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MONTHLY REPORT • ECONOMIC AND FINANCIAL MARKET OUTLOOK
NUMBER 509 | MARCH 2026



INTERNATIONAL ECONOMIES AND MARKET

FINANCIAL MARKETS

*The macro-financial environment behind
the economic outlook*

INTERNATIONAL ECONOMY

*What to expect from the international economy
in 2026*

*10 questions on the US Supreme Court's tariff
ruling*

*Japan, at the dawn of a new cycle: fiscal
tensions and monetary normalisation in
the Land of the Rising Sun*

SPANISH ECONOMY

The Spanish economy in 2026

*Spain's foreign sector performed better
than expected in 2025*

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competitiveness*

MONTHLY REPORT - ECONOMIC AND FINANCIAL MARKET OUTLOOK

March 2026

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

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Date this issue was closed:

9 March 2026

INDEX

1 EDITORIAL

3 KEY POINTS OF THE MONTH

4 FORECASTS

7 FINANCIAL MARKETS

9 *The macro-financial environment behind the economic outlook*

13 INTERNATIONAL ECONOMY

15 *What to expect from the international economy in 2026*

Rita Sánchez Soliva

17 *10 questions on the US Supreme Court's tariff ruling*

David Martínez Turégano

18 *Japan, at the dawn of a new cycle: fiscal tensions and monetary normalisation in the Land of the Rising Sun*

Luís Pinheiro de Matos and Manuel Carrera Moreno

22 SPANISH ECONOMY

24 *The Spanish economy in 2026*

Oriol Carreras Baquer

26 *Spain's foreign sector performed better than expected in 2025*

Sergio Díaz Valverde

28 *Spanish exports amid challenges to their competitiveness*

Catalina Becu

31 PORTUGUESE ECONOMY

Geopolitics and tariffs: a new twist for economic resilience

After a January filled with a range of emotions (Venezuela, Greenland, etc.), the first quarter of the year will close with new changes in the tariff landscape, following the US Supreme Court's decision to invalidate the legal path used by the Trump administration to redesign a significant portion of the tariff framework and, above all, with the intensification of tensions in the Middle East following the outbreak of the military conflict in Iran. This new twist in the geopolitical landscape will once again test the resilience shown by the business cycle in recent years, amid a spike in energy prices and uncertainty in the short term.

Considering Iran's importance as an oil producer (3.3 million barrels per day) and its ability both to restrict maritime traffic through the Strait of Hormuz, through which 20% of maritime oil and gas transport passes, and to damage regional energy infrastructure, the immediate responses of the markets have reflected investors' concerns about the economic and financial effects of a new supply shock. The rise in oil prices during the first week of hostilities, as well as natural gas prices in particular, highlights the sensitivity and disruptive capacity of the energy channel, despite the slack that existed in the market before the conflict began. A second derivative is how the energy shock interacts with the trade channel, as the necessary diversion of shipping routes via the Cape of Good Hope and the increase in insurance costs (12 times more in the case of tankers passing through Hormuz) will result in higher transport costs and new distortions in value chains, which are already under strain from tariff noise and trade fragmentation. All this is occurring at a juncture where the widespread increase in uncertainty could be transmitted to the financial channel, especially considering the presence of stressed valuations in certain market segments and the rotation occurring in AI-related stocks.

In this challenging context, there are four key factors at play in the short term: (i) the duration of the conflict and, therefore, of the tensions in the energy market, (ii) the strategy of the new Iranian leadership and the possibility that the US will push for a solution similar to that of Venezuela (with the US midterms elections just around the corner), (iii) Iran's ability to structurally damage the region's energy infrastructure, maintain disruptions in Hormuz (tanker war) and extend the conflict considering the country's delicate economic situation, and (iv) the responses of monetary authorities to isolate the financial channel amid a potential increase in uncertainty and inflation expectations.

The time variable is key, as it will delineate the boundary between a controlled supply shock and a global stagflation scenario. Oil and gas futures traded during the week following the start of the air strikes were anticipating a moderate supply shock. With this change in the initial assumptions, the growth outlook for the euro area and Spain could be slightly lower than previously anticipated, while inflation could experience a temporary rebound of a few tenths of a percentage point that would not significantly alter the ECB's strategy. Such an impact would be manageable for the business cycle, considering the resilience shown in recent years and the structural reduction in energy intensity in production. From here, the situation would become more complicated in a scenario of persistently higher prices (oil above 100 dollars for several months), with risks of upward pressures on inflation expectations. In this context, we would see interest rate hikes, and combined with the negative effects on income this would bring us to the brink of stagflation, with distortions in capital flows, higher risk premiums and a general tightening of financial conditions.

Therefore, for the umpteenth time in recent years, we are yet again reminded of the fragility of economic and financial forecasts in the face of geopolitical shocks. This is a reality we will have to live with from now on, and a reflection of a neo-Westphalian world, with increasing rivalry between major powers, protectionism, division into hegemonic blocs and limited multilateral coordination. The recommendations to mitigate damage in this complex framework are largely common sense: strengthen balance sheets, diversify portfolios, increase flexibility and degrees of freedom in management, create firewalls capable of absorbing losses, and do not overreact amid the noise of daily events. That is easier said than done.

José Ramón Díez
March 2026

Chronology

<p>FEBRUARY 2026</p> <ul style="list-style-type: none"> 20 The US Supreme Court invalidates the tariffs announced under the IEEPA. 28 The US and Israel launch a coordinated attack against Iran in which Ali Khamenei is killed. <p>DECEMBER 2025</p> <ul style="list-style-type: none"> 10 The Fed cuts rates by 25 bps, placing them in the 3.50%-3.75% range. 18 The Bank of England cuts rates by 25 bps, to 3.75%. 19 The Bank of Japan raises rates by 25 bps, to 0.75%. <p>OCTOBER 2025</p> <ul style="list-style-type: none"> 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. 	<p>JANUARY 2026</p> <ul style="list-style-type: none"> 14 2025 was the third warmest year on record (1940-2025) and 1.5 °C above the pre-industrial average (1850-1900) according to the EU's Copernicus programme. 27 The EU and India conclude negotiations for a Free Trade Agreement. <p>NOVEMBER 2025</p> <ul style="list-style-type: none"> 12 End to the longest government shutdown in US history. <p>SEPTEMBER 2025</p> <ul style="list-style-type: none"> 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.
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Agenda

<p>MARCH 2026</p> <ul style="list-style-type: none"> 3 Spain: registration with Social Security and registered unemployment (February). Euro area: CPI flash estimate (February). 6 Portugal: Fitch rating. 9 Portugal: turnover in industry (January). 12 Portugal: international trade (January). 13 Spain: Fitch and S&P ratings. 17 Spain: quarterly labour cost survey (Q4) 17-18 Federal Open Market Committee meeting. 19 Governing Council of the European Central Bank meeting. 19-20 European Council meeting. 23 Portugal: house prices (Q4). 26 Spain: GDP flash estimate (Q4). Spain: loans, deposits and NPL ratio (January and Q4). Portugal: GDP breakdown (Q4). 27 Spain: CPI flash estimate (March). Spain: Moody's rating. 30 Euro area: economic sentiment indicator (March). 31 Portugal: CPI flash estimate (March). Portugal: employment and unemployment (February). Euro area: CPI flash estimate (March). 	<p>APRIL 2026</p> <ul style="list-style-type: none"> 1 Spain: household savings rate (Q4). 6 Spain: registration with Social Security and registered unemployment (March). 9 Portugal: turnover in industry (February). Portugal: international trade (February). 10 Spain: financial accounts (Q4). 17 China: GDP (Q1). 24 Spain: loans, deposits and NPL ratio (February). 28 Spain: labour force survey (Q1). Portugal: bank credit portfolio (March). 28-29 Federal Open Market Committee meeting. 29 Spain: CPI flash estimate (April). Portugal: employment and unemployment (March). Euro area: economic sentiment indicator (April). 30 Spain: GDP flash estimate (Q1). Portugal: GDP flash estimate (Q1). Portugal: CPI flash estimate (April). Governing Council of the European Central Bank meeting. Euro area: GDP (Q1). Euro area: CPI flash estimate (April). US: GDP (Q1).
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The Spanish economy amid the outbreak of war in the Middle East

The outbreak of the war in the Middle East has once again triggered a spike in global uncertainty. As has occurred repeatedly in recent years, we yet again find ourselves in a context in which it is very difficult to make reliable forecasts. It happened during the pandemic, after Russia's invasion of Ukraine and, more recently, when Donald Trump launched the barrage of tariffs. Although the nature of the shocks and the transmission channels have been different each time, the feeling that we are moving towards an uncertain future is repeated. Once again, it is time to reassess where the Spanish economy stands and analyse its strengths and vulnerabilities in relation to the channels through which this new shock could spread.

The starting point for the Spanish economy is relatively positive. The year 2025 ended with dynamic growth, exceeding expectations and outperforming most advanced economies. In the opening weeks of 2026, the activity indicators have shown a slight weakening, partly due to the bad weather that has hit several regions. Even so, economic activity remains broadly strong and has sufficient support to continue growing. CaixaBank Research's forecast scenario points to a growth rate of 2.4% this year. However, the outbreak of the war has significantly increased the downside risks. The potential deviation from the forecast figure will depend on the duration and intensity of the conflict, its geographical scope, and any structural damage caused to Gulf countries' energy infrastructure. These factors will determine the intensity and durability of the rebound in energy prices, as well as the extent to which trade flows, financial conditions and confidence will be affected.

In this regard, it is worth noting that the share of energy imports that reach Spain via the Strait of Hormuz is relatively low: around 5% in the case of oil and slightly less than 2% for gas. The increase in renewable energy production and the diversification of imports have become valuable assets in tense situations like the current one. Although the Spanish economy should not face supply problems, it will be affected by rising energy costs. For reference, a 10-euro increase in the price of oil typically deducts around 0.15 pps from GDP growth; in the case of gas, the sensitivity is

somewhat lower, at around 0.10 pps. Considering the increase recorded to date and the duration of the upturn anticipated by the markets as of 9 March, Spain's economy could still grow by around 2.0%. However, the impact would vary considerably from sector to sector: industry, being more energy-intensive, would be the hardest hit; on the other hand, in tourism, the perception as a safe destination could offset the effect of the demand shock. Regarding inflation, the anticipated moderation to 2.4% for the year as a whole may not materialise and it could remain at levels similar to those of 2025, close to 3%.

The current situation also invites a reassessment of the macro-financial position of the Spanish economy. If inflationary pressures end up intensifying, then the ECB will be forced to raise interest rates, and global financial conditions will tighten if uncertainty and risk aversion remain high. In this regard, it is worth noting that Spain is facing the scenario from a stronger position than a few years ago. Private debt – both household and corporate – has been declining for years and lies well below the euro area average. Net external debt has also seen a steady and significant decline for more than a decade, reducing the economy's vulnerability to shifts in international investor sentiment. Public debt, meanwhile, has also embarked on a downward trend, although its reduction is more gradual – just 1 pp in the last year – and it remains high, at around 100% of GDP. Even so, its performance has been more positive than that of other advanced economies and it has helped to maintain a relatively low risk premium.

