

MR11

MONTHLY REPORT • ECONOMIC AND FINANCIAL MARKET OUTLOOK

NUMBER 505 | NOVEMBER 2025



ECONOMIC & FINANCIAL ENVIRONMENT

FINANCIAL MARKETS

Debt limits: 2025 edition

INTERNATIONAL ECONOMY

The Belt and Road Initiative: a double-edged sword? (part I)

Emerging economies: resilience after three global shocks

SPANISH ECONOMY

Spain's position in the face of global vulnerabilities in public finances

What do we mean when we talk about uncertainty?

How will the Spanish economy be affected by the performance of its main export markets?

DOSSIER: 2026 OUTLOOK

The world economy in 2026: resilience, transition or disruption?

Europe's medium-term fiscal dilemma

US 2026 outlook: resilience with frailties

Good growth outlook for the Spanish economy in 2026

MONTHLY REPORT - ECONOMIC AND FINANCIAL MARKET OUTLOOK

November 2025

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

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Date this issue was closed:
6 November 2025

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One year on: global resilience to the tariff storm

It may be hard to believe, but it has been 12 dizzying months since Trump's victory in the US presidential election. Taking advantage of the anniversary and the upcoming year end, we have prepared our traditional Dossier analysing the trends and key elements that will determine the behaviour of the economy in 2026. We start from the basis that both international and Spanish economic activity have once again shown a high degree of resilience this year in overcoming the noise and uncertainty caused by the use of trade or finance as instruments at the service of politics. Moreover, this has occurred in a context in which, like in 2023 and 2024, the forecasts have steadily improved over the course of the year thanks to the reduction of trade uncertainty, favourable financial conditions and the ability and flexibility of economic agents to adapt their consumption and investment decisions to a complex environment.

Looking ahead to 2026, geopolitics will continue to play a fundamental role, bearing in mind the reordering of the globalisation process in which the international economy has been immersed since the pandemic. In addition to the evolution of the ongoing wars, the key question in the short term will be whether the trend towards a more fragmented world will accelerate or, in order to compensate for the increased restrictions on trade with the US, progress will be made in the search for new agreements between natural trading partners (the EU, ASEAN, Canada, Australia, etc.). This should not be incompatible with the continuation of the widespread search for strategic autonomy. In this regard, for Europe, the key in 2026 will be how to reconcile the desire to reduce external dependence (in industry, defence, etc.) with the sustainability of public debt. This is a challenge of the utmost complexity, marked by tensions between fiscal discipline, necessary investments (the ECB has raised the estimates of the Draghi report to 1.2 trillion euros between public and private investment) and geopolitical demands. This European fiscal dilemma can only be solved through a combination of higher potential growth, greater efficiency in public spending and greater flexibility in fiscal rules. Countries such as Belgium and France are already in the fire because of fiscal inertia that is difficult to reverse and which is being reflected in the realignment of risk premiums in Europe.

However, the key to the stability of the economic and financial scenario lies in what shape the trade relationship between China and the US finally takes, and this will affect the two sectors that are key for the development of AI (rare earths and microchips) and in which there is mutual dependence. An optimal balance would allow the positive inertia of AI investment on growth (especially visible in the US) to be maintained in the short term, while increasing the likelihood that this innovation will end up manifesting itself in productivity gains and increased potential growth in the medium term, thereby offsetting the negative effects of demography and economic fragmentation. In fact, AI is an example of positive uncertainty, as it is expected to bring greater growth and productivity, but we do not know for sure how much. The key question, therefore, is whether all this investment effort will yield an adequate dividend, which will be essential for diluting the financial risk caused by the confluence of fiscal tensions, uncertainty and geopolitical tensions. This, coupled with demanding stock market valuations, forms an environment in which financial stability may be tested in 2026, with certain segments of private credit under the spotlight. Central banks have the tools needed to quell any fires that ignite along the way, although the degrees of freedom are also narrower following the efforts of the past decade.

In this challenging context, the Spanish economy has continued to show strong dynamism, allowing it to end the year with an average growth rate very close to 3%. The most notable development this year has been the shift towards domestic demand as a driver of growth, despite the strong performance of exports (thanks to services). For 2026, the trends will remain positive, thanks to the expected momentum from European funds, demographics, accommodative financial conditions, a high household savings rate and residential investment responding to the increase in demand. All this leads us to anticipate a growth rate of 2.1% in 2026.

In short, next year the economy will continue to be exposed to the combination of new underlying trends (restrictions on trade and migration movements, AI boom, etc.) and short-term challenges (limited fiscal space, high valuations in financial markets, etc.). This will be a year in which the ability to question the assumptions behind economic projections will once again be decisive, as will be a flexible approach to decision-making.

José Ramón Díez
November 2025

Chronology

OCTOBER 2025

- 29** The Fed lowers the fed funds rate by 25 bps to the 3.75%-4.00% range, its second cut of the year, and announces an end to the balance sheet reduction process.

AUGUST 2025

- 5** The majority of the reciprocal tariffs imposed by the US on other countries come into force.
- 29** S&P upgrades its credit rating for Portuguese debt to A+.

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).

SEPTEMBER 2025

- 9** The US Supreme Court agrees to fast-track the review of the legality of Trump's tariffs.
- 12** S&P upgrades its credit rating for Spanish debt to A+ and Fitch raises Portugal's to A.
- 17** The Fed cuts interest rates by 25 bps to the 4.00%-4.25% range, after a nine-month pause.
- 26** Moody's and Fitch upgrade their credit ratings for Spanish debt to A3 and A, respectively.

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.

Agenda

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).

DECEMBER 2025

- 2** Spain: registration with Social Security and registered unemployment (November).
Euro area: CPI flash estimate (November).
- 3** Portugal: industrial production (October).
- 9-10** Federal Open Market Committee meeting.
- 10** Portugal: international trade (October).
- 16** Spain: quarterly labour cost survey (Q3).
- 18** Governing Council of the European Central Bank meeting.
- 18-19** European Council meeting.
- 23** Spain: quarterly national accounts (Q3).
Spain: loans, deposits and NPL ratio (Q3).
Spain: balance of payments and NIIP (Q3).
Portugal: GDP breakdown by institutional sector (Q3).
Portugal: house prices (Q3).
- 30** Spain: CPI flash estimate (December).
Spain: household savings rate (Q3).
Portugal: NPL ratio (Q3).
- 31** Portugal: CPI flash estimate (December).

Spain 2026: dynamism, strength and confidence

The Spanish economy continues to stand out for its dynamism. In addition, behind the strength of the main indicators, there are several factors that point to the consolidation of a solid expansion cycle, which also helps us to understand the confidence that households, businesses and investors are showing.

In Q3 2025, GDP grew by 0.6% in quarter-on-quarter terms and by 2.8% year-on-year. These figures are in line with CaixaBank Research's forecast scenario, which contemplates a growth rate of 2.9% for this year as a whole. There were no surprises. However, these figures stand out when compared with data from the major developed economies, and especially European ones. The euro area as a whole grew by just 0.2% quarter-on-quarter, weighed down by the stagnation in Germany and Italy. This further widens the gap that has opened up between the Spanish and European economies in the post-pandemic recovery. Since 2019, Spain's economy has accumulated a growth of 10.0%, compared to the 6.4% registered in the euro area.

The strength of this growth is evident when observing the breakdown at the sector level. According to the CaixaBank Research Sectoral Indicator, 73% of the sectors show a growth rate higher than their historical average, in contrast with a figure of 41% in 2023 and 36% in 2024. In addition, the dynamism is being driven by two engines that we expect will persist in the medium term. The first of these is investment. In Q3, gross fixed capital formation grew by 1.7% quarter-on-quarter and by 7.6% year-on-year. However, most notable of all is the acceleration in the growth of so-called investment in intangible fixed assets, which recorded growth of 2.4% in the quarter and now lies 40% above the levels of 2019. Under this heading we find investments made by the productive sector in new computer software equipment or databases, and the expenditure on technological innovation projects that generate patents – key elements for consolidating the incipient improvement in productivity. The cycle of interest rate cuts carried out by the ECB and the healthy financial situation of the Spanish corporate sector, combined with the execution of NGEU funds, ought to help keep investment growing vigorously in the coming years.

The second engine that is driving this growth is household consumption, which rose by 1.2% in Q3, or 3.3% in year-

on-year terms. With respect to 2019, the cumulative growth is 6.4%. In this case, much of the increase is closely related to population growth. More people mean more consumption. However, consumption per person struggled to pick up after the pandemic, in real terms, and did not recover to 2019 levels until the final quarter of 2024. In Q3 2025 it was 1.7% above that level. In part, it has struggled to recover because households as a whole have maintained a relatively high savings rate in recent years, probably in response to rising uncertainty and interest rates. The evolution of household income has not helped either. Gross disposable income per capita is 5.3% above pre-pandemic levels. However, its growth is supported by an increase in social benefits, which are 9.3% above pre-pandemic levels, and in net property income, which is up 13.5%. In contrast, wage growth has been weaker, and in real terms wages remain around 5% below pre-pandemic levels, with a recovery that remains sluggish. These differences in the evolution of the different sources of income explain the feeling that the recovery is not reaching all pockets. As wages regain purchasing power, and as the savings rate normalises, there is significant scope for consumption to continue to grow. Moreover, population growth is also expected to continue to support the ongoing growth of aggregate consumption.

Finally, there is a great deal of confidence in the Spanish economy. In a context of high international uncertainty, due to geopolitical tensions, the US' tariff hikes and doubts over the ability of several developed economies to adjust their public accounts, the dynamism of household consumption and investment is all the more noteworthy and reflects the confidence among households and businesses that the impact of all these factors will be limited for the Spanish economy. In such a context, a certain slowdown in these items would not have come as any surprise. Also noteworthy is the confidence that international investors continue to show. The risk premium of Spanish debt, favoured by recent improvements in its rating, has not only not increased, but at the close of this report it stands at 51 pbs. This is the lowest level since before the financial crisis, in 2009, and widens the gap versus the risk premium of French or Italian debt.

Oriol Aspachs

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

Financial markets

	Average 2000-2007	Average 2008-2019	Average 2020-2022	2023	2024	2025	2026
INTEREST RATES							
Dollar							
Fed funds (lower limit)	3.18	0.54	0.67	5.25	4.25	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
Euro							
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
Germany							
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
Spain							
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
Portugal							
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
EXCHANGE RATES							
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
OIL PRICE							
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
GDP GROWTH¹							
Global	4.3	3.3	2.5	3.5	3.3	3.1	3.1
Developed countries	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	1.8	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
Emerging and developing countries	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
INFLATION							
Global	4.1	3.7	5.5	6.6	5.7	4.2	3.9
Developed countries	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
Emerging and developing countries	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	1.0
India	4.6	7.3	6.1	5.7	5.0	4.6	4.4
Brazil	7.3	5.7	6.9	4.6	4.4	4.9	4.2
Mexico	5.2	4.2	5.7	5.5	4.7	4.4	3.7
Russia	14.2	7.9	8.0	5.9	8.5	8.4	6.0
Türkiye	22.6	9.6	34.7	53.9	58.5	36.1	26.1
Poland	3.5	1.9	7.4	10.8	3.7	4.6	3.4

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

Forecasts

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

Spanish economy

	Average 2000-2007	Average 2008-2019	Average 2020-2022	2023	2024	2025	2026
Macroeconomic aggregates							
Household consumption	3.7	0.0	0.0	1.7	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
Gross domestic product	3.6	0.7	0.7	2.5	3.5	2.9	2.1
Other variables							
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) ¹	0.3	-6.5	-7.1	-3.3	-3.2	-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
Macroeconomic aggregates							
Household consumption	1.8	0.5	1.2	2.3	3.0	3.2	2.3
Government consumption	2.2	-0.3	2.0	1.8	1.5	1.5	1.5
Gross fixed capital formation	-0.4	-0.7	2.9	6.0	3.8	2.6	5.5
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	3.4	2.8
Exports of goods and services	5.3	4.0	3.6	4.2	3.1	1.0	2.7
Imports of goods and services	3.6	2.7	4.0	2.3	4.8	4.6	4.3
Gross domestic product	1.5	0.4	1.5	3.1	2.1	1.8	2.0
Other variables							
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

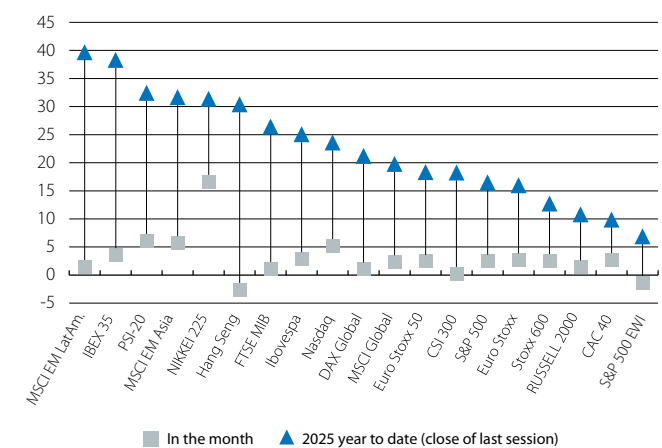
The markets weigh an easing in geopolitics and vertigo in technology

A rebound in risky assets, not exempt from swings. The US-China trade truce, the ceasefire in Gaza and the progress in the budget negotiations in France offered support to investor sentiment. In October, the main stock indices reached all-time highs, the dollar appreciated, sovereign debt yields declined and euro area peripheral spreads narrowed, while commodities exhibited disparity between the rise in metals and the decline in crude oil prices. Despite this broadly positive tone in the month, market prices were not without volatility and suffered back-and-forth movements, especially in the case of stocks, sovereign interest rates and some commodities. In this context, the central banks fulfilled expectations: the Fed cut rates, the ECB kept them unchanged and investors' monetary policy expectations remained relatively stable.

The central banks stayed on track. The Federal Reserve cut rates by 25 bps, placing the fed funds rate in the 3.75%-4.00% range, and announced the end of the balance sheet reduction programme from December. However, Chair Powell's tone was more cautious and he warned that further cuts are not a foregone decision, especially in a context of incomplete data due to the government shutdown. In addition, the statements of various Fed members revealed a notable disparity of views within the FOMC. Nevertheless, investors are still betting on another rate cut in December (although they lowered its probability slightly, to around 70%) and maintain the expectation of two more cuts in 2026. As for the ECB, it kept rates at 2.00% and reiterated its «meeting-by-meeting» and «data-dependent» approach to policy decisions, refusing to provide any clues about the future path of interest rates. While the ECB noted an improvement in the balance of risks surrounding the euro area economy, the markets kept their expectations unchanged, pricing in a near 95% probability that the depo rate will remain at 2.00% in December, but with a slight dovish bias for 2026 (implicit probability of 45% that the ECB will end up cutting the depo rate to 1.75% in the first half of next year).

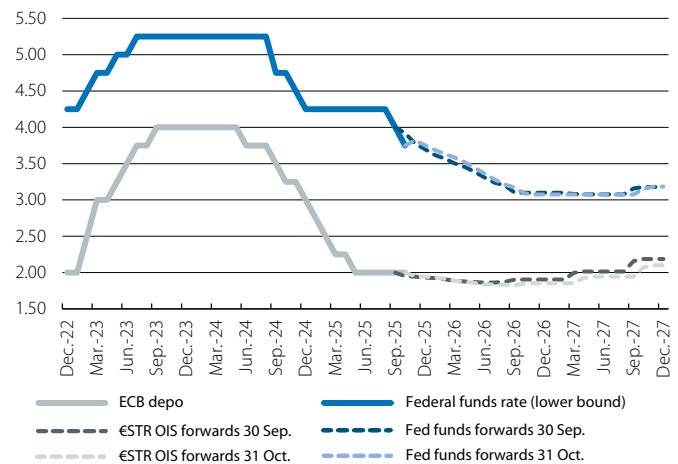
Indecisive falls in sovereign interest rates. The month was marked by swings in sovereign bonds, which finally ended with a widespread decline in sovereign interest rates on both sides of the Atlantic (and a sharper drop at the long ends of the curve). In the US, sovereign rates racked up falls of 20 bps, although they rebounded at the end of October, following the FOMC meeting and Powell's more cautious tone, as well as finding support in the trade truce with China. In Europe, the pattern was similar: the *bund* was under pressure in the first half of the month, but regained some ground in the second half. On the other hand, risk premiums in the euro

Stock market performance in the year and the month



Source: CaixaBank Research, based on data from Bloomberg.

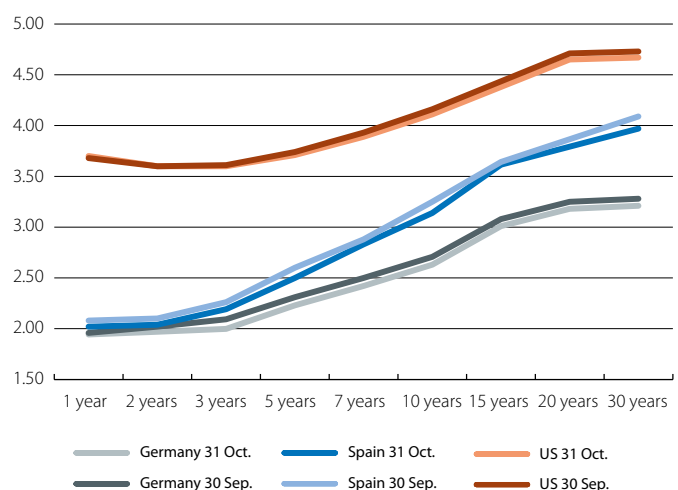
Market expectations regarding central bank rates (%)



Note: Implicit rates of futures on the EFFR and OIS rates for the ESTR.

Source: CaixaBank Research, based on data from Bloomberg.

Sovereign yield curves (%)



Source: CaixaBank Research, based on data from Bloomberg.

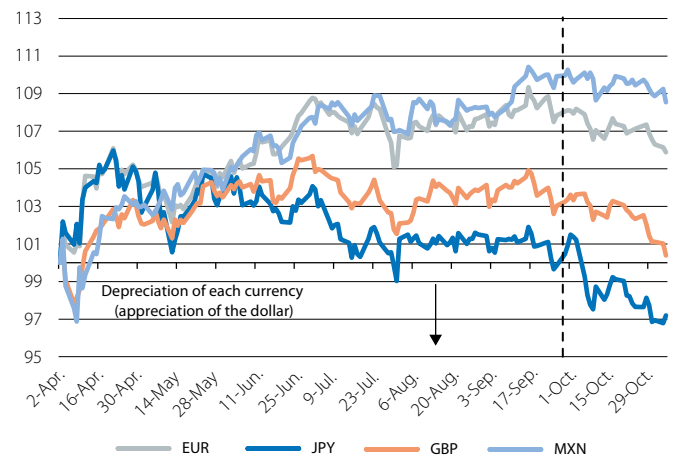
area periphery decreased (not only in Italy, Spain and Portugal, but also in France, amid progress in the negotiations over the 2026 budget).

Widespread appreciation of the dollar. Following the sharp depreciation suffered in the first half of the year and a practically flat summer, the dollar appreciated in October, supported by solid activity indicators in the US (despite the lack of public statistics, suspended by the government shutdown) and the slightly hawkish bias in the comments of some Fed board members at the end of the month. Specifically, the euro depreciated to 1.15 dollars and reached its lowest levels since June. The Japanese yen, meanwhile, weakened in the month, also penalised by expectations of a continuity in the Bank of Japan's dovish policy stance after it kept rates unchanged.

Gains in the stock markets, but with signs of caution amid high tech stock valuations. The main US and European indices reached all-time highs in the month, driven by the resilience of the global economy, the US-China trade truce and solid business earnings. Although the technology sector was one of the main drivers of the US stock markets for the month as a whole, there were some episodes of correction and market commentary focused on tech firms, their high valuation multiples and the demanding expectations regarding investment in artificial intelligence. In Europe, the performance of the various sectors was somewhat more balanced, with a good contribution from stock prices in the financial sector, while by country the IBEX 35 and the PSI-20 were among the indices with the greatest gains for the month as a whole.

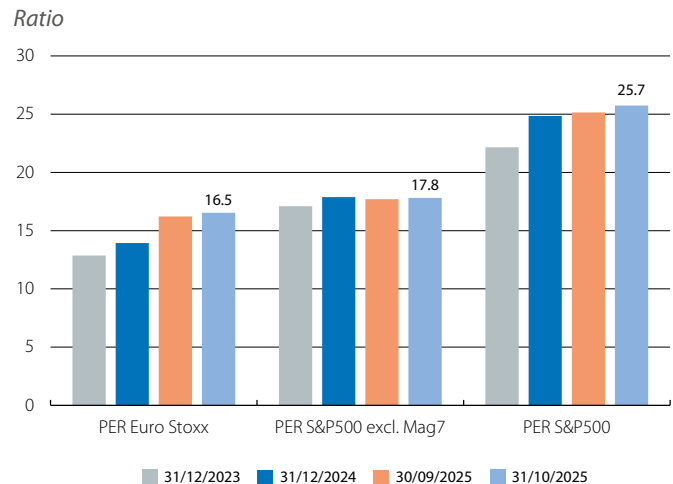
Diverging dynamics among commodities. While industrial metals and agricultural products rose sharply in October, energy commodities retreated and gold recorded significant setbacks in the month. Specifically, after accumulating significant gains in the first few weeks of the month, gold suffered a correction towards the end of October, falling nearly 10% from the mid-month highs. Industrial metals recorded widespread increases, with sharp rises in aluminium and copper. Oil, on the other hand, closed the month down amid the prospect of an oversupply in the market (the International Energy Agency revised its global surplus forecasts for 2026 upwards). This outlook prompted OPEC to pause its increases in output, announcing that there will be no increases in Q1 2026, after a relatively moderate output increase planned for December (137,000 barrels per day). However, oil also experienced price swings, ranging from 61 dollars per barrel of Brent up to a peak of 67 dollars (after US and EU sanctions were imposed on the Russian oil firms Rosneft and Lukoil).

