MR07

MONTHLY REPORT • ECONOMIC AND FINANCIAL MARKET OUTLOOK

NUMBER 502 | JULY-AUGUST 2025

INTERNATIONAL ECONOMIES AND MARKETS

INTERNATIONAL ECONOMY

Import dependencies and competitive emergencies for Europe's industry

The EU's difficult farewell to Russian energy

India vs. China: a growth perspective

SPANISH ECONOMY

Has the recent pattern of employment growth in Spain favoured productivity growth?

Is technology and complexity exported from Spain?

The economic impact of the blackout in detail

CaixaBank Research

MONTHLY REPORT - ECONOMIC AND FINANCIAL MARKET OUTLOOK
July-August 2025

The *Monthly Report* is a publication developed jointly by CaixaBank Research and BPI Research (UEEF)

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Public finances (also) in the spotlight

The complex global economic scenario could see a new source of concern soon added to the mix: the health of public finances. This time the trigger would not be an emerging or southern European country. The new US administration has approved a fiscal plan which, according to initial estimates, would keep the US budget deficit at very high levels in the coming years, at around 7% of GDP, and could put public debt on a concerning upward trajectory; in the next five years, it could increase by 15 pps, to 130% GDP. Added to this is the deterioration of the growth outlook for the world's leading economy, as a result of the economic policy being pursued. Since November 2024, the growth forecast for this year has declined by more than 0.5 pps and the medium-term growth outlook is also deteriorating.

The experience of recent years tells us that confidence in the sustainability of public finances can quickly evaporate. This was the case recently in the United Kingdom, when Liz Truss announced a fiscal plan with sweeping tax cuts that cast doubt over the British public finances. More than 10 years ago, during the global financial crisis, the rise in risk premiums of the so-called PIIGS countries was also sudden and pronounced. Moreover, it is important to consider that during such episodes investors' risk aversion increases, so the tightening of financial conditions tends to be widespread, without properly differentiating between the particular situation of each economy. This requires us to redouble our efforts when the winds are blowing in our favour.

In this context, Spain's public debt stands at slightly over 100% of GDP, which is higher than the level of most developed economies (75% have a lower level), although below that of large economies such as France, Italy, the United States and Japan. Spain's public debt recorded one of the biggest increases during the pandemic (22 pps between 2019 and 2020), but following the reduction of recent years it is now close to 2019 levels, standing just 4 pps higher.

The two key levers in order for public debt to continue to fall are the general government deficit and economic growth. The government deficit closed 2024 at 3.2% of GDP, which is well below that of the US, France and the United Kingdom (7.3%, 5.8% and 5.7%, respectively) and opens the door for the country's debt to decline, albeit gradually and provided that growth remains dynamic. In this regard, it should be noted that the growth rate of Spain's GDP to date has stood out among developed economies, with around 90% of them recording lower growth in 2024, and moreover it has been widespread across the various sectors of the economy. According to the CaixaBank Research Sectoral Indicator, more than 50% of sectors currently have a higher growth rate than their historical average, and no sector is growing at less than 1%. The strength of the Spanish economy is especially relevant in the current context. All this has helped to maintain the risk premium on Spanish public debt on a downward trajectory and to allow it to fall below that of France and Italy.

In order to further bolster this position, the government deficit will need to continue to shrink in the coming years and economic growth should remain relatively dynamic. In this regard, it is key that improvements are achieved in the economy's productivity growth relative to the figures of the last decade. Between 2014 and 2024, GDP growth per hour worked grew by just 0.5% per year on average. However, the latest figures are encouraging. Between 2022 and 2024, productivity growth has doubled, reaching an average of 1.0% per year.

As for the government deficit, in the short term it is expected to continue to decline, thanks to the continued strong growth rate anticipated in economic activity. In the medium term, however, pressure on public spending will increase, due to higher spending on defence, health and social benefits, making this reduction difficult. In this regard, public revenues in Spain are close to the median for developed countries. On the other hand, it is also observed that practically all developed countries with a higher GDP per capita than Spain have more efficient public sectors, according to the World Bank indicator that measures the quality of public services and the effectiveness of public policies. In this sphere, which is crucial for boosting economic progress and reducing inequality, there is significant scope for improvement.

Oriol Aspachs
July-August 2025

Chronology

JUNE 2025

5 The ECB cuts interest rates by 25 bps and lowers the depo rate to 2.0%.
12 According to the European Commission's Copernicus programme, May 2025 was, globally, the second warmest month of May since records began (the record is held by May 2024).

APRIL 2025

2 «Liberation Day»: Trump announces a universal 10% tariff and higher «reciprocal» tariffs on 57 countries.
17 The ECB cuts interest rates by 25 bps, leaving the depo rate at 2.25%.
28 Spain and Portugal are affected by a massive blackout, causing severe disruptions in both countries.

FEBRUARY 2025

1 Trump signs the first executive orders imposing tariffs on China, Canada and Mexico.
10-11 Artificial Intelligence Action Summit in Paris, with the participation of governments, organisations and companies from over 100 countries.

MAY 2025

3 OPEC increases oil production while internal tensions rise.
28 Legal doubts about the Trump administration's tariffs increase uncertainty over their global effects.

MARCH 2025

4 The European Commission presents its ReArm Europe plan to bolster the EU's defence capabilities.
6 The ECB cuts interest rates by 25 bps, leaving the depo rate at 2.50%.

JANUARY 2025

10 The EU's Copernicus programme reports that 2024 was the warmest year on record and the first to exceed the threshold of 1.5°C above the pre-industrial average.
30 The ECB cuts interest rates by 25 bps and lowers the depo rate to 2.75%.

Agenda

JULY 2025

1 Euro area: CPI flash estimate (June).
2 Spain: registration with Social Security and registered unemployment (June).
9 Spain: financial accounts (Q1).
10 Portugal: international trade (May).
15 China: GDP (Q2).
18 Portugal: balance of payments (May).
22 Spain: loans, deposits and NPL ratio (May).
24 Spain: labour force survey (Q2).
Governing Council of the European Central Bank meeting.
29 Spain: GDP flash estimate (Q2).
29-30 Federal Open Market Committee meeting.
30 Spain: CPI flash estimate (July).
Portugal: GDP flash estimate (Q2).
Euro area: GDP (Q2).
Euro area: economic sentiment indicator (July).
US: GDP (Q2).
31 Spain: state budget execution (June).
Portugal: CPI flash estimate (July).
Portugal: budget execution (June).
Portugal: tourism activity (June).

AUGUST 2025

1 Euro area: CPI flash estimate (July).
4 Spain: registration with Social Security and registered unemployment (July).
5 Spain: industrial production (June).
6 Portugal: employment (Q2).
8 Portugal: international trade (June).
14 Portugal: labour cost index (Q2).
15 Japan: GDP (Q2).
18 Spain: international trade (June).
26 Spain: loans, deposits and NPL ratio (June).
28 Euro area: economic sentiment indicator (August).
29 Spain: CPI flash estimate (August).
Portugal: GDP breakdown (Q2).
Portugal: CPI flash estimate (August).

Tariffs and strategic dependencies: two sides of the same coin

Having passed the half-way point of the year, the list of open topics in the international economy folder remains considerable (final tariff levels, geopolitical risk, reduction of US inflation, weakening of the dollar, etc.). This limits our visibility of how economic activity will behave in the short term, just as we are entering a time of the year with high sensitivity in the financial channel to any negative surprises. The balance, therefore, remains unstable, although the resilience of the business cycle and of the financial markets to the distortions caused by ever-increasing geopolitical risk remains surprising. For the time being, factors such as the strength of the labour market, the solid financial position of the private sector, the buoyancy of the tech sector and the return of interest rates to neutral territory (with the exception of the US) seem to be offsetting the effect of the disturbances accumulated since January. However, in the short term, uncertainty may continue to affect consumer and business decisions, as well as the movements of the central banks.

Therefore, the final outcome of the tariff negotiations will determine what path the international economy takes over the coming quarters and could open up a wide variety of scenarios, influenced not only by the final destination, but also by how and when it is reached. For now, and while there are still many details yet to be clarified ahead of the new deadline for the negotiations (1 August), the final average US tariff rate may end up close to 15%, which would be consistent with the assumptions behind most baseline forecasting scenarios. In our case, this would place global growth this year at 2.9%, just one notch below the activity rate forecast prior to the tariff saga. In this regard, although the Q2 activity data due to be published at the end of July will provide a little more visibility to assess the impact of the tariff tensions on growth – through the trade, price and expectation channels – there is a feeling that the net effect during the first half of the year will have been moderate and lower than that anticipated by the confidence indicators. Also, the publication of the June inflation data, as well as Q2 business earnings, will shed some light on how the cost of the US tariff hikes is being distributed among consumers, businesses and exporters. The most important thing, however, is that nothing has been definitively broken, as the risk of non-linear effects with a very high potential impact, such as the breakdown of supply chains, has been minimised.

It will be harder to extrapolate long-term trends, although the current events are leading us towards a more fragmented world, with increased barriers between trading blocs and a widespread search for strategic autonomy, a concept initially focused on security and defence that is now shifting towards an eminently economic orientation. The problem is that, given the economic connections that have formed over the past few decades (see «Import dependencies and competitive emergencies for Europe's industry» in this same *Monthly Report*), trade policy decisions are not going to be harmless for future potential growth. In the case of Europe, the share of the supply of manufactured (non-energy) products that is covered by non-EU imports has increased from 15% to 25% in the last 20 years, and this includes an ever-increasing dependency in industrial products with a high technological content, such as electronic components (64.8%) and telecommunications equipment (82.5%). All this reflects the loss of competitiveness of Europe's manufacturing sector (and the greater complexity of Chinese exports, which are increasingly similar to European exports), which has generated significant strategic dependencies, highlighting the need to accelerate the European Commission's roadmap (Competitiveness Compass) based on the Draghi and Letta reports. In this context, the urgency that countries like Germany are showing to reach a quick agreement with the US is also understandable, because not only is a key market for a range of highly sensitive European products (automotive, agricultural sector, etc.) at stake, but also dependencies on the US, although moderate (3% of the total supply), affect strategic sectors (pharmaceuticals, transport equipment, etc.). This search for the lost competitiveness of Europe's industry, while attempting to optimise trade relations with the two major economic powers in the post-globalisation world, will shape Europe's future in the medium term. In short, while it is difficult to believe that «tariff» is the most beautiful word in the dictionary after love, as Trump thinks, it will continue to be the most important one for our economic scenarios in the short term – and for the behaviour of the financial markets at a highly sensitive time of the year.

José Ramón Díez

Average for the last month in the period, unless otherwise specified

Financial markets

	Average 2000-2007	Average 2008-2019	Average 2020-2022	2023	2024	2025	2026
INTEREST RATES							
Dollar							
Fed funds (lower limit)	3.18	0.54	0.67	5.25	4.25	4.00	3.25
3-month SOFR	3.62	1.01	1.07	5.37	4.37	4.07	3.35
12-month SOFR	3.86	1.48	1.48	4.95	4.19	3.75	3.41
2-year government bonds	3.70	1.04	1.21	4.46	4.24	4.10	3.90
10-year government bonds	4.69	2.57	1.76	4.01	4.40	4.60	4.50
Euro							
ECB depo	2.05	0.20	–0.30	4.00	3.09	1.75	2.00
ECB refi	3.05	0.75	0.20	4.50	3.24	1.90	2.15
€STR	–	–0.54	–0.38	3.90	3.06	1.70	2.06
1-month Euribor	3.18	0.50	–0.32	3.86	2.89	1.74	2.10
3-month Euribor	3.24	0.65	–0.21	3.94	2.83	1.76	2.11
6-month Euribor	3.29	0.78	–0.07	3.93	2.63	1.91	2.14
12-month Euribor	3.40	0.96	0.10	3.68	2.44	2.09	2.18
Germany							
2-year government bonds	3.41	0.35	–0.21	2.55	2.02	1.89	1.97
10-year government bonds	4.30	1.54	0.14	2.11	2.22	2.30	2.40
Spain							
3-year government bonds	3.62	1.69	0.18	2.77	2.26	2.48	2.63
5-year government bonds	3.91	2.19	0.38	2.75	2.48	2.67	2.84
10-year government bonds	4.42	3.17	0.99	3.09	2.90	3.00	3.20
Risk premium	11	164	85	98	68	70	80
Portugal							
3-year government bonds	3.68	3.33	0.07	2.33	2.03	2.01	2.14
5-year government bonds	3.96	3.94	0.35	2.42	2.15	2.31	2.49
10-year government bonds	4.49	4.67	0.96	2.74	2.68	2.85	3.10
Risk premium	19	314	82	63	46	55	70
EXCHANGE RATES							
EUR/USD (dollars per euro)	1.13	1.26	1.13	1.09	1.05	1.14	1.15
EUR/GBP (pounds per euro)	0.66	0.84	0.87	0.86	0.83	0.81	0.80
EUR/JPY (yen per euro)	129.56	126.41	129.91	156.99	161.18	158.00	154.00
OIL PRICE							
Brent ($/barrel)	42.3	80.1	71.0	77.3	73.1	61.7	62.8
Brent (euros/barrel)	36.4	62.5	63.9	70.9	69.8	54.1	54.6

Forecasts

Change in the average for the year versus the prior year average (%), unless otherwise indicated

International economy

	Average 2000-2007	Average 2008-2019	Average 2020-2022	2023	2024	2025	2026
GDP GROWTH[1]							
Global	4.3	3.3	2.5	3.5	3.3	2.9	2.9
Developed countries	*2.7*	*1.5*	*1.7*	*1.7*	*1.8*	*1.3*	*1.3*
United States	2.7	1.8	2.1	2.9	2.8	1.3	1.3
Euro area	2.3	0.8	1.2	0.6	0.8	0.9	1.1
Germany	1.6	1.3	0.2	–0.1	–0.2	0.4	1.0
France	2.3	1.0	0.7	1.6	1.1	0.4	0.8
Italy	1.5	–0.3	1.6	0.8	0.5	0.6	1.0
Portugal	1.5	0.4	1.5	2.6	1.9	1.7	1.9
Spain	3.6	0.7	0.6	2.7	3.2	2.4	2.0
Japan	1.4	0.4	–0.2	1.5	0.1	1.0	1.0
United Kingdom	2.8	1.2	1.0	0.4	1.1	1.1	1.2
Emerging and developing countries	*6.3*	*4.9*	*3.1*	*4.7*	*4.3*	*3.9*	*3.9*
China	10.6	8.0	4.7	5.4	5.0	4.2	3.9
India	7.2	6.7	3.8	8.9	6.7	6.8	6.6
Brazil	3.6	1.6	1.5	3.2	3.4	2.0	1.8
Mexico	2.3	1.5	0.5	3.4	1.4	1.0	1.4
Russia	–	1.4	0.6	4.1	4.3	1.7	1.3
Türkiye	5.5	4.5	6.3	5.1	3.2	2.1	2.9
Poland	4.2	3.7	3.6	0.1	2.8	3.6	3.3
INFLATION							
Global	4.1	3.7	5.5	6.6	5.7	4.3	3.9
Developed countries	*2.1*	*1.6*	*3.7*	*4.6*	*2.6*	*2.3*	*2.3*
United States	2.8	1.8	4.6	4.1	3.0	2.9	2.6
Euro area	2.2	1.4	3.7	5.4	2.4	2.0	1.9
Germany	1.7	1.4	4.1	6.0	2.5	2.1	2.0
France	1.9	1.3	2.8	5.7	2.3	1.4	1.9
Italy	2.4	1.4	3.5	5.9	1.1	1.6	1.8
Portugal	3.1	1.1	3.0	4.3	2.4	2.1	2.0
Spain	3.2	1.3	3.7	3.5	2.8	2.4	2.2
Japan	–0.3	0.4	0.7	3.3	2.7	1.5	1.5
United Kingdom	1.6	2.3	4.2	7.3	2.5	2.9	2.3
Emerging and developing countries	*6.9*	*5.5*	*6.8*	*8.0*	*7.7*	*5.6*	*4.9*
China	1.7	2.6	1.8	0.2	0.2	0.5	1.0
India	4.6	7.3	6.1	5.7	5.0	4.6	4.4
Brazil	7.3	5.7	6.9	4.6	4.4	4.9	4.2
Mexico	5.2	4.2	5.7	5.5	4.7	4.4	3.7
Russia	14.2	7.9	8.0	5.9	8.5	8.4	6.0
Türkiye	22.6	9.6	34.7	53.9	58.5	36.1	26.1
Poland	3.5	1.9	7.4	10.8	3.7	4.6	3.4

Note: *1. Figures adjusted for seasonality and calendar effects for the euro area, Germany, France, Italy, Portugal, Spain and Poland. Figures adjusted for seasonality for the United States and the United Kingdom.*

Forecasts

Change in the average for the year versus the prior year average (%), unless otherwise indicated

Spanish economy

	Average 2000-2007	Average 2008-2019	Average 2020-2022	2023	2024	2025	2026
Macroeconomic aggregates							
Household consumption	3.7	0.0	0.0	1.7	2.8	2.7	2.3
Government consumption	4.5	0.9	2.6	5.2	4.1	2.0	0.8
Gross fixed capital formation	5.7	–1.2	–1.0	2.1	3.0	3.9	3.0
Capital goods	4.9	0.2	–2.5	1.1	2.8	5.9	2.3
Construction	5.7	–2.6	–1.9	3.0	3.5	3.2	3.4
Domestic demand (vs. GDP Δ)	4.4	–0.2	0.7	1.6	2.7	2.5	2.0
Exports of goods and services	4.7	2.9	2.5	2.8	3.1	2.2	2.1
Imports of goods and services	7.0	0.2	2.5	0.3	2.4	3.0	2.5
Gross domestic product	**3.6**	**0.7**	**0.6**	**2.7**	**3.2**	**2.4**	**2.0**
Other variables							
Employment	3.2	–0.5	1.4	3.2	2.4	2.4	1.7
Unemployment rate (% of labour force)	10.5	19.5	14.5	12.2	11.3	10.7	10.2
Consumer price index	3.2	1.3	3.7	3.5	2.8	2.4	2.2
Unit labour costs	3.1	0.6	3.6	6.1	4.0	3.5	2.7
Current account balance (% GDP)	–5.8	–0.2	0.6	2.7	3.0	2.7	2.9
External funding capacity/needs (% GDP)	–5.2	0.2	1.4	3.7	4.2	3.7	3.9
Fiscal balance (% GDP)[1]	0.3	–6.5	–7.1	–3.5	–3.2	–2.8	–2.6