The final channel through which the Spanish economy could be affected is confidence. If households and businesses, concerned about the geopolitical context, overreact and reduce their consumption and investment for precautionary reasons, then the impact of the shock would be significant. This should not be the case. Spain's economy has started the year on the right foot, it has a relatively low trade exposure to Middle Eastern countries, and it is in a reasonably solid macro-financial position. Nevertheless, for the good of all – and especially for the men and women of the Middle East – let us hope that the war ends as soon as possible.

Oriol Aspachs

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

Financial markets

	Average 2000-2007	Average 2008-2019	Average 2020-2023	2024	2025	2026	2027
INTEREST RATES							
Dollar							
Fed funds (lower limit)	3.18	0.54	1.75	4.25	3.50	3.00	3.00
3-month SOFR	3.62	1.01	2.09	4.37	3.71	3.10	3.07
12-month SOFR	3.86	1.48	2.39	4.19	3.48	3.10	2.78
2-year government bonds	3.70	1.04	2.06	4.24	3.51	3.50	3.75
10-year government bonds	4.69	2.57	2.31	4.40	4.14	4.50	4.60
Euro							
ECB depo	2.05	0.20	0.61	3.09	2.00	2.00	2.00
ECB refi	3.05	0.75	1.11	3.24	2.15	2.15	2.15
€STR	–	–0.54	0.52	3.06	1.93	1.94	1.97
1-month Euribor	3.18	0.50	0.57	2.89	1.92	2.00	2.03
3-month Euribor	3.24	0.65	0.70	2.83	2.05	2.04	2.06
6-month Euribor	3.29	0.78	0.87	2.63	2.14	2.12	2.11
12-month Euribor	3.40	0.96	1.04	2.44	2.27	2.23	2.18
Germany							
2-year government bonds	3.41	0.35	0.56	2.02	2.13	2.04	2.00
10-year government bonds	4.30	1.54	0.72	2.22	2.84	2.95	2.90
Spain							
3-year government bonds	3.62	1.69	0.92	2.26	2.39	2.57	2.60
5-year government bonds	3.91	2.19	1.07	2.48	2.64	2.88	2.92
10-year government bonds	4.42	3.17	1.61	2.90	3.28	3.45	3.50
Risk premium	11	164	90	68	45	50	60
Portugal							
3-year government bonds	3.68	3.33	0.76	2.03	2.16	2.17	2.17
5-year government bonds	3.96	3.94	0.98	2.15	2.49	2.62	2.64
10-year government bonds	4.49	4.67	1.52	2.68	3.14	3.40	3.45
Risk premium	19	314	81	46	31	45	55
EXCHANGE RATES							
EUR/USD (dollars per euro)	1.13	1.26	1.12	1.05	1.17	1.20	1.20
EUR/GBP (pounds per euro)	0.66	0.84	0.87	0.83	0.87	0.90	0.90
EUR/JPY (yen per euro)	129.56	126.41	135.43	161.18	182.71	180.00	175.00
OIL PRICE							
Brent (\$/barrel)	42.3	80.1	73.8	73.1	61.6	66.0	64.8
Brent (euros/barrel)	36.1	62.5	67.0	69.8	52.6	55.0	54.0

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 2020-2023	2024	2025	2026	2027
GDP GROWTH¹							
Global	4.3	3.3	2.8	3.3	3.3	3.3	3.2
Developed countries	2.7	1.5	1.7	1.8	1.7	1.9	1.7
United States	2.7	1.8	2.4	2.8	2.2	2.6	2.0
Euro area	2.3	0.9	1.1	0.8	1.5	1.3	1.5
Germany	1.6	1.3	0.2	-0.5	0.3	1.0	1.4
France	2.3	1.0	0.9	1.1	0.9	1.0	1.2
Italy	1.5	-0.3	1.5	0.5	0.7	0.8	1.1
Portugal	1.5	0.4	1.9	2.1	1.9	2.1	1.9
Spain	3.6	0.7	1.1	3.5	2.8	2.4	2.0
Japan	1.4	0.4	0.1	-0.2	1.1	0.8	0.6
United Kingdom	2.8	1.3	1.0	1.1	1.3	0.7	1.4
Emerging and developing countries	6.3	4.9	3.5	4.3	4.4	4.2	4.1
China	10.6	8.0	4.9	5.0	5.0	4.5	4.0
India	7.2	6.7	4.6	7.3	7.5	6.6	6.4
Brazil	3.6	1.6	1.9	3.4	2.0	1.8	1.8
Mexico	2.3	1.5	1.1	1.4	0.6	1.3	1.8
Russia	-	1.4	1.5	4.3	0.9	1.1	1.1
Türkiye	5.5	4.5	6.4	3.3	3.2	3.4	3.4
Poland	4.1	3.7	2.6	3.0	3.6	3.5	3.2
INFLATION							
Global	4.1	3.7	5.8	5.7	4.1	3.9	3.5
Developed countries	2.1	1.6	3.9	2.6	2.5	2.2	2.1
United States	2.7	1.8	4.5	2.9	2.6	2.6	2.2
Euro area	2.2	1.4	4.2	2.4	2.1	1.9	2.0
Germany	1.7	1.4	4.6	2.5	2.3	2.0	2.1
France	1.9	1.3	3.5	2.3	0.9	1.3	1.7
Italy	-0.1	1.4	4.1	1.1	1.6	1.5	1.8
Portugal	3.1	1.1	3.4	2.4	2.3	2.1	2.0
Spain	3.2	1.3	3.7	2.8	2.7	2.4	2.2
Japan	-0.3	0.4	1.4	2.7	3.2	2.0	2.0
United Kingdom	1.6	2.3	5.0	2.5	3.4	2.5	2.1
Emerging and developing countries	6.9	5.5	7.1	7.7	5.1	5.1	4.4
China	1.7	2.6	1.4	0.2	0.1	1.0	1.5
India	4.6	7.3	6.0	5.0	2.2	4.1	4.0
Brazil	7.3	5.7	6.4	4.4	5.0	4.2	3.8
Mexico	5.2	4.2	5.6	4.7	3.8	3.9	3.8
Russia	14.3	7.9	7.5	8.5	8.7	6.0	4.5
Türkiye	22.6	9.6	39.5	58.5	34.9	26.1	19.9
Poland	3.5	1.9	8.2	3.7	3.4	2.6	2.6

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 2020-2023	2024	2025	2026	2027
Macroeconomic aggregates							
Household consumption	3.7	0.0	0.4	3.0	3.4	3.0	2.1
Government consumption	4.5	0.9	3.1	2.9	1.8	1.4	1.8
Gross fixed capital formation	5.7	-1.2	1.0	3.6	6.3	5.2	2.5
Capital goods	4.9	0.2	-1.4	1.9	9.0	4.4	2.5
Construction	5.7	-2.6	0.4	4.0	5.2	5.6	2.4
Domestic demand (vs. GDP Δ)	4.4	-0.2	0.9	3.2	3.5	3.0	2.0
Exports of goods and services	4.7	2.9	2.4	3.2	3.4	2.1	2.1
Imports of goods and services	7.0	0.2	1.9	2.9	6.3	4.1	2.4
Gross domestic product	3.6	0.7	1.1	3.5	2.8	2.4	2.0
Other variables							
Employment	3.2	-0.5	2.0	2.8	3.1	2.5	1.8
Unemployment rate (% of labour force)	10.5	19.5	13.9	11.3	10.5	9.8	9.2
Consumer price index	3.2	1.3	3.7	2.8	2.7	2.4	2.2
Unit labour costs	3.1	0.6	4.1	3.3	4.2	3.6	2.7
Current account balance (% GDP)	-5.8	-0.2	1.2	3.2	2.9	2.7	2.9
External funding capacity/needs (% GDP)	-5.2	0.2	2.0	4.2	3.4	3.6	3.9
Fiscal balance (% GDP) ¹	0.3	-6.5	-6.1	-3.2	-2.5	-2.1	-2.1

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

■ Forecasts

Portuguese economy

	Average 2000-2007	Average 2008-2019	Average 2020-2023	2024	2025	2026	2027
Macroeconomic aggregates							
Household consumption	1.8	0.5	1.5	3.0	3.5	2.6	2.1
Government consumption	2.2	-0.3	1.9	1.5	1.7	1.6	1.0
Gross fixed capital formation	-0.4	-0.7	3.7	3.8	3.5	5.2	2.2
Capital goods	3.4	2.7	6.3	8.4	-1.3	-	-
Construction	-1.4	-2.4	3.1	3.0	5.5	-	-
Domestic demand (vs. GDP Δ)	1.3	0.0	2.0	2.9	3.7	2.8	2.0
Exports of goods and services	5.3	4.0	3.8	3.1	0.4	2.2	4.1
Imports of goods and services	3.6	2.7	3.6	4.8	4.2	3.5	3.9
Gross domestic product	1.5	0.4	1.9	2.1	1.9	2.1	1.9
Other variables							
Employment	0.4	-0.4	1.4	1.2	3.2	1.9	1.5
Unemployment rate (% of labour force)	6.1	11.4	6.6	6.4	6.0	5.9	5.9
Consumer price index	3.1	1.1	3.4	2.4	2.3	2.1	2.0
Current account balance (% GDP)	-9.2	-2.9	-0.4	2.1	1.2	1.1	1.2
External funding capacity/needs (% GDP)	-7.7	-1.5	0.6	3.3	2.0	3.8	2.1
Fiscal balance (% GDP)	-4.5	-5.1	-1.9	0.5	0.4	-0.6	-0.5

■ Forecasts

Financial markets, to the rhythm of geopolitics and AI

Financial conditions amid mixed dynamics. The start of 2026 has brought volatility and mixed dynamics reflecting the markets' sensitivity to geopolitical and technological shifts. The threat of a military conflict between the US and Iran had already heightened the perception of risk before the bombings materialised and triggered a sharp increase in stress and volatility, especially in commodity markets. In parallel, AI continues to influence stock markets not only due to high company valuations and the challenge of making ambitious investment plans profitable, but also due to fears of disruption to established business lines. In addition to all this, in February the US Supreme Court ruling annulled a significant portion of the tariffs imposed by the Trump administration. These catalysts drove mixed stock market performance, while commodities were pushed upwards and investor sentiment led to a slight recovery in the dollar in the currency markets and opposing dynamics between long-term interest rates on both sides of the Atlantic.

