

## **PORTUGAL, NATO AND DEFENCE EXPENDITURE: RECENT TRENDS, BUDGET STRUCTURE, AND STRATEGIC REINFORCEMENT**

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### **ABSTRACT**

This article examines Portuguese defence expenditure between 2014 and 2024, with particular attention to its recent trajectory, its share of gross domestic product, and its internal budget structure. Although debates on burden sharing within the North Atlantic Treaty Organisation (NATO) frequently focus on the 2% of gross domestic product benchmark, the interpretation of defence effort also requires consideration of expenditure composition and the strategic setting in which it is situated. Using a descriptive and contextual approach, the article shows that Portugal increased defence expenditure in both absolute and relative terms, while remaining below the NATO reference threshold and maintaining a budget structure centred on personnel expenditure. The analysis places this trajectory within the post-adjustment decade that followed the international financial assistance programme, situates it in the recent European context of strategic reinforcement, and points to the need for further examination of the budgetary conditions associated with more demanding commitments.

**Keywords:** Portugal, NATO, Defence Expenditure, Burden Sharing, Budget Structure, Strategic Reinforcement

## **RESUMO**

Este artigo analisa a despesa com defesa em Portugal entre 2014 e 2024, com particular atenção à sua trajetória recente, ao seu peso no produto interno bruto e à sua estrutura orçamental interna. Embora o debate sobre a partilha de encargos no quadro da Organização do Tratado do Atlântico Norte (OTAN) se concentre frequentemente na referência de 2% do produto interno bruto, a interpretação do esforço de defesa requer também a consideração da composição da despesa e do contexto estratégico em que esta se insere. Com base numa abordagem descritiva e contextual, o artigo mostra que Portugal aumentou a despesa com defesa em termos absolutos e relativos, permanecendo, contudo, abaixo do limiar de referência da OTAN e mantendo uma estrutura orçamental centrada na despesa com pessoal. A análise enquadra esta trajetória na década posterior ao programa de assistência financeira internacional, situa-a no contexto europeu recente de reforço estratégico e assinala a necessidade de examinar com maior detalhe as condições orçamentais associadas a compromissos mais exigentes.

**Palavras-chave:** Portugal, OTAN, Despesa com Defesa, Partilha de Encargos, Estrutura Orçamental, Reforço Estratégico

## **1. INTRODUCTION**

The share of gross domestic product allocated to defence has become a reference point in public and political debate across member states of the North Atlantic Treaty Organisation (NATO) (NATO, 2025a, 2026). Recent changes in the European security environment have made this issue more frequent in policy debate, as military expenditure has risen across the continent and alliance expectations have

moved beyond the earlier 2% reference towards more demanding commitments (NATO, 2025a, 2025b; Stockholm International Peace Research Institute, 2025).

That metric, however, does not exhaust the meaning of defence effort since military spending is analysed as a one-size-fits-all benchmark applied to countries with very different fiscal and budget constraints (Hartley, 2010).

Indeed, it does not show how this expenditure evolves, how additional resources are distributed within the national budget, or how military expansion is accommodated under specific macrofiscal conditions (Hartley & Sandler, 1999; Kim & Sandler, 2020). The same share of domestic product may therefore correspond to different processes of accommodation across allied states. In countries that have experienced fiscal adjustment, additional defence expenditure must therefore be interpreted not only in relation to alliance expectations, but also in relation to the broader conditions under which public spending has evolved.

These questions are present in the Portuguese case. In the years following the sovereign debt crisis, Portugal maintained fiscal consolidation while increasing defence expenditure relative to the NATO 2% benchmark (Ferraz, 2025).