Note: *1. Excludes losses for assistance provided to financial institutions.*

Forecasts

Portuguese economy

	Average 2000-2007	Average 2008-2019	Average 2020-2022	2023	2024	2025	2026
Macroeconomic aggregates							
Household consumption	1.8	0.5	1.2	1.9	3.2	2.0	2.1
Government consumption	2.2	–0.3	2.0	0.6	1.1	1.0	1.1
Gross fixed capital formation	–0.4	–0.7	2.9	3.6	3.0	4.0	3.4
Capital goods	3.3	2.7	5.5	5.6	5.8	–	–
Construction	–1.4	–2.4	2.6	1.2	1.4	–	–
Domestic demand (vs. GDP Δ)	1.3	0.0	1.9	1.7	2.6	1.7	2.2
Exports of goods and services	5.3	4.0	3.6	3.8	3.4	3.3	3.0
Imports of goods and services	3.6	2.7	4.0	1.8	5.0	3.4	3.5
Gross domestic product	**1.5**	**0.4**	**1.5**	**2.6**	**1.9**	**1.7**	**1.9**
Other variables							
Employment	0.4	–0.4	1.1	2.3	1.2	1.0	1.5
Unemployment rate (% of labour force)	6.1	11.4	6.6	6.5	6.4	6.4	6.4
Consumer price index	3.1	1.1	3.0	4.3	2.4	2.1	2.0
Current account balance (% GDP)	–9.2	–2.8	–1.1	0.6	2.2	–	–
External funding capacity/needs (% GDP)	–7.7	–1.5	0.1	2.0	3.3	4.2	3.9
Fiscal balance (% GDP)	–4.5	–5.1	–3.0	1.2	0.7	0.4	0.3

Forecasts

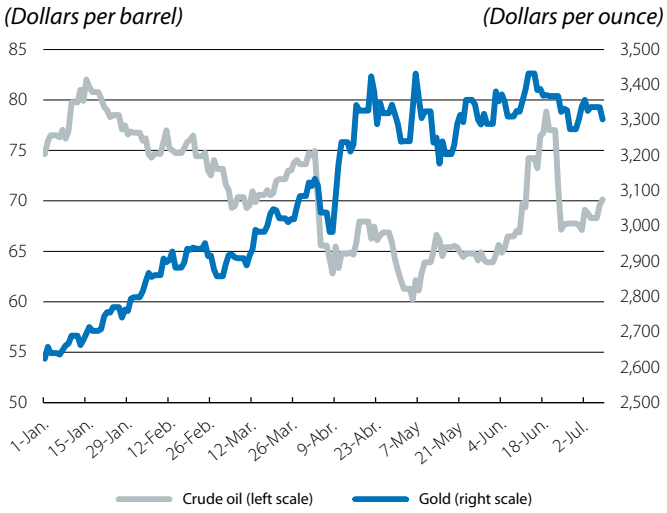
Neither geopolitical risks nor trade threats hinder the advance of risk assets

Contained impact from the spike in geopolitical risk. The escalation of tensions in the Middle East, with the attacks between Israel, the US and Iran, was short and intense, but contained. So was the response of financial markets. The price of Brent crude oil surged by 20% in just one week, from 66 to 79 dollars, before falling 15% in just five days after a truce was announced. Since then, the price of Brent has stabilised at levels around 67-68 dollars per barrel, as fundamentals have redirected the price dynamics in a context of oversupply, in which OPEC+ will reverse the 2.2-million-barrel cut implemented in 2023. Production will increase by 548,000 barrels per day in August, accelerating the pace with respect to the consecutive increases of 411,000 barrels per day in May, June and July. Other financial assets responded more timidly. On the day of the US bombings, the S&P 500 fell just 1.5%, the dollar appreciated 0.3% and gold, a traditional safe-haven asset, rose 3% only to quickly return to its previous levels. Following this short episode, markets resumed the trends observed in the previous month: more stable sovereign yields in the euro area, without any surprises from the ECB; rates in the US moving to the tune of monetary policy expectations, without any significant impact from the fiscal risks arising from the new budget act (the OBBBA) or the threats of tariffs. The stock markets, meanwhile, continued to advance despite trade tensions, which could reflect investors' optimism that the White House will eventually reach agreements with its trading partners, or simply disbelief that Trump will reimpose the reciprocal tariffs.

The ECB cuts rates and reaches «the end of a monetary policy cycle». As anticipated, in June the ECB cut rates by 25 bps (placing the depo rate at 2.00%). Lagarde described the current situation as nearing «the end of a monetary policy cycle», with inflation now normalised following the disruptions triggered by COVID-19 and the war in Ukraine. Looking ahead to the new phase of the cycle, a range of scenarios are opening up in an environment which the ECB described as being marked by «exceptional» uncertainty, which is why the central bank reiterated its data-dependent approach for its forthcoming meetings. However, Lagarde said that the current tone of monetary policy is well positioned to respond to uncertainty, thus indicating little willingness to lower rates again in July. Financial markets expect rates to remain unchanged at the next meeting and one further 25-bp cut towards the end of the year.

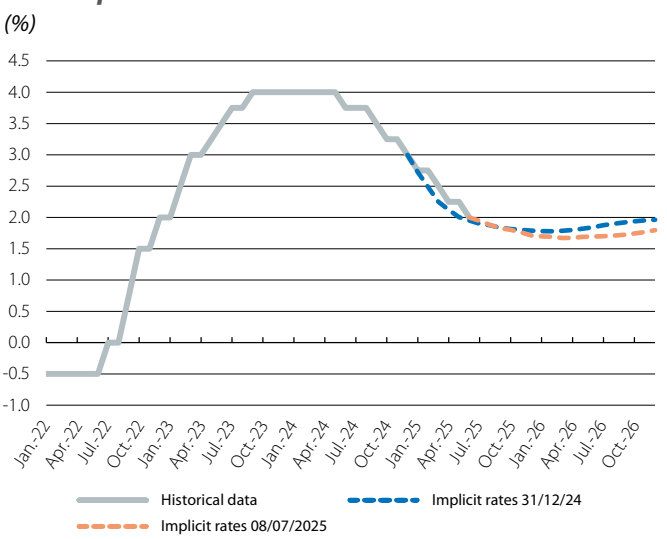
The Fed on pause and with division of opinions. There were no surprises from the Federal Reserve either, which kept the fed funds rate in the 4.25%-4.50% range, extending the pause it began this year for the fourth time in a row. It once again justified the decision by arguing it needs more clarity on the impact of tariffs on prices and economic activity before making any further moves, and believes the economy's strength allows it to take another pause. In its macroeconomic forecast update, the Fed maintained its qualitative assessment of an outlook with higher inflation and lower growth, although it did intensify

Commodities



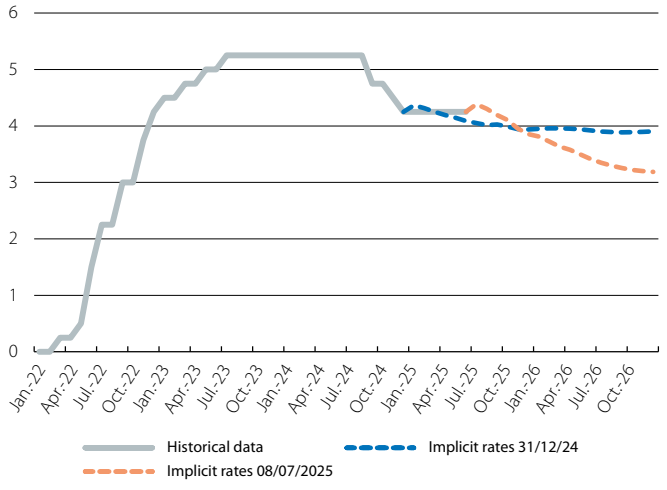
Note: *Crude oil refers to the Brent barrel.*
Source: *CaixaBank Research, based on data from Bloomberg.*

ECB: depo rate



Source: *CaixaBank Research, based on data from the ECB and Bloomberg.*

Federal Reserve: fed funds rate



Source: *CaixaBank Research, based on data from the Federal Reserve and Bloomberg.*

the magnitude of the impact due to higher tariffs than originally estimated. More relevant were the interest rate projections in the dot plot. The chart showed two well-defined and similar-sized blocs within the FOMC: on the one hand, a more cautious group that anticipates only a single rate cut this year, or even none at all; on the other, a more dovish wing that continues to project at least two cuts. This dispersion of expectations highlighted the growing uncertainty surrounding the trajectory of monetary policy and reinforces the data-dependent strategy. Financial markets expect the Fed to resume its monetary easing after the summer, with two 25-bp cuts this year.

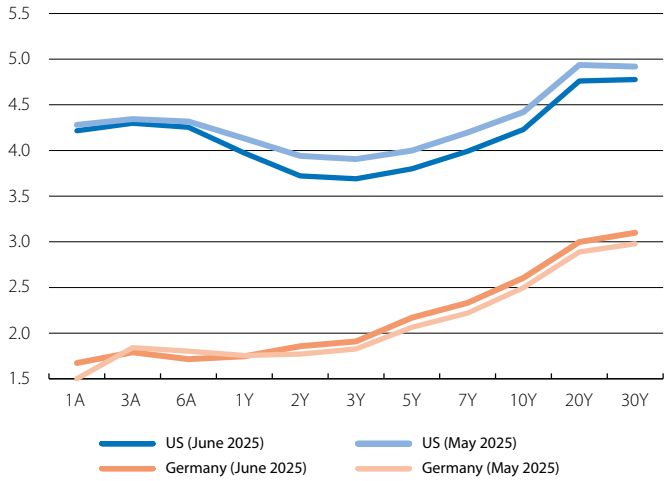
Monetary and fiscal policy expectations guide sovereign rates. With no surprises from the ECB and no change in the underlying trends of the euro area economy, the region's sovereign rates remained relatively stable during the first half of the month. With the announcement of Germany's new draft budget, which entails an increase in public spending, sovereign rates rose across the board, ending June up to 10 bps above the previous month's level. In the US, in contrast, sovereign rates saw back-and-forth movements, initially falling throughout the yield curve prompted by expectations of a more dovish Fed (which could cut rates up to three times this year) in view of the apparent limited impact, for now, that the tariffs are having on the inflation data. However, strong June employment data reversed this trend and reinforced expectations that the Fed will keep rates on hold until after the summer, triggering a rebound in Treasury yields from the beginning of July up until the close of this publication.

Geopolitical tensions were not enough to boost the dollar. Despite escalating geopolitical tensions and trade uncertainty, the US currency weakened against its main peers by almost 3% in June, reaching its lowest levels since 2021. The truce between the countries involved in the Middle East conflict, which increased the appetite for risk assets, as well as the swings in US sovereign rates, caused the currency to lose value. Additionally, concerns over fiscal deterioration in the US continued to weigh down on the currency. The dollar's depreciation has been especially intense against the euro, which is now trading at around 1.18 per dollar (almost 15% higher than at the start of the year).

Stock markets: optimistic, sceptical or both? In a context of high geopolitical uncertainty, and with the expiry date of the pause on the reciprocal tariffs drawing near, global stock markets had a positive month (the MSCI All Country World Index climbed +4.3% in June). US indices led the gains, driven by tech stocks, and the S&P 500 hit a new all-time high. Thus, this was a month in which the stock markets were less reactive to Trump's threats, in what some analysts have labelled the TACO trade (Trump Always Chickens Out), reflecting expectations among investors that the president will eventually delay or fail to follow through on his threats. Thus, stock markets closed the first half of the year recovering from the turbulence in April and distilling optimism that trade deals will eventually be reached and that the global economy will avoid a disorderly tariff war.

Sovereign yield curves

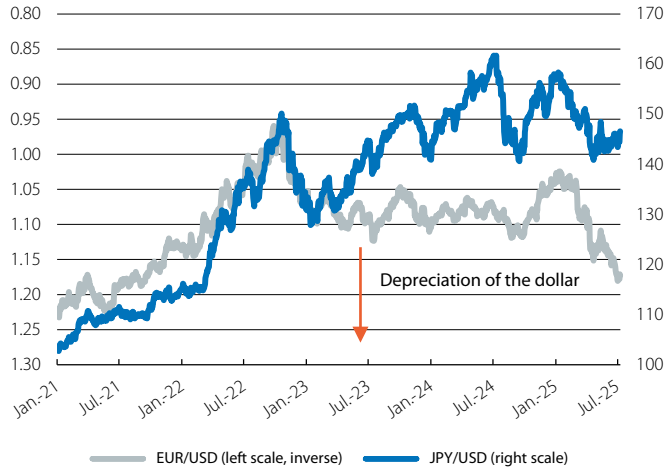
Yield (%)



Source: *CaixaBank Research, based on data from Bloomberg.*

Dollar against the euro and the yen

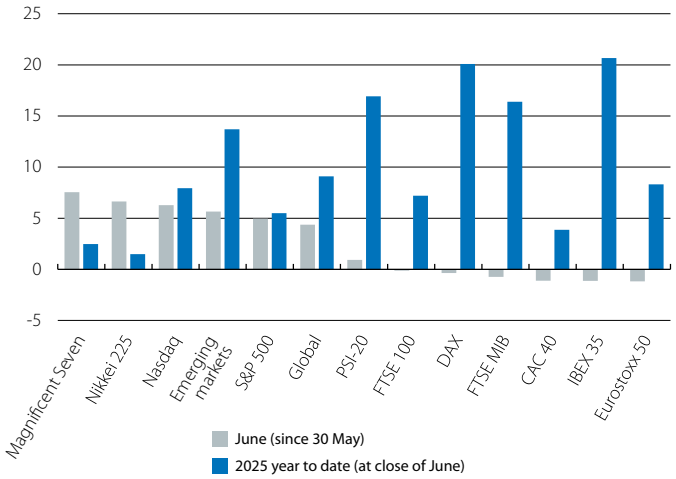
(Dollars per euro) *(Yen per dollar)*



Source: *CaixaBank Research, based on data from Bloomberg.*

Stock market indices

Change (%)



Source: *CaixaBank Research, based on data from Bloomberg.*

Interest rates (%)

	30-June	31-May	Monthly change (bp)	Year-to-date (bp)	Year-on-year change (bp)
Euro area					
ECB Refi	2.15	2.40	–25	–100.0	–210.0
3-month Euribor	1.94	2.00	–5	–77.0	–176.7
1-year Euribor	2.07	2.09	–2	–38.8	–150.6
1-year government bonds (Germany)	1.76	1.77	–1	–48.5	–145.1
2-year government bonds (Germany)	1.86	1.78	9	–22.1	–97.2
10-year government bonds (Germany)	2.61	2.50	11	24.0	10.7
10-year government bonds (Spain)	3.24	3.09	15	18.1	–17.7
10-year government bonds (Portugal)	3.06	2.98	8	20.7	–19.4
US					
Fed funds (lower limit)	4.25	4.25	0	0.0	–100.0
3-month SOFR	4.29	4.32	–3	–1.3	–103.2
1-year government bonds	3.97	4.10	–13	–17.6	–114.3
2-year government bonds	3.72	3.90	–18	–52.2	–103.4
10-year government bonds	4.23	4.40	–17	–34.1	–16.8

Spreads corporate bonds (bps)

	30-June	31-May	Monthly change (bp)	Year-to-date (bp)	Year-on-year change (bp)
Itraxx Corporate	55	58	–3	–3.1	–6.9
Itraxx Financials Senior	59	62	–3	–5.0	–13.1
Itraxx Subordinated Financials	101	107	–6	–11.2	–27.4

Exchange rates

	30-June	31-May	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
EUR/USD (dollars per euro)	1.18	1.13	3.9	13.8	10.0
EUR/JPY (yen per euro)	169.8	163.5	3.9	4.3	–1.5
EUR/GBP (pounds per euro)	0.86	0.84	1.8	3.7	1.3
USD/JPY (yen per dollar)	144.0	144.0	0.0	–8.4	–10.5

Commodities

	30-June	31-May	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
CRB Commodity Index	568.50	555.02	2.4	6.0	5.4
Brent ($/barrel)	67.61	63.90	5.8	–9.4	–21.8
Gold ($/ounce)	3,303.14	3,289.25	0.4	25.9	42.0

Equity

	30-June	31-May	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
S&P 500 (USA)	6,205	5,912	5.0	5.5	13.6
Eurostoxx 50 (euro area)	5,303	5,367	–1.2	8.3	8.4
Ibex 35 (Spain)	13,992	14,152	–1.1	20.7	27.9
PSI 20 (Portugal)	7,456	7,388	0.9	16.9	15.1
Nikkei 225 (Japan)	40,487	37,965	6.6	1.5	2.3
MSCI Emerging	1,223	1,157	5.7	13.7	12.6

Equilibria that deceive, imbalances that persist

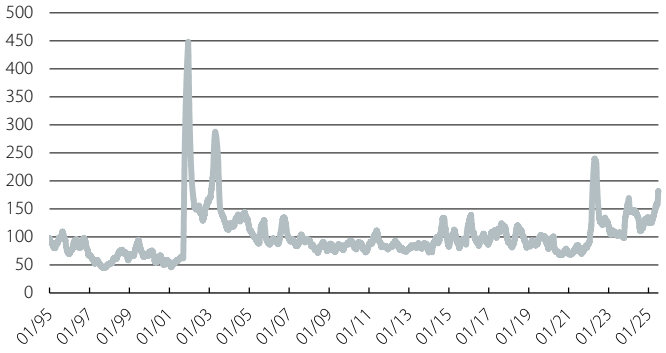
Geopolitics and uncertainty shape the global scenario. The truce announced between Iran and Israel at the end of June, after days of attacks and a US bombing of three sites linked to Iran's nuclear programme, was just the latest in a string of episodes of geopolitical tension that have marked recent months and years. While the truce allayed fears of a wider regional conflict and of disruption to the oil supply, this episode reminded us that the economic environment remains subject to the risk of new supply disruptions. Meanwhile, at the summit of NATO country leaders an agreement was reached to increase defence spending to 5% of GDP (3.5% + an additional 1.5% on cybersecurity, infrastructure, etc.). With all the ongoing or frozen conflicts in various regions, the fragmentation of the geopolitical world order will continue to determine the macroeconomic scenario. Another key element of the economic environment is uncertainty. Unlike risk (geopolitical or other), this refers to the difficulty in anticipating events with a certain degree of certainty or probability. This development is particularly visible in the data on uncertainty by category, collected from large databases of US newspapers where, unlike in previous episodes, there is a widespread upturn across all categories. Also, in the US, the main consumer confidence indicators have deteriorated in recent months, while business surveys point to uncertainty, the tariffs and geopolitical risks as being the main challenges.

Tariffs: pauses, agreements, letters and threats. After a 90-day pause, Donald Trump signed an executive order extending the suspension of the tariffs until 1 August. After this date, the reciprocal tariffs announced on 2 April – so-called Liberation Day – which triggered severe turbulence in the financial markets will, in theory, be reapplied. In letters already sent to some of its largest trading partners, the White House highlighted the conditions for the proposed bilateral agreements and updated the tariffs that would be applied in the event of no agreement being reached. Japan, South Korea and Malaysia would be subject to tariffs of 25%, South Africa 30%, Indonesia 32% and Thailand 36% (levels equal to or very close to those announced on 2 April), while Brazil would be subject to a 50% tariff. On the other hand, Trump announced an agreement with Vietnam (without any official details).

