

Portuguese Republic

Rating report

Rating rationale

Fiscal discipline and debt reduction: Portugal has achieved substantial progress in reducing public debt over the past few years, with the debt-to-GDP ratio declining from 134.1% in 2020 to 89.7% in 2025, supported by high primary surpluses and sound nominal growth. The public debt ratio is projected to decrease further, albeit at a slowing rate, to around 76% by 2035, driven by resilient economic growth and fiscal discipline despite budgetary challenges from higher inflation related to the conflict in the Middle East, rising social benefit costs and lower taxes.

Economic resilience and structural improvements: Portugal's economic growth remains robust, outpacing the euro area average, with GDP growth projected at 1.8% in 2026 and 1.6% in 2027. A resilient labour market, government fiscal support, lower taxes for companies and investments and the impact of the Recovery and Resilience Plan, bolster domestic demand mitigating risks stemming from trade protectionism measures and higher inflation.

External position and energy transition: Portugal's external position has improved, with the net international investment position declining to around -50% of GDP in Q4 2025, alongside a modest current account surplus. The high and growing share of renewable sources in energy and electricity production is reducing import dependence and mitigates the risk of a material and prolonged deterioration in the energy trade balance. Efficient use of EU funds further strengthens Portugal's economic resilience and sustainability.

Rating challenges include: i) an elevated, albeit declining stock of public debt; ii) moderate growth potential reflecting ageing demographic trends, impacting the labour force and public spending, as well as low productivity; and iii) vulnerability to shocks given the small, open economy and its high reliance on foreign capital compared to its peers.

Figure 1: Portugal's sovereign-rating drivers

Risk pillars		Quantitative		Reserve currency	Political risk	Qualitative	Final rating
		Weight	Indicative rating	Notches	Notches	Notches	
Domestic economic risk		35%	a-	EUR	Portugal	0	A
Public finance risk		25%	aa-			0	
External economic risk		10%	bb			- 1/3	
Financial stability risk		10%	aa			- 1/3	
ESG risk	Environmental factors	3%	aa-	[+1]	[-0]	0	
	Social factors	3%	aa+			0	
	Governance factors	14%	aa			- 1/3	
Sovereign Quantitative Model*		a+				-1	
Additional considerations						0	

*Scope's Sovereign Quantitative Model (SQM) signals an indicative credit rating of 'a+' for Portugal which was approved by the rating committee.

For details, please see Scope's [Sovereign Rating Methodology](#).

Foreign currency

Long-term issuer rating/Outlook

A/Positive

Senior unsecured debt/Outlook

A/Positive

Short-term issuer rating/Outlook

S-1/Positive

Local currency

Long-term issuer rating/Outlook

A/Positive

Senior unsecured debt/Outlook

A/Positive

Short-term issuer rating/Outlook

S-1/Positive

Lead Analyst

Carlo Capuano

+49 1747446891

c.capuano@scoperatings.com

Team Leader

Alvise Lennkh-Yunus

+49 69 6677389 85

a.lennkh@scoperatings.com

Table of contents

[Rating analysis](#)

[Appendix 1. Debt sustainability analysis](#)

[Appendix 2. Rating peers](#)

[Appendix 3. Appendix 3. Economic development and default indicators](#)

[Appendix 4. Statistical table for selected SQM indicators](#)

Credit strengths and challenges

Credit strengths

- EU membership, improved macro-economic resilience
- Strong record of prudent fiscal policy and debt reduction
- Favourable public debt profile

Credit challenges

- Elevated public debt stock
- Moderate growth potential
- External vulnerability to shocks, high reliance on foreign capital

Outlook and rating triggers

The **Positive** Outlook reflects Scope's view that risks to the ratings are skewed to the upside over the next 12 to 18 months.