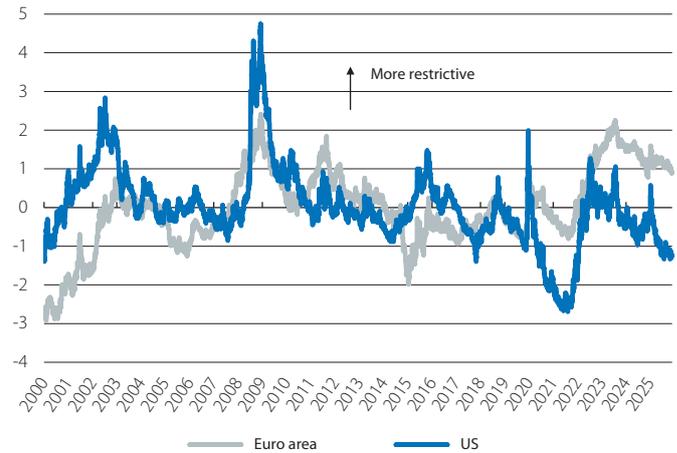
Markets on the rise... until the outbreak of conflict in Iran. February opened with uneven performance among the main international stock markets, torn between the boost from a good earnings season and doubts generated by the momentum of AI-related companies. In the US, the fear that these firms might disrupt traditional business models put pressure on established firms within the technology and communication services sectors, leaving the S&P 500 virtually flat in February. In contrast, indices in the rest of the world gained more traction: European stock markets recorded notable gains, approaching +4% overall in February, driven by more balanced growth prospects and favourable investor sentiment following the Supreme Court's ruling. In emerging markets, the regional index for Asia was approaching gains of 7%, while the Latin American index exceeded 4%. Globally, Japan stood out in particular, where the Nikkei recorded increases of over 10%, encouraged by the electoral victory of Sanae Takaichi and her reflationary agenda. However, at the beginning of March, the bombings in Iran triggered widespread declines in global stock markets, with the European stock market retreating to levels of late 2025.

Macroeconomic dynamism supports business earnings. The earnings season in the US closed with a solid overall picture, in a context of robust performance of the American economy: around 85% of the companies in the S&P 500 exceeded sales expectations and around 75% did so in profits. The greatest impetus came from the financial and tech sectors, where the firms most closely linked to AI maintained the combination of good reported results and ambitious investment plans. In Europe, while the tone was more moderate, the balance as of the close of this report was also positive, with the tech, financial and utilities sectors standing out.

Geopolitics drives up commodities. February was a month of tense calm in energy prices. The balance between the

Financial conditions

Index (0 = 2000-2026 average)

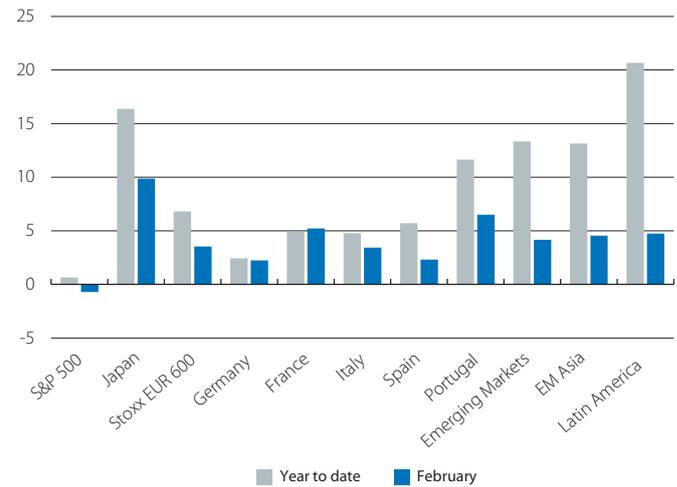


Note: Goldman Sachs financial conditions indices normalised by the average and the standard deviation from 2000-2026.

Source: CaixaBank Research, based on data from Bloomberg.

International stock markets: performance in 2026

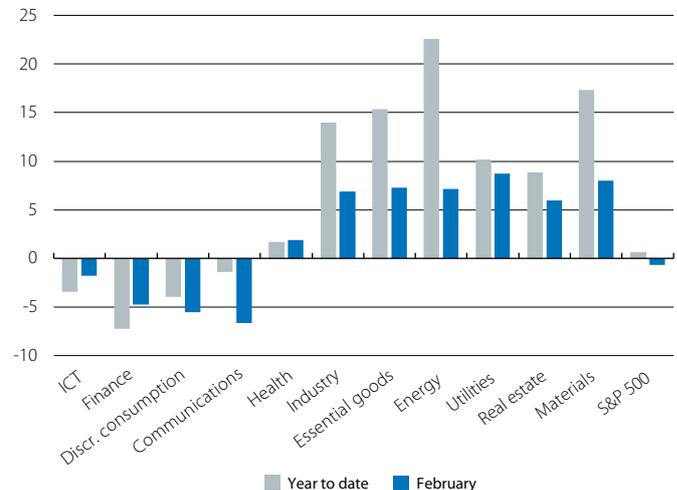
Change (%)



Source: CaixaBank Research, based on data from Bloomberg.

US: stock market performance in 2026

Change (%)



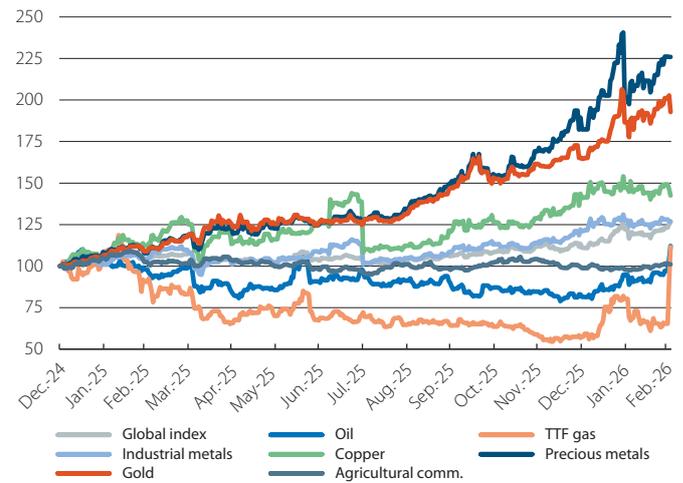
Source: CaixaBank Research, based on data from Bloomberg.

expectation of an oversupply in the oil market and the increasing risk premium arising from geopolitics pushed the price of the Brent barrel towards the 70-dollar mark, while the TTF gas price fell towards 30 euros per MWh, aided by an increase in liquefied natural gas imports at northern European terminals and forecasts of milder temperatures for the end of the winter. However, the exchange of attacks between Iran and the US and Israel in early March exerted significant pressure on prices, with oil surpassing 100 dollars per barrel of Brent and TTF gas reaching nearly 60 euros per MWh and experiencing considerable volatility (briefly surpassing 65 euros). Futures curves became relatively less expensive, indicating an easing of tensions towards 2027.

The dollar takes a breather. The behaviour of the US dollar was erratic during February, but it managed to close the month with a slight recovery. The Supreme Court’s ruling helped to ease the downward pressure that has been weighing on the currency since the tariff announcements of 2025, while the war in Iran moderately benefited it in its role as a safe-haven asset. The euro remained relatively stable, at around 1.18 dollars (weakening towards 1.15 dollars following the bombings in the Middle East), the pound hovered around 1.35 dollars and the yen also weakened. Among emerging currencies, the best performing ones were those that benefited the most from a more direct reduction of tariffs: throughout February, the Brazilian real appreciated by more than 3% against the dollar, while the Chinese yuan appreciated by just under 1% and the Indian rupee by more than 1% (capitalising on the US-India trade agreement). Nevertheless, the bombings ultimately led to a widespread weakness among emerging currencies.

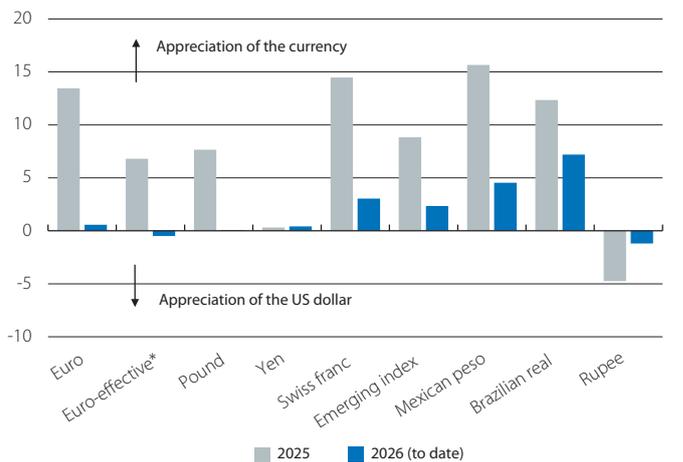
Fluctuations in interest rates. In a February without monetary policy meetings among the major central banks, investors initially bet on a decline in sovereign rates in both the US and the euro area. However, the stress triggered by energy prices following the bombings in the Middle East pushed rates up due to a surge in inflation expectations and a hawkish revision of the monetary policy outlook on the part of investors. Net, sovereign interest rates remained stable in the US (rising at the short end of the curve and falling at the long end), while in the euro area rates registered an increase (more notably in the periphery than in Germany). The money markets abandoned their dovish bias for the ECB and began to price in the possibility of the ECB raising rates in 2026 (as of the close of this report, the markets were debating between one and two rate hikes). The markets also reduced their confidence in rate cuts by the Fed (although they are still pricing in two cuts for the remainder of the year). In fact, the minutes of the Fed’s January meeting revealed a more restrictive tone than had been perceived, and pointed to greater concern about inflation risks. The minutes also revealed that almost all Fed members consider the current level of rates to be in neutral territory. In the euro area, the ECB demonstrated greater continuity in its communication and various interventions continued to emphasise the strategy of not over-calibrating decisions to every small change in the data, given the uncertainty of the environment.

Commodity prices
Index (100 = 31 Dec. 2024)



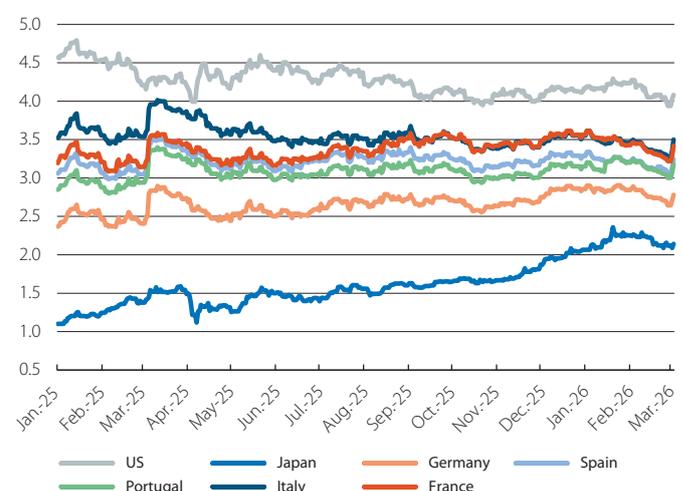
Source: CaixaBank Research, based on data from Bloomberg.

International currencies against the US dollar
Change (%)



Note: * For the effective exchange rate of the euro, a basket of 41 currencies against the euro is presented.
Source: CaixaBank Research, based on data from Bloomberg.

10-year sovereign interest rates
(%)



Source: CaixaBank Research, based on data from Bloomberg.

