Words for the economic labyrinth

If the 2025 word of the year according to the Foundation of Urgent Spanish (FundéuRAE) was «tariff», the range of potential candidates for this new year should include words such as uncertainty or geopolitics, if we let ourselves be carried away by the vertigo of recent events, or affordability, underscoring the scars caused by the various shocks that have ravaged the international economy since 2020. In all cases, these are words that reflect the effects of tectonic movements on the old international economic order, which has been subject to more changes since the pandemic than in the previous four decades. This has been highlighted once again following the US' intervention in Venezuela, with the oil market as a potential channel affecting the economy in the medium term, considering the abundant crude oil reserves that exist in the Venezuelan subsoil (around 20% of the world's total) and the current low production capacity (slightly less than one million barrels per day) due to the obsolescence of its infrastructure. Therefore, the main source of risk in the short term is once again geopolitics, with a renewed acceleration in the transition from multilateralism towards a new framework shaped by spheres of influence and multipolar competition, which may increase tensions in areas of high strategic importance such as Taiwan or Greenland. The EU is once again in the spotlight, forced to make decisions while still midway through the process of seeking strategic autonomy, despite the progress made by agreeing to issue 90 billion euros in eurobonds to cover Ukraine's short-term financing needs.

All this noise linked to the rebalancing of the foreign policy of the world's leading economic power should not overshadow some significant signals from recent weeks. These include a Chinese trade surplus, which has now reached the psychological figure of one trillion dollars in annual terms and reflects the Asian giant's ability to adapt to the new geo-economic reality; the drop in the Spanish risk premium to the lows of 2009, and the appointment of a Greek as president of the Eurogroup just over a decade after the country's bailout. Meanwhile, activity indicators continue to show resilience and global inflation is proceeding to converge on the central banks' targets, albeit with the question mark of the US. What remains unclear is whether or not we are witnessing the calm before the storm. After all, as Gita Gopinath recently reminded us using the example of Brexit, the structural damage caused by inadequate economic policies such as an increase in trade barriers tends to manifest slowly and, in most cases, is difficult to undo.

In the short term, the effects of the investment boom in artificial intelligence and an expansive fiscal policy, along with more dovish monetary conditions, should allow the cruising speed of the international recovery to be maintained and compensate for adversities. However, that apparent resilience in the global economy could prove to have feet of clay if any of those engines end up seizing. Furthermore, it should be noted that we are seeing a K-shaped recovery, with marked geographical, sectoral and even generational divergences in some countries, and with the economic difficulties of certain segments of the population (what some are calling an affordability crisis) explaining much of the electoral upheaval of recent years on both sides of the Atlantic. The question is what economic policies can help to reverse this situation and make the benefits of the current economic growth – and that which should come with the impending technological change – more inclusive. The answer is not simple without modifying the delicate balance between efficiency and equity. What is clear, as highlighted in the Dossier of this report, is that productivity is the ultimate driver of sustainable economic growth and long-term well-being. A sustained increase in productivity would allow for an increase in citizens' purchasing power and, therefore, improve their living conditions. Moreover, it would pave the way to address the challenges that Europe is facing (demography, energy transition and strategic autonomy, among others) and, ultimately, to maintain the region's relevance in the face of the challenges of the new global scenario. One particular statistic is worth highlighting: real growth per hour worked in the EU since COVID-19 has been 0.5% (1.7% in the period 1996-2007), so the lever for boosting the region's potential growth is very clear, as highlighted by the Draghi report last year. It is time to reverse this trend and make productivity the most important economic buzzword in Europe, not only in 2026 but also in the years to come.

José Ramón Díez
January 2026