A «big, beautiful» fiscal policy on both sides of the Atlantic. The bill recently passed by the US Congress focuses on tax cuts and includes a permanent extension of those introduced in 2017, as well as new deductions for tips and overtime as promised during the election campaign. On the expenditure side, the bill includes both increases in the budget for defence and national security and also cuts to health spending, while eliminating tax incentives linked to the IRA. Early estimates suggest that the total deficit could exceed 7% of GDP in the coming years, while the federal debt is predicted to exceed 125% of GDP, significantly above current levels (around 100% of GDP). The German parliament, for its part, approved a draft budget for 2025-2029, which includes an increase in federal spending of more than

Global: geopolitical risk

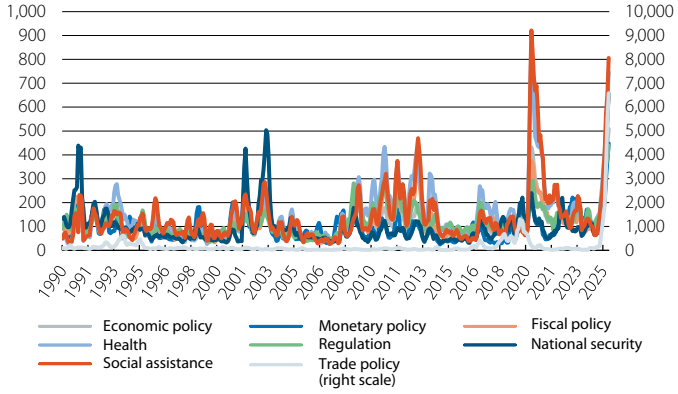
Index (100 = 1985-2019 average)



Notes: *The index is built from newspaper articles, by searching for keywords related to geopolitical risks in the electronic archives of 10 newspapers published in English. A higher value for the index indicates an increase in risk. The 90-day average is shown.*
Source: *CaixaBank Research, based on data from D. Caldara and M. Iacoviello (2022), «Measuring Geopolitical Risk» (downloaded from https://www.matteoiacoviello.com/gpr.htm on 01/07/2025).*

US: uncertainty by category

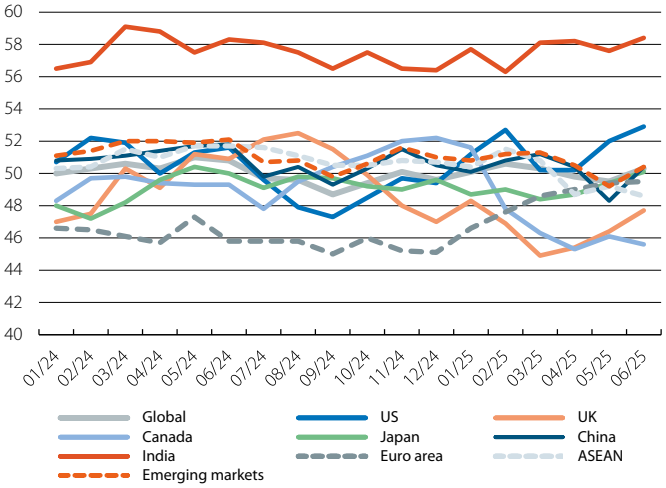
Index (100 = 1985-2010 average)



Notes: *The indices are built from newspaper articles, by searching for keywords related to uncertainty in different spheres. The data are derived from the Access World News database, which contains more than 2,000 US newspapers. Each sub-index contains terms related to economics, uncertainty and policy, as well as a set of terms specific to each category. The three-month average is shown. Each series is normalised to have an average of 100 in the period from 1985 to 2010.*
Source: *CaixaBank Research, based on data from S. Baker, N. Bloom and S. Davis (2016). «Measuring economic policy uncertainty», The Quarterly Journal of Economics, 131 (4), 1593-1636 (downloaded from https://www.policyuncertainty.com/categorical_epu.html on 01/07/2025).*

Global: manufacturing PMI

Index



Source: *CaixaBank Research, based on data from S&P Global, via Bloomberg.*

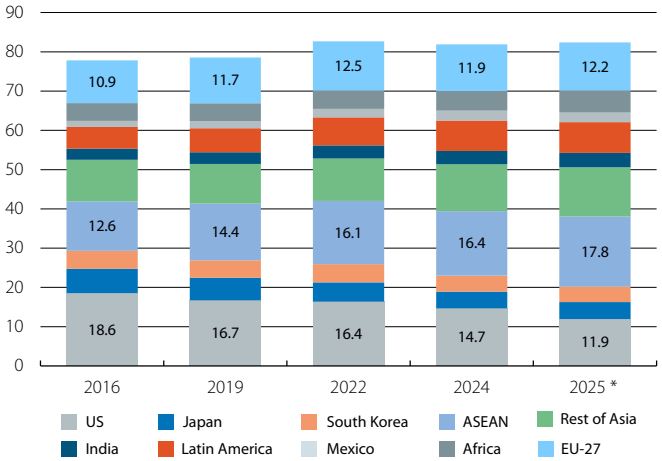
6.0% in 2025 and of more than 3.0% in 2026, driven by increased spending on defence and investment. Also, in the coming years Germany's budget deficit is expected to exceed the 3% limit set by the EU.

Despite geopolitics, uncertainty and the tariffs, the global economy holds steady. The global manufacturing PMI stood at 50.3 in June and regained its level of March, after two readings below 50 points in April and May. By country, in the US the PMI stood at 52.9 points (a peak since the beginning of 2022). The analysis by component reveals an increase in production in the US last month, but also in purchases of inputs and in prices growth, symptoms of a partial and temporary tariff truce. In the euro area, the manufacturing PMI stood at 49.5 points (a peak since the summer of 2022), while in China it recovered to 50.4 points, after a brief fall in May, placing it at the same level as that of all emerging economies as a whole, where increases were also observed in June. The broad-based improvement in the manufacturing PMI in June, along with the stability of the global PMI at around 50 points so far this year, paints a picture of a global economy that continues to withstand multiple shocks and is growing at a moderate pace. Among other witnesses of the timid outlook for the global economy, we find the economies of Canada and the ASEAN countries, whose PMIs (45.7 and 48.8 points in Q2 vs. 49.9 and 51.0 in 2024, respectively) point to a clear contraction in manufacturing activity in Q2.

Mixed data for Q2, after a Q1 that brought more bad news than good. The latest estimate for US GDP in Q1 showed domestic demand slowed more than expected. Despite the fact that GDP growth remained unchanged (–0.1% quarter-on-quarter), the substantial slowdown in private consumption is particularly concerning – a key driver of the US economy in recent years – with quarter-on-quarter growth falling by 0.3 pps, to 0.1%. Economic data available for Q2 point to a quarter characterised by moderation. In the US, retail sales fell 0.9% on a month-on-month basis in May. On the other hand, the «control group» (which excludes components such as vehicles, petrol and restaurants, and is considered more stable for the purpose of measuring trends in economic activity) grew by 0.4%, indicating that consumption remains robust. In this environment, the US labour market remains strong. In Q2, an average of 150,000 jobs were created each month, compared to 111,000 in Q1, while the unemployment rate fell from 4.3% to 4.1% in June. In the euro area, retail sales grew by 1.8% year-on-year in May (vs. 2.7% in April, 2.0% in Q1) and the unemployment rate rose slightly (6.3% in May vs. 6.2% in April), while the economic sentiment indicator continued to fall in June (94 points vs. 94.8 previously). In China, retail sales grew by 6.4% in May (vs. 5.1% in April), an acceleration that can be attributed to the programmes aimed at stimulating the consumption of durable goods, which grew at double-digit rates. Industrial production was up 5.8% year-on-year (vs. 6.1% in April), in a month in which exports o f goods slowed (+4.8% vs. 8.1% previously). Between domestic and foreign headwinds, the Asian giant is growing at a moderate rate, supported by fiscal policy and an export sector quickly adapting to a tricky environment.

China: exports

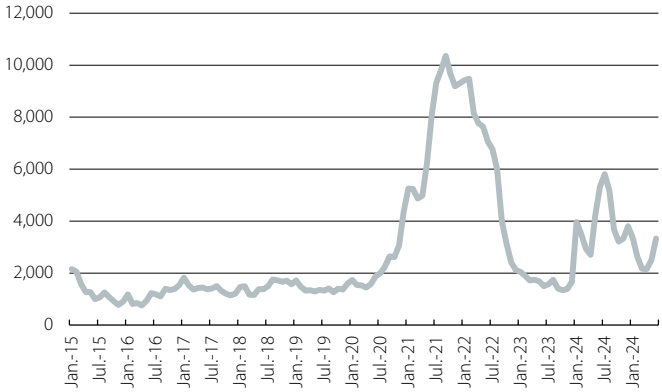
(% of the total)



Note: ** For 2025, cumulative data on exports between January and May are used.*
Source: *CaixaBank Research, based on data from the National Statistics Office of China, via Bloomberg.*

Global: container freight prices

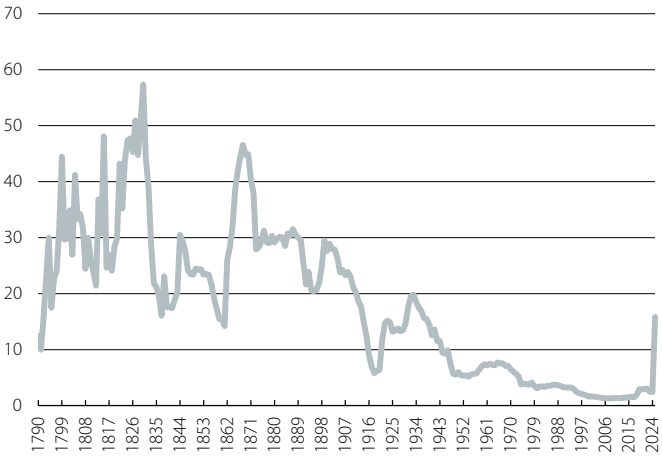
(Dollars per 40ft container)



Note: *The World Container Index (WCI) compiled by Drewry reports on container freight prices in the spot market for the major East-West trade routes. The composite index represents a volume-weighted average of all eight shipping routes, which include: Shanghai-Rotterdam, Rotterdam-Shanghai, Shanghai-Genoa, Shanghai-Los Angeles, Los Angeles-Shanghai, Shanghai-New York, New York-Rotterdam and Rotterdam-New York.*
Source: *CaixaBank Research, based on data from Bloomberg.*

US: effective tariff rate

(%)



Source: *CaixaBank Research, based on The Budget Lab, by Yale University (downloaded from https://budgetlab.yale.edu/research/effective-tariff-rates-and-economic-uncertainty-rapid-policy-environment, on 01/07/2025).*

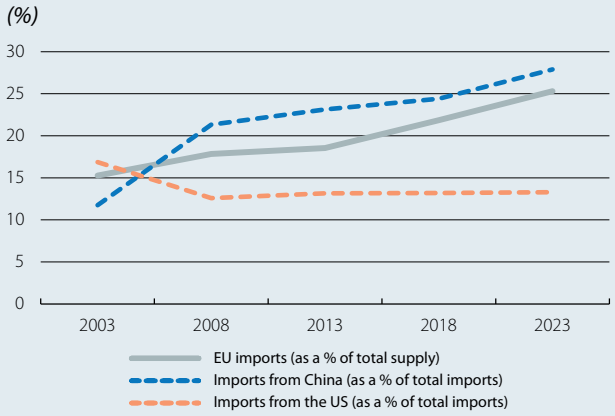
Import dependencies and competitive emergencies for Europe's industry

In the increasingly complex and fragmented global geopolitical landscape, the idea of strategic autonomy in the EU has mutated from being a concept based purely on security and defence to a broader one, with a high economic content.[1] The logic is simple: greater internalised productive capacity provides more degrees of freedom in international politics. The disengagement from Russian energy is a good example of this (see «The EU's difficult farewell to Russian energy» in this same *Monthly Report*). So are the current trade negotiations with the US. With the threat of a 20% tariff announced by Trump on 2 April and a possible protectionist escalation in key sectors, such as the automotive and pharmaceutical industries, the EU has adopted a restrained approach in its responses[2] while maintaining less tough rhetoric with China (de-risking rather than de-coupling).[3] This may be a strategic positioning, but these decisions are understandable in light of the import dependencies that have accumulated this century across a wide range of products, from critical minerals to intermediate inputs and final products.[4] Here we focus our attention on the manufacturing sector, excluding the energy branch.

The loss of industrial competitiveness has been a long time coming

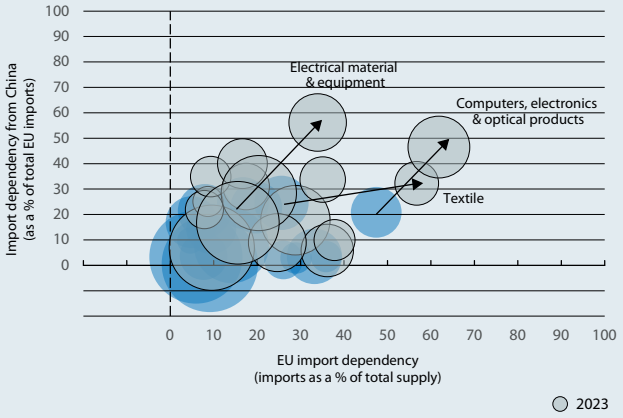
Of the total supply of non-energy manufactured goods in the EU,[5] the portion covered by non-EU imports increased from 15% in 2003 to 25% in 2023, with a particularly sharp increase over the last decade (see first chart). This trend reflects the consolidation of the loss of competitiveness that has been observed in Europe's manufacturing sector since the beginning of the century,[6] and which continues to take place in parallel with the gains in global market share of Chinese products[7] and in EU imports (up to around 30% in 2023, representing 7% of the total supply of non-energy manufactured goods). In contrast, the

EU: import dependency on non-energy manufactured goods

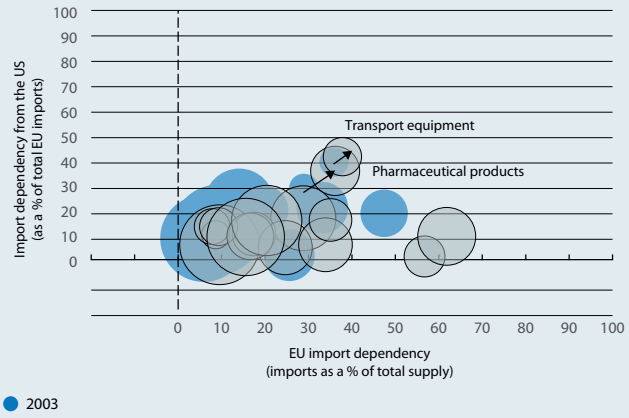


Note: *The total supply in the EU is the sum of production and imports.*
Source: *CaixaBank Research, based on data from Eurostat and COMTRADE.*

EU: dependency on non-energy manufactured goods from China, by product group



EU: dependency on non-energy manufactured goods from the US, by product group



2023 2003

Note: *Import dependency for 16 product groups at the division level according to the National Classification of Economic Activities (CNAE). The size of the bubble is proportional to each product group's relative weight in the total supply.*
Source: *CaixaBank Research, based on data from Eurostat and COMTRADE.*

1. M. Damen (2022)., «EU strategic autonomy 2013-2023: From concept to capacity», European Parliament.
2. See the Focus «US tariffs: where do we stand and what comes next?» in the MR06/2025.
3. A. García-Herrero (2023), «The EU's concept of de-risking hovers around economic diversification rather than national security», Bruegel.
4. European Commission (2021), «Strategic dependencies and capacities».
5. The total supply in the EU is defined as the sum of domestic production in the various Member States and total non-EU imports.
6. R. Marschinski and D. Martínez-Turégano (2020), «The EU´s shrinking share in global manufacturing: a value chain decomposition analysis», National Institute Economic Review, nº 252.
7. See chapter 3 in Joint Research Centre (2022). «China 2.0 – Status and foresight of EU-China trade, investment, and technological race», European Commission.

dependency on the US, which was greater than in the case of China at the beginning of the period in question, has remained relatively stable over the last 15 years (at around 13% imports and 3% of the total supply).

The dependencies on China cover a broad spectrum of products

By product group, we note that the increase in the EU's import dependency on China has been a widespread phenomenon, affecting not only lower-tech manufactured goods, such as those produced by the textile industry, but also more advanced ones, such as electronics and machinery and equipment (see second chart and the table).

In fact, Europe's dependency on Chinese clothing and footwear has been declining for a decade now, in favour of other more competitive producers in Southeast Asia, such as Vietnam, reflecting the upgrading of its manufacturing sector's production capacities. With this dynamic, we could be witnessing a similar «saturation» in the share of imports of computers and other electronic products from China (such as components, mobile phones and precision equipment), which in 2023 accounted for almost 50% of non-EU purchases (20% in 2003) and around 30% of the total supply in this industry (10% at the beginning of the period).

The branch of manufacturing that does not seem to have a brake on the EU's ever-growing dependency is that of electrical equipment (whether for consumer products, such as household appliances, or industrial use, such as batteries and generators). Here, China now accounts for almost 60% of imports and 20% of the total supply (double the level of 10 years ago). More incipiently, and still with a moderate intensity, since 2018 there has also been a rise in the proportion of Europe's supply of chemicals and vehicles coming from China, triggering investigations into anti-competitive practices and the adoption of protectionist measures by the EU.[8]

The dependencies on the US are moderate, but affect strategic sectors

In the case of the US, its share of EU imports has been relatively stable in most non-energy manufactured goods. The most notable exceptions are the pharmaceutical industry (both basic and speciality products) and the transport equipment industry, where US products have reached 35% of non-EU purchases and 15% of the total supply (see third chart), far surpassing the degree of dependency on China in both sectors. Zooming in on the detail, the aeronautical and space industry stands out, with around two thirds of European imports coming from the US, accounting for almost 30% of the total supply of these products in the EU (see table).

8. See https://trade.ec.europa.eu/access-to-markets/en/news/eu-commission-imposes-countervailing-duties-imports-battery-electric-vehicles-bevs-china.

Main non-energy manufactured products with the highest import dependency in the EU (2023)

	Total supply (EUR billions)	Imports		
		Total (% of total supply)	From China (% of total imports)	From the US (% of total imports)
Pharmaceutical specialities	291	34.3	2.0	38.7
Basic iron, steel & ferroalloy products	194	28.0	10.3	1.1
Aeronautical & space & related machinery	149	44.8	3.5	63.8
Electronic components	119	64.8	38.7	5.5
Telecommunications equipment	109	82.5	57.7	4.2
Medical & dental instruments & supplies	99	40.8	14.9	30.6
Measurement, verification & navigation equipment	90	28.4	19.9	26.5
Computers & peripheral equipment	87	81.0	63.0	5.6
Basic pharmaceutical products	78	43.2	18.1	25.7
Aluminium	73	33.8	4.0	1.9
Electric batteries	66	47.2	81.1	2.5
Oil & fats	66	32.3	0.9	2.4
Electric motors, generators & transformers	53	29.2	43.5	8.7
Household appliances	52	39.5	65.2	1.7
Machinery for the mining, quarrying & construction industries	50	25.9	26.8	8.3
Electrical & electronic equipment for motor vehicles	42	32.3	7.6	4.0
Precious metals	42	44.4	0.6	9.0
Footwear	38	57.0	34.7	0.7
Seats & their parts; furniture parts	36	27.4	63.8	1.1
Processing & conservation of fish, crustaceans & molluscs	36	35.8	8.0	3.3
Consumer electronics	36	52.0	70.0	2.2
Tools	34	27.4	44.1	7.9
Tyres & rubber tubes	34	27.8	30.8	2.8
Fertilisers & nitrogen compounds	31	26.7	3.7	5.8
Lamps & electrical lighting apparatus	30	32.8	70.9	2.7

***Note**: Product groups at the 4-digit level of the PRODCOM classification with a minimum total supply value of 10 billion euros and a minimum import dependency of 25%; excluding categories referring to product groups without a specific description (e.g. «Other»).*
***Source:** CaixaBank Research, based on data from Eurostat and COMTRADE.*

Draghi's competitive dream will not be achieved without effort

The European Commission's roadmap to relaunch the competitiveness of our single market is an ambitious project and represents an important step in the right direction to address the structural and geostrategic economic challenges we face.[9] However, achieving its goals will require a coordinated commitment from Member States which must go beyond the communion that arises in extreme situations, such as those that have put the EU on the edge of the precipice several times over the past 20 years (most recently, what appears to be the end of the Atlantic security umbrella). As a reflection of the commitment that is needed, it should be recalled that China's broad-spectrum competitive leap responds to a long-term strategy to improve its citizens' purchasing power. If we are to move in this same direction, we must urgently reach a consensus to revitalise European investment[10] and address the current shortage of labour with the necessary skills and knowledge to boost key sectors of the economy.[11]

David Martínez Turégano

9. See the Focus «A shift in the EU's political priorities» in the MR04/2025.
10. See the Focus «A snapshot of investor apathy in the EU» in the MR05/2025.
11. See the Focus «A changing European labour market: the role of immigration and new jobs» in the MR06/2025.

