

# MR10

MONTHLY REPORT • ECONOMIC AND FINANCIAL MARKET OUTLOOK  
NUMBER 504 | OCTOBER 2025



## INTERNATIONAL ECONOMIES AND MARKETS

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### FINANCIAL MARKETS

*International economic scenario: tariff hikes  
vs. respite in uncertainty*

*Investment flows in times of Trump 2.0*

### INTERNATIONAL ECONOMY

*Firm size and productivity gaps in the EU*

*European tourism in the post-pandemic era:  
uneven recovery and new challenges*

## SPANISH ECONOMY

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*New scenario for the Spanish economy:  
dynamism in a fragile environment*

*The tourism sector closes the high season  
with solid figures*

*Which regions could be most affected  
by Trump's tariffs?*

## MONTHLY REPORT - ECONOMIC AND FINANCIAL MARKET OUTLOOK

October 2025

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

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## Surprise, surprise...

The Spanish economy is once again outperforming expectations. In its annual revision of the national accounts series, the National Statistics Institute (INE) has reestimated upwards the growth of recent years. This means that GDP in Q2 2025 was 0.5 pps higher than initially estimated. In addition, it grew by 3.1% year-on-year, 0.3 pps higher than in the initial estimate. This information, combined with the buoyancy we have continued to observe in Q3, has led CaixaBank Research to revise the growth forecast for 2025 from 2.4% to 2.9%. With only three months remaining until the end of the year, it seems unlikely that growth will stray significantly from 3%.

If this forecast is met, then Spain's economy will have grown at an average rate of 3% since it recovered pre-pandemic levels in 2022. The prediction among analysts, in contrast, was not so optimistic. The forecasts made at the beginning of each year indicated an average growth of 1.5%. The forecasting error was particularly pronounced in 2024. At the beginning of that year, growth was expected to be 1.3%, but it ended up reaching 3.5%. In January this year, the analyst consensus anticipated a growth rate of 2.3%, and all the indicators now suggest that this is another clear underestimate.

This contrasts with the pattern in the euro area as a whole and in the other major European economies. Generally speaking, they have behaved in line with expectations. The forecast error one year ahead has been 0.3 pps on average, a similar figure to the error made by analysts in the years prior to the pandemic.

Beyond the complex and uncertain international context, these surprises are no doubt occurring because the growth is being driven by factors that are difficult to predict. The first of these factors is demographics. The population has now grown at 1.0% annually for three consecutive years. For context, between 2015 and 2019 the growth rate was 0.3% on average. This population growth is primarily due to the increase in the foreign population and those with dual nationality. In the last three years, the Spanish population has fallen by an average of 100,000 people a year. However, this has been more than offset by migration flows, resulting in an average population growth of around 500,000 people per year. More people means more consumption, more activity and also more capacity to generate employment. Since 2023, around 40% of the increase in employment has been among foreign residents. The other side of the coin can be found in the real estate sector. The sharp increase in the population has not been accompanied by a sufficient increase in the housing supply, and this is exerting upward pressure on prices.

Another surprising factor in recent years has been the increase in productivity. The growth of GDP per hour worked has been 1.0% annually since the pre-pandemic level of activity was recovered; this is twice the growth rate recorded between 2015 and 2019. However, it should be noted that the growth of GDP per person employed has been more limited. Much of the increase in GDP per hour worked is the result of the reduction in the number of hours worked per worker. In order for productivity growth to be sustainable in the medium and long term, it is important that productivity per person employed also improves.

Finally, investment is also showing significant strength. Indeed, this is one of the items that has received the greatest upward revision in the National Statistics Institute's recent update of the national accounts. In the previous series, investment was estimated to be 6.8% above pre-pandemic levels, whereas in the new series it is 11.4% higher. Moreover, it has a dynamic growth rate, at 5.1% year-on-year in Q2 2025. The resilience of investment in today's uncertain international context is particularly noteworthy. This is undoubtedly one of the key elements that could allow the Spanish economy to continue to enjoy dynamic and balanced growth in the coming years. If the population continues to grow, labour productivity does not waiver and the investment cycle is consolidated, then Spain's economy will continue to outperform expectations and next year we will be able to write another editorial like this one.

Oriol Aspachs  
October 2025

## Chronology

### SEPTEMBER 2025

- 9 The US Supreme Court agrees to study the legality of Trump's tariffs by fast track.
- 17 The Fed cuts interest rates by 25 bps to the 4.00%-4.25% range after a nine-month pause.

### JULY 2025

- 27 Agreement between the EU and the US establishing a general tariff of 15%, as well as preferential treatment for a number of strategic products and a European commitment to make purchases from and investments in key US industries.

### 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.

### AUGUST 2025

- 5 The majority of the reciprocal tariffs imposed by the US on other countries come into force.

### 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.

## Agenda

### OCTOBER 2025

- 1 Portugal: employment and unemployment (August).  
Portugal: public debt (August).  
Euro area: CPI flash estimate (September).
- 2 Spain: registration with Social Security and registered unemployment (September).
- 8 Spain: financial accounts (Q2).
- 10 Portugal: international trade (August).
- 20 China: GDP (Q3).
- 22 Spain: loans, deposits and NPL ratio (August).
- 23-24 European Council meeting.
- 24 Spain: labour force survey (Q3).
- 27 Portugal: loans and deposits (September).
- 28-29 Federal Open Market Committee meeting.
- 29 Spain: GDP flash estimate (Q3).
- 30 Spain: CPI flash estimate (October).  
Portugal: GDP flash estimate (Q3).  
Euro area: GDP (Q3).  
Euro area: economic sentiment indicator (October).  
US: GDP (Q3).  
Governing Council of the European Central Bank meeting.
- 31 Portugal: budget execution (September).  
Euro area: CPI flash estimate (October).

### NOVEMBER 2025

- 3 Portugal: public debt (Q3).
- 4 Spain: registration with Social Security and registered unemployment (October).
- 5 Portugal: employment (Q3).
- 6 Spain: industrial production (September).
- 13 Portugal: labour cost (Q3).
- 14 Portugal: Moody's rating.  
Japan: GDP (Q3).
- 16-17 Federal Open Market Committee meeting.
- 19 Portugal: balance of payments (September).
- 20 Spain: international trade (September).
- 25 Spain: loans, deposits and NPL ratio (September).
- 27 Euro area: economic sentiment indicator (November).
- 28 Spain: CPI flash estimate (November).  
Spain: DBRS rating.  
Portugal: GDP breakdown (Q3).  
Portugal: CPI flash estimate (November).



## Economic resilience and investment in the Trump era

The updating of economic forecast scenarios by the major research centres in recent weeks reflects the fact that the world economy is moving at a higher cruising speed than had been anticipated at the beginning of the year, when «hurricane Trump» was threatening to destabilise an economic environment exposed to the winds of uncertainty. For now, the incipient distortions affecting growth and inflation triggered by the increased tariff barriers are being offset by the AI-driven investment boom in the US, the increase in defence spending (and the acceleration of the NGEU programme) in Europe, the resilience of Chinese exports and the easing of global monetary conditions. To top it all off, the oil price is almost 15% below where it stood at the start of the year and significant wealth has been generated by the rally in global stocks (+17%) and other financial and real assets in 2025 (gold, housing, etc.), despite the ongoing instability in the geopolitical scenario in recent weeks (with the US government shutdown and the resignation of the French prime minister).

As a result of all of the above, we now expect the global economy to grow by 3.1% this year and next (up from 2.9% previously), driven by upward revisions in the US (from 1.3% to 1.8% in 2025) and China (from 4.2% to 4.6%), in addition to marginal improvements in the euro area (from 1.2% to 1.3%), with Spain expected to perform particularly well (2.9%, up from the 2.4% predicted previously). The narrative that has been supporting this strong prognosis for economic activity and the markets in recent months is that, once the risks posed by tariffs has stabilised, the investment cycle (AI + defence + housing) can take over as the engine of economic activity, after a long period of apathy since the 2008 financial crisis. In fact, we have already seen in the activity data for Q2 some significant recoveries in gross fixed capital formation in countries such as Spain and the US, and in the future this recovery could be compounded by a very favourable financial situation among private agents, following the long deleveraging process of the last decade.

The hope is that this new investment cycle can lead to the necessary jump in productivity in order to offset the inexorable demographic trends that most developed countries will face in the coming decades, allowing potential growth to be reinvigorated. The risk is that of an investment bubble (as occurred in Spain at the beginning of this century) related to AI. In fact, right now, the US economy continues to enjoy dynamic growth thanks to immense investment in this area.

In this context of change and disruption, it is no surprise that central banks are falling back on the old strategy of managing the risks in the scenario, rather than employing discretionary policy rules (Taylor, etc.). Starting with the Fed, and beyond political pressures, its recent interest rate cut can be interpreted as a hedge against a possible further weakening of the labour market, which Powell has described as being in a «curious kind of balance», in view of the simultaneous slowdown in both the supply and the demand of workers (a «low-hire, low-fire» job market). This has significantly reduced job creation, which is needed to keep the unemployment rate unchanged. The problem is that the Trump administration's new migration policy could cut the growth of the labour force from 1% in 2024 down to 0.2%-0.3% by 2027, and faced with such a restriction of additional supply, monetary policy will struggle to respond. So, from now on, monetary policy will take a much more flexible approach to responding to changes in an economic scenario that is subject to high volatility. This intrinsic complexity in the scenario introduces a high degree of uncertainty regarding how the structural relationships between growth, employment and inflation might evolve, and this would explain the wide range of opinions that has opened up within the Fed's Board of Governors (as reflected in the dot plot) regarding the level of long-term neutral or equilibrium interest rates (ranging from 2.5% to 4%). That said, in such cases of divergent viewpoints, we should always keep in mind the old maxim of Churchill: «If you put two economists in a room, you get two opinions. Unless one of them is Lord Keynes, in which case you get three.»

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
<b>INTEREST RATES</b>							
<b>Dollar</b>							
Fed funds (lower limit)	3.18	0.54	0.67	5.25	4.25	3.50	3.00
3-month SOFR	3.62	1.01	1.07	5.37	4.37	3.57	3.10
12-month SOFR	3.86	1.48	1.48	4.95	4.19	3.30	3.10
2-year government bonds	3.70	1.04	1.21	4.46	4.24	3.50	3.50
10-year government bonds	4.69	2.57	1.76	4.01	4.40	4.20	4.50
<b>Euro</b>							
ECB depo	2.05	0.20	-0.30	4.00	3.09	2.00	2.00
ECB refi	3.05	0.75	0.20	4.50	3.24	2.15	2.15
€STR	–	-0.54	-0.38	3.90	3.06	1.93	1.97
1-month Euribor	3.18	0.50	-0.32	3.86	2.89	2.00	2.03
3-month Euribor	3.24	0.65	-0.21	3.94	2.83	2.05	2.06
6-month Euribor	3.29	0.78	-0.07	3.93	2.63	2.09	2.11
12-month Euribor	3.40	0.96	0.10	3.68	2.44	2.14	2.18
<b>Germany</b>							
2-year government bonds	3.41	0.35	-0.21	2.55	2.02	1.96	1.99
10-year government bonds	4.30	1.54	0.14	2.11	2.22	2.70	2.80
<b>Spain</b>							
3-year government bonds	3.62	1.69	0.18	2.77	2.26	2.57	2.73
5-year government bonds	3.91	2.19	0.38	2.75	2.48	2.85	3.04
10-year government bonds	4.42	3.17	0.99	3.09	2.90	3.35	3.60
Risk premium	11	164	85	98	68	65	80
<b>Portugal</b>							
3-year government bonds	3.68	3.33	0.07	2.33	2.03	2.09	2.21
5-year government bonds	3.96	3.94	0.35	2.42	2.15	2.49	2.68
10-year government bonds	4.49	4.67	0.96	2.74	2.68	3.20	3.50
Risk premium	19	314	82	63	46	50	70
<b>EXCHANGE RATES</b>							
EUR/USD (dollars per euro)	1.13	1.26	1.13	1.09	1.05	1.19	1.20
EUR/GBP (pounds per euro)	0.66	0.84	0.87	0.86	0.83	0.88	0.90
EUR/JPY (yen per euro)	129.56	126.41	129.91	156.99	161.18	173.00	168.00
<b>OIL PRICE</b>							
Brent (\$/barrel)	42.3	80.1	71.0	77.3	73.1	65.1	65.3
Brent (euros/barrel)	36.4	62.5	63.9	70.9	69.8	54.8	54.4

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
<b>GDP GROWTH<sup>1</sup></b>							
<b>Global</b>	4.3	3.3	2.5	3.5	3.3	3.1	3.1
<b>Developed countries</b>	2.7	1.5	1.7	1.8	1.8	1.6	1.6
United States	2.7	1.8	2.1	2.9	2.8	1.8	1.9
Euro area	2.3	0.9	1.3	0.5	0.8	1.3	1.2
Germany	1.6	1.3	0.4	-0.7	-0.5	0.2	1.1
France	2.3	1.0	0.7	1.6	1.1	0.6	0.7
Italy	1.5	-0.3	1.6	0.8	0.5	0.5	0.7
Portugal	1.5	0.4	1.5	3.1	2.1	1.6	2.0
Spain	3.6	0.7	0.7	2.5	3.5	2.9	2.1
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	1.3	1.2
<b>Emerging and developing countries</b>	6.3	4.9	3.1	4.7	4.3	4.2	4.0
China	10.6	8.0	4.7	5.4	5.0	4.6	4.0
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	0.8	1.4
Russia	–	1.4	0.6	4.1	4.3	1.7	1.3
Türkiye	5.5	4.5	6.3	6.6	3.3	3.2	2.9
Poland	4.2	3.7	3.6	0.1	2.8	3.6	3.3
<b>INFLATION</b>							
<b>Global</b>	4.1	3.7	5.5	6.6	5.7	4.2	3.9
<b>Developed countries</b>	2.1	1.6	3.7	4.6	2.6	2.4	2.2
United States	2.8	1.8	4.6	4.1	3.0	2.8	2.8
Euro area	2.2	1.4	3.7	5.4	2.4	2.1	2.0
Germany	1.7	1.4	4.1	6.0	2.5	2.2	2.1
France	1.9	1.3	2.8	5.7	2.3	1.1	1.7
Italy	2.4	1.4	3.5	5.9	1.1	1.8	1.7
Portugal	3.1	1.1	3.0	4.3	2.4	2.3	2.1
Spain	3.2	1.3	3.7	3.5	2.8	2.5	2.0
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	3.4	2.5
<b>Emerging and developing countries</b>	6.9	5.5	6.8	8.0	7.7	5.3	4.9
China	1.7	2.6	1.8	0.2	0.2	0.0	1.2
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
<b>Macroeconomic aggregates</b>							
Household consumption	3.7	0.0	0.0	1.7	3.0	3.1	2.4
Government consumption	4.5	0.9	2.6	4.5	2.9	1.3	0.9
Gross fixed capital formation	5.7	-1.2	-0.7	5.9	3.6	5.3	3.3
Capital goods	4.9	0.2	-2.7	2.6	1.9	8.6	3.3
Construction	5.7	-2.6	-1.3	5.5	4.0	4.0	3.4
Domestic demand (vs. GDP Δ)	4.4	-0.2	0.8	1.5	3.2	3.1	2.3
Exports of goods and services	4.7	2.9	2.5	2.2	3.2	4.2	2.2
Imports of goods and services	7.0	0.2	2.5	0.0	2.9	5.4	2.9
<b>Gross domestic product</b>	<b>3.6</b>	<b>0.7</b>	<b>0.7</b>	<b>2.5</b>	<b>3.5</b>	<b>2.9</b>	<b>2.1</b>
<b>Other variables</b>							
Employment	3.2	-0.5	1.4	3.2	2.4	3.0	1.8
Unemployment rate (% of labour force)	10.5	19.5	14.5	12.2	11.3	10.4	9.7
Consumer price index	3.2	1.3	3.7	3.5	2.8	2.5	2.0
Unit labour costs	3.1	0.6	3.6	6.1	4.0	4.0	3.0
Current account balance (% GDP)	-5.8	-0.2	0.6	2.7	3.1	2.3	2.5
External funding capacity/needs (% GDP)	-5.2	0.2	1.4	3.7	4.2	3.4	3.6
Fiscal balance (% GDP) <sup>1</sup>	0.3	-6.5	-7.1	-3.5	-3.1	-2.7	-2.5

**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
<b>Macroeconomic aggregates</b>							
Household consumption	1.8	0.5	1.2	2.3	3.0	2.8	2.1
Government consumption	2.2	-0.3	2.0	1.8	1.5	1.3	1.1
Gross fixed capital formation	-0.4	-0.7	2.9	6.0	3.8	2.7	4.9
Capital goods	3.4	2.7	5.5	8.6	7.5	–	–
Construction	-1.4	-2.4	2.6	4.5	2.7	–	–
Domestic demand (vs. GDP Δ)	1.3	0.0	1.9	2.2	2.9	3.1	2.5
Exports of goods and services	5.3	4.0	3.6	4.2	3.1	0.8	2.7
Imports of goods and services	3.6	2.7	4.0	2.3	4.8	4.0	3.6
<b>Gross domestic product</b>	<b>1.5</b>	<b>0.4</b>	<b>1.5</b>	<b>3.1</b>	<b>2.1</b>	<b>1.6</b>	<b>2.0</b>
<b>Other variables</b>							
Employment	0.4	-0.4	1.1	2.3	1.2	2.3	0.9
Unemployment rate (% of labour force)	6.1	11.4	6.6	6.5	6.4	6.3	6.4
Consumer price index	3.1	1.1	3.0	4.3	2.4	2.3	2.1
Current account balance (% GDP)	-9.2	-2.8	-1.1	3.9	2.4	0.6	0.9
External funding capacity/needs (% GDP)	-7.7	-1.5	0.1	1.9	2.8	2.5	2.5
Fiscal balance (% GDP)	-4.5	-5.1	-3.0	1.3	0.5	-0.1	-1.2

Forecasts

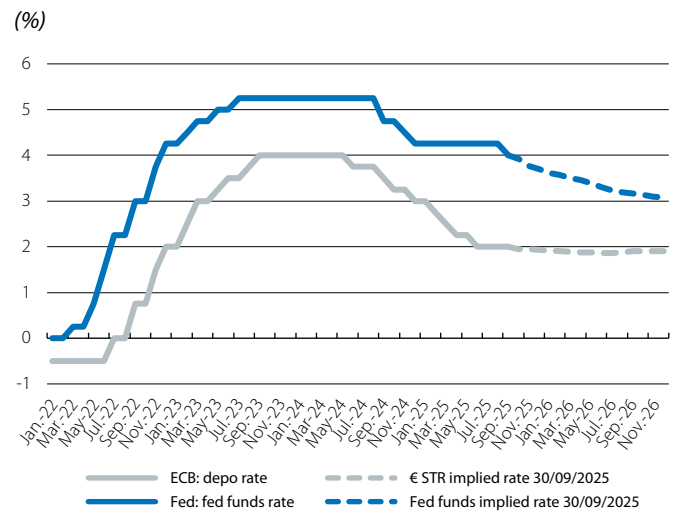


## The central banks move the market in September

**Central banks and geopolitical tensions mark investor sentiment.** September has been a month of transition in the financial markets, characterised by increased volatility and significant movements in risk assets. Monetary policy decisions, especially the US Federal Reserve's meeting, has set the tone for the month, together with the process of adapting to the new trade context amid higher tariffs. In addition, episodes of geopolitical tension – such as the incursion of Russian drones into Polish territory, the federal government shutdown in the US and political instability in France – have contributed to market volatility. In this environment, investors have adjusted their expectations regarding the central banks' next steps, with greater confidence in cuts being made by the Fed and in the stability of ECB rates. These adjustments, combined with sensitivity to the data, have driven developments in yield curves, currencies and stock markets in the month. Investors remain cautious amid an environment that remains uncertain, with particular attention being placed on upcoming central bank decisions, the impact of the tariff hikes, the evolution of the economic indicators and the fiscal challenge that many countries are facing.