Evolution of selected currencies against the dollar Index (100 = 02/04/2025)



Source: CaixaBank Research, based on data from Bloomberg.

Euro area and US: PER* ratio of the main indices

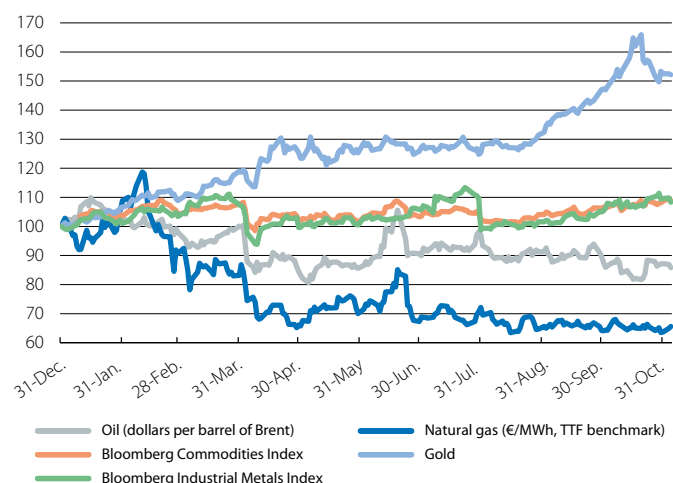


Note: * Share price over earnings expected in the next 12 months.

Source: CaixaBank Research, based on data from Bloomberg.

Commodities

Index (100 = 31/12/2024)



Source: CaixaBank Research, based on data from Bloomberg.

Debt limits: 2025 edition

In recent decades, public debt has risen sharply and broadly, as we already discussed a year ago.¹ Some of the countries that reached high peaks are now correcting course, but in other cases the levels remain high and there are no signs of them coming back down (see first chart). This has sparked occasional concern in financial markets, with investors becoming more sensitive to public finances.

Some of the advanced economies that are showing no signs of correcting their high levels of debts include the United States, France, the United Kingdom, Belgium and Japan. The growth outlook for nominal GDP, the government balance and interest rates suggest that, in the coming years, public debt ratios will continue to deteriorate significantly in the US, France and Belgium (see first table).² In all three cases, the expected increase in debt reflects the outlook of sustained high primary government deficits (i.e. excluding interest payments).³ In addition, in the US the gap between interest rates and weaker economic growth will also make it difficult to reduce the debt. In contrast, in Japan, the gap between rates and growth is expected to facilitate the reduction of the country's debt, while in the United Kingdom the debt ratio is likely to stabilise at current levels if the outlook for rates, growth and fiscal policy is met.

Reversing these trends will not be easy without substantial fiscal effort.⁴ Based on current GDP and interest rate forecasts, the US, France and Belgium will need to converge on an equilibrium primary fiscal balance at the very least if they are to begin reducing their debt ratios (see the last column of the first table).

1. See the Focus «Debt limits», in the MR01/2025.

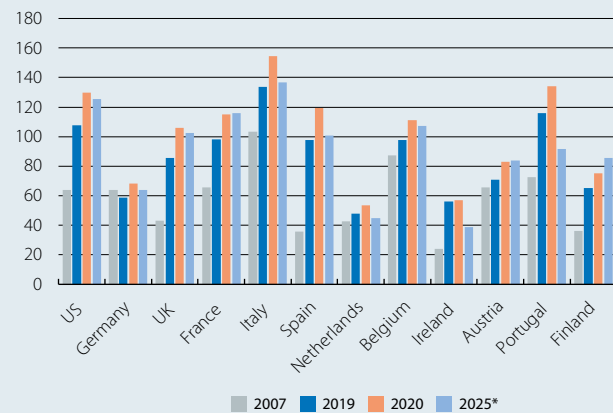
2. Growth forecasts for nominal GDP (g) and primary government balance (b) per the IMF (World Economic Outlook autumn 2025 update). Interest rate forecasts (i) based on market forwards (measured according to the average maturity of each country), assuming that a percentage of the debt proportional to the average maturity is refinanced each year at the market rate. Taking these figures for g , b and i , we project the evolution of the public debt to GDP ratio (d) using the classic equation for debt dynamics:

$$d_{t+1} = d_t + \frac{i_{t+1} - g_{t+1}}{1 + g_{t+1}} \times d_t - b_{t+1}$$

3. In the US, the Committee for a Responsible Federal Budget (CRFB) estimates that the *One Big Beautiful Bill Act* passed by the Trump administration this summer will add more than 1.5 pps to the annual primary deficit in 2026 and 2027, and between 1.0 and 1.5 pps in 2028-2030, representing more than a third of the annual primary deficit forecast by the IMF. See CRFB (2025), «The 30-Year Cost of OBBA». In France, parliamentary fragmentation makes it difficult to pass measures to reduce the country's high primary deficit (3.7% in 2024).

4. The projections of this article do not take into account the negative feedback that a significant fiscal consolidation would have on economic growth; such a situation would further complicate the state of the public accounts in the countries mentioned.

Gross public debt (% of GDP)



Note: * 2025 forecast according to the European Commission's spring report.
Source: CaixaBank Research, based on data from the European Commission.

Public debt dynamics in major economies (% of GDP)

	Gross public debt			Primary government balance	
	2025	Δ 2030*	Δ 2035*	2030 forecast	To stabilise the debt from 2030**
US	125	22	44	-3.4	1.0
Germany	64	9	20	-2.4	-0.4
Japan	246	-12	-13	-2.5	-2.7
UK	103	-1	-4	0.7	0.0
France	116	14	28	-2.9	-0.1
Italy	137	-5	-9	1.9	1.1
Spain	101	-8	-14	0.6	-0.6
Netherlands	45	5	11	-1.6	-0.4
Belgium	107	16	33	-3.6	-0.2
Ireland	39	-10	-19	1.3	-0.6
Austria	84	6	13	-1.6	-0.1
Portugal	92	-12	-18	0.7	-0.6
Finland	86	7	13	-2.0	-0.9
Greece	147	-20	-34	2.0	-0.8

Notes: * Changes in public debt between now and 2030 and 2035 according to forecasts for nominal GDP and the primary government balance (excl. interest payments) by the IMF (assuming that in 2031-2035 the performance of 2030 is maintained) and the average interest rate on the debt according to market forwards (as of 30 September 2025). ** Assuming that nominal GDP grows at the same rate as in 2030.

Source: CaixaBank Research, based on data from the European Commission, the IMF (WEO, October 2025), Bloomberg, the ECB and the treasuries of the US, Japan and the United Kingdom.

In the absence of changes to the path of fiscal policy, interest rates would need to fall sharply and/or nominal GDP growth would have to rebound strongly to stabilise and reduce debt (see the second and third tables). On the other hand, this does not mean that the sustainability of the debt is easily compromised by a rise in market interest rates. This is because rate increases in secondary markets are diluted by a relatively high average debt maturity (this mitigates the percentage of debt that is to be refinanced at a potentially higher cost). For example, given the current average debt maturities, we estimate that a sustained increase in secondary market interest rates of 100 bps would lead to an increase in the average cost

of the debt, over an average horizon of 10 years, of around 25 bps across all the countries analysed overall (in the third year, the average impact would be around 15 bps, in the fifth year around 25 bps, and in the tenth year around 45 bps).

In contrast, the path followed by the euro area periphery and its growth and interest rate dynamics are, *a priori*, favourable for further reducing the debt ratios: as shown in the first table, in this scenario Italy, Spain and Portugal could achieve reductions of around 10 pps, 15 pps and 20 pps, respectively, in 10 years. Moreover, as seen in the second and third tables, the euro area periphery has a certain buffer that could allow it to withstand an increase in interest rates or a slowdown in GDP while still managing to reduce its debt ratios. However, these countries still face high debt levels, and making a deeper correction will require a significant fiscal effort, as the last table shows.⁵

Germany, for its part, is a special case. It currently has a low level of public debt, but projections for its GDP, rates and government balance point to a significant increase in its debt, led by investment and defence spending plans that have reoriented German fiscal policy in the last year.⁶

High debt is not necessarily a bad thing. Debt is a technology for storing wealth, managing crises, and investing in the future. The countries with the best credit capacity are those that can borrow the most. However, credit capacity can easily be eroded if the economy is unable to recover fiscal space when the economic environment is favourable. This is especially relevant after several years of strong nominal GDP growth and with the prospect of structural pressures on expenditure on the horizon (population ageing, defence and the energy transition).⁷

5. The new EU fiscal rules, adopted in 2024, give some flexibility through medium-term adjustment plans. See «[The new EU economic governance framework](#)» in the MR01/2025.

6. See the article «[Europe's medium-term fiscal dilemma](#)», in the Dossier of this same *Monthly Report*, for a discussion on investment needs in Europe and the outlook for public debt.

7. According to the IMF, interest payments on public debt, population ageing (pensions and healthcare), the energy transition and defence spending in the major European economies will put additional pressure on annual public spending of 5.75% of GDP by 2050. IMF (2025), «Long-term spending pressures in Europe», Departmental Paper.

Average interest rate on the debt: average in 2026-2030 (%)

	Implicit in market forwards*	To stabilise the debt at 2025 levels**
US	4.1	0.6
Germany	2.0	-1.1
Japan	0.8	1.8
UK	3.4	3.7
France	2.5	0.1
Italy	3.1	3.9
Spain	2.8	4.5
Netherlands	2.0	-0.2
Belgium	2.6	-0.5
Ireland	1.8	7.2
Austria	2.4	1.0
Portugal	2.6	5.3
Finland	2.1	0.5
Greece	2.4	5.3

Notes: * The projection of the average cost assumes that a portion of the debt (determined by the average maturity) is refinanced each year at the interest rate implicit in the markets on 30 September 2025. ** Assuming that the interest rate is maintained throughout the horizon.

Source: CaixaBank Research, based on data from Bloomberg (forwards as of 30 September 2025), the IMF (WEO, October 2025), the ECB, the European Commission and the treasuries of the US, Japan and the United Kingdom.

Nominal GDP

Annual change (%)

	Projected average in 2026-2030 (IMF)	To stabilise the debt*
US	3.8	7.4
Germany	3.2	4.6
Japan	2.6	1.1
UK	3.7	5.3
France	3.0	5.6
Italy	2.7	2.7
Spain	4.2	3.4
Netherlands	3.5	5.6
Belgium	2.9	6.3
Ireland	3.9	-1.7
Austria	3.3	6.2
Portugal	3.9	0.3
Finland	3.4	7.4
Greece	3.9	0.3

Notes: * In 2030, debt stable at 2025 levels. Assuming a stable primary government balance at 2025 levels and that interest payments evolve according to projections based on market forwards.

Source: CaixaBank Research, based on data from the IMF (October WEO), the European Commission, Bloomberg, the ECB and the treasuries of the US, Japan and the United Kingdom.

Primary government balance

(% of GDP)

	2025 forecast (IMF)	To stabilise the debt*	To return the debt to 2019 levels in 10 years	To halve the debt gap vs. 60% in 10 years**
US	-3.8	0.6	2.4	3.6
Germany	-1.6	-0.5	0.0	-0.3
Japan	-0.9	-3.5	-2.5	0.3
UK	-1.8	-0.1	1.6	2.9
France	-3.4	-0.3	1.5	2.5
Italy	0.5	0.9	1.1	4.6
Spain	-0.6	-1.0	-0.7	1.1
Netherlands	-1.5	-0.5	-0.8	-1.3
Belgium	-3.7	-0.2	0.7	2.1
Ireland	1.4	-0.8	-2.7	-1.9
Austria	-3.0	-0.4	0.9	0.8
Portugal	2.0	-0.9	-3.4	0.7
Finland	-4.2	-0.9	1.2	0.4
Greece	3.2	-1.5	-5.3	3.0

Notes: * In 2030, the debt has stabilised at 2025 levels. ** At 2007 levels for the US, Japan and the United Kingdom.

Source: CaixaBank Research, based on data from the IMF (October WEO), the European Commission, Bloomberg, the ECB and the treasuries of the US, Japan and the United Kingdom.

Interest rates (%)

	31-October	30-September	Monthly change (bp)	Year-to-date (bp)	Year-on-year change (bp)
Euro area					
ECB Refi	2.15	2.15	0	-100.0	-125.0
3-month Euribor	2.04	2.03	1	-67.4	-101.6
1-year Euribor	2.20	2.19	0	-26.4	-35.2
1-year government bonds (Germany)	1.88	1.94	-6	-36.5	-56.6
2-year government bonds (Germany)	1.97	2.02	-5	-11.4	-29.2
10-year government bonds (Germany)	2.63	2.71	-8	26.6	24.5
10-year government bonds (Spain)	3.14	3.26	-11	8.2	4.6
10-year government bonds (Portugal)	2.99	3.12	-12	14.5	20.0
US					
Fed funds (lower limit)	3.75	4.00	-25	-50.0	-100.0
3-month SOFR	3.89	3.98	-9	-41.6	-68.2
1-year government bonds	3.68	3.61	6	-46.6	-60.3
2-year government bonds	3.57	3.61	-3	-66.8	-60.9
10-year government bonds	4.08	4.15	-7	-49.2	-22.3

Spreads corporate bonds (bps)

	31-October	30-September	Monthly change (bp)	Year-to-date (bp)	Year-on-year change (bp)
Itraxx Corporate	55	56	-1	-3.0	-2.8
Itraxx Financials Senior	59	60	-1	-4.9	-5.3
Itraxx Subordinated Financials	100	103	-2	-11.8	-12.9

Exchange rates

	31-October	30-September	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
EUR/USD (dollars per euro)	1.154	1.173	-1.7	11.4	6.3
EUR/JPY (yen per euro)	177.670	173.530	2.4	9.1	6.7
EUR/GBP (pounds per euro)	0.877	0.873	0.5	6.0	4.7
USD/JPY (yen per dollar)	153.990	147.900	4.1	-2.0	0.4

Commodities

	31-October	30-September	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
CRB Commodity Index	540.3	545.9	-1.0	0.7	1.0
Brent (\$/barrel)	65.1	67.0	-2.9	-12.8	-10.3
Gold (\$/ounce)	4,002.9	3,859.0	3.7	52.5	43.6

Equity

	31-October	30-September	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
S&P 500 (USA)	6,840.2	6,688.5	2.3	16.3	17.7
Eurostoxx 50 (euro area)	5,662.0	5,530.0	2.4	15.6	15.9
Ibex 35 (Spain)	16,032.6	15,475.0	3.6	38.3	36.9
PSI 20 (Portugal)	8,427.0	7,957.6	5.9	32.1	31.8
Nikkei 225 (Japan)	52,411.3	44,932.6	16.6	31.4	33.4
MSCI Emerging	1,401.6	1,346.1	4.1	30.3	24.4

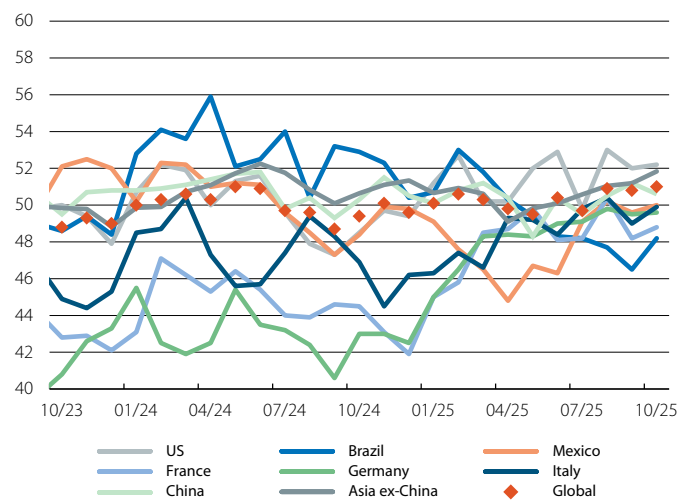
The global economy advances, one truce after another

US-China relations: truce or trick? In the run-up to the Asia-Pacific Economic Cooperation (APEC) summit, Donald Trump's Asian tour has contributed to a thaw in US-China trade ties. The meeting between the US president and Xi Jinping in South Korea concluded with an agreement that includes a one-year delay on the export controls announced by China in October on rare earths and related products, the resumption of purchases of US soybean and a general reduction of 10 pps in the tariffs imposed on imports from China, in exchange for increased cooperation in combating fentanyl trafficking. These measures could reduce the average effective tariff applied by the US on imports from China from around 40% to 30%, and the total US tariff from 16% to 14.5%. The possibility of an easing of US restrictions on the export of advanced chips has also been opened, and additional restrictions on the operation of Chinese companies included in the list of sanctioned entities have been suspended. In addition, the US has reached trade agreements with several ASEAN countries and new agreements have been announced with Malaysia, Thailand and Japan to strengthen cooperation on rare earths, marking an acceleration of the US' efforts to «shield» its supply chains of critical minerals amid an uncertain geo-economic environment.

Autumn leaves: a quarter of contrasts among advanced economies. In Q3, euro area GDP grew by 0.2% quarter-on-quarter (vs. 0.1% in Q2). However, the aggregate figure masks significant disparity between countries. Germany and Italy continue to record weak growth, with their economies stagnating in Q3 after experiencing declines in Q2 (–0.2% and –0.1%, respectively), while the French economy accelerated, registering quarter-on-quarter growth of 0.5%, driven by an increase in exports of aircraft equipment. This divergence underlines the fragility of the European economy, where the Spanish economy has been standing out recently, sustaining growth of around 3%. On the other hand, in the US the federal government shutdown since 1 October – now the longest in history, as Republicans and Democrats fail to reach an agreement to pass a bill to fund federal public services beyond 1 October, when the previous federal budget expired – means that the publication of most official statistics, including the data for Q3 GDP, has been postponed.

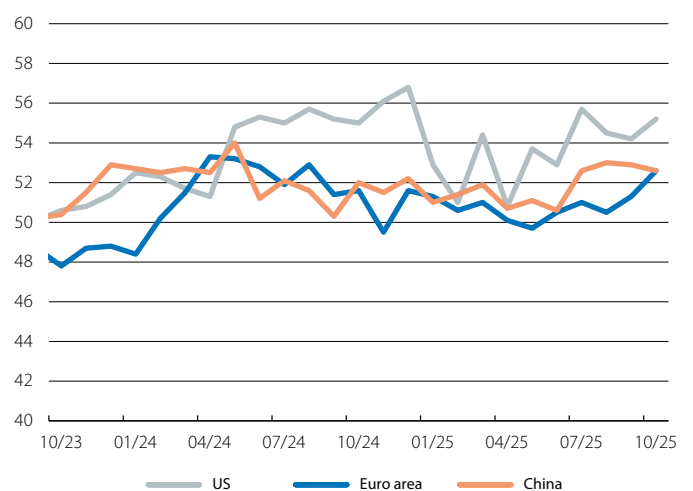
An autumn free of scares, for the moment. In the euro area, the available activity indicators point to a positive start to Q4. The European Commission's economic sentiment indicator (ESI) improved in October and reached a peak since March 2023 (96.8 points vs. 95.6 previously), while the manufacturing PMI stood at 50.0 points (vs. 49.8 previously), with improvements in the biggest economies of the bloc. The services PMI has improved to 53.0 points (vs. 51.3 previously), marking a high since August 2024. In this environment, headline inflation fell to 2.1%, while the core index remained at 2.4%. Of particular note was the rebound in services (+0.2 pps, to 3.4%), which

Global: manufacturing PMI
Index



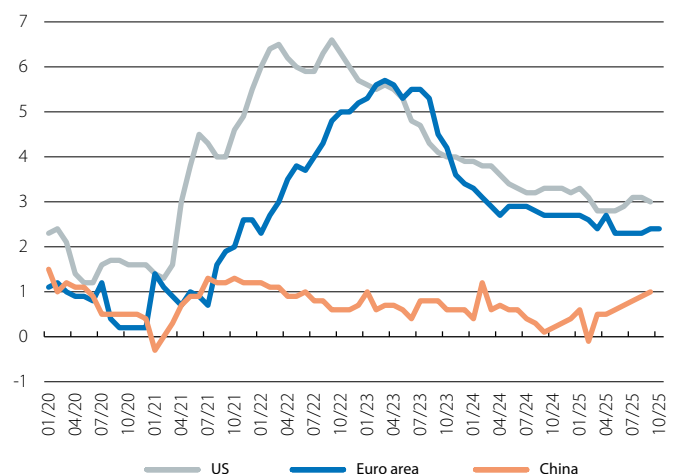
Source: CaixaBank Research, based on data from S&P Global.

Global: services PMI
Index



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

Global: core inflation
Year-on-year change (%)



Source: CaixaBank Research, based on data from the Bureau of Labor Statistics, Eurostat and the National Bureau of Statistics of China.

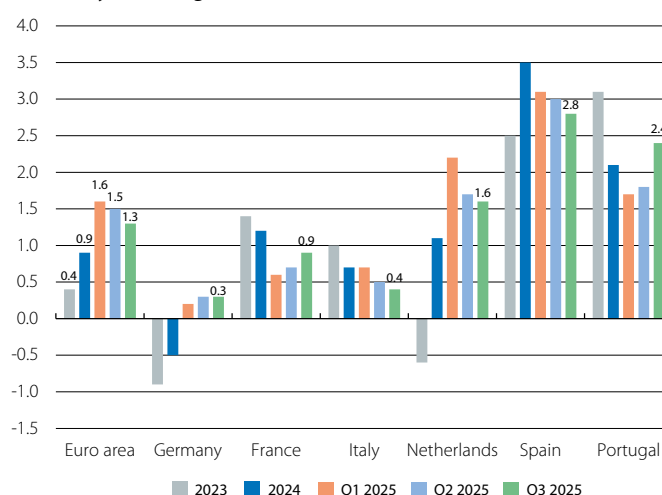
offset the moderation in industrial goods and food and the reduction in energy prices. In the US, Q4 began with positive signals, reflected in the rise in the composite PMI to 54.8 points, driven by services (55.2 vs. 54.2 previously) and a slight improvement in manufacturing (52.2 vs. 52.0 previous). However, the pace of job creation continues to moderate, while inflation remains stable, which allowed the Fed to lower rates in October, albeit with a message of caution with respect to the upcoming meetings ([see the Financial Markets – Economic Outlook section](#)).