The contribution of this study is descriptive and contextual, examining Portuguese defence expenditure over the last decade. The selected 2014 to 2024 period covers the conclusion of Portugal's international financial assistance programme, allowing those expenditures to be examined not at the height of the sovereign debt crisis but

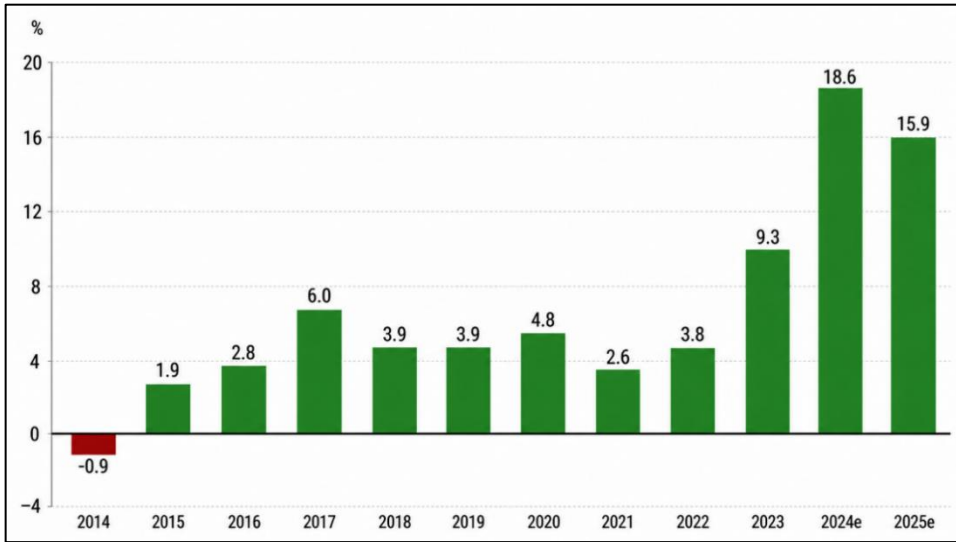
during the subsequent phase of fiscal consolidation, debt reduction, and budgetary adjustment after the assistance programme (Conselho das Finanças Públicas, 2026; European Commission, 2025).

The remainder of the article is structured as follows. The next section situates defence expenditure within the current strategic setting of European and Atlantic reinforcement. Section 3 presents the recent evolution of Portuguese defence expenditure. Section 4 analyses its budgetary structure. Section 5 places Portugal in the NATO and European context. The final section presents the concluding remarks.

## **2. DEFENCE EXPENDITURE AND STRATEGIC CONTEXT**

Defence expenditure has returned to the European and Atlantic political debate as geopolitical tensions have increased attention to military preparedness, alliance commitments, and the resources required to sustain them.

NATO reports an increase in allied defence spending (Figure 1), while discussions within the alliance have also moved beyond the historical spending target towards more demanding commitments (NATO, 2025a, 2025b, 2026). Recent SIPRI data show that Europe has been among the regions where this trend has been recorded (Stockholm International Peace Research Institute, 2025).



**Figure 1.** NATO Europe and Canada defence expenditure growth, 2014–2025e (annual real change, based on 2021 prices and exchange rates; figures for 2024 and 2025 are estimates).

**Source.** Author’s elaboration based on NATO (2025a).

However, allied defence effort continues to be assessed largely through this benchmark, which remains the principal basis for comparing the relative commitment of member states (NATO, 2025a, 2026). Its persistence reflects its political and communicative utility, as it offers a standardised indicator of proportional commitment across allied economies.

Yet, this measure is more limited than its prominence might suggest. One country may increase military spending mainly through personnel expenditure and maintenance, whereas another may allocate a larger share of additional resources to equipment acquisition, technological upgrading, or capability modernisation.

Consequently, similar expenditure ratios may mask distinct patterns of military adjustment (Becker & Dunne, 2023; Hartley, 2010).

Earlier work on burden sharing has shown that expenditure-to-GDP ratios do not fully capture the structure of allied effort across military roles, strategic conditions, and internal budget priorities (Hartley & Sandler, 1999; Kim & Sandler, 2020; Murdoch & Sandler, 1984).

The current concern is no longer solely the maintenance of defence budgets at previously accepted levels, but also the adaptation of military spending to the demands of a changing strategic environment. In practical terms, the analysis should consider not only the increase in total outlays, but also the type of military structure that this growth supports, particularly in countries whose armed forces expand gradually under conditions of budgetary restraint. In such cases, the composition of expenditures may reveal whether additional resources are financing transformation, maintenance, or both.

From the standpoint of defence economics, this raises two related questions: the overall level of military spending relative to national output, and the internal allocation across personnel, equipment, infrastructure, research, and other categories. These dimensions should not be conflated.

