



Note: The yoy changes are based on an average of the quarter that ended on each month.

- **The employed population grew by more than 2% yoy again at February 2025.** This figure extends the positive trend in employment (46th consecutive month of positive year-on-year growth), accompanied by an almost proportional raise in the labour force, reflecting a robust supply in the labour force.
- The employed population is at an all-time high and real wages are growing by over 3%.
- The outlook for 2025 remains positive, with the unemployment registered at job centres reversing the upward trend seen in previous months, with a lower year-on-year increase in February (2.3%); on a mom base it fell 3.0%. There was also an increase in job offers: 10.3% yoy and 13.4% qoq.

NGEU: 48% of payments scheduled to be received in 2025-26

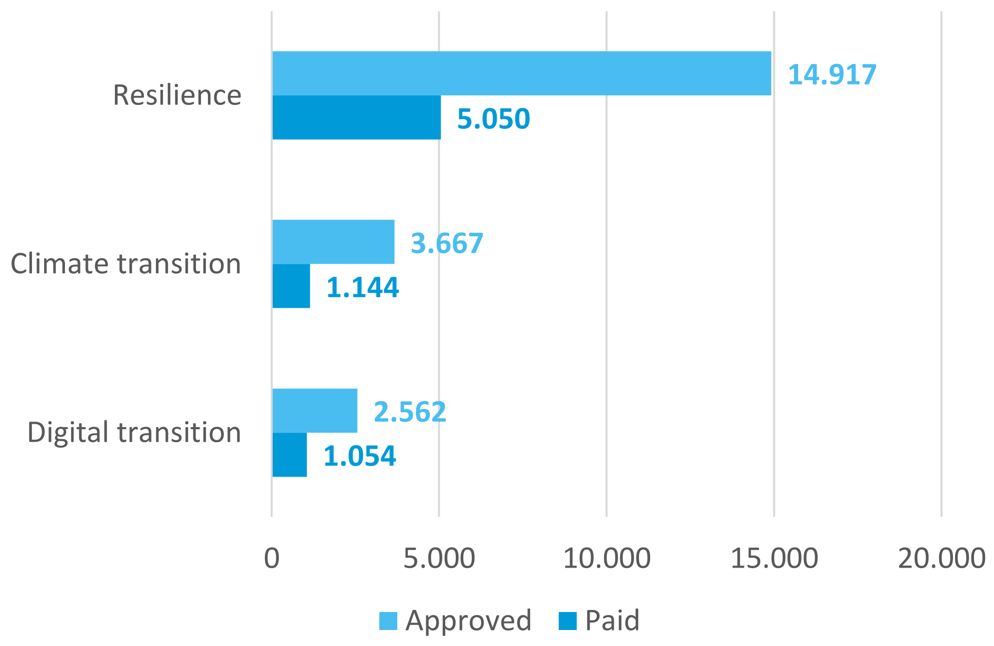
Approvals and payments to direct and final beneficiaries

(Up to January 29th)	Approved (EUR million)	Paid (EUR million)	Paid rate
Families	259	221	85,3
Social and solidarity economy institutions	587	212	36,1
Firms	5.981	2.553	42,7
Excl. R&I System Non-firms	5.035	2.165	43,0
R&I System Non-firms in consortium with firms	946	388	41,0
Institutions of the scientific and technological system	535	187	35,0
Higher Education Institutions	811	288	35,5
Schools	1.026	507	49,4
Municipalities and metropolitan areas	4.115	901	21,9
Public entities	4.944	1.618	32,7
Public firms	2.888	763	26,4
Total (million euros)	**21.146**	**7.250**	**34,3**
(% total RRP)	***95,2%***	***32,6%***	

Source: CaixaBank Research, from Recuperar Portugal.