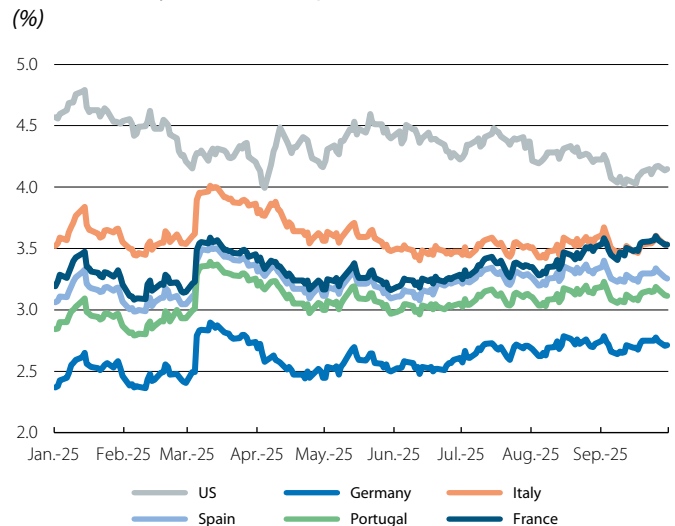
**A rate cut by the Fed and a long pause on the part of the ECB, although everything will depend on the data.** In the money market, September was marked by numerous policy meetings. The focus, however, was on the Fed, which cut interest rates by 25 bps, bringing them to the 4.00%-4.25% range and marking the first reduction in nine months. This move reflects a change in the reading of the balance of risks between the Fed's two mandates. According to Fed Chair Jerome Powell, the cooling of the labour market – which is visible in the data and is attributed both to lower demand and to supply factors – has gained prominence over inflation risks, which are now perceived to be more contained. The rate cut was practically unanimous, although there is a divergence of opinions regarding the next steps, as shown by the dot plot, which reflects significant dispersion among FOMC members. Powell stressed that monetary policy is not a pre-set course and that decisions will be made meeting by meeting, based on the data. Market expectations have shifted throughout the month – for instance, with the upward revision of Q2 GDP and the positive data published to date for Q3 – and at the close of this report investors are anticipating four rate cuts between now and December 2026, which would leave the fed funds rate in the 3.00%-3.25% range. The ECB, meanwhile, left rates unchanged (depo rate at 2%), in an expected and unanimous decision, and one that was accompanied by a relatively positive view of the outlook, with inflation already at the medium-term target rate. The ECB also continued not providing any guidance regarding the anticipated path of interest rates for the coming months, reiterating that monetary policy will be determined following a «meeting-by-meeting» and «data-dependent» approach. The market now anticipates that rates will remain stable for the remainder of this year and throughout 2026. President Lagarde avoided making any statements on France, although she

### ECB and Fed: benchmark interest rates



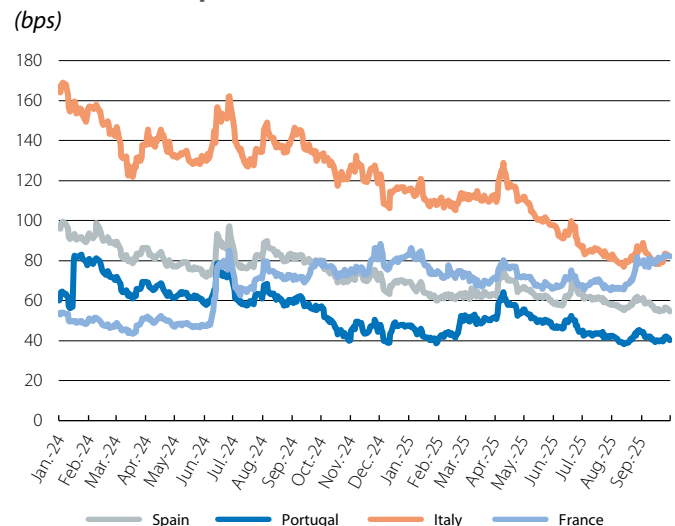
**Note:** The historical data for the fed funds rate correspond to the lower bound.  
**Source:** CaixaBank Research, based on data from the ECB, the Fed and Bloomberg.

### Yield on 10-year sovereign bonds



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

### Euro area: risk premiums



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

recalled that the ECB has tools for ensuring that monetary policy is transmitted to all euro area jurisdictions and that, in activating asset purchases under the TPI programme, there is a combination of discretion and analysis (an assessment of the fiscal outlook is necessary, and tensions that are justified by the country's macroeconomic fundamentals should not be responded to).

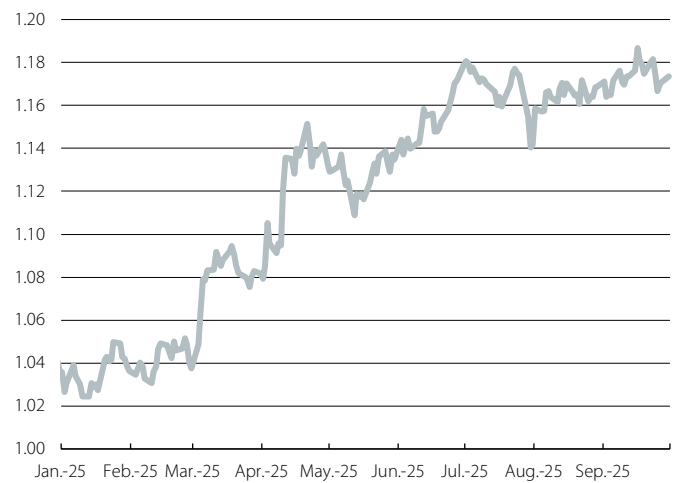
**US sovereign rates fall hand in hand with expectations regarding the Fed's next moves.** In fixed income, the month ended with declines in treasury yields, particularly in the long end of the curve, while in the euro area there was a rise in yields in the short end, given the widespread correction in the longer sections. The exception to this trend was France, which was once again the focus of attention due to the political instability in the wake of the change of government. There were new spikes in the country's risk premium, before it settled at around 80 bps, and a slight rebound in the yield on the French 10-year bond compared to the end of August, causing it to exceed 3.50%. On the other hand, the credit rating of Spanish debt was upgraded during September by all three rating agencies (S&P to A+, Moody's to A3 and Fitch to A). Fitch has also revised Portugal's rating from A- to A. This has been reflected in sovereign bonds, with declines in yields in both countries, as well as in the spread with the German 10-year bond, unlike the increase that occurred in France.

**Appreciation of the euro, with fluctuations.** The euro experienced a back-and-forth movement in September, appreciating against the dollar in the first half of the month, driven in part by a somewhat hawkish reading of the ECB meeting, to exceed 1.18. Subsequently, it closed the quarter around 1.17 (+0.4%). The dollar, meanwhile, recovered ground in the second half of the month, supported by favourable economic growth data in the US.

**A positive month for the stock markets.** The stock markets recorded gains during the month, although there were sessions with corrections – in some cases lasting several days in a row – driven by profit-taking and a rebound in bond yields. The IBEX 35 remained among the best-performing indices, although the gains were widespread on both sides of the Atlantic, with the exception of the German DAX, which closed almost flat compared to August (–0.1%).

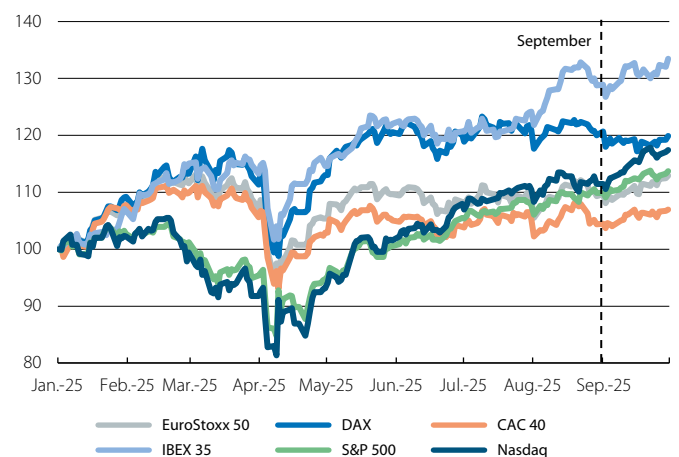
**Volatility in oil and new highs in gold.** In commodities, oil remained volatile and the Brent barrel rebounded to 70 dollars, before correcting much of that increase in the latter part of the month to close September down almost 2% versus the prior month (at 67 dollars). This pattern was driven by heightened geopolitical tensions (such as Ukraine's attacks on critical Russian oil infrastructure), questions over excess supply, an increase in US inventories, the resumption of exports from northern Iraq and the announcement of increased production from OPEC+ (which has already returned to the market the 2.2 million barrels per day that it cut in 2023 and is now embarking on recovering the second tranche of cuts implemented in 2023, of 1.7 million). Gold, meanwhile, reached new highs (exceeding 3,850 dollars per ounce), further reinforcing its role as a safe-haven asset in an environment of high fiscal and economic uncertainty, especially in the US.

### Euro/dollar exchange rate (Dollars per euro)



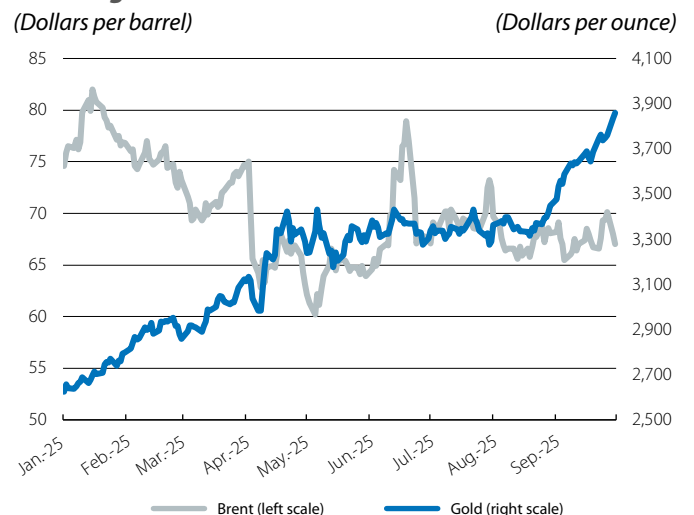
Source: CaixaBank Research, based on data from Bloomberg.

### US and euro area: performance of the main stock market indices Index (100 = 01/01/2025)



Source: CaixaBank Research, based on data from Bloomberg.

### Oil and gold in 2025



Source: CaixaBank Research, based on data from Bloomberg.

## International economic scenario: tariff hikes vs. respite in uncertainty

The international economy started 2025 clouded by the threat of US tariffs, trade uncertainty and geopolitical tensions, at a crossroads amid the reorientation of economic policies and geopolitical strategies.<sup>1</sup> This led to a deterioration of the outlook and shook the financial markets. How has the scenario evolved since then? Where is the international economy heading in the coming quarters?

### Starting point

So far this year, the scenario has been characterised by volatility in the data and the resilience of the international economy in the face of uncertainty. Initially, the anticipation of new US tariffs triggered a boom in the country's imports and spurred exports from the other major economies, an effect which was then unwound, causing swings in the data. Despite the volatility, GDP figures have performed better than anticipated, with a common support factor in robust labour markets and a certain recovery in purchasing power and investment, leading to an improvement in economic expectations and investor sentiment.

The improvement in expectations has also been supported by a moderation of uncertainty. The various trade agreements that the US has reached have helped to gradually clarify the trading landscape in which the world economy will operate going forward, while also helping to rule out extreme scenarios, at least in the short term. That said, the global economy will have to adapt to a significantly higher level of tariffs and the uncertainty, although in retreat, has not faded completely (several negotiations remain pending, such as between the US and China, and there are doubts over the durability of the agreements reached, legal uncertainties, etc.).

### Key drivers, outlook and risks

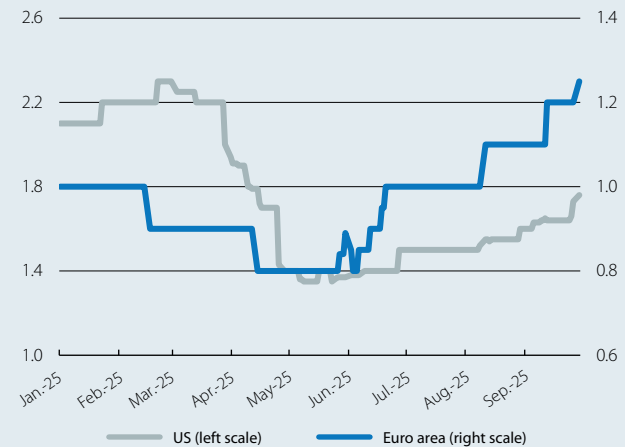
From this new starting point, the outlook enjoys the support of contained energy prices, thanks to an oil market that continues to exhibit excess supply<sup>2</sup> and in which the Brent barrel is expected to hover at around 65 dollars per barrel, while gas futures point to a stable European TTF price of around 35 euros/MWh. Also, monetary policy will no longer weigh down the

1. IMF (2025). «A Critical Juncture amid Policy Shifts», World Economic Outlook, spring issue.

2. In a context of production increases by both OPEC+ (which has already recovered 2.2 million barrels a day of the cuts implemented in 2023) and other producers and more moderate growth in demand (especially in China and India).

### GDP in 2025: analyst consensus forecast

Annual change (%)



Source: CaixaBank Research, based on data from Bloomberg.

### Global stock markets: MSCI World Index

Index (100 = 31 December 2024)



Source: CaixaBank Research, based on data from Bloomberg.

economy. In the euro area, the ECB's interest rates are at a neutral level of 2.00%, where they neither stimulate nor restrict economic activity. After lowering them by 100 bps between February and June, all the indicators (including both the central bank's own messaging and market prices) suggest that, with inflation at the target rate, the ECB will prefer to keep rates at their current levels and will reserve the option to alter them only in the event of a significant change in the outlook. The Fed, meanwhile, has resumed its rate cuts after noting a slowdown in job creation<sup>3</sup> and a moderate and gradual

3. This has not put pressure on the unemployment rate, which remains low despite the recent increase, possibly reflecting a cooling of the labour market on both the demand and the supply side.

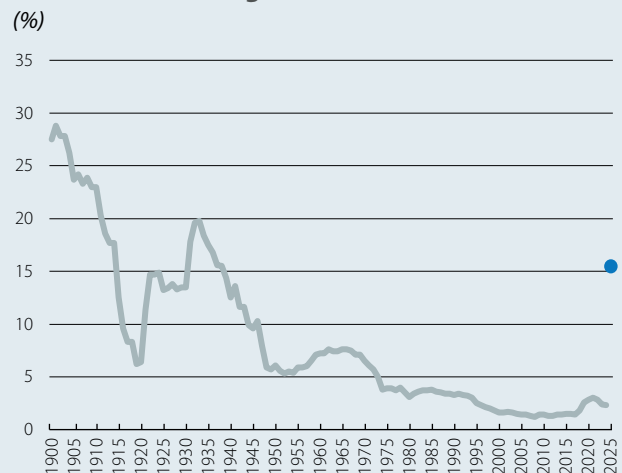
impact of tariffs on inflation. It is thus exhibiting a different sensitivity to the balance of employment/inflation data, which leads us to expect a gradual pattern of rate cuts over the coming quarters.<sup>4</sup> On the other hand, international economic activity is also expected to continue enjoying the support of the Chinese economy. Indeed, despite the tariffs and the country's persistent housing crisis and weak domestic demand, China's exports and industry have held up well, while analyst consensus expectations for the country have continued to improve.