Indeed, the literature has shown that military expenditure has been analysed as a strategic variable and in relation to growth, investment, technological spillovers,

and opportunity costs (Alptekin & Levine, 2012; Alsmadi et al., 2024; Dunne et al., 2005).

Expenditure concentrated in personnel, for example, has a different meaning from expenditure associated with equipment or research, both in budgetary and capability terms (Becker & Dunne, 2023). Therefore, the contemporaneous defence expenditure should be interpreted not only in terms of aggregate growth but also in terms of its strategic and budgetary composition.

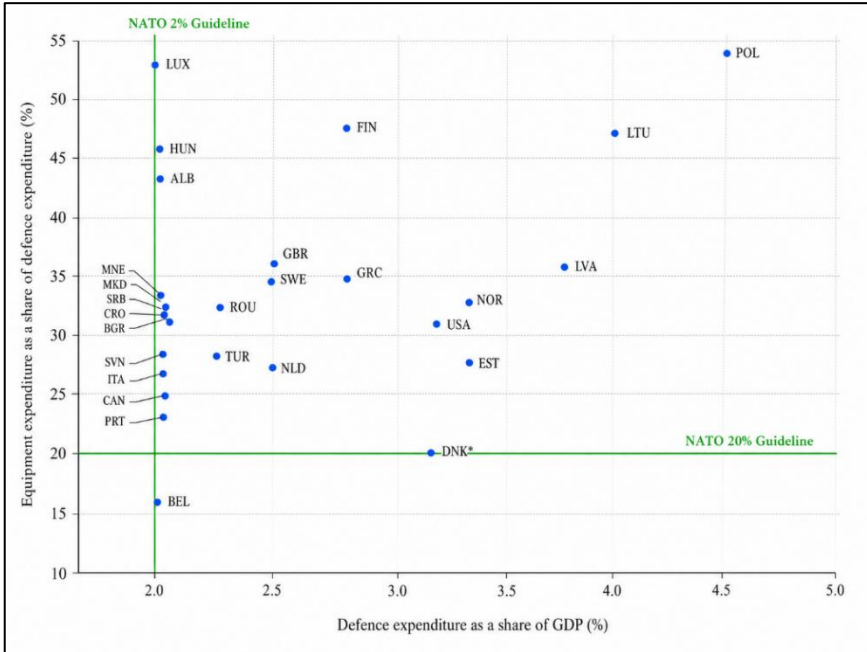
Recent work has already shown that Portugal remained below the NATO benchmark and presented an internal budget structure distinct from that of several allies (Ferraz, 2025).

Those findings make clear that Portugal cannot be understood solely in terms of its distance from the benchmark. The country must also be analysed through its internal military budget structure and the strategic environment in which recent expenditure growth has occurred.

This article adopts a descriptive and contextual perspective on military spending. At the aggregate level, expenditure as a share of GDP alone does not fully reflect the distribution of resources within armed forces budgets.

To illustrate this point, Figure 2 presents NATO member states' military spending as a share of GDP on the horizontal axis and equipment expenditure as a share of total military budgets on the vertical axis for 2024e. The figure highlights

variation among member states in the allocation of resources between personnel and equipment, as well as each country's position relative to the NATO 2% guideline and the 20% equipment expenditure benchmark.



**Figure 2.** Defence expenditure as a share of GDP and equipment expenditure as a share of defence expenditure, 2024e (figures for 2024 are estimates).

