



# How can Portugal turn resilience into long-term competitiveness?

EY Portugal Attractiveness Survey 2026  
October 2026



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# Foreword



**Miguel Farinha**  
Country Managing Partner,  
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**Miguel Cardoso Pinto**  
EY-Parthenon  
Portuguese Cluster Leader  
Ernst & Young, S.A.

## Portugal has proved relatively resilient in a more selective European investment market. Its next challenge is to convert that resilience into long-term competitiveness by creating the conditions to capture and scale the next wave of strategic investment

The European and Portuguese Foreign Direct Investment (FDI) landscape became increasingly selective in 2025, as geopolitical tensions, renewed trade uncertainty, volatile energy markets and weaker economic growth weighed on investment decisions across the continent.

Against this backdrop, Portugal demonstrated relative economic and investment resilience. GDP grew by 1.9% in 2025, around 0.4 p.p. above the Euro Area, while FDI projects declined by 5%, compared with a 7% contraction across Europe. Portugal therefore retained its position among Europe's top 10 FDI destinations. However, resilience relative to the European average has not yet translated into stronger competitiveness against the fastest-growing investment destinations or into a broad transformation of Portugal's FDI profile. The share of expansion projects also increased, signaling continued commitment from companies already established in the country. Investor perceptions reinforce this relative resilience: fewer executives report a negative impact from current conflicts in Portugal than across Europe (20% vs. 27%), while 76% view Portugal as an attractive reindustrialization destination.

Technology and knowledge-intensive activities are also becoming increasingly prominent in Portugal's investment outlook. Software and IT services and business services remained central to actual FDI in 2025, together accounting for almost 45% of projects, while investment sentiment strengthened most among high-tech respondents.

Portugal's resilience is underpinned by a differentiated set of fundamentals, although some are becoming less distinctive. A stable labor market, strong talent attraction and a growing renewable-energy proposition continue to support the country's investment appeal. Rising R&D investment and stronger innovation capacity are also supporting Portugal's technology ecosystem, although the absolute investment gap with Europe remains significant. At the same time, weaker perceptions of infrastructure and workforce availability highlight the need to keep investing in the fundamentals of competitiveness.

Looking ahead, the key question is whether Portugal can convert resilience into long-term competitiveness by creating an investment-ready environment. Investors are increasingly focused on the conditions that enable projects to be financed, executed and

scaled. Access to capital has emerged as Portugal's leading competitiveness priority, while permitting, digital competitiveness, specialized talent and energy affordability are increasingly important to converting investor interest into delivered projects.

Portugal should then translate these stronger investment conditions into focused value propositions for the activities where its existing capabilities align with Europe's changing investment priorities. Energy security, technological sovereignty and industrial renewal are creating opportunities for countries able to secure positions in strategic value chains. Portugal's opportunity is not to compete primarily on cost, but to leverage talent, innovation, renewable energy and execution capability to attract higher-value investment, strengthening its position in AI and data infrastructure, high-value business services and advanced reindustrialization.

This year's report draws on insights from 200 global executives and an analysis of Portugal's FDI flows. It aims to inform policymakers and stakeholders as they address the competitiveness challenges ahead. We thank all those who contributed to this edition of the EY Portugal Attractiveness Survey.

# Executive summary (1/2)

**Portugal remained resilient**  
Portugal proved resilient amid the European FDI slowdown in 2025, retaining its position among the continent's top 10 investment destinations. The rising share of expansion projects further highlights the confidence of existing investors in the country.

186

FDI projects in 2025

-5%

Decrease in FDI projects vs. 2024

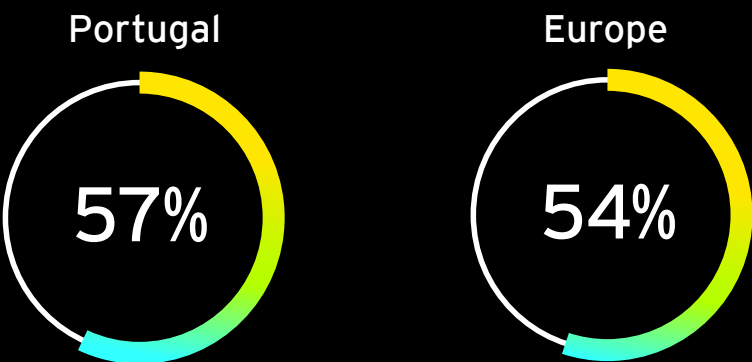
37%

Share of expansion projects

**Investor confidence remains broadly aligned with Europe**  
Despite a more cautious investment environment, Portugal remains broadly aligned with European investor sentiment across both near- and longer-term horizons.

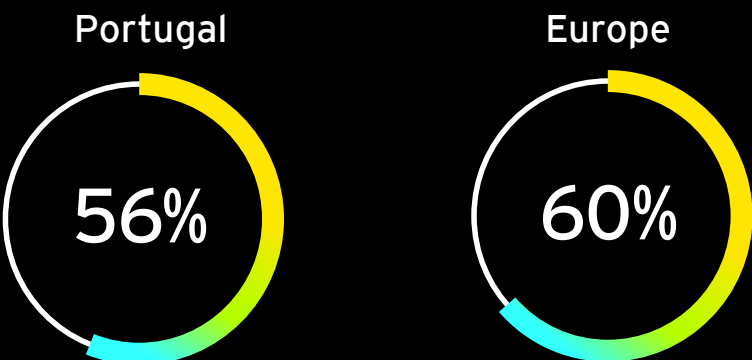
Next 12 months

Executives planning to establish or expand operations



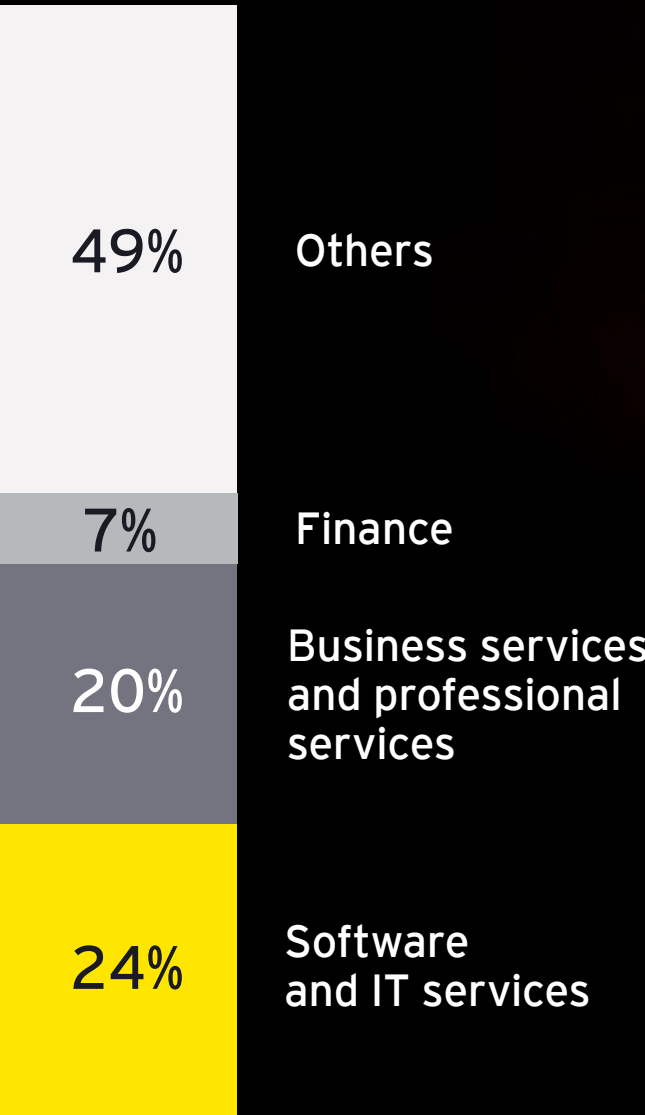
Next three years

Executives expecting attractiveness to improve



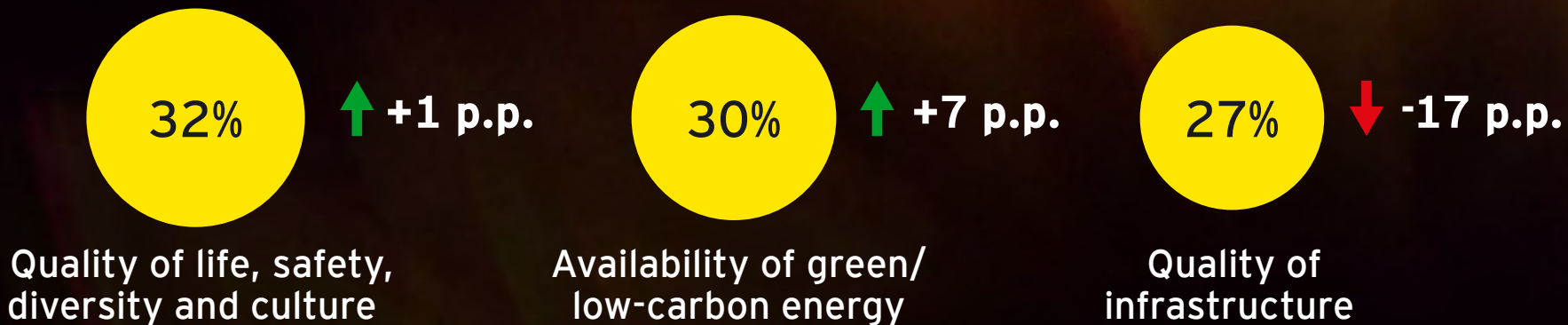
**Technology and business services remain the backbone of Portugal's FDI**  
Technology and knowledge-intensive services remain central to Portugal's FDI, reinforcing their role as key anchors of the country's investment base.

Distribution of FDI projects



**Portugal's differentiators are evolving**  
Quality of life remains a core strength, while renewable energy is gaining importance as a source of differentiation. At the same time, some established advantages, particularly infrastructure, have become less distinctive.

Portugal's perceived top 3 advantages



**Traditional concerns are easing, while energy supply gains prominence**  
Macroeconomic and operating-cost concerns have become less pronounced, while energy and critical material supply is moving higher on investors' risk agenda.

Top 3 risks affecting attractiveness



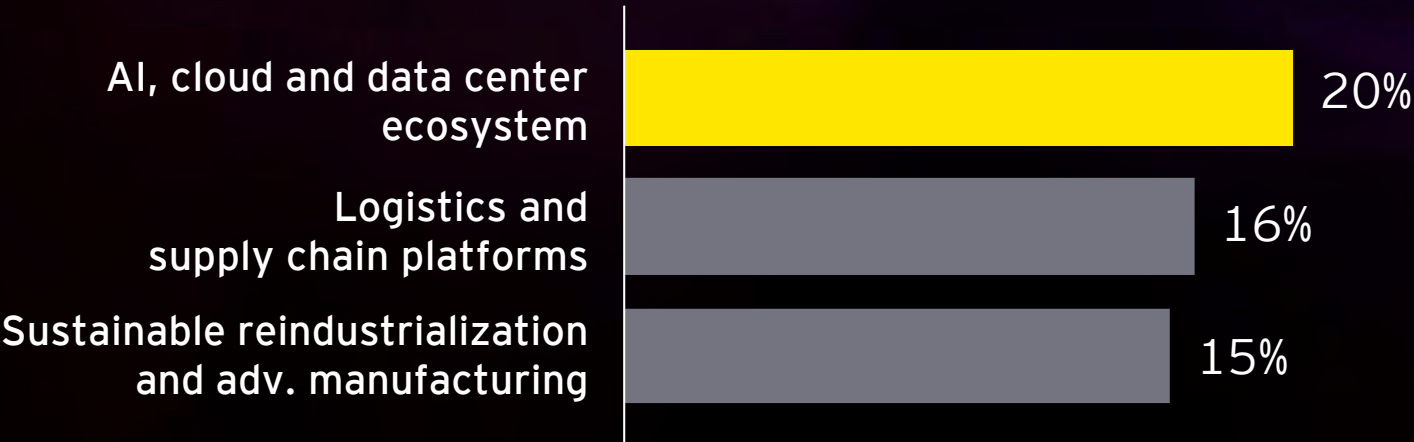
↑↓ Evolution vs. 2025

# Executive summary (2/2)

## Repositioning Portugal for the next wave of investments

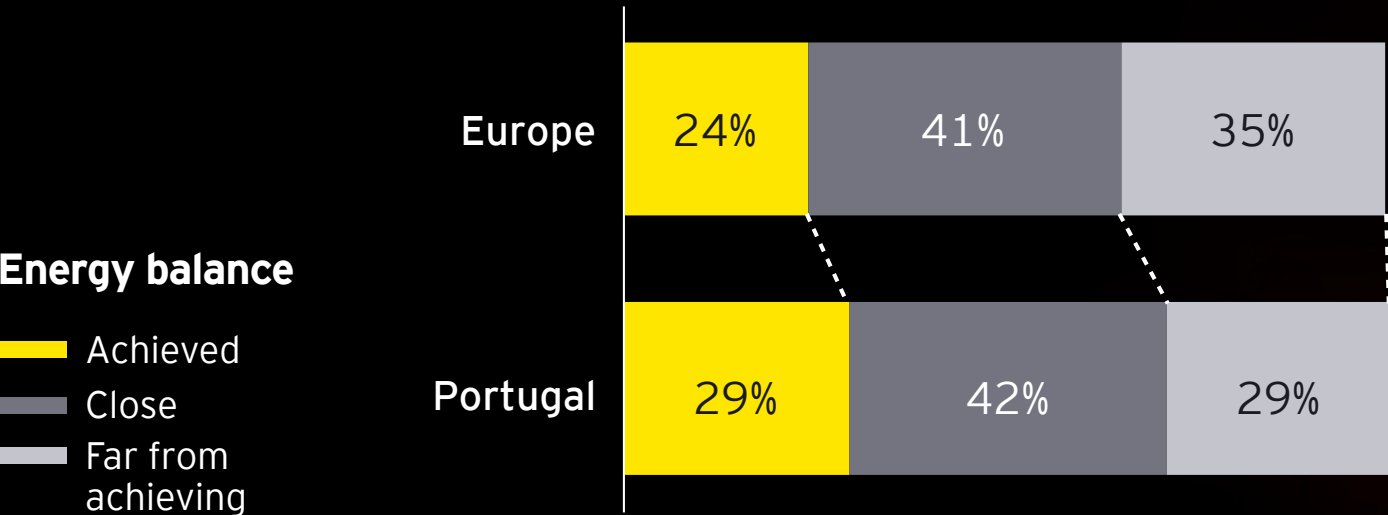
### AI, cloud and data centers lead future FDI priorities

Portugal's combination of talent attraction, renewable energy and stability supports its proposition for AI and digital infrastructure.



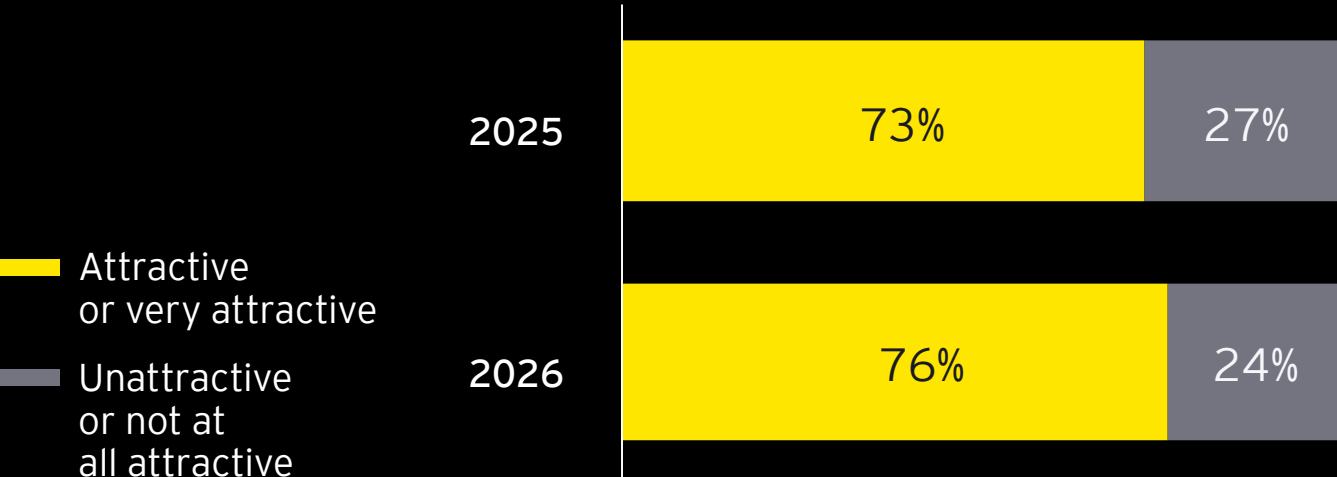
### Portugal is perceived as ahead of Europe on the energy balance

Portugal is perceived as well positioned on the energy balance, but affordability remains a key challenge.



### Confidence in Portugal's reindustrialization potential is rising

Investor perceptions continue to improve as Europe places greater emphasis on industrial competitiveness, resilience and strategic autonomy.



## Looking ahead, Portugal must turn resilience into long-term competitiveness

Portugal's next investment cycle requires two complementary moves:

### Pillar 1

### Build an investment-ready environment:

Sustaining competitiveness will require stronger conditions to finance, execute and scale investment, particularly through better access to capital, competitive energy, faster permitting and specialized talent.

### Pillar 2

### Capture the next wave of high-value investment:

The country should then translate this stronger investment environment into targeted value propositions for activities aligned with Europe's changing investment priorities, including AI and digital infrastructure, advanced industry, high-value services and innovation-driven investment.