RRP: amounts approved and paid by dimension

Eur million

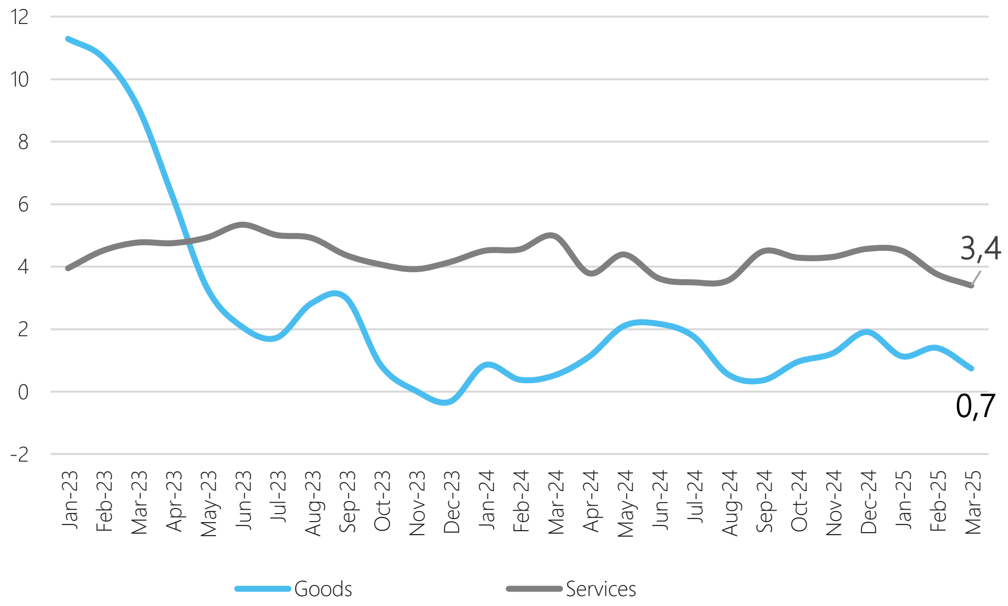


- **Up to now, Portugal received 11.4 billion euros, equivalent to 51% of the total amount of the RRP.** In December 2024 were received 2.9 bln euros.
- **Projects already approved amount to 21 billion euros (95% of the total amount) and payments reached 7.3 billion** (64% of the total amount received). Since the beginning of 2024, the payment rate improved by 12 p.p., to 34% of total amount approved.
- The program is divided in three dimensions - resilience, climate transition and digital transition. The first will absorb 68% of the funds, the second 20% and the third 12%, in the case of the Portuguese program. In the resilience dimension, the capitalization and business innovation components stand out, with an amount paid out to the final beneficiaries of 2,010 million euros, equivalent to 46% of the approved amount; housing, with an amount already paid out of 977 million (27% of the approved amount); and the qualifications and skills component with an amount already executed of 727 million euros (33% of the approved amount). In the climate transition, the decarbonization of industry and sustainable mobility components stand out, with amounts already paid amounting to 308 and 228 million euros, respectively, representing, in the same order, 38% and 18% of the amounts approved. And in the digital transition, the digitalization, interoperability and cybersecurity in public administration and Companies 4.0 components stand out, with projects approved amounting to 653 and 627 million euros, respectively, of which 193 and 231 million have already been paid out.

Disinflation accelerated in March

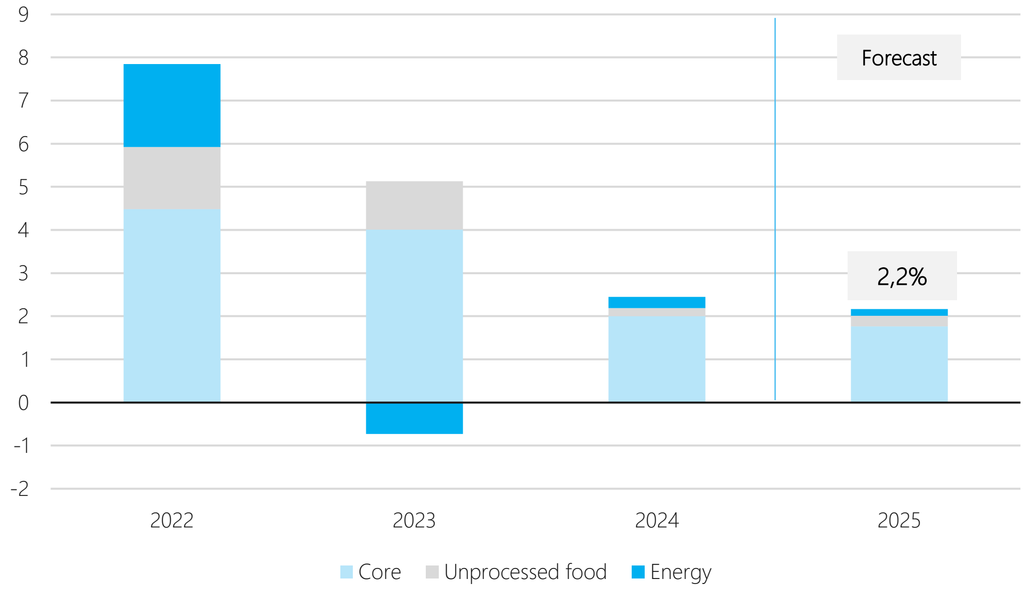
Goods & Services inflation

Year-on-year (%)



Global inflation

average annual inflation and contributions (%)



Source: Caixabank Research, using data from INE.