Thus, our scenario predicts that US economic activity will remain relatively dynamic and that, with a cooling due to the normalisation of the labour market, and fuelled by investment linked to AI and less restrictive monetary conditions, the country's GDP will approach an annual growth rate of 2%. However, this improvement in the outlook remains subject to downside risks, ranging from inflation resisting the last mile to the 2% target, to the digestion of government deficits that are predicted to remain high, to the transmission of tariffs to economic activity and inflation which, so far, has been modest.

In the euro area, we forecast a moderate acceleration in economic activity, bringing GDP growth to 0.2%-0.3% quarter-on-quarter. This growth will be supported by the effects of the ECB's recent monetary easing, a reorientation of fiscal policy<sup>5</sup> and improved confidence that could spur further growth if it helps households to redirect their high savings rate (15.2%) towards consumption. With regards to the foreign sector, despite the prospect of a stronger euro against the US dollar (1.20 dollars in 2026), the effective real exchange rate has been more stable. This factor, coupled with lower tariffs with the US than in other jurisdictions, could help (in relative terms) to protect exports. However, the growth of the euro area will continue to show significant disparities from country to country, with the strength of Spain's GDP growth contrasting with the structural difficulties of Germany's industry and the weakness of France with its public accounts under investor scrutiny.

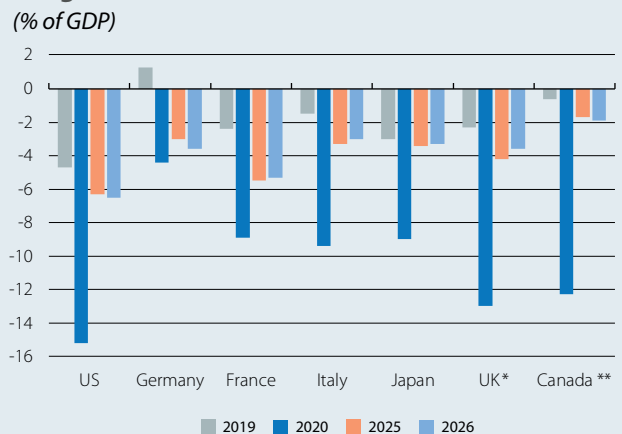
Overall, the resistance exhibited by international economic activity, the reduction of uncertainty and the improvement in growth projections indicate a better

### US: effective average tariff



Source: CaixaBank Research, based on data from USITC.

### G7: government balance



Notes: \* Fiscal year. \*\* For Canada, figure for 2021 instead of 2020.

Source: CaixaBank Research, based on historical data (2019-2020) and forecasts (2025-2026) from Bloomberg.

immediate outlook. However, the world economy is not out of the woods yet. The shift in economic policies and geopolitical strategies continues to steer the world toward heightened geopolitical tensions and risks of disruption in global supply chains, in addition to factors that could fuel financial turbulence (such as the deterioration of public finances and institutional quality in the major economies).

(See an extended version of this article at [caixabankresearch.com](https://caixabankresearch.com))

4. We expect four more cuts up until the end of 2026 (placing the fed funds rate at 3.50%-3.75% in December 2025 and at 3.00%-3.25% in December 2026).

5. Especially in Germany, where the infrastructure and defence spending plans have led the government to project an increase in the federal deficit from 1.1% of GDP in 2024 to 3.3% in 2025 and up to 4.2% in 2026. In France, parliamentary fragmentation and the consequent difficulties in approving budgets suggest that the reduction of the deficit (5.8% in 2024) will be very gradual. In the other two major economies, Italy and Spain, the deficit is expected to decrease slightly, placing it below 3% in 2026 and 2025, respectively.

## Investment flows in times of Trump 2.0

Trump continues to demonstrate a somewhat disruptive approach to legislating, marking a turning point compared to the stability and predictability of his predecessors. The new Trump administration has argued that the global economic order that has been in place almost since the end of World War II is harmful to US interests, so it must be changed («America First»). This shift, which is materialising primarily in the imposition of high and sweeping tariffs and the reduction of the country's commitments on international security and cooperation, is leading many to wonder whether it could undermine the pillars that have sustained the dominant role of the dollar for the past 80 years.<sup>1</sup> In this process of international geopolitical «adjustment», one of the main beneficiaries in terms of investment flows could be the euro area: it offers a stable regulatory framework, there are no doubts about the independence of the ECB, and plans to boost defence spending in Europe (the ReArm Europe plan) and infrastructure spending in Germany will provide major investment opportunities in the coming years.

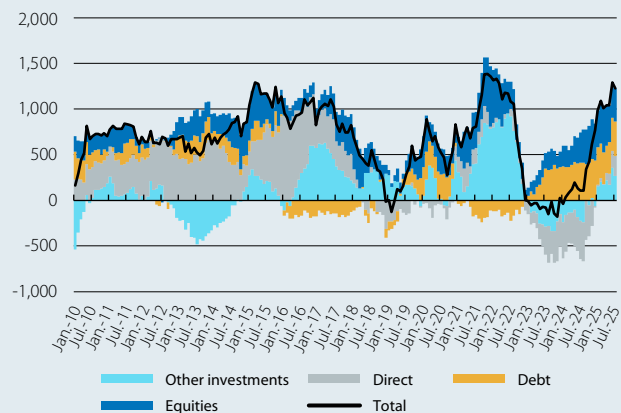
### The euro area as a destination for foreign investment

In the last two years, having overcome the halt in capital flows following the outbreak of the war in Ukraine in 2022, there has been renewed interest among foreign investors in the financial assets of the euro area, especially in 2025 and in certain asset classes, as can be seen in the balance of payments data published monthly by the ECB. In fact, in the past year up until July, inflows of foreign direct investment (FDI) and portfolio investment (fixed-income securities and equities) amount to over 560 billion euros (3.7% of GDP), which is 30% more than in the same period a year ago and the highest level since 2015. This result has been supported by the reactivation of capital inflows in the form of FDI, which in the year to July amounted to 147 billion euros, after divestments in this category reached 15 billion euros in 2024 as a whole and more than 350 billion euros in total in 2023.

In terms of inflows into debt securities and the stock market, which are much more sensitive in the short term to changes in investor sentiment, there were significant outflows of investment in April following the announcements of reciprocal tariffs on «Liberation Day», although interest in euro area assets subsequently recovered. It appears that inflows of capital into debt are the preferred option among investors, despite a rather modest start to the year, given that up until July inflows into this category from foreign investors amounted to 255 billion euros, around 20% less than those registered in the

1. See M. Obstfeld (June 2025). «The International Monetary and Financial System: A Fork in the Road». Andrew Crockett Memorial Lecture, Bank for International Settlements, 29 June.

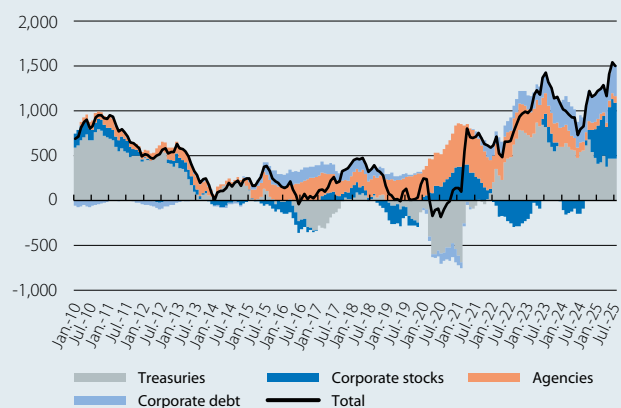
### Euro area: inflows of foreign capital (EUR billions)\*



*Note:* \* 12-month cumulative total.

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

### US: inflows of foreign capital (USD billions)\*



*Note:* \* 12-month cumulative total.

*Source:* CaixaBank Research, based on data from the US Treasury.

same period of 2024. As for inflows into equities, which have been highly volatile this year, in the year to July they stood at 162 billion euros, 20% less than in the same period last year.

### The US and its historical need for foreign savings

The US has traditionally maintained a deficit in its current account balance (above 3.0% of GDP, on average for the last two decades), as a result of its savings being insufficient to meet its funding needs (especially in the public sector). However, it has been able to finance this deficit thanks to a significant inflow of foreign capital. Although the tariffs seek to reduce these imbalances, the outlook suggests that, at least for the next two years, the current account deficit will remain at close to 3.0% of GDP. Therefore, it remains vital that foreign capital continues to flow into the US economy in order to finance this deficit.



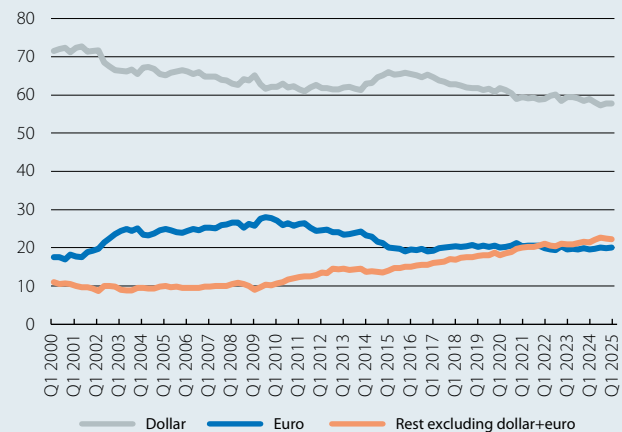
In order to analyse the evolution of capital flows into/out of the US, we use the monthly statistics on international capital flows published by the US Treasury. The breakdown by investment instrument offered by the Treasury statistics is not exactly the same as that offered by the ECB (there is no data for FDI), but this does not prevent us from making a comparison of the investment flows entering both economies.

The Treasury data reveal that, while the increase in uncertainty does cause significant capital outflows (such as in April, following the announcements on «Liberation Day»), US financial assets have not lost their appeal among foreign investors. In fact, so far this year up until July, foreign investors acquired US financial assets amounting to 878 billion dollars, up from 558 billion in the same period last year. Most of this improvement rests on the significant inflow of capital into equities: 272 billion dollars, compared to outflows exceeding 37 billion suffered in the same period a year earlier. Meanwhile, treasuries continue to maintain their appeal and up until July they registered inflows of 376 billion dollars, just 4.0% below what was invested in the previous year. It should be noted that this greater appetite for US financial assets is driven by private investors (who account for almost 80% of all positions), as governments and central banks are significantly reducing their holdings of assets in dollars: up to July, the balance of inflows from institutional investors is practically zero, compared to inflows of around 50 billion in the previous year. This pattern is part of a trend observed in recent years and responds to the strategy being pursued by many central banks (especially in emerging economies) to reduce their dependency on the dollar, while increasing positions in other currencies, thus strengthening their strategic security.

### Conclusions

The data show the high sensitivity of capital flows to increased uncertainty, and this requires us to be particularly cautious to ensure these short-term movements do not cause us to lose sight of the bigger picture. Analysing the cumulative picture for the past 12 months, which offers a more balanced view of the underlying trends, we note a substantial revival of inflows of foreign capital into euro area assets since their lows at the end of 2023. This helps to explain the sharp appreciation registered by the euro: of around 20% against the dollar and more than 12% in nominal effective terms. However, this greater preference for euro area assets has not come at the expense of lower demand for US financial assets, which are at almost all-time highs, thanks to private investors. In fact, over the past two decades, governments and central banks, particularly in emerging economies, have been reducing their exposure to the dollar in a bid to reduce their dependency on the US currency, thereby strengthening their strategic security and financial sovereignty. So much so that the

### Composition of international reserves (% of the world's total allocated reserves)



Source: CaixaBank Research, based on data from the IMF provided by Refinitiv.

dollar, despite still being the predominant currency, has steadily seen its share of global reserves wane over the last two decades: today, it represents 58% of the total, compared to around 72% in the year 2000. In this repositioning of portfolios in favour of other assets, gold is emerging as the major beneficiary: in 2024, central banks' purchases of gold more than doubled the annual average of the previous decade. As a result, and in a context in which the gold price continues to break records, this asset now represents almost 20% of the official reserves at market prices, almost matching the euro, which represents around 20%, a level at which it has remained quite stable in the last decade.<sup>2</sup>

However, several studies show that increasing consideration is being given to geopolitical relations when it comes to investment decisions, and that rising geopolitical tensions lead to lower cross-border capital allocation. If this process of fragmentation continues, in the long term we could find ourselves in a multi-polar financial system, in which the dollar would have to coexist with other influential currencies. Nevertheless, any change in the dollar's leading role would be a very gradual process, but it is worth keeping these risks in mind in the current context of a reconfiguration of relations and possible conflicts between the major powers.<sup>3</sup>

Rita Sánchez Soliva

2. See ECB (2025). «The international role of the euro», June.

3. See IMF (2023). «Global Financial Stability Report (GFSR)», chapter *Geopolitics and Financial Fragmentation: Implications for Macro-Financial Stability*, April.

*Interest rates (%)*

	30-September	31-August	Monthly change (bp)	Year-to-date (bp)	Year-on-year change (bp)
<b>Euro area</b>					
ECB Refi	2.15	2.15	0	-100.0	-150.0
3-month Euribor	2.03	2.06	-3	-68.2	-129.4
1-year Euribor	2.19	2.12	7	-26.7	-57.8
1-year government bonds (Germany)	1.94	1.90	4	-30.1	-55.8
2-year government bonds (Germany)	2.02	1.94	8	-6.3	-5.7
10-year government bonds (Germany)	2.71	2.72	-1	34.4	57.8
10-year government bonds (Spain)	3.26	3.33	-7	19.6	33.2
10-year government bonds (Portugal)	3.12	3.18	-6	26.9	41.6
<b>US</b>					
Fed funds (lower limit)	4.00	4.25	-25	-25.0	-75.0
3-month SOFR	3.98	4.17	-19	-32.9	-61.7
1-year government bonds	3.61	3.83	-22	-52.9	-30.8
2-year government bonds	3.61	3.62	-1	-63.3	4.9
10-year government bonds	4.15	4.23	-8	-41.9	40.0

*Spreads corporate bonds (bps)*

	30-September	31-August	Monthly change (bp)	Year-to-date (bp)	Year-on-year change (bp)
Itraxx Corporate	56	55	1	-1.7	-1.6
Itraxx Financials Senior	60	59	1	-3.6	-5.6
Itraxx Subordinated Financials	103	101	2	-9.6	-16.0

*Exchange rates*

	30-September	31-August	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
EUR/USD (dollars per euro)	1.173	1.169	0.4	13.3	5.1
EUR/JPY (yen per euro)	173.530	171.860	1.0	6.6	9.3
EUR/GBP (pounds per euro)	0.873	0.866	0.8	5.5	4.6
USD/JPY (yen per dollar)	147.900	147.050	0.6	-5.9	4.0

*Commodities*

	30-September	31-August	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
CRB Commodity Index	545.9	554.9	-1.6	1.7	1.4
Brent (\$/barrel)	67.0	68.1	-1.6	-10.2	-6.9
Gold (\$/ounce)	3,859.0	3,448.0	11.9	47.0	45.2

*Equity*

	30-September	31-August	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
S&P 500 (USA)	6,688.5	6,460.3	3.5	13.7	16.6
Eurostoxx 50 (euro area)	5,530.0	5,351.7	3.3	12.9	9.1
Ibex 35 (Spain)	15,475.0	14,935.8	3.6	33.5	29.3
PSI 20 (Portugal)	7,957.6	7,760.1	2.5	24.8	16.9
Nikkei 225 (Japan)	44,932.6	42,718.5	5.2	12.6	12.8
MSCI Emerging	1,346.1	1,258.4	7.0	25.2	14.6

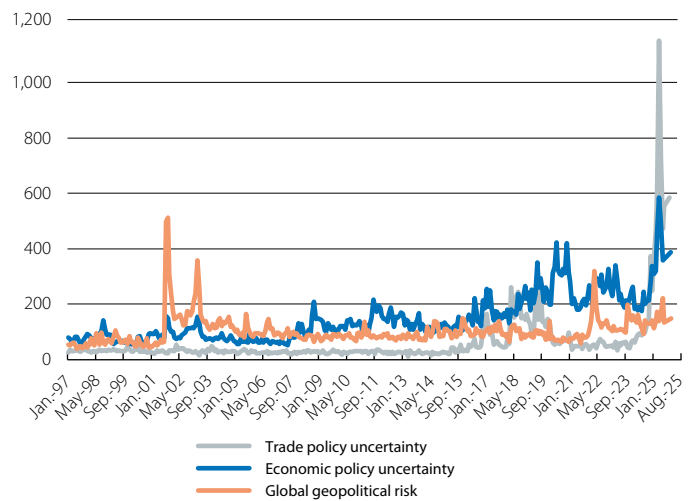
## Resilience and challenges in the global economy

The global economy is demonstrating remarkable resilience, despite all the uncertainty associated with Trump's tariff policy. In September, the Purchasing Managers' Index (PMI), which indicates business activity, stood at 52.4 points (50 marks the threshold of positive growth), and in July, August and September as a whole it reached its highest level this year. This good result is explained by the improvement in both services and manufacturing. For Q3 as a whole, the data from the major international economies showed some improvement, which justifies the OECD's upward revision of 0.3 pps in its global growth forecast for 2025, placing it at 3.2%. However, the risks to the global economy persist, with trade relations posing one of the biggest challenges. The summer agreements left the «rules of the game» more or less defined and significantly reduce the risk of the most adverse scenarios, but the uncertainty has not dissipated and further shifts in the US' position cannot be ruled out, which explains why the trade uncertainty indices remain very high.