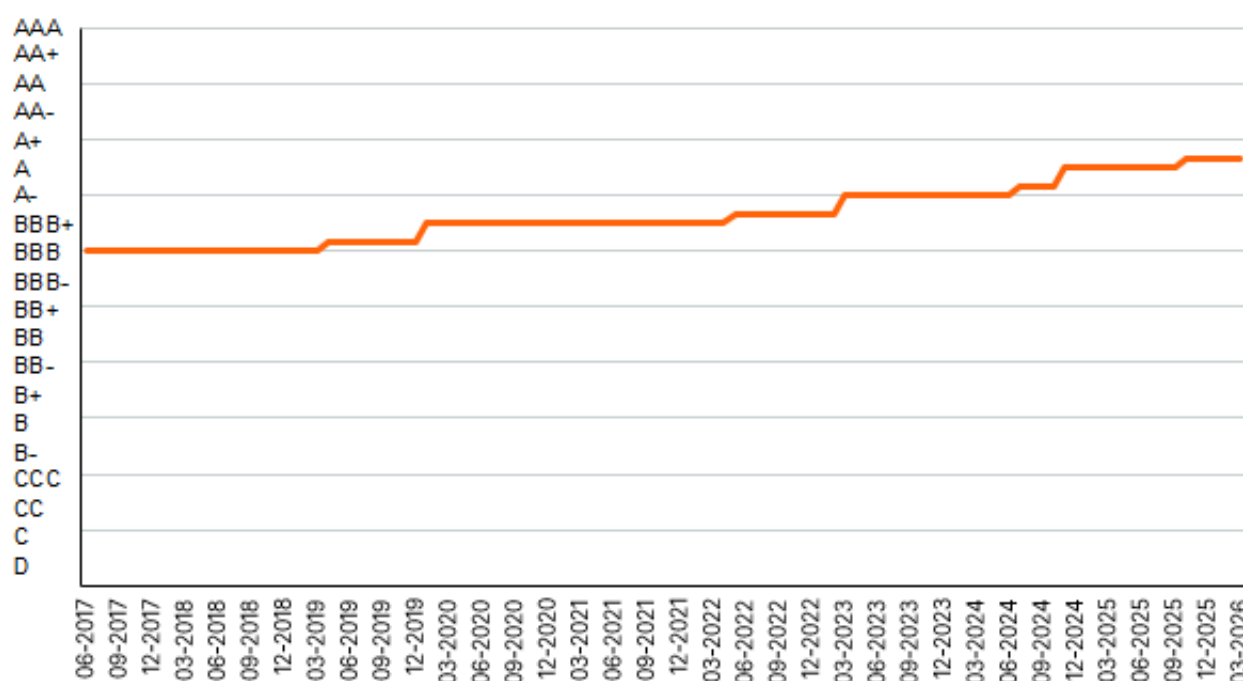
Positive rating-change drivers

- Further significant reduction in the debt-to-GDP ratio driven by strong fiscal discipline
- Greater economic diversification, higher wealth levels, sustained current account surpluses, further improving external position and enhancing economic resilience

Negative rating-change drivers

- Weaker fiscal performance, reversing progress in debt reduction and undermining the fiscal outlook
- Material weakening of GDP growth prospects, for example, driven by stalled structural reforms or declining reform momentum