# 1

## Portugal's performance: economic outlook and FDI dynamics

**1.8%**  
2026 GDP growth  
(projected)

**2.0%**  
2026 export growth  
(projected)

**186**  
FDI projects  
in 2025

**9<sup>th</sup>**  
largest recipient  
of FDI projects  
in Europe in 2025

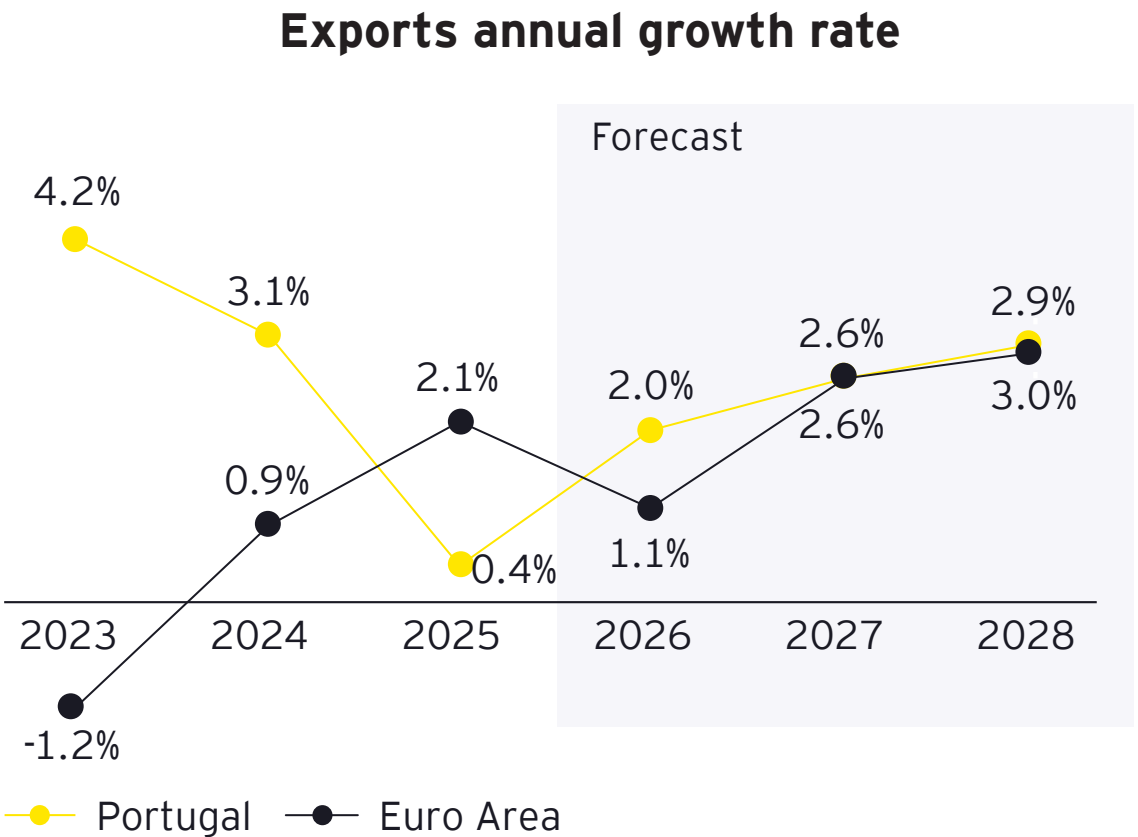
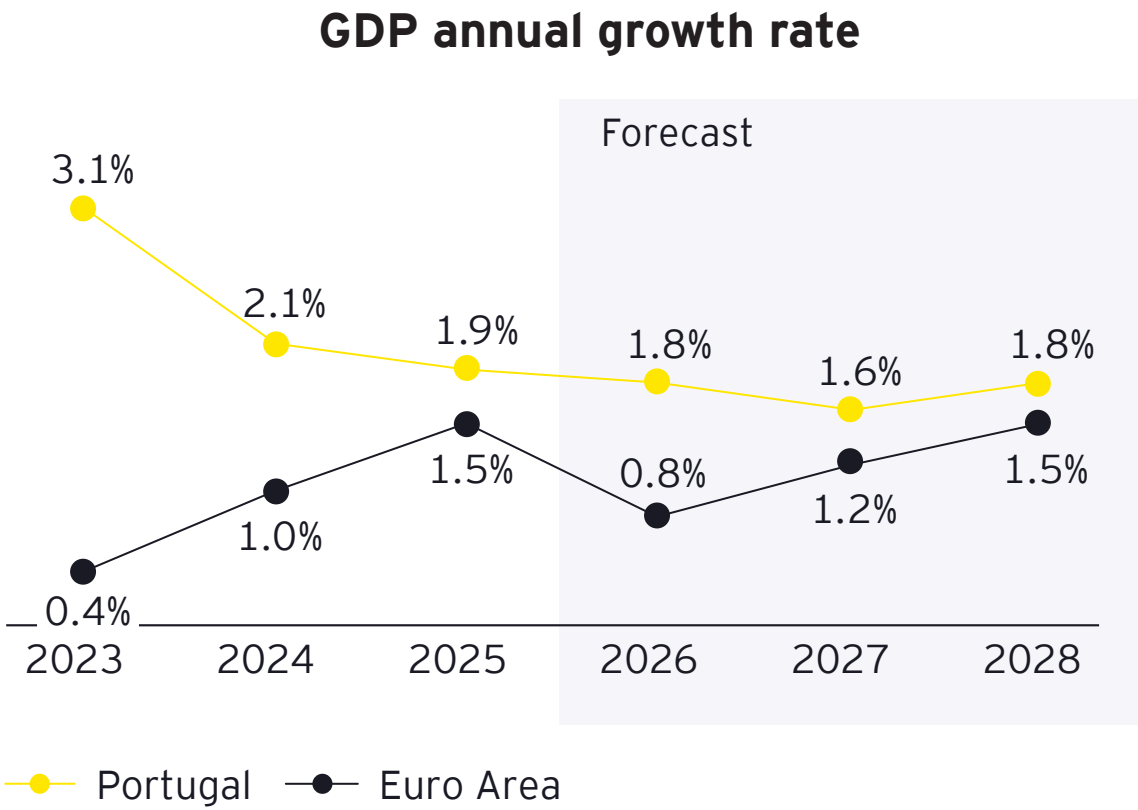
# Portugal continues to outperform Europe despite a more challenging and uncertain global environment

**Global uncertainty is reshaping Portugal's outlook, but stronger fundamentals provide greater resilience**

The external environment has become more challenging, as geopolitical tensions, higher energy prices and renewed trade uncertainty weigh on European economies. The conflict in the Middle East, uncertainty around US trade policy and intensifying global competition from China are creating a more complex backdrop for international investors. Portugal nevertheless enters this period from a stronger macroeconomic position, supported by improved public finances, resilient domestic demand and a stable labor market, providing greater capacity to absorb external shocks.

**Portugal continues to outperform the Euro Area, although growth is gradually normalizing**

Portugal's GDP grew by 1.9% in 2025, around 0.4 p.p. above the Euro Area. Growth is expected to remain stronger through 2028, although the differential should gradually narrow as the Recovery and Resilience Plan (RRP) approaches completion and domestic demand normalizes. Export growth was more subdued in 2025, partly reflecting temporary factors, including the scheduled shutdown of the Sines refinery and lower agricultural output. Looking ahead, exports are expected to recover as external demand strengthens.



|           | Unemployment rate                                            | Inflation                                                    |
|-----------|--------------------------------------------------------------|--------------------------------------------------------------|
| Euro Area | <div>6.3%<br/>Projected in 2026<br/>(vs. 5.9% in 2028)</div> | <div>3.0%<br/>Projected in 2026<br/>(vs. 2.0% in 2028)</div> |
| Portugal  | <div>5.9%<br/>in 2026<br/>(vs. 6.0% in 2028)</div>           | <div>3.1%<br/>Projected in 2026<br/>(vs. 2.0% in 2028)</div> |

**Resilient fundamentals support Portugal's investment appeal, but long-term competitiveness remains a key challenge**

Inflation is expected to rise temporarily to 3.1% in 2026, partly reflecting higher oil prices, before easing toward 2.0% in subsequent years. The labor market remains a source of stability, with unemployment expected to remain around 6.0%, supporting consumption and business confidence despite tighter financing conditions.

While the contribution from the RRP gradually diminishes, sustaining Portugal's growth advantage will increasingly depend on structural drivers, particularly productivity, innovation, infrastructure and human capital.

Source: Bank of Portugal, Economic Bulletin, June 2026; European Central Bank (ECB), ECB staff macroeconomic projections for the Euro Area, June 2026.

# Portugal is strengthening its innovation and technology position, but sustained investment is needed to narrow the European gap

31st

Global Innovation Index 2025

World Intellectual Property Organization

out of 139 countries

37th

World Competitiveness Ranking 2025

Institute for Management Development

out of 69 countries

7th

Global Peace Index 2025

Vision of Humanity

out of 163 countries

34th

Global Gender Gap Index 2025

World Economic Forum

out of 148 countries

6th

English Proficiency Index 2025

Education First

out of 123 countries

33rd

Digital Competitiveness Ranking 2025

Institute for Management Development

out of 69 countries

28th

AI Readiness Index 2025

Oxford Insights

out of 195 governments

18th

Environmental Performance Index 2025

Yale

out of 177 countries

**Portugal is strengthening its innovation and technology ecosystem, supported by strong fundamentals for talent attraction**

International rankings increasingly reflect Portugal's transition toward a more knowledge-driven economy. The country ranks 31st in the Global Innovation Index, 33rd in Digital Competitiveness Ranking and 28th in AI Readiness Index, supported by a growing network of research institutions and technology hubs.

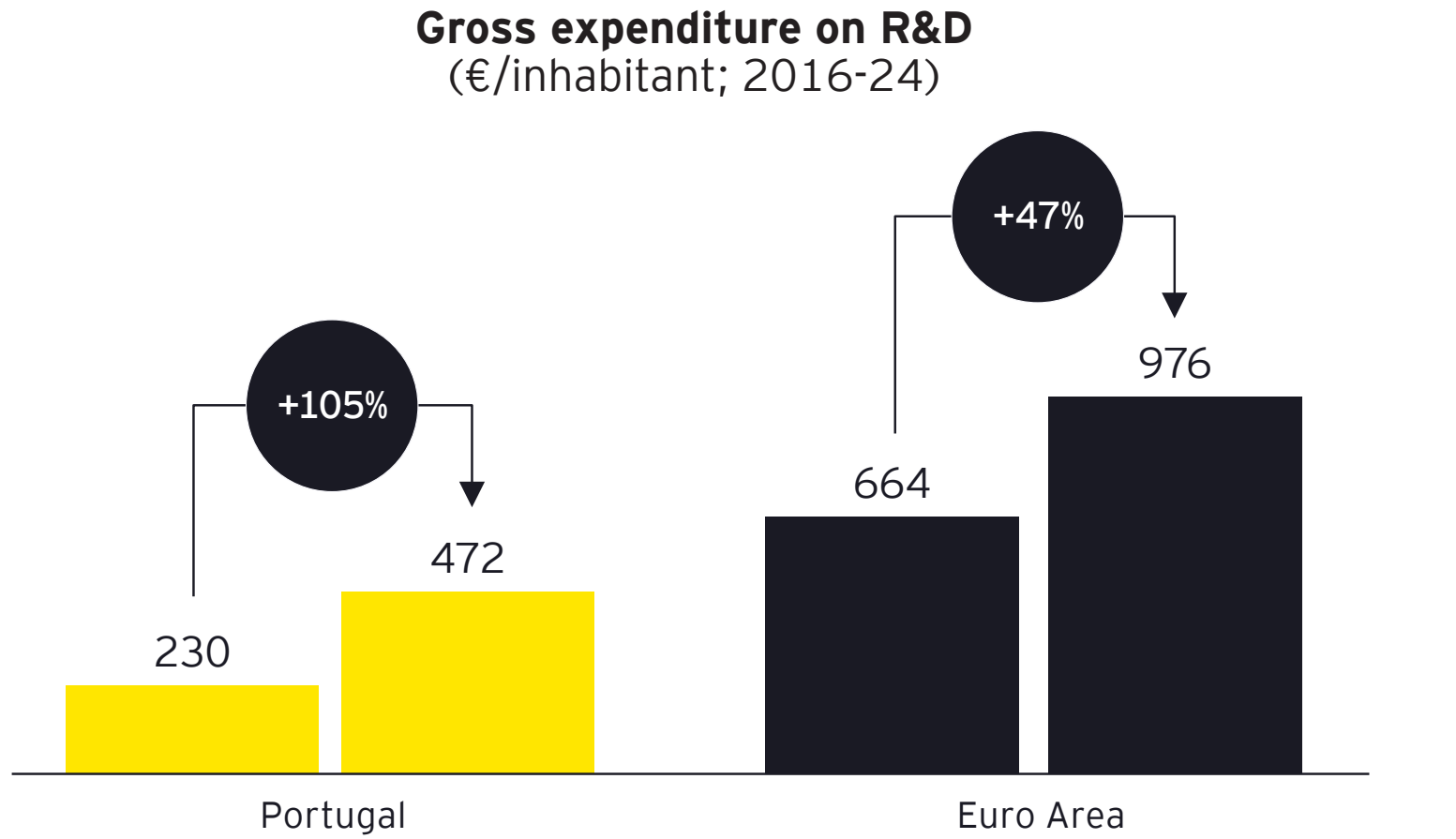
Portugal also combines these capabilities with strong fundamentals for attracting international talent, ranking 6th for English Proficiency Index and 7th in the Global Peace Index. Its 18th place position in Environmental Performance Index further supports its proposition as a safe, skilled and increasingly sustainable investment destination.



**R&D investment is growing rapidly, but Portugal remains well below the European average**

Portugal's R&D expenditure per inhabitant increased by 105% between 2016 and 2024, more than twice the 47% increase recorded in the Euro Area. However, Portugal still invests less than half the Euro Area average per inhabitant (€472 vs. €976), highlighting the scale of the remaining gap.

Sustaining this momentum, and translating higher R&D investment into productivity, business creation and higher-value foreign investment, will be critical to strengthening Portugal's long-term competitiveness.



Source: WIPO, IMD, Institute for Economics & Peace, World Economic Forum; Education First (EF), Oxford Insights, Yale Center for Environmental Law & Policy.

## Viewpoint



**Francisco Hamilton Pereira**

Tax Services Partner  
Ernst & Young, S.A.

“  
Maintaining a stable, competitive and effective framework for R&D investment will therefore remain important if Portugal is to translate its growing innovation capabilities into business investment.

### SIFIDE II: navigating a more restrictive R&D incentive framework

Portugal has developed a stronger innovation proposition in recent years, with R&D investment increasing and the country seeking to attract more innovation-driven activities. Against this backdrop, the effectiveness and predictability of R&D incentives remain important to Portugal's competitiveness.

While the Portuguese Government has extended SIFIDE II, legislative amendments introduced in 2026 significantly narrow its scope. Three major changes stand out. First, investments in dedicated R&D funds are no longer eligible for the SIFIDE II tax credit, removing an important mechanism that connected private capital with the innovation ecosystem. Second, the regime's application to groups operating under the Corporate Income Tax Consolidation Regime has been restricted, limiting the flexibility previously available to multinational and large business

groups. Finally, access to the SIFIDE II tax credit for publicly funded R&D projects has been curtailed, reducing the ability of companies to claim tax benefits on eligible expenditure not covered by public grants.

These changes provide continuity to the regime, but narrow the scope of Portugal's flagship R&D tax incentive, potentially affecting the country's relative attractiveness for R&D-intensive and innovation-driven foreign direct investment.

Maintaining a stable, competitive and effective framework for R&D investment will therefore remain important if Portugal is to translate its growing innovation capabilities into business investment, knowledge creation and higher-value FDI.

# European FDI is contracting, while investment shifts across markets and sectors

## European FDI declined in 2025 as uncertainty and cost pressures weighed on investment

Europe attracted 5,026 FDI projects in 2025, a 7% decline from 2024 and the lowest level in a decade. Lingering geopolitical tensions, trade and tariff uncertainties, volatile energy prices and subdued economic growth continued to weigh on investment decisions, particularly in manufacturing sectors exposed to global supply chain pressures.

## Investment is rotating toward faster-growing markets in Southern, Central and Eastern Europe

The traditional FDI leaders, France (-17%), the UK (-14%) and Germany (-10%), all recorded declines, while Turkey (+20%), Romania (+16%), Finland (+14%), Poland (+10%) and Spain (+7%) gained ground. These markets are benefiting from stronger growth, more competitive labor costs, greater industrial land availability and EU funding that unlocks infrastructure investment.

## The sector mix is also shifting toward emerging growth industries

FDI accelerated in AI (+96%), defense (+84%) and low-carbon energy (+25%), while automotive (-11%), chemicals (-19%) and pharmaceuticals (-28%) declined. This underscores a more selective European investment cycle, with capital increasingly concentrated in technology, security and energy-transition activities.

Source: EY EIM 2026.