China, with beacons of light in a stormy horizon. The Chinese economy grew by 1.1% quarter-on-quarter in Q3, a slight acceleration versus Q2, although year-on-year growth has slowed from 5.2% to 4.8%, and the monthly indicators show a slowdown in private consumption and investment. The pace of growth in retail sales fell (6.2% in Q2, 5.8% in Q3) and investment in urban areas contracted 0.5% year-on-year to September, its first decline since 2020. On the other hand, industrial production and exports accelerated in September (6.5% vs. 5.2% previously and +8.3% vs. 4.4% previously, respectively). Despite sharp falls in exports to the US, exports as a whole continue to offer a growth lever for the Asian giant and trade flows with the so-called Global South have provided an important buffer. Of particular note this year is the increase in exports to Africa and the rest of Asia, marking an acceleration of a trend observable in recent years. Still, the October figures point to a slowdown, with the official manufacturing PMI falling to 49.0 points (49.8 in September), marking its lowest level since May – a trend also observed in the PMI RatingDog (50.6 vs. 51.2 previously).

Emerging markets, a «sweet spot» in a challenging environment. Amid all the commotion in geopolitics, emerging economies continue to show significant dynamism. Although the manufacturing PMI fell slightly in October to 51.1 points, the index remains in expansionary territory and close to its highest level of the year. Also, the falls in China and Korea have been offset by improvements in India (59.2 points, also close to this year's highs) and several countries in the ASEAN region, such as Thailand (56.6 points, a high since May 2023) and Vietnam (54.7, a high since July 2024), as well as by Brazil's recovery (48.2 points vs. 46.5 previously). Nevertheless, export orders remain below the levels of the beginning of the year in most countries. Mexico's economy, for its part, continues to be affected by the US' trade policies. GDP contracted 0.2% in Q3, the first annual decline since Q1 2021. The brake on activity was mainly concentrated in industry, while a slowdown was observed in consumption and investment. At its last meeting, Banxico lowered interest rates by 25 bps, to 7.5%, and highlighted its concerns regarding the country's economic weakness amid the trade uncertainty. In addition, in its latest autumn update, the IMF has kept its forecasts for emerging economies virtually unchanged with respect to its July scenario (4.2% in 2025 and 4.0% in 2026), highlighting the difficult environment for the global economy in which global trade will grow more slowly, while the specter of fragmentation, migration restrictions, and fiscal vulnerabilities will come to the fore.

Euro area: GDP

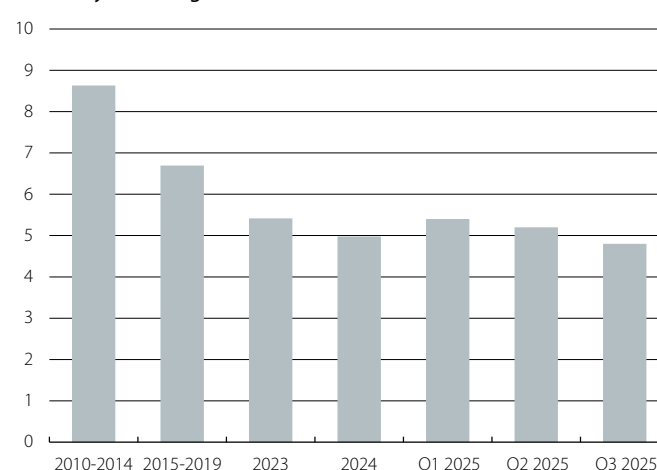
Year-on-year change (%)



Source: CaixaBank Research, based on data from Eurostat.

China: GDP

Year-on-year change (%)



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

China: export growth

Year-on-year change (%)

	Q3 2025	Q2 2025	Q1 2025	2024	2018-2023
Total exports	6.6	6.1	5.6	5.8	7.4
US	-27.3	-23.9	4.4	4.9	3.4
EU	11.2	9.2	3.6	3.1	5.9
ASEAN	18.4	17.5	7.7	12	11.3
Japan	3.6	6.7	2.8	-3.5	2.6
India	11.0	14.2	13.8	2.4	11.1
Asia	14.1	12.3	6.3	6.7	7.0
Latin America	6.4	5.1	9.6	13.1	12.3
Africa	41.5	31.4	11.3	3.6	10.8

Note: The average growth of exports in the years 2018-2023 is used.

Source: CaixaBank Research, based on data from the Bureau of Labor Statistics, Eurostat and the National Bureau of Statistics of China.

The Belt and Road Initiative: a double-edged sword? (part I)

Over the past decade, China has become a key player in global trade and in foreign direct investment (FDI) flows into emerging economies. Anchored in the Belt and Road Initiative (BRI),¹ launched in 2013, its ambitious foreign policy has sought to establish alliances and has focused on improving regional connectivity through investments in infrastructure and economic integration in the Eurasian continent, as well as in Africa and Latin America.

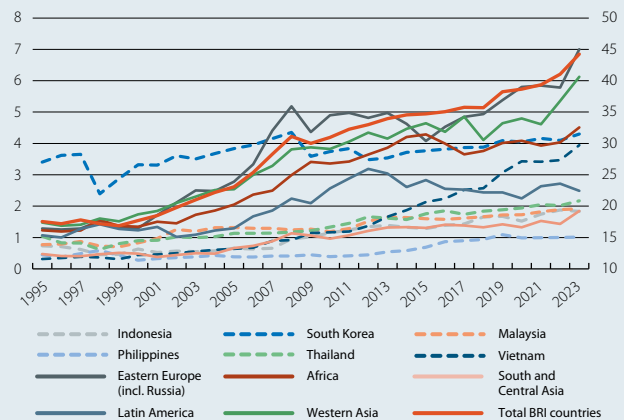
The BRI offers reduced transport costs and times, generating «agglomeration economies» in the manufacturing sector and facilitating the mobility of resources. On the other hand, participation in the BRI can promote Chinese FDI and support the modernisation of the participating countries' productive fabric.² Also, the trade and investment channels are among the most important for understanding the economic effects of the BRI. In a series of three articles, we will take a closer look at the trade channel, using detailed data on international trade flows.

China's exporting profile: from manufacturing giant to technological power

Just as the BRI intended, China has managed to increase its share of global exports from just over 5% at the turn of the century (around 500 billion dollars) to 15% (or 3.5 trillion dollars) today, while at the same time exports to countries participating in the BRI have gone from representing 20% to more than 40% of the total. In addition, in recent years, there has been a rapid diversification of export destinations, with the share of countries participating in the BRI increasing by some

China: share of exports to countries in the Belt and Road Initiative (BRI)

(% of total exports of goods)



Note: Countries participating in the Belt and Road Initiative are considered to be those that have signed the «Memorandum of Understanding» (in total, more than 140 countries). In the case of Russia, although it does not officially participate in the initiative, the country has participated in various infrastructure projects in the region and in several forums organised within the scope of the BRI.

Source: CaixaBank Research, based on data from the Observatory of Economic Complexity and C. Nedopil (2025), «China Belt and Road Initiative (BRI) Investment Report 2024».

10 pps.³ China has also developed links with new markets and improved the infrastructure of countries that were beginning to gain prominence as export destinations, creating alternative trade routes to traditional export destinations, such as the US, in the face of an imminent escalation of trade frictions.

By sector, the increase in China's exports to BRI countries has been widespread, albeit with some nuances. For example, the share of exports of furniture and related products to these countries has grown by 15 pps between 2018 and 2023 (from 23% to 38%), after remaining practically stagnant in the previous decade, while the share of car exports has grown by 14 pps (from 40% to 54%) and has reached a new peak since 2013 (when it stood at 50%), during a period of strong growth in the sector. There have also been accelerations in sectors such as electrical products and electronics, while in metals their market share has remained stable since 2018.

The new Silk Road: strategic axis of Chinese global trade

Over the past decade, BRI participating countries account for almost half of China's export growth

1. The name refers to the ancient Silk Routes – commercial networks that connected Asia, the Middle East and Europe from the 2nd century BC to the 15th century AD. Since the BRI was announced in 2013, each year new countries have signed the «Memorandum of Understanding» in order to participate in the programme. Most of the participating countries did so between 2013 and 2018, the latter being the year with the most accessions (62 in total), and are located in Asia and Africa – regions made up mostly of countries with greater infrastructure investment needs and allowing China to extend its regional influence. In total, more than 140 countries form part of the initiative. Although there is no official list of participating countries, we use the definition by C. Nedopil (2025) «China Belt and Road Initiative (BRI) Investment Report 2024», Green Finance & Development Center.

2. F. Zhai (2018) «China's Belt and Road Initiative: A preliminary quantitative assessment», Journal of Asian Economics, pages 84-92, estimates that the BRI could have a positive impact on trade flows and GDP, especially if it is accompanied by institutional improvements. See also J. Bird, M. Lebrand and A. Venables (2020) «The Belt and Road Initiative: Reshaping economic geography in Central Asia?», Journal of Development Economics; and H. Yeung and J. Huber (2024) «Has China's Belt and Road Initiative positively impacted the economic complexity of host countries? Empirical evidence», Structural Change and Economic Dynamics, pages 246-58.

3. The Herfindahl-Hirschman (HH) index of geographical concentration of China's exports has declined from 655.9 in 2011-2013 (652.4 in 2016-2019) to 451.6 in 2021-2023, indicating a rapid geographical diversification of its exports. On the other hand, the product concentration index (at the HS4 level) of Chinese exports has remained stable over the period (at around 170 points).

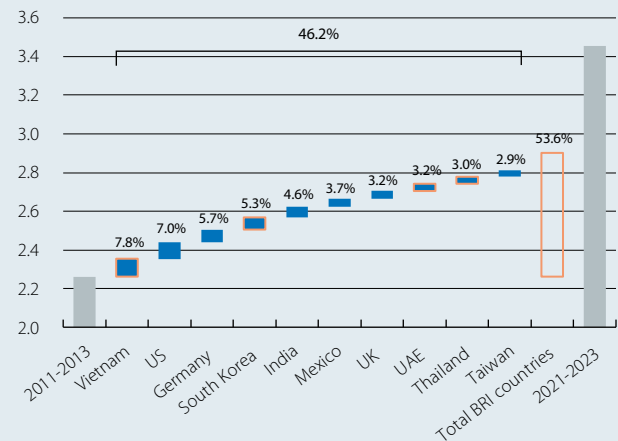
(see second chart). Among the top 10 destinations that have contributed the most, we find four countries that form part of the initiative (15 in the top 30), the most prominent of which is Vietnam. This country has contributed 7.8% to China's total export growth over the period in question, making it the fifth most important destination for Chinese exports, having barely made the top 20 a decade earlier. Other Asian countries participating in the BRI, such as the United Arab Emirates, Thailand, Indonesia and the Philippines have also seen substantial growth, as well as some Eastern European countries, while Latin America and Africa have recorded significant growth since 2016-2018. On the other hand, while the US has contributed significantly to China's export growth over the last decade as a whole (7% of the total), the dynamics have been rapidly changing. Whereas China's exports to the US grew by more than 20% up until 2016-2018, they have contracted in the years that followed. Hence, the share of exports to the US has fallen from 20% to around 15% of the total.

In addition to diversifying the geographical distribution of its exports, an analysis at the product level reveals profound changes in Chinese value chains. As a witness to its rapid technological evolution, China now ranks 21st in the Economic Complexity Index (ECI) produced by the Observatory of Economic Complexity, compared to 31st back in 2013 and below 50th up until 2004. In the past decade, the biggest contributions to China's export growth have come from sectors such as electronics and machinery, in which the country has acquired a key role. Particularly noteworthy are electric batteries and motor vehicles, with contributions in excess of 6% and very high nominal growth rates. Overall, exports of these goods have increased 12-fold in the period. On the other hand, also of note is the contribution from refined oil, exports of which have doubled in 10 years, mainly to Asian countries.

The distribution of each country's trade flows depends on multiple economic, geographical, institutional and geopolitical factors. However, it is clear that China's efforts over the past decade – anchored in several complementary initiatives, both externally (such as the BRI) and domestically (such as its *Made in China 2025* industrial policy) – have achieved a profound transformation of its productive structure and of its trade relations with the rest of the world, with obvious geopolitical consequences.

*Luís Pinheiro de Matos (CaixaBank Research)
and Sergi Artés Sebastià (UPF undergraduate student)*

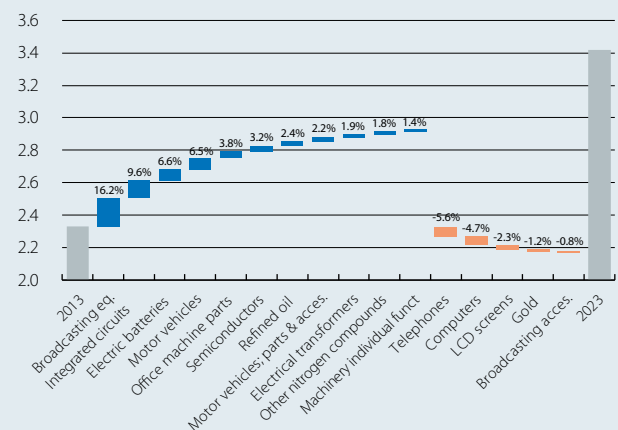
China: total exports and contribution by country (USD trillions)



Notes: The columns with orange borders correspond to countries that participate officially in the BRI. The chart shows the top 10 countries with the largest contributions to the increase in exports from China, as well as the total contribution of all BRI countries.

Source: CaixaBank Research, based on data from the Observatory of Economic Complexity.

China: total exports and contribution by product (USD trillions)



Note: The chart shows the product categories (at the HS4 level) with the largest contributions to the growth of China's exports and the products with the most negative contributions.

Source: CaixaBank Research, based on data from the Observatory of Economic Complexity.

Emerging economies: resilience after three global shocks

Emerging economies¹ have faced three major global shocks in recent years: the COVID-19 pandemic, the energy and food crisis stemming from the war in Ukraine, and the protectionist shift spearheaded by the US. The effect of these episodes has manifested itself in different ways among this group of countries. However, despite their magnitude, many emerging economies have shown remarkable resilience in terms of economic stability and their capacity to recover.

From a macroeconomic perspective, the pandemic marked a sharp contraction for the global economy. The drop in incomes, rising unemployment and the increase of fiscal deficits and public debt meant a decline in GDP of 2.1% in 2020 for emerging countries, representing a fall of 6.7 pps compared to pre-pandemic projections. However, the recovery was faster than expected and the subsequent structural after-effects were largely alleviated as the negative impact on productivity was less persistent compared to previous events.² With the war in Ukraine, the second shock was triggered in the form of an energy and food crisis, which led to a rise in inflation worldwide. In the case of emerging countries, inflation reached around 10% in 2022. Although the spike in prices affected these countries unevenly, it was³ energy and food importers that were the hardest hit, with significant increases in their current account deficits. This situation was further exacerbated by a synchronised tightening of monetary policy at the global level, which led to an increase in debt servicing for emerging countries.

The third shock, which we could date from Donald Trump's victory in the US presidential race, has been triggered by the country's protectionist shift through the introduction of widespread general tariffs, as well as specific tariffs on imports of key sectors such as semiconductors, energy and the automotive industry, among others.⁴ However, the global economy, and emerging economies in particular, has performed better than expected during the first half of the year thanks to imports being brought forward (ahead of the introduction of the tariffs), the gradual nature of the tariff hikes (which has prevented a trade war) and the easing of financial conditions in most countries.

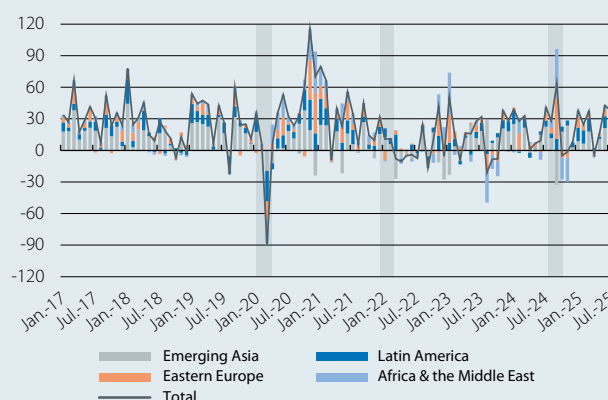
1. The IMF considers emerging economies or markets to be those developing countries that show significant economic growth, accelerated industrialisation and growing integration into the global economy. The countries that form this group are: Mexico, Brazil, Argentina, Colombia, Chile, Peru, China, India, Indonesia, Malaysia, South Korea, Vietnam, Philippines, Thailand, Taiwan, Saudi Arabia, United Arab Emirates, South Africa, Nigeria, Egypt, Kenya, Poland, Czech Republic, Turkey, Russia, Hungary and Romania.

2. See C. Jackson and J. Lu (2023). «[Revisiting Covid Scarring in Emerging Markets](#)», IMF.

3. See M. Lebrand, G. Vasishtha and H. Yilmazkuday (2023). «[Energy price shocks and current account balances, evidence from Emerging Market and Developing Economies](#)», World Bank.

4. See E. Kohlscheen and P. Rungcharoenkittul (2025). «[Macroeconomic impact of tariffs and policy uncertainty](#)», BIS Bulletin 110.

Portfolio capital flows (USD billions)



Notes: The chart shows capital flows invested in equities and fixed-income securities. The grey bands correspond to the start of each shock.

Source: CaixaBank Research, based on data from the IIF.

In addition, over the course of these five years, the resilience of emerging countries has been observed in other variables, such as the gradual recovery of the current account balance and the ratio of foreign debt to GDP, as indicated by our external vulnerability tracker.⁵ In short, this favourable progression has led many international organisations to improve their growth forecasts for emerging countries as a whole, including the IMF, which has revised its GDP growth forecasts⁶ for this year upwards on two separate occasions, placing them at 4.2% for 2025 and 4.0% for 2026 (+0.5 pps and +0.1 pp compared to the April forecasts, respectively).

Ingredients for the improvement in financial resilience

In addition to various economic factors, there have been some fundamental changes that have gradually cushioned the negative impact of each shock on emerging economies.⁷ COVID-19 marked a turning point in a large number of emerging countries, with more decisive decision-making and actions in monetary and fiscal policy.

On the one hand, many monetary authorities responded rapidly and decisively to the surge in inflation triggered by the disruption to global supply chains following the pandemic. Indeed, in the case of Brazil, Mexico and Russia the response was even ahead of the Fed and the ECB. This response marked a shift towards a stronger monetary framework, guided by the goal of anchoring inflation expectations and reducing dependence on exchange rate

5. See the Focus «[A first assessment of the external vulnerability of emerging market economies](#)» in the MR10/2023.

6. See IMF. «[World Economic Outlook, October 2025: Global Economy in Flux, Prospects Remain Dim](#)».

7. See «[Chapter 2: Emerging Markets resilience: Good luck or Good policies](#)», World Economic Outlook, October 2025: Global Economy in Flux, Prospects Remain Dim.

interventions. Moreover, autonomy in decision-making has boosted these central banks' credibility.

On the other hand, in fiscal matters, the introduction of budgetary rules, despite the variations from country to country, and the fact that the fiscal consolidation process was initiated earlier than in previous crises, have provided relative fiscal stability in the emerging bloc. However, as the IMF points out, there is still a lot to be done in this area. It has been observed, for example, that despite the existence of fiscal rules in some Latin American countries, there have been fiscal deviations that have led to increased debt vulnerability.

Capital flows, less volatile and more selective

The outcome of the progress made in both the monetary and the fiscal spheres has been essential in building resilience in emerging countries. This strength has been reflected through one of the key aspects in the global scenario: capital flows.

Historically, emerging financial markets have been more vulnerable to global shocks. Typically, such shocks triggered a risk-off movement among global investors, characterised by the outflow of capital from these markets, the depreciation of their currencies and the tightening of domestic financial conditions (used as a tool to cushion the increase in the cost of foreign debt). However, the post-shock experience of recent years offers a different, more favourable reading from the traditional one.

As the IMF points out,⁸ those countries whose central banks have shown greater autonomy and have done a better job of anchoring inflation expectations have also reduced the need to intervene in their currencies. Similarly, early fiscal consolidation has contained sovereign risks, moderating spreads and facilitating access to external financing.

In addition, the efforts of many of these economies to build credible and stable institutions and policy frameworks have favoured the development of local currency markets in which, besides attracting foreign investors, a growing number of domestic investors are participating – an important component in sustaining the growth of these economies and reducing episodes of financial instability. According to the Institute of International Finance, August saw net capital inflows amounting to 45 billion dollars entering emerging countries, with a notable increase in debt denominated in local currency.

However, the recovery has not been even across the board. In a scenario like the current one, marked by geopolitical tensions, trade uncertainty and monetary divergence, investment flows have been concentrated in countries with solid fundamentals or those less exposed to Trump's tariffs, while in others we see capital outflows or erratic patterns of behaviour. For instance, these flows have been sustained in countries such as Brazil, India, Peru, Chile and South Africa. In contrast, countries like Mexico, Argentina, Turkey and Colombia have been subject to greater volatility.