The EU's difficult farewell to Russian energy

On 6 May, the EU presented its roadmap,[1] accompanied by a draft bill[2] presented on 17 June to end the bloc's energy dependency on Russian oil, gas and nuclear energy (imports of Russian coal have already been eliminated through sanctions). Since the outbreak of the war in February 2022, through sanctions and the search for more reliable partners, imports of Russian energy have declined significantly, although they still represent an important part of Europe's energy matrix. The path towards eliminating energy imports from Russia, although gradual, will not be an easy one, nor will it be free of obstacles, and it will require significant coordination efforts by Member States (as was already the case for eliminating the transit of Russian gas through Ukraine in December 2024) in order to build a sustainable, secure and competitive energy system.

From Russian energy to diversification

The EU remains heavily dependent on imported energy. In 2023 (the latest available data), the energy dependency ratio[3] stood at 58%, a reduction of just over 4 points compared to 2022 and slightly below the 2019 level, albeit still slightly above the average of the period 2000-2019 (when it was below 57%).

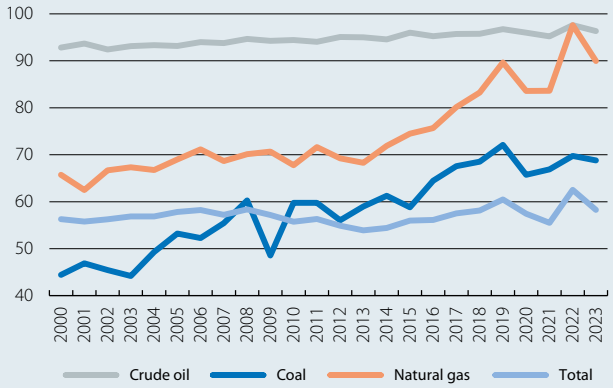
Russian's invasion of Ukraine highlighted the urgent need to transform the EU's energy mix. This is a complex task, however, given that at that time Russia was the EU's leading energy supplier (30% of the EU's total energy imports in 2021 came from Russia, a figure that has fallen to 5.3% in 2024).[4] To this end, in May 2022 the Commission presented the REPowerEU plan (the Recovery and Resilience Facility being its main source of funding). It goals are to save energy, produce clean energy, diversify the EU's energy supply and intelligently combine investments and reforms.

There is still a long way to go, but progress has already been made on several of these fronts. For instance, imports of Russian oil went from representing around 29% in 2021 to just 2.5% in 2024 (see second chart). The US has become the EU's main supplier of oil (in 2021, it was the second biggest supplier, below Russia),

1. Member States must draw up a plan by the end of this year explaining how they will contribute to reducing energy imports from Russia.
2. Among other topics, the roadmap includes a ban on new Russian gas contracts from January 2026 and the termination of long-term contracts by the end of 2027.
3. The energy dependency ratio shows the proportion of energy that an economy must import. It is defined as net energy imports divided by the gross available energy, expressed as a percentage.
4. Calculated using the value of imports in euros, according to the Eurostat database (ds-045409) and taking into account the following products: 2701, 2709, 2710, 271111, 271121, 284410, 284420 and 840130).

Russia: EU energy dependency

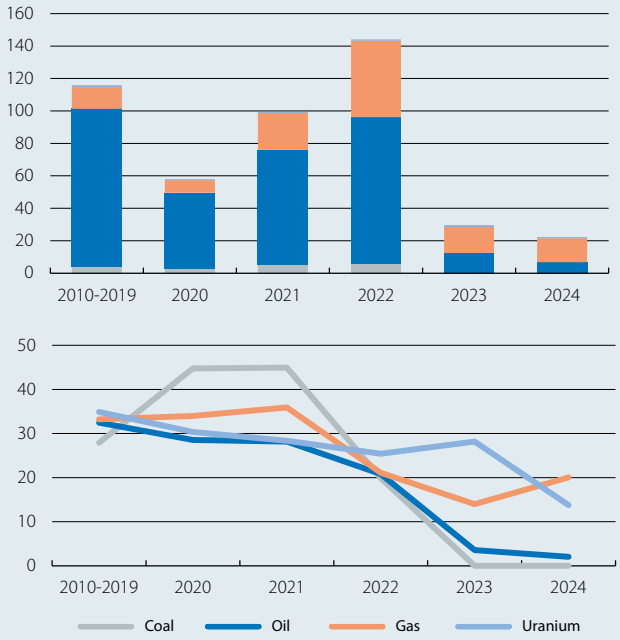
(%)



Note: *Energy dependency is defined as net energy imports divided by the gross available energy.*
Source: *CaixaBank Research, based on data from Eurostat.*

Russia: EU energy imports

EUR billions (above) and % of the total (below)



Source: *CaixaBank Research, based on data from Eurostat.*

followed by Norway and Kazakhstan, which have seen their share of the total increase significantly.

Substantial progress has also been made in the case of natural gas, as the 45% of the EU's gas imports (whether via pipeline or in the form of liquefied natural gas [LNG]) which came from Russia in 2021 has been reduced to 19% in 2024. Russia has remained the second biggest supplier of LNG, but it is quite far behind the US.

This reduction is mainly explained by the increase in LNG imports from countries such as the US and Norway (which was the main supplier of gas to the EU in 2024, with 33%

of the total, particularly via pipeline, since imports of LNG were led by the US). However, the reduction has also been aided by a reduction in gas consumption in the continent (down almost 20% between 2021 and 2024; since 2022, there have been reductions every year, with the exception of 2024, when consumption increased by 1% compared to 2023). The EU has adopted various different measures to ensure its ability to continue importing LNG in the future. Since 2022, the construction and expansion of regasification terminals has been a top priority (e.g. in Germany, which had no LNG terminals prior to 2022, several floating regasification terminals have been quickly brought online). In addition, gas interconnections have been bolstered in order to redistribute gas from ports into the hinterland and long-term contracts are being signed with key suppliers such as the US, Qatar and Algeria. The EU's storage capacity has also been increased and stockpile levels have been established in order to ensure energy security in the months of peak demand.

Imports of Russian uranium, however, represent an exception to these trends as the reduction has been only limited: in 2024 they remained at practically the same level as in 2022 (a mere 2% below in monetary value, although their share of total European imports has fallen significantly, from 25% in 2022 down to 14%). Although it represents only a small portion of total energy imports, this is an essential product for the operation of nuclear reactors, which generate around 25% of all electricity in the EU. The reduction in imports from Russia has been offset by a significant increase in purchases of Canadian uranium, which in 2024 accounted for 31% of the EU's total uranium imports, compared to 18% in 2022.

The growing role of renewable energies

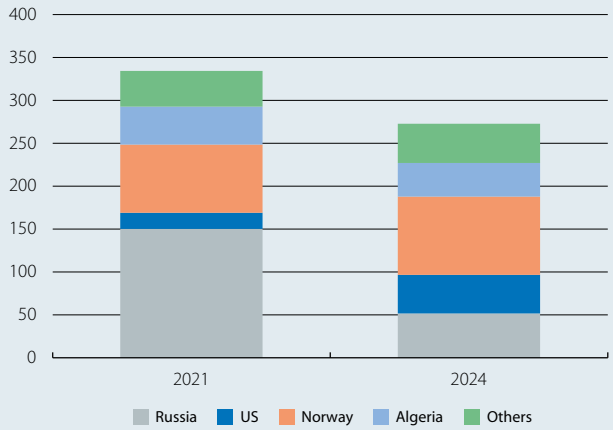
Another pillar of the REPowerEU plan was to boost the incorporation of renewable sources in the bloc's energy production (with the goal of having renewables account for 42.5% of the total energy produced in the EU by 2030). In 2023 (the latest available data), 24.5% of the gross final energy consumption in the EU came from renewable sources, and their share of Europe's electricity mix has continued to grow, reaching 47.2% of the total net electricity generated in the EU in 2024 (see fourth chart), although there are significant differences from country to country. The leading technologies were wind and hydroelectric power (accounting for over two-thirds of renewable generation), while solar also grew significantly and consolidated its position as a key source for the continent's energy transition.

The energy disengagement from Russia is underway, but there is still work to be done

Progress is being made in the disengagement from Russia, as well as in the shift in the EU's energy model.

Natural gas imported by the EU

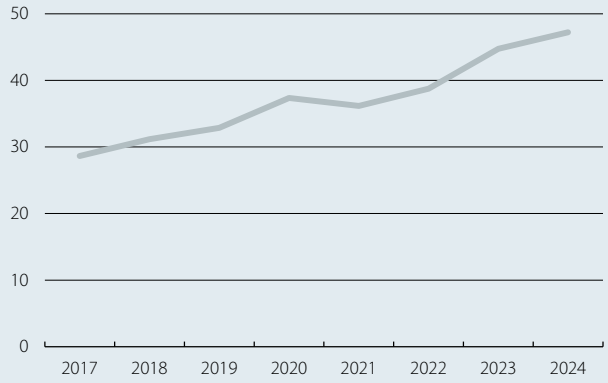
(Billions of cubic metres)



Source: *CaixaBank Research, based on data from the European Commission.*

EU: electricity from renewable sources

(% of the total)



Source: *CaixaBank Research, based on data from Eurostat.*

Indeed, significant progress has been achieved in just the last three years: dependence on Russian oil and gas has been drastically reduced, the supply diversified and the transition to renewable sources accelerated. However, major challenges remain, such as the high dependency on energy imports in general, the limited reduction in the case of Russian uranium and the need to strengthen interconnection and storage infrastructures. In this context, the Competitiveness Compass establishes a clear roadmap: moving towards a cleaner, more resilient and affordable energy system will be key not only for energy security, but also for the EU's long-term industrial competitiveness and economic sustainability. Nevertheless, the EU is starting from a position with competitive disadvantages in the value chain for clean technologies, including aspects ranging from access to critical commodities to the manufacture of batteries and solar panels, where it relies heavily on third-party countries.

María Romero Meléndez

India vs. China: a growth perspective

The rise of India and China as economic powers has been one of the most profound changes in the global economy in recent decades, unravelling a landscape previously dominated by advanced economies. In a previous article,[1] we explored the role that India could play in the global economic order, highlighting its rapid progress and good medium-term growth prospects. However, India is at a different stage of development than China. To understand the differences in its development, we will adopt a long-term growth perspective, with the aim of identifying the factors that have driven the Indian economy and the root causes of its divergence with China.

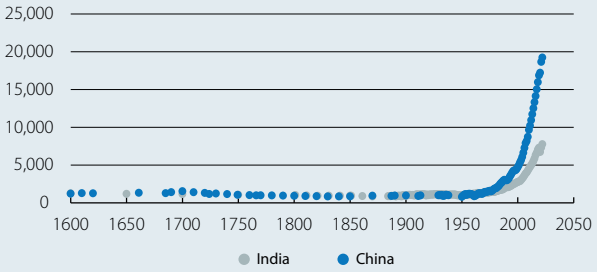
The wheel of dharma and its steering shafts: capital, labour and productivity

Up until the 1970s, India and China shared similar income levels. Despite very different historical trajectories, the GDP per capita of the two countries was around 1,400 dollars (at constant 2011 prices), far behind other economies such as Japan (15,000), South Korea, the Philippines or Thailand (3,000). Beginning in the 1980s, however, their growth paths diverged significantly – an evolution that has been the subject of extensive debate.

The two countries share characteristics such as a vast territory, a large population and accelerated economic growth in recent decades (China's GDP increased 10-fold in 40 years and India's 5-fold). However, their growth models have been different. China has stood out for the development of its manufacturing sector, driven by a policy of trade liberalisation and the attraction of foreign direct investment (FDI), a phenomenon known as the «China shock» to the global economy.[2] India, on the other hand, has based its growth on the expansion of the services sector. Breaking down the growth by production factors – a procedure known as growth accounting – reveals the supply-side sources that have influenced this trajectory.

The first table presents the composition of GDP growth in India, China and a group of emerging Asian economies

India and China: real GDP per capita
(2011 international dollars)



Note: *Constant international prices of 2011 are used, which adjusts the level of GDP to take account of inflation and differences in the cost of living between countries. The primary sources for the data for India are S.N. Broadberry, J. Custodis and B. Gupta (2015), «India and the great divergence: an Anglo-Indian comparison of GDP per capita, 1600-1871», Explorations in Economic History, 55, 58-75, and for China Y.Z. Xu et al. (2016), «Chinese National Income, ca. 1661-1933», Australian Economic History Review, 57(3), 368-393 and H.X. Wu (2014), «China's growth and productivity performance debate revisited – Accounting for China's sources of growth with a new data set», The Conference Board Economics Program Working Paper Series EWP#14-01.*
Source: *CaixaBank Research, based on data from the Maddison Project Database (MPD).*

Sources of growth: India, China and emerging Asia, 1970–2024
Annual average (%) and contributions from the factors (pps)

	1970-2024			1970-1989			1990-1999			2000-2014			2015-2024		
	India	China	Emerging Asia	India	China	Emerging Asia	India	China	Emerging Asia	India	China	Emerging Asia	India	China	Emerging Asia
GDP growth	**5.5**	**8.2**	**4.9**	**4.2**	**8.1**	**5.2**	**5.6**	**9.5**	**4.8**	**6.8**	**9.3**	**5.1**	**5.7**	**5.5**	**4.0**
Labour (quantity)	0.9	0.8	1.0	1.3	1.7	1.4	0.9	0.8	1.0	0.5	0.3	0.7	0.4	–0.3	0.6
Labour (quality)	0.7	0.3	0.2	1.1	0.3	0.2	0.6	0.2	0.3	0.5	0.3	0.3	0.3	0.2	0.2
Capital (ICT)	0.5	0.4	0.5	0.1	0.1	0.4	0.8	0.3	0.7	0.9	0.8	0.5	0.4	0.7	0.2
Capital (non-ICT)	2.7	4.9	3.2	2.0	4.0	3.6	2.5	5.3	3.1	3.7	6.5	2.9	3.0	4.1	3.1
TFP	0.7	1.8	–0.1	–0.2	2.2	–0.4	0.8	3.0	–0.4	1.3	1.3	0.7	1.6	0.8	–0.1
Output per worker	**4.6**	**7.4**	**3.9**	**2.9**	**6.5**	**3.8**	**4.7**	**8.7**	**3.8**	**6.3**	**9.0**	**4.4**	**5.2**	**5.8**	**3.4**

Notes: *Other emerging Asian economies include Bangladesh, Cambodia, Indonesia, Malaysia, Myanmar, Pakistan, the Philippines, Sri Lanka, Thailand and Vietnam. The contribution of capital to growth measures the growth of the supply of capital, whether in the form of buildings, machinery or software. ICT capital refers to technology, information and communication assets. The contribution of labour measures the growth of the supply of workers (quantity) and the increase in their qualifications (quality). Total factor productivity (TFP) refers to the efficiency with which capital and labour are used in the production process.*
Source: *CaixaBank Research, based on data from The Conference Board.*

1. See the Focus «India: the wheel of dharma on the path to development» in the MR05/2025.
2. See, for example, D. Autor, D. Dorn and G. Hanson (2016). «The China shock: Learning from labor-market adjustment to large changes in trade», Annual Review of Economics, 8(1), 205-240.

between 1970 and 2024, and shows the contribution of labour, capital and total factor productivity (TFP).[3] The growth of output per worker is also analysed separately. China's experience stands out for its sustained growth throughout the period. Although the (absolute) contributions of labour force growth have been similar, the growth in output per worker in China was almost double that recorded in India up until the 2010s.

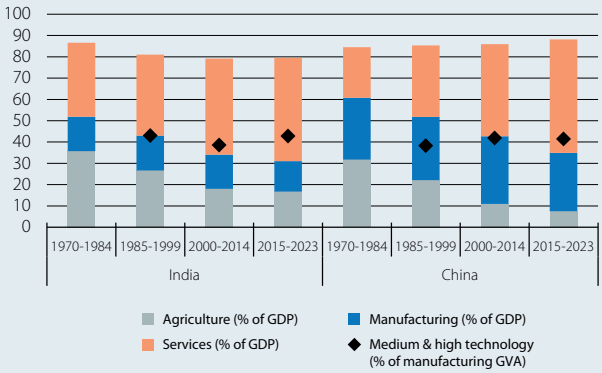
Among the sources of growth, two distinct phases are observed. In the 1980s and 1990s, China experienced strong productivity growth, accompanied by high capital investment. In contrast, India showed a smaller contribution from capital, even compared to other emerging Asian economies, and productivity growth below 1%. Beginning in the 2000s, China saw a slowdown in its productivity growth, although capital investment remained high, accounting for between 75% and 90% of its growth in the last quarter century. In India, in contrast, there was an acceleration in both productivity and the contribution from capital.

The Indian economy in perspective

Differences in the contributions of the factors of production reflect structural transformations and reforms implemented in both countries. In the case of India, labour has made a greater relative contribution, both in quantity and quality. In terms of quantity, this is explained by demographic trends and the gradual decline in China's labour force participation rate. On the other hand, although labour market informality has been falling in recent decades, it is still very high in India. The country has one of the highest informality indices in the region (around 80%) and a high disparity in the labour productivity between the formal and informal sectors.[4] In addition, female labour participation remains low (around 30% vs. 60% in China) and a significant portion of the labour force

India and China: sectoral composition

Gross value added (GVA) of each sector (%)



Notes: *For China, the data on the manufacturing sector for 1970-1999 are estimated, based on the sectoral composition of the agriculture and services sectors in each year, while the historical total GVA is based on the sum of the three sectors. Medium- and high-technology manufacturing activities are considered to encompass the ISIC (International Standard Industrial Classification of All Economic Activities) sectors 24, 29, 30, 31, 32, 33, 34, 35 (excluding sector 351), which includes the chemicals sector,machinery, electrical, electronic and precision equipment, and transport equipment, according to the World Bank classification. This disaggregation does not include sectors such as utilities, construction or mining.*
Source: *CaixaBank Research, based on data from the World Bank.*

is still in low-productivity sectors such as agriculture and construction. On the quality side, India has made great strides in education in recent decades. For instance, the adult literacy rate has risen from 50% in the 1990s to over 75% today (reaching almost 100% among young people), while the completion rate for lower secondary education has reached almost 90% among the relevant age group (compared to 60% in the early 2000s).[5]

In terms of capital, its contribution has increased steadily since the 1990s, becoming the main driver of growth. This momentum is due to the economic liberalisation reforms initiated in that decade, which stimulated both domestic and foreign investment and promoted the development of capital-intensive services. There has also been a gradual increase in public investment, financed by higher tax revenues.