### Evolution in FDI projects 2025 vs. 2024

AI  
↑ +96%

Defense  
↑ +84%

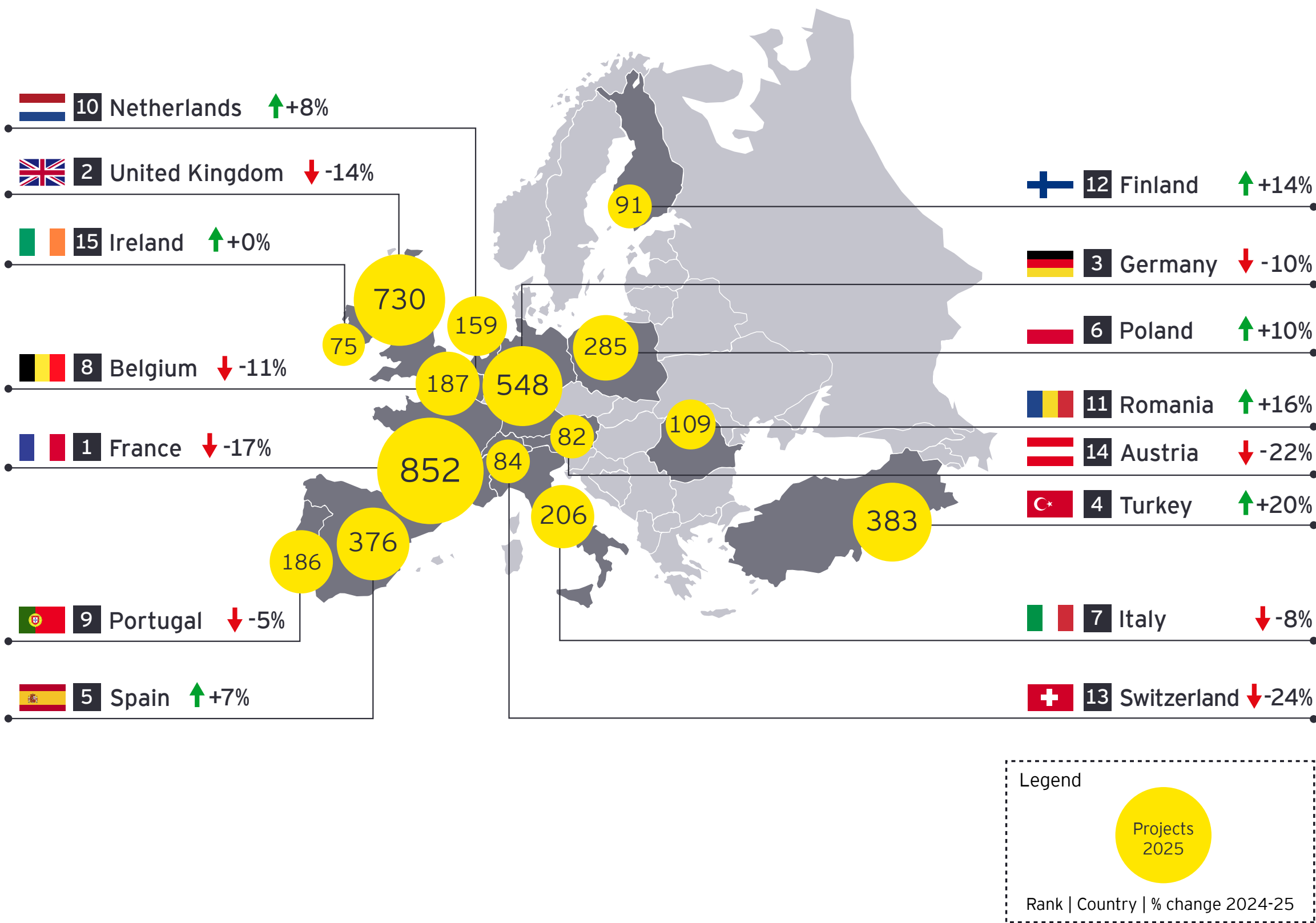
Low-carbon energy  
↑ +25%

Automotive  
↓ -11%

Chemicals  
↓ -19%

Pharmaceuticals  
↓ -28%

### Top 15 European countries for foreign investment in 2025, by number of projects



# Portugal's FDI proved more resilient than Europe's, while rising reinvestment signals continued investor confidence

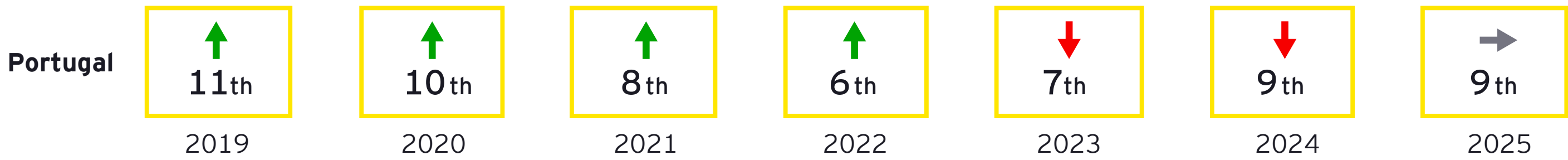
**Portugal proved more resilient than Europe over the cycle, but maintaining its position will require competing with markets that are gaining share**

Portugal recorded a 5% decline in FDI projects in 2025, compared with a 7% contraction across Europe. The country retained 9th place among Europe's leading FDI destinations and increased its share of European projects to 3.7%, from 3.6% in 2024. This resilience is also visible over the longer term: while European FDI remains below 2019 levels, Portugal continues to attract more projects than before the pandemic. However, resilience has not yet translated into sustained competitiveness gains. Project volumes still declined, while several competing European markets recorded strong growth.

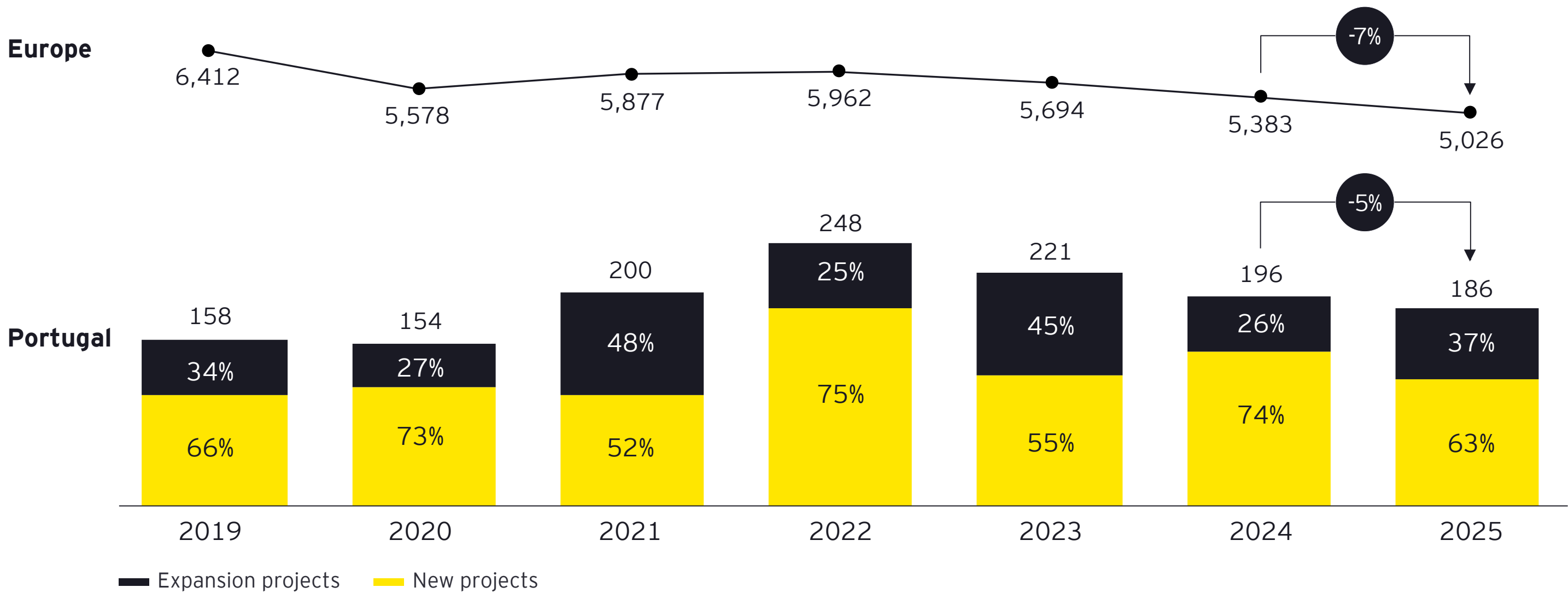
**Expansion projects point to continued confidence among existing investors**

The share of expansion projects increased from 26% to 37% of the total in 2025, indicating that companies already established in Portugal continued to reinvest and scale their operations. New projects still represented 63% of total FDI, showing that Portugal continues to combine reinvestment with a meaningful pipeline of first-time projects.

**Portugal's FDI ranking**  
Portugal's ranking position for FDI projects (out of 47 European countries)



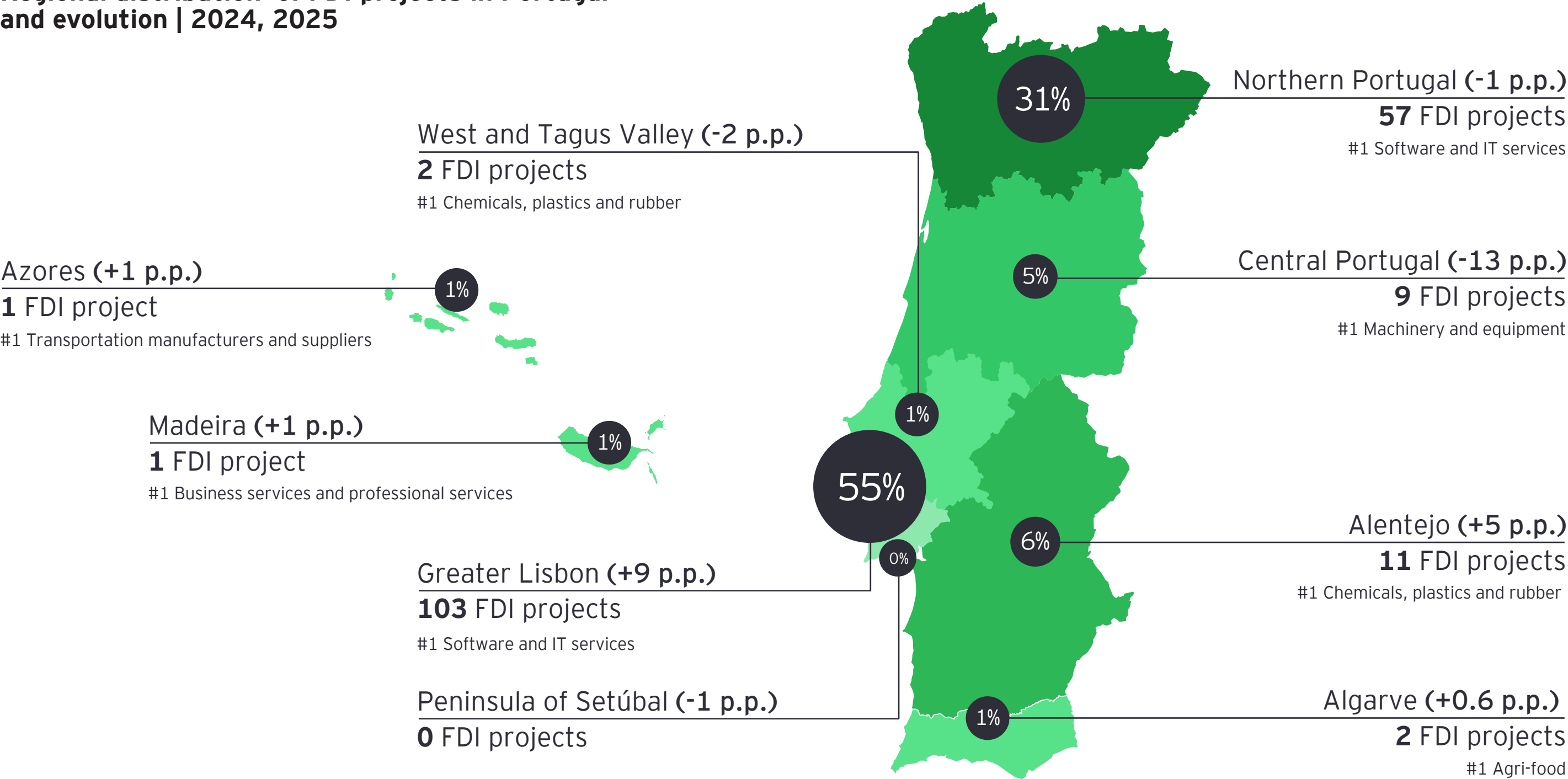
**FDI projects**  
Number of FDI projects



Source: EY EIM 2026.

# Greater Lisbon and Northern Portugal remain Portugal's FDI anchors, while Alentejo gains momentum as an emerging industrial hub

Regional distribution<sup>1</sup> of FDI projects in Portugal and evolution | 2024, 2025



Region (Change in national FDI share 2024-25)

Number of FDI projects in 2025

Leading sector of FDI projects

1. Percentages may not total 100% due to rounding.  
Source: EY EIM 2025-26.

## Investment remains concentrated in Portugal's two main hubs

Greater Lisbon and Northern Portugal accounted for 86% of FDI projects in 2025. Lisbon strengthened its position further, reaching 103 projects and 55% of the national total, reinforcing its position as Portugal's primary destination for software, IT and business services. Northern Portugal remained the second-largest destination, with 57 projects and continuing to specialize in technology-driven investment.

## Alentejo recorded the clearest regional shift

FDI projects in Alentejo increased from 1 in 2024 to 11 in 2025, supported by major investments around Sines. This points to the emergence of a more significant industrial and energy-related investment base outside the two leading regions.

## Geographic diversification remains at an early stage

Outside Greater Lisbon, Northern Portugal and Alentejo, every other region individually accounted for 5% or less of total FDI projects in 2025, highlighting the continued concentration of investment in a limited number of hubs.

Traditional investor markets remain the foundation of Portugal's FDI, while growth from selected countries partially offsets declines among established investors

The US and major European economies remain Portugal's core investors, despite weaker flows from traditional markets

The US remained Portugal's largest source of FDI in 2025, accounting for 17% of projects, followed by Germany and France at 10% each. However, most traditional investor markets reduced activity during the year, with Germany and France down by around one-fifth and Spain recording the sharpest decline (-43%). This broadly reflects the weaker investment environment across Europe and reinforces Portugal's continued reliance on its established investor base.

New investor sources are emerging, but the shift may reflect substitution more than structural diversification

Most of Portugal's traditional investor markets reduced their activity in 2025, with Germany, France, Spain and Brazil all recording fewer projects. This was partly offset by stronger investment from Denmark, the Netherlands and Belgium, broadening the mix at the margin. However, these gains have not materially reduced Portugal's dependence on established markets, with the six largest source countries still accounting for around 60% of FDI projects. The current pattern therefore points more to partial substitution between investor markets than to a structural diversification of Portugal's investment base.

Top 10 countries of origin of FDI projects in Portugal | 2024, 2025

| #  | Country                                                                                            | FDI projects (2025) | Evolution vs. 2024   | Share of FDI in 2025 |
|----|----------------------------------------------------------------------------------------------------|---------------------|----------------------|----------------------|
| 1  |  US             | <div></div> 31      | ↓ -3%                | 17%                  |
| 2  |  Germany        | <div></div> 19      | ↓ -21%               | 10%                  |
| 3  |  France         | <div></div> 18      | ↓ -22%               | 10%                  |
| 4  |  United Kingdom | <div></div> 16      | ↓ -6%                | 9%                   |
| 5  |  Spain        | <div></div> 13      | ↓ -43%               | 7%                   |
| 6  |  Brazil       | <div></div> 13      | ↓ -19%               | 7%                   |
| 7  |  Denmark      | <div></div> 10      | ↑ +900% <sup>1</sup> | 5%                   |
| 8  |  Netherlands  | <div></div> 9       | ↑ +50%               | 5%                   |
| 9  |  Switzerland  | <div></div> 9       | ↓ -10%               | 5%                   |
| 10 |  Belgium      | <div></div> 6       | ↑ +100% <sup>1</sup> | 3%                   |

1. High percentage changes influenced by a low base in the previous year.  
Source: EY EIM 2025-26.

Technology and business services remain the backbone of Portugal’s FDI, while investment gradually diversifies

Software and business services remain the core of Portugal’s FDI, although their trajectories are diverging

Software and IT services (24%) and business services and professional services (20%) together accounted for almost 45% of FDI projects in 2025. Software declined by 12 projects versus 2024, while business services increased by 6, reinforcing the importance of knowledge-intensive activities despite different sector dynamics.

Diversification remains selective rather than broad-based

Outside the two leading sectors, wholesale, retail and distribution recorded the strongest increase (+8 projects), while machinery and equipment (+2) and chemicals, plastics and rubber (+2) also gained ground. By contrast, transportation and logistics (-7) and transportation manufacturers and suppliers (-5) declined. Rather than pointing to a broad-based industrial shift, these movements suggest a more selective diversification of Portugal’s FDI mix, with growth concentrated in specific commercial and industrial segments while technology and knowledge-intensive services remain the country’s core investment anchors.

Distribution of FDI projects in Portugal by sector (%) | 2025

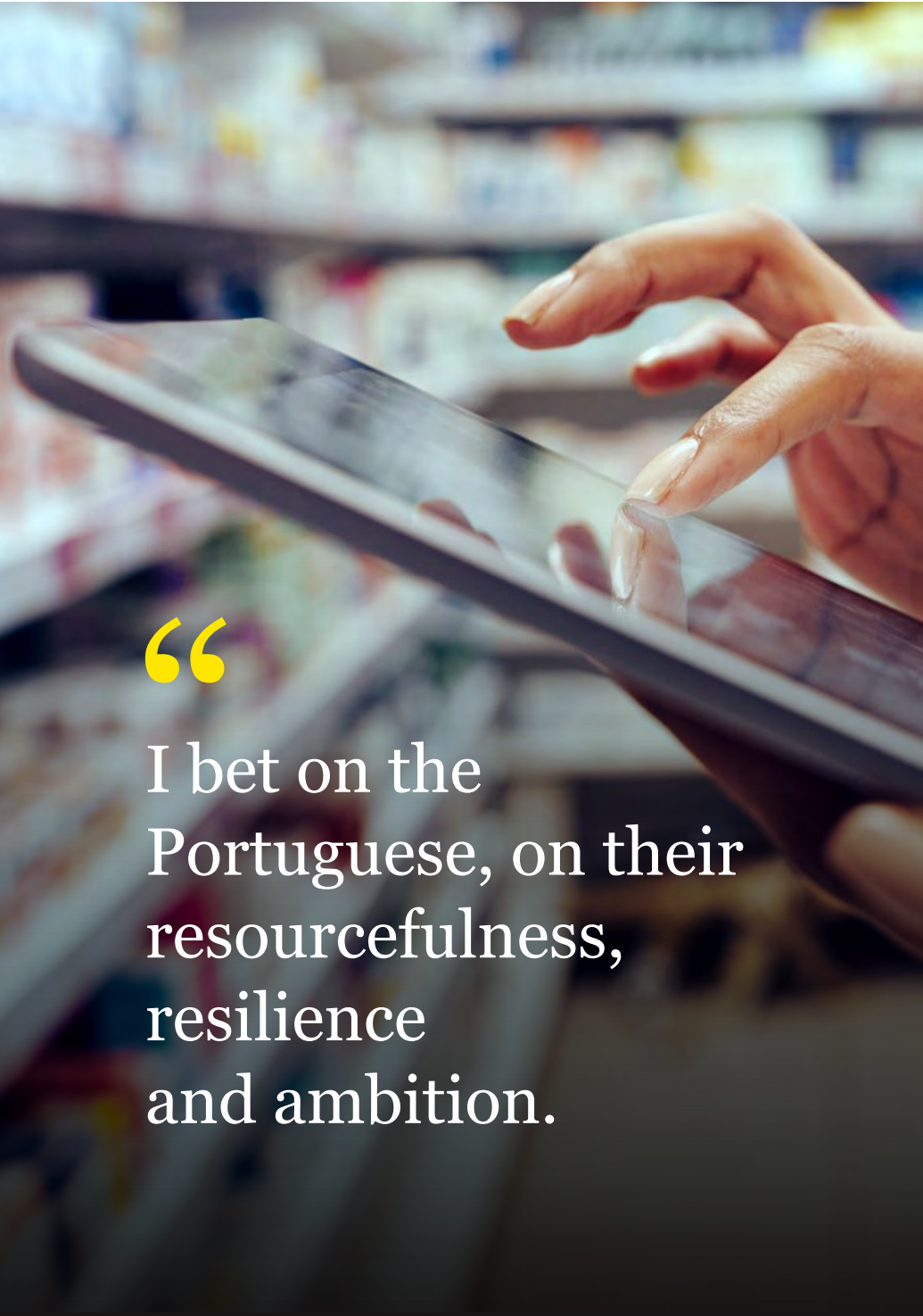
|                                             |     | Number of FDI projects in 2025 | Evolution vs. 2024<br>(Number of projects) |
|---------------------------------------------|-----|--------------------------------|--------------------------------------------|
| Software and IT services                    | 24% | 45                             | ↓ -12                                      |
| Business services and professional services | 20% | 38                             | ↑ +6                                       |
| Finance                                     | 7%  | 12                             | ↓ -1                                       |
| Machinery and equipment                     | 6%  | 11                             | ↑ +2                                       |
| Wholesale, retail and distribution          | 6%  | 11                             | ↑ +8                                       |
| Transportation manufacturers and suppliers  | 5%  | 9                              | ↓ -5                                       |
| Chemicals, plastics and rubber              | 5%  | 9                              | ↑ +2                                       |
| Transportation and logistics                | 4%  | 7                              | ↓ -7                                       |
| Electronics                                 | 3%  | 6                              | → 0                                        |
| Construction                                | 3%  | 6                              | → 0                                        |
| Utility supply                              | 2%  | 5                              | ↓ -4                                       |
| Agri-food                                   | 2%  | 5                              | ↓ -3                                       |
| Others                                      | 13% | 22                             | ↑ +5                                       |

Source: EY EIM 2025-26.