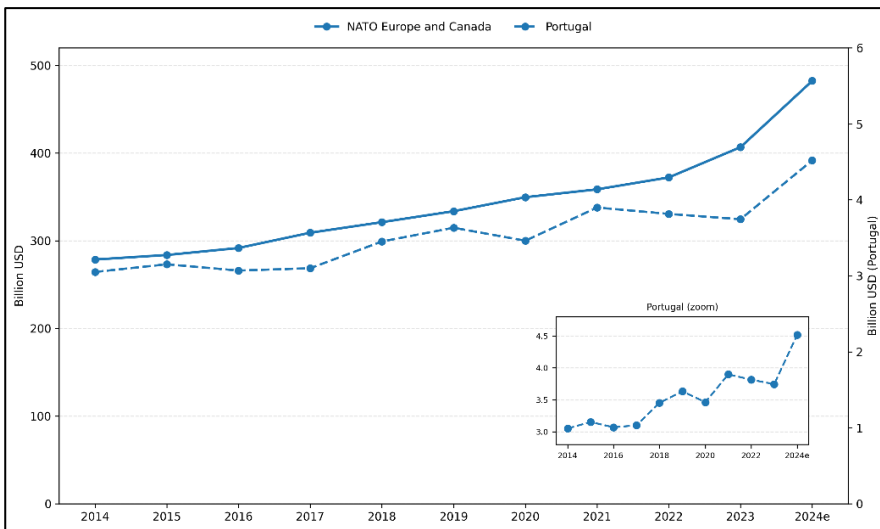
**Source.** Author's elaboration based on NATO (2025a).

### 3. RECENT EVOLUTION OF PORTUGUESE DEFENCE EXPENDITURE

The recent trajectory of Portuguese defence expenditure shows a gradual expansion over the decade under consideration. This evolution requires contextual interpretation because it does not correspond to sudden military reorientation or to an abrupt budgetary break. Instead, it reflects an increase in expenditure that

unfolded across the period, in line with a wider increase in allied defence expenditure in Europe, without removing Portugal from the group of allies that remain below the NATO benchmark.

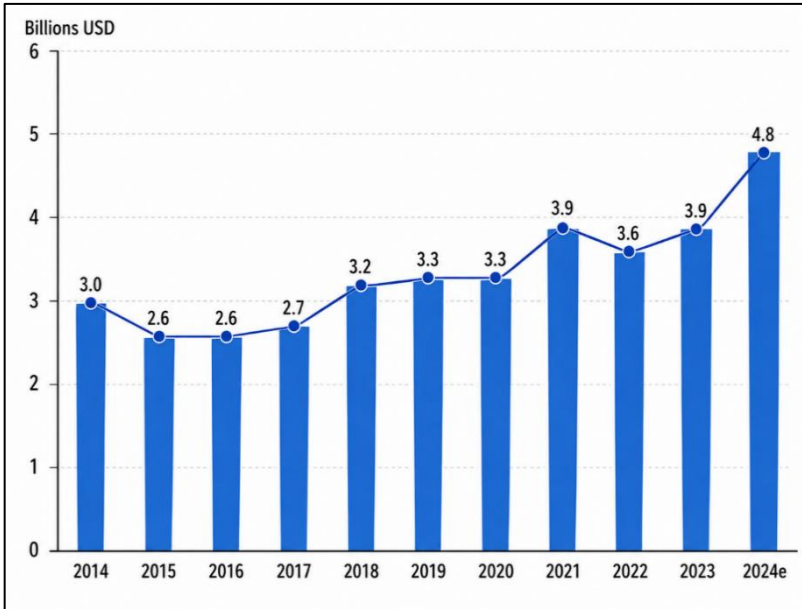
Portugal recorded military spending of approximately USD 4.5 billion in 2024e, measured at constant 2021 prices and exchange rates. This corresponds to a cumulative real increase of approximately 48% between 2014 and 2024e (Figure 3). Even before the comparison with other allies, this trajectory indicates an increase in the financial scale of national defence policy.



**Figure 3.** NATO Europe and Canada vs Portugal: defence expenditure evolution, 2014–2024e (billion USD, constant 2021 prices and exchange rates; figures for 2024 are estimates)