Accelerating productivity in India is linked to structural reforms that have improved the allocation of resources to higher value-added sectors. Institutional improvements (such as strengthening the autonomy of India's central bank) have contributed to a long period of political and economic stability, while the development of digital infrastructure has driven innovation and financial inclusion.

Despite the progress, India faces significant challenges. Its convergence with higher-income economies will depend on its ability to sustain the structural transformation process. This means reallocating labour to more productive sectors and advancing towards the technological frontier, especially in manufacturing.

3. In India, this period can be divided between the pre-reform period (before 1991), when it was mainly dependent on the Soviet sphere, and the post-reform period, with the introduction of economic liberalisation reforms following the foreign exchange rate crisis of 1991. The swearing-in of the current leader, Narendra Modi, in 2014, has reinforced the reformist momentum. In China, this period is marked by the end of the Cultural Revolution (in the 1970s) and the reforms of Deng Xiaoping (beginning in the 1980s), the country's entry into the WTO (in 2001) and the accession to power of Xi Jinping (in 2013).

4. See, for example, F. Ohnsorge and Shu Yu (2022), «The Long Shadow of Informality: Challenges and Policies», World Bank. Widespread informality is associated with a wide range of obstacles to development. In addition to lower labour productivity, there are also reports of reduced access to financing in the private sector, slower accumulation of physical and human capital, fewer fiscal resources, higher poverty rates and higher income inequality. Informal enterprises are, on average, less productive, employ lower-skilled workers, have more limited access to financing and lack economies of scale.

5. By comparison, China's adult literacy rate had already reached 90% by the early 2000s, and the completion rate for lower secondary education has been 100% since the late 2000s.

Investment in education, labour market reforms and continued institutional improvements will be critical for sustaining long-term growth. Although the contribution from capital has increased, India still has some way to go in order to harness this factor, for example by removing barriers to foreign direct investment and international trade. Such measures could provide an additional boost to the Indian economy, further supporting the growth of the second Asian giant, which aspires to be the first.

Luís Pinheiro de Matos and Antonio Marta Miranda

Year-on-year (%) change, unless otherwise specified

UNITED STATES

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	04/25	05/25	06/25
Activity									
Real GDP	2.9	2.8	3.0	2.7	2.5	2.0	–	–	–
Retail sales (excluding cars and petrol)	5.2	3.4	3.3	3.6	4.1	4.8	5.3	4.6	...
Consumer confidence *(value)*	105.4	104.5	98.9	102.2	110.6	99.8	85.7	98.4	93.0
Industrial production	0.2	–0.3	0.0	–0.4	–0.3	1.3	1.4	0.6	...
Manufacturing activity index (ISM) *(value)*	47.1	48.2	48.5	47.3	48.2	50.1	48.7	48.5	49.0
Housing starts *(thousands)*	1,421	1,371	1,343	1,338	1,387	1,401	1,392	1,256	...
Case-Shiller home price index *(value)*	312	330	329	332	336	340	339	...	...
Unemployment rate *(% lab. force)*	3.6	4.0	4.0	4.2	4.1	4.1	4.2	4.2	4.1
Employment-population ratio *(% pop. > 16 years)*	60.3	60.1	60.1	60.0	59.9	60.0	60.0	59.7	59.7
Trade balance [1] *(% GDP)*	–3.0	–2.8	–2.8	–2.9	–3.0	–3.5	–3.7	–3.7	...
Prices									
Headline inflation	4.1	3.0	3.2	2.6	2.7	2.7	2.3	2.4	...
Core inflation	4.8	3.4	3.4	3.2	3.3	3.1	2.8	2.8	...

JAPAN

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	04/25	05/25	06/25
Activity									
Real GDP	1.4	0.2	–0.6	0.8	1.3	1.7	–	–	–
Consumer confidence *(value)*	35.1	37.2	37.2	36.9	36.1	34.7	31.2	32.8	34.5
Industrial production	–1.4	–3.0	–3.5	–1.8	–2.5	2.5	0.5	–0.1	...
Business activity index (Tankan) *(value)*	7.0	12.8	13.0	13.0	14.0	12.0	–	–	–
Unemployment rate *(% lab. force)*	2.6	2.5	2.6	2.5	2.5	2.5	2.5	2.5	...
Trade balance [1] *(% GDP)*	–3.0	–1.1	–1.0	–1.1	–1.0	–0.9	–0.8	–0.7	...
Prices									
Headline inflation	3.3	2.7	2.7	2.8	2.9	3.8	3.5	3.4	...
Core inflation	3.9	2.4	2.2	2.0	2.3	2.7	3.0	3.2	...

CHINA

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	04/25	05/25	06/25
Activity									
Real GDP	5.4	5.0	4.7	4.6	5.4	5.4	–	–	–
Retail sales	7.8	3.3	2.6	2.7	3.8	3.6	5.1	6.4	...
Industrial production	4.6	5.6	5.9	5.0	5.6	6.8	6.1	5.8	...
PMI manufacturing *(value)*	49.9	49.8	49.8	49.4	50.2	49.9	49.0	49.5	49.7
Foreign sector									
Trade balance [1,2]	865	995	864	897	995	1,085	1,109	1,130	...
Exports	–5.1	4.6	4.4	5.4	10.0	5.7	7.9	4.5	...
Imports	–5.5	1.1	2.5	2.2	–1.7	–7.0	–0.3	–3.4	...
Prices									
Headline inflation	0.2	0.2	0.3	0.5	0.2	–0.1	–0.1	–0.1	...
Official interest rate [3]	3.5	3.1	3.5	3.4	3.1	3.1	3.1	3.0	3.0
Renminbi per dollar	7.1	7.2	7.2	7.2	7.2	7.3	7.3	7.2	7.2

Notes: *1. Cumulative figure over last 12 months. 2. Billion dollars. 3. End of period.*
Source: *CaixaBank Research, based on data from the Department of Economic Analysis, Bureau of Labor Statistics, Federal Reserve, Standard & Poor's, ISM, National Bureau of Statistics of Japan, Bank of Japan, National Bureau of Statistics of China and Refinitiv.*

EURO AREA

Activity and employment indicators

Values, unless otherwise specified

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	04/25	05/25	06/25
Retail sales *(year-on-year change)*	–1.9	1.2	0.3	2.1	2.1	1.9	2.7	1.8	...
Industrial production *(year-on-year change)*	–1.6	–3.0	–3.9	–1.8	–1.5	1.4	0.8	...	...
Consumer confidence	–17.4	–14.0	–14.2	–13.0	–13.4	–14.1	–16.6	–15.1	–15.3
Economic sentiment	96.2	95.7	95.9	96.1	95.2	95.5	93.8	94.8	94.0
Manufacturing PMI	45.0	45.9	46.1	46.4	46.3	46.3	49.0	49.4	49.5
Services PMI	51.2	51.5	51.7	52.7	53.1	52.6	50.1	49.7	50.5
Labour market									
Employment (people) *(year-on-year change)*	1.4	1.2	1.0	1.0	0.8	0.7	–	–	–
Unemployment rate *(% labour force)*	6.6	6.4	6.4	6.3	6.2	6.3	6.2	6.3	...
Germany *(% labour force)*	3.1	3.4	3.4	3.4	3.5	3.6	3.7	3.7	...
France *(% labour force)*	7.3	7.4	7.4	7.4	7.3	7.4	7.1	7.1	...
Italy *(% labour force)*	7.7	6.6	6.7	6.3	6.2	6.3	6.1	6.5	...
Real GDP *(year-on-year change)*	0.6	0.8	0.6	0.9	1.2	1.5	–	–	–
Germany *(year-on-year change)*	–0.1	–0.2	–0.2	–0.3	–0.2	0.0	–	–	–
France *(year-on-year change)*	1.6	1.1	1.0	1.1	0.6	0.6	–	–	–
Italy *(year-on-year change)*	0.8	0.5	0.7	0.6	0.6	0.7	–	–	–

Prices

Year-on-year change (%), unless otherwise specified

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	04/25	05/25	06/25
General	5.5	2.4	2.5	2.2	2.2	2.3	2.2	1.9	2.0
Core	5.0	2.8	2.8	2.8	2.7	2.6	2.8	2.3	2.3

Foreign sector

Cumulative balance over the last 12 months as % of GDP of the last 4 quarters, unless otherwise specified

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	04/25	05/25	06/25
Current balance	2.0	3.3	3.2	3.4	3.3	3.0	3.9	...	...
Germany	5.6	5.7	6.5	6.3	5.7	5.4	7.2	...	...
France	–1.0	0.4	–0.4	0.0	0.4	0.1	–0.1	...	...
Italy	0.1	1.1	0.9	0.9	1.1	1.1	1.4	...	...
Nominal effective exchange rate[1] *(value)*	94.7	95.0	95.1	95.6	94.2	93.5	96.9	96.2	97.2

Credit and deposits of non-financial sectors

Year-on-year change (%), unless otherwise specified

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	04/25	05/25	06/25
Private sector financing									
Credit to non-financial firms[2]	2.7	0.8	0.4	1.0	1.4	2.2	2.6	2.5	...
Credit to households[2,3]	1.7	0.5	0.3	0.5	0.9	1.5	1.9	2.0	...
Interest rate on loans to non-financial firms[4] *(%)*	4.6	4.9	5.1	4.9	4.4	3.9	3.5	...	...
Interest rate on loans to households for house purchases[5] *(%)*	4.4	4.6	4.8	4.7	4.3	4.0	3.8	...	...
Deposits									
On demand deposits	–8.5	–3.9	–5.5	–2.5	1.2	3.6	5.2	5.6	...
Other short-term deposits	21.1	12.3	14.3	10.5	5.9	2.3	0.6	–0.1	...
Marketable instruments	20.3	20.3	19.8	22.1	18.6	15.5	10.7	11.2	...
Interest rate on deposits up to 1 year from households *(%)*	2.7	3.0	3.1	3.0	2.6	2.2	2.0	...	...

Notes: *1. Weighted by flow of foreign trade. Higher figures indicate the currency has appreciated. 2. Data adjusted for sales and securitization. 3. Including NPISH. 4. Loans of more than one million euros with a floating rate and an initial rate fixation period of up to one year. 5. Loans with a floating rate and an initial rate fixation period of up to one year.*

Source: *CaixaBank Research, based on data from the Eurostat, European Central Bank, European Commission, national statistics institutes and Markit.*

The Spanish economy makes steady progress in a context of uncertainty

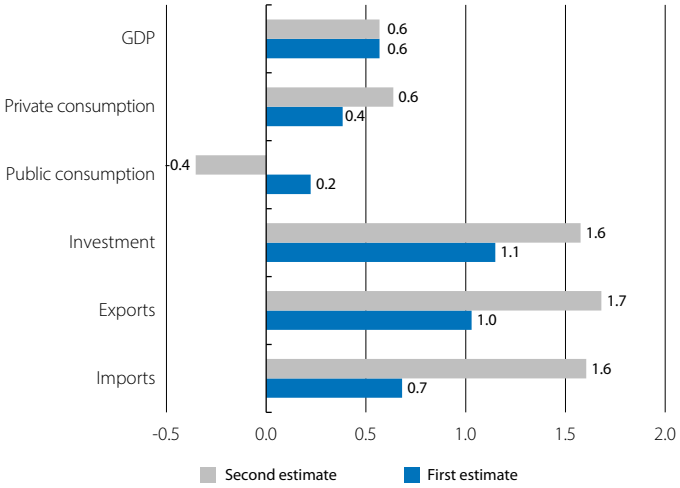
The Spanish economy continues to perform well despite a context of high uncertainty. Despite the trade tensions stemming from the US' tariff policy and the geopolitical conflict between Israel and Iran, the economic activity indicators have shown significant buoyancy, suggesting a solid performance in Q2. In addition, the revision of the GDP figure for Q1 did not change the good aggregate result (0.6% quarter-on-quarter), but it did lead to significant revisions in the components, reflecting a robust composition of this growth. Specifically, the revised figures reveal that it was sustained by private consumption (0.6% quarter-on-quarter growth), investment (1.6% quarter-on-quarter) and the foreign sector, with exports growing by 1.6% quarter-on-quarter (very similar to the growth of imports), driven by the strength of non-tourism services.

Domestic demand is showing particular strength, although pockets of uncertainty persist. Looking ahead to the coming quarters, we expect domestic demand to play a predominant role in economic growth, driven by the reduction of interest rates, a certain recovery of purchasing power, the traction of European Next Generation funds and the strength of the labour market on the back of population growth. In this scenario, the two main sources of uncertainty are the trade tensions linked to tariffs and developments in the conflict between Israel and Iran. While our current scenario, which forecasts GDP growth of 2.4% in 2025, already incorporates a certain dose of uncertainty linked to the trade tensions, this may well end up having a bigger impact, depending on how these two pockets of uncertainty evolve over the coming months. With regards to the escalation of the conflict between Israel and Iran, the uncertainty is high, but at the close of this report, all the indicators are pointing to a gradual de-escalation of the conflict. The probability of the Strait of Hormuz being closed has been reduced, and this has contributed to a slight correction in the oil price, which is not unfavourable for our economy: Spain has to import almost all the oil it consumes. Consequently, cheap oil is a clearly positive factor for the Spanish economy.

The good economic activity data for Q2 and a thriving labour market point to another highly dynamic quarter. The indicators related to employment and consumption have been positive in Q2. Employment growth, measured by the number of registered workers affiliated with Social Security, remained robust and increased in Q2 by 0.6% quarter-on-quarter (corrected for seasonality), matching the rate of the previous quarter. In addition, the total number of affiliates reached 21,861,095 workers, marking a new record and standing 468,206 above the level of a year ago. On the

Spain: GDP and its components

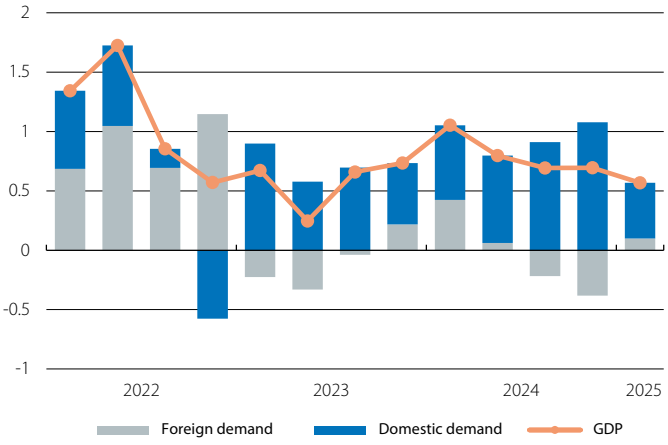
Quarter-on-quarter change in Q1 2025 (%)



Source: *CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).*

*Spain: contribution to quarterly GDP growth **

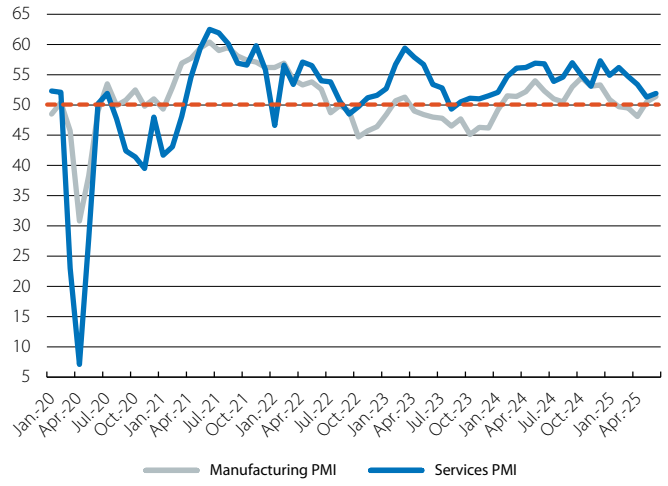
(pps)



Note: ** In Q1 2025.*
Source: *CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).*

Spain: PMI

Level



Source: *CaixaBank Research, based on data from S&P Global PMI.*

other hand, the CaixaBank Research Monitor's domestic consumption indicator has shown higher year-on-year growth rates in Q2 than in Q1. As for the business sentiment indices, June was a good month: the manufacturing PMI once again stood in expansive territory (above 50 points) for the second consecutive month, specifically at 51.4 points, exceeding the 50.5 points recorded in May. The services PMI, meanwhile, stood at 51.9 points in June, slightly above the 51.3 points recorded in May. Considering the available data as a whole, quarter-on-quarter GDP growth in Q2 could be around 0.5%. The first estimate for Q2 GDP will be published on 29 July, after the close of this edition.

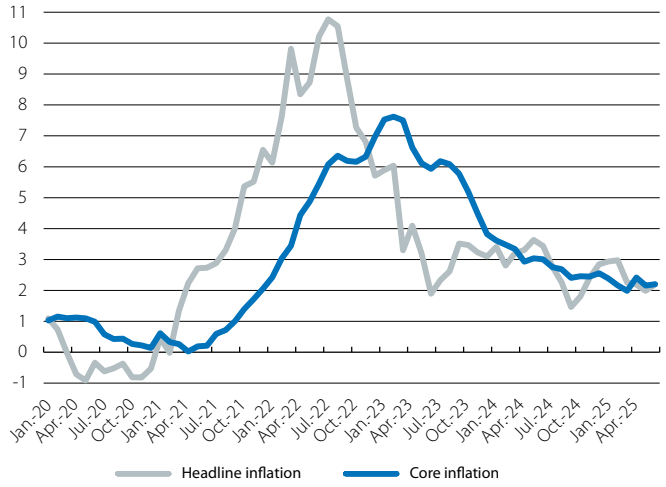
Slight upturn in inflation in Spain, marked by the increase in fuel prices. Headline inflation rose 0.2 pps in June, to 2.2%. This increase was mainly due to the rise in fuel prices observed following the escalation of the conflict between Iran and Israel – although prices have moderated following the signing of a cease fire – and, to a lesser extent, the rise in food and soft drink prices. Thus, headline inflation has picked up again after three months of declines, although core inflation has remained stable at 2.2%. There are some upside risks to the inflation forecast of 2.4% for 2025, due to this rise in fuel prices and a steeper than expected increase in food prices, especially unprocessed food.

Households' gross disposable income remains buoyant in the opening months of 2025, although it is slowing, while the savings rate is declining slightly due to stronger consumption. Households' nominal gross disposable income grew by 5.1% year-on-year in Q1. This is a significant growth rate, thanks largely to the strength of the labour market, but it is more contained than that of 2024 (8.7% for that year as a whole). This growth was lower than that of households' final consumption expenditure (7.1% year-on-year), resulting in a 0.6-pp reduction in the savings rate (static and seasonally adjusted figure), which stood at 12.8% of gross disposable income.