Beatriz Villafranca

External vulnerability tracker

	Current account balance (% of GDP)	Foreign debt (% of GDP)	S/T foreign debt (% of foreign debt)	S/T foreign debt (% of reserves)	Effective interest rate on foreign debt (%)	DFI inflows (% of GDP)	Risk premium of foreign debt issued in dollars (bps)	External vulnerability ranking From higher to lower risk
Turkey	-2.1 (-3.9)	31.9 (-16.5)	32.4 (9)	191.7 (70)	5.3 (2.2)	0.3 (-0.5)	N/A	1
Argentina	-1.6 (-0.9)	39.4 (-26.2)	17.2 (-6.8)	146.1 (-12.7)	6.2 (-3)	0.2 (-0.9)	1,150 (-190)	2
Malaysia	1.8 (-1.8)	62.2 (2.5)	42.5 (1.4)	107.5 (15.5)	2.6 (-0.2)	1.2 (0.8)	40 (-20)	3
Egypt	-4.1 (-1.1)	42.9 (11)	17.7 (7.6)	78.4 (51.6)	5.4 (2.2)	3.4 (1)	550 (40)	4
South Africa	-0.1 (2.5)	41.2 (-6.3)	22.4 (3.8)	73.2 (2.6)	5.1 (0.8)	0.7 (0.2)	300 (-20)	5
Chile	-2.1 (3.2)	78.9 (1.3)	8 (-1.9)	49 (0.9)	3.7 (3.3)	3.3 (2.2)	80 (-10)	6
Peru	1.3 (2)	28.6 (0.2)	N/A	N/A	2.7 (-0.2)	0.2 (-2)	130 (20)	7
Thailand	3 (-4)	34.7 (4.5)	45.9 (11.3)	37.8 (10.2)	11.1 (8.6)	-1.5 (-0.7)	150 (20)	8
Russia	1.9 (-2.2)	11.6 (-14.5)	44.9 (31)	31.7 (16.3)	10.9 (5.2)	0.2 (-0.4)	1,310 (1,090)	9
Colombia	-2.9 (1.7)	48.9 (5.3)	10.2 (-1.1)	35.1 (5)	6.6 (2.4)	2.2 (-1.1)	310 (100)	10
China	2.8 (2)	13.7 (0.5)	46.5 (-10.5)	41.2 (2.6)	4.7 (0.1)	-0.8 (-1.1)	10 (-40)	11
Morocco	-2 (1.5)	42 (-0.5)	14.4 (-1.5)	27 (-7.3)	4.3 (2.9)	0.8 (0.2)	210 (-40)	12
Brazil	-3.3 (0.2)	27.1 (-4.2)	13.9 (0.1)	26.7 (4.3)	11 (6.6)	2.2 (-0.3)	190 (-70)	13
Mexico	-0.7 (-0.4)	32.7 (-14.6)	10.9 (2)	29.4 (-1.9)	5.1 (0.7)	1.4 (-0.4)	190 (-40)	14
Philippines	-4.6 (-3.7)	22.5 (3.2)	14 (-6.6)	19.3 (-2.3)	5.7 (3.5)	1 (-0.4)	80 (0)	15
India	-0.3 (0.8)	18.3 (-1.3)	19.5 (0.6)	22.6 (-2.1)	2.1 (-1)	0.2 (-1.1)	90 (-40)	16
Saudi Arabia	-2 (-6.3)	32.3 (13)	18.7 (-9.6)	18.6 (8.5)	4.9 (2.3)	-0.1 (1.2)	N/A	17
Algeria	-1.4 (7.2)	2.8 (-0.1)	26.8 (-14.4)	3.5 (-0.1)	2.6 (1.7)	0.3 (-0.4)	610 (140)	18

Notes: The values correspond to the situation of the variables in Q2 2025. The figures in brackets show the pp change in the variables between 2019 and Q2 2025.

Source: CaixaBank Research, based on data from Oxford Economics and LSEG Workspace.

8. See footnote 6.

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

UNITED STATES

	2023	2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	08/25	09/25	10/25
Activity									
Real GDP	2.9	2.8	2.4	2.0	2.1	...	–	–	–
Retail sales (excluding cars and petrol)	5.2	3.4	4.1	4.8	4.9	...	5.4	...	...
Consumer confidence (<i>value</i>)	105.4	104.5	110.6	99.8	93.1	97.4	97.8	95.6	94.6
Industrial production	0.2	–0.3	–0.3	1.2	0.9	...	0.9	...	...
Manufacturing activity index (ISM) (<i>value</i>)	47.1	48.2	48.2	50.1	48.7	48.6	48.7	49.1	48.7
Housing starts (<i>thousands</i>)	1,421	1,371	1,387	1,401	1,354	...	1,307	...	...
Case-Shiller home price index (<i>value</i>)	312	330	336	340	338	...	337	...	...
Unemployment rate (% <i>lab. force</i>)	3.6	4.0	4.1	4.1	4.2	...	4.3	...	...
Employment-population ratio (% <i>pop. > 16 years</i>)	60.3	60.1	59.9	60.0	59.8	...	59.6	...	...
Trade balance ¹ (% GDP)	–3.0	–2.8	–3.0	–3.5	–3.6	...	...	...	...
Prices									
Headline inflation	4.1	3.0	2.7	2.7	2.4	2.9	2.9	3.0	...
Core inflation	4.8	3.4	3.3	3.1	2.8	3.1	3.1	3.0	...

JAPAN

	2023	2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	08/25	09/25	10/25
Activity									
Real GDP	1.2	0.1	1.2	1.7	1.7	...	–	–	–
Consumer confidence (<i>value</i>)	35.1	37.2	36.1	34.7	32.8	34.6	34.9	35.3	35.8
Industrial production	–1.4	–3.0	–2.5	2.5	0.8	0.4	0.1	1.6	...
Business activity index (Tankan) (<i>value</i>)	7.0	12.8	14.0	12.0	13.0	14.0	–	–	–
Unemployment rate (% <i>lab. force</i>)	2.6	2.5	2.5	2.5	2.5	2.5	2.6	2.6	...
Trade balance ¹ (% GDP)	–3.0	–1.1	–1.0	–0.9	–0.7	...	...	...	...
Prices									
Headline inflation	3.3	2.7	2.9	3.8	3.4	2.9	2.7	2.8	...
Core inflation	3.9	2.4	2.3	2.7	3.2	3.2	3.3	3.1	...

CHINA

	2023	2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	08/25	09/25	10/25
Activity									
Real GDP	5.4	5.0	5.4	5.4	5.2	4.8	–	–	–
Retail sales	7.8	3.3	3.8	3.6	4.4	2.4	3.4	3.0	...
Industrial production	4.6	5.6	5.6	6.8	6.2	5.8	5.2	6.5	...
PMI manufacturing (<i>value</i>)	49.9	49.8	50.2	49.9	49.4	49.5	49.4	49.8	49.0
Foreign sector									
Trade balance ^{1,2}	865	997	997	1,086	1,146	1,177	1,169	1,177	...
Exports	–5.1	4.6	10.0	5.7	6.0	6.5	4.3	8.2	...
Imports	–5.5	1.0	–1.8	–6.9	–0.9	4.3	1.2	7.4	...
Prices									
Headline inflation	0.2	0.2	0.2	–0.1	0.0	–0.2	–0.4	–0.3	...
Official interest rate ³	3.5	3.1	3.1	3.1	3.0	3.0	3.0	3.0	3.0
Renminbi per dollar	7.1	7.2	7.2	7.3	7.2	7.2	7.2	7.1	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 & 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	Q4 2024	Q1 2025	Q2 2025	Q3 2025	08/25	09/25	10/25
Retail sales (year-on-year change)	-1.9	1.2	2.2	2.0	2.8	1.7	1.6	1.0	...
Industrial production (year-on-year change)	-1.6	-3.0	-1.6	1.5	1.4	...	1.1	...	...
Consumer confidence	-17.4	-14.0	-13.5	-14.1	-15.7	-15.0	-15.5	-14.9	-14.2
Economic sentiment	96.2	95.7	95.1	95.5	94.4	95.6	95.4	95.6	96.8
Manufacturing PMI	45.0	45.9	45.4	47.6	49.3	50.1	50.7	49.8	50.0
Services PMI	51.2	51.5	50.9	51.0	50.1	50.9	50.5	51.3	53.0
Labour market									
Employment (people) (year-on-year change)	1.5	1.2	0.7	0.7	0.7	...	-	-	-
Unemployment rate (% labour force)	6.6	6.4	6.2	6.3	6.4	6.3	6.3	6.3	...
Germany (% labour force)	3.1	3.4	3.4	3.6	3.7	3.8	3.8	3.9	...
France (% labour force)	7.3	7.4	7.3	7.5	7.5	7.5	7.5	7.6	...
Italy (% labour force)	7.7	6.6	6.2	6.3	6.3	6.0	6.0	6.1	...
Real GDP (year-on-year change)	0.6	0.8	1.3	1.6	1.5	1.3	-	-	-
Germany (year-on-year change)	-0.7	-0.5	-0.2	0.2	0.3	0.3	-	-	-
France (year-on-year change)	1.6	1.1	0.6	0.6	0.7	0.9	-	-	-
Italy (year-on-year change)	1.1	0.5	0.5	0.7	0.5	0.4	-	-	-

Prices

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

	2023	2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	08/25	09/25	10/25
General	5.5	2.4	2.2	2.3	2.0	2.1	2.0	2.2	2.1
Core	5.0	2.8	2.7	2.6	2.4	2.3	2.3	2.4	2.4

Foreign sector

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

	2023	2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	08/25	09/25	10/25
Current balance	2.0	3.4	3.4	3.0	3.6	...	5.1	...	...
Germany	5.5	5.8	5.8	5.4	6.6	...	9.4	...	...
France	-1.0	0.1	0.1	0.0	-0.3	...	-0.7	...	...
Italy	0.2	1.1	1.1	0.9	1.3	...	2.5	...	...
Nominal effective exchange rate¹ (value)	94.7	95.0	94.1	93.5	96.7	98.5	98.3	98.7	98.2

Credit and deposits of non-financial sectors

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

	2023	2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	08/25	09/25	10/25
Private sector financing									
Credit to non-financial firms ²	2.7	0.8	1.4	2.2	2.6	2.9	3.0	2.9	...
Credit to households ^{2,3}	1.7	0.5	0.9	1.5	2.1	2.5	2.5	2.6	...
Interest rate on loans to non-financial firms ⁴ (%)	4.6	4.9	4.4	3.9	3.4	3.2	3.1	3.2	...
Interest rate on loans to households for house purchases ⁵ (%)	4.4	4.6	4.3	4.0	3.7	3.6	3.6	3.5	...
Deposits									
On demand deposits	-8.5	-3.9	1.2	3.6	5.3	5.6	5.6	5.6	...
Other short-term deposits	21.1	12.3	6.0	2.3	-0.1	-1.4	-1.3	-2.2	...
Marketable instruments	20.3	20.3	18.6	15.7	10.4	4.1	2.2	4.0	...
Interest rate on deposits up to 1 year from households (%)	2.7	3.0	2.6	2.2	1.9	1.7	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.

Domestic demand, supporting the Spanish economy

Domestic demand takes on a more prominent role. The Spanish economy continues to enjoy strong growth. GDP grew by 0.6% quarter-on-quarter in Q3 2025, far outpacing the euro area, at 0.2%, as has become the norm of late. The composition of the growth reveals a very favourable picture, albeit with some nuances. The economy is growing because households are spending more – private consumption grew by 1.2% quarter-on-quarter – and because companies are investing more – investment grew by 1.7% quarter-on-quarter. We have also seen a recent rebound in public consumption, which was up 1.1% quarter-on-quarter, although this has come after three quarters of practical stagnation, so in year-on-year terms public consumption has grown by a modest 1.3% in Q3.

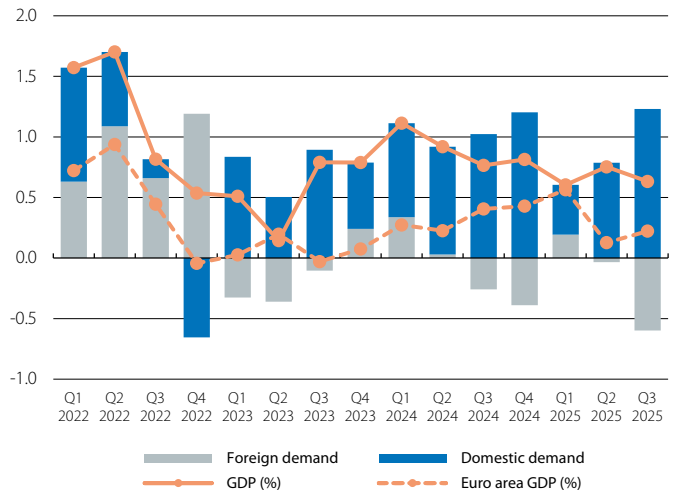
Overall, domestic demand contributed 1.2 pps to quarter-on-quarter GDP growth. This is a very high figure and, with the exception of Q4 2024, we have not seen such levels since late 2021, at the height of the post-pandemic recovery. The negative contribution came from foreign demand, which subtracted 0.6 pps from GDP growth. This was due to a fall in exports, of 0.6% quarter-on-quarter, combined with a notable increase in imports, of 1.1% quarter-on-quarter. Thus, whereas the foreign sector was one of the main pillars of growth in 2023 and still managed to contribute slightly to GDP growth in 2024, in 2025 it is subtracting growth.

Divergence: the balance of trade in goods deteriorates, while that of services improves. The poor performance of exports in Q3 was due to exports of goods. Customs data up to August confirm that the balance of trade in goods continued to deteriorate, and this is entirely due to non-energy goods. Thus, in the current year up until August, the balance of trade in non-energy goods showed a deficit of 0.8% of GDP, compared to a deficit of just 0.1% of GDP in the same period last year. Much of this 0.7-pp of GDP we have lost is down to the lower growth of exports, which are no doubt feeling the impact of the US' protectionist shift. The data for services, in contrast, remain very positive, albeit not enough to fully offset the deterioration on the goods side. In particular, tourism services are progressing in line with the performance of the previous year, while non-tourism services are exceeding it: the cumulative surplus up until August stood at 1.9% of GDP, 0.3 pps more than in the same period in 2024. However, the current account surplus is not in danger: in the current year to August, the current account shows a surplus of 2.2%, just 0.3 pps lower than in the same period of the previous year.

The first available indicators suggest that domestic demand remains strong. The strength of domestic demand is largely supported by the buoyancy of the labour market. According to the Labour Force Survey (LFS), employment grew by 0.4% quarter-on-quarter in Q3 – a rapid pace. As for the Social Security affiliation data for October, the first available month of Q4, they continue to exceed expectations, with an increase of around 142,000 workers; this is the biggest advance in a

Spain: GDP

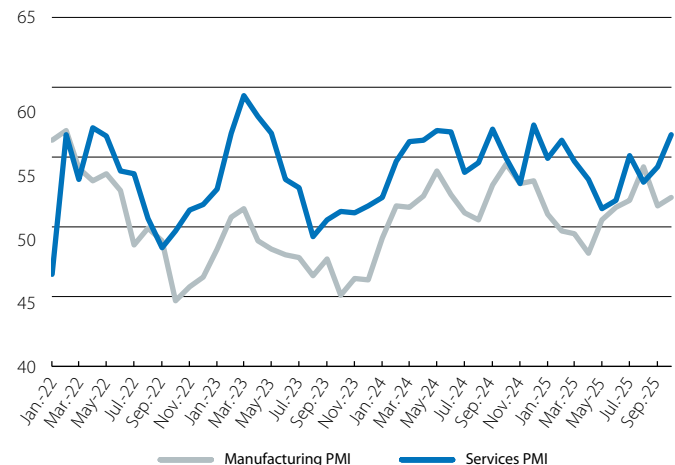
Quarter-on-quarter change (%) and contributions (pps)



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

Spain: PMI

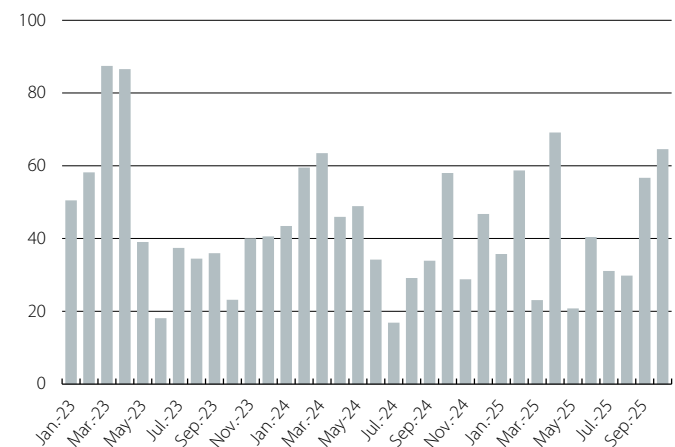
Level



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

Spain: registered workers affiliated with Social Security*

Month-on-month change (thousands of people)



Note: * Series corrected for seasonality.

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

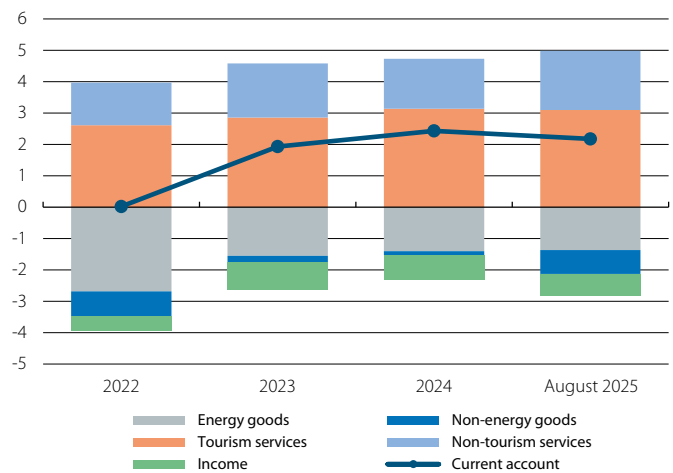
month of October, with the exception of 2021. With this figure, the number of registered workers in October stands 0.52% above the average figure for Q3, so it looks likely that in Q4 we will see an acceleration of the quarter-on-quarter growth rate (which in Q3 was 0.48%).

The Purchasing Managers' Indices (PMIs), meanwhile, also suggest that economic activity is healthy. In October, the PMI for the manufacturing sector advanced 0.6 points to 52.1 points, well above the threshold that marks growth in the sector (50 points). Also, the PMI for the services sector gained 2.3 points and reached 56.6 points, the highest level in the last 10 months, indicating a significant growth rate in the sector. Finally, with data up to 21 October, the [CaixaBank Research consumption indicator](#), which is based on duly anonymised data on card spending and cash withdrawals, shows a 0.4-pp acceleration in the year-on-year growth rate compared to the previous month, reaching 4.8% (3.2% on average in Q3). Overall, the good figures for employment and for the sentiment and consumption indicators suggest that domestic demand remains strong in the final quarter of the year.

Electricity keeps inflation at around 3%. In October, inflation in Spain stood at 3.1%, 0.1 pp above the previous month and widening the gap with respect to the euro area, for which inflation has fallen 0.1 pp to 2.1%. This gap, which at first glance could be concerning, requires some qualification, since it is largely explained by the energy component. Core inflation, which excludes energy and food from the calculation, stood at 2.7% in Spain in September compared to 2.4% in the euro area – a much smaller difference. Despite this, a slight gap persists even in the core index, which is derived from the services component. Looking at this component in more detail, its evolution is increasingly marked by the dynamics of services that are periodically revalued. In their latest update, these services experienced a significant increase, and this has kept their year-on-year rate of change stable at relatively high levels. This is the case, for example, for health and car insurance services, for which the average inflation for the year to September – the last month for which we have data from the breakdown – stands at 10.3% and 9.5%, respectively. On the energy side, the contribution from this component to inflation ought to subside over the coming months, based on the outlook according to the futures markets – with oil and gas prices remaining contained – and the fact that, in January 2026, the impact of the VAT hike on electricity bills that occurred in January 2025 will fall outside of the inflation calculation.

House sales in Spain buck the upward trend. Sales registered a year-on-year decline of 3.4% in August, the first setback since 2024. Although it is premature to draw definitive conclusions from a single data point, in a month which traditionally presents low residential activity, it is a first sign of moderation in the pace of growth in demand. In any case, activity in the sector remains high: so far this year, around 470,000 sales transactions have been completed, representing a 16% increase over the same period in 2024.

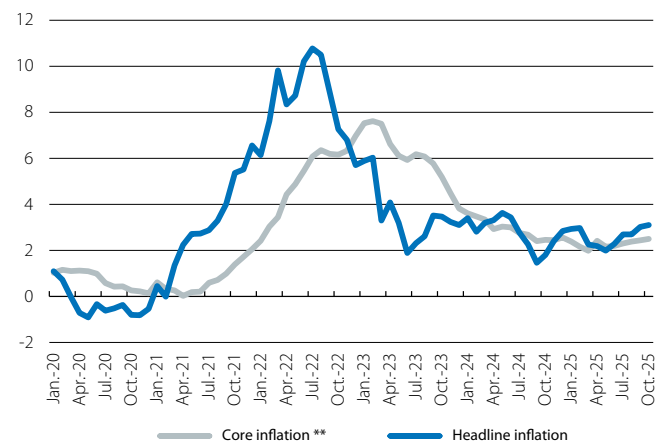
Spain: current account balance (% of GDP)



Note: Cumulative data for the year to date.

Source: CaixaBank Research, based on data from the Bank of Spain.