- Global inflation slowed to 1.9% in March, 5 tenths below the February data; and the core inflation fell 6 tenths to 1.9%.
- Momentum of demand makes it stickier to adjust inflation for categories associated with services (like Travel, Accommodation and Catering). Greater stability in energy and food prices should allow for lower inflation in 2025, but only in 2026 will it return to the 2% average.

Tourism: to set new records in 2025

Growth in the number of tourists

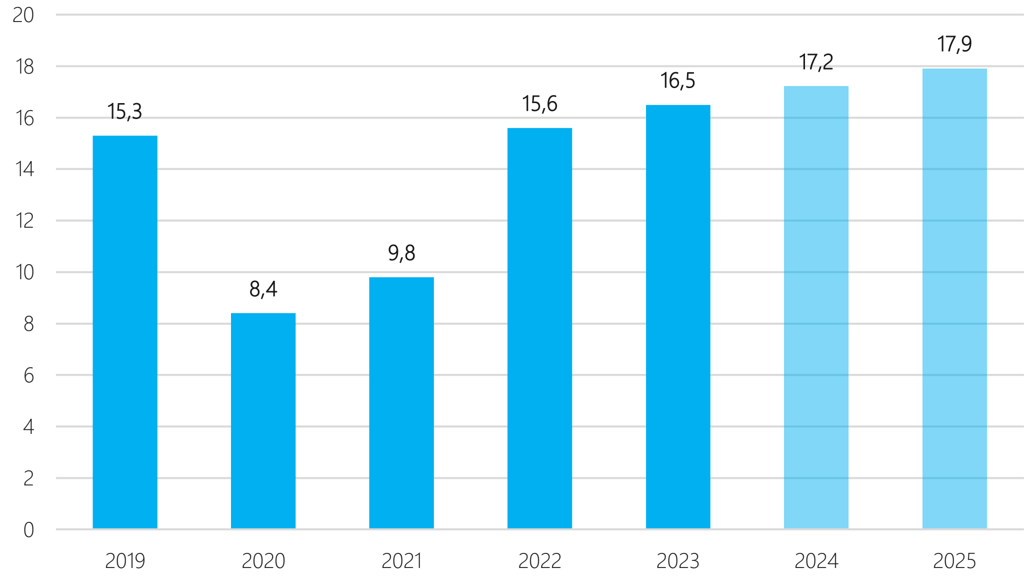
%

Tourists	2024 VS 2023	Last 3 months VS yoy	Trend
Resident	3,5%	10,5%	●
Non Resident	6,3%	7,4%	●
UK	4,3%	2,2%	●
Germany	6,6%	7,7%	●
Spain	0,8%	3,8%	●
France	-3,0%	-1,5%	●
USA	11,8%	9,9%	●
Brasil	-1,0%	0,0%	●
Other	21,5%	24,4%	●