The rally in the real estate market takes hold. Between January and April, there were 237,458 home sales, representing year-on-year growth of 15.9% and the best start to the year since 2007. This strong demand is being felt in increasing pressure on prices. Thus, the appraisal value of housing published by the Ministry of Housing and Urban Agenda increased by 9.0% year-on-year in Q1 2025, accelerating from the 7.0% registered at the end of 2024. At the regional level, this growth rate varies widely. Andalusia was the only region to register a price correction (–0.5% year-on-year), while the highest price increases occurred in Galicia, the Valencian Community and Castilla-La Mancha (increases in the range of 11%-14% year-on-year).

Spain: CPI

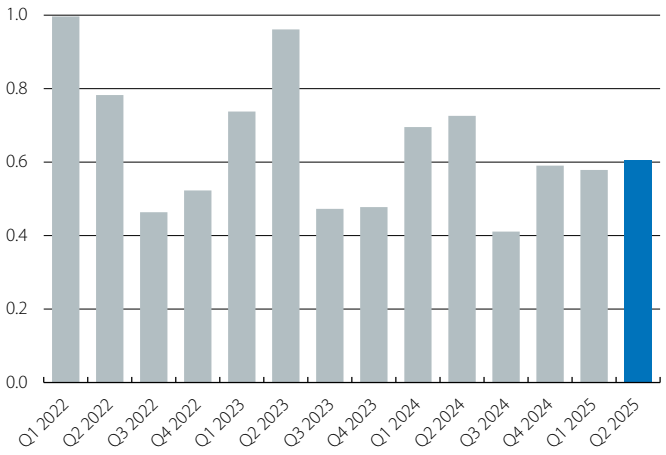
Year-on-year change (%)



Source: *CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).*

Spain: registered workers affiliated with Social Security

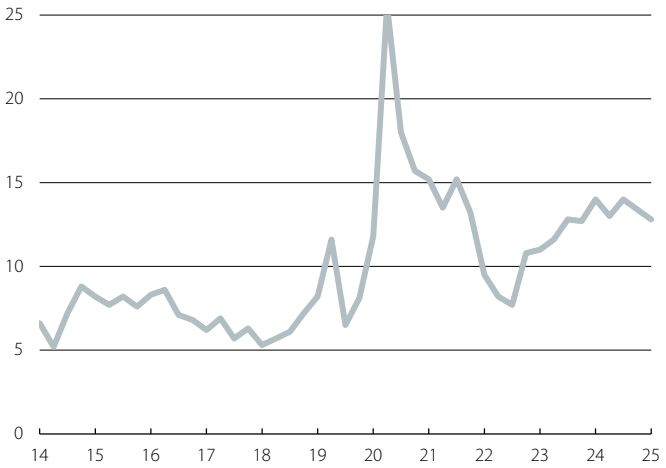
Quarter-on-quarter change (%)



Note: *Seasonally adjusted series.*
Source: *CaixaBank Research, based on data from the Ministry of Inclusion, Social Security and Migration (MISSM).*

Spain: household savings rate

(% of gross disposable income)



Note: *Quarterly static data based on the series corrected for seasonality and calendar effects.*
Source: *CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).*

Has the recent pattern of employment growth in Spain favoured productivity growth?

Recent changes in the pattern of employment growth

The Spanish economy has experienced strong employment growth since emerging from the pandemic. In seasonally adjusted terms, in April 2025 the number of Social Security affiliates stood 12.8% above the level of December 2019, which is equivalent to an average annual growth of 2.3%.

In the first chart, we show the contribution of each sector to the growth of Social Security affiliates in two periods: between 2013 and 2019, on the vertical axis, and between 2019 and April 2025, on the horizontal axis. The contributions are expressed as a percentage of the total cumulative growth.

As can be seen, since the pandemic Spain has been creating relatively more jobs in public services (education and health), as well as in the tech and professional services sectors. This contrasts with the previous cycle, when trade, manufacturing and other traditional business services (administrative activities) played a greater role.

This change in the structure of employment growth raises a key question: is this new pattern more favourable for an increase in productivity? According to our analyses, the answer is affirmative, albeit with nuances.

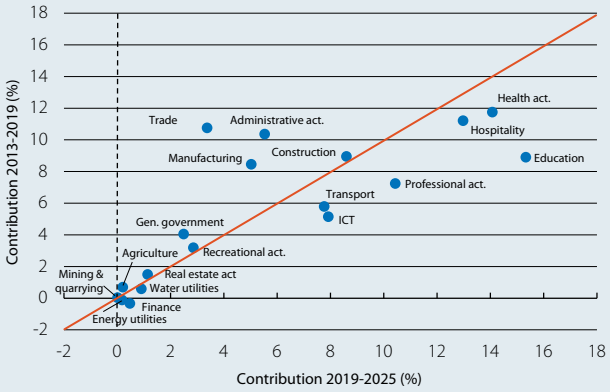
Measuring productivity and composition effect

We measure labour productivity as the real gross value added (GVA) that is generated per hour worked, also known as apparent labour productivity.[1] This metric presents some problems. For instance, capital-intensive sectors will tend to appear to be more productive than employment-intensive ones. However, it has the advantage that it can be calculated directly from national accounting data, so it does not have to be estimated.[2]

1. For a more precise analysis, we have excluded the real estate sector from the calculations, as its GVA is distorted by attributed rents, i.e. the theoretical rental value assigned to owner-occupied dwellings. Since this is a small sector (around 1% of all hours worked) and we only have data corrected for this effect up until 2022, its exclusion allows us to focus on the underlying trend in productivity while also not missing out on recent information.
2. This contrasts with what is perhaps the most accurate measure of productivity, so-called total factor productivity (TFP). This measure is the part of GDP growth that is not explained by the accumulation of factors of production, be it labour, capital, human capital or others. However, TFP has to be estimated, and there is a lot of uncertainty surrounding these estimates.

Spain: Social Security affiliation by sector

Relative contribution (as a % of total growth)



Source: *CaixaBank Research, based on data from the Social Security Institute.*

We have compared the evolution of apparent productivity in three periods:

- Expansion Q1 2000-Q4 2007: productivity per hour increased by just 0.7% in total, representing a mere 0.1% average annual growth.
- Recovery Q4 2013-Q4 2019: productivity grew by 3.8% in total, equivalent to an annual average of around 0.6%.
- Recent period Q4 2019-Q1 2025: productivity amassed an increase of 2.5%, equivalent to 0.5% annually.

At first glance, the rate of productivity growth in the current cycle is similar to that of the period 2013-2019. However, in order to better understand the relationship between employment and productivity, we need to look at where that productivity growth comes from. To this end, we have broken down its increase into two components.

- Intensive margin: increased productivity within each sector, while maintaining the sectoral structure of employment. This reflects improvements in efficiency, technology or human capital in the companies within each sector.
- Composition effect: increased productivity due to changes in the distribution of total employment across the various sectors, maintaining the productivity of each sector constant. This reflects the impact of workers relocating between more or less productive sectors.

In this article we focus on the composition effect. The second chart shows the magnitude of this effect in the

various periods in question. The chart reveals several important points. Firstly, the composition effect has been negative in all three periods analysed. In all the recent expansionary cycles, the change in the structure of employment has subtracted some growth from productivity.

Secondly, the penalty due to the change of composition was particularly pronounced between 2000 and 2007. In contrast, in the two subsequent cycles (2013-2019 and 2019-2025), the negative composition effect has been much smaller, and practically equal in magnitude in both cases. This implies that the recent pattern of job creation has been «similar» to that of the previous cycle, in that the slowdown in productivity growth caused by sectoral changes has been very limited in comparison with periods further in the past.

Given the importance of the education and health sectors in the current cycle, and bearing in mind that these sectors are dominated by the public sector and therefore do not generally operate at market prices, it is also interesting to replicate the analysis focusing on market sectors. If we exclude from the analysis the predominantly public branches of the economy, the result changes slightly. The composition effect in the period 2013-2019 worsens by 0.1 pp, while in 2019-2025 it improves by 0.1 pp. Thus, the negative contribution of the composition effect in the recent period becomes half that noted for the period 2013-2019.

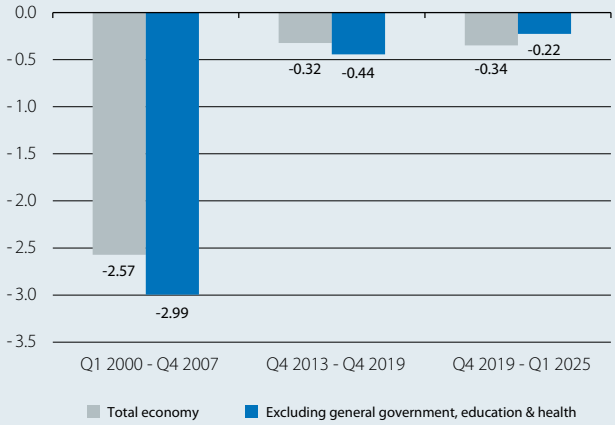
Which sectors are driving up productivity or slowing it down?

Understanding the «why» behind a slightly negative composition effect in the recent phase requires us to identify which sectors have seen their proportion of total employment increase or decrease and what their level of productivity is. To this end, we use a third bubble chart which plots, for each sector, its labour productivity on the vertical axis and, on the horizontal axis, the change in its share of total employment between Q4 2019 and Q1 2025. In this chart, the size of the bubble measures the absolute contribution of each sector to the composition effect, which is the result of multiplying the change in its share of the total by the productivity of that sector. A large bubble thus indicates that the sector has greatly influenced the composition effect, due to a combination of a change in its relative size and and its productivity level. The horizontal red dashed line marks the national average productivity to facilitate comparisons.

Three sectors stand out in the recent phase due to the increase in their share of total employment. The general government, education and health sector has registered a sharp increase in the proportion of total employment it represents, but its productivity is approximately in line with the national average. The ICT sector has

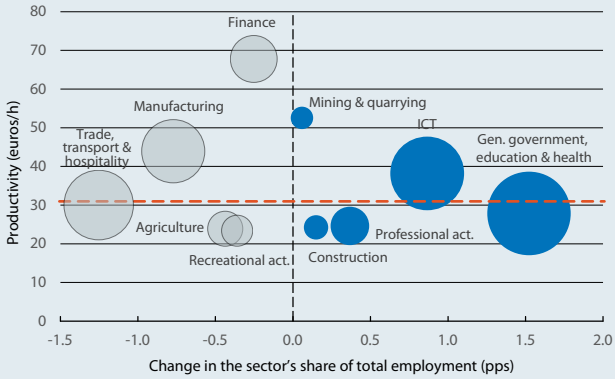
Spain: composition effect

Contribution to productivity growth (pps)



Source: *CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).*

Spain: sectoral breakdown of the contribution to employment growth between Q4 2019 and Q1 2025



Source: *CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).*

experienced a marked increase in its share of employment and is characterised by productivity above the national average. This sector thus provides a significant positive composition effect, as employment is growing in a sector in which every hour worked contributes a great deal of value added. Finally, the professional, scientific and technical activities sector, although to a lesser extent than the aforementioned ones, also saw its share of total employment increase. However, and perhaps counter intuitively, this sector has a low apparent labour productivity, possibly because it is not a capital-intensive sector, so its contribution to the composition effect is limited.[3]

3. With data from 2022, the professional, scientific and technical activities sector has a net capital stock per hour worked of 45.7 euros, compared to the national average of 155 euros, making it the third lowest sector in the ranking (according to the National Classification of Economic Activities [CNAE] at the 1-digit level of detail).

Among the sectors that have seen their share of total employment decrease in this period, three also stand out. Trade, transportation and hospitality, which saw its share of total employment drop sharply in the wake of the pandemic but has a productivity level similar to the national average. The manufacturing industry has also seen its share of employment decline. Given that manufacturing has above-average productivity, this decline results in a particularly negative contribution to aggregate productivity. Finally, the financial sector, which has a high apparent productivity, has also seen its share of total employment shrink.

Conclusions

The evidence shows that the sectoral pattern of job creation since 2019 has been slightly more benign for productivity than that of the 2013-2019 cycle, and far higher than the expansion of the 2000s. This does not mean that productivity is growing rapidly – its gains remain modest, at around 0.5% per year on average – but rather that the distribution of new jobs is at least not weighing down average productivity, as has been the case in the past.

If we focus on the most recent period, the most dynamic sectors in terms of job creation belong to both the public sphere (education and health) and that of private technology (ICT) and specialist services (professional activities), and their combined evolution has managed to largely offset – albeit not entirely – the adverse effect of the loss of employment in traditionally productive sectors such as industry and finance.

Oriol Carreras Baquer

Is technology and complexity exported from Spain?

Geopolitical tensions and the uncertainty surrounding foreign demand force us to reassess the strengths and weaknesses of exports in the Spanish economy. To do so, it is essential to analyse what we export, how diversified our range of products is, as well as how competitive it is. To improve our understanding, in this article we will analyse the complexity of the products that are exported, as well as their technological intensity, two key variables for assessing the competitiveness of our exports.

A useful tool for evaluating the resilience of our exports to external shocks is economic complexity. Economic complexity is an indicator that measures the diversity and sophistication of what a country produces and exports. A country with a high economic complexity index (ECI) tends to produce many different products, especially goods that few other countries can produce, and it is an indicator of a highly knowledgeable economy. On the contrary, a low ECI means that the country exports few products and that they are generally common in nature (i.e. many other countries also produce them), reflecting lower diversity and sophistication in its production apparatus. Greater export complexity is associated with better growth prospects and greater resilience in the face of global turbulence.[1,2]

Like two sides of the same coin, we can also define the economic complexity of a particular product, rather than that of a country, using the product complexity index (PCI). The PCI measures a product's sophistication based on the complexity of the countries that trade it and how many can export it. In this article, we will use both perspectives (both the ECI and the PCI).

To enrich this analysis, we also incorporate a technological perspective. To this end, we link each exported product with the economic activity that generates it using a correlation table produced by the OECD.[3] This perspective allows us to answer the question: to what extent are our exports intensive in manufacturing sectors that are considered high-tech? In contrast with the ECI, the technological level of exports is determined by measuring the effort in R&D and the technology incorporated into industries. Thus, as shown, pharmaceutical and aerospace products are examples of high-tech goods, while textile products would fall into the low-tech category. This dual perspective (complexity and technological content) will allow us to paint a more in-depth picture of Spain's foreign competitiveness.

What are we competitive in?

In order to assess the positioning of Spanish exports, we sorted products according to three key dimensions: their complexity, our revealed competitiveness and their technological content. The *Atlas of Economic Complexity*[4] provides detailed data on the complexity of Spanish exports (PCI) and on Spain's market share for each product. We consider a product to be complex if its complexity index, which we rescale to take values between 0 and 100, exceeds 50 points. Also, based on the market share of exports we calculate the revealed comparative advantage, which tells us whether a country exports relatively more of a particular product compared to other countries.[5] According to this metric, a country is competitive in a given product if the index is greater than 1, or 0 if we take the index logarithm, as is our case.

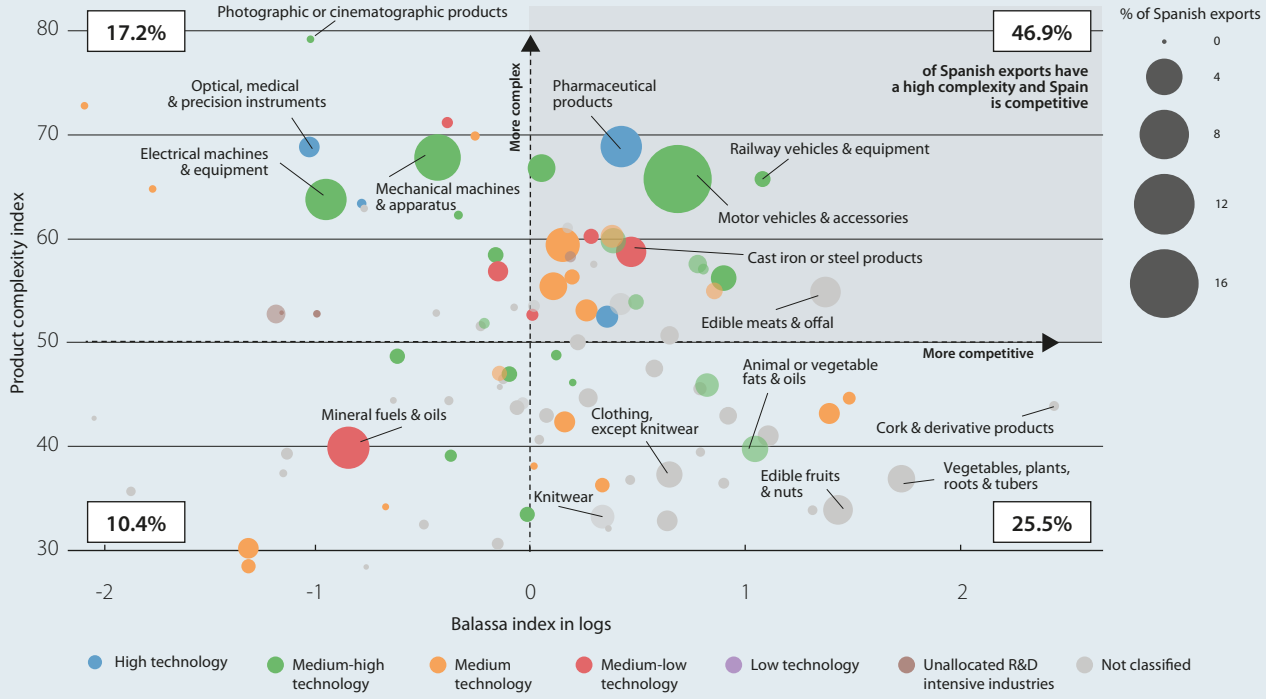
We show the constellation of products we export classified according to these three dimensions in the first chart. The vertical axis shows the products' degree of complexity; the horizontal one, the revealed competitiveness, and the colour of each bubble, the technological content. Finally, the size of the bubble shows what share of Spain's total exports each product represents.

46.9% of Spanish exports correspond to highly complex products in which Spain has a clear competitive advantage. In addition, many of these products incorporate a high technological content, as can be seen in the chart, where they are represented by blue and green dots. The automotive sector is a strong point of Spanish exports. These are products with a high complexity and medium-high technological content. Exports of motor vehicles and accessories represent 16.7% of Spain's total exports. Although it represents a smaller portion of Spanish exports, at 5.4%, the pharmaceutical sector also stands out and is associated with highly complex and high-tech products.