# Viewpoint



**Nathalie Cardinal  
von Widdern**  
President of AstraZeneca  
Portugal



“  
I bet on the  
Portuguese, on their  
resourcefulness,  
resilience  
and ambition.”

## Why global companies should continue to invest in Portugal

Portugal may not be Europe’s largest market, nor its lowest-cost destination. Its competitive advantage lies elsewhere: in its resilience, talent, stability and growing commitment to innovation. Together, these factors make Portugal an attractive place for international companies to invest and grow.

Having lived and worked in Portugal for more than a decade, I have witnessed a remarkable transformation. What stands out most to me is a uniquely Portuguese characteristic: resourcefulness. Challenges are rarely ignored and, while processes can sometimes be complex, pragmatic solutions are usually found. For international companies, this adaptability is a significant asset in an increasingly uncertain world.

Portugal combines political stability, a strategic position within the European Union, a highly educated workforce and an exceptional quality of life. Increasingly, companies are choosing Portugal not simply because of cost

competitiveness, but because they find the talent and capabilities needed to support long-term growth.

There is still room for improvement. In healthcare, access to innovative medicines and sustained pricing pressures remain challenges, while important reimbursement reforms are helping to create a more sustainable framework for innovation. More broadly, Portugal’s next stage of development will depend on innovation and its ability to attract research, digital services, advanced manufacturing and other higher-value activities.

Our own experience demonstrates this potential. Two years ago, AstraZeneca established a global services hub in Lisbon, adding around 500 global roles alongside our local commercial organization. Portugal successfully competed with established international hub locations through its skilled talent, strong academic foundations and ability to support global operations.

International companies will continue to assess how countries support innovation, protect intellectual property and provide predictable conditions for investment. Portugal has created positive momentum. The challenge now is to sustain it.

I remain convinced of Portugal’s potential. I bet on the Portuguese, on their resourcefulness, resilience and ambition. These qualities will continue to drive Portugal’s growth in partnership with international business for many years to come.

# 2

## Investor sentiment for 2026 and the next three years

**57%**

Investors plan  
to establish  
or expand operations  
in the next year

**56%**

Investors expect  
attractiveness  
to improve in the next  
three years

**80%**

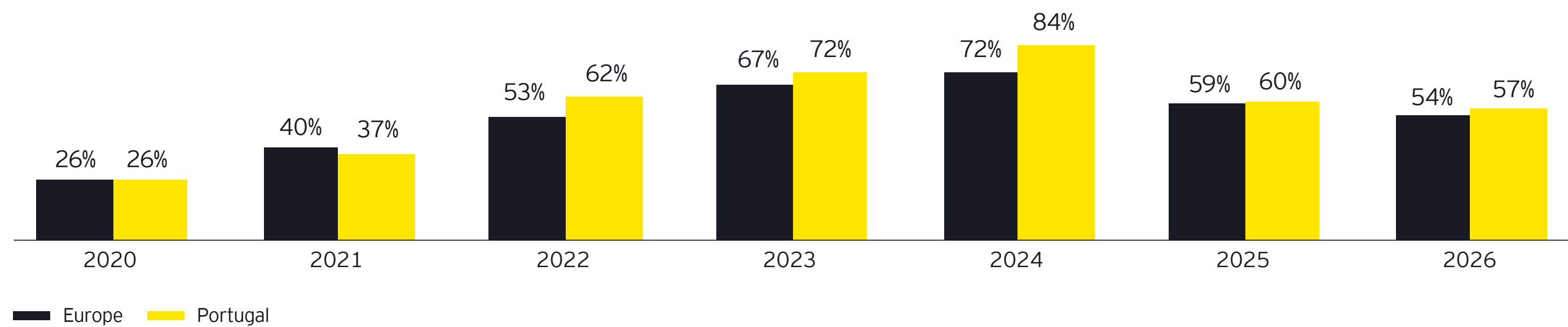
Investment plans remain  
unchanged or positively  
impacted by current  
conflicts

**76%**

Investors consider  
Portugal an attractive  
destination for reindus-  
trialization investment

# Investment intentions stabilize above the European average, while investor sentiment strengthens among high-tech and business services companies

**Near-term investment intentions**  
Does your company have plans to establish or expand operations in Portugal and Europe over the next year? Answer = Yes



**Investment intentions are stabilizing at a more cautious level**

Across Europe, 54% of executives plan to establish or expand operations in 2026, down from 59% in 2025 and well below the 72% peak recorded in 2024. Despite this correction, intentions remain above 2021-22 levels, suggesting that investor appetite is settling at a more cautious but still resilient level.

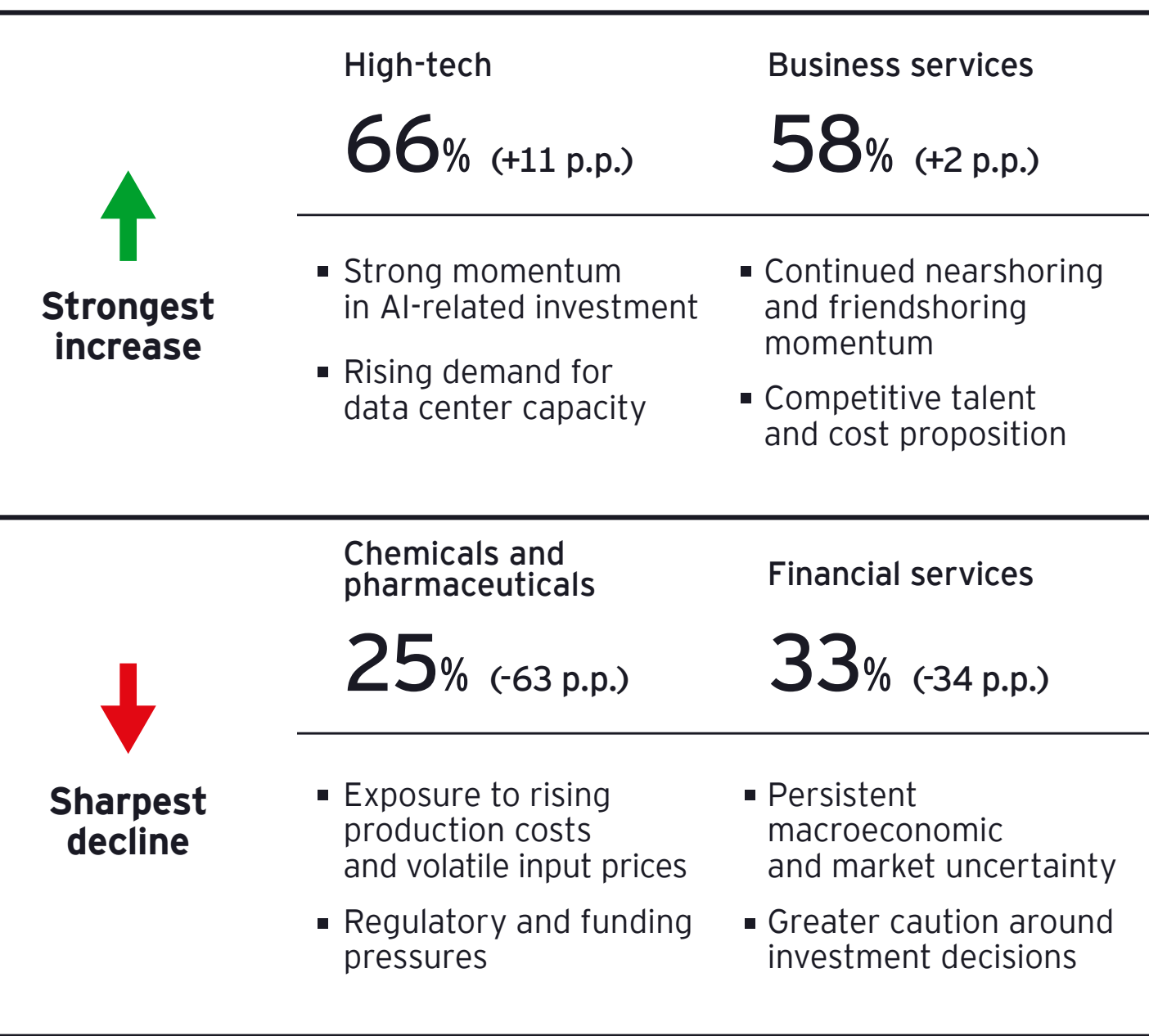
Portugal follows a similar trajectory but remains slightly above the European average. In 2026, 57% of executives plan to establish or expand operations in Portugal, compared with 54% across Europe. While investment intentions remain well below the 2024 peak, the smaller decline in 2026 suggests that sentiment is stabilizing after the sharp correction recorded in 2025.

**Investment intentions are strengthening among high-tech and business services companies**

Investment intentions vary markedly by sector. In 2026, 66% of high-tech respondents plan to establish or expand operations in Portugal, up 11 p.p. vs. 2025, while business services increased by 2 p.p. to 58%. By contrast, intentions declined most among chemicals and pharmaceuticals (-63 p.p.) and financial services (-34 p.p.).

The results point to particularly strong near-term sentiment among high-tech respondents, reinforcing the relevance of technology to Portugal's future investment proposition.

**Investment intentions by respondents' sector**  
Share of respondents in each sector planning to establish or expand operations in Portugal (evolution vs. 2025)



**Investment intentions strengthened most among high-tech and business services respondents**

Source: EY Portugal Attractiveness Survey 2020-26, EY European Attractiveness Survey 2020-26.

Sector-level results should be interpreted with caution due to subgroup sample sizes.

## Viewpoint



“As global supply chains reconfigure, the ability to connect innovation, industrial capacity and healthcare excellence will increasingly shape the next generation of life sciences leaders.”



**João Almeida Lopes**  
President of APIFARMA

### Portugal's pharmaceutical industry: a strategic choice for foreign direct investment

Portugal offers a compelling value proposition for pharmaceutical investment, combining a highly qualified workforce, internationally recognized scientific capabilities, a growing clinical research ecosystem and a strategic geographic location.

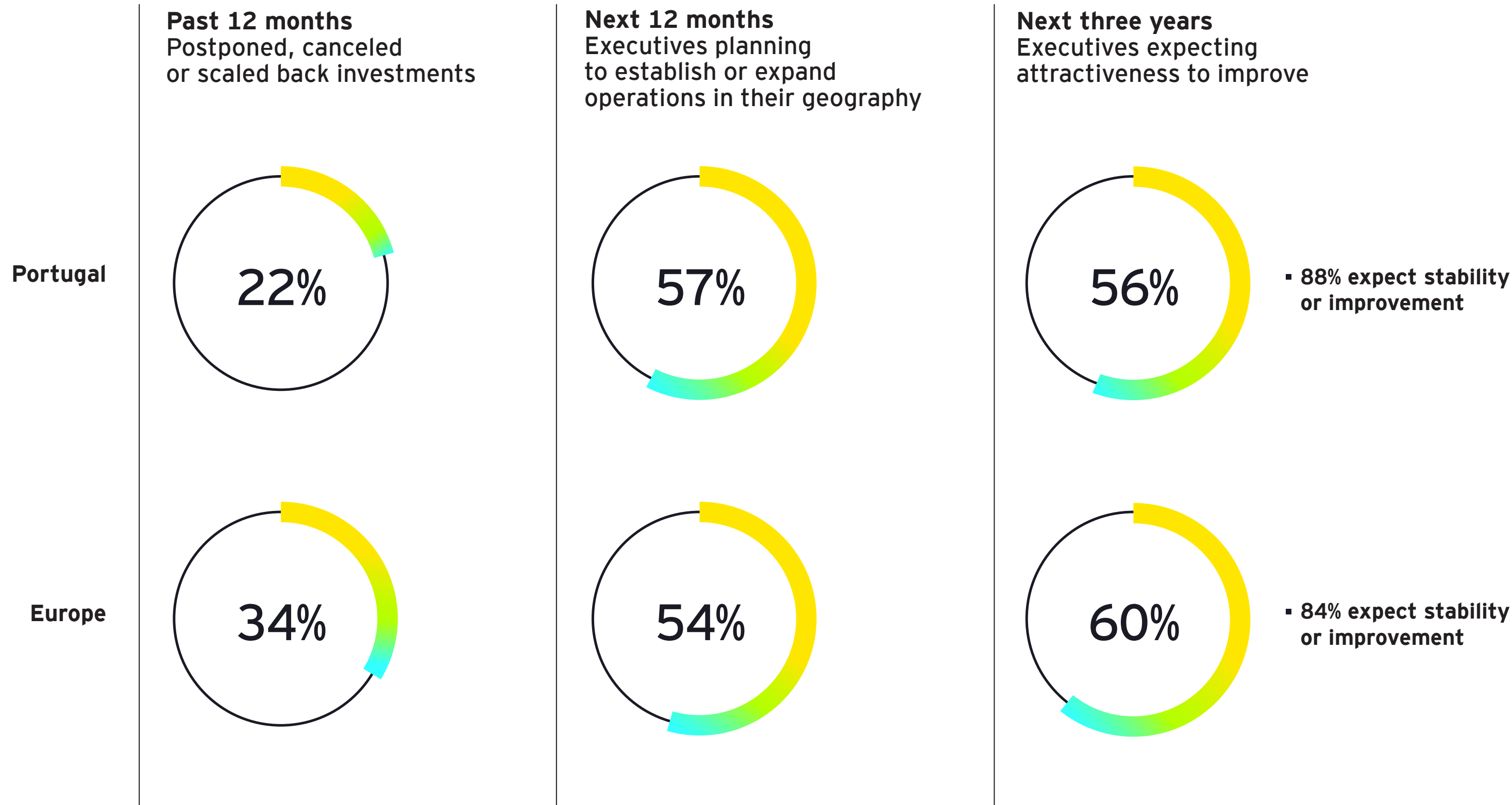
The country has also demonstrated strong export performance in recent years, alongside increasing integration into global value chains, while maintaining a collaborative environment among industry, academia and healthcare institutions. These strengths create favorable conditions for investments in research and development, advanced manufacturing and high-value business services.

To keep this momentum, Portugal should remain committed to enhancing regulatory predictability, accelerating digital health transformation, enabling secure access to world-class health data and reinforcing policies that reward competitiveness, innovation and investment.

As global supply chains reconfigure, the ability to connect innovation, industrial capacity and healthcare excellence will define the next generation of life sciences leaders.

Portugal offers that combination today: a highly skilled talent pool, internationally recognized research capabilities and a fast-growing clinical research ecosystem, within a stable and strategically located gateway to European and global markets.

# Investor confidence in Portugal remains broadly aligned with Europe, despite a more cautious investment environment



**Portugal remains broadly aligned with European investor sentiment, while showing fewer recent investment disruptions**

Despite greater caution in the current investment environment, investors remain broadly confident in Portugal's and Europe's outlook. Fifty-seven percent of executives plan to establish or expand operations in Portugal over the next year, broadly in line with 54% across Europe, while 56% expect Portugal's attractiveness to improve over the next three years, compared with 60% for Europe.

Portugal stands out more clearly when looking at recent investment decisions: 22% of respondents report having postponed, canceled or scaled back investment plans in Portugal over the past 12 months, compared with 34% across Europe, pointing to greater resilience to recent disruptions.

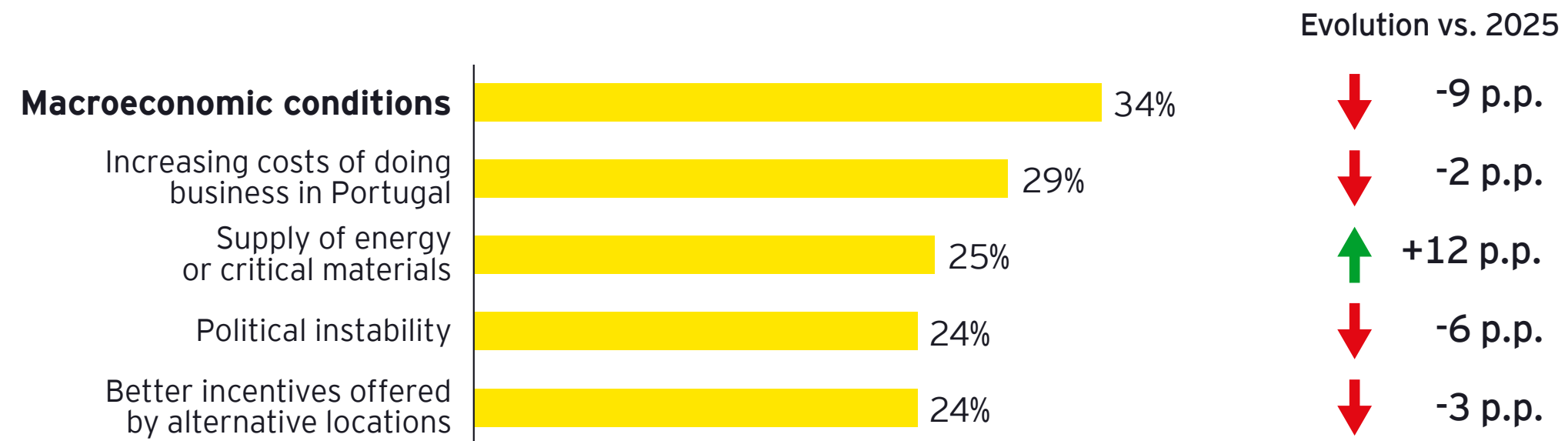
Longer-term confidence continues to be supported by Europe's vast consumer market, high-quality infrastructure and proactive approach to climate policy and sustainability.

Source: EY Portugal Attractiveness Survey 2026; EY European Attractiveness Survey 2026.