***Source**: CaixaBank Research, using data from INE.*

Weight of the Tourism Sector

% of GDP

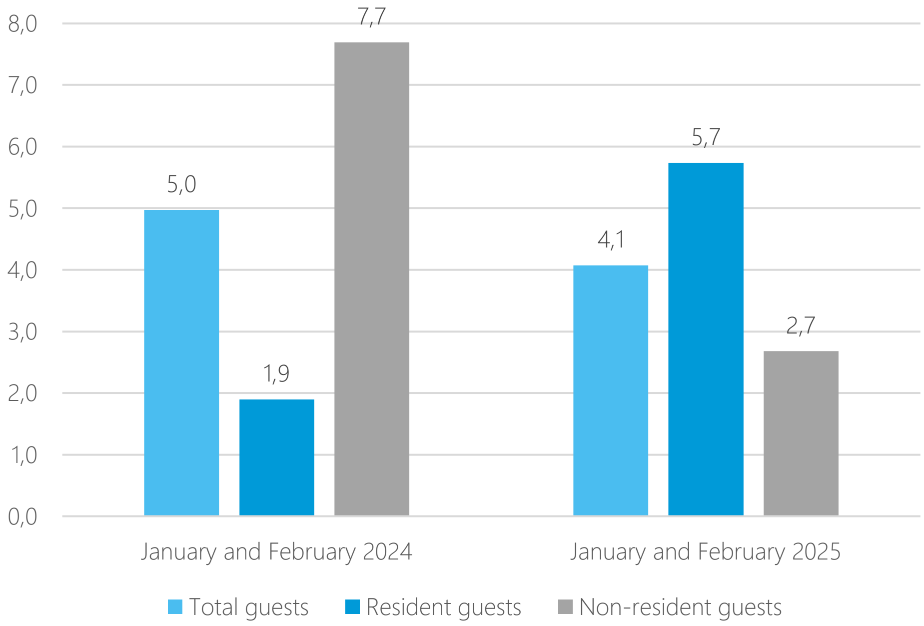


- We forecast a growth in guests very similar to 2024 (around 5%). In eurozone countries we foresee a recovery in real wages, with inflation returning close to the 2% target, which will be reflected in the willingness to travel in the main source countries.
- We estimate that the tourism sector's weight in GDP will have risen to 17.2 per cent (from 16.5 per cent in 2023) and that it will stand at 17.9 per cent in 2025, given that the sector's growth rate is stronger than the economy's overall growth rate. Tourism is expected to contribute around 0.7 p.p. to overall GDP growth, which in 2025 is projected to be 2.4 per cent.

Tourism: to set new records in 2025

Guests in tourist accommodation establishments

Homologous change in the number of individuals (%)



Overnight stays in tourist accommodation establishments

Homologous change in the number of stays (%)

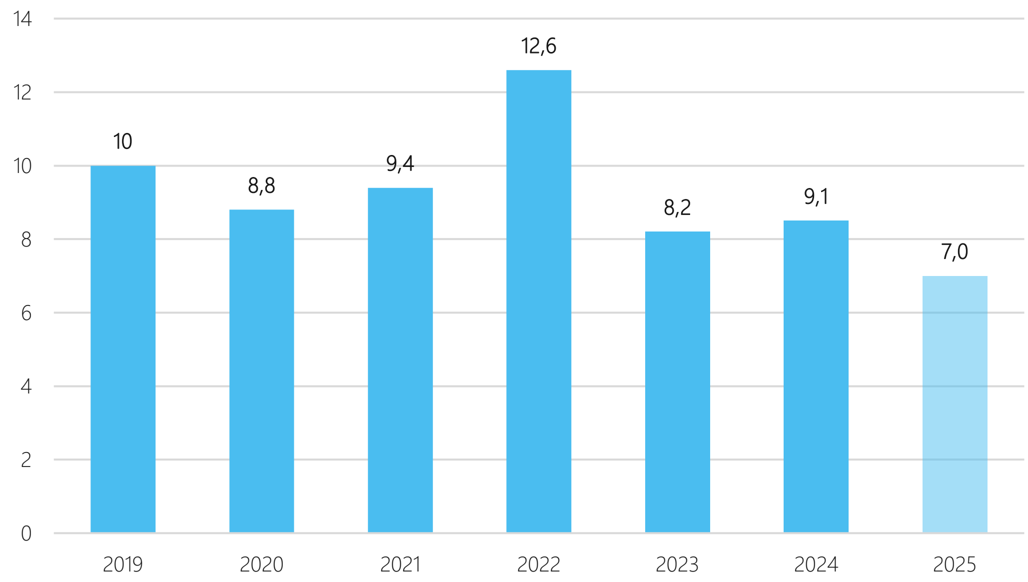
***Source**: CaixaBank Research, using data from INE.*

- **The number of guests in tourist accommodation establishments increased in a year-on-year basis, as well as the number of overnight stays, in aggregate for January and February 2025, compared to 2024.** In terms of guests, the increase is motivated by both residents and non-residents, while in terms of stays the number of non-residents slightly decreased.
- In February 2025, the number of stays decreased about -2.5% compared to February 2024, which may be influenced by the Carnival effect, which occurred in March this year.
- **The tourism sector keeps robust in 2025**, expecting a positive performance although slower than in 2024, as the levels of past year already showed a deceleration compared to 2023 both in terms of guests, stays and benefits.