The euro area closes another quarter of very modest growth in Q3. After growing by just 0.1% quarter-on-quarter in Q2, reflecting the falls recorded in Germany and Italy (−0.3% and −0.1%, respectively) and with France growing solely due to the accumulation of inventories, the available indicators for Q3 do not suggest any significant rebound in growth in the euro area. Specifically, the PMI climbed 0.2 points in September to 51.2, which marks a 16-month high but is still only just above the 50-point threshold that denotes positive growth, while the average for Q3 stands at 51.0, compared to 50.4 in Q2. In addition, there are some divergences among the major economies. Germany closed Q3 with a little more vigour (the PMI rose in September to 52.0), but the weakness in the components related to orders has dampened any optimism, as shown by the fall in the Ifo Business Climate Index in September (to 87.7, with 100 being the reference threshold). Despite the major infrastructure plan that has been proposed, but has not yet begun to be implemented, the business environment remains unfavourable, and this explains the cautiousness in the German economy in the short term. Meanwhile, in France economic activity remains subject to the country's fragile political situation and the PMI fell in September by more than 1 point, placing it at 48.1, marking the thirteenth consecutive months below the 50-point threshold. The lack of support to approve the new budgets led to the resignation of Prime Minister Lecornu, barely a month after his appointment, reiterating the climate of political uncertainty and hindering the introduction of measures to bring the fiscal deficit down from the 5.6% of GDP forecast for this year.

In this context, inflation remains practically stable around the ECB's target: in September, the headline rate stood at 2.2%, while the core index remained at 2.3% for the fifth consecutive month. In addition, economic agents' inflation expectations remain fairly contained: despite higher tariffs, business leaders in the manufacturing, retail and service sectors in September still showed no intention of substantially raising their sales prices, and consumers are also confident that prices will remain relatively stable.

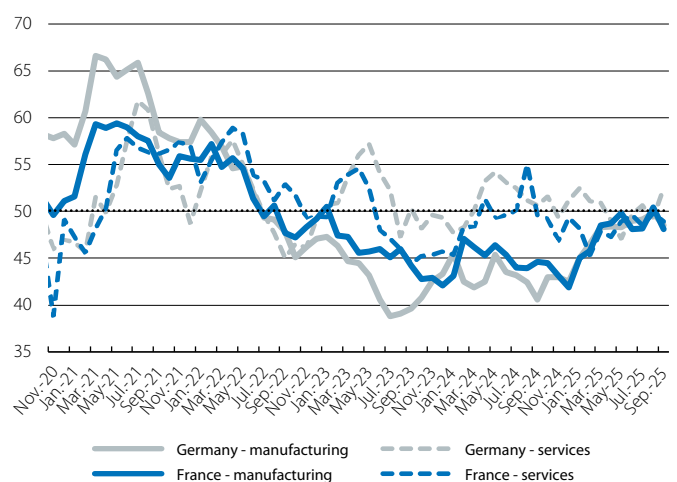
### Uncertainty Index



Source: CaixaBank Research, based on data from [www.policyuncertainty.com](http://www.policyuncertainty.com).

### Euro area: PMI by component

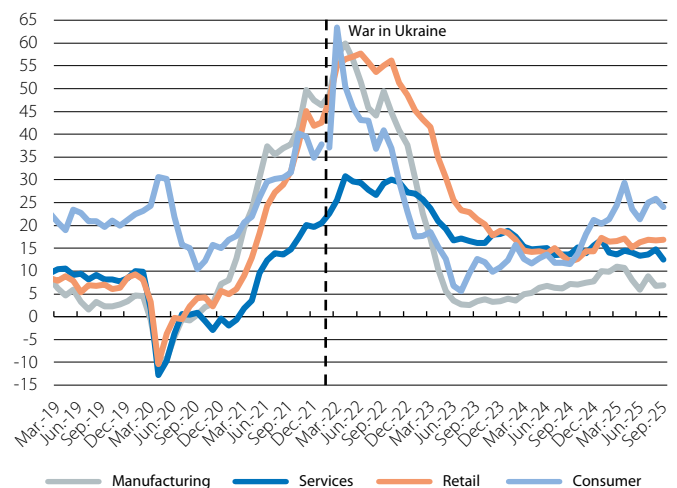
Index (>50 expansion; <50 contraction)



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

### Euro area: price expectations

(Balance of responses)



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

**The US continues to surprise with its dynamism, although the labour market is cooling.** The US economy continues to show little evidence of the impact of the tariff hikes. For starters, the final revision of GDP reveals growth of 0.95% quarter-on-quarter in Q2, compared to the 0.8% initially published. This improvement is driven by private consumption, which remains robust (+0.6%), supported by highly dynamic investment in fixed capital (1.1%) amid the drive for greater investment in new technologies and AI (computer equipment +2.8% and software +6.1%). In addition, the latest data also point to a vigorous Q3. In fact, in August, private consumption continued to grow (retail sales rose again by 0.6% month-on-month) and industrial production remained buoyant. With all this, the New York and Atlanta Feds' GDP trackers suggest that GDP has advanced by 0.6%-0.9% quarter-on-quarter in Q3.

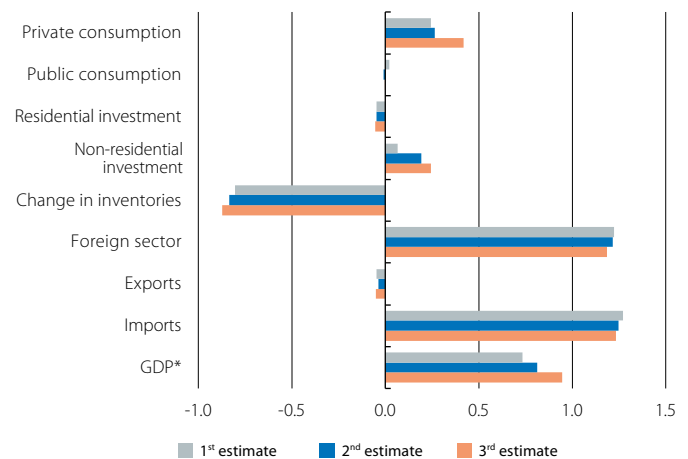
In this context of economic dynamism, **inflation continues to show some downward resistance:** in August, the headline rate rose by 0.2 pps to 2.9%, while the core index climbed just 0.1 pp, to 3.1%. Although these figures remain above the 2% reference rate, the data suggest that the tariffs have had a modest impact so far, possibly because firms are absorbing much of the cost increase they have induced. However, the latest labour market data are beginning to show signs of exhaustion. The annual revision of the statistics showed almost 911,000 fewer jobs in the period April 2024-March 2025 than initially estimated and in August just 22,000 jobs were created, compared to an average of over 100,000 jobs in the first four months of the year. The unemployment rate, meanwhile, has risen to 4.3%, compared to 3.5% at the beginning of the year.

**The US federal government is facing a shutdown,** as of the close of this report, due to the lack of agreement between Republicans and Democrats to approve the budgets (the main point of friction is the cuts in health spending). This first government shutdown in seven years means that all non-essential services are suspended until a new budget is approved. The impact on growth will depend on how long it lasts, but the historical evidence indicates that it is usually quite limited, especially as much of the losses caused by the shutdown are recovered once the government reopens. In fact, the five-week partial government shutdown between 2018 and 2019, the longest in US history, had an estimated cost of around 11 billion dollars (just 0.05% of GDP) according to the Budget Office, and almost 75% of those losses were recovered once the government resumed normal operations.

**China's domestic demand remains weak.** Retail sales grew by 3.4% year-on-year, compared to 5.4% on average in Q2. This loss of momentum will continue in the coming months: household spending will be weighed down by the exhaustion of the effect of the tax incentives, which had stimulated the purchase of durable goods at the beginning of the year. Industrial production, meanwhile, maintained resilient growth rates of 5.2% year-on-year, albeit 1 pp lower than the Q2 average, and looking ahead it faces the challenge of a more demanding external environment. In fact, in August, Chinese exports grew by 4.8% year-on-year (compared to a 7.4% year-on-year increase in Q2), weighed down by a fall of almost 33% year-on-year in exports to the US.

### US: components of GDP in Q2 2025

Contribution to non-annualised quarter-on-quarter growth (pps)

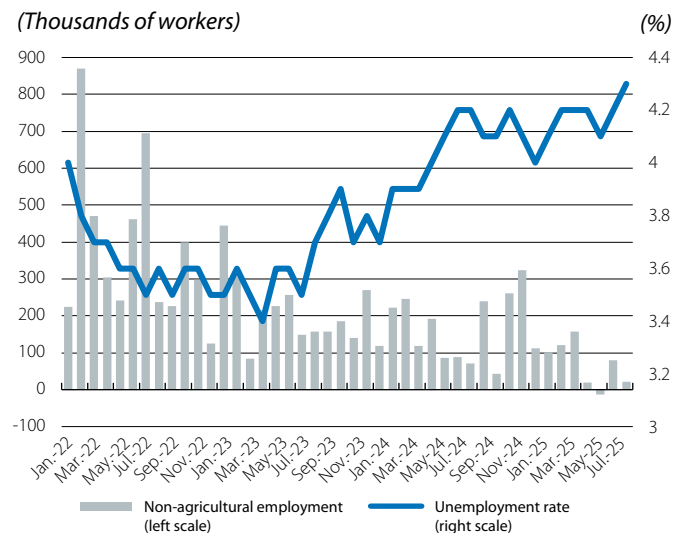


Note: \* Non-annualised quarter-on-quarter change (%).

Source: CaixaBank Research, based on data from the Bureau of Economic Analysis.

### US: labour market

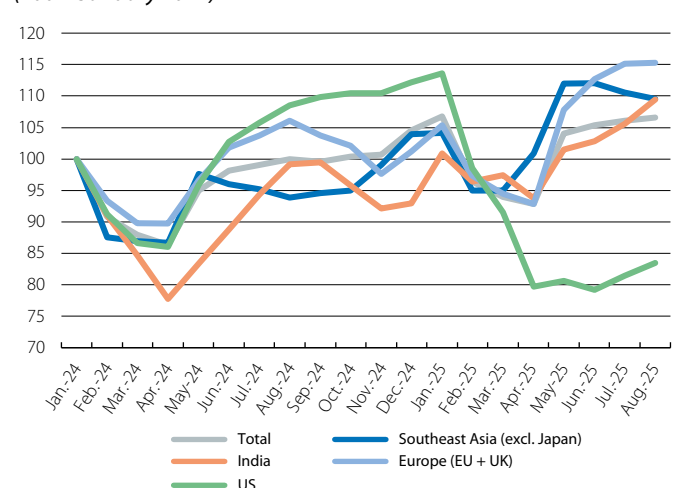
(Thousands of workers)



Source: CaixaBank Research, based on data from the Bureau of Labor Statistics.

### China: exports of goods\*

(100 = January 2024)



Note: \* 3-month average.

Source: CaixaBank Research, based on data from Bloomberg.

## Firm size and productivity gaps in the EU

The European Commission proposed in May the definition of a new business category based on size, the so-called «small mid-caps». These firms, with between 250 and 750 employees and an annual turnover ranging from 50 to 150 million euros, are in the transition phase between medium and large enterprises. The aim is to allow them to benefit from more proportionate regulation that facilitates the scale-up of Europe's productive sector, an idea which the Draghi report stressed in order to regain global competitiveness. The smaller average firm size of is particularly pronounced in certain EU countries, such as Greece, Italy, Portugal and Spain. In this article, we focus on how this distinctive feature may relate to productivity disparities, with which firm size is positively correlated.

### The positive association between size and productivity

Differences in productivity between countries can be either due to divergences in the general efficiency conditions of an economy, such as the institutional or legal framework, or related to productive structures with different characteristics, whether at the sectoral or corporate level.<sup>1</sup> Through a simple statistical decomposition analysis, we can approximate the contribution of each of these elements to the differences in productivity between individual European countries and the EU as a whole (see first chart).<sup>2</sup> For example, within the four major economies, Germany and France show a similar profile: their productivity per person employed<sup>3</sup> exceeds the European average thanks to a higher concentration of larger firms than in the rest of the EU, and this is a factor associated with higher productivity (see second chart).<sup>4</sup>

1. See, among other references: E.J. Bartelsman and M. Doms (2000), «Understanding productivity: Lessons from longitudinal microdata»; M.J. Melitz (2003), «The impact of trade on intra-industry reallocations and aggregate industry productivity», and D. Restuccia and R. Rogerson (2017), «The causes and costs of misallocation».

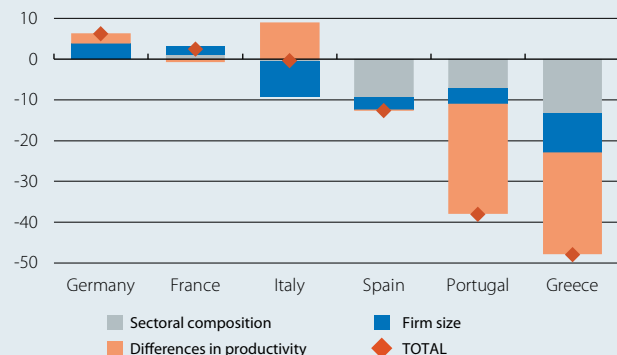
2. A country's productivity can be expressed as the average productivity in each sector-firm size pair weighted by the number of employees in that pair. Thus, the productivity gap between two countries can be broken down into the contribution of the differences in: (i) the percentage of employment by firm size within a sector, (ii) the percentage of employment by sector and (iii) the productivity level for each sector-firm size pair. The full formulation can be found in chapter 7.2 of P. Bauer *et al.* (2020), «Productivity in Europe: Trends and drivers in a service-based economy».

3. According to the Eurostat definition, the number of persons employed in a company includes employees, owners and partners who work in the business, as well as unpaid family members working in the business.

4. The debate on causality between firm size and productivity remains open and references in both directions can be found. For instance, the study by E. Moral-Benito (2016), «Growing by learning: firm-level evidence on the size-productivity nexus» argues for Spain that low productivity growth is behind the fact that the distribution is skewed towards smaller businesses and not vice versa.

### Productivity per person employed compared to the EU in 2022

Decomposition into factors (%)



**Notes:** Data in euros adjusted for purchasing power parity. Calculation for 16 sections of the National Classification of Economic Activities (NACE) (the total economy excludes the agricultural sector and general government).

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

### Productivity gap with respect to micro-enterprises (%)



**Notes:** Micro-enterprises have fewer than 10 persons employed. Coefficients obtained using a linear regression of the logarithm of productivity per employee for 2022 in euros, adjusted for purchasing power parity, using categorical variables for country, sector and type of company by size.

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

On the other hand, this factor has a negative contribution in Spain and, especially, in Italy. In the case of Spain, the sectoral composition of the economy is also unfavourable, while in Italy the greater relative weight of smaller (and thus less productive) businesses is offset by general productivity levels that exceed those of the EU as a whole. Among other Member States, Portugal and Greece stand out, as all three of these components – sectoral structure, firm size and overall efficiency – make a significant contribution to explaining their notably lower productivity relative to the European average.

### Large and manufacturing firms as key drivers of innovation

A standard measure of firm size is the ratio between the number of persons employed and the total number of companies. However, this metric introduces a considerable bias when there is a significant presence of self-employed workers or micro-enterprises in the productive sector,



skewing the focus towards the lower end of the distribution. An alternative approach, which is also consistent with the productivity decomposition analysis discussed above, is to calculate the average size weighted by the percentage of persons employed in each category, as this brings us closer to the economy's actual productive capacity. As an example, if an economy has 100 companies with one worker and one company of 100 workers, the first measure would give us an average size of 1.98 and the second, of 50.5; a substantial difference.

For the countries analysed above, France has the highest weighed average firm size, with 750 persons employed, followed at some distance by Germany with 530 and Spain with 400. The figure is below 300 in Italy and Portugal, while Greece ranks last, with less than 150 (see third chart). There are also significant differences by sector, with administrative and ancillary services, transport and logistics, and information and communication services showing a notably higher figure than average. At the other end of the spectrum, firm size is generally smaller in construction, hospitality and professional and technical activities.<sup>5</sup> In terms of the cross-country dispersion within sectors, the biggest differences are found in the manufacturing and transport services sectors, with Germany and France showing an average firm size that is more than double those of the other Member States in question. In these cases, it seems that the larger size of these economies make it possible to exploit the importance of scale in the two sectors.

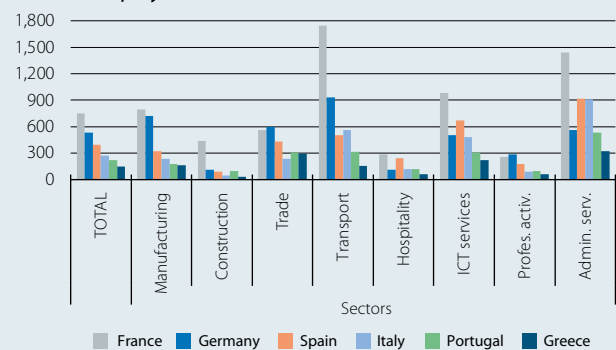
In the case of manufacturing, beyond the positive association between size and productivity we demonstrated earlier, the divergence in firm size also has implications for innovation and technological progress for the economy as a whole. This is because the percentage of value added that firms spend on research and development varies substantially according to their size, with the greatest jumps occurring between the micro-enterprise and small business segments, as well as between the medium and large segments (see fourth chart). For the EU as a whole, large firms are responsible for two thirds of all R&D spending, with around 80% of funding coming from the business sector itself and with manufacturing being the top investing sector (60% in the EU and over 80% in Germany).