The macro-financial environment behind the economic outlook

The economic outlook for the coming quarters rests on the path for financial conditions.¹ The environment is supported by a stable and neutral monetary policy, which neither stimulates nor cools the economy, and a dollar that maintains the relative weakness observed in 2025. Additionally, energy prices benefit from a buffer of surplus supply and stockpiling inherited from 2025, which mitigates geopolitical pressures. However, the risk map is demanding and, in addition to the prevalence of geopolitical disruptions, the financial markets have shown sensitivity to the promises, doubts and transformations of artificial intelligence (AI) and to the sustainability of public debt. The escalation of the conflict in the Middle East, with attacks between the US, Israel and Iran, heightens uncertainty and downside risks, as we discuss at the end of this article.

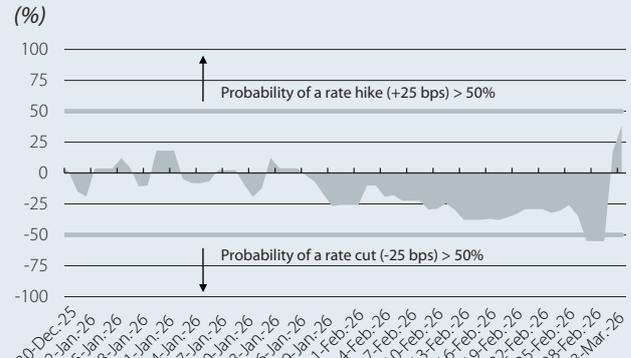
Monetary policy and interest rates

The monetary policy of the ECB and the Fed is one of the anchors of the scenario. The euro area has on-target inflation and a multi-directional balance of risks – from supply disruptions (global supply chains, extreme weather events, energy prices) to trade tensions and China’s redirection of exports towards the EU. Thus, the ECB has chosen to keep its powder dry and frequently reassess the scenario, maintaining a stable policy while the risks do not tip the economy one way or the other. Our forecasts are based on a depo rate of 2.00% in the coming quarters. This is the same rate as was being priced in by the financial markets until the escalation of the conflict in Iran triggered a shift in sentiment (see first chart).

In the US, the narrative is different, but the result is relatively similar: the gradual cooling of the labour market and the moderation of inflation at the end of 2025 provide room for some additional cuts, although the robustness of growth suggests that the Fed is nearing the end of the rate-cutting cycle. Our forecast scenario foresees two more cuts, bringing the fed funds rate to the range of 3.00%-3.25%, a level that is consistent with more neutral monetary conditions. This assessment is shared by market pricing (see second chart).

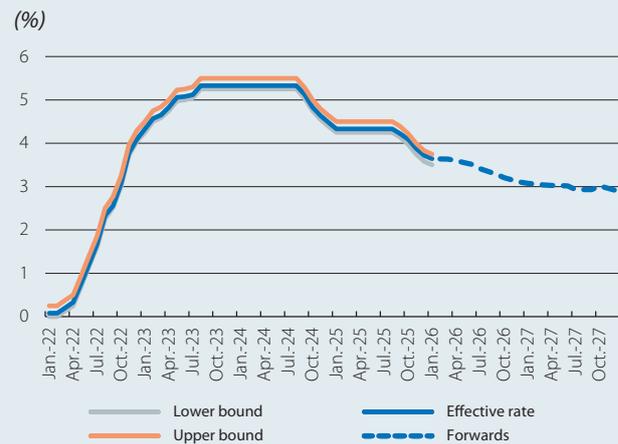
In parallel, 2026 will also be a significant year on the institutional front. Jerome Powell’s term as Fed chair ends in May and his replacement has been overshadowed by the Trump administration’s pressure to lower interest

ECB: quoted probability for 2026 of an increase (+) or decrease (-) in the depo rate relative to 2.0%



Note: Probability inferred from €STR forwards for December 2026.
Source: CaixaBank Research, based on data from Bloomberg.

Fed: reference interest rate



Note: Forwards on the fed funds futures curve as of 03/03/2026.
Source: CaixaBank Research, based on data from Bloomberg.

rates.² The designated successor, Kevin Warsh, has a solid profile (he was a Fed governor from 2006 to 2011) but an erratic record in his monetary policy preferences. Additionally, Governor Lisa Cook is awaiting the Supreme Court’s ruling on her attempted dismissal by the administration. On a very different level, the changeover to the presidency of the ECB is scheduled for 2027, while in 2026 the most significant end of term is that of Vice-President Luis de Guindos (ending in May) and his successor will be the current governor of the central bank of Croatia, Boris Vujčić.

2. Some fears were alleviated when, in December, the Fed approved the reappointment of 11 of the 12 regional Federal Reserve presidents (the exception, at the Atlanta Fed, reflects the retirement of the current president).

1. See the Focuses «[What to expect from the international economy in 2026](#)» and «[The Spanish economy in 2026](#)» in this same report.

On the other hand, in the euro area, it is worth noting that sovereign risk premiums are at their lowest levels in almost 20 years (with the exception of France; see third chart). This moderation has been accompanied by an improvement in the macroeconomic fundamentals, which supports the continuation of investor sentiment being comparatively favourable for the periphery.³

Exchange rate and commodities

The narrowing of interest rate spreads between the euro area and the US, the expectation of a certain revitalisation of European growth and the perception of improved sentiment towards Europe support the continuation of a somewhat stronger euro/dollar exchange rate than the 2022-2024 average,⁴ as indicated by the markets.

The outlook for energy prices has become more uncertain since the escalation of the conflict between Iran, Israel and the US (see fifth chart). In the background, the oil and gas markets had containment forces due to an abundance of supply, which in recent quarters has led to the accumulation of an inventory buffer that helps mitigate the impact of geopolitical shocks.

Risks

This environment outlines financial conditions with a stability that should not be unfavourable for economic performance. However, the perception of risk continues to manifest episodically in the markets. Geopolitical conflicts remain at the forefront as a source of supply-side disruptions. In early March, oil and gas came under severe stress following attacks involving Iran, the US and Israel, with futures – amid high volatility – pointing to prices for 2026 as a whole significantly higher than those quoted in mid-February. Two additional features stood out: (i) futures prices anticipated some easing over the following quarters, and (ii) they fluctuated with considerable volatility (for oil, futures for 2026 as a whole swung between increases of 10% and 25%, and between 30% and 70% for gas). If the path reflected in these futures persists then the outlook for international economic activity would lose some momentum. However, with the support of the accumulated global energy stocks and anchored inflation expectations, the outlook ought not to suffer any profound change nor

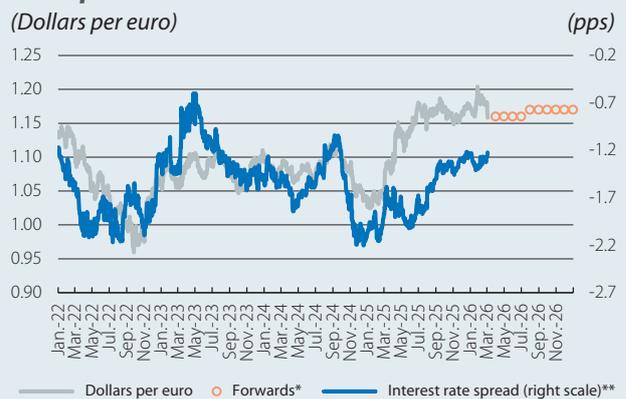
3. See the Focus «[Risk premiums and macroeconomics: a robust and cross-cutting relationship](#)» in the MR02/2026.
 4. The gap that has opened up between the actual EUR/USD exchange rate and that predicted by interest-rate differentials is an indication of relatively favourable sentiment towards Europe. The depreciation is more significant if one considers that, according to conventional prediction, the dollar should have appreciated in response to an increase in tariffs (see fourth chart and Ostry *et al.* (2025), «Trading blows: The exchange-rate response to tariffs and retaliations», Bank of England, Staff Working Paper.

Sovereign risk premiums



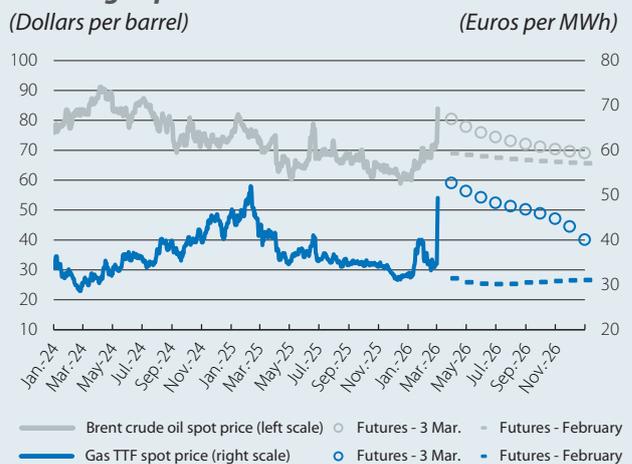
Note: Spread between the 10-year interest rate of each country and its German counterpart. Source: CaixaBank Research, based on data from Bloomberg.

US and euro area: exchange rate and interest rate spread



Notes: * Forwards as of 03/03/2026. ** Difference between the 2-year OIS rate for the euro area and the US. Source: CaixaBank Research, based on data from Bloomberg.

Oil and gas prices



Source: CaixaBank Research, based on data from Bloomberg.

will it necessarily substantially alter monetary policy strategies, which are generally starting from neutral or slightly restrictive levels. A scenario with persistently higher energy prices would raise the risk of more significant disruptions, deeper tensions in financial markets and indirect effects on inflation, and could spur a more pronounced hawkish shift in monetary policy. On the other hand, in the risk map, it is important not to overlook the importance of monitoring public debt dynamics in several advanced economies (the United Kingdom, France, Japan, and even the US have experienced some turbulence in their long-term interest rates) nor the financial risks surrounding AI, both in terms of its ability to meet expectations and its potential to disrupt established economic structures, in a context of high valuations and significant stock market concentration (see last chart).

US stock market: Magnificent 7



Notes: The Magnificent 7 are Apple, Amazon, Google, Meta, Microsoft, Nvidia and Tesla. The PE (Price-to-Earnings) ratio represents the ratio between the market capitalisation (price) and the profits (earnings) of the last 12 months.
Source: CaixaBank Research, based on data from Bloomberg.