Housing with solid appreciation

House price index

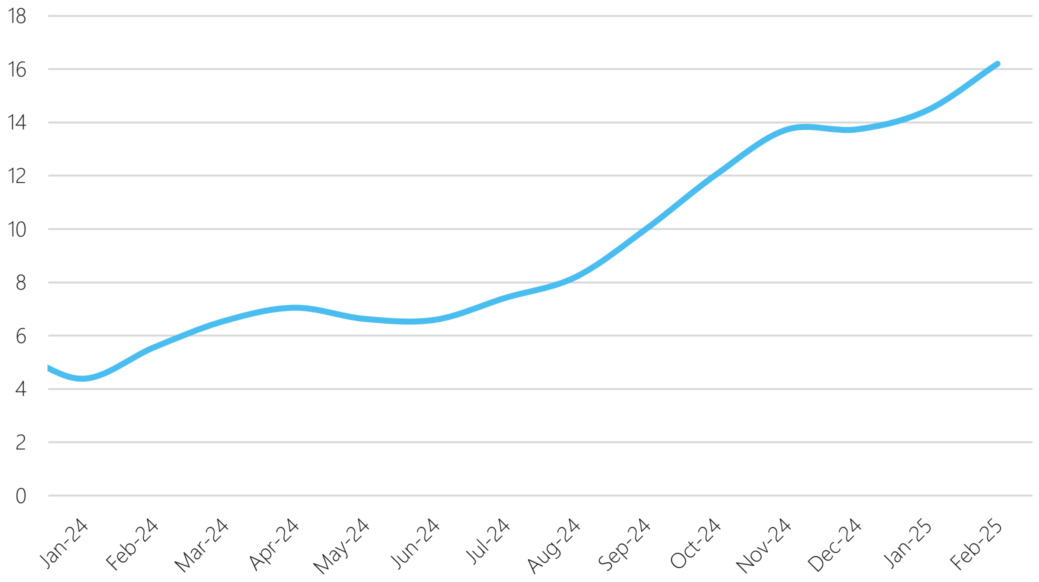
year-on-year (%)



Source: *CaixaBank Research, using data from Confidencial Imobiliário.*

Bank appraisal of housing

year-on-year (%)



Source: *CaixaBank Research, using data from INE.*

- **Robust demand coupled with lower interest rates, high employment levels, positive migration balances and a shortage of supply should continue to support the market.**
- In 2024, the number of transactions reached 156 325 houses, more 14.5% than in 2023. This, combined with moderate supply growth (only +4.2% of new family homes built in 2024 vs. 2023), will continue to support further price growth in 2025. However, there are other favourable factors reinforcing prices and transactions: lower interest rates and an increase in real disposable household income, resilient labour market; and favourable fiscal policy (tax exemptions for young people purchasing HPP).

Public accounts have surprised again in 2024

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Budgetary execution of Public administration

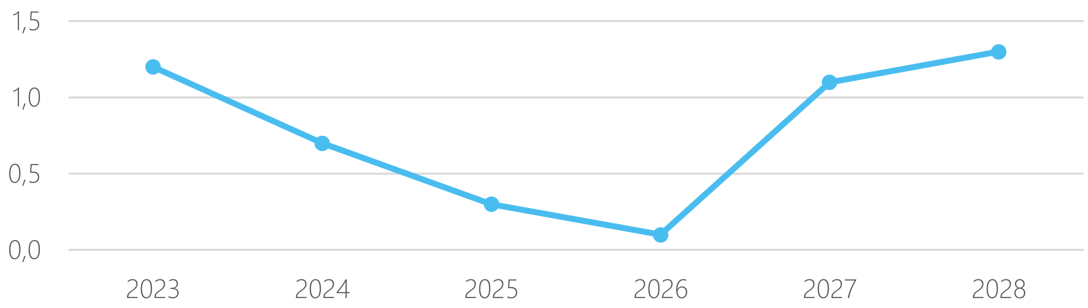
% of GDP, unless otherwise indicated

(% of GDP)	2019	2023	2024	Change 2024-2019	Change 2024-2023	
				% of GDP	yoy %	Contributions
Current revenue	42.2	42.4	42.6	0.4	7.0	6.9
Tax and contributory revenue	36.6	37.3	37.5	0.9	6.9	5.9
Capital revenue	0.4	1.2	0.9	0.5	-20.9	-0.6
Total revenue	**42.6**	**43.5**	**43.5**	**0.9**	**6.3**	**-**
intermediate consumption	5.1	5.2	5.2	0.1	7.3	0.9
Personnel costs	10.8	10.4	10.6	-0.2	8.5	2.1
Social benefits	18.2	17.5	18.2	0.0	10.4	4.3
Interest	2.9	2.1	2.1	-0.8	6.3	0.3
Subsidies	0.4	0.8	0.8	0.3	-0.4	0.0
Investment	1.9	2.6	2.7	0.9	10.9	0.7
Total expenditure	**42.5**	**42.3**	**42.8**	**0.3**	**7.6**	**-**
Primary Current Expenditure	**36.7**	**36.3**	**37.3**	**0.5**	**9.2**	**7.9**
Overall Balance	**0.1**	**1.2**	**0.7**	**0.6**	**-**	**-**
Primary Balance	**3.0**	**3.3**	**2.8**	**-0.3**	**-**	**-**
Public Debt	**116.1**	**97.7**	**94.9**	**-21.2**	**-**	**-**

Source: BPI Research, based on INE.