### In search of the right tools for scaling up

The positive association between firm size and productivity gives support to the goal of reducing the regulatory burden, as proposed by the European Commission in May, in order to facilitate the scale-up in the productive sector, by softening the differential impact of regulations

5. Regarding the differences in average firm size by sector, see G. Berlingieri, S. Calligaris and C. Criscuolo (2018). «The productivity-wage premium: Does size still matter in a service economy?», AEA Papers and Proceedings.

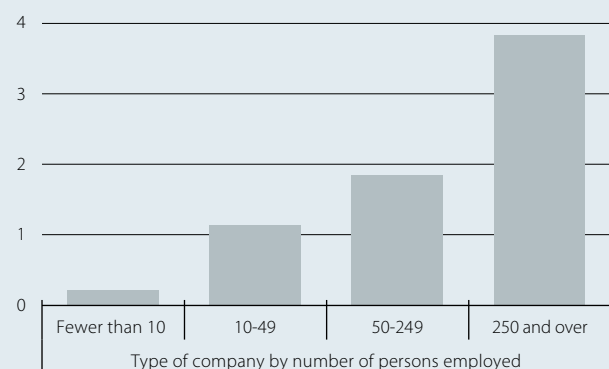
### Weighted average firm size by sector in 2023 Persons employed (number)



**Notes:** Average size weighted by the percentage of persons employed in each type of company in a given sector. Five types of company: fewer than 10 employees, 10 to 19, 20 to 49, 50 to 249 and 250 and over. The sectors correspond to sections of the statistical classification of economic activities (NACE). The total economy excludes the agricultural sector and general government.

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

### EU: R&D expenditure by company size in 2021 (% of value added)



**Note:** Calculation over the aggregate for all 27 Member States.

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

depending on the size of the company.<sup>6</sup> Beyond this element, and in the light of the stark differences that persist between Member States, as well as for the EU as a whole with respect to the US, this step should be supplemented with an additional battery of measures at the national and EU level. One of the key factors identified as influencing the distribution of companies by size is the role of the institutional framework, with judicial and government efficiency being a particularly favourable factor for boosting firm size, and even more so in the case of innovative and capital-intensive activities.<sup>7</sup> In this regard, countries with a greater relative weight of small businesses score lower in indicators related to aspects such as regulatory quality and the protection of property rights.<sup>8</sup> On the other hand, at the EU level, following the path laid out by the Letta and Draghi reports, one of the

6. See N. Guner, G. Ventura and Y. Xu (2008). «Macroeconomic implications of size-dependent policies», Review of Economic Dynamics, volume 11, chapter 4.

7. See K.B. Kumar, R.G. Rajan and L. Zingales (1999). «What determines firm size?», NBR, Working Paper 7208.

8. P. Bauer *et al.* (2020), «Productivity in Europe: Trends and drivers in a service-based economy», includes, in chapter 7.2, an analysis with multiple institutional variables and different definitions of firm size.

top priorities highlighted in the Competitiveness Compass presented by the Commission in January is to pursue further integration of the single market, including capital markets.<sup>9</sup> Removing the obstacles that encourage their fragmentation would favour cross-border activity among European companies and facilitate a jump in scale that is

crucial in order for some sectors to compete globally. Behind this element is also the ongoing debate in the EU regarding a possible revision of competition rules, in which the political discussion will seek a difficult balance between efficiency and well-being.

*David Martínez Turégano*

9. See the Focus [«A shift in the EU's political priorities»](#) in the MR04/2025.

## European tourism in the post-pandemic era: uneven recovery and new challenges

The tourism sector was one of the hardest hit globally by the COVID-19 pandemic. In fact, even today, a good number of countries have not yet recovered the levels of international visitors seen in 2019, particularly in the Asia-Pacific region. In this challenging context, aggregate tourism demand in the EU has performed relatively well, albeit with marked heterogeneity within the bloc. In particular, the Mediterranean economies experienced a rapid revival, in contrast to less favourable demand in Eastern European countries. Here we review recent developments and challenges for a sector that is key to the European economy.<sup>1</sup>

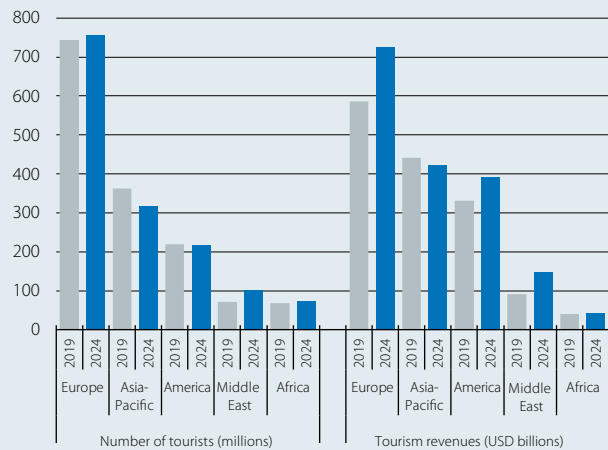
### International demand takes over from domestic tourism amidst ongoing challenges

The number of international tourists returned to pre-pandemic levels in 2024 (around 1.5 billion in 2019, according to the World Tourism Organization). By region, the picture is, however, more mixed, with the Asia-Pacific region still 12% below 2019 levels, while the Middle East stands 40% higher, benefiting from its growing offer of business and sporting events (see first chart). In Europe, the number of international tourists last year exceeded the level recorded in 2019 by 12 million, with a cumulative increase in revenues of around 25%, although the latter figure is in nominal terms and is largely explained by inflation in this period.

The international tourism segment was the hardest hit by the mobility restrictions during 2020 and 2021. In the EU, both the number of people and overnight stays by foreigners at tourist establishments collapsed by 70% compared to 2019, and pre-pandemic levels were only recovered in 2023 as demand finished normalising in key markets such as China (see second chart). However, its revival has not been without obstacles, such as the war in Ukraine, the higher cost of air travel and hospitality services and, more recently, the impact on flights of tensions in the Middle East and the increase in global uncertainty. By comparison, domestic demand declined by 30%-40% and had already recovered pre-pandemic levels by 2022, although since then it has experienced moderate growth in a context in which the cumulative loss of European households' purchasing power has only recently begun to be corrected.

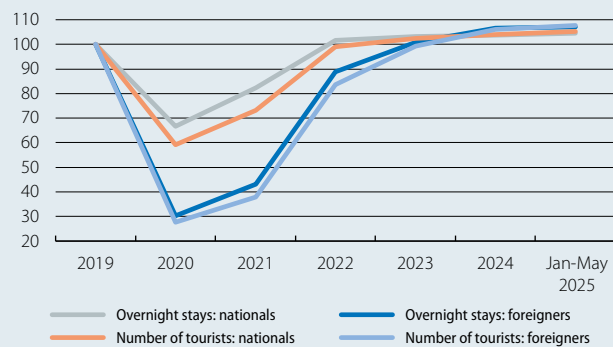
1. According to data and methodology from the World Travel and Tourism Council, the tourism sector represents around 10% of European GDP and some 25 million jobs. This figure includes direct, indirect and induced effects.

### International tourism by destination region



Source: CaixaBank Research, based on data from the World Tourism Organization.

### Stays in EU tourist accommodation establishments Index (100 = 2019)



Note: The figures for January to May 2025 are calculated by applying the average year-on-year change for those months to the annual figure for 2024. Tourist accommodation establishments include hotels, apartments and campsites.

Source: CaixaBank Research, based on data from Eurostat.

### Beyond the case of Spain: the Mediterranean region drives the recovery for European tourism

The aggregate figures for the EU hide significant variations in the recovery of international tourism demand between different Member States. Whilst a large number of countries show a significant increase in overnight stays by foreigners compared to 2019 levels – including most Mediterranean countries – others still remained far short of pre-pandemic levels in 2024, especially Bulgaria and the Baltic states, which have a historically high dependence on the Russian market (see third chart). Among the EU's large economies, the recovery has been particularly strong in the case of Spain (15% more overnight stays by foreigners in the last year compared to 2019)<sup>2</sup> and in Italy (12%), both

2. A detailed snapshot of the latest trends in Spain's tourism sector can be read in the [Tourism Sector Report](#) published by CaixaBank Research twice per year.

of which have shown significant dynamism in the sector's global context, while it has been much more contained in France and remains incomplete in the case of Germany.

The revival of international tourism in the Mediterranean region has had a significant macroeconomic impact in recent years and has been a key factor in the recovery of GDP to pre-pandemic levels, contributing to job creation and the improvement of the current account balance. For these countries as a whole, their traditional external surplus for tourism services stood above 2% of GDP in 2023 and 2024, exceeding the 2019 level (see fourth chart). In contrast, the other group of countries that showed a positive balance prior to the pandemic – of which the largest in volume terms were Austria, Hungary and Poland – registered net tourism exports last year equivalent to 0.8% of GDP, half that of 2019.

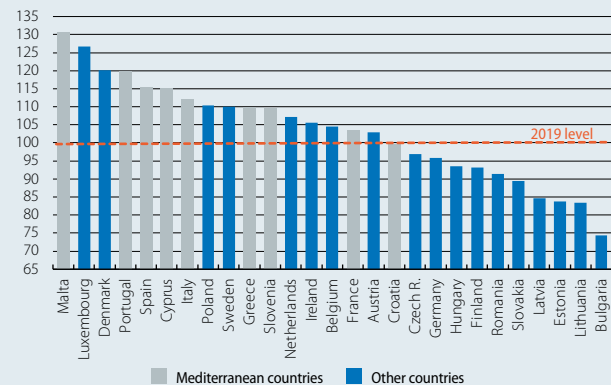
### What comes next? A new phase for European tourism

The World Tourism Organization anticipates an increase in the number of international tourists in 2025 of between 3% and 5%,<sup>3</sup> while the medium-term prospects are also favourable and continue to be supported by a combination of the high elasticity of demand to income and the expansion of the middle classes in emerging countries.<sup>4</sup> The materialisation of this scenario will largely depend on a moderation of the current global economic and geopolitical uncertainty, while it remains to be seen how the price escalation of recent years will be offset by a growing consumer preference for leisure and travel in particular.

In the EU, the tourism sector has emerged from the years of post-pandemic recovery with a generally positive balance and looks poised to take advantage of the good outlook for global demand. However, the picture is neither uniform nor free from challenges. The particular needs of each country have become more nuanced compared to the global solutions proposed in 2020 in the face of the effects of COVID-19. Today the debates range widely, from doubts about the sustainability of current demand – particularly in locations where it has grown the most in recent years or is more exposed to the rigours of climate change – to those areas shaken by the war in Ukraine and destinations with a tourist offer that is more vulnerable to global competition.

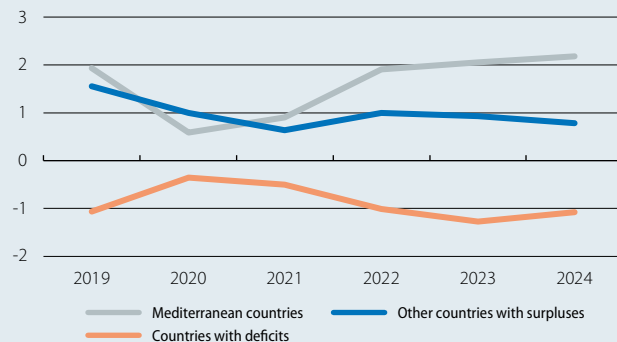
With the aim of transforming the tourism model in order to maintain its competitiveness, in the coming months the European Commission will present the Sustainable

### Overnight stays by foreigners in tourist establishments by EU country (% of 2019 level)



**Notes:** Data for the last 12 months up to May 2025 as a percentage of the value for 2019. Tourist accommodation establishments include hotels, apartments and campsites.  
**Source:** CaixaBank Research, based on data from Eurostat.

### Balance of payments for tourism services in the EU Net balance (% of GDP)



**Notes:** Mediterranean countries include Cyprus, Croatia, Slovenia, Spain, France, Greece, Italy, Malta and Portugal. Other countries with surpluses include Austria, Bulgaria, the Czech Republic, Slovakia, Estonia, Hungary, Latvia, Luxembourg and Poland. Countries with deficits include Germany, Belgium, Denmark, Finland, Ireland, Lithuania, the Netherlands, Romania and Sweden.

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

Tourism Strategy, which will outline priorities such as reducing the seasonality of demand, diversifying destinations, improving job quality and boosting the use of data (AI) for tourism management, among others. This will thus join other initiatives that seek to respond to the challenges of the sector, such as the emission reduction targets in transportation and the environmental certification requirements for accommodation establishments set out in the European Green Deal, the regulatory harmonisation for short-term rentals approved in 2024 and the entry into force in late 2026 of a new digital entry authorisation scheme to bolster border security.

David Martínez Turégano

3. See the World Tourism Barometer published in May this year.

4. See the article «What do the elasticities of international tourism demand tell us about the growth of the tourism sector in Spain?» in the Tourism Sector Report S1/2025.

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

## UNITED STATES

	2023	2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	07/25	08/25	09/25
<b>Activity</b>									
Real GDP	2.9	2.8	2.8	2.4	2.0	2.1	–	–	–
Retail sales (excluding cars and petrol)	5.2	3.4	3.5	4.1	4.8	4.9	4.6	5.4	...
Consumer confidence ( <i>value</i> )	105.4	104.5	102.2	110.6	99.8	93.1	98.7	97.8	94.2
Industrial production	0.2	–0.3	–0.4	–0.3	1.2	0.9	1.3	0.9	...
Manufacturing activity index (ISM) ( <i>value</i> )	47.1	48.2	47.3	48.2	50.1	48.7	48.0	48.7	49.1
Housing starts ( <i>thousands</i> )	1,421	1,371	1,338	1,387	1,401	1,354	1,429	1,307	...
Case-Shiller home price index ( <i>value</i> )	312	330	332	336	340	338	337	...	...
Unemployment rate (% <i>lab. force</i> )	3.6	4.0	4.2	4.1	4.1	4.2	4.2	4.3	...
Employment-population ratio (% <i>pop. &gt; 16 years</i> )	60.3	60.1	60.0	59.9	60.0	59.8	59.6	59.6	...
Trade balance <sup>1</sup> (% GDP)	–3.0	–2.8	–2.9	–3.0	–3.5	–3.6	–3.5	...	...
<b>Prices</b>									
Headline inflation	4.1	3.0	2.6	2.7	2.7	2.4	2.7	2.9	...
Core inflation	4.8	3.4	3.2	3.3	3.1	2.8	3.1	3.1	...

## JAPAN

	2023	2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	07/25	08/25	09/25
<b>Activity</b>									
Real GDP	1.2	0.1	0.8	1.2	1.7	1.7	–	–	–
Consumer confidence ( <i>value</i> )	35.1	37.2	36.9	36.1	34.7	32.8	33.7	34.9	35.3
Industrial production	–1.4	–3.0	–1.8	–2.5	2.5	0.8	–0.4	0.4	...
Business activity index (Tankan) ( <i>value</i> )	7.0	12.8	13.0	14.0	12.0	13.0	–	–	–
Unemployment rate (% <i>lab. force</i> )	2.6	2.5	2.5	2.5	2.5	2.5	2.3	...	...
Trade balance <sup>1</sup> (% GDP)	–3.0	–1.1	–1.1	–1.0	–0.9	–0.7	–0.6	...	...
<b>Prices</b>									
Headline inflation	3.3	2.7	2.8	2.9	3.8	3.4	3.0	2.7	...
Core inflation	3.9	2.4	2.0	2.3	2.7	3.2	3.4	3.3	...