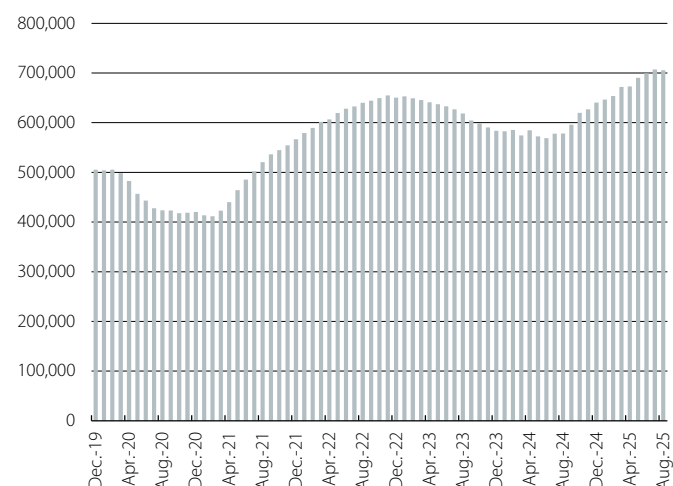
Spain: headline and core inflation* Change (%)



Notes: * The data for October are preliminary. ** Core inflation excludes unprocessed food and energy.

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

Spain: house sales Units



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

Spain's position in the face of global vulnerabilities in public finances

Public finances are once again in the spotlight.¹ There are two main factors behind this. The first is the pressures from fiscal dominance in the US. Fiscal dominance is when a country's stressed fiscal position can put pressure on the central bank to deviate from its price stability target and lower interest rates further than it otherwise would. By influencing interest rates, and thus the cost of debt and government deficits, any monetary policy action has fiscal consequences.² In the US, two-thirds of the public debt in circulation currently has a maturity of less than five years. Last year, around one-third of the debt issued had a maturity of less than one year. This inclination towards short-term issues has also been observed in Canada, Germany, France and other OECD countries. Over 40% of the OECD's more than 50 trillion in outstanding sovereign debt will need to be refinanced in the next three years.

The second factor is the political uncertainty in France over the political impasse that has led to the resignation of three prime ministers in less than a year (Michel Barnier, François Bayrou and Sébastien Lecornu, although the latter has formed a new government and has remained as prime minister). In a context of large deficits and rising public debt, this instability has led to a rebound in the risk premium above 80 bps and it has driven Italy's premium to far exceed Spain's, which has fallen to 54 bps (around 70 bps in January). The fiscal situation in France has led to the country being downgraded by Fitch, which lowered its rating from AA- to A+ in September 2025, followed by a similar downgrade by S&P in October and a shift to negative outlook by Moody's in late October. In contrast, in September S&P, Moody's and Fitch have improved their credit ratings for Spain: S&P raised it from A to A+, Moody's raised it from Baa1 to A3 and Fitch improved it from A- to A.

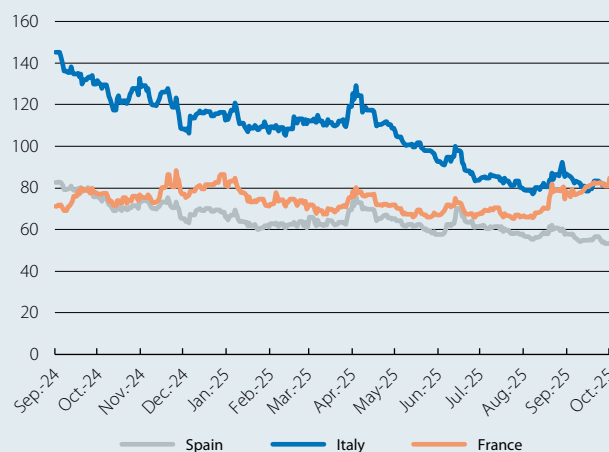
In this article we analyse key aspects of Spain's public finances, such as the duration of its public debt and the sensitivity of the risk premium to other economies, in order to assess the extent to which the challenging global environment and the fiscal risks in the rest of Europe can impact us.

Public finances in Spain and France: revealing contrasts

The public finances of Spain and France show marked contrasts. Public spending in France represents 57% of GDP, some 12 points more than in the Spanish economy. France's public debt will close the year at around 116% of GDP and has grown significantly in recent years (109.8%

Euro area: risk premiums

(bps)



Source: CaixaBank Research, based on data from LSEG Workspace.

in 2023). In contrast, although Spain's public debt is slightly above 100% of GDP, exceeding the level of most developed economies (75% have a lower level), it has been steadily declining from the level of 115.6% of 2021 and lies below that of several large economies such as Italy, the US and Japan. The debt ratio has declined thanks to economic dynamism – nominal GDP grew by 28.8% between 2021 and 2024 – and the reduction of the primary deficit from 4.5% of GDP in 2021 to an almost balanced position anticipated for 2025. The reduction of the deficit is explained by the rapid growth of public revenues (+27.2% between 2021 and 2024) driven by the strength of the labour market, in a context of more contained expenditure growth (+16.0% between 2021 and 2024, excluding interest and exceptional expenses associated with the floods in the Valencia province) as the measures introduced to mitigate the rise in energy prices have been gradually withdrawn. For 2025, the budget execution in Spain points to a public deficit that will be below the target of 2.8% of GDP (the deficit in 2024 was 3.2%), while in France it is expected to reach almost 5.5% of GDP.

Beyond the reduction of the deficit and debt in terms of GDP in the short term and the upward pressures on the public finances in the long term – issues that we have analysed in detail in these same pages –³ in this article we analyse other key aspects of Spain's public finances. Beginning with the average term of the public debt in circulation, like the rest of Europe's economies, Spain

1. See the Focus «Public finances (also) in the spotlight», in the MR07/2025.

2. See A. Haldane (2025). «Fiscal populism' is coming for central Banks», Financial Times, 21 July.

3. See, for the short term, the Focus «Lower budget deficit in 2025 in Spain, but the structural challenges persist» in the MR06/2025 and, for the long term, the Focus «The impact of ageing on public finances: a major challenge for Spain and Europe» in the MR09/2025 and «Debt limits» in the MR01/2025.

took advantage of the years dominated by quantitative expansion programmes to increase the average term of its debt until it reached around eight years. The percentage of Spanish public debt issued up until August 2025 that has a maturity of 1 year or less was 33.9%, similar to the 31.3% of a year ago. And if we calculate the average term of new issues of debt in 2025, we see a small reduction: 6.6 years compared to 7.2 years in the first eight months of 2024. Despite this slight reduction in the average term of new issues, the average term of all public debt in circulation in Spain remains fairly stable, whereas in France it has reduced slightly (see second chart).

Risk premium and macro fundamentals

The 10-year interest rate on Spain's public debt, and thus its spread relative to the German rate – the so-called risk premium – depends on the country's macroeconomic fundamentals and the global environment.⁴ For example, Spain's payment capacity depends on its level of indebtedness and its economic growth. Also, the situation of the European economy as a whole and its inflation determines the monetary policy that is set by the ECB, and this influences the array of interest rates across the continent. Moreover, global factors such as US interest rates also play an important role. With all these ingredients, and based on the historical relationships between them, we can estimate the risk premium that is consistent with the macroeconomic fundamentals: the so-called «macro premium».⁵

Macro fundamentals are usually good indicators of risk premiums in the market, although in recent years there have been moments of divergence: in 2018, with the deepening of an unconventional monetary policy from the ECB which had started in 2015 and coincided in 2020 with the COVID-19 outbreak, we saw risk premiums that were persistently lower than the macro premium. Beyond these episodes of decoupling, today Spain's macro premium is very much aligned with the observed risk premium. In other words, the market risk premium is consistent with the macroeconomic fundamentals.

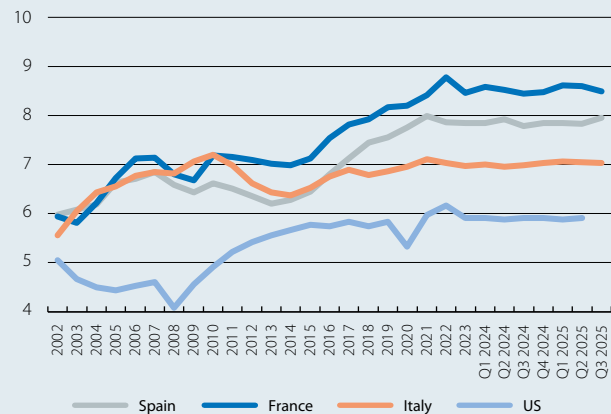
Sensitivity between premiums: reduced in the case of Spain

This alignment of Spain's risk premium with the macroeconomic fundamentals suggests that the market now shows a lower sensitivity for Spain's risk premium to other premiums. To test this hypothesis, we looked at the historical sensitivity of the Spanish risk premium to changes in the Italian and French premiums in different periods of time. In the fourth chart we can see that this sensitivity has decreased significantly over the last 20 years, and especially in 2023-2025, precisely when Spain's risk premium has realigned entirely with the macro

4. See the Focus «[The macroeconomic fragility of interest rates](#)» in the MR10/2020.

5. We obtain an explanatory power of around 70%.

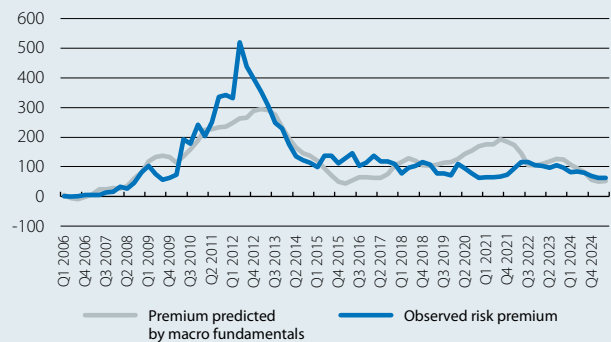
Average term of public debt in circulation (Years)



Note: Latest available data: August for Spain and France, July for Italy and June for the US.

Source: CaixaBank Research, based on data from the Spanish Treasury, the Agence France Trésor and the Bank of Italy.

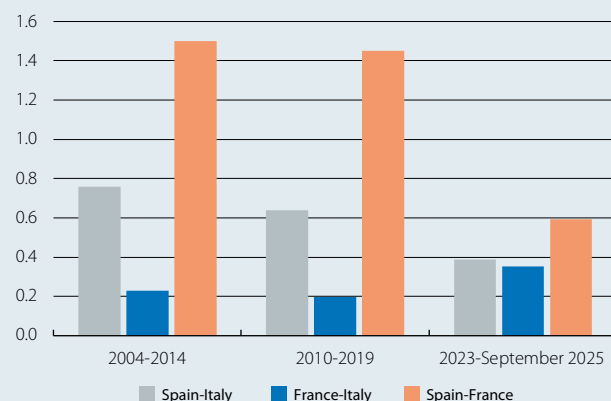
Sovereign risk premium for Spanish 10-year debt* (bps)



Note: * Risk premium predicted by macroeconomic fundamentals (ECB monetary policy, public debt, growth and inflation data, and US sovereign rates) and estimated based on historical relationships up to mid-2025.

Source: CaixaBank Research, based on data from LSEG Workspace, Eurostat and Consensus Economics.

Sensitivity to changes in the risk premium (bps)



Notes: Beta coefficients in linear regression with monthly data. In all cases the coefficients are statistically significant at 5%.

Source: CaixaBank Research.

fundamentals. In contrast, there has been an increase in the sensitivity of the French risk premium to changes in the Italian one.

In short, we do not observe any clear pattern of a reduction in the average term of Spanish public debt in circulation and, in any case, the pattern is more pronounced in other countries such as France. However, in this challenging environment and with debt and deficits still at high levels, it remains important that Spain carry out a fiscal consolidation in line with the European fiscal rules. Finally, it should be recalled that the analyses in this article are based on historical data, so we do not know for certain how Spain would react to a sharper rebound in France's risk premium if its public finances deteriorate further. That said, if necessary, the ECB has enough tools such as the TPI⁶ to relieve the pressure on risk premiums and mitigate the *shock*.

Javier Garcia-Arenas

6. The Transmission Protection Instrument can be used by the ECB to purchase public debt from a country whose risk premium has strayed far from the level justified by its macro fundamentals. This offers some protection against the risks of unjustified contagion.

What do we mean when we talk about uncertainty?

In recent years, several developments have fuelled the perception of greater economic uncertainty: the Brexit referendum, the COVID-19 pandemic, the energy crisis and, more recently, the Trump administration's tariff escalation. Generally speaking, when we use the word uncertainty we are referring to a lack of knowledge about a particular topic, or disagreement over how to interpret known facts. In practice, it makes predicting variables such as GDP or inflation more difficult. Although the term usually carries negative connotations, this is not always true: the discovery of a large reservoir of a natural resource or the rise of a technology such as AI can generate positive uncertainty, in the sense that we anticipate greater growth, but we do not know for sure how much.

However, economic uncertainty is a particularly difficult phenomenon to measure. For decades, the most common way to quantify it has been based on the dispersion of the economic forecasts of different agents (consumers, business leaders and analysts). The idea is simple: the more forecasts differ from each other, the greater the uncertainty. This approach measures uncertainty when it stems from differing assessments of a known event, such as the impact of discovering an oil well.

In recent years, new indicators based on text analysis have been developed which offer another way to estimate uncertainty. The best known one is the Economic Policy Uncertainty (EPU) Index, originally developed by Nick Bloom and his co-authors and expanded for Spain by the Bank of Spain. This index quantifies how often the word «uncertainty» appears (alongside economic and political terms) in the news articles of the Spanish economic press.¹ On the other hand, the Political Risk Index (PRI), created by Tarek Hassan *et al.*, employs a similar methodology but applied to transcripts of the earnings presentations of Spain's largest companies.² This distinction is important, as journalists and business leaders may have different concerns and therefore reflect different sources of uncertainty.

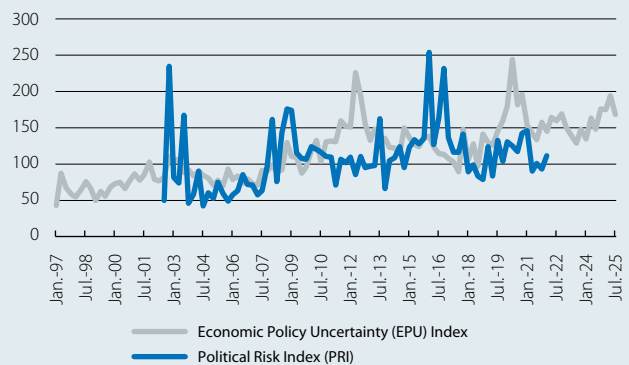
The results offered by these two indices differ markedly (see first chart). The EPU index shows sharp spikes during episodes such as the sovereign debt crisis in Spain (around 2012), the COVID-19 outbreak and, to a lesser extent, the recent rise in trade tensions between the US and the EU. It also shows a clearly upward trend since the late 1990s.

1. Specifically, the EPU index is built by counting the number of news articles in the press that simultaneously contain the words «uncertainty», «economy» and «policy», standardising this count according to the total number of articles published.

2. The PRI is calculated using the average level of uncertainty mentioned in corporate earnings presentations. To capture the uncertainty of a political origin, only the times that «uncertainty» appears at a maximum distance of 10 words from some political term are counted. This indicator only has data available up until Q1 2022.

Spain: uncertainty indicators

Index

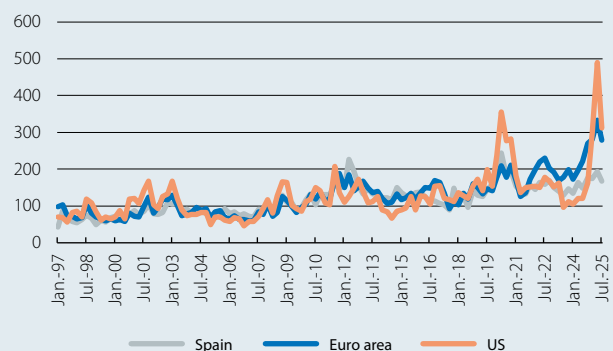


Notes: Indices normalised with a base of 100, corresponding to the average for the period 1997-2015. For the EPU index, the quarterly average is shown. For the PRI, the average of Spanish companies is shown.

Source: CaixaBank Research, based on data from Ghirelli, Pérez and Urtasun (EPU index) and Hassan, Hollander, Van Lent and Tahoun (PRI). Indices downloaded from <http://policyuncertainty.com/>

Comparison between uncertainty indicators

EPU indices



Notes: Indices normalised with a base of 100, corresponding to the average for the period 1997-2015. The quarterly average is shown.

Source: CaixaBank Research, based on data from Ghirelli, Pérez and Urtasun (Spain), and from Baker, Bloom and Davis (euro area and US). Indices downloaded from <http://policyuncertainty.com/>

It is unclear whether this upward trend reflects a structural rise in global economic uncertainty or merely greater use of the term, for example, because we are now more aware of the uncertainty that surrounds us even though in essence there may not be any structural increase. On the other hand, the evolution of the PRI does not show any clear trend and its episodes of peak uncertainty do not coincide with those of the EPU index: the PRI reached its highest values during the 2008 global financial crisis and after Trump came to power in 2016. As a result, the correlation between the two indicators is relatively low. For practical purposes, these differences mean that any estimate of the impact of uncertainty can be highly sensitive to the choice of indicator, as different indices reflect different types of uncertainty.

How does the level of uncertainty in Spain compare to that of other countries? The EPU index offers a clear message:

in recent months, uncertainty has increased worldwide, but in Spain the increase has been more moderate than in the euro area or the US. One possible explanation for this is the Spanish economy's relatively low trade exposure to the US.

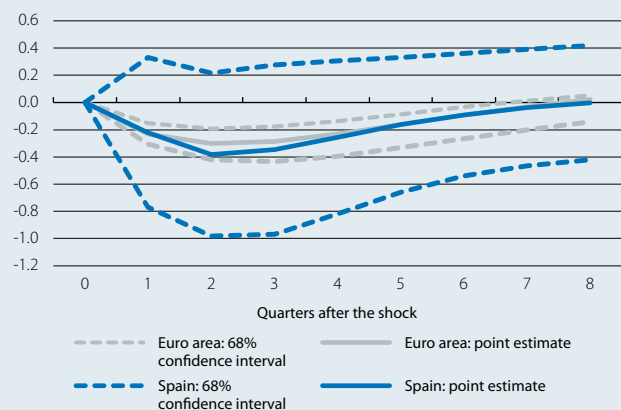
Transmission and impact

Uncertainty constrains the economy through various channels. On the one hand, it encourages a «wait and see» approach and causes consumers and businesses to postpone their consumption, investment and hiring decisions. In addition, by being inactive, in uncertain times households and businesses may become less sensitive to market conditions such as prices or interest rates, which explains why some studies point to a loss of effectiveness of monetary policy amid heightened uncertainty.³ Moreover, episodes of uncertainty tend to coincide with turbulence in financial markets due to investors' risk aversion. On the other hand, it also generates changes in the composition of economic activity, since it favours a reallocation of resources from activities that involve irreversible costs in favour of more reversible options: for instance, uncertainty increases the relative attractiveness of the consumption of non-durable goods or services versus durable goods, or temporary hiring versus hiring on permanent contracts.

Through these mechanisms, uncertainty holds back economic activity, employment and production. Overall, the impact is greatest on investment, with a more moderate effect on consumption and employment.⁴ There is also evidence that uncertainty reduces credit growth and increases risk premiums.⁵ However, the transmission tends to be fast and, when the uncertainty dissipates, the economy can quickly bounce back thanks to the deployment of the pent-up demand in consumption, investment and hiring.

These impacts can be illustrated using the historical relationships between a measure of uncertainty and the main macroeconomic aggregates (see the third and fourth charts).⁶ This exercise reflects a rapid effect of uncertainty (the impact on activity peaks in two/three quarters). If we extrapolate the historical sensitivities to the surge in uncertainty experienced between Q3 2024 and Q2 2025, the episode would have deducted around 0.4 pps from

GDP: impact of an increase in uncertainty Deviation vs. the GDP level (pps)

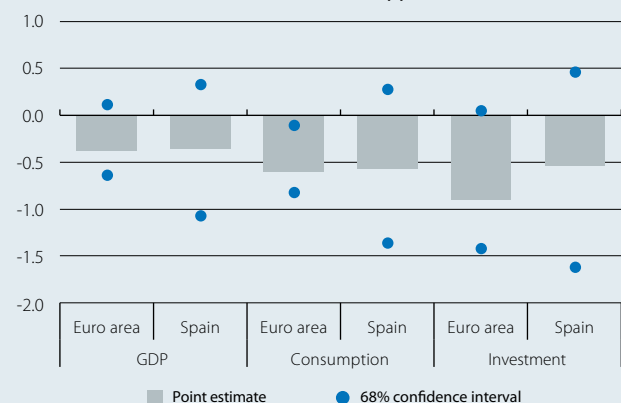


Notes: Impact of an increase in uncertainty in a standard deviation. The standard deviation for the euro area and for Spain is calculated separately.

Source: CaixaBank Research, based on data from Eurostat, the National Statistics Institute (INE) and www.policyuncertainty.com.

Annual impact of the uncertainty shock between Q3 2024 and Q2 2025

Deviation vs. the level of each variable (pps)



Source: CaixaBank Research, based on data from Eurostat, the National Statistics Institute (INE) and www.policyuncertainty.com.

the annual GDP of the euro area and Spain,⁷ with a greater impact on investment than on consumption, and distributed between 2025 and 2026. Beyond the main economic variables, this exercise shows that estimates of uncertainty's impact are inherently imprecise, in the sense that the confidence interval is wide. In addition, the results are sensitive to methodological changes.

Zoel Martín Vilató

3. See Falconio and Schumacher (2025), *Economic uncertainty weakens monetary policy transmission*, ECB Blog.

4. See Ahir, Bloom and Furcieri (2025), «Uncertainty about Uncertainty, Finance & Development Magazine», IMF. Also Andersson *et al.* (2024), «What are the economic signals from uncertainty measures?», ECB Economic Bulletin 8/2024.

5. See Allayioti *et al.* (2025), *More uncertainty, less lending: how US policy affects firm financing in Europe*, ECB Blog.