**Source.** Author’s elaboration based on NATO (2025a), Table 2.

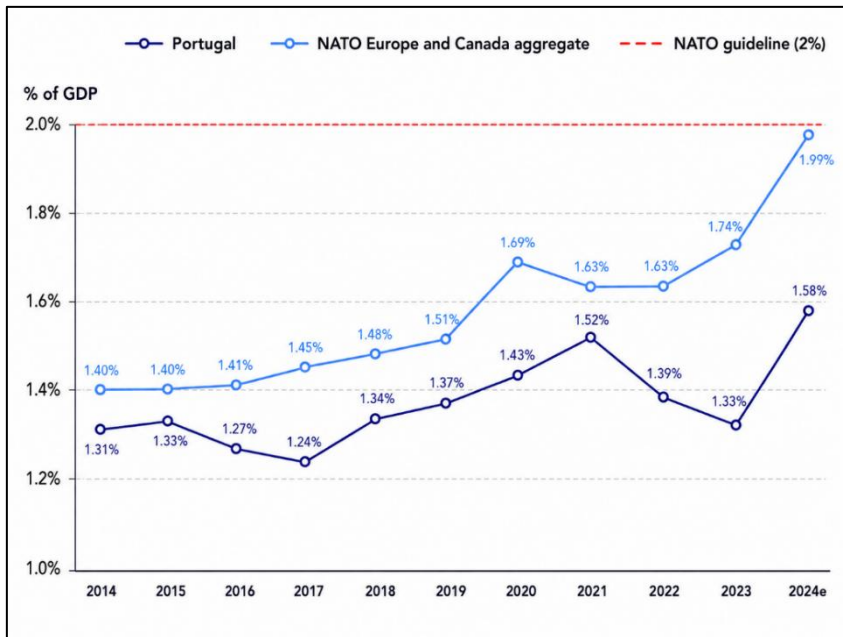
When examining the temporal profile of Portuguese military spending in current USD prices and exchange rates, annual outlays increased from approximately USD 3.0 billion in 2014 to USD 4.8 billion in 2024e, as illustrated in Figure 4. The series shows an overall upward trend over the decade, though it is punctuated by intermediate fluctuations associated with current prices and exchange rate effects. This pattern indicates a gradual reinforcement of the military budget, reflecting a sustained allocation of resources rather than an abrupt budgetary adjustment.



**Figure 4.** Evolution of Portuguese defence expenditure, 2014–2024e (billion USD, current prices and exchange rates; figures for 2024 are estimates).

**Source.** Author’s elaboration based on NATO (2025a), Table 2.

Portuguese defence expenditure reached 1.58% of GDP in 2024e, remaining below the NATO 2% benchmark (Figure 5). This combination of growth and continued distance from the benchmark is central to interpreting the recent period. Portugal did not remain static; proportional effort increased over time, though this movement did not achieve sufficient convergence to move the country above the alliance reference threshold.



**Figure 5.** Portuguese defence expenditure as a share of GDP compared with NATO Europe and Canada, 2014–2024e (figures for 2024 are estimates; values are based on 2021 prices).

**Source.** Author’s elaboration based on NATO (2025a), Table 3.

This feature affects the interpretation of burden sharing because it shows that the Portuguese case cannot be reduced to a binary distinction between compliance

and non-compliance with the benchmark. The Portuguese case records neither stagnation nor full convergence. Instead, it records a trajectory in which expenditure rises in both absolute and relative terms. At the same time, the country nonetheless remains outside the group of allies that meet or exceed the benchmark. Recent Portuguese defence expenditure should therefore be interpreted as a process of gradual reinforcement within a context of incomplete convergence.

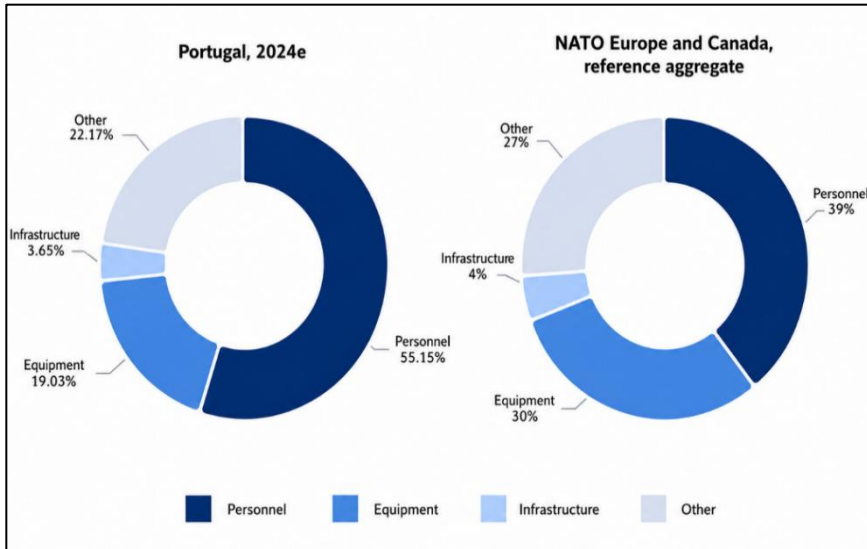
The wider European context reinforces this interpretation. The increase in Portuguese military spending is part of a broader continental trend of rising budgets, situating Portugal within a common strategic movement rather than presenting the country as an isolated case. At the same time, the Portuguese trajectory preserves a specific relative position: the country participates in the broader cycle of reinforcement without reaching the upper levels of proportional effort observed among some allies.