## CHINA

	2023	2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	07/25	08/25	09/25
<b>Activity</b>									
Real GDP	5.4	5.0	4.6	5.4	5.4	5.2	–	–	–
Retail sales	7.8	3.3	2.7	3.8	3.6	4.4	3.7	3.4	...
Industrial production	4.6	5.6	5.0	5.6	6.8	6.2	5.7	5.2	...
PMI manufacturing ( <i>value</i> )	49.9	49.8	49.4	50.2	49.9	49.4	49.3	49.4	49.8
<b>Foreign sector</b>									
Trade balance <sup>1,2</sup>	865	997	898	997	1,086	1,146	1,159	1,169	...
Exports	–5.1	4.6	5.4	10.0	5.7	6.0	7.1	4.3	...
Imports	–5.5	1.0	2.1	–1.8	–6.9	–0.9	4.1	1.3	...
<b>Prices</b>									
Headline inflation	0.2	0.2	0.5	0.2	–0.1	0.0	0.0	–0.4	...
Official interest rate <sup>3</sup>	3.5	3.1	3.4	3.1	3.1	3.0	3.0	3.0	3.0
Renminbi per dollar	7.1	7.2	7.2	7.2	7.3	7.2	7.2	7.2	7.1

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 &amp; 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	Q3 2024	Q4 2024	Q1 2025	Q2 2025	07/25	08/25	09/25
Retail sales (year-on-year change)	-1.9	1.2	2.1	2.2	2.0	2.7	2.2	...	...
Industrial production (year-on-year change)	-1.6	-3.0	-1.8	-1.6	1.5	1.4	1.8	...	...
Consumer confidence	-17.4	-14.0	-13.0	-13.5	-14.1	-15.7	-14.7	-15.5	-14.9
Economic sentiment	96.2	95.7	96.0	95.1	95.5	94.4	95.8	95.3	95.5
Manufacturing PMI	45.0	45.9	45.5	45.4	47.6	49.3	49.8	50.7	49.8
Services PMI	51.2	51.5	52.1	50.9	51.0	50.1	51.0	50.5	51.3
<b>Labour market</b>									
Employment (people) (year-on-year change)	1.4	1.2	1.0	0.8	0.7	0.6	-	-	-
<b>Unemployment rate (% labour force)</b>	6.6	6.4	6.3	6.3	6.3	6.3	6.2	6.3	...
Germany (% labour force)	3.1	3.4	3.4	3.4	3.6	3.7	3.7	3.7	...
France (% labour force)	7.3	7.4	7.4	7.3	7.4	7.5	7.5	7.5	...
Italy (% labour force)	7.7	6.6	6.3	6.2	6.3	6.3	5.9	6.0	...
<b>Real GDP (year-on-year change)</b>	0.5	0.8	0.9	1.3	1.6	1.5	-	-	-
Germany (year-on-year change)	-0.7	-0.5	-0.6	-0.2	0.2	0.2	-	-	-
France (year-on-year change)	1.6	1.1	1.1	0.6	0.6	0.8	-	-	-
Italy (year-on-year change)	0.8	0.5	0.5	0.6	0.7	0.4	-	-	-

## Prices

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

	2023	2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	07/25	08/25	09/25
General	5.5	2.4	2.2	2.2	2.3	2.0	2.0	2.0	2.2
Core	5.0	2.8	2.8	2.7	2.6	2.4	2.3	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	Q3 2024	Q4 2024	Q1 2025	Q2 2025	07/25	08/25	09/25
<b>Current balance</b>	2.0	3.3	3.4	3.3	3.0	3.6	5.3	...	...
Germany	5.5	5.8	6.3	5.8	5.4	6.6	9.7	...	...
France	-1.0	0.1	0.3	0.1	0.0	-0.3	-0.7	...	...
Italy	0.1	1.1	0.9	1.1	1.1	1.6	2.6	...	...
<b>Nominal effective exchange rate<sup>1</sup> (value)</b>	94.7	95.0	95.5	94.2	93.5	96.8	98.4	98.3	98.7

## Credit and deposits of non-financial sectors

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

	2023	2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	07/25	08/25	09/25
<b>Private sector financing</b>									
Credit to non-financial firms <sup>2</sup>	2.7	0.8	1.0	1.4	2.2	2.6	2.8	3.0	...
Credit to households <sup>2,3</sup>	1.7	0.5	0.5	0.9	1.5	2.1	2.4	2.5	...
Interest rate on loans to non-financial firms <sup>4</sup> (%)	4.6	4.9	4.9	4.4	3.9	3.4	3.3	3.1	...
Interest rate on loans to households for house purchases <sup>5</sup> (%)	4.4	4.6	4.7	4.3	4.0	3.7	3.6	3.6	...
<b>Deposits</b>									
On demand deposits	-8.5	-3.9	-2.5	1.2	3.6	5.3	5.6	5.6	...
Other short-term deposits	21.1	12.3	10.5	6.0	2.3	-0.1	-0.8	-1.4	...
Marketable instruments	20.3	20.3	22.1	18.6	15.7	10.4	6.1	2.6	...
Interest rate on deposits up to 1 year from households (%)	2.7	3.0	3.0	2.6	2.2	1.9	1.7	1.7	...

**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 defies the global environment and beats expectations

The Spanish economy continues to show significant dynamism, with better performance than expected, driven by domestic demand (both private consumption and investment). Among other factors, this is thanks to the strong financial situation of both households and firms, favourable financing conditions, the normalisation of inflation and the strength of the labour market.

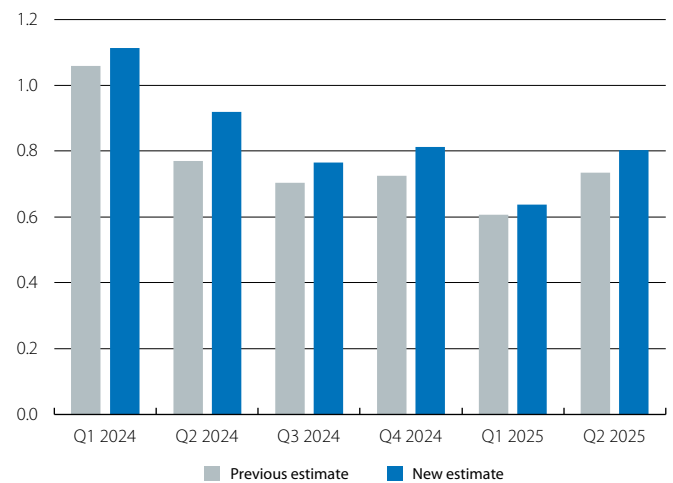
This good performance has exceeded initial expectations and has even offset the negative impact of a higher-than-expected increase in US tariffs. In addition, the National Statistics Institute (INE) has revised its previous GDP estimates upwards by 0.5%, placing growth for 2024 at 3.5%, compared to 3.2% previously, and this introduces a positive knock-on effect on the forecasts. As a result, we have adjusted our GDP growth forecast for 2025 to 2.9%, 0.5 pps more than in the previous estimate, and to 2.1% for 2026, 0.1 pp more than before (see the Focus [«New scenario for the Spanish economy: dynamism in a fragile environment»](#) in this same report).

The INE's statistical revision improves the starting point. The INE has raised the quarter-on-quarter GDP growth of Q2 2025 by 0.1 pp, to 0.8%, compared to 0.6% in the previous quarter, which means that the Spanish economy was even able to intensify its growth rate in an unfavourable global environment. In addition, in its new estimates the INE has revised upwards the quarterly growth rates for most of 2024. With this new picture, domestic demand is 9.0% above the level of Q4 2019, compared to the previously estimated 8.3%, driven mainly by investment, which is now 11.4% above the pre-pandemic level, instead of 6.8%; this is the result of the significant revision of investment in non-residential construction, which has gone from being 0.5% below to 9.4% above that level.

Economic activity remains dynamic in Q3 2025, with the PMIs consolidated in expansive territory, tourism reaching new highs and employment growing at a steady pace. The PMI for the services sector has increased to an average of 54.2 points in Q3, 2 points more than in the previous quarter. This improvement has been supported by strong demand, especially for commercial activities, which in turn are being driven by the tourism sector as it continues to set new highs despite the normalisation of its growth rate. In particular, in July-August, 22.3 million foreign tourists arrived in our country, spending 32.8 billion euros, which represents an increase of 2.3% and 6.4% year-on-year, respectively (see the Focus [«The tourism sector closes the high season with solid figures»](#) in this same report). As for industry, the manufacturing sector PMI stood at 52.6 points on average in July-September (50.0 in Q2); after the turbulent international context of the previous months, both production and new orders are now on the rise amid an improvement in expectations. The labour market, meanwhile, continues to be one of the pillars of growth, and Social Security affiliation is growing at a year-on-year rate of 2.4% in September, i.e. 500,000 more workers than a year ago.

### Spain: GDP

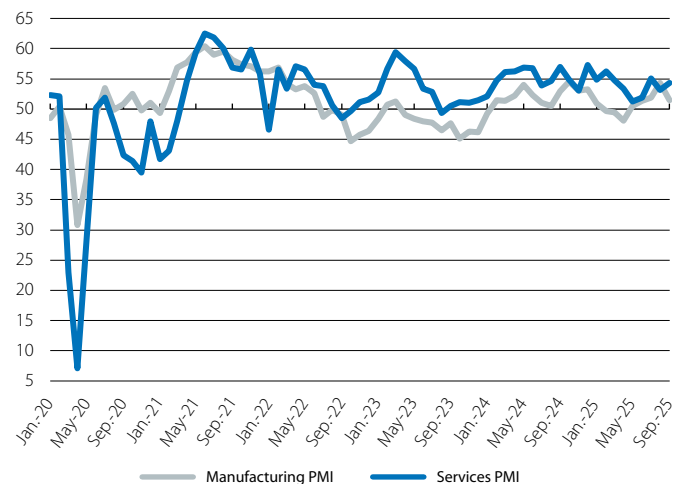
Quarter-on-quarter change (%)



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

### Spain: PMI

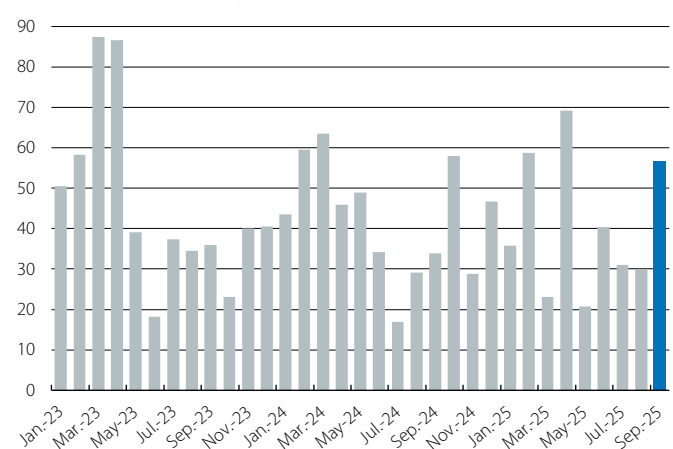
Index (>50 expansion; <50 contraction)



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

### Spain: registered workers affiliated with Social Security

Month-on-month change (thousands)



Note: Seasonally adjusted series.

Source: CaixaBank Research, based on data from the Ministry of Inclusion, Social Security and Migration (MISMM).

This recent strength in the labour market has translated into a notable increase in households' gross disposable income (GDI), which in Q2 grew by a year-on-year rate of 6.0%, driven by a 7.0% rise in wage-earners' remuneration, and slightly above the increase in household spending (5.9%). Thus, the savings rate, in cumulative terms for the last four quarters, has risen to 12.8% of GDI, compared to 12.6% in the previous quarter. This places it well above the average recorded in the period 2015-2019 (7.2%) and increases households' future spending capacity.

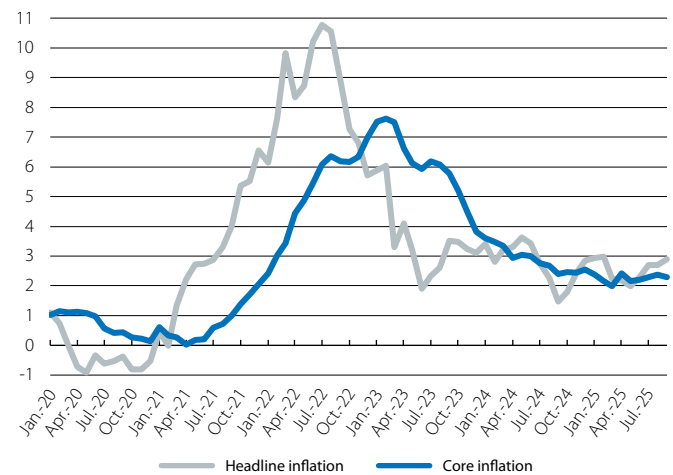
**On the consumption side, the latest indicators point to a moderation of its growth rate, following a very dynamic Q2.** In particular, the CaixaBank Research indicator for Spanish card activity shows year-on-year growth of 2.7% in Q3, compared to 4.3% in the previous quarter, albeit with a steady improvement throughout the quarter. The data for passenger car registrations offer better signals, with an acceleration in their growth rate in Q3 to 16.9% year-on-year (13.7% previously), marking the fastest pace since Q1 2023. In annualised terms, registrations exceed 1.1 million units, the highest number since prior to the outbreak of the pandemic.

**Inflationary pressures are contained.** According to the CPI flash indicator, headline inflation rose by 0.2 pps in September to 2.9%, the highest rate since February, but this was due to a base effect on fuels and electricity, as their prices fell less than in September 2024; in fact, core inflation, which excludes energy and unprocessed food, fell by 0.1 pp to 2.3%. The inflation rebound which began in May is likely to have come to an end and for the coming months, in line with the containment in energy and fresh food prices anticipated by the markets, we expect inflation to steadily moderate and to end the year at around 2%.

**The housing market continues to climb.** Sales once again recorded rapid growth in July (13.7% year-on-year), and this growth was widespread across different regions and types of housing, with growth in the demand for new homes (22.3%) being more dynamic than that of existing homes (11.6%). The picture for the year to date is one of a booming housing market, with sales up 19% and exceeding 422,200 transactions, marking the highest level of activity in the first seven months of the year since 2007. A more dovish monetary policy, the current strength of the economy, that of the labour market, as well as population growth together explain the strength of the demand for housing, in contrast with a revived but still insufficient supply. In the last 12 months up until May, 132,000 new homes have been approved, compared to a rate of household creation exceeding 190,000, according to the Continuous Population Statistics. In this context of imbalance between supply and demand, the main house price indicators continue to show significant growth, as is the case of the appraisal value of unsubsidised housing published by the Ministry of Housing and Urban Agenda (3.0% quarter-on-quarter in Q2 vs. 3.1% in Q1) or the Housing Price Index published by the INE (4.0% quarter-on-quarter vs. 3.5% in Q1).

### Spain: evolution of the CPI

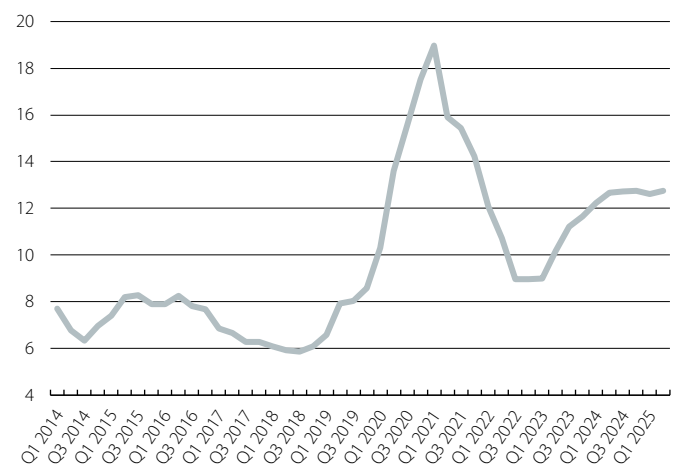
Year-on-year change (%)



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

### Spain: household savings rate

(% of gross disposable income)

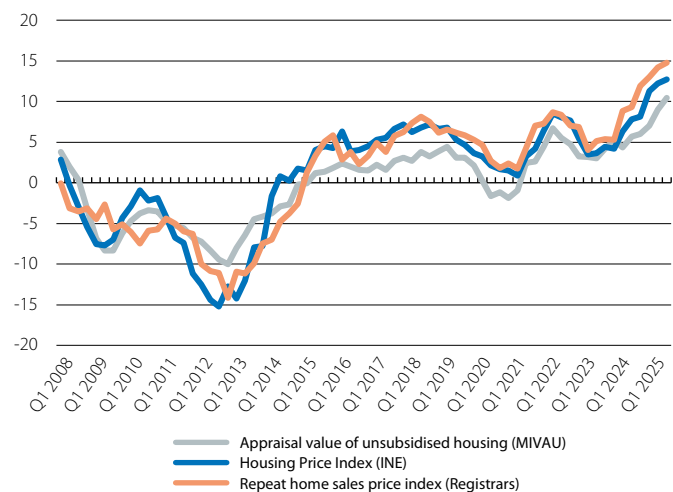


Note: Four-quarter cumulative data.

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

### Spain: house prices

Year-on-year change (%)



Source: CaixaBank Research, based on data from the National Statistics Institute (INE), the Ministry of Housing and Urban Agenda (MIVAU) and the Association of Property Registrars.

## New scenario for the Spanish economy: dynamism in a fragile environment

### The economy is starting from a better position than expected

The Spanish economy has performed better than expected in the first half of 2025. GDP grew 0.6% in Q1 and accelerated to 0.8% in Q2, exceeding the initial forecasts of 0.5%. In addition, growth has been balanced and healthy, driven by both investment and private consumption. This good performance becomes even more noteworthy if we consider the international context, marked by increased trade tensions with the US and the associated uncertainty.

The initial data for Q3 indicate that economic activity is progressing at a steady pace. Although job growth is slightly more moderate than in the previous quarter, it remains significant, with a quarter-on-quarter increase of 0.4% in July and August. The composite PMI has improved significantly and the tourism season has gone somewhat better than expected.<sup>1</sup> The only less positive note comes from the [CaixaBank Research Consumption Tracker](#), which shows a slowdown in year-on-year consumption growth: 2.7% with data up until the third week of September, compared to 4.3% in Q2. Despite this, the overall reading of the indicators is positive and a quarter-on-quarter growth rate of 0.6% is expected in Q3, 0.1 pp more than previously estimated.

### Key points of the new scenario

All the indicators suggest that the Spanish economy will maintain a dynamic growth rate in the coming quarters, supported by the ECB's interest rate cuts, moderate energy prices and the continuation of relatively high immigration flows. In this context, private consumption and investment are likely to consolidate their role as the engines of growth.

Regarding the ECB, inflation in the euro area has already reached the 2% target and no major fluctuations are anticipated in the near future, so rates look set to remain at around 2%, well below the levels of recent years. The market is only contemplating the possibility of one final rate cut, which would place the depo rate at 1.75% in 2026, before returning to 2% in 2027. Alternatively, the ECB could keep the depo rate at 2% for the remainder of 2025 and throughout 2026. In any case, Spain's economy will continue to benefit from the cycle of rate cuts for the remainder of this year and in 2026.