Figure 2: Rating history



Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.
Source: Scope Ratings

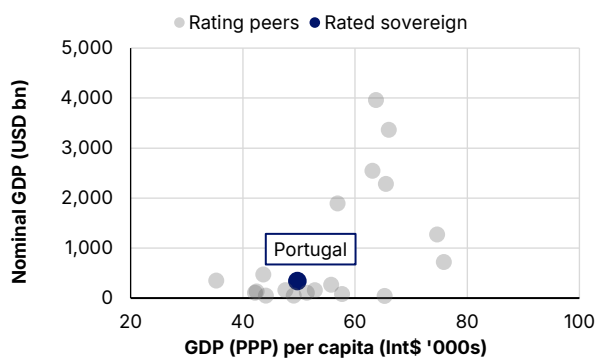
Rating analysis

Domestic economic risk

Overview of Scope's assessments of Portugal's Domestic Economic Risk

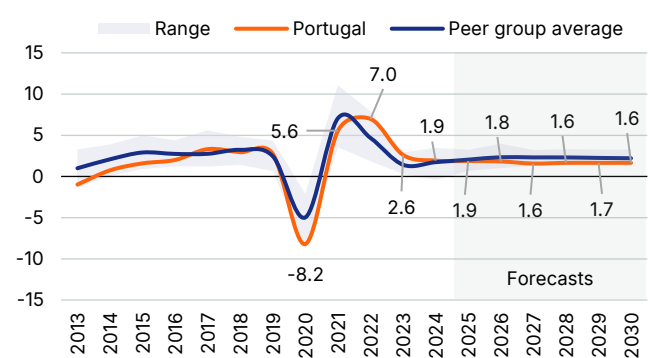
SQM ¹ indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a-	Growth potential and outlook	Neutral	0	Modest although improving productivity growth; growth potential in line with the peers on average; wealth gap versus euro area peers
	Monetary policy framework	Neutral	0	ECB is a highly credible and effective central bank over the cycle
	Macroeconomic stability and sustainability	Neutral	0	Improving diversification of the economy, bolstered by significant FDI inflows

Figure 3: Nominal GDP and GDP per capita (2025E)



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



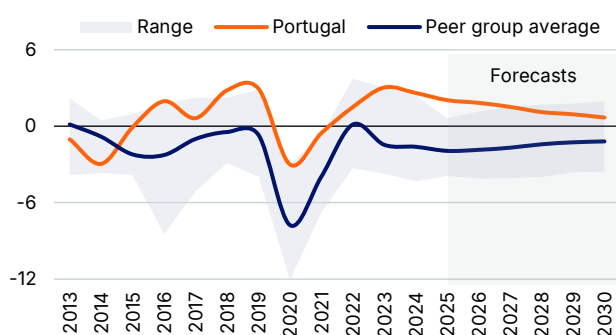
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of Portugal's Public Finance Risk

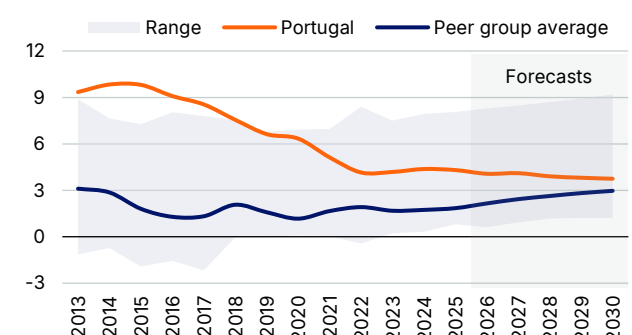
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa-	Fiscal policy framework	Neutral	0	Strong record of prudent fiscal policy, but lower fiscal surpluses are projected going forward due to the implementation of measures to support growth and increase public sector wages
	Long-term debt trajectory	Neutral	0	Robust debt dynamics, expected deceleration in declining debt-to-GDP ratio
	Debt profile and investor base	Neutral	0	Strong market access in line with peers, relatively high cash buffer and resilient public debt structure

Figure 5: Primary balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 6: Net interest payments, % of government revenue



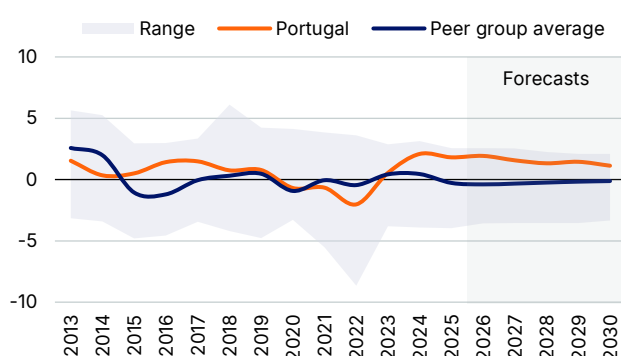
Source: IMF WEO forecasts, Scope Ratings