At a descriptive level, the recent evolution of Portuguese military expenditure may therefore be summarised through three related features. First, spending increased in absolute terms over the period. Second, it also increased as a share of GDP. Third, this dual increase occurred without Portugal reaching the NATO benchmark. These points indicate that the recent Portuguese trajectory should be read as one of sustained but gradual reinforcement.

The importance of this finding lies less in the magnitude of any single annual increase than in the overall form of the trajectory. Portugal's recent military spending records a decade of upward adjustment, while remaining situated below the principal benchmark structuring alliance debate. This combination supports a descriptive examination of the Portuguese case because it records a pattern of reinforcement without full convergence.

#### **4. BUDGET STRUCTURE OF PORTUGUESE DEFENCE EXPENDITURE**

The internal composition of Portuguese military spending constitutes a central aspect of the national case. In 2024e, personnel accounted for 55.15% of total Portuguese defence expenditure, equipment for 19.03%, infrastructure for 3.65%, and other expenditure for 22.17% (Figure 6). Compared with the NATO Europe and Canada aggregate, Portugal presents a higher concentration of expenditure in personnel and a lower relative share of equipment. The weighted aggregate records approximately 36.53% for personnel, 28.43% for equipment, 3.65% for infrastructure, and 31.39% for other expenditure. This comparison indicates that the Portuguese budget structure differs from the wider NATO Europe and Canada profile, especially in the relative weight assigned to personnel and equipment.



**Figure 6.** Budget structure of Portuguese defence expenditure and NATO Europe and Canada aggregate, 2024e (% of total defence expenditure; figures for 2024 are estimates).

**Source.** Author's elaboration based on NATO (2025a), Tables 2, 8a and 8b.

This structure requires attention because not all increases in defence expenditure carry the same implications. In the Portuguese case, the predominance of personnel indicates that a large share of the budget is devoted to sustaining existing force structures. Equipment remains part of the budget structure, but its relative weight (19.03%) is below that observed in the NATO Europe and Canada aggregate. The category “other” also requires attention, since NATO includes within it operations and maintenance, other research and development, and expenditure not allocated among the other categories. Consequently, Portuguese defence expenditure should be interpreted not only by its total scale, but also by the internal allocation

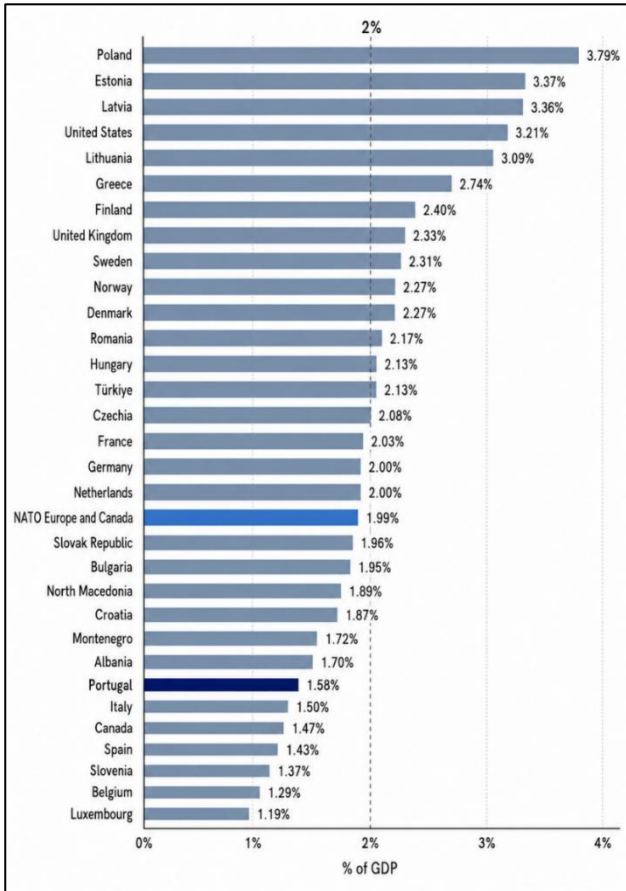
that this expansion reinforces. At a descriptive level, the budget structure shows that personnel remains the primary expenditure category in Portugal. This feature distinguishes expenditure growth centred on force support from growth driven mainly by equipment acquisition, infrastructure, or broader operating expenditure. Even without moving beyond a descriptive framework, the Portuguese case shows that military spending should be read not only in terms of scale, but also in terms of budgetary composition.