1. See the Focus [«The tourism sector closes the high season with solid figures»](#) in this same *Monthly Report*.

Secondly, forecasts for the oil price point to a slight decline in the remaining months of the year: after hovering around 68 dollars/barrel in September, Brent is expected to fall to 65 dollars/barrel in December 2025 and to remain around that level during 2026. Based on this scenario, the oil price will consolidate at lower levels than those recorded in recent years, which will continue to drive growth.

As for international markets, the forecast growth of the world economy in 2025 has been revised slightly upwards, from 2.9% to 3.1%, while that of the euro area for 2025 and 2026 has also been revised 0.1 pp upwards, to 1.3% and 1.2%, respectively. This improvement is mainly the result of better-than-expected growth data for Q1 and Q2. Nevertheless, the growth of our main trading partner remains modest, suggesting that the increase in Spanish exports will be limited.

### Outlook

In recent quarters, the Spanish economy has shown more resilience than expected amid the adverse international context. Moreover, the National Statistics Institute (INE) has revised upwards the growth profile of recent years and especially that of recent quarters. All this leads us to revise upwards our growth forecast for this year, from the 2.4% predicted in the previous scenario to 2.9%. For 2026, we continue to anticipate a slight slowdown in the growth rate, but we revise the forecast upwards by 0.1 pp, placing it at 2.1%.

Specifically, between 2022 and 2024, the growth of the Spanish economy was mainly supported by the foreign sector, especially tourism, and to a lesser extent by non-tourism services, public consumption and population growth driven by immigration. In 2025, the sources of growth have begun to shift towards domestic demand, a trend that is expected to continue in 2026.

Thus, we expect private consumption to maintain a dynamic growth rate, driven by lower interest rates, the recovery of household purchasing power – thanks to the normalisation of inflation and the strength of the labour market – and the gradual reduction of the savings rate. Investment will also continue to benefit from the lower interest rates, the good economic outlook and the support provided by NGEU funds. The data from the last three quarters already points to the beginnings of a new investment cycle, which could be here to stay. Both private consumption and investment have room for further growth: in Q2, private consumption was just 5.3% above the level of Q4 2019, while investment in capital

goods was 5.1% higher, compared to 9.4% in the case of GDP. If we consider the population increase since 2022, the figures are even more striking: real per capita consumption in Q2 2025 only exceeds the pre-pandemic level by 1.0%. As for investment, much of the recovery has been driven by the general government and households: in Q2 2025, gross fixed capital formation in these sectors was 76.3% and 75.1% above the level of the end of 2019 in nominal terms, while in the case of non-financial corporations (NFCs) the increase was just 12.8%. If we consider that the gross fixed capital formation deflator has risen by 20.8% in the same period, in real terms the investment of NFCs remains well below the pre-pandemic level, so it still has a lot of room for recovery. It should be recalled that the NFC sector is the most investment-intensive, accounting for 72% of total investment in 2019.

Despite the good outlook, growth in 2025 and 2026 is expected to moderate as some of the supporting factors of recent years lose steam. These trends include the normalisation of tourism growth, the reduced momentum of public consumption and a moderation in expected population flows. Added to this is the persistent weakness of the European economy and the tariff hikes between the US and the EU. As a counterbalance, the construction sector could partially offset the slowdown in tourism. Given the growing gap between demand and supply in the real estate market, the construction of new housing is expected to accelerate in 2025 and 2026. This trend is already reflected in the data: new construction permits were up 13.3% year-on-year in the trailing 12 months to May 2025, compared to 3.5% in the same period last year.

In 2026, inflation is expected to continue to moderate and to reach an annual average of 2.0%, after foreseeably reaching 2.5% by the end of 2025. This trend will be driven by a reduction in energy inflation, once the effect of the normalisation of VAT on electricity applied in January 2025 has disappeared, as well as by a moderation in food prices. Moreover, the significant appreciation of the euro in 2025 – of more than 13% so far this year – will also contribute to this moderation.

On the other hand, the data published to date reveal a notable increase in employment, specifically of 2.7% year-on-year according to the Q2 labour force survey. In 2025, job creation is expected to remain dynamic, at around 2.5% for the year. For 2026, a slight moderation is anticipated, although the growth rate will remain high: employment is expected to increase by 2%, compared to the 1.6% previously predicted. Thus, the forecast for the unemployment rate has also improved and it is now expected to fall from 11.3% in 2024 to 10.4% in 2025, before foreseeably falling below double-digit figures in 2026 for the first time since 2007, reaching 9.7%.

On the real estate side, the housing market is currently enjoying a boom, driven by the reduction in interest rates, the improvement in purchasing power, population growth and strong demand from foreign buyers. Home sales reached 700,000 units in the 12 months to June 2025, almost 20% more than in the same period last year and the highest figure since 2007. Although supply is beginning to react, it is still not enough to begin reducing the housing deficit accumulated since 2021. This imbalance between supply and demand will continue to exert pressure on prices in the short and medium term. Therefore, we expect the growth of house prices to remain high in 2025 and 2026: an increase of 9.6% is expected this year and one of 6.3% next year.

The risks surrounding this scenario are multiple. The upside risks include the possibility that consumption and investment could grow more than expected, especially if uncertainty fades faster than expected and households and businesses also normalise their levels of savings more quickly. The NGEU funds could also have a greater impact or the rebound in residential investment could be stronger than expected. However, the main risks remain on the downside and are geopolitical in nature. Although the level of uncertainty over the US-EU trade war has eased, new episodes of tension cannot be ruled out. Moreover, the fall of the government in France and doubts surrounding the sustainability of its debt have increased the risks to financial stability. Finally, an escalation of the conflict in the Middle East could lead to a sharp rise in oil prices.

*Oriol Carreras Baquer*



## The tourism sector closes the high season with solid figures

In 2025, the high season for Spain's tourism sector has turned out better than expected. Unlike previous years in which we saw lower growth in the high season, this year the growth rates in summer have approached those of the low season. These good results confirm our view that tourism growth is normalising at solid levels, and that tourism GDP will grow by 2.7% in 2025 and by 2.5% in 2026.

International tourism spending recorded on CaixaBank POS terminals grew by 7.7% year-on-year in July and August 2025. This figure is very close to the 7.9% recorded in the first six months of 2025 and suggests that international tourism continues to show strong demand, even in a context of normalisation following the post-pandemic boom.

By origin, the mature markets are showing solid figures. Spending by tourists from the United Kingdom is up 9.7%, while that of the French is up 9.6%. Despite the sluggishness of the German economy, German tourism spending increased by 7.4% in the high season, far outpacing the 3.5% growth recorded in the first six months.

While mature markets have shown strength almost across the board, the picture among long-haul markets is somewhat more mixed. Tourism from the US has experienced a significant fall (–9.2%), even greater than the –4.4% recorded in the first six months of the year. This decline is offset by excellent records from other long-haul markets such as China, Japan and Latin America, all with growth in excess of 20%. We note that tourism spending from Latin America has accelerated significantly since December 2024.

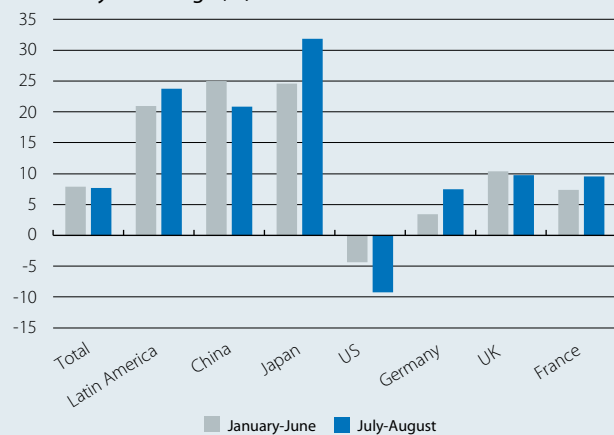
Domestic tourism has also increased this summer, albeit more modestly. Domestic tourism spending was up 3.1% in July and August, a slight slowdown relative to the 4.1% growth recorded between January and June. Of particular note is the improvement in spending on restaurants, which, according to data from CaixaBank POS terminals, increased by 13.2% year-on-year in the summer of 2025.

Overall, this has been a strong high season for international tourism, with robust and diversified growth. This good performance confirms our outlook for the sector, which we expect to contribute 0.35 pps to this year's GDP growth and 0.33 pps in 2026.

*David Cesar Heymann*

### Spain: international tourism expenditure

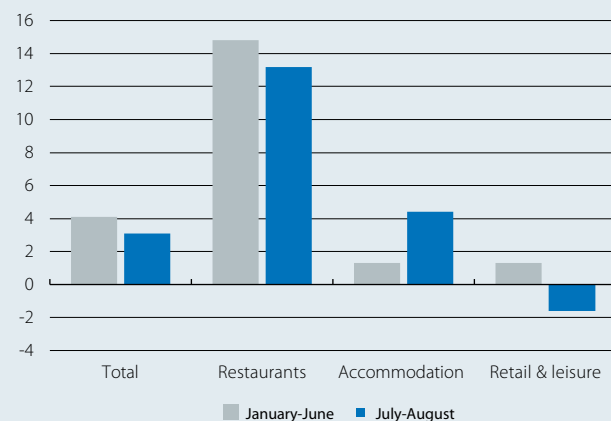
Year-on-year change (%)



Source: CaixaBank Research, based on data from CaixaBank POS terminals.

### Spain: domestic tourism expenditure

Year-on-year change (%)



Source: CaixaBank Research, based on data from CaixaBank POS terminals.

## Which regions could be most affected by Trump's tariffs?

The Spanish export sector is facing a complex international environment, marked by the protectionist shift in US trade policy. After months of uncertainty and negotiations, tariffs have finally been set at 15% for European products, pending confirmation of which strategic products will be exempt. Although the Spanish economy's exposure to the US is relatively limited<sup>1</sup> and the impact appears moderate at the aggregate level,<sup>2</sup> it varies significantly from region to region depending on their individual exposure to the US economy, as we outline below.

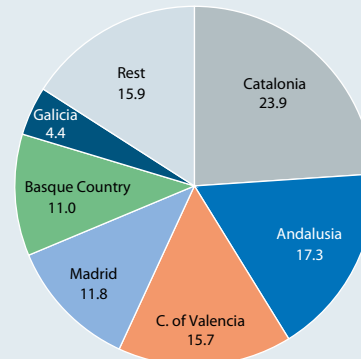
Spanish exports to the United States are concentrated in just a few autonomous communities. Specifically, as shown in the first chart, around 80% of these exports come from five regions: the Basque Country, Madrid, the Community of Valencia, Andalusia and, above all, Catalonia, which accounts for almost a quarter of the total. At the opposite end of the ranking we find La Rioja, Cantabria, Extremadura and the two island regions, with less than 1% each.

In order to identify which are the most vulnerable products in each region, we have calculated two indicators: the relevance ratio, which we define as the exports of each product expressed as a share to the total exports of the autonomous community in question, and the dependency ratio, which is the exports of each product destined for the US market expressed as a share of the autonomous community's total exports of that product.<sup>3</sup> The results of combining these two variables – relevance and dependency – can be seen in the second chart, in which for each autonomous community we have selected the three products with the greatest share of the region's exports (i.e. those with the greatest relevance) and the three with the highest percentage of their exports destined for the US (i.e. with the highest dependency ratio).

In the upper-right quadrant, we find the products of each autonomous community's exports that have both a high relevance (greater than 5%) and a high dependency (greater than 5%). These are the products that present

1. Based on data for 2024, exports of goods to the US account for 4.7% of total exports and 1.1% of GDP; on the other hand, 1.3% of the added value generated by the Spanish economy ends up being sold, either directly or indirectly (through the content of our products within other countries' exports), to the United States.
2. The IMF estimates that, among the big EU economies, the Spanish economy is the one least affected by the trade war: for each 10-point increase in US tariffs imposed on the EU, Spain's GDP growth in the short and medium term could be reduced by 0.1 pp; see IMF-Spain (2025), «2025 Consultations Article IV». The calculations performed by the Bank of Spain are similar: it estimates an impact of 0.11% after three years with a tariff of 10%; see Bank of Spain (2025), «Annual Report 2024».
3. We disaggregate the exported products according to the TARIC classification.

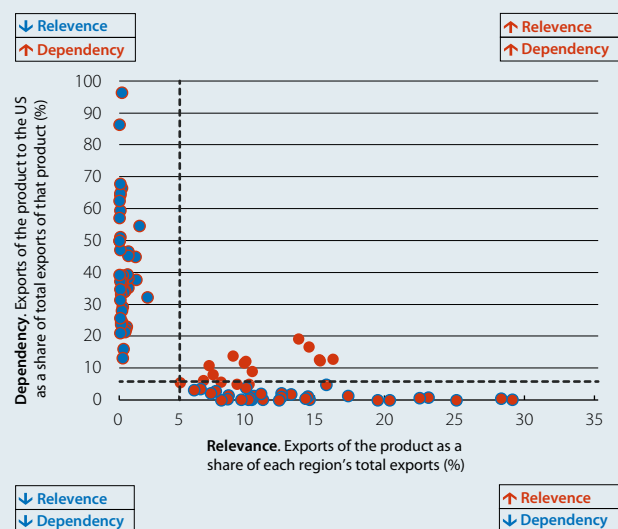
**Spain: exports of goods to the US by autonomous community**  
(% of the total)



Note: Data for 2024 in value terms.

Source: CaixaBank Research, based on data from DataComex.

**Spain: exports by autonomous community and product**



### High relevance and high dependency

A.C.	Product	↑ Relevance	↑ Dependency
AND	Oil & fats	13.0	19.2
RIO	Beverages	13.8	16.8
CVA	Ceramic products	9.4	14.0
BAS	Machinery & mechanical equipment	15.6	12.8
AST	Foundry articles	14.6	12.7
AND	Fuels	14.7	12.4
MAD	Machinery & mechanical equipment	10.4	12.3
C&L	Rubber & articles thereof	10.2	11.7
BAS	Foundry articles	7.7	10.9
NAV	Machinery & mechanical equipment	10.8	9.0
CAT	Pharmaceutical products	8.0	8.1
ARA	Machinery & mechanical equipment	7.3	6.2
NAV	Electrical devices & equipment	8.5	5.6
CANA	Machinery & mechanical equipment	5.6	5.5
CLM	Machinery & mechanical equipment	9.7	5.0
CANT	Machinery & mechanical equipment	10.6	5.0

the greatest risks for their respective regions. This group consists of the products listed in the first table, including most notably Andalusian exports of oils and fats, which account for 13% of the region's total exports and of which 19.2% go to the US, followed by exports of beverages from La Rioja and of ceramic products from the Community of Valencia.

In the lower-right quadrant, we find the products with a high relevance but a low exposure to the US market. In this case, vehicle exports in several autonomous communities stand out.

As can be seen in the upper-left quadrant, the goods with the highest rates of dependency on exports to the US have a very low relevance in the total exports of each region. This is the case, for instance, for stone and plaster manufactured goods from Andalusia, which have a 54.7% rate of dependency on the US, but account for just 1.4% of all Andalusian exports.

Finally, it is worth asking what the potential impact of the tariffs is, not only on exports, but on the economy of each region as a whole, and this can be ascertained by looking at the value of exports to the US as a proportion of regional GDP (see last chart). In this respect, the region most exposed to the US relative to the size of its economy is the Basque Country, since its exports to this country account for 3.1% of its GDP, although this is still a moderate figure.

Despite the increase in US tariffs, the Spanish economy and its export sector are showing remarkable resilience. Spain's overall exposure to the US is limited and, although there are differences between autonomous communities and sectors, no region is facing significant systemic risks. This geographical and sectoral diversification allows the aggregate impact to be moderate, which reinforces the capacity of Spanish firms to adapt to complex international scenarios. In addition, the strength and flexibility of the national export sector provide a solid foundation for further growth and diversification in global markets, even in contexts with greater protectionism.

*Nuria Bustamante and Sergio Díaz*

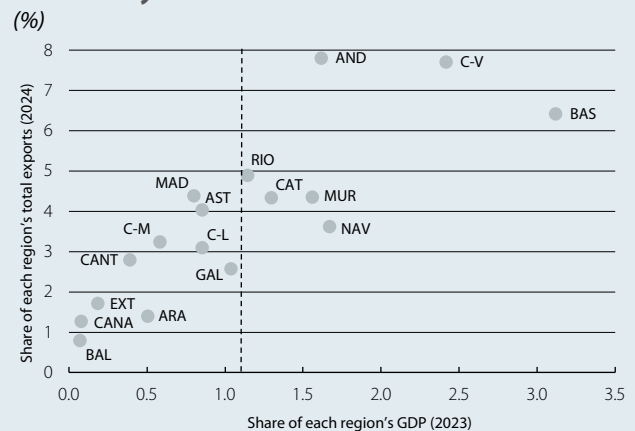
### High relevance and low dependency

A.C.	Product	↑ Relevance	↓ Dependency
CANT	Motor vehicles	12.4	0.0
AST	Zinc & articles thereof	20.3	0.1
ARA	Motor vehicles	29.2	0.1
CVA	Fruit	10.6	0.2
MUR	Fruit	10.4	0.2
GAL	Clothing excl. knitwear	11.4	0.2
ARA	Meat	14.7	0.3
GAL	Knitwear	8.8	0.3
MAD	Motor vehicles	10.6	0.5
MUR	Legumes & vegetables	14.3	0.6
GAL	Motor vehicles	28.4	0.6
AND	Legumes & vegetables	10.5	0.7
MUR	Fuels	22.5	0.8
BAS	Motor vehicles	23.1	0.9
CVA	Motor vehicles	12.6	1.0
CAT	Motor vehicles	14.5	1.1
EXT	Canned vegetables or fruit	17.2	1.4
CLM	Electrical devices & equipment	10.8	1.4
EXT	Cast iron & steel	8.9	1.5
AST	Cast iron & steel	13.3	1.9
CLM	Beverages	10.3	2.1
EXT	Oil & fats	7.6	2.2
CANT	Cast iron & steel	12.6	2.2
RIO	Footwear	8.0	2.8
CAT	Plastics & articles thereof	6.4	3.3
RIO	Canned vegetables or fruit	6.9	3.5
C&L	Machinery & mechanical equipment	10.2	3.8
MAD	Pharmaceutical products	15.3	4.9

### Low relevance and high dependency

A.C.	Product	↓ Relevance	↑ Dependency
AST	Organic chemicals	1.2	45.0
GAL	Other chemicals	1.2	37.8
AND	Stone or plaster articles	1.4	54.7
CVA	Other chemicals	2.0	32.3

### Spain: exports of goods to the US by autonomous community



Source: CaixaBank Research, based on data from DataComex.