Interest rates (%)

	28-February	31-January	Monthly change (bp)	Year-to-date (bp)	Year-on-year change (bp)
Euro area					
ECB Refi	2.15	2.15	0	0	-75
3-month Euribor	2.01	2.03	-2	-1	-47
1-year Euribor	2.22	2.23	0	-2	-19
1-year government bonds (Germany)	1.97	1.97	0	-4	-5
2-year government bonds (Germany)	2.00	2.09	-9	-12	-4
10-year government bonds (Germany)	2.64	2.84	-20	-21	23
10-year government bonds (Spain)	3.06	3.21	-15	-23	2
10-year government bonds (Portugal)	3.00	3.20	-20	-15	6
US					
Fed funds (lower limit)	3.50	3.50	0	0	-75
3-month SOFR	3.67	3.66	1	1	-65
1-year government bonds	3.47	3.46	1	0	-63
2-year government bonds	3.37	3.52	-15	-10	-68
10-year government bonds	3.94	4.24	-30	-23	-32

Spreads corporate bonds (bps)

	28-February	31-January	Monthly change (bp)	Year-to-date (bp)	Year-on-year change (bp)
Itraxx Corporate	55	51	4	4.6	1.9
Itraxx Financials Senior	59	54	5	4.7	2.0
Itraxx Subordinated Financials	101	91	10	8.3	2.5

Exchange rates

	28-February	31-January	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
EUR/USD (dollars per euro)	1.181	1.185	-0.3	0.6	13.6
EUR/JPY (yen per euro)	184.360	183.430	0.5	0.2	18.3
EUR/GBP (pounds per euro)	0.876	0.866	1.2	0.5	6.2
USD/JPY (yen per dollar)	156.050	154.780	0.8	-0.4	4.2

Commodities

	28-February	31-January	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
Bloomberg Commodity Index	121.7	120.7	0.8	10.9	16.7
Brent (\$/barrel)	72.5	70.7	2.5	19.1	-2.1
Gold (\$/ounce)	5,278.9	4,894.2	7.9	22.2	83.5

Equity

	28-February	31-January	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
S&P 500 (USA)	6,878.9	6,939.0	-0.9	0.5	17.4
Eurostoxx 50 (euro area)	6,138.4	5,947.8	3.2	6.0	12.2
Ibex 35 (Spain)	18,360.8	17,880.9	2.7	6.1	38.4
PSI 20 (Portugal)	9,276.1	8,662.2	7.1	12.3	35.5
Nikkei 225 (Japan)	58,850.3	53,322.9	10.4	16.9	53.8
MSCI Emerging	1,610.7	1,528.1	5.4	14.7	43.3

The international economy once again follows developments in the US

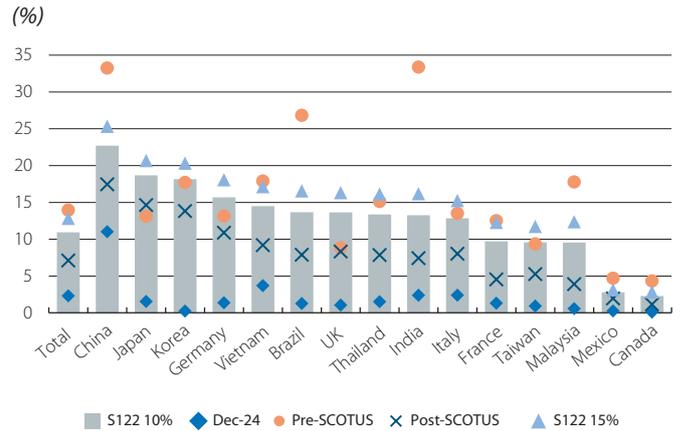
Geopolitical risk intensifies and trade uncertainty resurfaces.

Geopolitical events have once again taken centre stage, almost relegating to the background the assessment of the economic indicators published over the past month. The US attack on Iran has caused a spike in geopolitical instability and economic uncertainty, opening up a new source of risk in an environment characterised by the transactional stance of the Trump administration and the erosion of multilateral institutions. The impact of this conflict will depend on its duration and geographical scope, but Iran's response has already triggered a sharp rise in energy prices. Iran is the fourth largest crude oil producer in OPEC (3.3 million barrels per day, 3.3% of global production) and it has strategic control over the Strait of Hormuz, through which over 20% of the world's maritime energy trade passes.

On the other hand, the US Supreme Court (SC) ruled in February that Trump exceeded the emergency powers invoked and has declared the tariffs imposed under the IEEPA illegal, but those approved under other regulations (on cars, steel, etc.) will remain in force. That is, the SC has declared the procedure used for the approval of the bilateral tariffs illegal, not the tariffs themselves. Trade uncertainty is now re-emerging as a period begins in which the Trump administration will explore all the legal avenues still available to continue implementing its tariff policy, which it has already made clear it will not abandon. In fact, Trump invoked Section 122 of the Trade Act to impose a universal 10% tariff, which has led to a «reconfiguration» of the tariff pressure. Countries such as China and Brazil will now have a much lower tariff than was in force prior to the Supreme Court's ruling, while the EU and the United Kingdom will lose out – so much so, that the EU has delayed the approval of the trade agreement reached in July of last year until there is more information and further clarity on this matter (see «[10 questions about the US Supreme Court's tariff ruling](#)» in this same *Monthly Report*).

The shutdown affected the US economy more than expected in Q4. The Supreme Court's announcement regarding Trump's tariff policy added to the disappointment with the Q4 2025 GDP figure: growth reached 0.4% quarter-on-quarter (almost half of what was expected by the consensus of analysts), following 1.1% in Q3 2025, and placed growth for 2025 as a whole at 2.2% (2.8% in 2024). The result of Q4 is explained almost entirely by the decline in public spending (–1.3% quarter-on-quarter vs. 0.1% average for the year), as a consequence of the shutdown. In fact, the rest of domestic demand ended the year very dynamically: investment and private consumption grew at a quarter-on-quarter rate of 0.6%. Foreign demand, meanwhile, made an almost negligible contribution in Q4. However, the slowdown in Q4 appears to have been temporary and in Q1 2026 we may see a certain «rebound» effect, once activity in the federal government has returned to normal. In this regard,

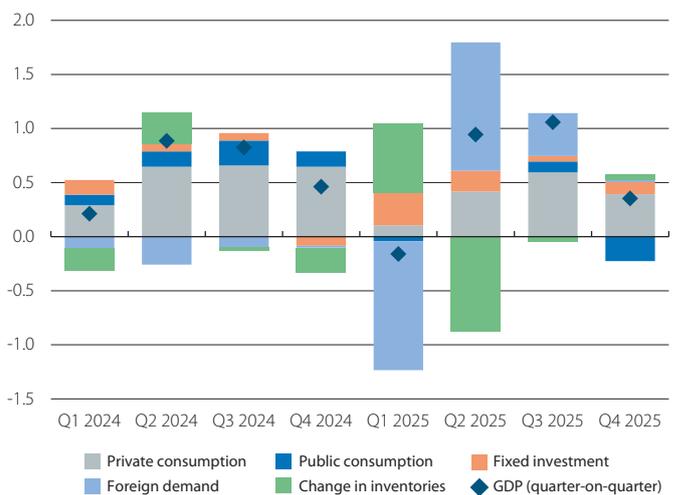
US: average tariff by trading partner



Notes: Observed tariff for December 2024 and based on policies announced for the rest. SCOTUS: Supreme Court of the US. S122 = section 122 of the Trade Act. 10% corresponds to the tariff in force since 24 February, 15% is another possibility that has been announced.
Source: CaixaBank Research, based on data from Bloomberg, UN COMTRADE and the White House.

US: GDP

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



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

US: PCE price index

Year-on-year change (%)



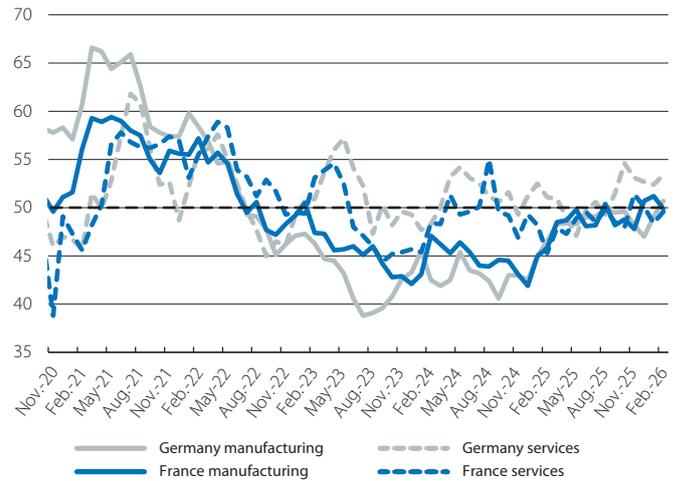
Source: CaixaBank Research, based on data from the BEA.

February's PMIs paint a picture of an economy that continues to perform well (51.9, following the Q4 average of 53.8, with 50 being the threshold denoting positive growth). Nonetheless, in February household confidence according to the Conference Board barely recovered from the substantial drop in the previous month (+2.2 points, to 91.2, with 100 being the threshold), while the University of Michigan's indicator has yet to regain the levels of prior to «Liberation Day». This lack of household confidence is mainly due, among higher incomes, to volatility in the financial markets, and among lower incomes, to the loss of purchasing power they face. In fact, inflation is showing a clear resistance to falling to the Fed's target: according to the PCE price index, core inflation rose by 0.2 pps in December, reaching 3.0%, while January's CPI showed that overall inflation fell by 0.3 pps to 2.4%, but core inflation only decreased by 0.1 pp to 2.5%.

The performance of the euro area will largely depend on Germany. In fact, the PMI for the euro area rose by 0.6 points in February to 51.9, with activity in services continuing to grow, albeit at modest rates, and a manufacturing sector that is consolidating the positive shift initiated several months ago. This result is based on the recovery observed in Germany (+1.1 points, to 53.2) thanks to the continued momentum in the services sector and a manufacturing sector that is confirming a somewhat positive shift, albeit still with modest progress. Other opinion and business climate indicators contribute to this increased optimism towards the German economy, but with caution: in February, the ZEW shows that the percentage of respondents anticipating an improvement remains around 60%, while the Ifo increased, although it remains well below the threshold of 100 that denotes growth around the average rate (+1 point, to 88.6). Nonetheless, signs of recovery in the German economy are beginning to accumulate, particularly in the industrial sector: industrial orders grew by almost 13% year-on-year in December, anticipating a recovery in production in the coming months. France, for its part, seems to be confirming its position as the weakest link: the PMI remains below the 50-point threshold in February, due to weakness in both manufacturing and services, while consumer confidence remains weak and does not hint at any recovery in consumption in the short term. On balance, the euro area economy will continue to grow, albeit still below its long-term average, in a context in which inflationary pressures remain contained: in February, inflation rose by 0.2 pps, bringing the headline rate to 1.9% and the core index to 2.4%.