## **5. PORTUGAL IN THE NATO AND EUROPEAN CONTEXT**

Portugal's position within the NATO and European context can be examined through its relative defence expenditure in 2024e. In that year, Portugal remained below the NATO 2% guideline, with expenditure corresponding to 1.58% of GDP (Figure 7). This value also remained below the NATO Europe and Canada aggregate, which stood at 1.99% in the same year. Countries such as Poland, Estonia, Latvia, the United States, Lithuania, and Greece occupied the upper part of the distribution, while Portugal remained closer to the lower range of allied proportional effort despite the increase recorded in recent years.

This relative position should not be interpreted only as a ranking. The comparison indicates that Portugal participates in the broader trend of increased defence expenditure, but does not join the group of allies that record the highest

proportional effort. The Portuguese trajectory is therefore characterised by an upward movement and continued distance from the benchmark.

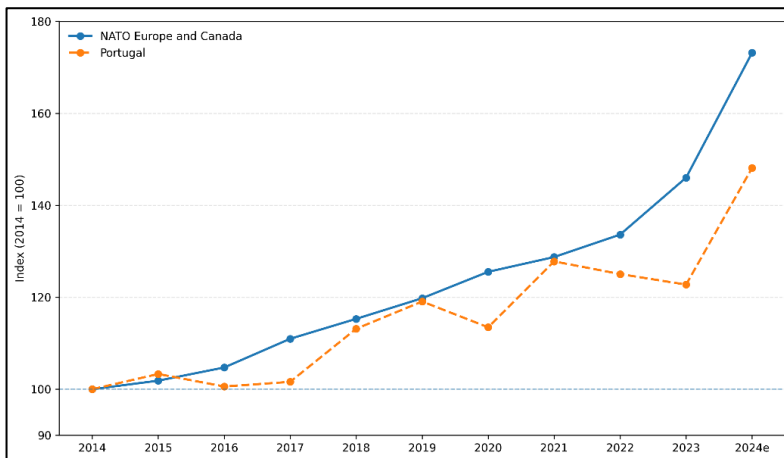


**Figure 7.** Defence expenditure as a share of GDP among NATO members, 2024e (figures for 2024 are estimates; the vertical line represents the NATO 2% guideline).

**Source.** Author’s elaboration based on NATO (2025a), Table 3.

Data based on constant 2021 prices and exchange rates indicate that both Portugal and NATO Europe and Canada aggregate increased defence expenditure

between 2014 and 2024e (Figure 8). The use of an index with 2014 as the base year allows the comparison to focus on relative growth rather than on absolute spending levels, which differ substantially between Portugal and the aggregate. This approach supports assessing whether the Portuguese trajectory followed the broader allied trend over the same period.