External economic risk

Overview of Scope's assessments of Portugal's External Economic Risk

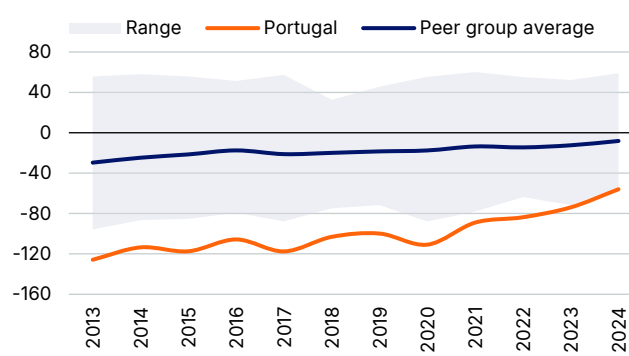
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb	Current account resilience	Weak	- 1/3	Open economic structure, high reliance on service exports, particularly on tourism
	External debt structure	Neutral	0	Elevated, albeit declining, external debt stock, with meaningful share of government liabilities
	Resilience to short-term external shocks	Neutral	0	Some vulnerability to external economic shocks, although mitigated by euro area membership

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



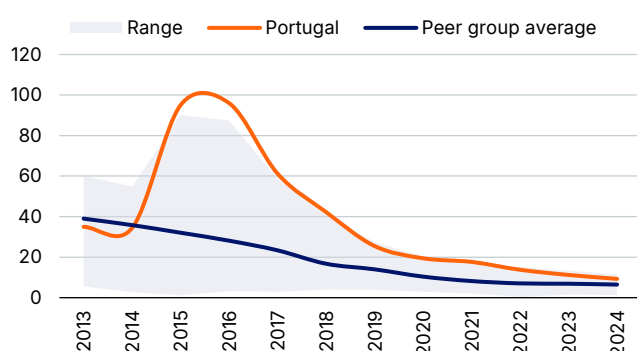
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of Portugal's Financial Stability Risk

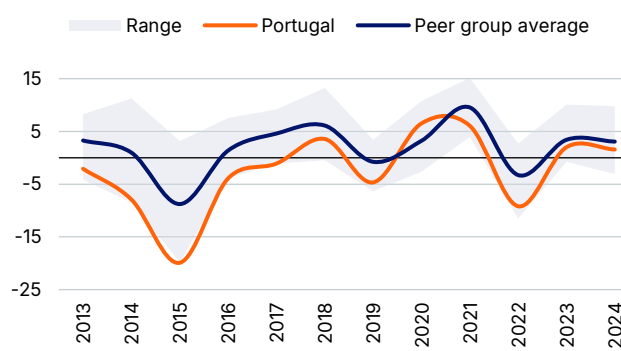
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa	Banking sector performance	Neutral	0	Banking-system capitalisation remains sound; higher NPL ratio compared to peers
	Financial sector oversight and governance	Neutral	0	Effective oversight under European Banking authorities and Banco de Portugal
	Financial imbalances	Weak	- 1/3	Strong house price growth in recent years in the context of moderate households net financial assets

Figure 9: Non-performing loans net of provision, % of capital



Source: IMF, Scope Ratings

Figure 10: Private sector credit growth, %



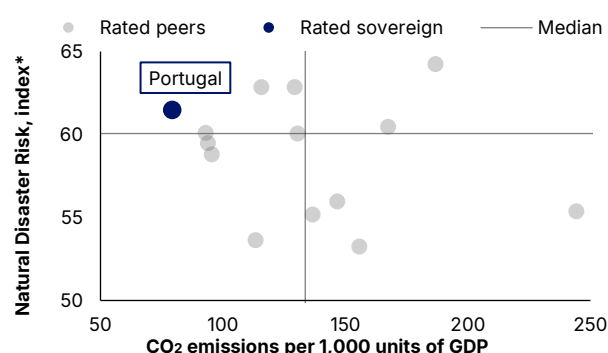
Source: World Bank (WB), Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of Portugal's ESG Risk

SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa	Environmental factors	Neutral	0	Exposure to natural disasters, ambitious commitment to achieve carbon neutrality by 2050
	Social factors	Neutral	0	Weak quality of job contracts and low wages relative to peers; income inequality in line with peers but robust labour market outcomes
	Governance factors	Weak	- 1/3	Resilient institutional framework; but minority government relying on external support in a fragmented parliament challenges policy making

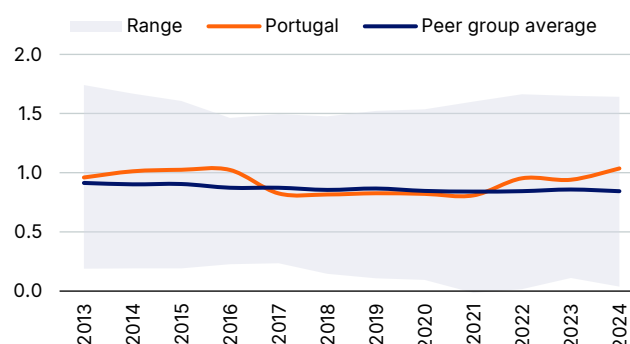
Figure 11: Natural disaster and transition risks



Source: Notre Dame Global Adaptation Initiative, European Commission, Scope Ratings

*Higher scores indicate lower vulnerability to physical risks. Median of SQM peers.

Figure 12: Governance, index score*



Source: World Bank (WB), Scope Ratings

*Mean of the WB estimates for Control of Corruption, Government Effectiveness, Regulatory Quality, and Rule of Law.

Reserve-currency adjustment

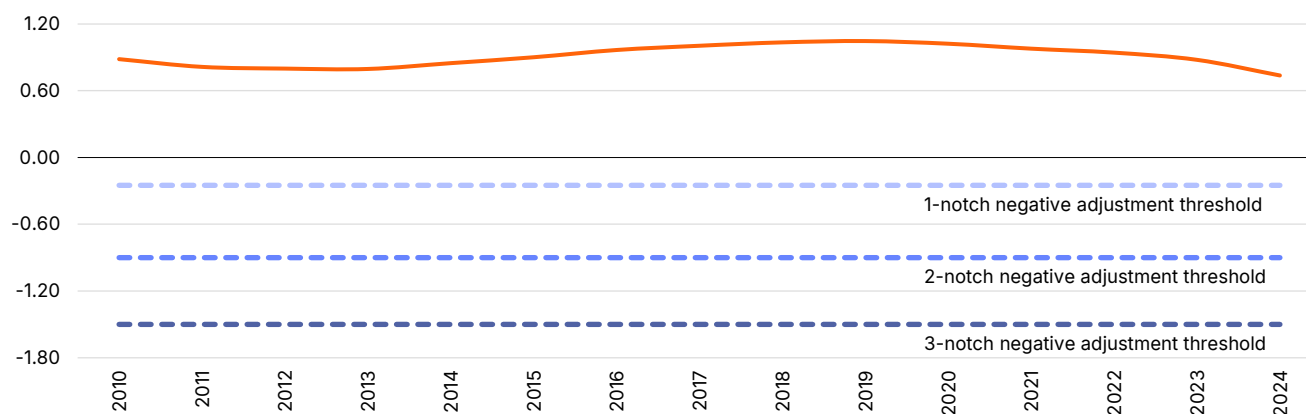
IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	Euro	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	29.3	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	1	1	1	1	0