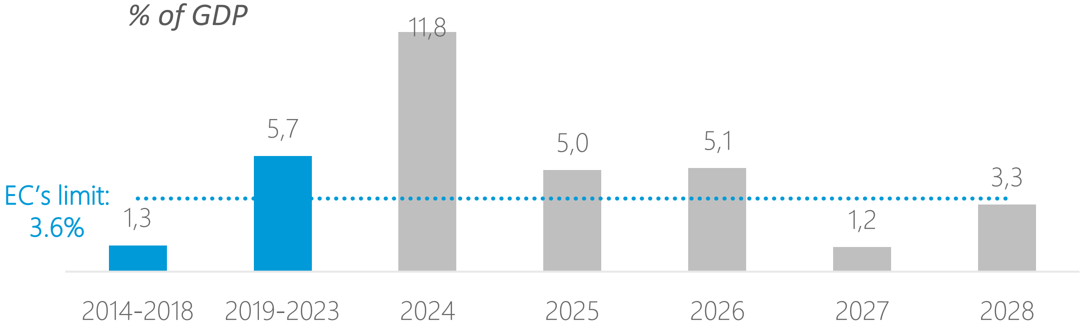
Overall fiscal balance in accrual basis

% of GDP



Net Primary Expenditure

% of GDP



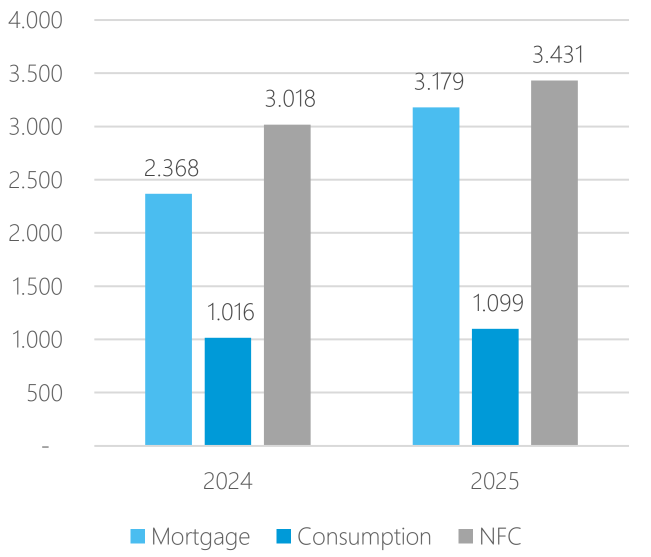
Source: BPI Research, based on Medium-Term Fiscal-Structural Plan 2025-2028.

- **Public accounts registered a surplus equivalency to 0.7% of GDP,** surpassing the Government's estimate of 0.4% of GDP. Revenues increased by 6.3%, driven by the positive performance of fiscal revenues and contributions to social security.. Expenditures increased by 7.6%, with higher contributions from personal spending and social benefits. In this environment, the public debt ratio declined to 94.9% of GDP, -3.2 p.p. than IN 2023.
- **2024's data suggests that the new normal in public accounts is to discuss the size of the budget surplus. However, the risks are still lurking. Prior to the heightened global risks,** 2025 was expected to bring a certain normality to the economy: GDP is expected to grow by more than 2%, the labour market should remain robust and support private consumption (by increasing employment and wages), inflation will continue on the path towards the 2% target and the reduction in financing costs should relieve the burden on families, companies and the state. However, geopolitical challenges (wars and tariffs), efforts to strengthen European defence, along with the upcoming electoral cycle, with the resulting uncertainty about policies and future parliamentary composition, remind us of the importance of keeping the consolidation of public accounts as a future focus. And let's not forget that public debt remains at high levels, well above the 60% of GDP threeshold.

Banking system: deleveraging and high liquidity

New lending activity by sector

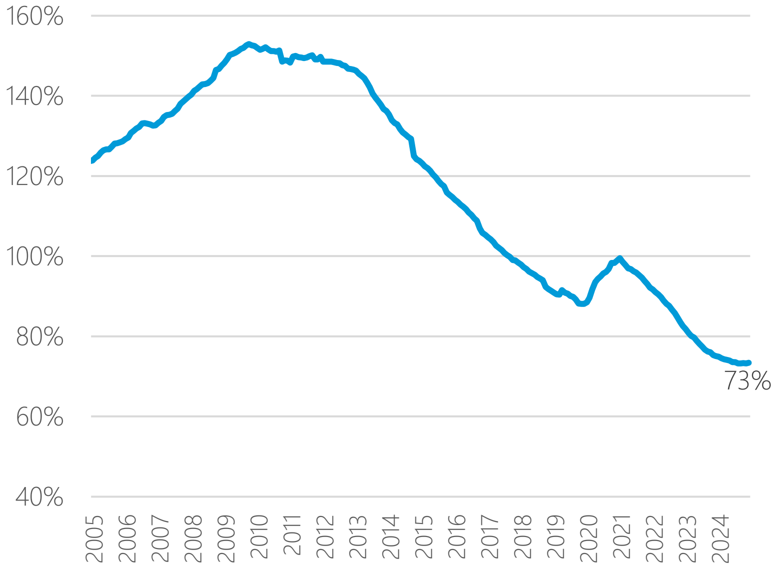
Accumulated in the 12 months up to February, billion euros



Source: Caixabank Research, based on data from Bank of Portugal and ECB.