**Activity and employment indicators**

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

	2023	2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	07/25	08/25	09/25
<b>Industry</b>									
Industrial production index	-1.6	0.4	-0.2	1.3	-0.7	1.4	2.5	...	...
Indicator of confidence in industry (value)	-6.5	-4.9	-3.0	-5.9	-5.4	-5.2	-4.5	-5.8	-4.7
Manufacturing PMI (value)	48.0	52.2	51.5	53.6	50.0	50.0	51.9	54.3	51.5
<b>Construction</b>									
Building permits (cumulative over 12 months)	0.5	16.7	10.2	16.7	20.1	14.8	14.1	...	...
House sales (cumulative over 12 months)	-10.2	9.7	-1.4	9.7	17.0	22.9	22.3	...	...
House prices	4.0	8.4	8.2	11.3	12.2	12.7	...	...	...
<b>Services</b>									
Foreign tourists (cumulative over 12 months)	18.9	10.1	12.3	10.1	8.1	6.3	5.6	5.1	...
Services PMI (value)	53.6	55.3	55.2	55.1	55.3	52.2	55.1	53.2	54.3
<b>Consumption</b>									
Retail sales <sup>1</sup>	2.5	1.8	2.6	2.9	3.4	5.1	4.7	4.5	...
Car registrations	16.7	7.2	1.7	14.4	14.0	13.7	17.1	17.2	16.4
Economic sentiment indicator (value)	100.5	103.0	105.5	101.5	103.3	103.1	104.3	101.7	104.7
<b>Labour market</b>									
Employment <sup>2</sup>	3.1	2.2	1.8	2.2	2.4	2.7	...	...	...
Unemployment rate (% labour force)	12.2	11.3	11.2	10.6	11.4	10.3	...	...	...
Registered as employed with Social Security <sup>3</sup>	2.7	2.4	2.3	2.4	2.3	2.2	2.3	2.3	2.4
<b>GDP</b>	2.5	3.5	3.6	3.7	3.2	3.1	...	...	...

**Prices**

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

	2023	2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	07/25	08/25	09/25
General	3.5	2.8	2.2	2.4	2.7	2.2	2.7	2.7	2.9
Core	6.0	2.9	2.6	2.5	2.2	2.3	2.3	2.4	2.3

**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	07/25	08/25	09/25
<b>Trade of goods</b>									
Exports (year-on-year change, cumulative over 12 months)	-1.4	0.2	-1.8	0.2	3.3	2.0	1.6	...	...
Imports (year-on-year change, cumulative over 12 months)	-7.2	0.1	-3.1	0.1	4.2	4.1	4.3	...	...
<b>Current balance</b>	40.9	50.7	50.5	50.7	47.8	49.1	48.9	...	...
Goods and services	57.5	66.3	65.9	66.3	63.5	64.3	63.8	...	...
Primary and secondary income	-16.5	-15.7	-15.5	-15.7	-15.7	-15.2	-14.9	...	...
<b>Net lending (+) / borrowing (-) capacity</b>	57.8	68.7	68.9	68.7	66.6	68.1	67.9	...	...

**Credit and deposits in non-financial sectors<sup>4</sup>**

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

	2023	2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	07/25	08/25	09/25
<b>Deposits</b>									
Household and company deposits	0.3	5.1	4.3	5.1	4.6	3.9	4.8	5.1	...
Demand and notice deposits	-7.4	2.0	-1.6	2.0	3.1	5.0	6.5	7.2	...
Time and repo deposits	100.5	23.5	47.5	23.5	12.6	-1.5	-3.6	-5.1	...
General government deposits <sup>5</sup>	0.5	23.1	14.8	23.1	24.4	25.5	15.7	9.0	...
<b>TOTAL</b>	0.3	6.3	5.1	6.3	5.9	5.4	5.7	5.4	...
<b>Outstanding balance of credit</b>									
Private sector	-3.4	0.7	-0.3	0.7	1.7	2.6	2.6	2.7	...
Non-financial firms	-4.7	0.4	-0.6	0.4	1.6	2.5	2.2	2.5	...
Households - housing	-3.2	0.3	-0.7	0.3	1.4	2.3	2.4	2.8	...
Households - other purposes	-0.5	2.3	1.2	2.3	3.1	-261.5	3.9	3.3	...
General government	-3.5	-2.6	-5.4	-2.6	-0.3	5.3	12.7	14.8	...
<b>TOTAL</b>	-3.4	0.5	-0.7	0.5	1.6	2.7	3.2	3.5	...
<b>NPL ratio (%)<sup>6</sup></b>	3.5	3.3	3.4	3.3	3.2	3.0	2.9	...	...

**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.

## Domestic demand continues to sustain the Portuguese economy

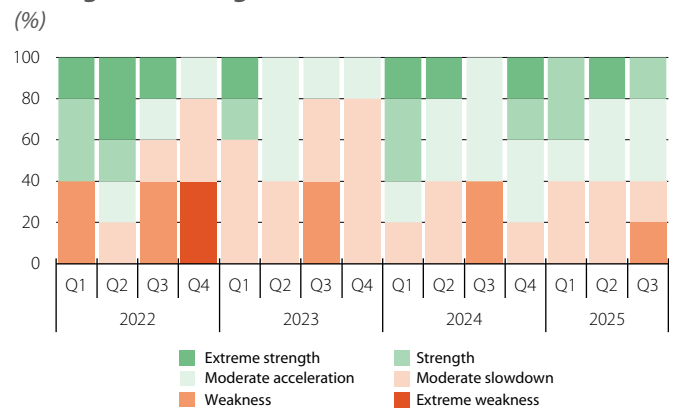
Our traffic light chart indicates that the economy continues to expand in Q3, albeit at a slower pace than in Q2. The European Commission's economic sentiment indicator (ESI) fell to 105.1 points in September (vs. 107.0 in August, 105.0 in Q2), while the activity data confirm the economy's dynamism in Q3. Retail sales and card purchases grew 6% year-on-year in August, while vehicle sales registered an increase of +14.8% in Q3. On the other hand, the temporary reduction in income tax withholdings, including retroactive payments since January 2025 received in August and September, is expected to boost household disposable income in Q3, representing an additional upside risk for GDP growth in the second half of the year. In September, we revised our macroeconomic scenario but maintained our GDP growth forecast unchanged for both 2025, at 1.6%, and 2026, at 2.0%.

**Household disposable income is growing at a steady pace and continues to drive consumption and savings.** In the year up until Q2 2025, disposable income rose by 8.5% year-on-year. This has been supported mainly by wage growth (wages represent 70% of gross disposable income), which has reached a solid 7.7% in an environment with a dynamic labour market, including record levels of employment and low unemployment figures. In the same period, consumption maintained a solid growth rate (6.3% year-on-year) in nominal terms, although it is below that of disposable income. This contributed to the household savings rate rising to 12.6%, a level not seen since 2003 (with the exception of during the pandemic).

**Inflation moderated in September.** After five consecutive months on the rise, headline inflation fell to 2.4% year-on-year (-0.4 pps compared to August), while core inflation fell to 2.0% (-0.4 pps). However, the average inflation forecast for 2025 was revised upwards, from 2.1% to 2.3%, due to the persistence of inflation in services and the recent behaviour of unprocessed food prices, which have registered year-on-year rates close to 7% in recent months.

**No respite from house prices.** Data from the House Price Index (HPI) for Q2 2025, published at the end of September, reveal continued strong momentum, with a year-on-year increase of 17.2% (4.7% quarter-on-quarter). Over the past 12 months, house price growth averaged 13.8%, prompting an upward revision of our HPI growth forecast for 2025, from 12.4% to 15.8%. Early Q3 data confirm this positive trend: bank appraisals for mortgage lending grew by 18.1% year-on-year in August, and the median price per square metre (1,965 euros) is 12.5% above the level registered at the end of 2024.

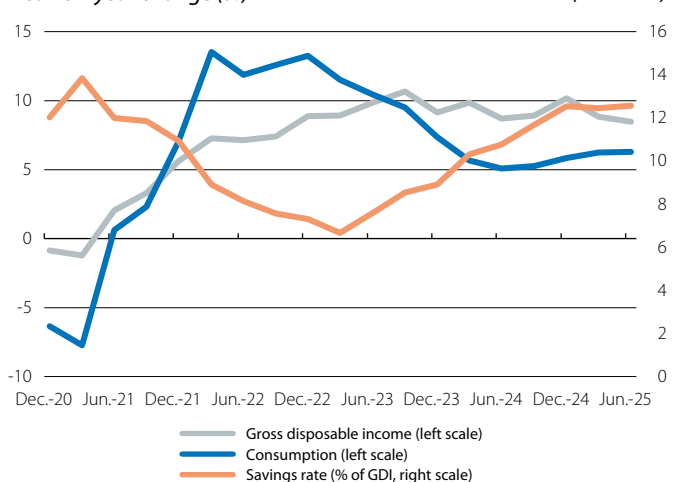
### Portugal: traffic light



**Note:** The economic activity traffic light uses high-frequency economic indicators that are representative of different sectors and have a close correlation with GDP. The series are standardised (between -1 and 1) and are classified into six levels of performance, from extreme weakness to extreme strength. Each indicator has the same relative weight, with the aim of providing a broad picture of the economy's performance. As an example, in Q2 2025, 80% of the indicators were between moderate acceleration and slowdown, and 20% in extreme strength. In Q3, 60% remained at intermediate levels, 20% in strength and 20% in weakness, signalling a slowdown in economic growth.

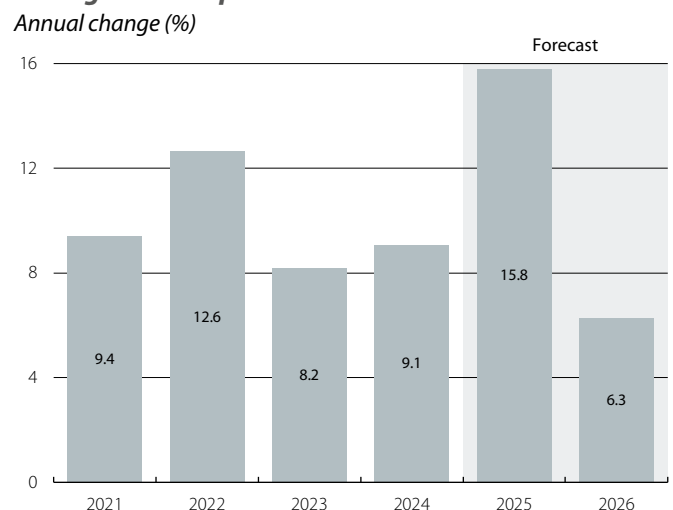
**Source:** CaixaBank Research, based on data from Statistics Portugal (INE), the Bank of Portugal and the European Commission.

### Portugal: household income, consumption and savings



**Source:** CaixaBank Research, based on data from Statistics Portugal (INE).

### Portugal: house prices



**Source:** CaixaBank Research, based on data from Statistics Portugal (INE).



## Activity and employment indicators

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

	2023	2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	07/25	08/25	09/25
Coincident economic activity index	3.5	1.8	1.5	1.8	1.7	1.7	1.7	1.6	...
<b>Industry</b>									
Industrial production index	-3.1	0.8	-0.2	-0.4	-2.3	1.2	2.4	3.1	...
Confidence indicator in industry (value)	-7.4	-6.2	-6.1	-4.2	-5.1	-4.8	-3.8	-3.3	-3.0
<b>Construction</b>									
Building permits - new housing (number of homes)	7.5	6.5	13.4	23.6	39.1	17.9	-6.0	...	...
House sales	-18.7	14.5	19.4	32.5	25.0	15.5	-	-	-
House prices (euro / m <sup>2</sup> - valuation)	9.1	8.5	8.5	13.2	15.8	17.4	18.7	18.1	...
<b>Services</b>									
Foreign tourists (cumulative over 12 months)	19.0	6.3	7.8	6.3	4.6	4.0	3.9	3.3	...
Confidence indicator in services (value)	7.7	5.6	2.4	10.9	12.5	6.6	12.8	13.5	12.4
<b>Consumption</b>									
Retail sales	1.1	3.2	3.7	5.0	4.5	4.8	6.2	4.5	...
Coincident indicator for private consumption	2.9	2.7	2.7	3.4	3.6	3.3	3.1	2.9	...
Consumer confidence index (value)	-28.6	-18.0	-14.3	-14.3	-15.5	-17.9	-15.7	-16.2	-16.5
<b>Labour market</b>									
Employment	2.3	1.2	1.2	1.3	2.4	2.9	4.1	3.4	...
Unemployment rate (% labour force)	6.5	6.4	6.1	6.7	6.6	5.9	6.0	6.1	...
<b>GDP</b>	3.1	2.1	2.1	2.6	1.7	1.8	-	-	-

## Prices

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

	2023	2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	07/25	08/25	09/25
General	4.4	2.4	2.2	2.6	2.3	2.2	2.6	2.8	2.4
Core	5.1	2.5	2.5	2.7	2.3	2.3	2.5	2.4	2.0

## 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	07/25	08/25	09/25
<b>Trade of goods</b>									
Exports (year-on-year change, cumulative over 12 months)	-1.4	2.0	0.5	2.0	5.3	4.3	1.2	...	...
Imports (year-on-year change, cumulative over 12 months)	-4.0	2.0	-1.1	2.0	5.4	6.9	5.8	...	...
<b>Current balance</b>	1.5	6.0	5.1	6.0	4.2	3.7	4.1	...	...
Goods and services	4.1	6.5	6.4	6.5	5.2	4.5	4.9	...	...
Primary and secondary income	-2.6	-0.6	-1.3	-0.6	-0.9	-0.9	-0.8	...	...
<b>Net lending (+) / borrowing (-) capacity</b>	5.5	9.1	8.6	9.1	7.5	7.1	7.7	...	...

## Credit and deposits in non-financial sectors

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

	2023	2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	07/25	08/25	09/25
<b>Deposits<sup>1</sup></b>									
Household and company deposits	-2.3	7.5	6.0	7.5	6.5	5.4	6.2	6.0	...
Sight and savings	-18.5	-0.3	-8.1	-0.3	5.0	5.1	6.5	7.5	...
Term and notice	22.2	15.3	22.6	15.3	7.8	5.8	5.9	4.6	...
General government deposits	-12.4	26.7	29.1	26.7	29.3	39.6	15.5	17.0	...
<b>TOTAL</b>	-2.6	7.9	6.7	7.9	7.1	6.4	6.5	6.3	...
<b>Outstanding balance of credit<sup>1</sup></b>									
Private sector	-1.5	1.9	1.1	1.9	3.3	4.9	5.3	5.6	...
Non-financial firms	-2.1	-1.0	-0.6	-1.0	0.1	2.2	2.2	2.6	...
Households - housing	-1.5	3.0	1.3	3.0	4.9	6.4	7.3	7.5	...
Households - other purposes	0.2	5.4	4.6	5.4	5.7	6.6	6.5	6.4	...
General government	-5.5	0.6	-4.1	0.6	-8.0	3.8	1.4	2.4	...
<b>TOTAL</b>	-1.7	1.9	0.9	1.9	2.9	4.9	5.2	5.5	...
<b>NPL ratio (%)<sup>2</sup></b>	2.7	2.4	2.6	2.4	2.3	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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## We recommend:

### Brief Notes on Economic and Financial Developments



Assessment of the main macroeconomic indicators for Spain, Portugal, the euro area, the US and China, as well as of the meetings of the European Central Bank and the Federal Reserve.

### Consumption tracker



Monthly analysis of the evolution of consumption in Spain using big data techniques, based on expenditure with cards issued by CaixaBank, non-customer expenditure registered on CaixaBank POS terminals and cash withdrawals from CaixaBank ATMs.

### Currency flash report



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.

### Agrifood Sector Report 2025



Spain's agrifood sector is enjoying a rapid expansion in 2025 and is consolidating the growth initiated in mid-2023, after overcoming the challenges stemming from the war in Ukraine and a prolonged drought. The containment of production costs, improved weather conditions and a rebound in demand are favouring a sustained increase in both production and exports, which are now back at pre-pandemic levels.

### Real Estate Sector Report S2 2025



It is confirmed that Spain's real estate sector is in the midst of a boom in 2025. There has been a revival of demand, but new housing production is still not reaching sufficient levels to balance the market. The accumulated housing deficit is one of the factors exerting pressure on prices, which continue to accelerate and hamper housing affordability, especially in areas of higher demand.

### 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.



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