6. Using quarterly data from 1997 to 2025, we estimate a vector autoregression on GDP, household consumption and gross fixed capital formation, the GDP deflator and an uncertainty measure. We make the estimate, separately, for the euro area as a whole and for Spain.

7. The similarity in the impact on GDP between the euro area and Spain, despite a clearly more intense upturn in uncertainty in the euro area, could suggest that Spain has a greater sensitivity to uncertainty. However, the breadth of the confidence intervals shows that the estimate of the impact in Spain is more imprecise.

How will the Spanish economy be affected by the performance of its main export markets?

In this article we investigate how the ups and downs of our main trading partners' economies can affect the Spanish economy through the trade channel. To this end, we developed a synthetic indicator that summarises the foreign demand for Spanish goods and services, and below we assess its predictive capacity and analyse the expected trends in the short and medium term.

What are the main export markets?

In the historical average, 66% of Spanish exports, of both goods and services, have gone to 15 countries or regions: the euro area, the United Kingdom, the US, Turkey, Mexico, Morocco, Brazil, Sweden, Japan, Switzerland, Poland, China, the Czech Republic, Norway and Denmark.¹ This selection thus captures a large portion of our sales abroad, although the percentage has fallen slightly in the last three years as a result of the export sector's efforts to diversify the recipient markets (see first chart).

Despite its decreasing relative weight over time, the euro area remains by far the main destination for exports: on average, between 1995 and 2019, euro area countries absorbed 46.4% of foreign sales, and in 2023-2024 that share fell to 39.7%.

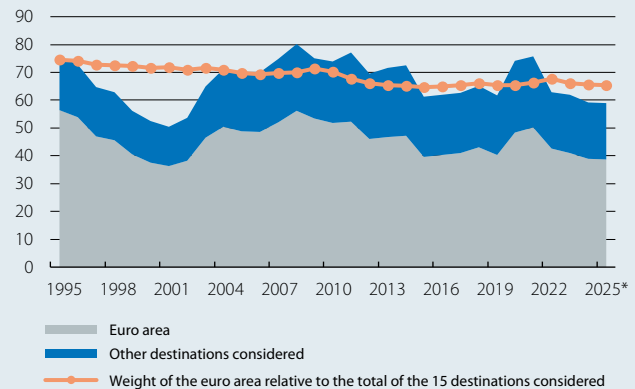
A thermometer of foreign demand for Spain

With these 15 key markets, we built a Spanish «export markets» indicator. To do this, we combined the growth of imports (in volume) of each of these destinations, weighted according to the portion of total Spanish exports that each destination country represents each year. Although this is a very simple indicator, it follows a very similar pattern to that of Spanish exports of goods and services (see second chart).

There is a very close relationship between these two series: when demand from our export markets accelerates, Spanish sales abroad tend to pick up, and vice versa. This relationship is very clear between 1997 and 2019, and of particular note is the strong relationship between the two variables during the financial crisis from 2007 to 2010. Since 2020, with the outbreak of the pandemic, the relationship has persisted – the indicator closely

1. To do this, we use data on exports of goods from DataComex going back to 1995, and data on exports of services from the Bank of Spain covering the period since 2013. With this data, we created two lists: one with the top 10 destinations for exports of goods in each period, and the other with the top 10 destinations for exports of services. Then, we selected all the countries that appear in one of the two lists. Many appear in both lists, but some only appear in one. In those cases, we excluded countries that were only in one list and which, moreover, have not been in the top 10 in the last three years in either list. In addition, we excluded Russia due to problems accessing data.

Spain: exports of the destinations considered (% of total Spanish exports)



Note: * The data reach up to Q2 2025.

Source: CaixaBank Research, based on data from DataComex and the Bank of Spain.

Spain: exports and export markets Annual change (%)



Note: R^2 of 77%.

Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE), DataComex and the Bank of Spain.

follows the evolution of exports, although the link is less close. In particular, in the last four years, the indicator has tended to underestimate the evolution of Spanish exports. This probably stems from the sharp fall experienced in 2020 and the subsequent recovery in exports of tourism services. Indeed, when we compare the evolution of our indicator with that of total exports, excluding tourism exports (see the dashed line in the second chart), we see that the gap disappears. While our synthetic indicator is built using the total imports of our main export markets, including tourism imports, it may be the case that in the last four years Spain has gained market share in the tourism sector and this could explain the gap between our indicator and the evolution of total exports. When we take the entire sample together, the elasticity of the growth of Spanish exports to the growth in demand from the export markets is 1.2: if the imports

of our trading partners grow by 1% more, we would expect the growth of Spanish exports to increase by 1.2 points.

If we consider the proportion of GDP that is attributable to exports (around 37%) and the import content of exports, we find that 1 point more growth in our export markets results in a 0.2-pp increase in GDP growth.² What happens in our main foreign markets has a direct and considerable impact on exports and, therefore, on the growth of the Spanish economy.

Outlook for 2025-2027

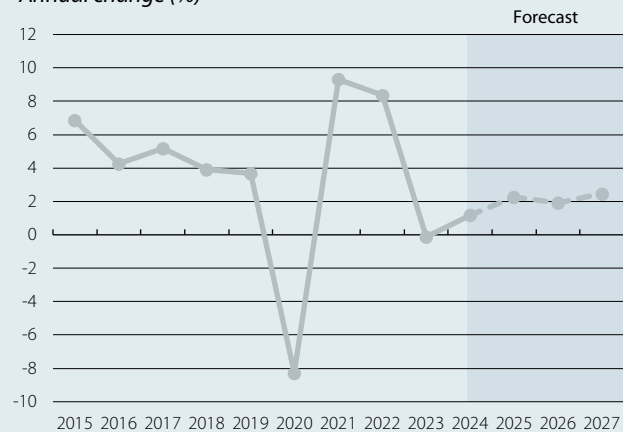
To carry out the forecasting exercise, we relied on the International Monetary Fund (IMF) forecasts published in the October 2025 World Economic Outlook, which provides projections for the growth of imports for each of the 15 destinations that make up the synthetic foreign demand indicator (see third chart).

The resulting numbers suggest modest growth in the export markets, albeit better than that recorded in 2023-2024: the Spanish export market is expected to grow by 2.3% in 2025, with the growth rate remaining at around 2% in 2026 and 2027. This exceeds the growth rate of 0.6% per year recorded in 2023-2024, although it would be substantially below the average growth rate for the period 2015-2019, of 4.8%.

This pattern indicates that, after a challenging 2023 and 2024, largely affected by the impact that the energy crisis and the cycle of interest rate hikes had on the euro area, our exporters are benefiting from a slight improvement in global demand. As can be seen in the left-hand panel of the fourth chart, according to the IMF's forecasts the improvement is linked to the recovery of imports in

Spain: export markets

Annual change (%)

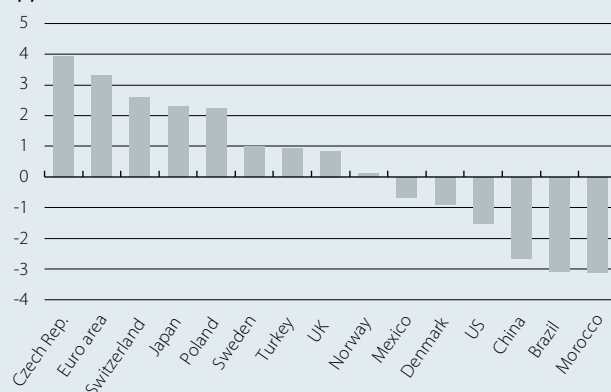


Source: CaixaBank Research, based on data from the IMF.

countries within the European continent. This is not the case for the US and China, which are expected to perform worse than in 2023-2024, likely affected by the protectionist shift of the US and the sharp hike in tariffs between the two powers. However, the improvement in the performance of the export markets will be limited, as we would not return to the growth rates of the pre-pandemic period. This pattern is fairly widespread among the various export markets (see the right-hand panel in the fourth chart), except for Turkey, Brazil and Switzerland, and may reflect the stagnation – or even a slight setback – of the globalisation process, as well as the EU's weak growth environment.

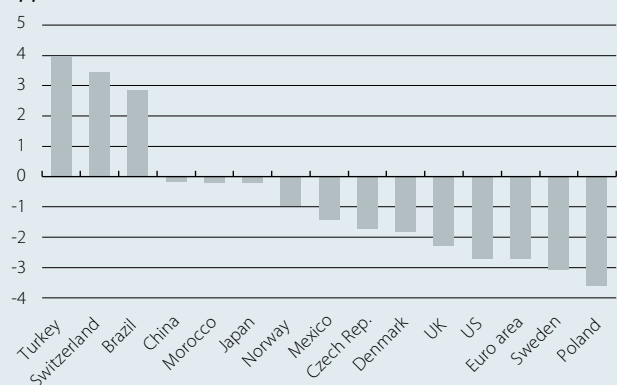
Oriol Carreras Baquer

Import growth differential between the average forecast for 2025-2027 vs. 2023-2024 (pps)



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

Import growth differential between the average forecast for 2025-2027 vs. 2014-2019 (pps)



2. We assume an import content of 39%, in line with the estimate made by A. Cabrero and M. Tiana (2012). «The import content of the industrial sectors in Spain». Economic Bulletin. Bank of Spain.

Activity and employment indicators

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

	2023	2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	08/25	09/25	10/25
Industry									
Industrial production index	-1.6	0.4	1.3	-0.7	1.5	...	3.4	...	...
Indicator of confidence in industry (value)	-6.5	-4.9	-6.0	-5.4	-5.2	-4.9	-5.7	-4.6	-4.6
Manufacturing PMI (value)	48.0	52.2	53.6	50.0	50.0	52.6	54.3	51.5	52.1
Construction									
Building permits (cumulative over 12 months)	0.5	16.7	16.7	20.1	14.8	...	10.5	...	...
House sales (cumulative over 12 months)	-10.2	9.7	9.7	17.0	22.9	...	22.0	...	...
House prices	4.0	8.4	11.3	12.2	12.7	...	...	...	...
Services									
Foreign tourists (cumulative over 12 months)	18.9	10.1	10.1	8.1	6.3	4.3	5.1	4.3	...
Services PMI (value)	53.6	55.3	55.1	55.3	52.2	54.2	53.2	54.3	56.6
Consumption									
Retail sales ¹	2.5	1.8	2.9	3.4	5.1	4.5	4.7	4.2	...
Car registrations	16.7	7.2	14.4	14.0	13.7	16.9	17.2	16.4	15.9
Economic sentiment indicator (value)	100.5	103.0	101.4	103.3	103.2	103.6	101.8	104.8	103.9
Labour market									
Employment ²	3.1	2.2	2.2	2.4	2.7	2.6	...	...	...
Unemployment rate (% labour force)	12.2	11.3	10.6	11.4	10.3	10.5	...	...	...
Registered as employed with Social Security ³	2.7	2.4	2.4	2.3	2.2	2.3	2.3	2.4	2.4
GDP	2.5	3.5	3.7	3.1	3.0	2.8	...	...	...

Prices

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

	2023	2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	08/25	09/25	10/25
General	3.5	2.8	2.4	2.7	2.2	2.8	2.7	3.0	3.1
Core	6.0	2.9	2.5	2.2	2.3	2.4	2.4	2.4	2.5

Foreign sector

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

	2023	2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	08/25	09/25	10/25
Trade of goods									
Exports (year-on-year change, cumulative over 12 months)	-1.4	0.2	0.2	3.3	2.0	...	0.7	...	...
Imports (year-on-year change, cumulative over 12 months)	-7.2	0.1	0.1	4.2	4.1	...	3.8	...	...
Current balance	40.9	50.7	50.7	47.8	49.1	...	48.6	...	...
Goods and services	57.5	66.3	66.3	63.5	64.3	...	63.4	...	...
Primary and secondary income	-16.5	-15.7	-15.7	-15.7	-15.2	...	-14.8	...	...
Net lending (+) / borrowing (-) capacity	57.8	68.7	68.7	66.6	68.1	...	67.6	...	...

Credit and deposits in non-financial sectors⁴

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

	2023	2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	08/25	09/25	10/25
Deposits									
Household and company deposits	0.3	5.1	5.1	4.6	3.9	4.8	5.1	4.8	...
Demand and notice deposits	-7.4	2.0	2.0	3.1	5.0	7.2	7.2	7.2	...
Time and repo deposits	100.5	23.5	23.5	12.6	-1.5	-6.6	-5.1	-6.6	...
General government deposits ⁵	0.5	23.1	23.1	24.4	25.5	7.2	9.0	7.2	...
TOTAL	0.3	6.3	6.3	5.9	5.4	5.0	5.4	5.0	...
Outstanding balance of credit									
Private sector	-3.4	0.7	0.7	1.7	2.6	2.8	2.7	2.8	...
Non-financial firms	-4.7	0.4	0.4	1.6	2.5	2.3	2.5	2.3	...
Households - housing	-3.2	0.3	0.3	1.4	2.3	2.9	2.8	2.9	...
Households - other purposes	-0.5	2.3	2.3	3.1	-261.5	3.7	3.3	3.7	...
General government	-3.5	-2.6	-2.6	-0.3	5.3	12.8	14.8	12.8	...
TOTAL	-3.4	0.5	0.5	1.6	2.7	3.4	3.5	3.4	...
NPL ratio (%)⁶	3.5	3.3	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.

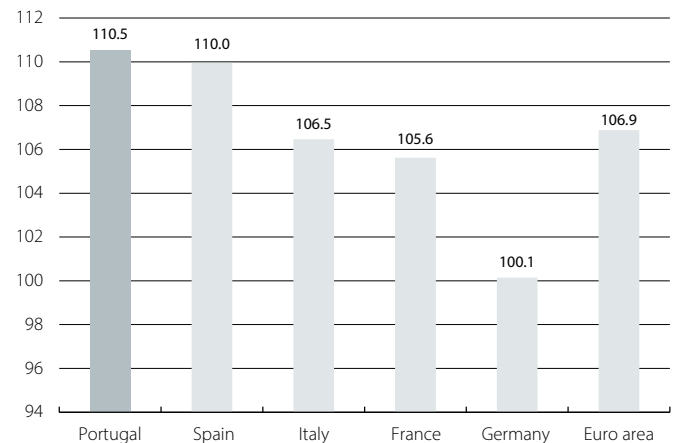
The Portuguese economy stands out in the European context

Q3 GDP grew by 2.4% year-on-year and by 0.8% quarter-on-quarter. The acceleration in quarterly growth reflects a stronger contribution from domestic demand, driven by robust private consumption following the fiscal measures implemented during the quarter, which boosted household disposable income. Foreign demand had a negative contribution to growth, in particular due to imports of goods associated with investment and services. This good performance keeps Portugal in a prominent position among euro area economies since the post-pandemic recovery. While still scarce, the available Q4 data suggest a moderation in growth towards the end of the year. The European Commission's economic sentiment indicator has fallen from 105.0 to 104.4 points, its lowest level since April, although the strength of the labour market, the acceleration of the deployment of European funds and the reduced trade uncertainty are expected to continue to support the Portuguese economy. In this context, the risks to our current growth forecast (1.8% in 2025 and 2.0% in 2026) are balanced.

Inflation eases in October, as employment figures continue to defy expectations. Headline inflation fell 0.1 pp to 2.3%, while core inflation rose to 2.1% (+0.1 pp). The fall is explained by the more volatile components of the index, such as energy and unprocessed food. It should also be noted that the monthly dynamics of both the headline CPI (0.0% change) and the core index (+0.1%) were weaker compared to the historical trends, suggesting more contained inflation dynamics, in line with our current forecast (2.3% in 2025). The labour market, for its part, remains highly dynamic. Employment rose by 3.6% year-on-year, lifting average annual growth above 3% (a marked increase compared to the 1.2% recorded in 2024). This performance brings the employment rate to 66% of the labour force, an all-time high.

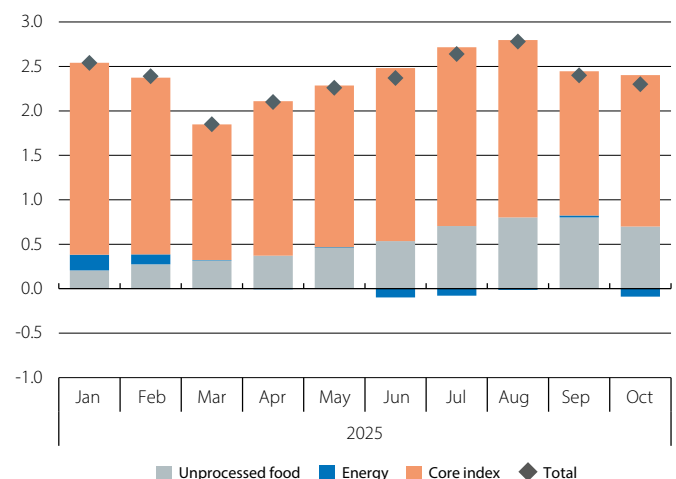
The 2026 budget points to an almost balanced fiscal position, albeit with risks. The budget balance is expected to decline in 2026, converging towards balance (0.1%, compared to 0.3% expected in 2025). Fiscal policy will be expansionary, with a notable increase in primary current spending (+4%), driven by wages and social benefits, thus maintaining the growth trend observed in the post-pandemic period. The government expects the public debt ratio to continue to decline to 87.8% of GDP in 2026, a fall of 2.4 pps versus the previous year (−3.4 pps in 2025), and has revised slightly upwards the growth of primary spending in 2025-2028 compared to the budget plan submitted to the European Commission, although it remains within the range permitted under the fiscal rules. In this regard, some institutions estimate fiscal deviations greater than those envisaged by the government, although the clauses associated with defence spending could offer sufficient flexibility to ensure compliance with the European rules. Yet, a risky environment persists, both domestically, amid announced spending measures not yet included in the 2026 budget and the possibility of weaker-than-expected growth in tax revenues, as well as externally, with geopolitical and macrofinancial risks that could drive up financing costs.

Portugal: Q3 GDP
Index (100 = Q4 2019)



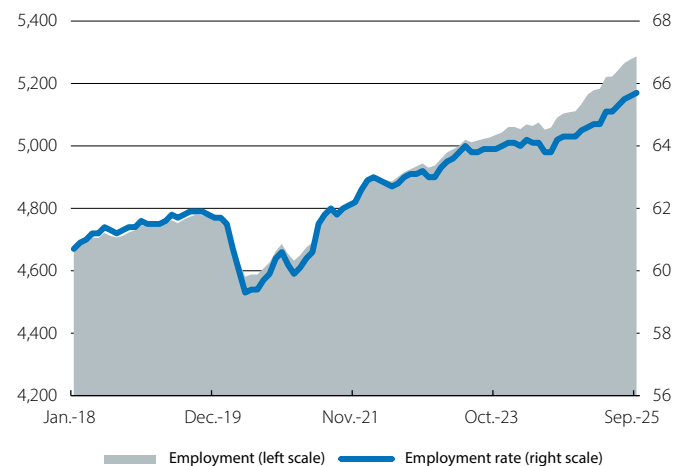
Source: CaixaBank Research, based on data from Eurostat and the National Statistics Institute of Portugal.

Portugal: CPI
Year-on-year change (%), contributions in pps



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

Portugal: employed population and employment rate
(Thousands of people) (%)



Notes: Seasonally-adjusted data. The September data are preliminary.

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

Activity and employment indicators

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

	2023	2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	08/25	09/25	10/25
Coincident economic activity index	3.9	2.0	1.9	1.8	1.7	1.8	1.8	1.8	...
Industry									
Industrial production index	-3.1	0.8	-0.4	-2.3	1.2	2.6	3.0	2.0	...
Confidence indicator in industry (<i>value</i>)	-7.4	-6.2	-4.2	-5.1	-4.8	-3.4	-3.3	-3.0	-3.7
Construction									
Building permits - new housing (number of homes)	7.5	6.5	23.6	39.4	19.2	-62.9	17.9	...	...
House sales	-18.7	14.5	32.5	25.0	15.5	...	-	-	-
House prices (<i>euro / m² - valuation</i>)	9.1	8.5	13.2	15.8	17.4	18.2	18.1	17.7	...
Services									
Foreign tourists (<i>cumulative over 12 months</i>)	19.0	6.3	6.3	4.6	4.0	2.6	3.2	2.6	...
Confidence indicator in services (<i>value</i>)	7.7	5.6	10.9	12.5	6.6	12.9	13.5	12.4	10.7
Consumption									
Retail sales	1.1	3.2	5.0	4.5	4.8	5.2	4.4	5.0	...
Coincident indicator for private consumption	3.1	2.8	3.4	3.6	3.3	3.0	3.0	2.9	...
Consumer confidence index (<i>value</i>)	-28.6	-18.0	-14.3	-15.5	-17.9	-16.1	-16.2	-16.5	-15.9
Labour market									
Employment	2.3	1.2	1.3	2.4	2.9	3.7	3.7	3.6	...
Unemployment rate (% <i>labour force</i>)	6.5	6.4	6.7	6.6	5.9	5.8	5.9	6.0	...
GDP	3.1	2.1	2.6	1.7	1.8	2.4	-	-	-

Prices

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

	2023	2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	08/25	09/25	10/25
General	4.4	2.4	2.6	2.3	2.2	2.6	2.8	2.4	2.3
Core	5.1	2.5	2.7	2.3	2.3	2.3	2.4	2.0	2.1

Foreign sector

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

	2023	2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	08/25	09/25	10/25
Trade of goods									
Exports (<i>year-on-year change, cumulative over 12 months</i>)	-1.4	2.0	2.0	5.3	4.3	...	1.3	...	...
Imports (<i>year-on-year change, cumulative over 12 months</i>)	-4.0	2.0	2.0	5.4	6.9	...	6.0	...	...
Current balance	1.5	6.0	6.0	4.2	3.7	...	4.1	...	...
Goods and services	4.1	6.5	6.5	5.2	4.5	...	4.7	...	...
Primary and secondary income	-2.6	-0.6	-0.6	-0.9	-0.9	...	-0.6	...	...
Net lending (+) / borrowing (-) capacity	5.5	9.1	9.1	7.5	7.1	...	7.5	...	...