Source: IMF, Scope Ratings

Political-risk adjustment

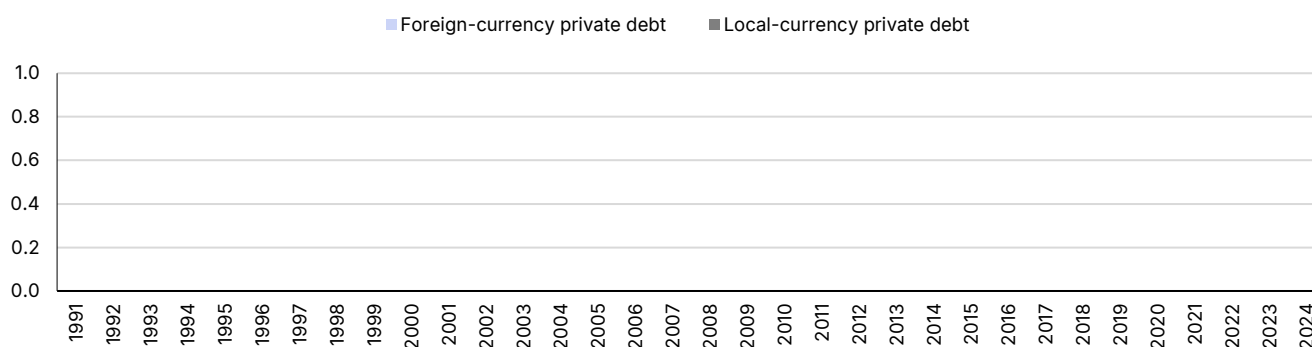
Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Portugal's, three-year moving average



Source: WB, Scope Ratings

Sovereign default history and applicability of the default cap

Figure 14: Sovereign default history, USD bn



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).

Source: [Bank of Canada–Bank of England Sovereign Default Database](#), Scope Ratings

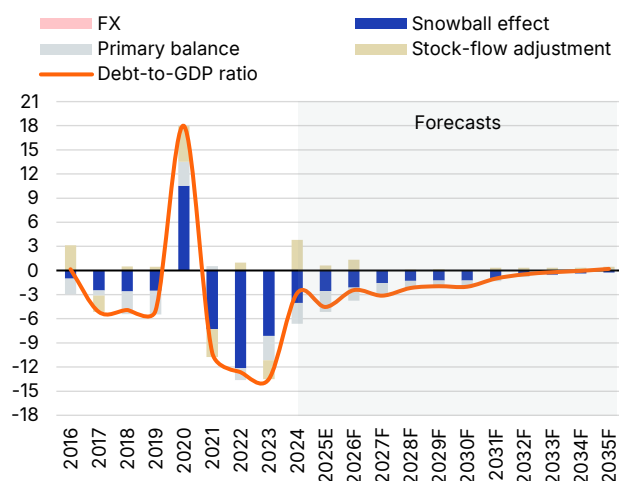
In view of the absence of a recent episode of default, the rating committee did not apply a cap to the indicative SQM rating.

Additional considerations

No adjustment was applied to the rating from additional considerations.

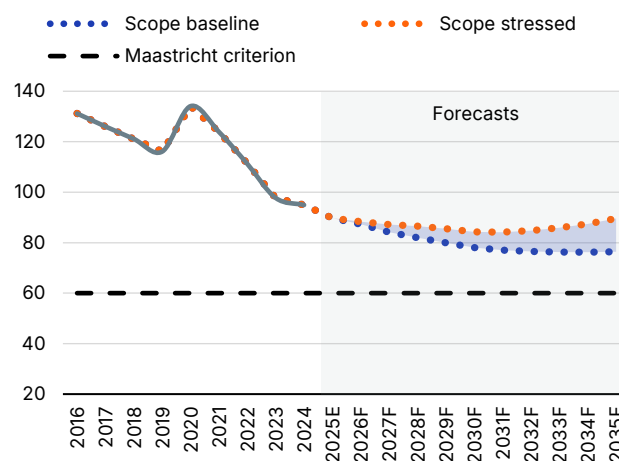
Appendix 1. Debt sustainability analysis

Figure 15: Contributions to change in debt ratio, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 16: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

Scope DSA Baseline, % of GDP (unless stated otherwise)

	2025E	2026F	2027F	2028F	2029F	2030F	avg. 2031F-2035F
Real GDP growth (%)	1.9	1.8	1.6	1.6	1.7	1.6	1.4
Deflator (%)	3.0	2.8	2.6	2.1	2.1	2.1	2.1
Primary Balance	2.6	1.6	1.5	1.0	0.9	0.7	0.1
Δ Cost of ageing	0.0	0.0	0.1	0.4	0.6	0.8	1.5
Net Interest payments	1.9	1.9	1.9	1.8	1.7	1.7	2.1
General government debt (gross)	89.7	87.3	84.1	82.0	80.0	78.0	76.4*

* Figure refers to end-2035 forecast. Source: IMF WEO, Scope Ratings forecasts

Appendix 2. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope’s SQM after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
Belgium
Cyprus
France
Italy
Latvia
Poland
Slovakia
Slovenia
Spain

*Selected publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.
The shaded range in the charts above represents the distribution of sovereign-rating peers between the 10th and 90th percentiles of the full sample.