Bank credit to the non-financial private sector

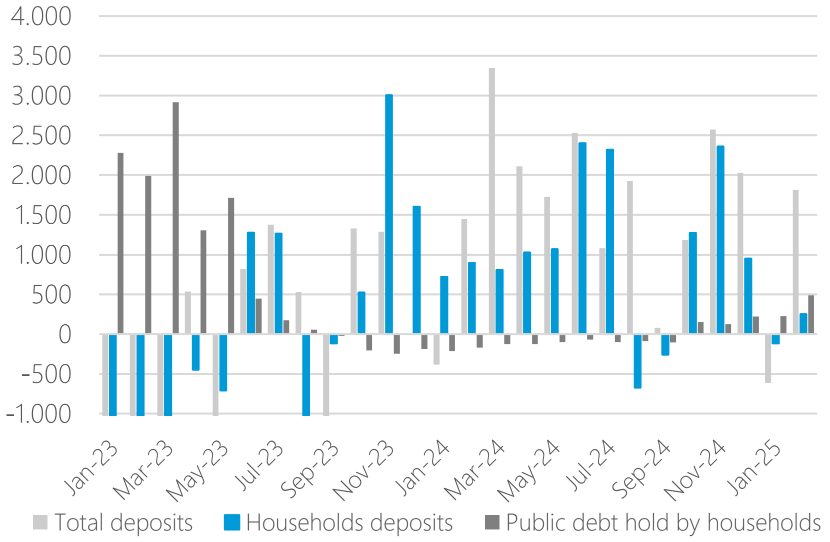
% GDP



Note: latest data available as of Nov.-2024. **Source**: Caixabank Research, based on data from Bank of Portugal.

Deposits and public debt hold by families*

Monthly variation (M€)



Notes (*): Public debt by households includes Certificados de Aforro and Certificados do Tesouro, which can only be subscribed by resident households. The maximum amount that Government can issue for these retail instruments (CA and CT) is 7 bn Eur in 2024.
Source: CaixaBank Research, based on data from Bank of Portugal and IGCP.

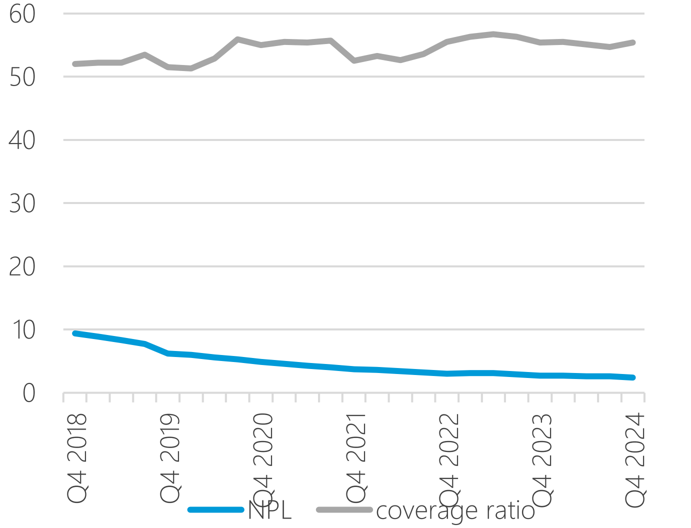
- **The stock of credit to companies and households continues to increase:**
  - **Mortgage credit:** stock rose 4.5% in February, with new operations increasing at double digit levels (+26%, including transfers among banks, which BoP has been reporting at approximately 30% of total new mortgage credit), indicating that the pace will continue positive in the months ahead. Signs that the peak on interest rates should be behind us may have contributed to this, as well as the impact of Government's measures (especially those related to improve the access of youth people to credit and housing market).
  - **NFC:** the stock increased by 0.3%, while new operations recorded expanded 13.7% yoy.
  - **Deposits of the private sector rose 7.1% February**. Both Households and NFC's deposits increased (6.3% and 9.4% yoy, respectively), with both segments reaching the highest amount since, at least, 2000. However, the descending trend in interest rates for new deposits for the following months (1.8% in February, -1 p.p. in comparison to the homologous period) should restrain the increase in households' deposits in the future, probably towards Government retail products (with subscriptions increasing in February for the fiveth consecutive month).