# Investor concerns are easing, with energy supply emerging as a key risk and capital and digital innovation leading competitiveness priorities

## Main risks affecting attractiveness

What are the three main risks affecting Portugal's attractiveness over the next three years?



### Main risks affecting Europe



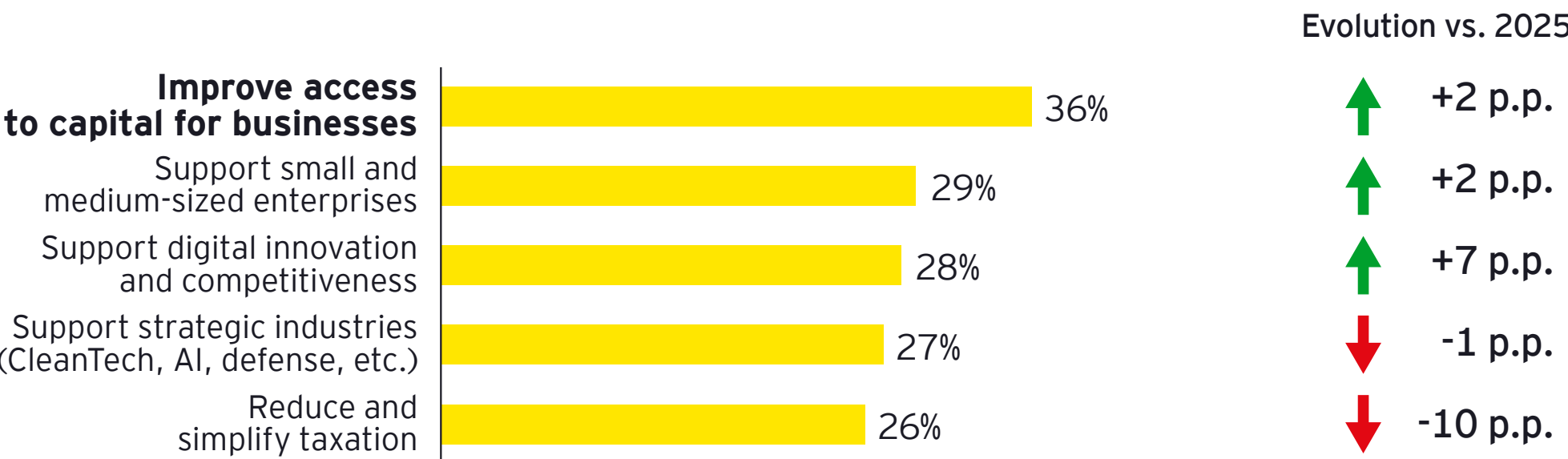
Shared with Portugal

## Investor concerns are easing, although energy supply risks are gaining prominence

Macroeconomic conditions remain the leading risk to Portugal's attractiveness at 34%, but concern has fallen 9 p.p. since 2025. Political instability and operating costs have also declined, while the supply of energy and critical materials recorded the largest increase, rising 12 p.p. to 25%. Portugal's risk profile differs somewhat from Europe's. Geopolitical tensions remain Europe's leading concern at 41%, while Portugal places greater emphasis on domestic macroeconomic conditions, operating costs and security of supply.

## Priorities to strengthen competitiveness

Where should Portugal concentrate its efforts to maintain its competitive position in the global economy?



### Top competitiveness priorities for Europe



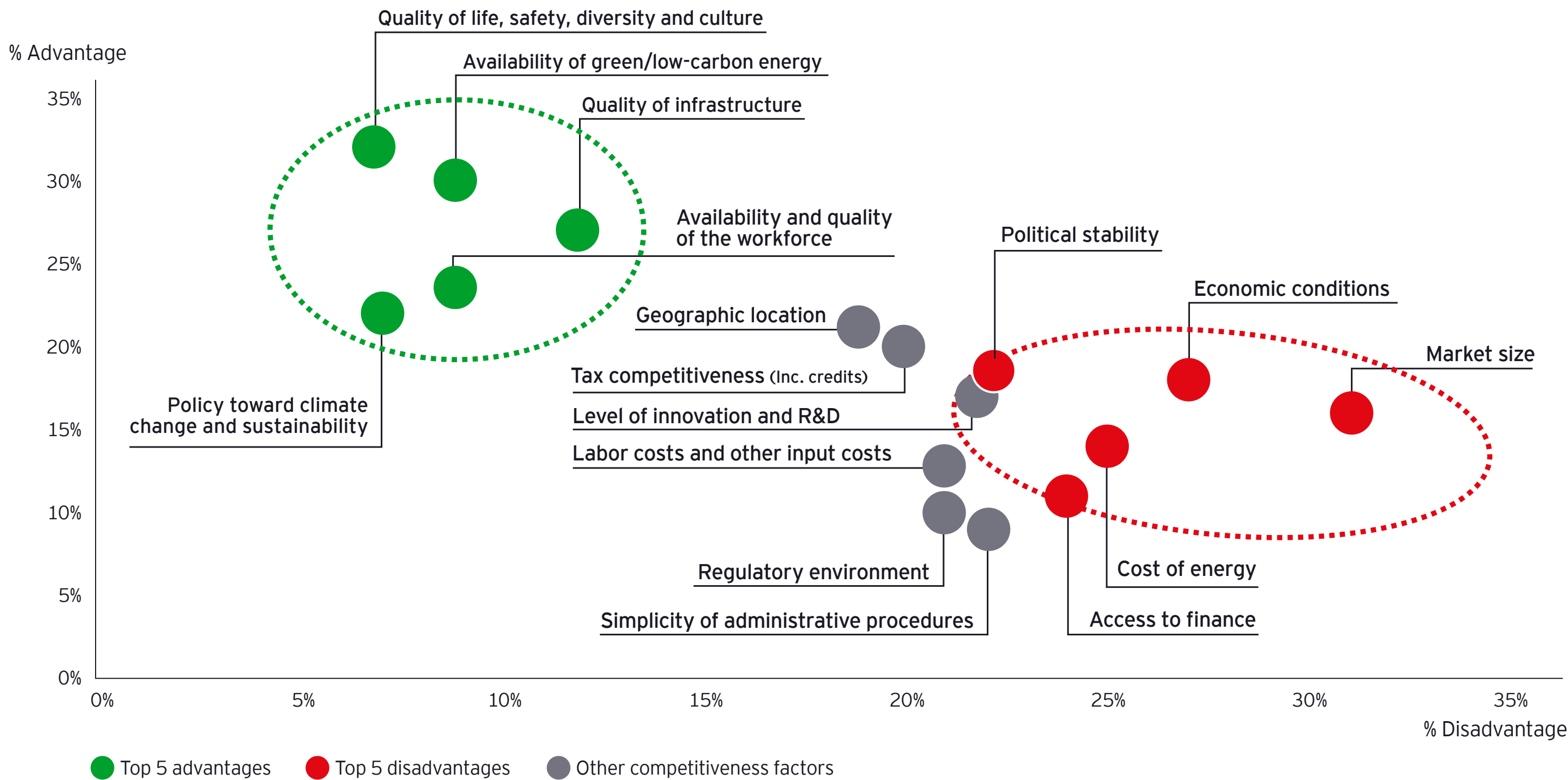
## Investors increasingly prioritize financing and digital competitiveness

Access to capital remains Portugal's leading competitiveness priority, cited by 36% of investors, followed by support for SMEs at 29%. Digital innovation recorded the strongest increase, rising 7 p.p. to 28%, while reducing and simplifying taxation fell 10 p.p. to 26%. Portugal's priorities also differ from Europe's: investors place greater emphasis on access to capital and digital innovation, while Europe gives more weight to SME support and lower energy prices. This points to a Portuguese competitiveness agenda increasingly focused on the ability to finance, innovate and scale businesses.

Source: EY Portugal Attractiveness Survey 2026; EY European Attractiveness Survey 2026.

# Renewable energy and sustainability are strengthening Portugal’s differentiation, while traditional advantages become less distinctive

**Portugal’s perceived advantages and disadvantages as an investment destination**  
In which of the following areas does Portugal have the greatest advantage and disadvantage as an investment destination compared with other locations?



**Renewable energy and sustainability are becoming more distinctive sources of advantage**  
Quality of life remains Portugal’s leading perceived advantage, cited by 32% of investors. However, the strongest gains are increasingly linked to the country’s energy and sustainability proposition: availability of green and low-carbon energy rose to 30% (+7 p.p. vs. 2025), while climate and sustainability policy reached 22% (+9 p.p.). At the same time, some established advantages have become less distinctive. Infrastructure declined from 44% to 27%, while workforce availability and quality fell from 33% to 23%, reinforcing the need to continue investing in these fundamentals.

**The challenge is increasingly to convert strong energy availability into competitiveness**  
Market size remains Portugal’s most frequently cited disadvantage at 31%, followed by economic conditions (27%), energy costs (25%) and access to finance (24%). Concerns over energy costs have risen 13 p.p. since 2025, even as green and low-carbon energy has become a more prominent Portuguese advantage. This contrast points to a key challenge: translating Portugal’s renewable-energy advantage into affordable, reliable and accessible power for investors. Access to finance remains a further constraint, particularly as Portugal seeks to attract larger and more capital-intensive projects.

Source: EY Portugal Attractiveness Survey 2026.

## Viewpoint



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A more competitive corporate tax framework can support the investment decision, while IFICI strengthens the talent proposition required to execute and scale it.



**Pedro Paiva**  
Tax Services Partner  
Ernst & Young, S.A.

### Turning tax competitiveness into investment

Portugal's next investment cycle will depend not only on its resilience, but also on its ability to offer international investors a competitive and predictable environment.

The reduction of the general corporate income tax rate from 21% to 20% in 2025, followed by the legislated gradual decrease to 19% in 2026, 18% in 2027 and 17% in 2028, represents an important change in Portugal's investment proposition. A stable multi-year trajectory provides greater visibility over future returns and can strengthen Portugal's position when multinational groups compare locations for new projects, expansions and regional functions.

Tax competitiveness, however, extends beyond corporate taxation. The recently implemented IFICI regime (Tax Incentive for Scientific Research and Innovation) gives qualifying professionals access to a 20% personal income

tax rate on eligible Portuguese employment and professional income for ten consecutive years, as well as an exemption on most foreign-source income. By supporting the attraction of scientific, technological and highly qualified talent, the regime can help investors establish and expand the teams required for sectors covered by this new framework such as AI, digital services, R&D and advanced industrial activities.

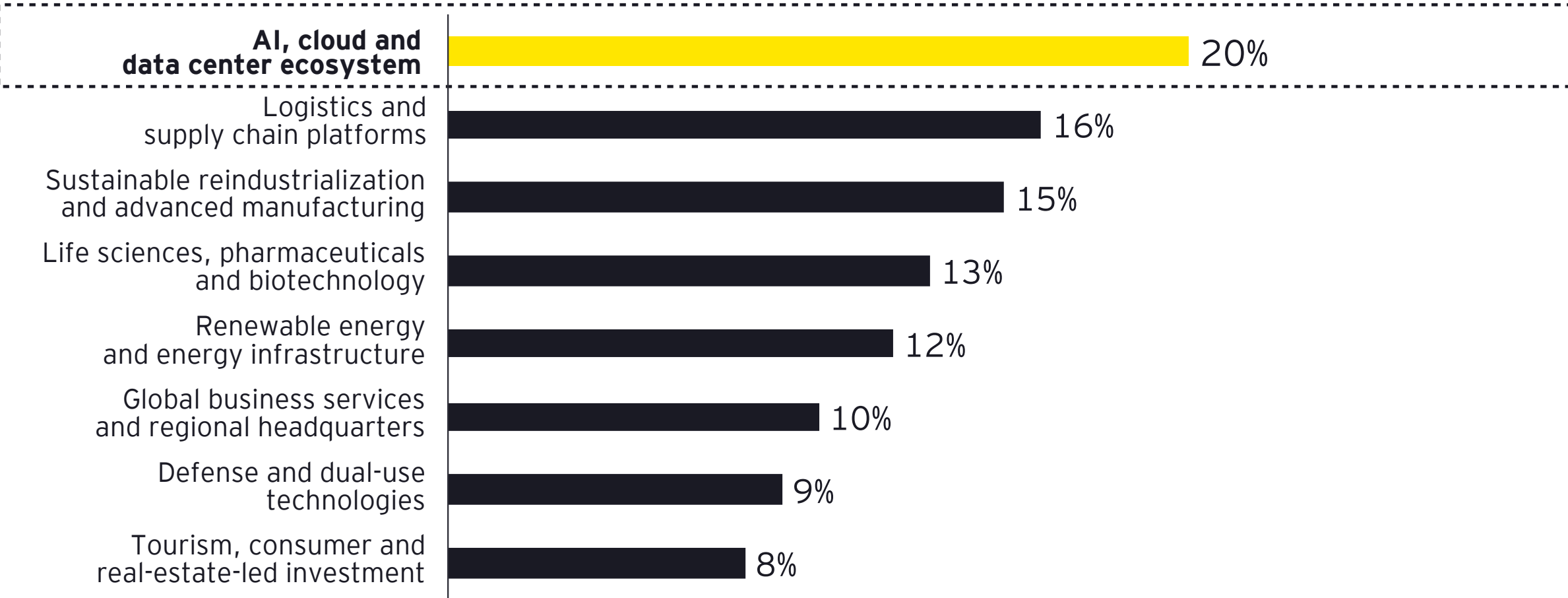
These measures are complementary: a more competitive corporate tax framework can support the investment decision, while IFICI strengthens the talent proposition required to execute and scale it. Their impact will ultimately depend on stability, administrative simplicity and alignment with Portugal's broader competitiveness priorities.

# 3

## Repositioning Portugal for the next wave of investments

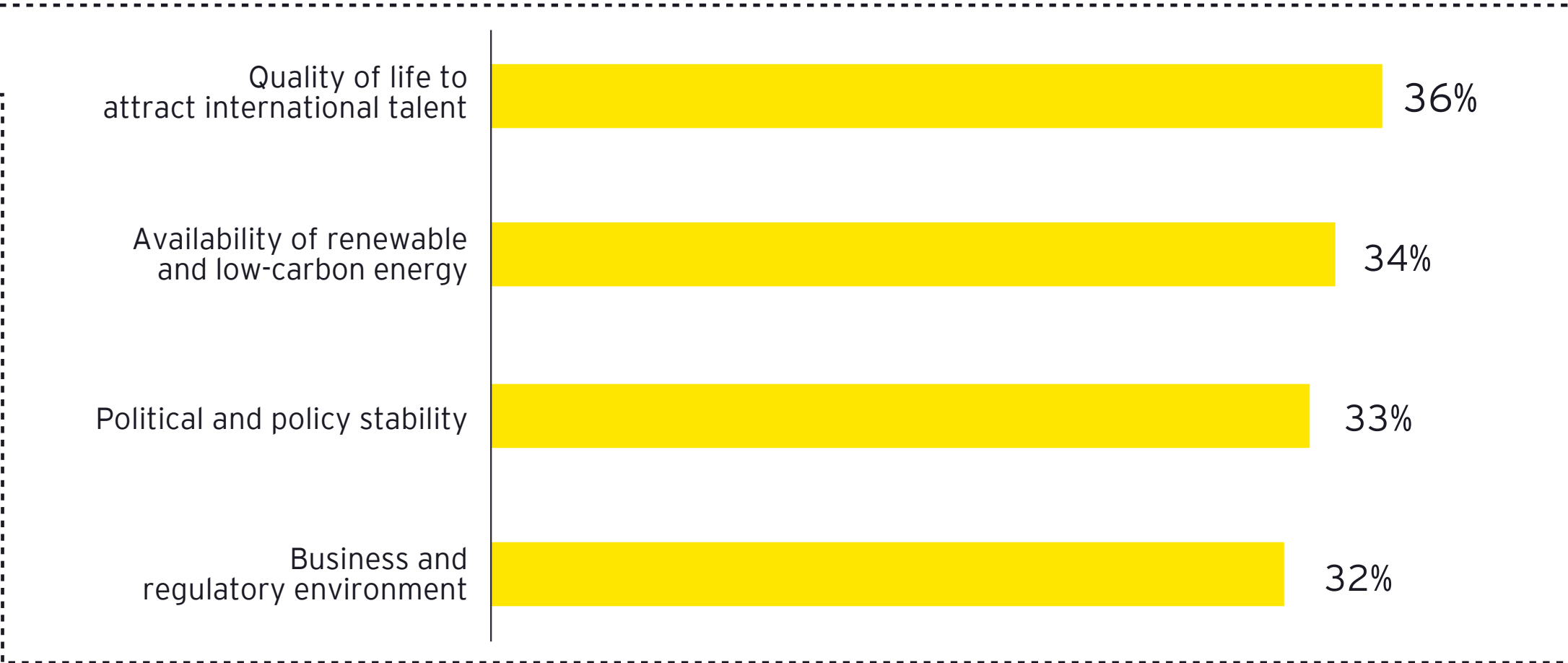
# AI, cloud and data centers emerge as investors' preferred growth platform, supported by talent, green energy and political and policy stability

**Priority platforms for future FDI**  
If Portugal had to prioritize one strategic platform to maximize FDI over the next five years, which should it back most strongly?



**AI is increasing the relevance of Portugal's existing advantages**  
AI, cloud and data centers rank as the leading strategic platform for future FDI in Portugal (20%), ahead of logistics and supply chain platforms (16%) and sustainable reindustrialization (15%). Portugal's proposition is supported by a balanced combination of talent attraction (36%), renewable and low-carbon energy (34%), political and policy stability (33%), and the business and regulatory environment (32%).  
As AI and data-intensive activities expand, reliable power, digital infrastructure and specialized talent are becoming increasingly important location factors, reinforcing the relevance of Portugal's existing advantages for the next generation of technology investment.

**Portugal's strengths for attracting AI and data center investment**  
What are Portugal's main strengths for attracting AI and data center related investment?



**Europe's AI momentum creates an opportunity for Portugal, but capturing it will depend on execution**  
AI-related FDI projects in Europe increased 96% in 2025, while data center projects more than doubled from 44 to 109. At the same time, investors continue to identify regulation, technology skills, infrastructure and access to capital as barriers to scaling AI investment in Europe.  
For Portugal, expanding grid and digital capacity, accelerating permitting, developing specialized talent and improving access to capital will be critical to translate its existing advantages into investment at scale.

Source: EY Portugal Attractiveness Survey 2026; EY European Attractiveness Survey 2026; EY EIM 2026.

# Viewpoint



Ana Maria Lopes  
General Director  
of Microsoft Portugal



“  
Portugal has credible foundations to be an AI frontier nation.