Appendix 3. Appendix 3. Economic development and default indicators

IMF Development Classification	Advanced economy
5-year USD CDS spread (bps) as of 30 March 2026	21.36

Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (21 out of 26 – with the governance indicator reflecting a composite of four indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources used ensures comparability across global sovereign peers and may therefore differ from national or other international statistical series; as a result they may not immediately reflect the latest national updates.

Pillar	Core variable	Source	2020	2021	2022	2023	2024	2025E
Domestic Economic	GDP per capita (PPP), Int\$ '000s	IMF	35.7	38.7	44.1	46.4	48.0	49.8
	Nominal GDP, USD bn	IMF	229	256	257	290	309	338
	Real GDP growth, %	IMF	-8.2	5.6	7.0	2.6	1.9	1.9
	CPI inflation, %	IMF	-0.1	0.9	8.1	5.3	2.7	2.2
	Working-age population growth, %	UN	-0.2	-0.2	-0.1	-0.4	-0.6	-
Public Finance	General government debt, % of GDP	IMF	134.1	123.9	111.2	97.7	94.9	90.9
	Net interest payments, % of government revenue	IMF	6.3	5.1	4.2	4.2	4.4	4.3
	Primary balance, % of GDP	IMF	-3.0	-0.5	1.5	3.0	2.6	2.0
External Economic	Current-account balance, % of GDP	IMF	-0.7	-0.7	-2.0	0.6	2.1	1.8
	NIIP, % of GDP	IMF	-110.8	-89.0	-83.7	-73.9	-55.9	-
Financial stability	Non-performing loans net of provisions, % of capital	IMF	19.4	17.6	13.8	11.2	9.3	-
	Private sector credit growth, (7yr av. YoY change, %)	WB	-3.9	-1.9	-0.4	0.5	0.8	-
ESG	CO ₂ per EUR 1,000 of GDP, kgCO ₂ e	EC	107.1	97.3	92.6	85.1	79.3	-
	Income share of bottom 50%, %	WID	20.2	21.0	21.0	21.0	21.0	-
	Labour-force participation rate, %	WB	74.2	75.2	76.4	77.7	77.8	-
	Unemployment rate, %	WB	6.9	6.7	6.1	6.5	6.4	-
	Composite governance indicators*, index	WB	1.0	1.0	0.9	0.9	0.9	-
	Political stability, index	WB	1.0	1.0	0.9	0.9	0.7	-

*Average of the following four World Bank Worldwide Governance Indicators: Control of Corruption, Rule of Law, Government Effectiveness, Regulatory Quality.

Lead Analyst

Carlo Capuano
+49 174 7446891
c.capuano@scoperatings.com

Team Leader

Alvise Lennkh-Yunus
+49 69 6677389 85
a.lennkh@scoperatings.com

Related research

[Portugal's favourable debt dynamics set to continue despite modest fiscal loosening](#), 30 July 2025

Applied methodology

[Sovereign Rating Methodology](#), March 2026

Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin
Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

Scope Ratings UK Limited

1 King William Street
London, EC4N 7AF
Phone: +44 20 3059 1051
info@scoperatings.com



Bloomberg: RESP SCOP
[Scope contacts](#)
scoperatings.com

Disclaimer

© 2026 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, Scope Innovation Lab GmbH and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5, D-10785 Berlin. Public Ratings are generally accessible to the public. Subscription Ratings and Private Ratings are confidential and may not be shared with any unauthorised third party.