1. See, for example, C.A. Hidalgo and R. Hausmann (2009). «The building blocks of economic complexity». Proceedings of the National Academy of Sciences, 106(26), 10570-10575. D. He, Y. Tang, L. Wang and M. Mohsin (2023). «Can increasing technological complexity help strengthen regional economic resilience?». Economic Change and Restructuring, 56(6), 4043-4070. And R. Hausmann *et al.* «The Atlas of Economic Complexity: Mapping Paths to Prosperity». The MIT Press, 2014.
2. See C. Canals and J. Montoriol «La complejidad de las exportaciones y la calidad del empleo», Spanish Economy Papers 158 (2018): 116, which shows that, in the case of Spain, the industries and autonomous communities with more complex exports tend to generate more stable employment.
3. We use the correspondence developed by the OECD between the Harmonized System (HS) for internationally traded products, in its 2012 version, and the economic activities defined in the BTDIxE database (Bilateral Trade Database by Industry and End-use category).
4. The Atlas of Economic Complexity.
5. More specifically, we use the Balassa index, which measures the ratio between the proportion of a country's exports of a particular product/service relative to its total exports over the proportion of all countries' exports of this product/service relative to total global exports.

Competitiveness, complexity and technology of Spanish exports

TARIC chapters in the sphere of competitiveness and complexity, 2023



Note: *The Balassa index is presented in logarithms; positive values indicate a revealed comparative advantage (competitiveness). The technological classification is based on correspondence to TARIC groups at the 2-digit level, assigning the predominant technology by exported value (more than 40%).*

Source: *CaixaBank Research, based on «The Atlas of Economic Complexity», 2023, and internal calculations.*

However, Spain is also highly competitive in exports with a low complexity and medium or low technology content, especially in the agricultural sphere,[6] such as fruits and vegetables. Some products are clearly distinctive of the country, such as animal or vegetable fats and oils, which include treated oils for technical or industrial use (classified as medium-high technology).[7] Cork and derivative products also stand out, with Spain accounting for 20.1% of global exports. In total, low-complexity exports in which Spain is competitive represent 25.5% of the total exported.

Also, 17.2% of Spanish exports are concentrated in highly complex products in which, however, Spain still does not have a clear competitive advantage. This group includes products that already represent a significant proportion of the total exported, indicating there is some margin for improvement in terms of competitiveness. This is the case of electrical machinery and equipment (7.2% of Spanish exports), as well as mechanical machines and apparatus (5.6%). Also of note are optical, medical and precision instruments, which are high-tech and highly complex products. These sectors, located in the upper left-hand section of the chart, represent an area with a high potential for industrial and technological development in Spain.

Thus, in Spain, 64.1% of exports in 2023 corresponded to complex products, of which 76.2% were competitive. Moreover, 10.8% of Spanish exports were related to high-tech activities.[8] These figures, although positive, require context.

European comparison: where does Spain lie?

Compared to other large European economies (Germany, France, Italy and Portugal), Spain still has margin for improvement. In the second chart, we show the percentage of each country's exports that are classified as complex, as having a high technological content and those that are also considered competitive. As we can see in the chart, Spain ranks at the tail end of the group in terms of the percentage of exports considered high-tech, and it is second from the bottom in the proportion of complex exports. In the percentage of exports that are competitive and complex, it performs somewhat better and ranks above France and Portugal, but below Italy and Germany.

Even so, Spain is the only economy in the group that has increased its competitiveness in complex exports since 2019. In addition, together with Italy and Portugal, it has increased the percentage of exports classified as high-tech, as well as its market share for this type of exports.

6. The classification of technological intensity does not include agricultural products.
7. Other types of oils are not considered technology-intensive.
8. These data may differ from those published by Eurostat. The difference is due to the limitations of assigning an activity to the products classified according to HS 12.

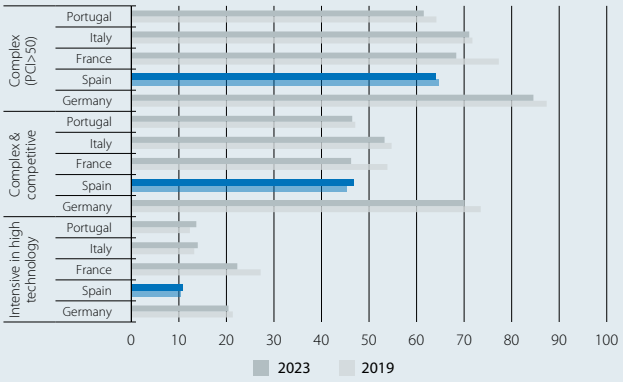
This contrasts with the fall in the complexity of products exported by the main European economies.

If we analyse the ECI rather than looking at the complexity of specific products, we see a downward trend among the major European economies that goes back to the financial crisis (see third chart). However, since 2019, both Spain and Portugal have improved their positions in the ranking. Spain has gone from 39th to 34th place and Portugal has improved from 47th to 37th place. In contrast, Germany, which in 2019 ranked fifth (and between 1995 and 2016 had remained in the top 4), has fallen to sixth place in 2023. France is down four positions and ranks 23rd, below Italy, which itself has fallen two positions and stands at 19th.

Anna Bahí Esteba

Complexity, competitiveness and technology in the exports of the main European economies

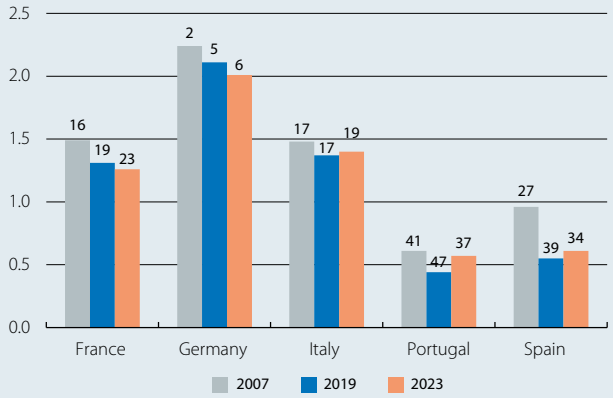
(% of the country's exports, 2023)



Source: *CaixaBank Research, based on data from «The Atlas of Economic Complexity», 2023, and internal calculations.*

Economic complexity index and ranking of European countries

(Index on the left-hand scale, ranking in the labels)



Source: *CaixaBank Research, based on data from «The Atlas of Economic Complexity», 2023, and internal calculations.*

The economic impact of the blackout in detail

In this article, we expand on the Brief Note assessing the economic impact of the blackout on 28 April, published on our website a few days after the entirety of mainland Spain was left without electricity. Based on aggregated and anonymised data on payments and cash withdrawals carried out with cards issued by CaixaBank, we have estimated the economic impact and taken a cross-section of that impact by sector and autonomous community region.

The analysis of CaixaBank data reveals that the blackout on 28 April caused a 34% fall in consumption spending by Spanish households that day, as a result of the contraction of consumption via the main payment methods: in-person card spending, cash withdrawals and e-commerce.[1] However, in the days that followed, a significant rebound effect was observed: spending increased above normal levels, suggesting that some of the lost consumption was shifted to the following days.[2] Overall, we estimate that over half of the spending not carried out on the day of the blackout was recovered in the next two days, reducing the net impact to a 15% drop in the spending expected for that Monday. This figure is the result of comparing the pattern of in-person card spending, cash withdrawals and online consumption on the day of the blackout and on the days that followed with the usual spending pattern on Mondays, and with the spending observed in areas where there were no power cuts.

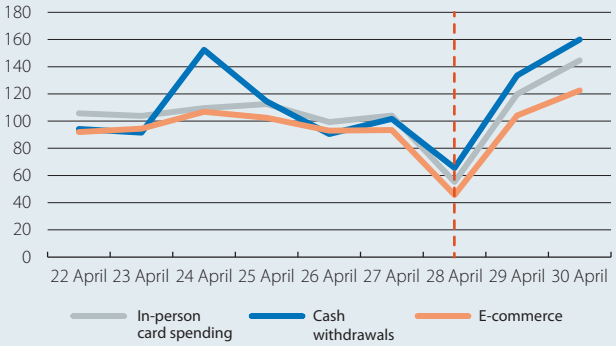
From a macroeconomic perspective, the blackout had a limited effect on economic activity. According to our estimate, it caused a 15% drop in household consumption. Given that this component represents approximately 55% of GDP, this contraction would amount to an 8% reduction in the day's GDP.[3] At the quarterly level, the net effect on GDP in Q2 is estimated to be less than 0.1 percentage points, or less than 400 million euros.[4] This figure suggests that, while the blackout had a significant economic cost in the short term, its impact on quarterly growth will be marginal.

Impact of the blackout on the different forms of payment

The impact of the blackout on household consumption was different for each payment method on Monday 28 April and the two days thereafter. We estimate that the impact of the blackout on in-person card spending carried out by Spaniards in mainland Spain was 42%. This result is obtained by comparing the differing patterns of in-person spending on the 28th throughout the mainland compared to the rest of the country.[5] Given that in-person spending usually follows a very similar pattern in the two territories, we use this differential as an approximation of the impact on in-person spending.[6] In the two days after the blackout, in-person spending by card on the mainland was greater than the benchmark

Pattern of spending in mainland Spain by payment method

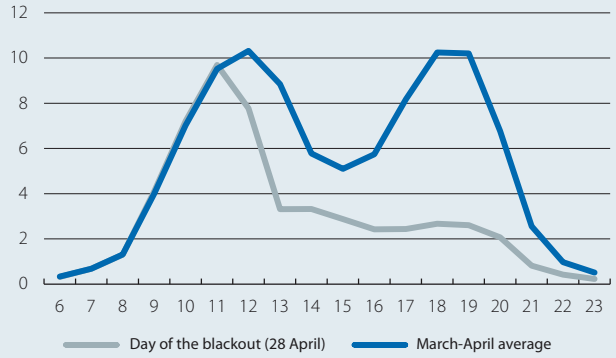
Index (100 = average turnover on the same day of the week)



Note: *The value of 100 corresponds to the average turnover on the same day of the week between 1 March and 25 April. For example, the index of 55 for in-person spending on Monday 28 April means that cash withdrawals on that day were 45% lower than on an ordinary Monday in March and April.*
Source: *CaixaBank Research, based on internal data.*

In-person spending with domestic cards by time of day in mainland Spain on the day of the blackout

Hourly spending relative to the daily average (%)



Note: *Percentage of spending carried out in one hour relative to the daily average of all other Mondays in March and April 2025. For example, on 28 April the spending at 8pm corresponded to 2% of the total turnover on an average Monday, instead of the usual 7%.*
Source: *CaixaBank Research, based on internal data.*

1. We did not find a significant impact of the blackout on consumption through direct debit charges or transfers.
2. Part of the expenditure in the following days, particularly cash withdrawals, could also be driven by people accumulating additional cash as a precaution.
3. In this analysis, we assume that the rest of the components of GDP (public consumption, investment, exports and imports) were not affected by the blackout.
4. Equivalent to 0.02 pps of annual GDP growth.
5. Specifically, we conducted a differences-in-differences exercise comparing the differing pattern of in-person card spending in the two territories on the day of the blackout with the average for all Mondays between 1 March and 25 April.
6. In Spain as a whole, the impact of the blackout on in-person card spending was 39%.

level indicated by the regions that did not experience the power cut.[7] Taking this rebound into account, the impact of the blackout is reduced to an estimated drop of 18% in consumption on the mainland on the day of the blackout.

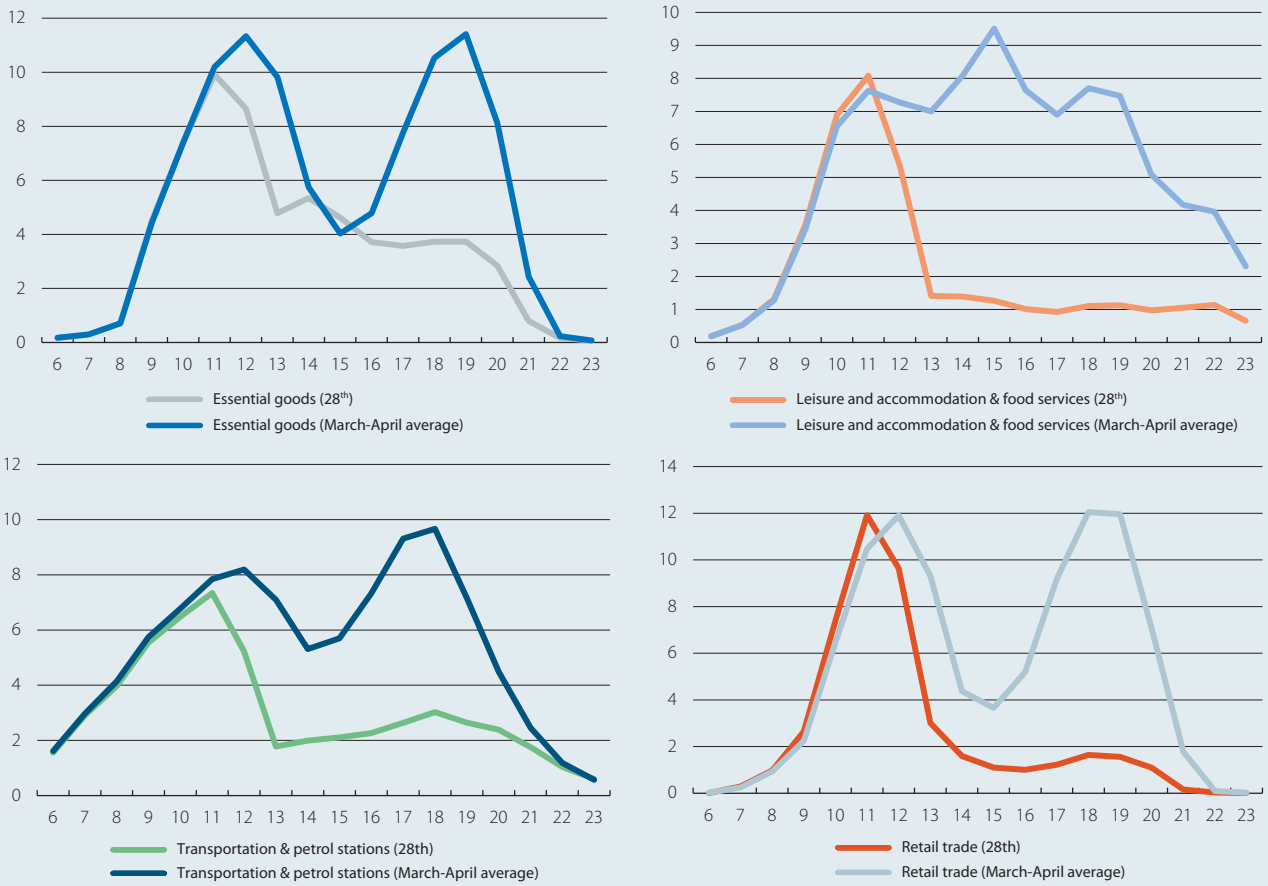
E-commerce spending by Spaniards fell compared to a normal day, both on the mainland and in the rest of the country, in the latter case probably because servers located on the peninsula were down. Taking into account the fall in both territories and apportioning each region according to its relative weight in GDP, the fall in online spending generated by the blackout is around 54% in Spain as a whole. The recovery in the two days after the blackout places its net impact at a fall of 28%.

Cash withdrawals by Spaniards on the mainland fell 34% relative to the average level on Mondays in the months of March and April 2025.[8] For this payment method, we take the usual average level of cash withdrawals in March and April as a benchmark, since on the day of the blackout there was an increase in cash withdrawals outside the mainland, for precautionary reasons, which does not allow us to make a comparison between the two territories. In the two days following the blackout, cash withdrawals were also higher than usual, in part to normalise cash holdings. In this case, we assume that cash spending recovered in line with that observed in the case of in-person spending, which places the net impact of the blackout at a fall of 15%.

Thus, taking into account the estimated decrease in spending with the three payment methods described, together with the fact that expenditure via transfers and direct debit charges did not suffer a material impact, we estimate that total spending throughout Spain on the day of the blackout was 34% below what could be expected for that day.[9] In the two days after the blackout, the rebound in consumption compensated for almost half of the decline observed that day, bringing the net fall in total spending across Spain to 15% compared to the expected level.

In-person spending with domestic cards by time of day and by sector in mainland Spain on the day of the blackout

Hourly spending relative to the daily average (%)



Note: *Percentage of spending carried out in one hour relative to the daily average of all other Mondays in March and April 2025.*
Source: *CaixaBank Research, based on internal data.*

7. From 1 May, the differences in the spending pattern of the two territories are reduced to a minimum, so we define the end of the rebound as occurring on 30 April.
8. In Spain as a whole, the impact of the blackout on cash withdrawals was 32%.
9. We apportion the fall in consumption via each payment method according to their relative weight in total consumption.

Impact of the blackout in detail: by time of day, economic sector and autonomous community

Zooming in on the impact of the blackout by the hour, by economic sector and by autonomous community region reveals stark differences across the country. The pattern of hourly consumption on an ordinary day shows two peaks: around 12 noon and between 6pm and 7pm. The pattern of in-person card spending on the mainland was practically the same as the average for Mondays in March and April in the hours prior to the blackout. However, from 12:30pm onwards, there was a sharp drop in consumption via this payment method, and it did not recover in the remainder of the day.

The pattern of hourly consumption also allows us to understand the differential impact between the various sectors. The differences between sectors can be explained both by the magnitude of the initial fall and by the extent of the recovery observed after 6pm. In the case of essential goods, the impact was 34%, the lowest among all sectors, since the initial fall was more moderate and because in the evening spending stabilised at a higher level than in other sectors.[10] On the other hand, spending on leisure and on accommodation and food services suffered the biggest decline, at 52%, partly because there was no recovery in the evening.

It should be noted that we cannot observe cash payments in business establishments, so the actual impact observed in the different sectors could have been lower.

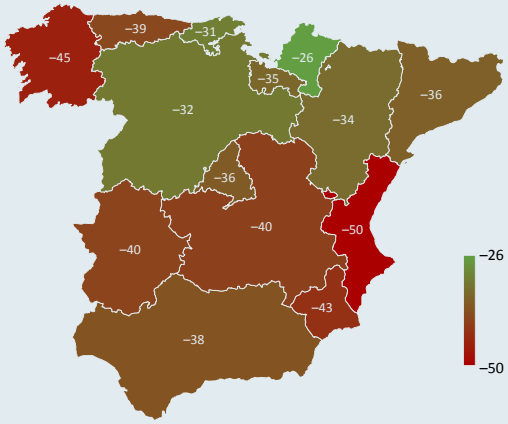
The blackout caused a widespread drop in consumption in all autonomous communities, although its impact varied.[11] As we can see in the last chart, on the 28th, consumption fell by 30-40% in most regions. The rebound in the following two days compensated for part of the drop in consumption observed on 28 April in all autonomous communities, albeit to differing degrees. Some regions in the central and north-eastern part of the country recovered more than 60% of their consumption in the following two days, while Galicia, for example, recovered just 30% of the consumption lost that day.

In short, the analysis of transaction data has allowed us to estimate, with a low latency, the economic impact of the blackout on 28 April, revealing a significant but transient fall in consumption. The rapid recovery of spending in the days that followed shows how the adaptive capacity of both households and the productive sectors has helped to limit the event's macroeconomic impact. This type of analysis reinforces the value of real-time data for quickly assessing unexpected events and their impact on economic activity.