## From AI infrastructure to national advantage: can Portugal become an AI frontier nation?

Portugal has a long tradition of looking beyond its borders. Curiosity, openness and a willingness to venture into the unknown once placed the country at the frontier of discovery. Today, those same qualities can help position Portugal at the frontier of artificial intelligence – not simply as an adopter of the technology, but as a country that helps shape how it is developed and used. This is more than a vision. Portugal has the foundations to deliver on it, and those strengths are already attracting long-term investment.

Microsoft has been in Portugal for 35 years, and our decision to invest significantly in AI infrastructure in Sines was a commercial one. Investments of this scale follow a short list of hard variables: reliable access to clean energy, connectivity, engineering talent, partners able to build at pace and a stable operating environment. Portugal performs well across these fundamentals. Public policy can reinforce that advantage, supporting competitiveness and

better outcomes in healthcare, education and public services.

Infrastructure and ambition may create the foundation, but competitiveness comes from putting them to work. That happens when organizations adopt AI, people have the skills to use it and a strong ecosystem can scale its impact. Our own ecosystem here is a useful measure – €7.3 billion in annual economic value, close to 2.5% of GDP, around 35,000 jobs, and €9.6 returned to the economy for every euro of our revenue (*Economic and Social Impact of the Microsoft Ecosystem in Portugal, 2025*).

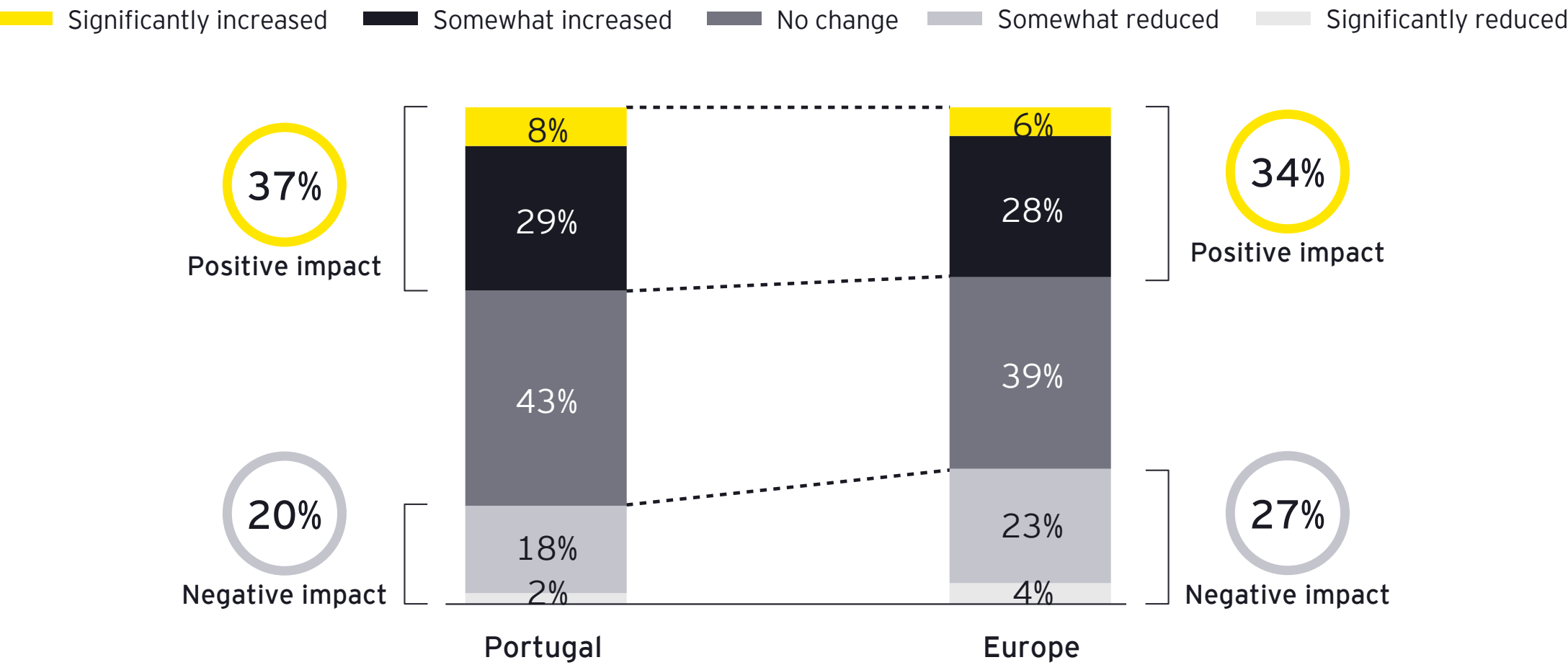
The opportunity now rests on three things. **Consistency:** predictable conditions for energy access, permitting and investment. **Skills, at national scale:** technology reaches an economy only through the people who can use it. This is the highest-return investment Portugal can make, and it is what turns infrastructure into

national capability. **Connection:** remaining closely linked to global technology, investment, talent and research networks while building trust and security into AI adoption.

Portugal has credible foundations to be an AI frontier nation. It needs to be fast, skilled and connected – strengths that have long helped it punch above its weight.

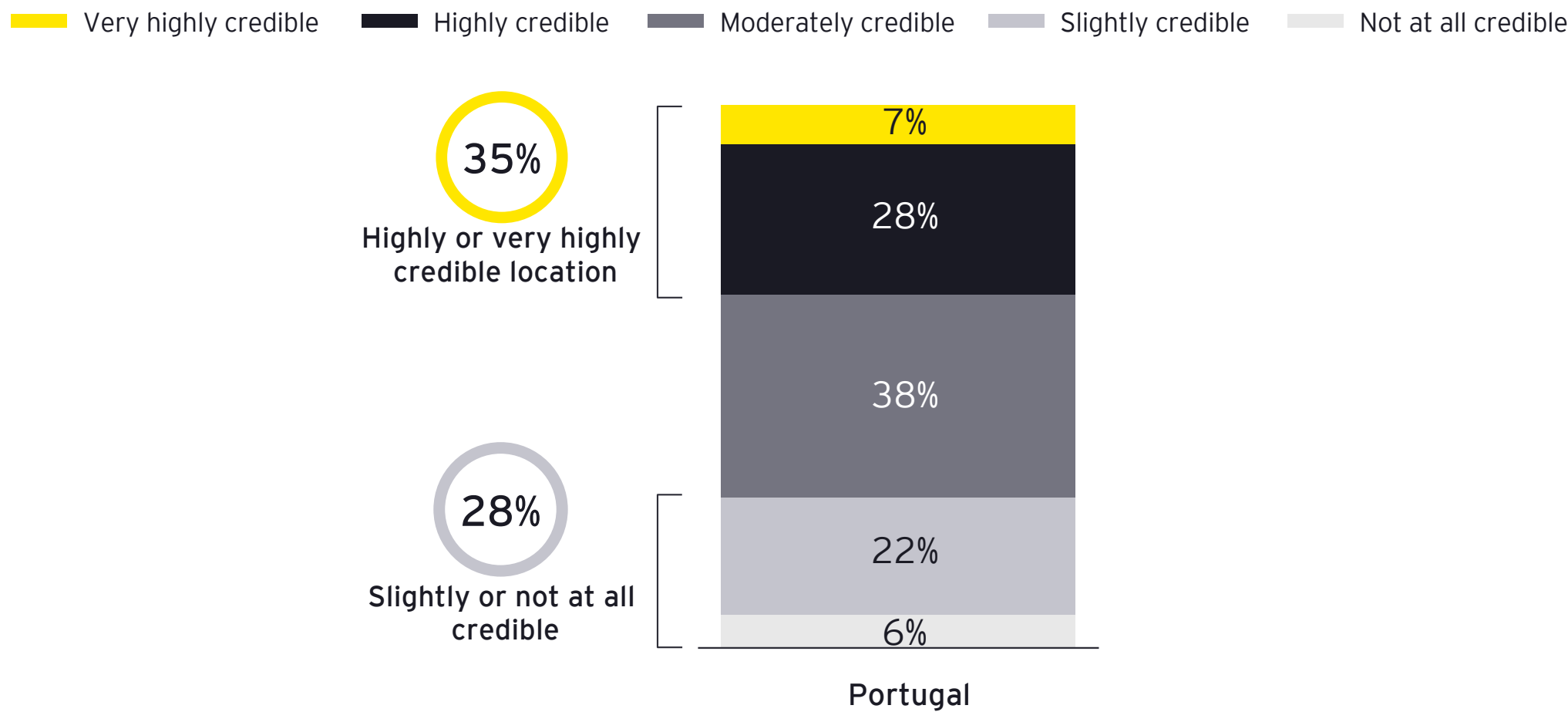
# Portugal shows fewer negative investment disruptions than Europe, while investors see credible potential in defense-related investment

**Impact of current conflicts on investment plans**  
To what extent have current conflicts impacted your plans to invest in your geography?



**Portugal shows relative resilience amid geopolitical uncertainty**  
Current conflicts have had a comparatively contained impact on investment sentiment toward Portugal. Forty-three percent of executives report no change in their plans, while 37% say conflicts have increased investment intentions, slightly above Europe at 34%. Only 20% report a negative impact, compared with 27% across Europe. This suggests Portugal is perceived as a comparatively resilient and predictable investment location at a time when geopolitical risk is becoming a more structural consideration in capital allocation and location decisions.

**Portugal in Europe's defense ecosystem<sup>1</sup>**  
To what extent do you see Portugal as a credible location within Europe's defense industrial ecosystem?



**Portugal has credible foundations to participate in Europe's expanding defense ecosystem**  
Investor perceptions also point to potential in defense-related investment. Seventy-three percent of respondents consider Portugal at least moderately credible within Europe's defense industrial ecosystem, including 35% who rate the country highly or very highly credible. This provides a basis for Portugal to strengthen its role in emerging European defense and dual-use value chains, which is particularly relevant as defense investment across Europe accelerates, with FDI projects increasing 84% in 2025 and increasingly spanning advanced manufacturing, aerospace, unmanned systems and dual-use technologies.

1. Percentages may not total 100% due to rounding.  
Source: EY Portugal Attractiveness Survey 2026; EY European Attractiveness Survey 2026; EY EIM 2026.

## Viewpoint



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Success should not be measured solely by the ability to attract foreign investment, but also by its contribution to the development of the broader national ecosystem.



**Rui Santos**  
Managing Director  
of AED Cluster Portugal

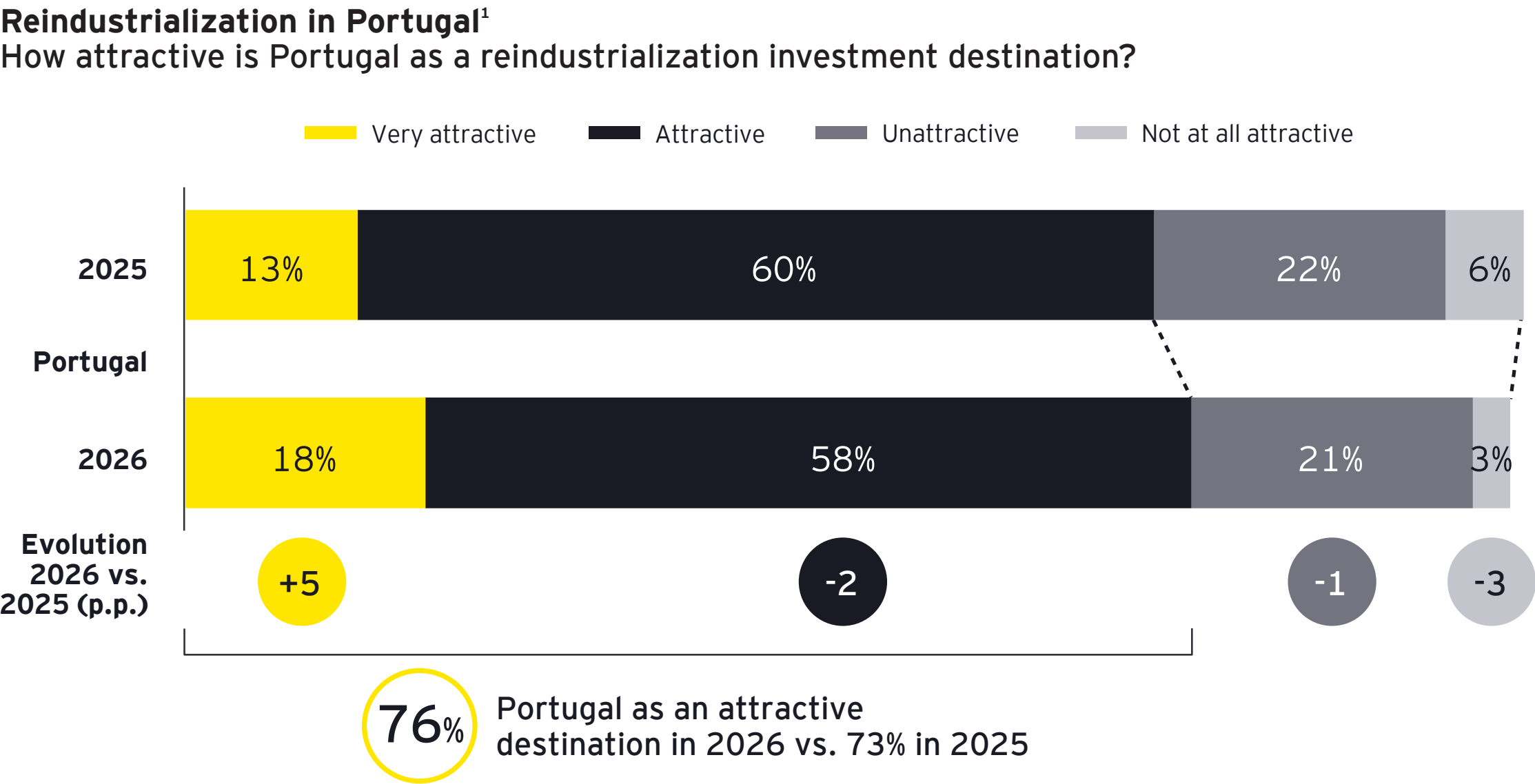
### Strengthening Portugal's aerospace ecosystem through foreign investment

The Portuguese aeronautics industry has become an increasingly attractive destination for foreign direct investment, supported by highly qualified talent, internationally recognized quality standards, labor competitiveness, operational flexibility and a strong ecosystem connecting industry, academia and institutional players. Together, these strengths enable companies to integrate effectively into the national value chain and accelerate the ramp-up and consolidation of their operations.

Looking ahead, Portugal has a clear opportunity to further strengthen its position as a destination for aeronautics investment. However, success should not be measured solely by the ability to attract foreign investment, but also by its contribution to the development of the broader national ecosystem.

Strategic investment projects can support knowledge transfer, technology diffusion and stronger industrial capabilities across the national value chain, helping domestic companies move toward higher value-added activities. By strengthening connections between international investors, industry, academia and research organizations, Portugal can reinforce national competitiveness and ensure that foreign investment contributes to the sustainable growth and continued development of its aerospace ecosystem.

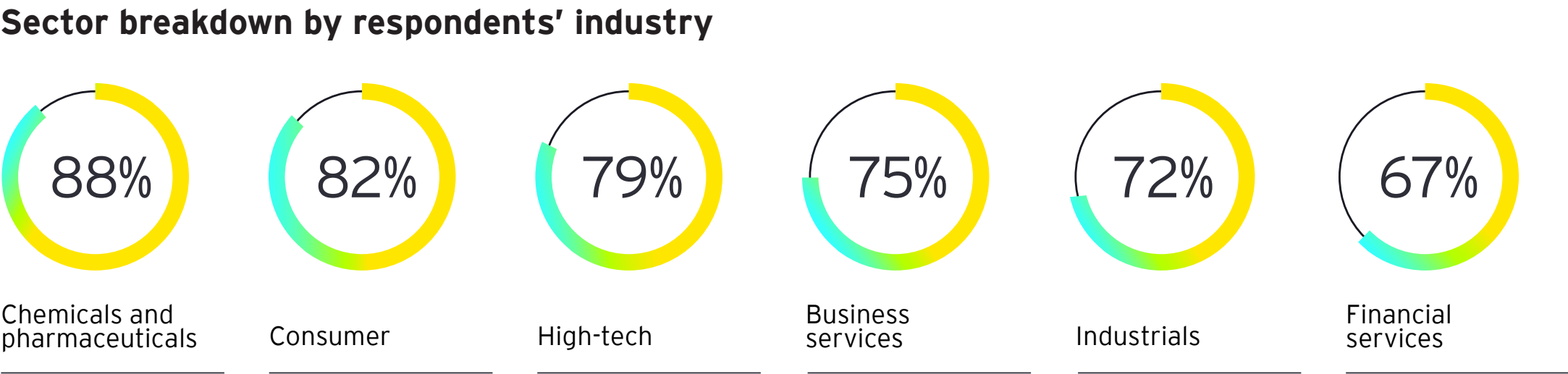
# Investor confidence in Portugal's reindustrialization potential is strengthening, with positive sentiment across all sectors



**Confidence in Portugal's reindustrialization potential is strengthening**

More than three-quarters of respondents consider Portugal an attractive destination for reindustrialization investment (76%), up from 73% in 2025, with the share rating the country “very attractive” increasing by 5 p.p.

This points to growing confidence in Portugal's ability to attract industrial investment as Europe places greater emphasis on competitiveness, resilience and strategic autonomy. Converting this interest into large-scale projects will depend on competitive energy, access to capital and strong industrial capabilities.



**Positive views of Portugal's reindustrialization potential extend across all sectors**

Positive sentiment is evident across all respondent groups, with at least two-thirds in every sector viewing Portugal as an attractive reindustrialization destination. Support is strongest among chemicals and pharmaceuticals (88%), consumer (82%) and high-tech (79%).

The breadth of support reinforces reindustrialization as a cross-sector investment theme, while translating positive sentiment into sustained investment will require stronger execution conditions and investment-ready ecosystems.

The survey therefore points to significant reindustrialization potential, rather than evidence of a completed shift in Portugal's FDI profile. Technology and business services continue to account for almost 45% of actual FDI projects, underscoring the gap between investor expectations and the current investment mix.

1. Percentages may not total 100% due to rounding.  
Source: EY Portugal Attractiveness Survey 2025-26.

## Viewpoint



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Portugal can move from being seen as an attractive alternative location to being recognized as a strategic industrial platform within Europe, competing increasingly on productivity and capability, rather than on cost alone.



**António Conde**  
EVP Körber Supply Chain

### Reindustrialization and the next generation of industrial investment in Portugal

For Körber, Portugal remains a credible investment destination, and I expect its attractiveness to improve over the next three years. The country combines political and social stability, good infrastructure, engineering talent, a strong work ethic and solid operational know-how.