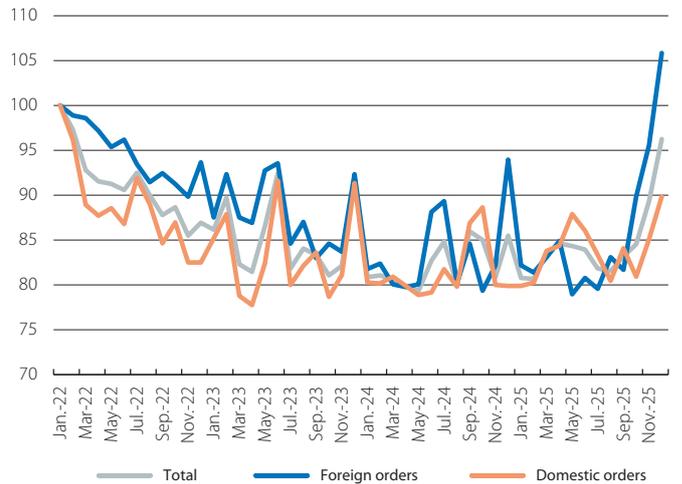
A rather apathetic close to 2025 in other parts of the world. In the United Kingdom, GDP grew by 0.1% quarter-on-quarter in Q4 2025, confirming a steady slowdown over the course of the year that has led to a growth rate of 1.3% for 2025 overall (0.3% in 2024). The weakness observed in the main business and consumer surveys does not give us cause to anticipate any significant acceleration in activity in the short term. In Japan, growth in Q4 2025 barely reached 0.1% quarter-on-quarter, following the previous -0.7%, placing the 2025 average at 1.1% (-0.2% in 2024). Hopes for a revival of activity rest on the fiscal stimulus announced by the government, although the rise in sovereign interest rates may limit the effectiveness of fiscal and monetary policy in stimulating economic growth.

Euro area: PMI by component
Index (>50 expansion; <50 contraction)



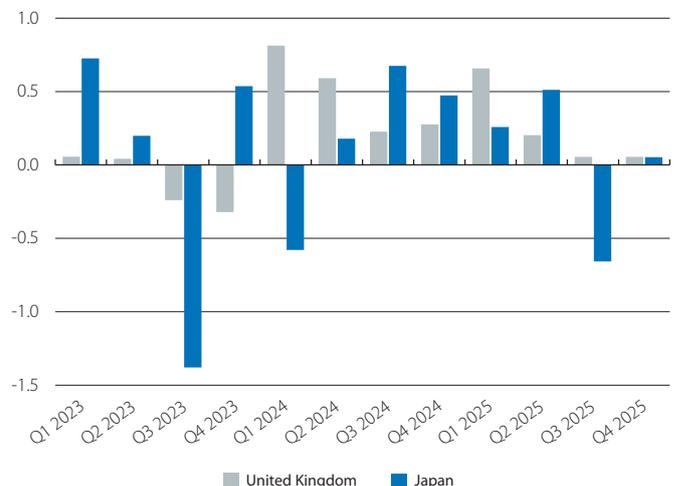
Source: CaixaBank Research, based on data from S&P Global PMI.

Germany: industrial orders
Index (100 = January 2022)



Source: CaixaBank Research, based on data from Destatis.

United Kingdom and Japan: GDP
Quarter-on-quarter change (%)



Source: CaixaBank Research, based on data from the ONS and the Cabinet Office of Japan.

What to expect from the international economy in 2026

The global economy demonstrated notable resilience during 2025, providing a good starting point for 2026. Going forward, there is sustained growth due to a more neutral monetary policy, as well as a fairly neutral tone in fiscal policy, albeit constrained by large deficits and high debt in the major economies. The dynamism we continue to anticipate for investment in technology, especially in artificial intelligence (AI), is also crucial. Under these assumptions, the US will continue to grow at a steady pace, with the euro area consolidating the momentum it achieved at the end of 2025. China will continue to experience a slowdown (4.5% in 2026 and 4.0% in 2027), reflecting the persistence of the residential sector adjustment and the impact of tariffs, with investments in AI as the main growth driver. In the rest of Asia, technology-intensive economies will continue to benefit from the global investment cycle, and India's growth will outpace China in the coming years. Therefore, the global economy could continue to grow at a rate of around 3%, with globally stable inflation.

However, these projections are based on the environment anticipated before the outbreak of the war in the Middle East. That is to say, it relies on gas and crude prices determined by supply and demand fundamentals, which in recent quarters have been characterised by an oversupply of oil and stability in gas. As we note at the end of the article, the latest events highlight the risks to this hypothesis, the validity of which will depend on the duration and scope of the conflict.

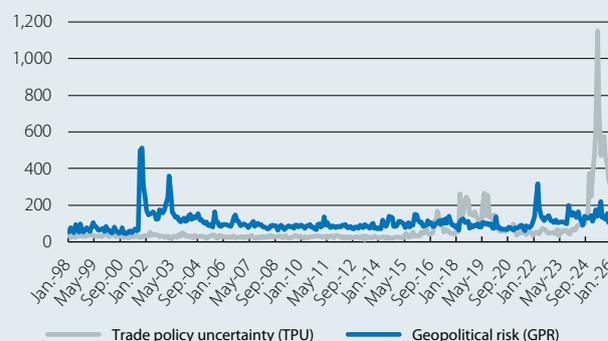
The euro area will continue to grow slowly but surely

The euro area will maintain modest growth rates (slightly above 0.3% quarter-on-quarter on average), reaching 1.3% in 2026, following 1.5% in 2025. This apparent slowdown reflects the normalisation of growth in Ireland to rates of around 3.0% (13.3% in 2025). Excluding Ireland, the euro area would grow by 1.2% in 2026, following 1.0% in 2025. As for inflation in the euro area, it will remain sufficiently close to the 2% target throughout the forecast horizon.

This outlook is supported by Germany's recovery after five years of virtual stagnation. The deployment of the fiscal bazooka¹ approved last year will be key for

1. In March 2025, a modification to the constitutional debt brake rule was approved in order to fund an infrastructure plan (SVIK, by its German acronym), with a budget of 500 billion euros for the next 12 years, and to increase defence spending from 2.0% of GDP in 2024 to 3.5% by 2029, according to NATO criteria. Investments financed by the SVIK fund do not count for the purposes of the debt brake.

Measures of uncertainty and geopolitical risk Index (frequency in the press of terms related to economic and trade uncertainty and geopolitical risk)



Source: CaixaBank Research, based on data from D. Caldara, M. Iacoviello, P. Molligo, A. Prestipino and A. Raffo (2020), «The Economic Effects of Trade Policy Uncertainty», *Journal of Monetary Economics*, 109, pages 38-59 (<https://www.matteoiacoviello.com/tpu.htm#overview>), and from S.R. Baker, N.S. Bloom and S.J. Davis (2016), «Measuring Economic Policy Uncertainty» (https://www.policyuncertainty.com/global_monthly.html).

Germany's growth. The 2026 budget includes a 3.5% increase in public spending, investment growth of nearly 10% thanks to the deployment of the Infrastructure Fund (1.3% of GDP through to 2029, compared to 0.9% in 2025) and defence spending of 2.8% of GDP (2.0% in 2025).² However, the budgets forecast a fiscal deficit of 3.25% in 2025 and of 4.75% in 2026, but delays in their approval and execution explain why the fiscal deficit in 2025 was 2.5%, following the -2.7% of 2024: this means that there was no fiscal stimulus in 2025. This circumstance reinforces doubts about the utilisation of the fiscal stimulus.³ Overall, the increased growth compared to a scenario without this fiscal stimulus would be between 0.4 pps and 0.8 pps⁴ in the coming years, supporting the forecast of German growth of 1.0% in 2026 and of 1.4% in 2027.

In France, growth is expected to remain around 1% in 2026 and 2027. The budget for 2026, approved earlier

2. NATO's definition of «defence spending» is broader, as it considers all expenses incurred to cover all the needs of the armed forces, regardless of the ministry in which they are generated (pensions, R&D expenditure, transport, cost of overseas missions, etc.). The defence spending that appears in the budgets is lower, as it uses internal criteria and, for example, excludes spending by other ministries and military pensions.

3. Some criticisms of the plan are: that it does not serve to fund new investment projects but rather pre-existing ones, that part of it is allocated to funding current expenditure, and that investments have been removed from the ordinary budget in order to be financed with SVIK funds. See «German Council of Economic Experts», Annual Report 2025/26, chapter 2.

4. Given the behaviour of the public accounts in 2025, and assuming that the magnitude of the increase in the structural fiscal deficit outlined in the 2026 budget is maintained, the fiscal stimulus in 2025 and 2026 would be around 1.0 pp, almost half of what it would have been had the 2025 forecast been met. Assuming multipliers of between 0.4 and 0.8, the boost to growth would be between 0.4 pps and 0.8 pps.

this year after arduous negotiations, envisages a fiscal deficit of 5.0% of GDP (5.4% in 2025) and it includes tax hikes for large corporations and delays the implementation of the pension reform until 2027. The fiscal situation in France remains rather delicate, and this will put pressure on financing costs, influencing the investment and consumption decisions of households and businesses.

In Italy, growth will be constrained by apathetic private consumption and the lack of momentum in foreign demand. Investment will be the main driver thanks to the NGEU funds still available before the programme expires in August. Financing conditions will remain favourable, supported by a neutral fiscal policy (the deficit is expected to be reduced by 0.2 pps to 2.8% of GDP). Furthermore, Italy may exit the Excessive Deficit Procedure in the first half of the year, potentially activating the escape clause that would allow defence spending to be increased for four years up to a maximum of 1.5% of annual GDP. Consequently, growth in 2026 would be 0.8% and could exceed 1.0% in 2027.

The US faces another year with a positive outlook

The US economy will accelerate its growth rate in 2026, kicking off the year with a rebound as part of the loss of activity experienced in Q4 2025 due to the shutdown will be offset. Investment will continue to drive growth thanks to the development and deployment of AI. The dynamism of spending among higher-income households will more than offset the restraint shown among lower-income households, consolidating the narrative of a K-shaped growth pattern in private consumption. Overall, growth in 2026 is expected to reach 2.6% (2.2% in 2025). Inflation, meanwhile, will continue to resist falling to the 2% target, sustained by tariffs and economic dynamism. Thus, both headline and core inflation will remain closer to 3% than 2% on average in 2026, following a rate of 2.6% in 2025.

Risks

The risks to the baseline global scenarios have increased significantly following the joint US and Israeli attack on Iran, which has triggered a surge in oil and gas prices and turmoil in the financial markets. The final impact

Evolution of GDP

Index (100 = Q4 2019)



Source: CaixaBank Research, based on data from Eurostat.

of this conflict will depend on its duration and geographical scope. If the energy price increase currently reflected in the futures market materialises (a short-term risk premium, but easing over the following quarters), then the forecast growth for the euro area would be reduced by a few tenths of a percentage point, but there would not be any change of narrative that would alter the medium-term trends. Inflation could experience a temporary uptick, but without deviating from the target in a concerning manner, so this would not affect the strategy of the ECB, which feels comfortable with the depo rate at 2.00%. In the US, higher energy prices have an asymmetric impact: they increase inflation but also improve the trade balance and growth (the US is a net exporter of oil and gas). This combination would favour a somewhat more restrictive bias for the Fed, reinforcing the view that it is in no hurry to cut rates again.

The conflict in Iran adds to the existing ones: Ukraine, limited fiscal space in industrialised economies and a risk of sharp corrections in financial markets due to high expectations and valuations linked to AI companies. Also, the intensification of trade uncertainty following the Supreme Court's blow to many of the tariffs implemented by Trump should be noted as a significant risk to the scenario (see [«10 questions about the US Supreme Court's tariff ruling»](#) in this same *Monthly Report*).