Banking system: a solid position to support the economy

NPLs and coverage ratios

NPL ratio[1]
In % of gross loans

Coverage ratio
In % of NPLs

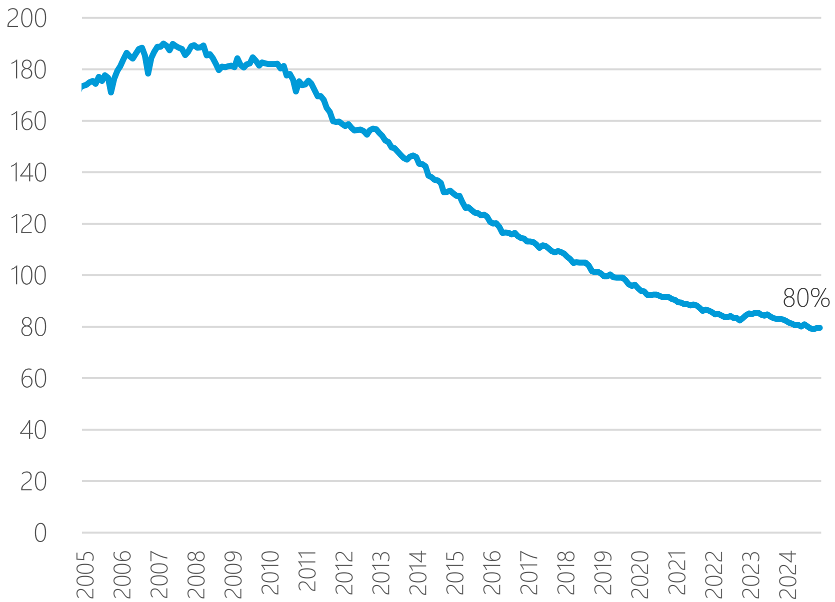


Cost of risk[1]
0.5% in Q4 2019
0.1% in Q4 2024

Notes: (1) flow of impairments to credit as a percentage of total gross loans.
Source: CaixaBank Research, with data from Bank of Portugal.

Non-financial private sector: loan-to-deposit ratio

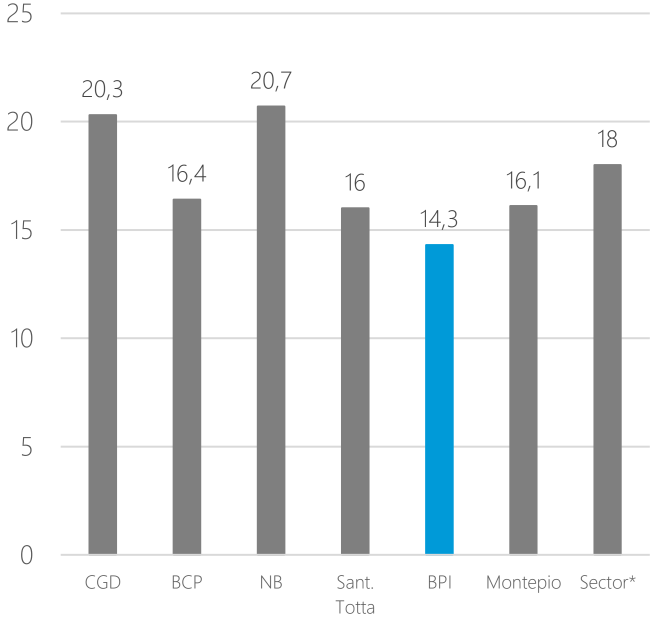
(%)



Source: Caixabank Research with data from Bank of Portugal.

Banks' solvency and liquidity position

In % (2024)



Source: Banks publications, BoP

- **NPLs ratio keep steady in Q4.** The total NPL ratio decreased to 2.4% in Q4 2024, while the one relative to households decreased to 2.3% (-2 pp from Q3). The ratio for NFC was the one that saw the largest quarterly drop, to 4.3% (-5 pp from Q3). We are not expecting a significant deterioration of credit quality in the following months.
- **Profitability remains well above the pre-pandemic period.** According to the Bank of Portugal, ROE increased to 15.2% in Q3 (vs 14.8% in Q4 2023).
- **The capital position of Portuguese banks provides buffers against the risks that could arise, due to the conflict in Ukraine, other geopolitical risks or any adverse unexpected event that could eventually impact NPL's.**