Looking ahead, however, Portugal's attractiveness will depend less on labor-cost advantages and increasingly on ease of doing business, infrastructure costs and long-term fiscal stability. Industrial and supply-chain investors increasingly prioritize resilience, speed, digital capabilities and predictability.

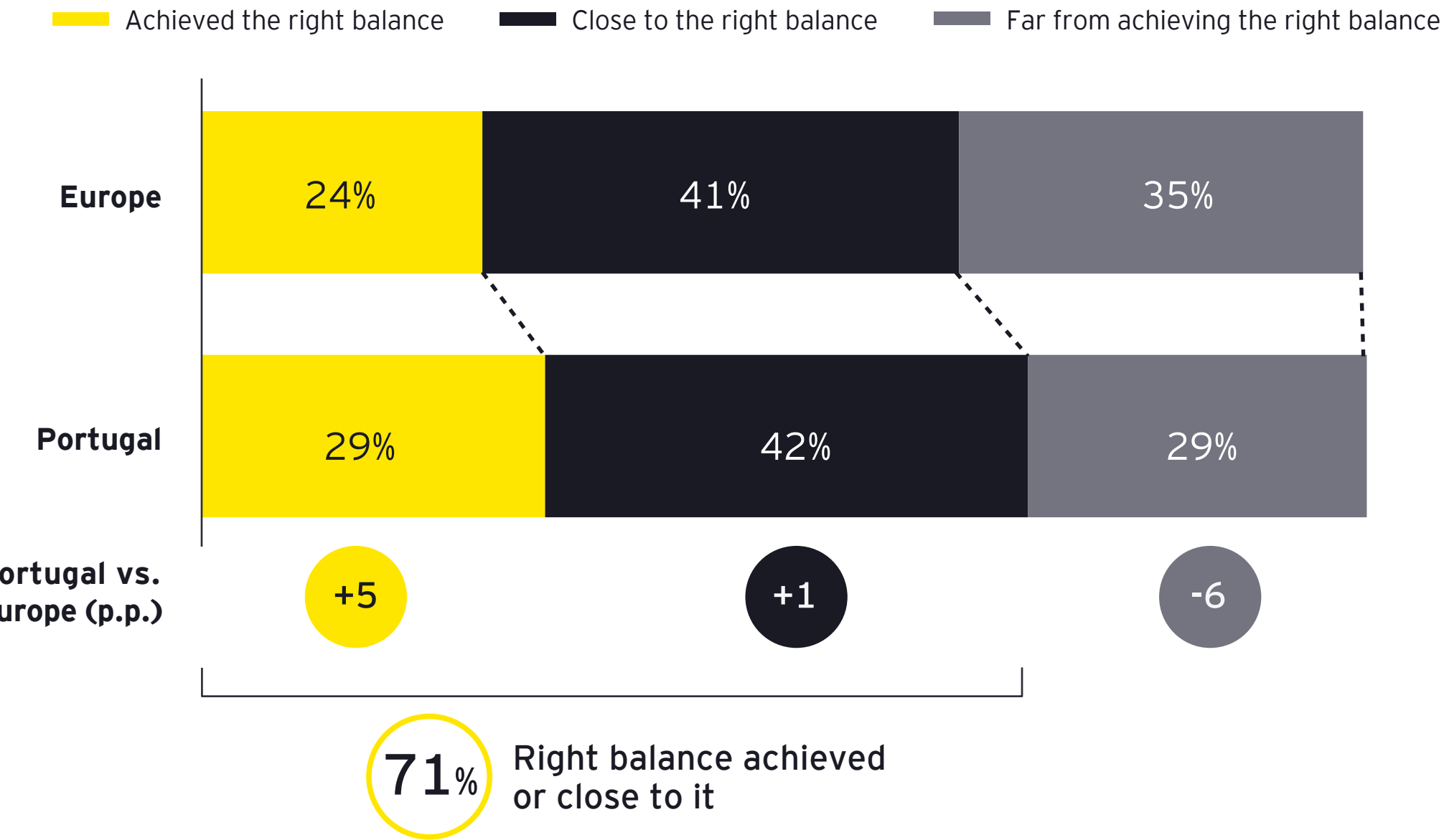
Three challenges stand out: the availability of specialized talent in engineering, automation, software and technical operations; the complexity and speed of licensing, bureaucracy and the administration of justice; and the cost and readiness of industrial infrastructure, including logistics, energy and sites for large projects.

Portugal is well positioned to benefit from Europe's reindustrialization and the regionalization of supply chains, particularly in advanced manufacturing, life sciences and electronics, where quality, flexibility and proximity increasingly matter.

To capture this opportunity, Portugal should strengthen technical talent pipelines, simplify approvals, develop investment-ready industrial zones and support automation, digitalization and innovation. Consistent execution on these priorities can position Portugal as a strategic industrial platform within Europe, competing on productivity and capability rather than cost alone.

# Portugal is perceived as ahead of Europe on the energy balance, while affordability remains the key challenge across both regions

**Energy balance**  
To what extent have these geographies achieved the right balance between energy security, affordability and sustainability?



Source: EY Portugal Attractiveness Survey 2026; EY European Attractiveness Survey 2026.

**Portugal is perceived as better positioned than Europe on the overall energy balance**  
Portugal performs ahead of the European average in balancing energy security, affordability and sustainability. Seventy-one percent of respondents believe the country has either achieved the right balance (29%) or is close to doing so (42%), compared with 65% across Europe. Portugal's strongest position lies in renewable and low-carbon energy, where 83% of respondents believe the right balance has been achieved or is within reach. Energy security is also viewed positively, with 74% seeing Portugal as having achieved or being close to the right balance.

**Affordability remains the main challenge to converting this advantage into competitiveness**  
Energy affordability is Portugal's weakest dimension: 44% of respondents believe the country remains far from achieving the right balance on energy costs. This reinforces a broader message from the survey: Portugal's challenge is increasingly less about energy availability and more about translating its renewable-energy advantage into affordable, reliable and accessible power for investors.



# Viewpoint



“Strengthening the connections between foreign investors, national industry, technology centers and research organizations will be essential to increase the value created and retained in Portugal.”



**Diogo Fula**  
General Manager  
of the Battery Cluster Portugal

## Portugal's opportunity in the European battery value chain

Portugal has the foundations to become one of Europe's industrial hubs for the battery value chain. The country combines access to critical raw materials, a strong renewable energy base, established industrial capabilities, engineering talent and a growing research and innovation ecosystem. Together with its Atlantic location and access to the EU market, these assets are already supporting investment across materials, components, battery systems and recycling, as well as large-scale projects such as gigafactories.

Building on this progress, Portugal can further strengthen the integration and scale of its battery value chain. This will require faster permitting and continued investment in the skills needed by a fast-growing and increasingly sophisticated industry.

At the same time, attracting individual projects is only part of the opportunity. Strengthening the connections between foreign investors, national industry, technology centers and research organizations, while developing a stronger local supplier base, will be essential to increase the value created and retained in Portugal.

By combining these capabilities into a more integrated ecosystem, Portugal can reinforce its position in the European battery industry and capture a greater share of the industrial and technological value generated by its continued development.

# 4

## Recommendations

## Viewpoint



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The ambition is clear:  
to attract not only more FDI,  
but higher-value FDI.



**Madalena Oliveira e Silva**  
Chairwoman and CEO  
AICEP - Portuguese Trade  
& Investment Agency

### Portugal's attractiveness: from investment volume to investment value

Portugal has built a solid and recognized position as a destination for foreign direct investment, supported by its openness to international business, proximity to investors and ability to combine the country's competitive advantages with the needs of global companies.

Political and social stability, strategic location, talent, quality of life, renewable-energy potential and business resilience continue to underpin Portugal's attractiveness. The growing presence of international companies in technology, engineering, advanced manufacturing and R&D reflects the country's ability to compete for increasingly sophisticated investment.

The nature of investment is also evolving. In 2025, AICEP secured a record €3.58 billion in investment contracts, supporting more than 6,600 new jobs, with projects increasingly focused on technology, innovation, advanced manufacturing, mobility and other high-value activities. Portugal's FDI stock reached €213.7 billion at the end of 2025, equivalent to around 70% of GDP.

Attractiveness, however, can no longer be measured solely by investment volume. The quality of investment is becoming increasingly important, particularly as Portugal secures projects with greater potential to generate value, knowledge and skills-based employment.

Looking ahead, Portugal's challenge is to accelerate this transition toward higher-value investment while preserving the strengths that have supported its success. This will require combining talent with stronger productivity and innovation, modern infrastructure and an efficient and predictable business environment.

The ambition is clear: to attract not only more FDI, but higher-value FDI. This means investment that strengthens Portugal's competitiveness, creates opportunities for people and companies, accelerates transformation, and contributes to sustainable, long-term growth. This is the challenge, and the opportunity, for Portugal's FDI attractiveness in the years ahead.

# Recommendations summary

Portugal must turn resilience into execution by strengthening the conditions to finance, deliver and scale the next generation of investment

## Pillar 1

### Build an investment-ready environment

Portugal has demonstrated resilience, but converting it into long-term competitiveness requires stronger conditions to finance, execute and scale investment. Investors identify access to capital as the leading competitiveness priority, while energy affordability, permitting and specialized talent remain key constraints. Addressing these execution conditions can help convert investor interest into delivered and scalable projects.

## Pillar 2

### Capture the next wave of high-value investment

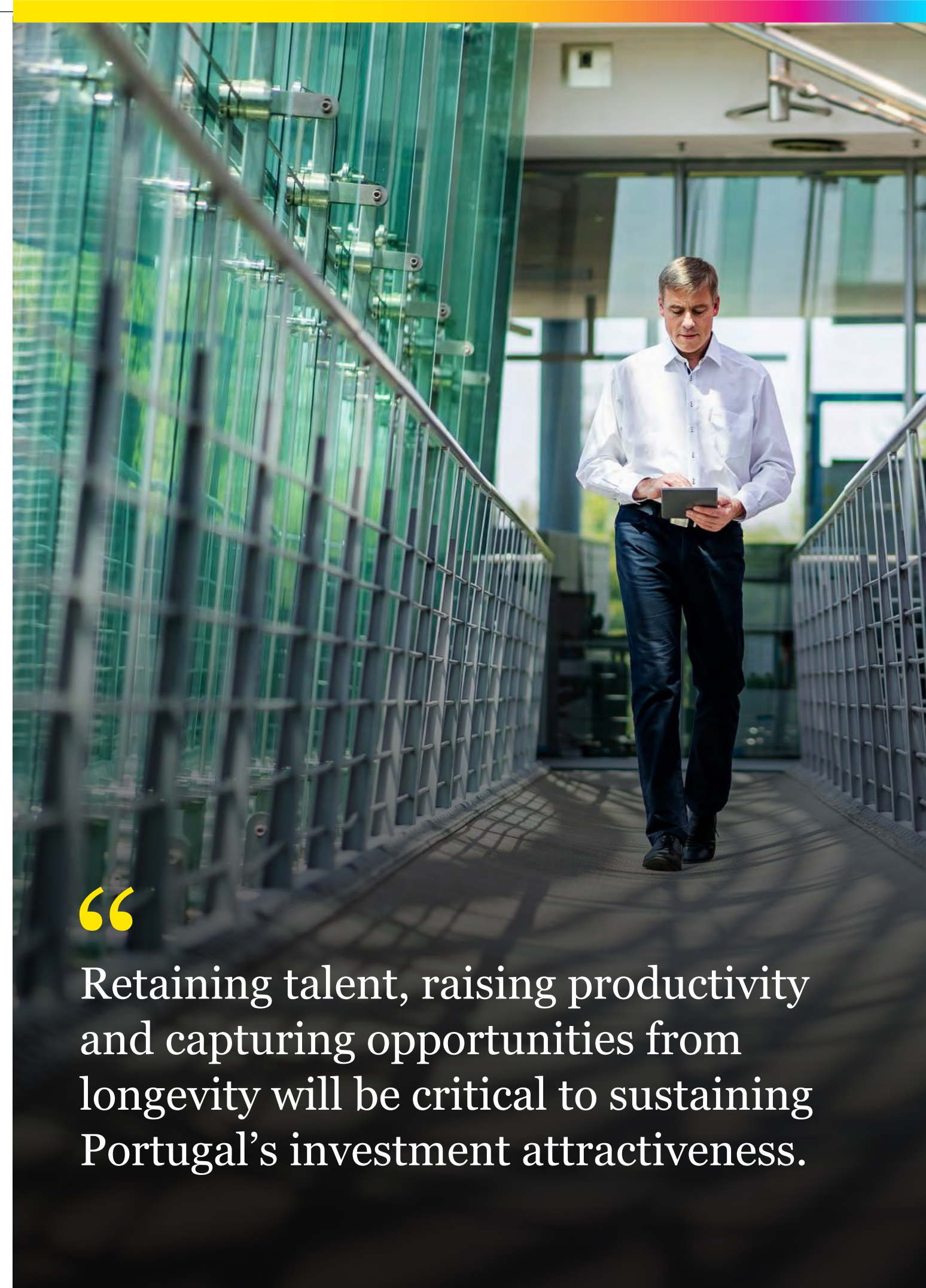
Portugal should translate a stronger investment environment into focused propositions for activities where its capabilities align with Europe's changing investment priorities. This means strengthening its proposition in AI and digital infrastructure, advanced industry, high-value services and innovation-driven investment, supported by a stronger international investment brand. Capturing them will depend on addressing the financing, infrastructure, execution and skills constraints identified by investors.



|                                                                                                                                                                                                                                                                           | 1                                                                                                                                                                                                                                                                                                                                                                                  | 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 3                                                                                                                                                                                                                                                                                                                                                                                         | 4                                                                                                                                                                                                                                                                                                                                                                                         | 5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
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| <div>Pillar 1</div> <div><div><div><b>Build an investment-ready environment</b></div><div>Portugal has demonstrated resilience, but converting it into long-term competitiveness requires stronger conditions to finance, execute and scale investment.</div></div></div> | <div><b>Mobilize capital to scale businesses and strategic investment</b></div> <div>Access to capital is investors' leading priority for strengthening Portugal's competitiveness, cited by 36% of respondents. Deepening financing options for SMEs, scale-ups and strategic projects can help to unlock larger and more capital-intensive investment and business growth.</div> | <div><b>Move from talent attractiveness to talent scale</b></div> <div>Portugal's quality of life remains its leading perceived advantage, supporting its ability to attract international talent. However, the perceived strength of workforce availability and quality has decreased. Expanding specialized skills in AI, digital technologies, engineering and advanced industry will be important to support the investment areas Portugal aims to capture.</div> | <div><b>Turn Portugal's renewable-energy position into competitive and accessible power</b></div> <div>Portugal's renewable-energy base increasingly differentiates the country, yet affordability remains a material constraint. Improving grid access, connection speed and cost predictability can help strengthen Portugal's proposition for industrial and digital investment.</div> | <div><b>Make permitting speed and certainty a competitive advantage</b></div> <div>Slow licensing and permitting is the most frequently cited practical constraint to large industrial investment in Portugal. Faster, simpler and better-coordinated processes can shorten the path from investment decision to project delivery, particularly for industrial and energy projects.</div> | <div><b>Strengthen regional investment ecosystems beyond Lisbon and Porto</b></div> <div>Portugal's future attractiveness will depend not only on national strengths but also on the ability of regions to develop competitive investment ecosystems. Building on regional assets, strengthening links between businesses, universities and innovation centers, and improving infrastructure, skills and international visibility can help broaden the country's investment base and support a more balanced distribution of growth.</div> |

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| <div>Pillar 2</div> <div><h3>Capture the next wave of high-value investment</h3><p>Portugal should translate a stronger investment environment into focused value propositions for the activities where its existing capabilities align with Europe's changing investment priorities.</p></div> | <div><b>Strengthen Portugal's position in AI, cloud and data center investments</b><p>AI, cloud and data centers rank as investors' preferred strategic platform for Portugal over the next five years. Portugal can build on its renewable-energy base, talent attraction and perceived stability, while addressing the grid, digital infrastructure, specialized skills and financing requirements needed to compete for investment at scale.</p></div> | <div><b>Build on Portugal's business services base to attract higher-value activities</b><p>Business and professional services already account for more than 20% of Portugal's FDI projects and remain one of the country's strongest investment anchors. Portugal can build on this base by attracting increasingly specialized, knowledge-intensive and technology-enabled services.</p></div> | <div><b>Convert reindustrialization interest into advanced industrial investment</b><p>76% of investors view Portugal as an attractive reindustrialization destination, while Europe's investment landscape is shifting toward more strategic and capital-intensive activities. Portugal can build on its energy position, engineering capabilities and emerging industrial hubs, provided it addresses the permitting, financing, talent and infrastructure constraints that determine project execution. This opportunity extends to defense and dual-use activities, where 35% of investors already view Portugal as highly credible and European FDI grew 84% in 2025, as well as logistics and supply-chain platforms that support industrial resilience.</p></div> | <div><b>Strengthen innovation ecosystems and accelerate the commercialization of research</b><p>Portugal has made significant progress in strengthening its research, innovation and technology capabilities, supported by growing R&amp;D investment and an increasingly dynamic innovation ecosystem. Further strengthening collaboration between universities, research institutions, startups, scale-ups and established companies can help accelerate the commercialization of knowledge, support the creation of high-value businesses and enhance Portugal's attractiveness for innovation-driven investment.</p></div> | <div><b>Strengthen Portugal's investment brand around sustainability, innovation and talent</b><p>Portugal has a combination of strengths that is increasingly valued by international investors, including renewable energy, sustainability, safety, talent attraction and quality of life. A more coordinated international investment promotion effort around these differentiators can strengthen the country's visibility, improve perception among priority investor segments and support the attraction of higher-value and more strategic investment.</p></div> |

## Viewpoint



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Retaining talent, raising productivity and capturing opportunities from longevity will be critical to sustaining Portugal's investment attractiveness.



**Paulo Madruga**  
EY-Parthenon Partner,  
Ernst & Young, S.A.

### Demographics and competitiveness: attracting investment in an ageing Portugal

Portugal faces a structural transformation that remains underrepresented in the debate on foreign investment. Population ageing and a shrinking working-age population are not only social challenges. They are also competitiveness issues. For investors, demographics matter, as they affect the availability of skills, market size and the conditions for businesses to grow. The critical question is therefore not simply whether Portugal will have fewer people, but whether it can generate more value with a relatively smaller workforce.

Addressing this challenge requires three responses. First, Portugal must attract and retain talent. Immigration will be essential, but attracting people is not enough: housing, quality of life, essential services and opportunities for families will increasingly determine whether skilled professionals choose to stay.