Zoel Martín Vilató and Josep Mestres Domènech

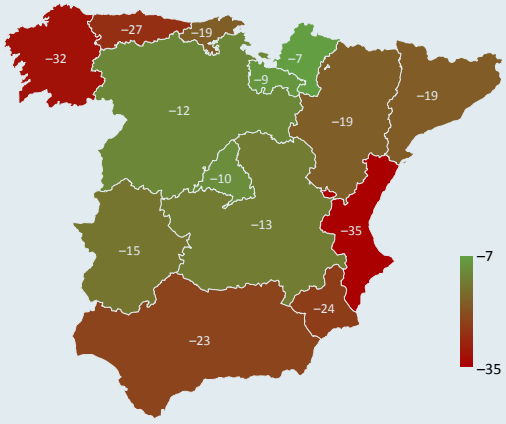
Impact of the blackout on consumption by region on 28 April

Change (%)



Impact of the blackout on consumption by region from April 28 to 30

Change (%)



Note: *The impact of the blackout by region (autonomous community) is obtained by comparing the differing pattern of spending in each region compared to those outside the mainland (differences in differences), in the case of in-person card spending; and compared to the average of all Mondays between 1 and 25 April (excluding regional holidays), in the case of cash withdrawals and e-commerce spending.*
Source: *CaixaBank Research, based on internal data.*

10. The impact of the blackout by sector is obtained by comparing the differing patterns of in-person spending in each sector on the 28th in mainland Spain with respect to the rest of the country. Excludes e-commerce spending and cash withdrawals. See footnote 5.
11. The impact of the blackout at the regional level is calculated by applying the same methodologies described above in each of the three payment methods, but excluding regional holidays and using in each case the turnover corresponding to each autonomous community.

Activity and employment indicators

Year-on-year change (%), unless otherwise specified

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	04/25	05/25	06/25
Industry									
Industrial production index	–1.6	0.4	0.0	–0.2	1.3	–0.7	0.6	1.7	...
Indicator of confidence in industry *(value)*	–6.5	–4.9	–5.6	–2.9	–6.0	–5.4	–4.3	–5.1	–6.3
Manufacturing PMI *(value)*	48.0	52.2	52.8	51.5	53.6	50.0	48.1	50.5	51.4
Construction									
Building permits *(cumulative over 12 months)*	0.5	16.7	4.6	10.2	16.7	20.1	14.5	...	...
House sales *(cumulative over 12 months)*	–10.2	9.9	–10.1	–1.2	9.9	17.2	15.3	...	...
House prices	4.0	8.4	7.8	8.2	11.3	12.2	...	...	...
Services									
Foreign tourists *(cumulative over 12 months)*	18.9	10.1	14.2	12.3	10.1	8.1	8.3	7.3	...
Services PMI *(value)*	53.6	55.3	56.6	55.2	55.1	55.3	53.4	51.3	51.9
Consumption									
Retail sales[1]	2.5	1.8	0.4	2.6	2.9	3.3	4.1	4.8	...
Car registrations	16.7	7.2	8.5	1.7	14.4	14.0	7.1	18.6	15.2
Economic sentiment indicator *(value)*	100.5	103.0	102.6	105.5	101.5	103.3	103.7	103.4	102.0
Labour market									
Employment[2]	3.1	2.2	2.0	1.8	2.2	2.4	...	...	...
Unemployment rate (% labour force)	12.2	11.3	11.3	11.2	10.6	11.4	...	...	...
Registered as employed with Social Security[3]	2.7	2.4	2.4	2.3	2.4	2.3	2.3	2.2	2.2
GDP	**2.7**	**3.2**	**3.3**	**3.3**	**3.3**	**2.8**	**...**	**...**	**...**

Prices

Year-on-year change (%), unless otherwise specified

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	04/25	05/25	06/25
General	3.5	2.8	3.5	2.2	2.4	2.7	2.2	2.0	2.2
Core	6.0	2.9	3.0	2.6	2.5	2.2	2.4	2.2	2.2

Foreign sector

Cumulative balance over the last 12 months in billions of euros, unless otherwise specified

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	04/25	05/25	06/25
Trade of goods									
Exports *(year-on-year change, cumulative over 12 months)*	–1.4	0.2	–4.9	–1.8	0.2	3.3	1.7	...	...
Imports *(year-on-year change, cumulative over 12 months)*	–7.2	0.1	–7.1	–3.1	0.1	4.2	2.5	...	...
Current balance	**39.8**	**48.7**	**45.1**	**48.3**	**48.7**	**44.3**	**44.6**	**...**	**...**
Goods and services	58.8	68.8	65.2	68.3	68.8	64.4	65.2	...	...
Primary and secondary income	–19.1	–20.0	–20.2	–20.0	–20.0	–20.1	–20.6	...	...
Net lending (+) / borrowing (–) capacity	**56.0**	**67.1**	**61.2**	**65.7**	**67.1**	**63.5**	**63.8**	**...**	**...**

Credit and deposits in non-financial sectors[4]

Year-on-year change (%), unless otherwise specified

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	04/25	05/25	06/25
Deposits									
Household and company deposits	0.3	5.1	5.2	4.3	5.1	4.6	4.9	5.4	...
Demand and notice deposits	–7.4	2.0	–1.9	–1.6	2.0	3.1	4.7	5.8	...
Time and repo deposits	100.5	23.5	68.0	47.5	23.5	12.6	6.5	3.6	...
General government deposits[5]	0.5	23.1	–4.1	14.8	23.1	24.4	20.6	20.4	...
TOTAL	**0.3**	**6.3**	**4.5**	**5.1**	**6.3**	**5.9**	**6.0**	**6.4**	**...**
Outstanding balance of credit									
Private sector	–3.4	0.7	–1.3	–0.3	0.7	1.7	2.1	2.4	...
Non-financial firms	–4.7	0.4	–1.8	–0.6	0.4	1.6	2.1	2.7	...
Households - housing	–3.2	0.3	–1.5	–0.7	0.3	1.4	1.8	2.0	...
Households - other purposes	–0.5	2.3	0.7	1.2	2.3	3.1	2.8	3.0	...
General government	–3.5	–2.6	–2.7	–5.4	–2.6	–0.3	1.0	3.4	...
TOTAL	**–3.4**	**0.5**	**–1.4**	**–0.7**	**0.5**	**1.6**	**2.0**	**2.5**	**...**
NPL ratio (%)[6]	**3.5**	**3.3**	**3.4**	**3.4**	**3.3**	**3.2**	**3.2**	**...**	**...**

Notes: *1. Deflated, excluding service stations. 2. LFS. 3. Average monthly figures. 4. Aggregate figures for the Spanish banking sector and residents in Spain. 5. Public-sector deposits, excluding repos. 6. Data at the period end.*

Sources: *CaixaBank Research, based on data from the Ministry of Economy, the Ministry of Transport, Mobility and Urban Agenda (MITMA), the Ministry of Inclusion, Social Security and Migration (MISSM), the National Statistics Institute (INE), S&P Global PMI, the European Commission, the Department of Customs and Excise Duties and the Bank of Spain.*

Portugal: solid activity, albeit with obstacles ahead

The available indicators for Q2 show a moderately positive performance. The sentiment indicators have recorded a steady increase over the course of the quarter, and the ESI, published by the European Commission, stood at 107.4 points in June, indicating a robust expansion of economic activity. The economic activity indicators available up to May also paint a favourable picture. On the consumption side, card transactions (purchases and cash withdrawals) increased by around 7% year-on-year in Q2 (vs. 6% in Q1), while car sales grew by 13.4% (vs. –1.7% in Q1). On the supply side, industrial production recovered in May (+2.6%), after contracting in the opening months of the year (–2.1% in April, –2.3% in Q1). On the foreign trade front, the signals reveal a slowdown since April. In this area, uncertainty and weak growth in Portugal's main trading partners are likely to continue to put pressure on the outlook for the foreign sector.

Inflation rose in June, while the labour market continues to perform better than expected. This marks the third consecutive month of increases in the headline CPI (2.4% in June vs. 2.3% in May), placing it at the same level as the core index (vs. 2.2% in May). Production prices registered their fifth consecutive year-on-year decrease in May (–3.1%), which should continue to exert downward pressure on consumer prices. On the other hand, employment grew by 2.5% year-on-year in the first five months of the year (vs. 1.5% in the same period of 2024) and reached an all-time high, with 65% of the working-age population employed in Q2. The savings rate, for its part, remains close to its historical peak (12.3% of disposable income in Q1) due to stronger growth in nominal income than in consumption. These factors will continue to support consumption and investment.

The tourism sector remains highly dynamic. In May, there were 3.2 million guests, a 2.6% increase year-on-year. This was also accompanied by growth in overnight stays (+1.3% year-on-year), which was driven mainly by resident tourists, whose overnight stays increased by 5.9%, compared with a slight fall among non-residents (–0.2%). Overall, the sector's total cumulative revenues in the year increased by 7.9%, despite the heightened uncertainty, a factor highlighted in the latest sector surveys.

The budget balance improved up to May. The surplus of 0.5% of GDP registered up to May (compared to a deficit of 2.1% to May 2024) is explained by a year-on-year increase of 12.3% in revenues. This increase has been driven above all by social security contributions, as well as by personal income tax and VAT collections, anchored in the strong growth in employment and the positive trajectory of wages, in adition to the reduction of personal income tax and VAT refunds. Without this effect, total revenues would have increased by 10.5% and the budget balance would be in a slight deficit. Meanwhile, expenditures rose by 4.5% due to increased staff costs, current transfers (with pensions) and investment. The slowdown in economic activity and the additional pressures stemming from recent commitments (such as the personal income tax cuts and defence spending) increase the likelihood of the budget balance turning negative in 2025.

Portugal: economic indicators

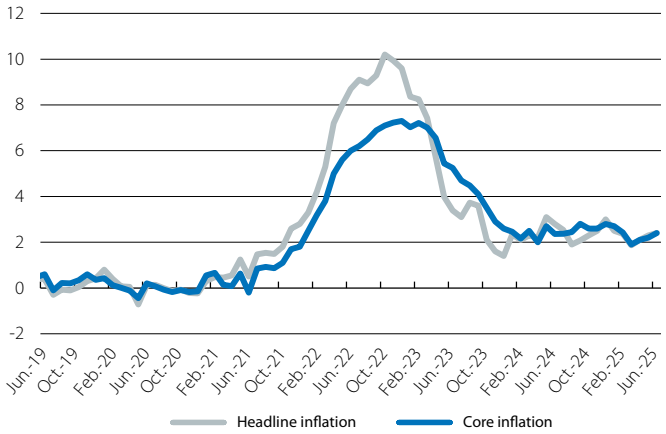
Year-on-year change (unless otherwise indicated)

		Q1 2025	Q2 2025	April 2025	May 2025	June 2025	Last month available
Synthetic indicators	Economic sentiment ind. (level)	104.6	103.8	101.7	105.9	107.4	June
	Daily economic activity ind.	2.2	–0.2	–0.1	–0.2	–0.6	June
Consumption	Wholesale & retail trade	2.9	1.8	0.0	3.6	–	May
	Card purchases & withdrawals *	5.9	6.9	7.1	6.7	–	May
	Car sales	–1.7	13.4	8.2	18.6	14.8	June
Investment	Gross fixed capital formation (GFCF) indicator	2.0	4.2	4.2	–	–	April
	Imports of capital goods	6.6	–5.4	–5.4	–	–	April
Supply	Cement sales	–2.4	–3.8	–5.5	–2.0	–	May
	Industrial production	–2.3	0.2	–2.1	2.6	–	May
Demand	Electricity consumption *	1.9	1.7	3.3	0.0	3.1	June
	Number of non-resident tourists	1.1	4.6	7.5	1.7	–	May
	Number of flights	2.0	5.8	6.4	5.3	4.3	June
Foreign trade	Exports of goods & services (cum. change)	2.8	1.4	1.4	–	–	April
	Imports of goods & services (cum. change)	5.3	4.2	4.2	–	–	April
Labour market	Change in registered unemployment (thousands of people)	9.0	–7.0	–4.7	–9.4	–	May
	Change in employment (thousands of people)	113.8	144.5	157.1	131.8	–	May

Notes: ** Card transactions adjusted for the CPI. Electricity consumption is corrected for temperature and working days.*
Source: *CaixaBank Research, based on various sources.*

Portugal: CPI

Year-on-year change (%)

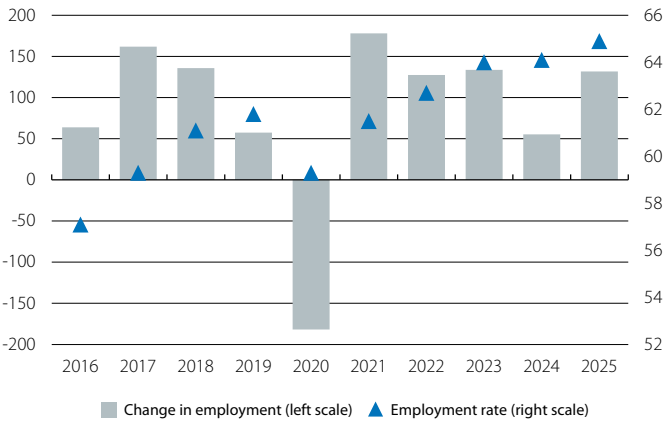


Source: *CaixaBank Research, based on data from the National Statistics Institute of Portugal.*

Portugal: employment

*Year-on-year change (thousands)**

Employment rate (%)



Notes: ** In the months of May. Data adjusted for seasonality.*
Source: *CaixaBank Research, based on data from the National Statistics Institute of Portugal.*

Activity and employment indicators

Year-on-year change (%), unless otherwise specified

	2023	2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	04/25	05/25	06/25
Coincident economic activity index	3.5	1.8	1.5	1.7	1.7	...	1.6	1.6	...
Industry									
Industrial production index	–3.1	0.8	–0.2	–0.4	–2.3	...	–2.1	2.6	...
Confidence indicator in industry *(value)*	–7.4	–6.2	–6.1	–4.2	–5.1	–4.8	–5.1	–4.9	–4.4
Construction									
Building permits - new housing (number of homes)	7.5	6.4	13.3	23.5	36.0	...	22.5	...	...
House sales	–18.7	14.5	19.4	32.5	25.0	...	–	–	–
House prices *(euro / m² - valuation)*	9.1	8.5	8.5	13.2	15.8	...	16.9	17.1	...
Services									
Foreign tourists *(cumulative over 12 months)*	19.0	6.3	7.8	6.3	4.6	...	5.2	4.4	...
Confidence indicator in services *(value)*	7.7	5.6	2.4	10.9	12.5	6.6	4.4	6.1	9.4
Consumption									
Retail sales	1.1	3.2	3.7	5.0	4.5	...	3.0	4.8	...
Coincident indicator for private consumption	2.9	2.7	2.7	3.4	3.7	...	3.5	3.4	...
Consumer confidence index *(value)*	–28.6	–18.0	–14.3	–14.3	–15.5	–17.9	–17.9	–18.2	–17.6
Labour market									
Employment	2.3	1.2	1.2	1.3	2.4	...	3.1	2.6	...
Unemployment rate (*% labour force*)	6.5	6.4	6.1	6.7	6.6	...	6.3	6.3	...
GDP	**2.6**	**1.9**	**2.0**	**2.8**	**1.6**	**...**	**–**	**–**	**–**

Prices

Year-on-year change (%), unless otherwise specified

	2023	2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	04/25	05/25	06/25
General	4.4	2.4	2.2	2.6	2.3	2.3	2.1	2.3	2.4
Core	5.1	2.5	2.5	2.7	2.3	2.3	2.1	2.2	2.4

Foreign sector

Cumulative balance over the last 12 months in billions of euros, unless otherwise specified

	2023	2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	04/25	05/25	06/25
Trade of goods									
Exports *(year-on-year change, cumulative over 12 months)*	–1.4	2.4	0.7	2.4	5.7	...	3.9	...	...
Imports *(year-on-year change, cumulative over 12 months)*	–4.0	2.2	–0.8	2.2	5.5	...	4.5	...	...
Current balance	**1.5**	**6.1**	**5.2**	**6.1**	**4.4**	**...**	**4.7**	**...**	**...**
Goods and services	4.0	6.7	6.1	6.7	5.4	...	5.5	...	...
Primary and secondary income	–2.5	–0.5	–0.9	–0.5	–1.0	...	–0.9	...	...
Net lending (+) / borrowing (–) capacity	**5.3**	**9.3**	**8.6**	**9.3**	**7.6**	**...**	**8.0**	**...**	**...**

Credit and deposits in non-financial sectors

Year-on-year change (%), unless otherwise specified

	2023	2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	04/25	05/25	06/25
Deposits [1]									
Household and company deposits	–2.3	7.5	6.0	7.5	6.5	...	6.1	5.9	...
Sight and savings	–18.5	–0.3	–6.7	–0.3	3.5	...	4.1	3.6	...
Term and notice	22.2	15.3	20.9	15.3	9.3	...	7.9	8.0	...
General government deposits	–12.4	26.7	29.1	26.7	29.3	...	26.5	33.2	...
TOTAL	**–2.6**	**7.9**	**6.7**	**7.9**	**7.1**	**...**	**6.7**	**6.7**	**...**
Outstanding balance of credit [1]									
Private sector	–1.5	2.1	1.0	2.1	3.3	...	3.7	4.5	...
Non-financial firms	–2.1	–0.6	–0.6	–0.6	0.1	...	0.5	1.4	...
Households - housing	–1.4	3.2	1.4	3.2	5.1	...	5.6	6.3	...
Households - other purposes	–0.3	4.7	4.0	4.7	5.1	...	5.4	5.5	...
General government	–5.5	0.6	–4.1	0.6	–8.0	...	–0.4	1.1	...
TOTAL	**–1.7**	**2.0**	**0.9**	**2.0**	**2.9**	**...**	**3.6**	**4.3**	**...**
NPL ratio *(%)* [2]	**2.7**	**2.4**	**2.6**	**2.4**	**2.3**	**...**	**–**	**–**	**–**

Notes: *1. Residents in Portugal. The credit variables exclude securitisations. 2. Period-end figure.*
Source: *CaixaBank Research, based on data from the National Statistics Institute of Portugal, Bank of Portugal and Refinitiv.*

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Flash report on developments in the euro's exchange rate with the major currencies: the US dollar, pound sterling, Japanese yen and Chinese yuan. It offers technical, structural and predictive analysis.

Tourism Sector Report S2 2025

Spain's tourism sector has entered a new phase of more moderate growth following several years of rapid expansion driven by the post-pandemic recovery. In this context, the catering sector is continuing its good run in 2025, with solid growth in spending, while US tourism is showing signs of slowing due to economic uncertainty.

Sectoral Observatory S1 2025

The Spanish economy remains buoyant in a more challenging global context and a growing number of its sectors are in expansion. In this context, the sectors most exposed to the new protectionist shift in the US have the potential to redirect their exports to other global markets, while renewable energies can play a strategic role in the economy's industrial competitiveness.

Real Estate Sector Report S1 2025

Spain's real estate market accelerated in 2024, supported by the easing of financial conditions and the strong performance of the Spanish economy. In 2025, we predict that demand will remain very strong and, although supply will continue to gradually grow, the deficit of housing accumulated in recent years will sustain significant price growth, at levels similar to the current ones.

CaixaBank Research

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