Credit and deposits in non-financial sectors

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

	2023	2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	08/25	09/25	10/25
Deposits¹									
Household and company deposits	-2.3	7.5	7.5	6.5	5.4	6.3	6.0	6.3	...
Sight and savings	-18.5	-0.3	-0.3	5.0	5.1	8.6	7.5	8.6	...
Term and notice	22.2	15.3	15.3	7.8	5.8	4.3	4.6	4.3	...
General government deposits	-12.4	26.7	26.7	29.3	39.6	-0.4	17.0	-0.4	...
TOTAL	-2.6	7.9	7.9	7.1	6.4	6.1	6.3	6.1	...
Outstanding balance of credit¹									
Private sector	-1.5	1.9	1.9	3.3	4.9	5.8	5.6	5.8	...
Non-financial firms	-2.1	-1.0	-1.0	0.1	2.2	2.3	2.6	2.3	...
Households - housing	-1.5	3.0	3.0	4.9	6.4	8.0	7.5	8.0	...
Households - other purposes	0.2	5.4	5.4	5.7	6.6	6.9	6.4	6.9	...
General government	-5.5	0.6	0.6	-8.0	3.8	4.8	2.4	4.8	...
TOTAL	-1.7	1.9	1.9	2.9	4.9	5.8	5.5	5.8	...
NPL ratio (%)²	2.7	2.4	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.

The world economy in 2026: resilience, transition or disruption?

The year 2025 will end with the feeling that the impacts on growth of the various supply shocks and the heightened uncertainty have been limited and far lower than expected following the noise generated during Donald Trump's first few weeks in office. The global economy continues to show significant resilience and the business cycle is maintaining a cruising speed of around 3%, although the disparities in growth between Europe (1.3%), the US (1.8%) and Asia (4.5%) persist. The list of factors that may explain this strength in economic activity include a milder-than-expected impact of the tariff hikes now that an all-out trade war has been avoided and the flexibility of private agents in anticipating and adapting to the noise of the new economic environment, in addition to the existence of favourable financial conditions.

In fact, we have the same feeling at this time of autumn as we did in 2023 and 2024, when the reality at the end of the year was much better than the baseline forecast scenarios drawn up at the beginning of the year had predicted. There are several factors behind this steady improvement in the economic outlook, including an underestimation of economic agents' ability to deal with uncertainty and make decisions in times of instability or, simply, the fact that forecasting exercises are complicated in times of high uncertainty. However, in addition to all of the above, the resilience that the business cycle has demonstrated since the end of the pandemic appears to be a reflection of some of the benefits of an old international order that is in the midst of a transformation. This is an economic and political framework (Pax Americana) in which the US has assured the balance of an open world economy by offering essential public goods (defence, security, payment systems, etc.), open markets for trade and a stable currency, in addition to becoming a lender of last resort in times of need (via the IMF).

This environment, therefore, has offered benefits in terms of economic stability, growth, innovation and the optimisation of competitive advantages, but it is now threatened by the emergence of a new global leader (China) which is seeking to establish new alliances and strategic dependencies in the Eurasian continent, as well as in Africa and Latin America.¹ At the same time, the old

Forecasts for the international economy and financial markets

Projections as of 22/09/2025

	2024	2025	2026
World GDP (year-on-year)	3.3	3.1	3.1
US GDP (year-on-year)	2.8	1.8	1.9
Euro area GDP (year-on-year)	0.8	1.3	1.2
Germany GDP (year-on-year)	-0.5	0.2	1.1
China GDP (year-on-year)	5.0	4.6	4.0
Oil (Brent, dollars per barrel)	79.8	68.5	65.1
US inflation (year-on-year)	3.0	2.8	2.8
Euro area inflation (year-on-year)	2.4	2.1	2.0
ECB – depo rate (%, end of period)	3.0	2.0	2.0
Fed – fed funds rate (%, end of period, lower bound)	4.3	3.5	3.0
12M Euribor (%, end of period)	2.4	2.1	2.2

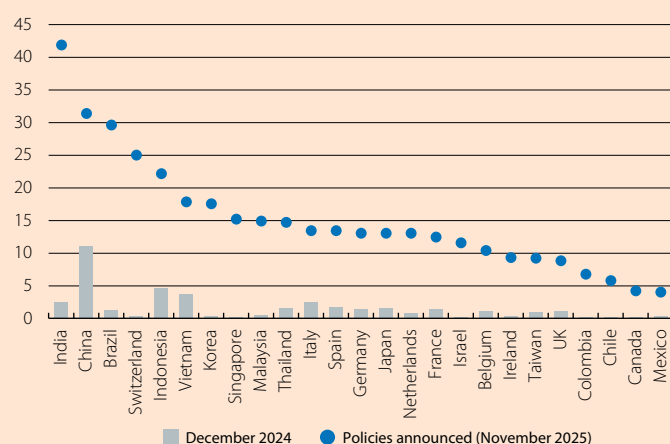
Source: CaixaBank Research.

hegemonic power is seeking to rebalance the playing field by charging more explicitly for the services rendered (tariffs, arms spending, direct investment targets, etc.), amid a radical realignment of its foreign policy in this new reality. This realignment process is generating some paradoxes, such as the fact that the theoretical provider of stability and protection is currently one of the main hotbeds of uncertainty and that traditional US allies (Europe, Japan, Canada, South Korea, etc.) could be the most impacted by the changes in the rules of the game.²

Therefore, geo-economics will continue to play a key role in 2026, as trade and finance appear to have become instruments at the service of political objectives, further complicating any forecasting exercise. The question is whether the current trend towards a more fragmented world will accelerate or, now that the average US tariff has stabilised at around 14,5%-16% (2.5% prior to Trump's mandate), the strengthening of trade links between the EU, ASEAN, Canada or Australia could partly offset

Average effective US tariff

By trading partner (%)



Source: CaixaBank Research, based on data from the USITC, the BEA, the Treasury Department and Comtrade.

1. See «The Belt and Road Initiative: a double-edged sword?» in this same *Monthly Report*.

2. See Adam S. Posen (2025). «The New Economic Geography. Who profits in a Post-American World?». *Foreign Affairs*, Volume 104 no. 5.

the effects of the US' reduced openness. In any event, in the short term, the effects on growth and inflation of the new tariff framework will continue to materialise while the shape of the new trade relationship between the US and China is being finalised, and this will be defined by the balance between the two sectors in which there is mutual dependence: rare earths and microchips.

Next year, therefore, we will see a continuation of the reordering of the globalisation process in which the international economy has been immersed since the pandemic. When we eventually emerge from this process, the new balance – characterised by more division between economic blocs – will result in losses in potential growth and well-being which could potentially be offset by the innovation process linked to artificial intelligence (AI). This innovation process has accelerated significantly of late, as demonstrated by US GDP growth in the first half of the year (90% of which is explained by investments made in hardware, software, data centres, etc.).³ The big tech firms alone plan to invest nearly 3 trillion dollars in AI-related items by 2030, representing almost 10% of GDP. The positive short-term boost to activity is assured and could help to offset the first signs of weakening in the US labour market, but the key question is whether this wave of investment will result in greater profits in the medium term. This question is particularly relevant bearing in mind that more leveraged and circular financing structures are beginning to be identified, with cross-holdings between companies in the same sector along the value chain, as this could increase the risks if the returns end up being lower than expected. Moreover, these interdependencies could act as a brake on the creative destruction process, blocking or delaying the entry of new competitors.⁴

In short, the big question is whether, in the medium term, AI can offset the negative impact of demographics and economic fragmentation on potential growth, via the accumulation of capital and total factor productivity. If successful, this will likely lead to a greater presence of capital in production and a lower proportion for labour, potentially posing an additional obstacle to fiscal consolidation policies, given that it is more difficult to tax capital – because it is more mobile – than labour incomes. Moreover, this is without taking into account that structural changes of this scope tend to require a compensation mechanism to support the losers of this change process in the transition to the new reality, whether they are companies or workers. All this is taking place in a context in which the absence of fiscal space⁵ in many OECD countries is one of the biggest risks in the scenario,⁶ especially given the need to simultaneously tackle a variety of challenges such as the energy transition, the new defence spending needs and the effects of population ageing.⁷

While the medium-term fiscal outlook for the US is not very buoyant – given the IMF's recent estimate that public debt could rise to 143% of GDP by 2030, while the deficit will not fall below 7% in the whole period – in the short term the focus will be on Europe, with France in the eye of the storm. Fiscal imbalance plus political instability is a recipe that is difficult to digest, especially in a country where tax revenues exceed 50% of GDP yet, despite this, the primary deficit lies above 3%. The diagnosis of the markets is clear: France's fiscal situation shares more in common with Italy's than with that of Spain or Portugal, and this has already translated into a reordering of Europe's country-risk, as reflected in the risk premiums and the changes made by the ratings agencies.⁸ At the limit, the greatest threat is that the mechanisms designed in the past decade to tackle spikes in the risk of fragmentation in Europe (ESM, UNWTO and IPT) could end up being put to the test.

In short, in 2026 the economy will continue to be exposed to the combination of new underlying trends (restrictions on trade and migration movements, AI boom, etc.) and short-term challenges (limited fiscal space, high valuations in financial markets, etc.). This will be a year in which the ability to question the assumptions behind economic projections will once again be decisive, as will be a flexible approach to decision-making. Moreover, the resilience of the business cycle will once again be tested, as we find ourselves between a world that has not quite died yet (globalisation, multilateralism, liberal democracies) and another that has not quite been born. The risk lies in underestimating the changes at hand and believing that we will soon return to the previous status quo, which makes it pertinent to recall the words of Joseph de Maistre: «We had the French Revolution; we were quite pleased with it. It was not an event: it was an epoch.»

José Ramón Díez

3. For an in-depth analysis of the outlook for the US economy, see the article «[US 2026 outlook: resilience with frailties](#)» in this same *Monthly Report*.

4. See P. Aghion, C. Antonin and S. Bunel (2021). «El poder de la destrucción creativa». Editorial Deusto.

5. According to the IMF, global public debt could reach 100% by 2029.

6. For further details in the case of Europe, see the article «[Europe's medium-term fiscal dilemma](#)» in this same *Monthly Report*.

7. The IMF estimates that all these challenges could exert pressures on public spending in Europe equivalent to around 6 pps of GDP by 2050.

8. It should also be noted that the biggest fiscal shift in the euro area is occurring precisely in the country that has the greatest budgetary margin (Germany), and this is driven by an increase in investment in infrastructure and defence which should kick off in 2026, resulting in a projected jump in public debt of around 15 points between 2024 and 2028 and a structural deficit that is expected to rise to 4% of potential GDP in 2026.

Europe's medium-term fiscal dilemma

This year's return to fiscal rules – as safeguards of the sustainability of public debt – and the persistent shortfall in investment needed to address the EU's priorities in the current geopolitical context create a scenario marked by frictions that requires a coordinated fiscal strategy that far exceeds the horizon of national and EU political mandates, both in duration and ambition. Therefore, it is essential that the differences that exist, as well as some taboos that have characterised the EU's economic history on other occasions, are overcome.

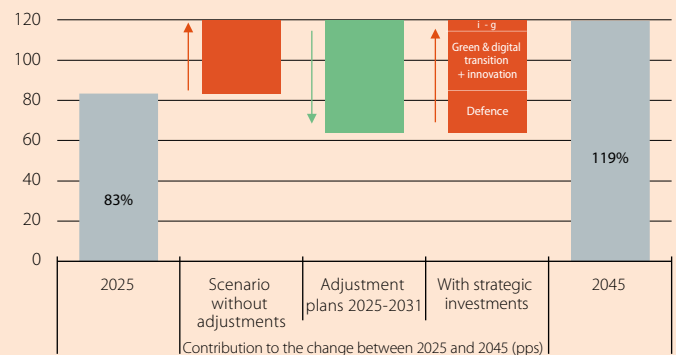
Two opposing forces: fiscal consolidation vs. strategic autonomy

On the one hand, the state of Europe's public finances since the pandemic¹ and the effects of population ageing² will lead to a marked fiscal deterioration in the absence of compensatory measures, causing a growing number of countries to stray from the benchmark levels established in the Stability and Growth Pact. Based on the European Commission's forecasts for the various Member States, in a scenario without adjustments, the EU's aggregate public deficit could reach 5% of GDP in 10 years (3.2% in 2024) and the public debt ratio could approach 100% of GDP (81% in 2024).³ Under the new European fiscal governance framework, the main instrument for correcting such imbalances is the medium-term fiscal-structural plans, in which Member States set out a roadmap for ensuring the sustainability of their public debt.⁴ For those countries that need to make adjustments, the measures included in the plans entail an annual reduction in the primary structural deficit of 0.5-0.6 pps of GDP between 2025 and 2031 (some in four years and others over an extended period of seven years). As for the public debt of the EU as a whole, the difference compared to the scenario without any adjustments is very substantial – up to 25 pps lower within 10 years and 50 pps lower within 20 years (see first chart). The implementation of the medium-term plans is therefore crucial in order to ensure the sustainability of the public finances.

On the other hand, as has been highlighted in recent years by COVID-19, Russia's invasion of Ukraine and the unilateralism of the new Trump Administration, the EU has strategic dependencies in areas such as defence, innovation and the twin green and digital transition. Thus, the Draghi report published in 2024 set out additional investment needs in these areas amounting to some 800 billion euros per year,⁵ a figure which now, following the commitments to higher defence spending made by NATO members,⁶ has been updated by the ECB to 1.2 trillion (around 7% of 2024 GDP).⁷ Assuming that the public sector finances 25% of these additional investment needs over the next 10 years (100% in the case of defence due to its natural status as a monopsony), this spending boost could raise EU public debt to a level that would offset the reduction expected under the medium-term adjustment plans (see first chart).⁸ Therefore, in the search for a desired strategic autonomy in the current geopolitical context, we would find ourselves back at the starting blocks in terms of debt (un)sustainability, with additional risks of adverse feedback effects due to the pressure on Member States' financing costs.⁹

Total public debt of EU countries*

(% of GDP)



Notes: * Change between 2025 and 2045. 2025 forecast published in the European Commission's spring report. 'i - g' indicates the effect of the change in the spread between the interest rate (i) and nominal GDP growth (g), assuming that each 1-point increase in the public debt ratio results in a 4-bp increase in the cost of new financing, and a fiscal multiplier of 0.75 for changes in the primary structural balance. It is assumed that strategic investments will result in the existing gap being gradually closed by 2035.

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

1. See the Focus [«Debt limits: 2025 edition»](#) in this same *Monthly Report*.

2. See the Dossier [«Challenges and policies in the age of longevity»](#) in the MR09/2025.

3. Internal calculations based on the scenarios submitted by the European Commission to Member States prior to the preparation of the medium-term fiscal-structural plans in 2024-2025.

4. See the Focus [«The new EU economic governance framework»](#) in the MR01/2025.

5. See the Focus [«Draghi proposes a European industrial policy as a driving force to address the challenges of the coming decades»](#) in the MR10/2024.

6. See the Focus [«5% of GDP on defence: Why? What for? Is it feasible?»](#) in the MR09/2025.

7. ECB (2025), «Time to be strategic: how public money could power Europe's green, digital and defence transitions».

8. In the baseline scenario, we consider a gradual increase in defence spending to 3.5% of GDP by 2035 (5% for Poland and the Baltic Republics) and an increase in public investment on innovation and the dual green and digital transition of 1.5 pps over the same period.

9. E. Baldacci and M.S. Kumar (2010), «Fiscal Deficits, Public Debt, and Sovereign Bond Yield» estimates interest rate sensitivity in the range of 3 to 5 bps for each pp increase in the public debt ratio. Thus, *ceteris paribus*, the increase in public investment for strategic purposes could raise the cost of new financing by between 0.75 and 1.25 pps in 10 years and by between 1.5 and 2.5 pps in 20 years compared to the scenario with adjustments under the new fiscal rules.

Mitigation levers for the transition towards a new balance

In this scenario, a credible fiscal strategy should combine some short-term flexibility in order to close the investment gap – extending the escape clause for defence spending activated this year to other critical areas and increasing joint financing of EU public assets – with the imperative requirement to achieve greater efficiency in public spending and to build a solid foundation for greater potential growth. Such a strategy would allow the necessary medium-term fiscal consolidation process to be addressed, which more realistically could entail a higher end-point benchmark for the public debt ratio – closer to 90% of GDP than the current 60% – something that is in fact implicit in Germany's own stimulus plans.¹⁰

The aspiration to boost the EU's economic growth is inseparable from the fiscal debate. Faster economic activity growth will broaden the revenue base and allow public debt to be «absorbed» more quickly, while also containing the pressure on financing costs that a new medium-term fiscal anchor might entail (see second chart).¹¹ To this end, the aforementioned investments must be channelled through high-impact projects in terms of strategic autonomy and macroeconomic scope in the EU – with a growing prominence of European value added. Furthermore, as set out in the objectives of the Competitiveness Compass, in parallel progress must be made with the reform agenda, including regulatory simplification, deeper integration of the single market, new financing instruments within a capital markets union, and the revision of the competition and state aid framework in order to promote European projects with an EU-wide approach.¹² As Draghi himself pointed out on the anniversary of his report, the adoption and implementation of this ambitious agenda must be urgently accelerated in order to generate a virtuous circle with greater participation of private capital and lower demands on the public accounts.¹³

As for the role that joint financing can play in meeting strategic needs, the issuance of pooled debt has shown its potential in the face of large-scale shocks accompanied by stress in financial markets, thus facilitating the implementation and lowering the cost of short-term countercyclical policies, while also relieving pressure on public finances in the medium term.¹⁴ However, in «normal times» and in the absence of a complete federal structure, the use of joint financing (whether via markets or through the EU budget) seems less justifiable as a means to guarantee the EU's combined fiscal sustainability – after all, it is debt that Member States will have to repay. However, this approach is more justifiable due to the potential efficiency gains it could offer in areas where national public spending is fragmented, such as trans-European energy and transport networks, or minimum defence capabilities coordinated at the EU level. That said, the 530 billion euros proposed by the European Commission to finance strategic investments for the period 2028-2034 – including the new Competitiveness Fund and greater resources for the Connecting Europe facility – seems rather small in scale, since its incremental share compared to the previous budget is equivalent to just 4% of the total gap estimated by the ECB.¹⁵ An increase of 25% of these funds would finance up to 20% of the public investments in strategic areas in the coming years.¹⁶

Consolidation, but adapted to the new times

Greater potential economic growth, greater efficiency in public spending, a higher degree of co-financing in EU public assets and greater flexibility in the fiscal rules are key mitigation levers for the sustainability of Europe's public debt. However, it is likely that they will not be sufficient in the face of potential future shocks and a certain amount of additional consolidation will remain necessary in the medium term, although it would be much more limited in scale than the adjustment plans approved for the coming years (see second chart).¹⁷ This path will be easier to follow provided it is gradual yet persistent and integrated into a credible fiscal strategy that is coordinated among Member States.

10. J. Zettelmeyer (2025), «What does German debt brake reform mean for Europe?», and Z. Darvas, L. Welslau and J. Zettelmeyer (2025), «What Germany's medium-term fiscal plan means for Europe».

11. We estimate that, beyond the multiplier effect of strategic investments, a 0.5-pp increase in the average annual growth of nominal GDP over the next five years, and a 1-pp increase thereafter, could reduce the EU's public debt ratio by around 15 pps within 20 years.

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

13. M. Draghi (2025), «High Level Conference – One year after the Draghi report: what has been achieved, what has changed».

14. P. Burriel, I. Kataryniuk and J.J. Pérez (2022), «Computing the EU's SURE interest savings using an extended debt sustainability assessment tool».

15. See the Focus «[The 2028-2034 EU budget: An impossible mission?](#)» in the MR09/2025.

16. If jointly financed, we estimate that the national debt ratio for all EU countries as a whole could be around 10-12 pps lower in 2045, compared with a slightly smaller increase in EU debt, resulting from the differential impact on the cost of financing.

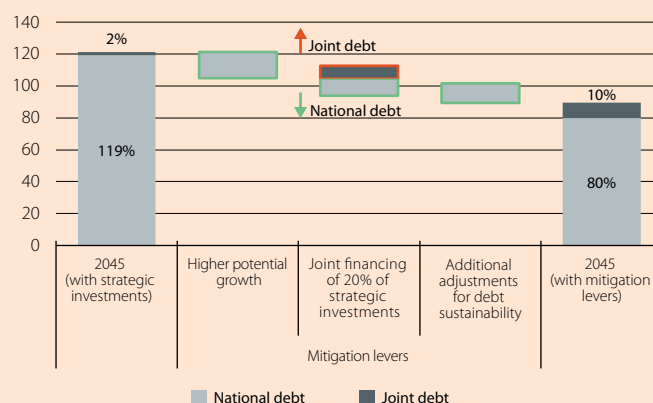
17. According to our internal estimates, stabilising the public debt ratio from 2045 would require an increase in the primary structural balance equivalent to a reduction in EU debt of between 10 and 15 pps of GDP. For countries with levels in excess of 90% of GDP, it is assumed that they would converge on this level or, if higher, on the level that would be expected after the adjustments set out in the medium-term adjustment plans (excluding strategic investments).