Rita Sánchez Soliva

10 questions on the US Supreme Court's tariff ruling

1. What decision has been taken?

By a majority of 6 to 3, the Supreme Court has ruled that the use of the International Emergency Economic Powers Act (IEEPA) is not the appropriate legal basis for the introduction of general tariffs and that, as a fiscal measure, the power to do so lies with Congress.

2. Which tariffs are affected?

The ruling invalidates both the tariffs imposed on Canada, Mexico and China, linked to drug trafficking, and those announced on «Liberation Day» and its subsequent amendments (as well as those used for geopolitical purposes based on the IEEPA, such as the recent 25% levy on countries maintaining economic relations with Iran, as well as earlier precedents linked to Brazil, Russia or Venezuela).

3. Which ones are not?

The ruling does not affect the sectoral tariffs approved on national security grounds under Section 232 of the Trade Expansion Act (S.232), such as those imposed on cars and components, aluminium, steel, copper, certain furniture products and commercial vehicles.

4. What has the government's response been?

On the same day as the ruling, a presidential proclamation activated Section 122 of the Trade Act (S.122), which allows for a temporary general tariff of up to 15% for 150 days to address fundamental international payment problems. A 10% general tariff entered into force on Tuesday, 24 February.

5. Which countries and products are affected by the new measures?

The application of the tariff under S.122 is non-discriminatory, i.e. it applies uniformly to all countries. The proclamation states that the tariff does not accumulate on top of existing sectoral tariffs, nor those imposed on imports from Canada and Mexico that meet the conditions of the trade agreement they maintain with the US (USMCA, formerly NAFTA). A list of exemptions has also been defined, including, among others, certain critical minerals, agricultural products, pharmaceuticals and electronics.

6. What other measures could the government adopt?

Following the approval of the new 10% general tariff, Trump threatened to raise it to the maximum level of 15% permitted under S.122. In addition, the presidential proclamation included the mandate to initiate investigations into countries for unfair practices under Section 301 of the Trade Act (S.301), while the extension

of sectoral tariffs under S.232 is also expected, potentially focusing on pharmaceutical and electronic products. Unlike the tariffs approved under the IEEPA and S.122, these alternatives require a greater procedural burden and have precedents, such as the use of S.301 for China during Trump's first term and its continuation under Biden.

7. What are the main uncertainties following the ruling?

The main concerns focus on: (i) the legal battle over the revenues collected under the IEEPA, which we estimate to be in the range of 125-150 billion dollars (equivalent to 0.4%-0.5% of US GDP), and potential new claims for the use of S.122; (ii) the validity of the bilateral agreements reached since the summer and the more favourable tariffs agreed (EU, Japan, United Kingdom, among others); (iii) the stability of the truce on trade and technology with China reached last November (Trump will visit Beijing at the end of March); and (iv) the impact on the reconfiguration of trade that occurred in 2025 affecting Chinese exports to Vietnam (textiles, footwear, household goods) and Taiwan (machinery and equipment).

8. What does the tariff scenario look like following the response to the ruling?

Overall, the Supreme Court ruling initially reduced the average tariff on US imports by around 7 pps, considering the policies announced. Subsequently, and following the activation of S.122, it returned to around 11% (compared to the previously estimated 14%).

9. Which countries have seen a reduction or an increase in their tariffs in relative terms?

The main immediate beneficiaries are China, India, and Brazil, which have seen a significant drop in their tariffs, while those adversely affected include the EU and the UK, which had previously secured specific reductions through bilateral agreements that now in question. For instance, a European car might now be subject to a tariff of 27.5% (the 25% established under S.232 plus the initial most-favoured-nation rate of 2.5%) compared to the 15% cap previously agreed.

10. Does the Supreme Court's ruling change Trump's tariff strategy?

No, there has been a change of instruments, with a firmer legal basis. Tariffs will remain a central axis of the US' trade, fiscal and foreign policy. In fact, during his State of the Union address, Trump reaffirmed his vision that tariff revenues could substantially replace federal income taxes in the long term.

David Martínez Turégano

Japan, at the dawn of a new cycle: fiscal tensions and monetary normalisation in the Land of the Rising Sun

Japanese sovereign yields have rebounded since 2022, particularly in the past year, and have exceeded the 2% threshold for the first time in nearly three decades. These movements have sparked a wide debate about the country's fiscal sustainability and the direction of its monetary policy. In this article, we analyse the factors behind the recent upturn and its consequences for the Japanese economy.

Evolution of interest rates in Japan: $i = r + \pi^e$

The rise in interest rates has been accompanied by a gradual normalisation of the Bank of Japan's (BoJ) monetary policy and its control over the yield curve.¹ This pattern can be broken down into movements in real rates and inflation expectations. The recent rise in nominal rates in Japan is mainly due to a sustained increase in long-term inflation expectations (see first chart). Since 2022, these have risen from levels of around 0% to a range of 1.5%-2% recently, alongside more persistent observed inflation (close to 3%, a level not seen since the early 1990s). This movement reflects underlying dynamics that go beyond the initial commodity shock that followed the outbreak of the Russia-Ukraine conflict, such as second-round effects, wage increases after years of stagnation,² in addition to idiosyncratic factors (such as rising food prices, especially rice) and a depreciated yen.

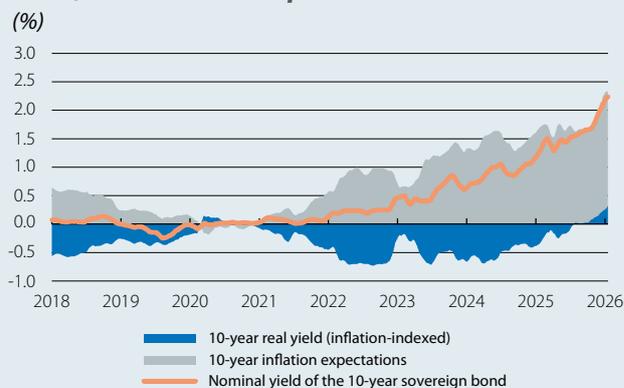
In addition, real rates have also risen, going from around -0.5% to a range of 0%-0.5% at the long end of the curve. According to economic theory, this movement in real rates could be explained by various structural factors: higher potential growth, demographic changes that have structurally reduced savings and prospects of a sustained increase in investment. However, given the abruptness of the movement in the real rate, concentrated mainly in the last year, and the absence of significant changes in demographics or growth potential,³ the movement seems to be attributable to other factors. These might

1. In 2016, within the framework of the quantitative easing it had been carrying out since the early 2000s, the BoJ adopted a policy of sovereign yield curve control (YCC) in which it set a target (close to 0%) for the yield on the 10-year Japanese bond. This policy was gradually relaxed until it was eventually abandoned in 2024.

2. After years of wage rises of between 0% and 2%, an upturn began to be observed in 2023, during the *shuntō* spring negotiation process between large corporations and unions. In 2024 and 2025, the increases exceeded 5%, the highest since the early 1990s. Firms and unions are anticipating a similar or even greater wage rise in the *shuntō* of 2026.

3. Japan's GDP grew by 1.1% in 2025, and the IMF forecasts growth of 0.5% in the medium term, while the average growth in the period 2000-2019 was 0.8%.

Japan: evolution of real and nominal interest rates, and inflation expectations



Note: Inflation expectations are measured by the movement of inflation swap rates, while the real yield is measured as the yield on the inflation-indexed bond.

Source: CaixaBank Research, based on data from Bloomberg.

include an improvement in investment expectations (after a long period of corporate deleveraging and with greater dynamism in the real estate market) or changes in fiscal policy.⁴

Fiscal policy in Japan: from Abenomics to Takaichinomics?

One of the keys to understanding the recent rise in sovereign rates lies precisely in the country's fiscal situation. With gross debt of 230% of GDP and net debt (which subtracts government-held financial assets from the gross debt) reaching 130% of GDP, Japan has one of the highest debt ratios in the world. While the budget deficit is relatively low, the latest projections indicate a moderate deterioration in the medium term, reflecting pressures from spending on pensions, health and defence.⁵

4. Expectations of fiscal stimulus may translate into higher interest rates, both due to an increase in the term premium and through inflation expectations.

5. The IMF projects a deficit trajectory going from 1.3% in 2025 (3.0% in 2019) to around 4.5% in 2030, while the primary structural deficit, which excludes interest payments and the change in the more volatile components associated with the business cycle from the fiscal balance, would stand at 2.5% in 2030, compared to the current level of 1% (vs. 2.6% in 2019). Despite the unfavourable demographics, the latest OECD projections place pension spending at around 10% of GDP by 2060, compared to around 9% currently – such an increase represents additional fiscal pressure that is in line with the OECD average (around +1 pp by 2060), but lower than in countries like South Korea (around +6 pps) or Spain (around +3 pps). The increase in defence spending is anchored in the discussion on the revision of Article 9 regarding non-belligerence, enshrined in Japan's Constitution since 1947, and in a geopolitical context marked by rising tensions with China and in the Pacific region, with Russia and North Korea as close neighbours.

In recent months, these factors have been compounded by Prime Minister Sanae Takaichi’s rise to power⁶ and an expansionist shift anchored in a rhetoric of a «proactive and responsible» fiscal policy. This includes increases in public investment and tax cuts, such as the temporary removal of the 8% levy on food – a key electoral promise with an impact estimated at around 0.8% of GDP per year.

Furthermore, beyond the country’s current fiscal position, the recent concerns may be linked to an increase in perceived risks regarding its long-term outlook, in the event that spending increases or tax cuts are not offset by other measures to balance the public accounts. In its preliminary report on Japan’s economy, the IMF has recommended maintaining a neutral fiscal stance, in a context in which the economy is operating above its potential, avoiding increasing cyclical pressures and preserving «buffers» against future shocks.⁷

Monetary policy in Japan: the BoJ faces new challenges

In this context, the BoJ is facing a structural shift in the macroeconomic environment. After many years dealing with deflation, the country has managed to exceed the 2% inflation target since 2022, and long-term expectations are anchored around that level. Thus, the BoJ has begun to adjust its monetary policy, abandoning its YCC policy in 2024, gradually raising interest rates and implementing a strategy of quantitative tightening, which reduces the pace of asset purchases, especially sovereign bonds (approximately half of Japan’s debt is held by the BoJ).

In its latest communications, the BoJ has reinforced its intention to pursue a gradual path of rate hikes. However, the difficulty of combining a restrictive monetary policy with expansive fiscal policies, in a high-debt environment, may become clearer in the future.