Second, Portugal must raise productivity. A relatively smaller workforce will need to generate more value, requiring greater investment in skills, innovation, automation and AI. Labor scarcity can become a catalyst for modernization if it encourages companies to automate, upskill their workforce and move up the value chain.

Third, Portugal can turn longevity into an investment opportunity. An ageing population will create growing demand for digital health, prevention, home care, assistive technologies, adapted housing and financial services. Portugal's scale, demographic profile and scientific and healthcare capabilities could provide a platform for developing and testing solutions with wider European potential.

These responses require the right enabling conditions. Affordable housing is increasingly relevant to talent attraction and retention. Regulatory and fiscal predictability matter for investment. Public policy also needs to anticipate structural trends before they become constraints.

Portugal cannot choose whether it ages, but it can choose how it responds. Demographic change will become a competitiveness risk if the economy remains dependent on relatively low-cost labor and weak productivity. It can instead become a catalyst for technology adoption, higher skills and new investment opportunities.

# Methodology

The EY EIM and the perception survey serve as the pillars for the EY Portugal Attractiveness Survey

The EY Portugal Attractiveness Survey draws on two main sources:

## The EY European Investment Monitor (EIM)

Our evaluation of FDI in Europe is based on the EY EIM. This proprietary database helps us to track projects announced in 2025 across 47 countries. The database tracks the FDI projects that have resulted in the creation or the expansion of facilities and jobs.

The EIM database focuses on investment announcements, the number of new jobs created and, where identifiable, the associated capital investment. Projects are identified through the daily monitoring of more than 10,000 news sources. The EIM database shows the reality of investment in manufacturing and services by foreign companies across the continent.

The following categories of investment projects are excluded from the EY EIM: M&A and joint ventures (unless these result in new facilities or new jobs being created); license agreements; retail and leisure facilities; portfolio investments (pensions, insurance and financial funds); factory and other production replacement investments; and nonprofit organizations.

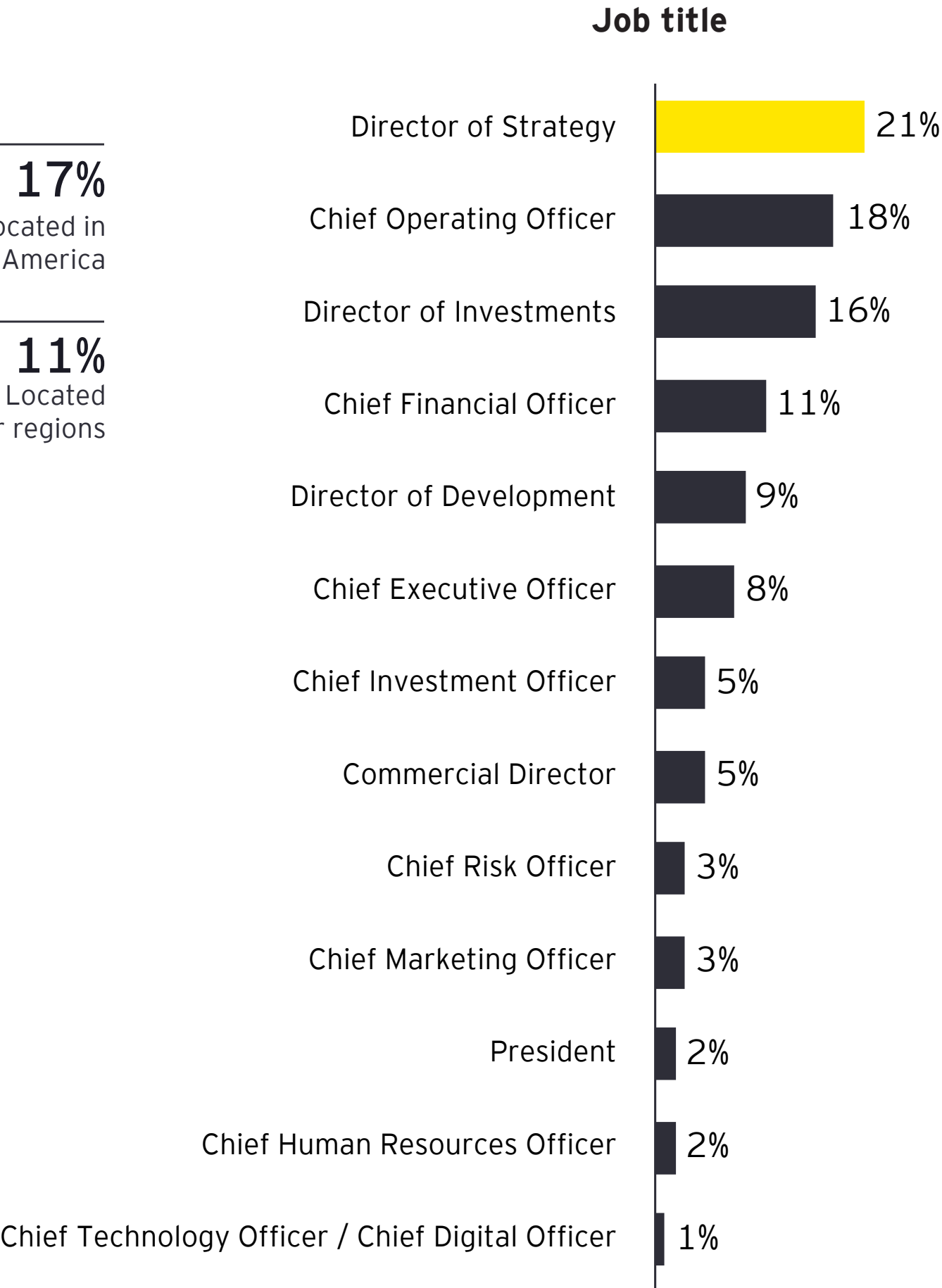
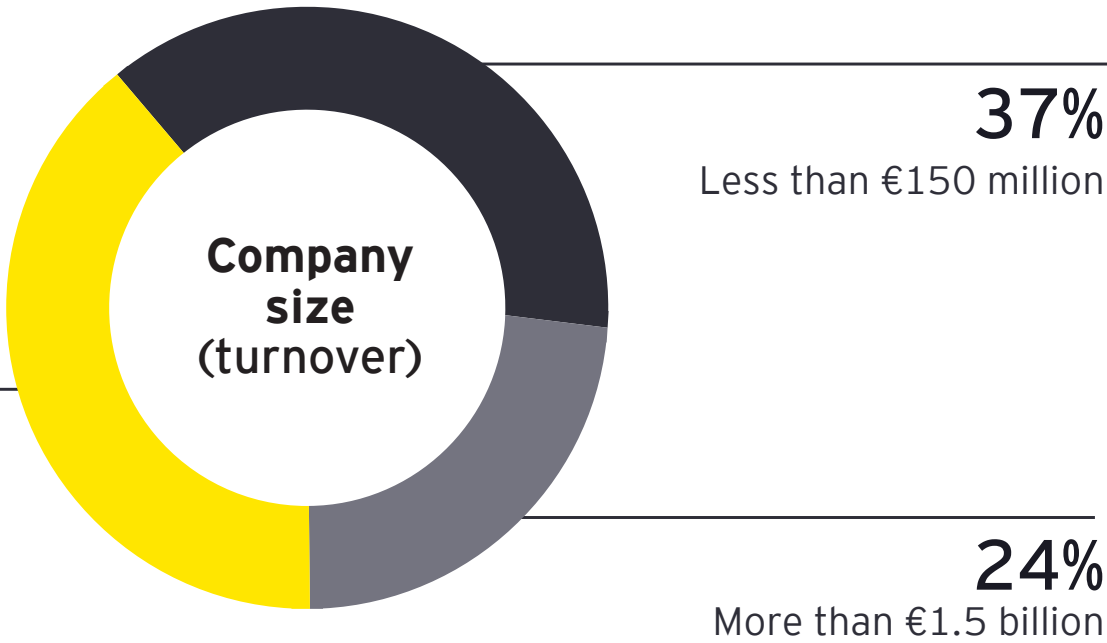
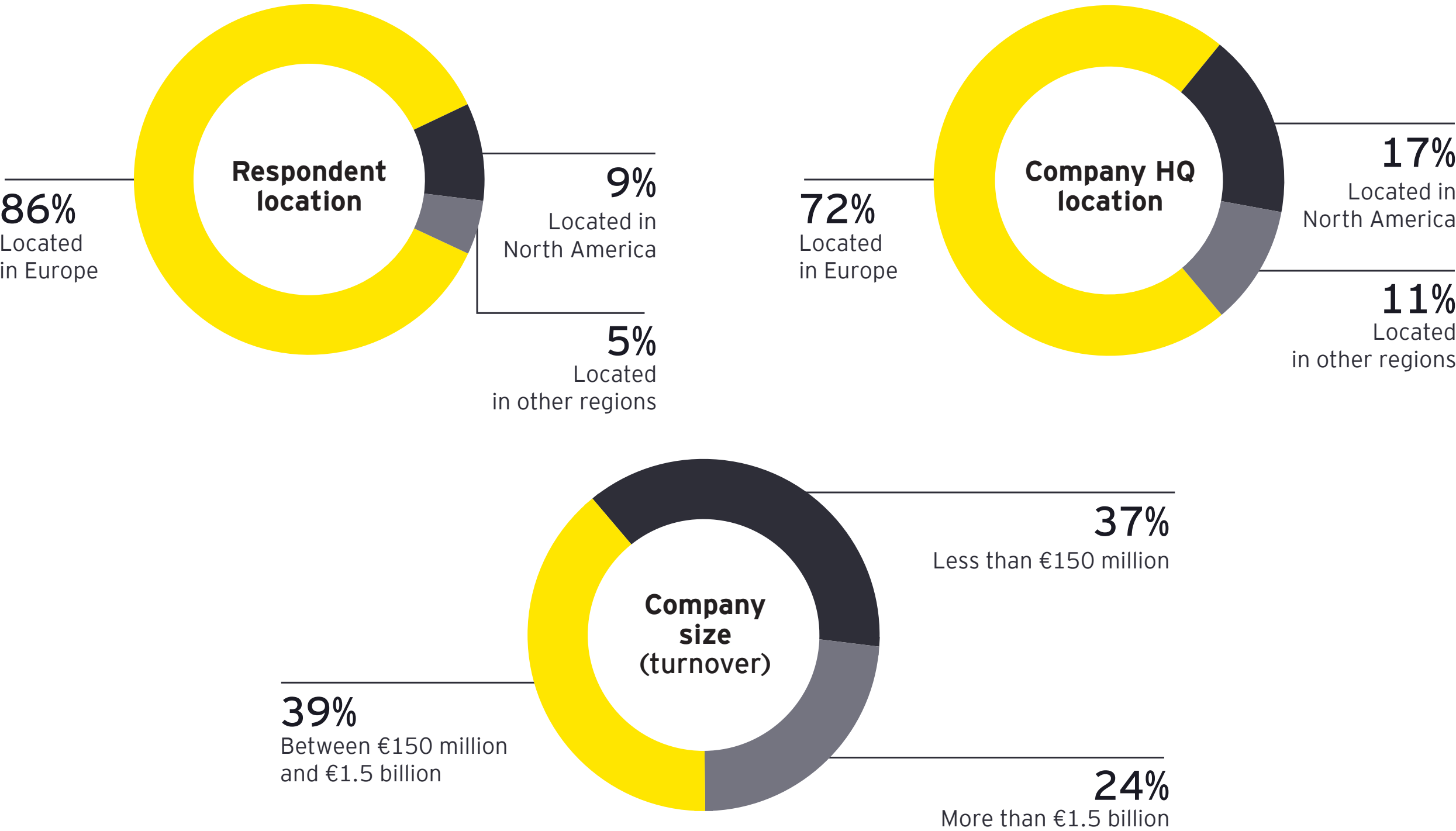
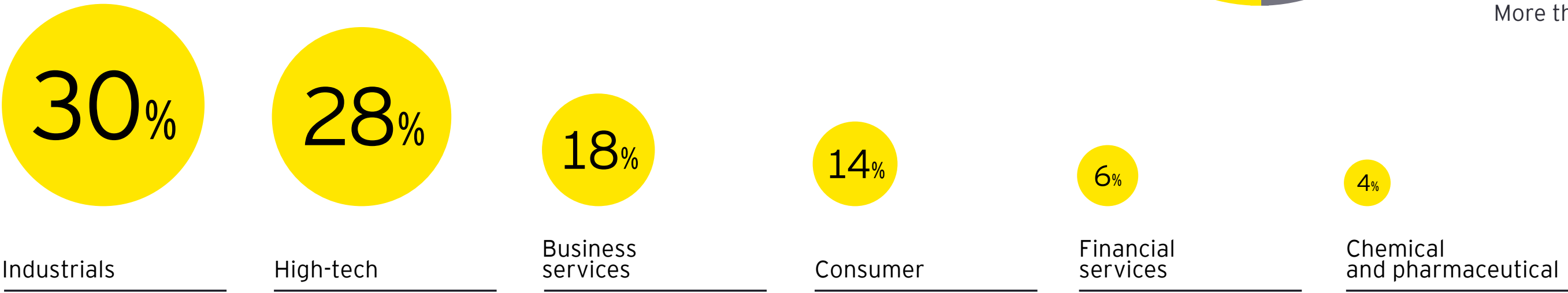
## The perception survey

This study examined Portugal's perceived attractiveness via an anonymous online survey of international decision-makers. We define attractiveness of a location as a combination of image, investor confidence and the perception of a category or area's ability to provide the most competitive benefits for FDI. Field research was conducted by FT Longitude between April and May 2026, based on a representative panel of 200 international decision makers. Only individuals who are involved in or in charge of their organization's decisions about establishing or expanding operations were included in the survey. The survey panel's demographics were based on the most recently available FDI data. The survey aimed to cover a representative sample of investors into Portugal and Europe by geography, industry grouping and company size. Approximately 72% of respondents work for companies headquartered in Europe, and 28% for companies headquartered elsewhere. Respondent companies operate across six broad sector categories and were distributed across a full spectrum of company size (by turnover).

# Methodology

The demographic details of the survey panel are as follows:

## Primary sector of activity



# How EY teams can help

## Services for investors and multipliers

With offices in Lisbon, Porto, Luanda and Maputo, EY teams offer a broad scope of services across its service lines: Assurance, Tax, Advisory and Strategy and Transactions (SaT). Our teams work closely with the financial system, private equity firms, venture capitalists and privately owned businesses. Alongside private and public clients, we provide support to the development of economic and commercial promotional strategies in Portugal and overseas. An in-depth knowledge of the local market enables us to offer a set of services that covers all stages of the investment process.

| Identification of acquisition opportunities                                                                                                                                                                                                                                                                                                                                                | Acquisition and integration support                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Assessment of greenfield opportunities                                                                                                                                                                                                                                                                                      | Corporate and M&A legal support                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>■ Support on the decision-making process concerning new investments either related to new geographies, products or markets</li><li>■ Identification of potential targets, based on the investor's requirements</li><li>■ Preliminary contact (respecting non-disclosure agreements) leading to in-depth negotiations with selected targets</li></ul> | <ul style="list-style-type: none"><li>■ Support in the development of growth and business diversification strategies, through both the identification and negotiation of acquisition opportunities or in finding additional funding (assisted funding or new investors) and the analysis of business restructuring strategies</li><li>■ Assessment of existing compensation packages matching compliance with local regulations and the investor's own policies</li><li>■ Financial, tax, commercial, operational, IT, environmental and regulatory due diligence</li><li>■ Asset valuation and business model validation</li></ul> | <ul style="list-style-type: none"><li>■ Assessment of tax implications</li><li>■ Technical support to acquisition negotiations</li><li>■ Operations assessment and identification of performance improvement opportunities</li><li>■ Definition and support on buy and integrate and sell and separate strategies</li></ul> | <ul style="list-style-type: none"><li>■ Initial business model preparation reflecting investment, financial and operational costs based on local conditions</li><li>■ Site selection based on location requirements for investment and business expansion</li><li>■ Intermediation with local stakeholders and identification of funding opportunities, including tax and EU-funded financial incentives</li><li>■ Preparation and assistance to on-site visits and formal contacts with national and local stakeholders</li><li>■ Identification and selection of local suppliers, based on sourcing requirements</li></ul> | <ul style="list-style-type: none"><li>■ End-to-end legal support to investors, private equity funds and multinational groups throughout the investment cycle</li><li>■ Corporate structuring and incorporation of investment vehicles</li><li>■ Shareholders' agreements and governance framework</li><li>■ Legal due diligence and support on share and asset deals</li><li>■ M&amp;A transactions and strategic partnerships</li><li>■ Corporate reorganizations and regulatory compliance</li><li>■ Post-deal integration and operational support</li></ul> |

# How EY teams can help

## Services for the public sector

Building on EY global's legacy, we have been developing a significant rapport with governments, investment promotion agencies, regions, municipalities and public companies in the completion of market screening and economic impact assessments. Efforts have also been undertaken to improve attractiveness, reinforce competitiveness, attract, support and accompany FDI leads.

| Assessment of attractiveness                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Reinforcement of regional and city attractiveness                                                                                                                                                                                                                                                                                                           | Investment promotion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Investment intention assessment                                                                                                                                                                                                      | Efficiency of policies and public investments                                                                                                                                                                                                                            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>Strategic intelligence – production and systematization of knowledge that has value for the internationalization process of national companies and potential investors</li><li>National awareness and capacity building to attract investment and promote internationalization</li><li>Identification of existing attractiveness factors and areas of intervention to increase FDI and promote exports</li><li>Creation of investment attractiveness dashboards to measure results</li></ul> | <ul style="list-style-type: none"><li>Analysis of regional and local development factors and tourism value creation</li><li>Assessment of attractiveness, functionalization and impact of equipment and heritage</li><li>Development of local and regional development strategies</li><li>Conceptualization of governance models and partnerships</li></ul> | <ul style="list-style-type: none"><li>Identification and validation of targets for FDI promotion</li><li>Compilation of the Doing Business report series with regional sector-specific investment brochures</li><li>Initial setup and definition of procedures for the update of data sets typically required by investors</li><li>Preparation of regional business model template for specific sectors</li><li>Setting up and facilitation of roadshows and one-to-one meetings with potential investors, government authorities and business partners</li></ul> | <ul style="list-style-type: none"><li>Validation of business models</li><li>Investor due diligence</li><li>Assessment of regional impacts</li><li>Investment economic and commercial viability – investment sustainability</li></ul> | <ul style="list-style-type: none"><li>Macroeconomic analysis</li><li>Evaluation and impact analysis of programs, public and sectoral policy</li><li>Strategy plans for public goods and services</li><li>Technical assistance and support to public management</li></ul> |

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EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

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