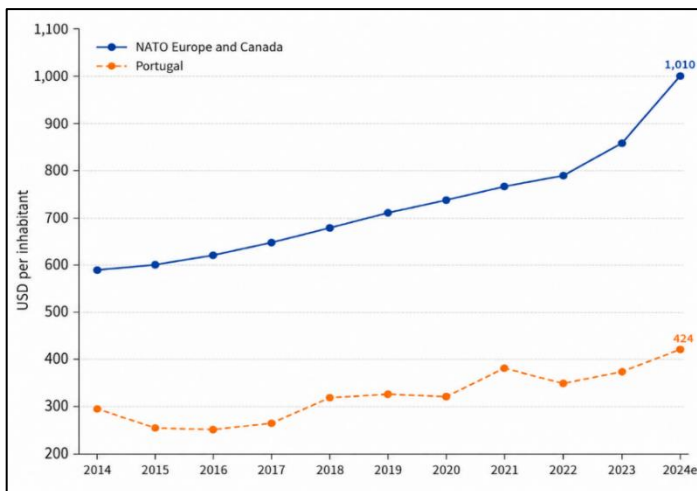
**Figure 8.** Indexed defence expenditure growth in NATO Europe and Canada and Portugal, 2014–2024e (2014 = 100; values are based on constant 2021 prices and exchange rates; figures for 2024 are estimates).

**Source.** Author’s elaboration based on NATO (2025a), Table 2.

The indexed series shows that both trajectories moved above the 2014 baseline, but with different intensity. The NATO Europe and Canada aggregate increased from 100 in 2014 to approximately 173.2 in 2024e, while Portugal increased from 100 to approximately 148.1. Portugal is therefore part of the wider process of strategic reinforcement, but its cumulative real growth remained below

the aggregate trajectory by the end of the period. This result indicates that the Portuguese case records a pattern of reinforcement without full convergence with the broader allied pace of expansion.

A population-adjusted reading adds another comparative perspective. Defence expenditure per capita does not replace the GDP-based indicator, but records defence spending per inhabitant and therefore provides an additional measure of scale (Figure 9). This perspective allows assessing whether the increase observed in aggregate and GDP-relative terms is also reflected when expenditure is adjusted for population.



**Figure 9.** Defence expenditure per capita in Portugal and NATO Europe and Canada, 2014–2024e (USD per inhabitant; figures for 2024 are estimates).

**Source.** Author’s elaboration based on NATO (2025a), Table 6.

In this dimension, Portugal records growth over the period, rising from approximately USD 293 per inhabitant in 2014 to USD 424 in 2024e. However, the NATO Europe and Canada aggregate remains higher throughout the period, rising from approximately USD 590 to USD 1,010 per inhabitant. The comparison

therefore shows that Portuguese defence expenditure increased on a per capita basis, but that the distance from the aggregate persisted throughout the period.

These elements place Portugal within a pattern of gradual reinforcement in the NATO and European context. The country records expenditure growth, remains below the benchmark, presents lower defence expenditure per capita than the NATO Europe and Canada aggregate, and maintains an internal budget profile that differs from the aggregate. The Portuguese case, therefore, reflects a gradual process of adaptation to allied expectations within national budgetary conditions.

## **6. CONCLUSION**

The analysis developed in this article allows three main conclusions to be drawn. First, Portugal increased defence expenditure between 2014 and 2024e, both in absolute terms and as a share of GDP. Second, this increase occurred while the country remained below the main NATO reference threshold and below the NATO Europe and Canada aggregate in proportional and per capita terms. Third, the internal composition of expenditure remained centred on personnel, with equipment, infrastructure, and other expenditure occupying smaller relative positions in the national budget structure.

These results indicate that the recent Portuguese trajectory should be read at two levels. At one level, it forms part of a broader European and Atlantic process of

strategic reinforcement. At another, it preserves specific national features, namely a moderate relative position within NATO and an internal allocation profile distinct from the aggregate. This combination records a pattern of gradual reinforcement within the fiscal and institutional conditions that shape Portuguese defence policy.

The article adopted a descriptive and contextual approach. It did not aim to provide a macrofiscal assessment, to evaluate operational capability, or to estimate causal relationships among expenditure, military readiness, and budgetary constraints. Its purpose was more limited: to organise the recent Portuguese case in a clear and updated way and to situate it within the wider strategic setting in which allied defence expenditure has increased.

Within this scope, the article shows that the assessment of Portuguese defence effort should not rely exclusively on the GDP-based benchmark. The aggregate indicator supports comparison, but it does not capture the internal composition of expenditure, the per capita dimension, or the budgetary conditions under which future commitments may need to be accommodated. Further research should therefore examine how additional defence resources are distributed across personnel, equipment, infrastructure, operations, and technological investment, and how these allocations interact with Portugal's wider fiscal framework.

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