On the revenue side, the tax structure must promote economic growth and eliminate distortions in market efficiency, while also helping to mitigate – through an adequate level of collections and suitably progressive tranches – any social and territorial inequalities that may arise in the transition towards a European economy that is more autonomous and competitive at the global level. On the expenditure side, besides allocating the greater strategic investment to more productive areas, it would also be beneficial to continuously monitor the efficiency and impact of public policies, as well as evaluating the effects that the change in the composition of budgets will have on growth and income distribution.¹⁸

We see, therefore, that reconciling the sustainability of public debt with the drive for European strategic autonomy is a challenge of enormous complexity, marked by tensions between fiscal discipline, necessary investments and geopolitical demands. Each step that is taken on one of these fronts implies adjustments and risks on the other fronts, and this will require ambitious and flexible coordination between Member States, under the continued discipline of financial markets and with the additional complication of growing domestic political fragmentation. The magnitude and interdependence of the challenges addressed in this analysis highlight the difficulty of achieving a lasting balance. However, inaction or a lack of ambition could leave the EU lagging behind other global powers in terms of welfare and with a debt challenge far greater than the current one.

David Martínez Turégano

Total EU public debt in 2045*
(% of GDP)



Notes: * Change versus a scenario with strategic investments. Total EU public debt includes Member States' national debt and joint EU debt. The balance of the joint debt expected for 2045 corresponds to the gradual repayment of the financing for NGEU. The scenario with higher potential growth assumes a gradual increase of 0.5 pps through to 2030 and of up to 1 pp from 2035. The gap between the increase in joint debt needed to finance 20% of strategic investments and the reduction in the national debt ratio is explained by the impact on financing costs. The additional adjustments for the sustainability of public debt are materialised in a gradual increase in the primary structural balance beginning in 2029, when the escape clause for defence spending (here extended to other strategic investments) ends. The effects consider the impact via fiscal multipliers and interest rates of the new financing.

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

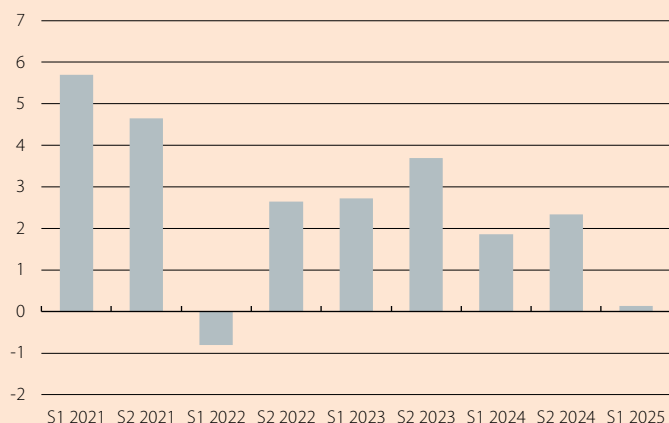
18. IMF (2025), «Fiscal Monitor: Spending Smarter: How Efficient and Well-Allocated Public Spending Can Boost Economic Growth».

US 2026 outlook: resilience with frailties

The US economy has shown remarkable resilience in 2025, despite facing a complex environment marked by tensions in trade and domestic policy, as well as uncertainty. In spite of these obstacles, growth reached 1.6% (annualised) in the first half of the year, driven primarily by the dynamism of investment in assets linked to artificial intelligence (AI), as well as by private consumption which, despite a moderation in its growth rate, continues to contribute to economic activity.

US: GDP growth excluding investment in information processing equipment and software

(%, annualised)



Source: CaixaBank Research, based on data from the BEA.

Looking ahead to 2026, the outlook is positive. We project a growth rate close to the potential (2%), based mainly on the continuity of the vigorous private investment cycle, particularly linked to AI. Another source of support will be the transition of monetary policy towards a more neutral position, as well as an expansionary fiscal policy that maintains the stimulus in the short term. However, these pillars also carry risks in the medium term, with doubts over the return that the current wave of investment in AI will yield, the health of public accounts and the sustainability of debt, the ability of the Fed to complete the transition to neutrality and the backdrop of risks more directly linked to the measures introduced by the new Trump administration. The latter include the impact on the labour market, wages and economic activity of restrictive migration policies, the reconfiguration of US institutions and persistent tariff tensions.

The surge in investment in AI spearheads growth

In 2025, private investment in technology and AI has been the major driver of growth. Spending on information processing equipment (computers, servers) and software grew in the first half of the year at annual rates of 35% and 23%, respectively, and contributed 1.4 pps to a total growth of 1.6%. Without this push from investment in technology, GDP would hardly have grown at all.

The epicentre of the boom is Silicon Valley, where a small group of large firms¹ have invested some 194 billion dollars in infrastructure and data centres in the first half of the year. It is estimated that this figure will reach 368 billion by the end of 2025 (equivalent to 1.2% of GDP) and that it could reach 432 billion in 2026, more than double the amount invested in 2023. In addition, we must consider the large projects being pursued by companies such as OpenAI and the vast investments required to bolster the electricity grid and chip production, where players such as Nvidia stand out.

In the short term, this investment boom has a clearly positive effect on the economy. However, the concentration of growth mainly in a single driving force poses risks. If the technological tailwind weakens, underlying weaknesses could be exposed: more fragile consumption, a labour market that has begun to cool, and the inflationary effects of tariffs which, although limited to date (partly due to the accumulation of inventories and advanced purchases in Q1 2025), could intensify as inventory buffers run out.

In addition, questions have arisen regarding the sustainability of this boom. Companies face operational challenges in scaling their infrastructure, while the true impact of AI on productivity and its ability to generate sustainable benefits remains unclear. If expectations are not met, there could be a correction in stock market valuations in the medium term, the financial implications of which will be more or less broad depending on the rise in credit and debt that accompanies the investment boom in the coming years.² Another possible amplification factor lies in the rise of more leveraged and circular financing structures, with cross-holdings between companies within the same sector along value chains.

The monetary lever

On the monetary front, the Federal Reserve is in the midst of a transition from a position it qualifies as moderately restrictive to a more neutral one. Currently, the fed funds rate lies in the 3.75%–4.00% range and we expect it to fall to 3.00%–3.25% by the end of 2026. This shift responds to a deterioration in the labour market: job creation has cooled, recruitment is declining and unemployment has begun

1. In particular, we refer to Amazon, Microsoft, Meta, Alphabet, Oracle, Apple and Tesla.

2. For example, according to estimates by Morgan Stanley and Bloomberg, of the investments that the big tech firms will make between 2026 and 2028 in data centres, 50% will be financed with these companies' own cash flows, 30% with private credit and the remaining 20% from other sources. See S. Ren (2025, 2 October), «AI Data Centers Give Private Credit Its Mojo Back», Bloomberg.

to creep up. Although inflation remains above the 2% target, the Fed is seeking to avoid an excessive cooling of employment which could compromise economic activity.

However, consensus within the FOMC is limited: one group of members is advocating a degree of prudence while another is pushing for more aggressive cuts. In a context in which the two mandates – price stability and full employment – are pulling in opposite directions, the margin for error is narrow and the path of interest rates is uncertain. In Powell's words, the next cuts are «far from» guaranteed.

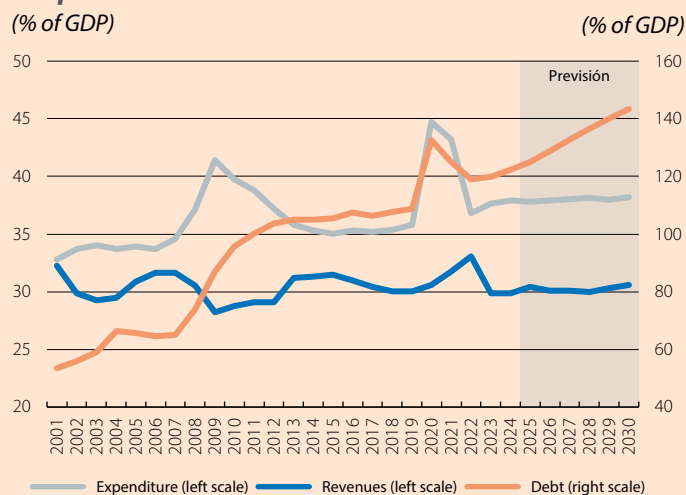
In addition to this uncertainty there is an institutional risk. In 2025, the White House intensified its pressure on the Fed, proposing appointments of allies and sparking debate over the central bank's independence. The attempt to oust Governor Lisa Cook set an unusual precedent, and the appointment of Stephen Miran – an economist close to President Trump – aroused misgivings. Miran has expressed divergent positions to the rest of the FOMC, contributing to the widest dispersion of interest rate projections among Fed members at its September meeting (when there is usually greater consensus on the rates anticipated for the end of the year) in the last 13 years, as seen in the second chart. While we see no clear signs that the Fed will lose its independence, and we are confident that the majority of its members will continue to act to fulfil its mandates, this type of institutional tension adds uncertainty to the economic and financial environment. Moreover, this comes at a time when at least two Board seats are up for renewal in 2026.³

Fiscal outlook

In July 2025, the OBBBA (One Big Beautiful Bill Act) came into force, making most of the tax cuts that were passed in 2017 permanent and adding some new temporary cuts.⁴ It also allows companies to immediately deduct certain capital expenses, thus encouraging short-term investment.

These measures help sustain growth in the short term, but at the cost of further deterioration in the public accounts. Thus, all the indicators suggest that this year the public deficit will remain at around 7% of GDP – double the average prior to the pandemic – and the forecasts indicate that it will remain at that level for several years. The increase in revenues from tariffs is unlikely to offset the projected increase in public spending. The IMF estimates that, if this trend continues, gross public debt could exceed 140% of GDP by the end of the decade, a very significant increase in a short period of time considering it expects it to close this year at 122%. In other words, today's fiscal momentum could become a burden tomorrow.

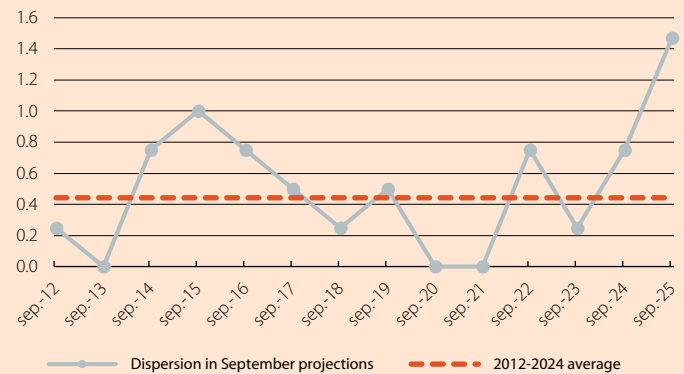
US: public accounts



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

Dispersion in year-end rate projections (FOMC - September meetings)

(pps)



Notes: Dispersion refers to the difference between the maximum rate and the minimum rate projected in the dot plot. The maximum rate projected in September 2025 is 4.375% and the minimum rate (Miran) is 2.875%.

Source: CaixaBank Research, based on data from the Fed.

Cautious optimism

Overall, the US economy is facing 2026 with a mix of strength and vulnerability. The resilience demonstrated in 2025 has exceeded expectations, and the two growth drivers – AI investment and new rate cuts – predict another year of strong growth. However, the picture is not free from risks. The tech boom could well be prolonged and, if the productivity gains materialise, its benefits will extend beyond 2026. However, if the return on these investments falls short of expectations, then the negative impact on growth and on financial markets would be significant in the medium term. The Fed faces internal dilemmas and external pressures while labour, tariff and political risks persist, and all this against the backdrop of a deterioration of the public accounts.

Isabela Lara White

3. In January, Miran's position is up for renewal, after he took over to finish Adriana Kugler's term in September 2025. Powell's term as chair of the FOMC expires in May and, although his position as a governor is not due to end until 2028, his predecessors have resigned from the board after the end of their term as chair.

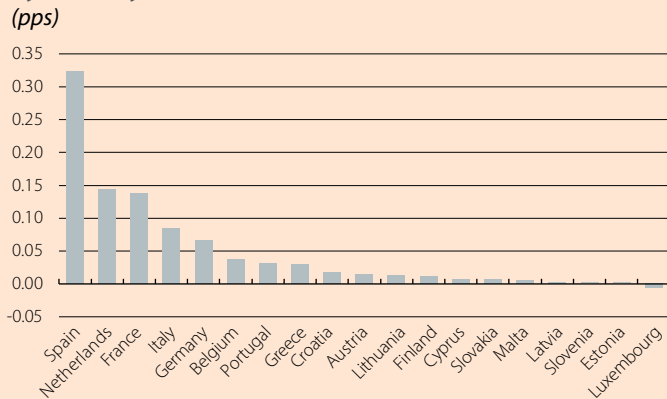
4. Such as the exemption from income tax for tips and overtime.

Good growth outlook for the Spanish economy in 2026

Positive assessment of 2025

Despite 2025 being marked by global trade tensions, Spain's economy has shown significant dynamism. It is estimated that GDP will grow by 2.9%, well above the 1.3% for the euro area as a whole, and this makes Spain the bloc's leading economic driver, alongside Ireland (see first chart).

Euro area: contribution to GDP growth by country in the first half of 2025



Note: We exclude Ireland given the anomalous pattern in the data in Q1 2025, when the economy grew by 7.5% quarter-on-quarter, driven by the earnings of multinationals located in the country.

Source: CaixaBank Research, based on data from Eurostat.

In 2025, the Spanish economy has completed the shift towards domestic demand as the main driver of growth, stimulated by private consumption and investment. These two components account for the entirety of the increase in GDP in 2025. According to our forecasts, the slight contribution from public consumption, of 0.3 pps, will be offset by the negative contribution from the foreign sector. This negative contribution should not be taken as a bad figure: Spanish exports have maintained a very solid growth rate – we expect them to grow by 4.2% year-on-year – supported in particular by the dynamism of non-tourism services. Exports alone in 2025 will provide 1.5 pps to annual GDP growth, although this contribution will be more than offset by the strong growth of imports, which have had to feed the surge in domestic demand. In short, 2025 is leaving the Spanish economy with strong inertia to face 2026.

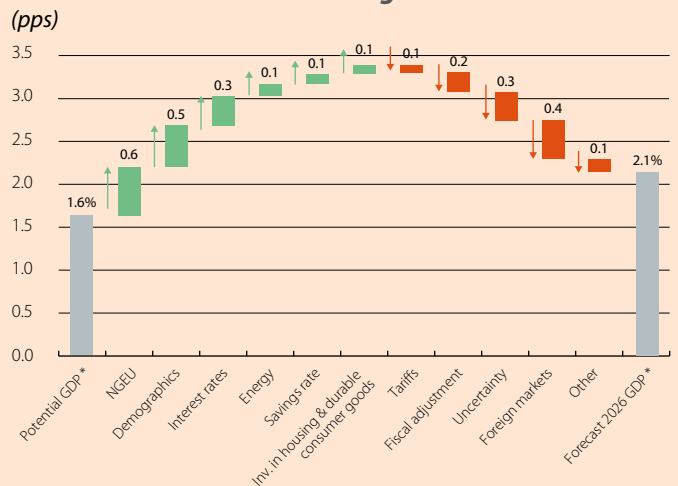
2026 outlook: breaking down the growth drivers

We expect Spain's GDP to grow by 2.1% in 2026. This growth is broken down into several factors (see second chart). Our starting point is an underlying (or «potential») growth rate that is estimated at around 1.6% per year – i.e. the speed at which Spain's GDP could grow considering the underlying trend in production – to which other factors are then added.¹

On the positive side, several channels will continue to drive Spain's economic activity:

- **European Funds (NGEU):** in 2026 – a key year, as all the milestones of the Recovery Plan are supposed to have been met by August – investment linked to European funds will accelerate. We expect some 17.5 billion in grants to be executed (versus ~15 billion in 2025)² and progress to be made on projects financed with loans. This injection of funds could contribute 0.6 pps to GDP growth.
- **Demographic boost:** in 2026, immigration will continue to drive population growth, which is estimated at 0.8%, well above the annual rate of 0.3% prior to the pandemic. By incorporating this differential, the additional population increase is expected to translate into around 0.5 pps of GDP growth. This demographic boost will contribute to the continued strength of the labour market – we expect jobs growth of 2% in 2026.
- **Reasonably accommodative financial conditions:** monetary policy will remain a net support for the Spanish economy during 2026. While no further interest rate cuts are anticipated, the economy, and especially investment, will continue to benefit from the transmission of the rate cuts implemented in 2024 and 2025. This channel could contribute 0.3 pps to GDP growth, with a particular impact on investment in equipment, which is still only 6.4% pps above the pre-pandemic level, compared to 10.0% pps for GDP.

2026 GDP: breakdown of the growth



Notes: Annual change (%). * Potential GDP corrected for the impact of rapid population growth and NGEU funds.

Source: CaixaBank Research.

1. In order to clean up the effect of the rapid population growth of recent years and the impact of NGEU funds, when calculating potential GDP growth we have assumed that since 2022 the population has grown in line with the average rate of 2017-2019, namely 0.3% per year, and we have also reduced the level of annual investment by the amount that is estimated to originate from NGEU funds.

2. In this way, the 80 billion in transfers anticipated in the Recovery Plan would have been executed.

- Easing energy prices: oil and gas prices are expected to fall slightly in 2026 compared to 2025, and this would reduce costs for businesses and households, thus providing a small boost to economic growth.
- Private consumption and savings: the high growth of gross disposable income, driven by the strength of the labour market, has enabled a substantial increase in the household savings rate. We expect the savings rate to remain at around 13% of gross disposable income in 2025, while for 2026 we forecast a slight decline as a result of a reduction in uncertainty and the recent interest rate cuts. This decrease in the savings rate will help maintain the dynamism of private consumption and will boost GDP growth slightly, by 0.1 pp.
- Residential investment on the rise: housing construction will experience an expansive phase in 2025 and 2026. New construction permits are expected to increase from 128,000 in 2024 to 140,000 in 2025 and to 150,000 in 2026, responding to the high demand. Homes started in 2025 will continue to generate activity in 2026, as the construction of housing lasts more than a year, and the consumption of household-related durable goods will also grow. This channel as a whole could contribute 0.1 pp to GDP growth.³

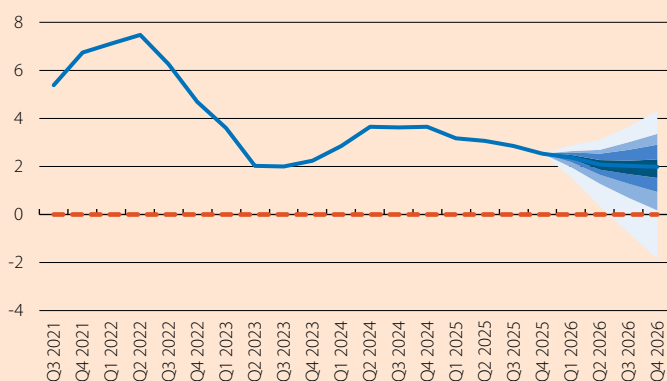
Of course, not all factors will exert upward pressure on growth. We have also identified several headwinds that will moderate growth in 2026:

- Weakness of the external environment: the main brake will come from the foreign sector, as our export markets will grow below their historical average in 2026, still affected by the aftermath of the recent tariff conflict and the economic weakness of our main European trading partners.⁴ This could subtract 0.4 pps from GDP growth. In addition, the direct impact of trade barriers must be considered: the tariffs imposed by the US on its imports from Europe during 2025 will still have a negative impact on growth in 2026, subtracting approximately 0.1 pp.
- Global uncertainty and fiscal tightening: other adverse elements, although on a smaller scale, may nevertheless weigh slightly on growth. Global uncertainty – although lower than in 2025 – will continue to weigh on investment and consumption decisions. In addition, a more contractionary fiscal policy (excluding the effect of NGEU funds) is envisaged, with rising government revenues and more moderate expenditure growth, which will entail a reduction of the deficit and a slight containment of domestic demand.

Overall, we anticipate a growth rate of 2.1% in 2026 – a solid figure, albeit slightly below that of 2025. This moderation is explained by the fact that several key support factors already provided a boost to the economy in 2025. In particular, the contribution to growth provided by demographics, interest rates and the tourism sector will be similar in 2026 to in 2025. Only the contribution from NGEU funds is expected to be higher. In contrast, factors such as less foreign dynamism and the transition to a more mature phase of the business cycle are now gaining prominence.

Spain: GDP

Year-on-year change (%)



Note: The degree of transparency of the shading is an indicator of the probability of deviation from our forecasts, i.e. lighter colours correspond to a lower probability of occurrence. As a benchmark, the lightest band at the bottom of the chart delimits the 10th and 20th percentiles of the distribution.

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

Confidence intervals: quantifying uncertainty

Like all forecasts, our scenario is subject to uncertainty. For this reason, we present growth intervals with their respective associated probabilities. To do so, we use the CaixaBank Research macroeconomic model for the Spanish economy.⁵ The third chart shows the trend in GDP growth which we expect through to Q4 2026 and possible deviations from our forecasts. According to this analysis, there is a 40% probability that annual GDP growth in 2026 will lie between 1.5% and 2.7%. With a 60% probability, which already incorporates the possibility of relatively major shocks (both negative and positive), growth is expected to be between 1.0% and 2.9%. In this way, we can state with a high degree of confidence that the Spanish economy will continue to grow at a steady pace next year.

Oriol Carreras Baquer

3. This calculation is the contribution to GDP growth in excess of the contribution that would result if this category were to grow at the rate marked by potential GDP growth.

4. The growth of our main export markets was 3.5%, in average annual terms, between 2014 and 2024. For 2026, we anticipate a growth rate of 1.9%.

5. This is a semi-structural general equilibrium model of the Spanish economy, where the short term is determined by aggregate demand, while in the long term aggregate demand and supply are equal. See (content in Spanish): https://www.caixabankresearch.com/sites/default/files/content/file/2022/12/14/34454/wp-320-modelo-semiestructural-de-caixabank-research-para-espana_0.pdf.

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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.

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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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Design and production: www.cegeglobal.com
Legal Deposit: B. 21063-1988 ISSN: 1134-1920