Luís Pinheiro de Matos and Manuel Carrera Moreno

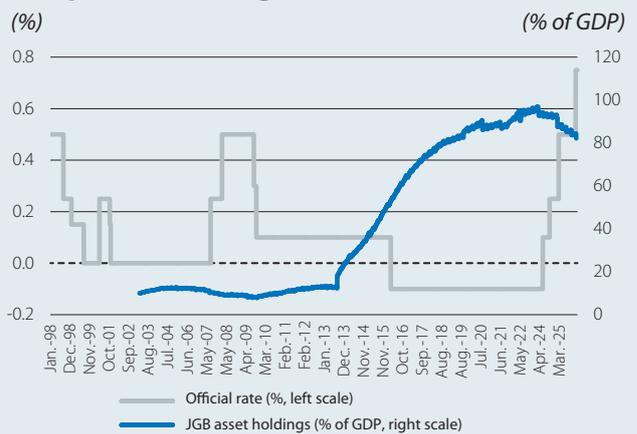
Japan: decomposition of the sovereign yield curve



Note: The chart shows the evolution of two factors extracted from a decomposition of the Japanese sovereign yield curve, specifically the level and the slope of the curve. The level is correlated with long-term interest rates, while the slope measures the relative difference between short-term and long-term rates. The strong inverse correlation observed between the two factors reveals that the movements in the curve have been particularly dominated by long-term rates.

Source: CaixaBank Research, based on data from Bloomberg.

Bank of Japan: official interest rate and holdings of Japanese sovereign bonds



Source: CaixaBank Research, based on data from Refinitiv.

6. This February, the Liberal Democratic Party secured a «supermajority» in the Lower House of Japan’s parliament (316 seats out of a total of 465, plus 36 from its coalition partner, the Innovation Party).
 7. The Fund mentions the tax cuts on food consumption as an ineffective measure that would increase fiscal risks. See «Japan: Staff Concluding Statement of the 2026 Article IV Mission» (17 February 2026).

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

UNITED STATES

	2024	2025	Q1 2025	Q2 2025	Q3 2025	Q4 2025	12/25	01/26	02/26
Activity									
Real GDP	2.8	2.2	2.0	2.1	2.3	2.2	–	–	–
Retail sales (excluding cars and petrol)	3.4	4.5	4.8	4.9	4.6	3.8	3.5	...	...
Consumer confidence (value)	104.5	96.1	99.8	93.1	97.4	94.2	94.2	89.0	91.2
Industrial production	–0.7	1.2	0.7	0.5	1.7	1.7	1.3	2.3	...
Manufacturing activity index (ISM) (value)	48.2	48.9	49.9	48.8	48.7	48.2	47.9	52.6	52.4
Housing starts (thousands)	1,371	1,359	1,401	1,354	1,346	1,333	1,404	...	...
Case-Shiller home price index (value)	330	339	340	338	337	341	343	...	...
Unemployment rate (% lab. force)	4.0	4.3	4.1	4.2	4.3	4.5	4.4	4.3	...
Employment-population ratio (% pop. > 16 years)	60.1	59.8	60.0	59.8	59.6	59.7	59.7	59.8	...
Trade balance ¹ (% GDP)	–2.8	–3.4	–3.5	–3.6	–3.4	–3.0	–2.9	...	...
Prices									
Headline inflation	2.9	2.6	2.7	2.4	2.9	2.7	2.7	2.4	...
Core inflation	3.4	2.9	3.1	2.8	3.1	2.6	2.6	2.5	...

JAPAN

	2024	2025	Q1 2025	Q2 2025	Q3 2025	Q4 2025	12/25	01/26	02/26
Activity									
Real GDP	–0.2	1.1	1.6	2.0	0.6	0.1	–	–	–
Consumer confidence (value)	37.2	34.7	34.7	32.8	34.6	36.8	37.2	37.9	40.0
Industrial production	–3.0	1.2	2.5	0.8	0.6	1.0	0.8	4.1	...
Business activity index (Tankan) (value)	12.8	13.5	12.0	13.0	14.0	15.0	–	–	–
Unemployment rate (% lab. force)	2.5	2.5	2.5	2.5	2.5	2.6	2.6	2.7	...
Trade balance ¹ (% GDP)	–1.0	–0.6	–0.9	–0.7	–0.5	–0.4	–0.4	–0.2	...
Prices									
Headline inflation	2.7	3.2	3.8	3.4	2.9	2.7	2.1	1.5	...
Core inflation	2.4	3.0	2.7	3.2	3.2	3.0	2.9	2.7	...

CHINA

	2024	2025	Q1 2025	Q2 2025	Q3 2025	Q4 2025	12/25	01/26	02/26
Activity									
Real GDP	5.0	5.0	5.4	5.2	4.8	4.5	–	–	–
Retail sales	3.3	3.8	3.6	4.4	2.4	0.7	0.9	...	...
Industrial production	5.6	5.9	6.8	6.2	5.8	5.0	5.2	...	...
PMI manufacturing (value)	49.8	49.6	49.9	49.4	49.5	49.4	50.1	49.3	49.0
Foreign sector									
Trade balance ^{1,2}	997	1,194	1,086	1,146	1,176	1,194	1,194	...	...
Exports	4.6	5.5	5.7	6.0	6.5	3.8	6.6	...	...
Imports	1.0	0.0	–6.9	–0.8	4.4	2.9	5.7	...	...
Prices									
Headline inflation	0.2	0.1	–0.1	0.0	–0.2	0.6	0.8	0.2	...
Official interest rate ³	3.1	3.0	3.1	3.0	3.0	3.0	3.0	3.0	3.0
Renminbi per dollar	7.2	7.2	7.3	7.2	7.2	7.1	7.0	7.0	6.9

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

	2024	2025	Q1 2025	Q2 2025	Q3 2025	Q4 2025	12/25	01/26	02/26
Retail sales (year-on-year change)	1.2	2.3	2.4	3.0	1.9	2.0	1.3	...	...
Industrial production (year-on-year change)	-3.0	1.5	1.5	1.3	1.5	1.8	1.2	...	...
Consumer confidence	-12.6	-13.4	-12.7	-14.3	-13.6	-12.9	-13.2	-12.4	-12.2
Economic sentiment	95.9	95.9	95.9	94.7	95.9	97.2	97.0	99.3	98.3
Manufacturing PMI	45.9	49.1	47.6	49.3	50.1	49.5	48.8	49.8	50.8
Services PMI	51.5	51.3	51.0	50.1	50.9	53.0	52.4	51.6	51.9
Labour market									
Employment (people) (year-on-year change)	0.9	0.7	0.8	0.7	0.6	0.7	-	-	-
Unemployment rate (% labour force)	6.4	6.4	6.3	6.4	6.4	6.3	6.3	6.2	...
Germany (% labour force)	3.4	3.8	3.6	3.7	3.8	3.9	4.0	4.0	...
France (% labour force)	7.4	7.7	7.5	7.6	7.7	7.9	7.8	7.7	...
Italy (% labour force)	6.6	6.1	6.3	6.3	6.0	5.6	5.5	5.1	...
Real GDP (year-on-year change)	0.8	1.5	1.6	1.5	1.4	1.3	-	-	-
Germany (year-on-year change)	-0.5	0.4	0.3	0.4	0.3	0.4	-	-	-
France (year-on-year change)	1.1	0.9	0.7	0.8	1.0	1.2	-	-	-
Italy (year-on-year change)	0.6	0.7	0.7	0.5	0.7	0.8	-	-	-

Prices

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

	2024	2025	Q1 2025	Q2 2025	Q3 2025	Q4 2025	12/25	01/26	02/26
General	2.4	2.1	2.3	2.0	2.1	2.1	2.0	1.7	1.9
Core	2.8	2.4	2.6	2.4	2.3	2.4	2.3	2.2	2.4

Foreign sector

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

	2024	2025	Q1 2025	Q2 2025	Q3 2025	Q4 2025	12/25	01/26	02/26
Current balance	3.4	8.6	3.0	3.6	4.7	8.6	8.6	...	...
Germany	5.8	18.0	5.4	6.7	9.3	18.0	18.0	...	...
France	0.1	-1.8	0.0	-0.3	-0.9	-1.8	-1.8	...	...
Italy	1.1	4.9	0.9	1.3	2.4	4.9	4.9	...	...
Nominal effective exchange rate¹ (value)	94.6	96.5	93.2	96.6	98.3	98.0	98.2	97.8	97.7

Credit and deposits of non-financial sectors

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

	2024	2025	Q1 2025	Q2 2025	Q3 2025	Q4 2025	12/25	01/26	02/26
Private sector financing									
Credit to non-financial firms ²	0.8	2.7	2.2	2.6	2.9	3.0	3.0	2.8	...
Credit to households ^{2,3}	0.5	2.2	1.5	2.1	2.5	2.9	3.0	3.0	...
Interest rate on loans to non-financial firms ⁴ (%)	4.9	3.4	3.9	3.4	3.2	3.3	3.4	3.3	...
Interest rate on loans to households for house purchases ⁵ (%)	4.6	3.7	4.0	3.7	3.6	3.5	3.6	3.5	...
Deposits									
On demand deposits	-3.9	5.0	3.7	5.3	5.5	5.4	5.2	5.8	...
Other short-term deposits	12.3	-0.1	2.3	-0.1	-1.5	-1.0	-0.4	-0.6	...
Marketable instruments	20.0	7.7	14.6	11.0	4.4	1.0	-0.6	1.6	...
Interest rate on deposits up to 1 year from households (%)	3.0	1.9	2.2	1.9	1.7	1.8	1.8	1.8	...

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

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

The Spanish economy: between resilience and slowdown

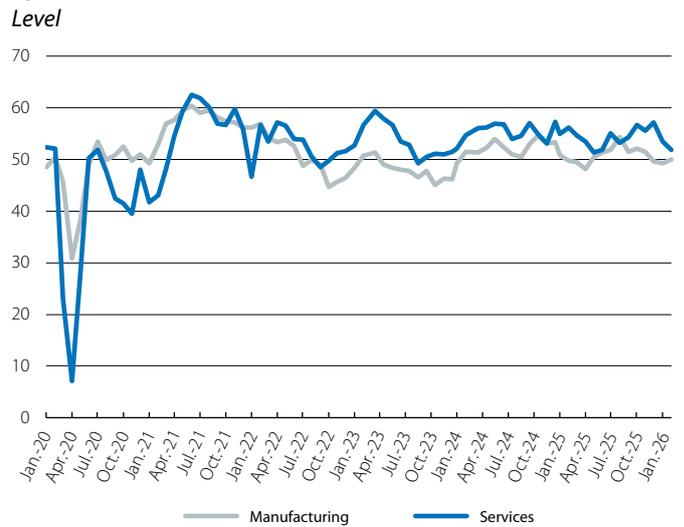
The Spanish economy closed 2025 with solid growth and has kicked off 2026 with figures that remain strong, albeit somewhat lower than those of last year. Together, the indicators published to date are consistent with CaixaBank Research’s forecast scenario, set out in the Focus [«The Spanish economy in 2026»](#) in this same *Monthly Report*, which anticipates GDP growth of 2.4% for this year. This allows the economy to tackle the potential consequences of the war that has erupted in the Middle East from a somewhat more comfortable position compared to other economies, but it is still too early to assess the consequences it could have. These will largely depend on the duration of the conflict and its impact on energy prices, trade routes and, ultimately, on global financial conditions and agents’ confidence. Right now, the risks are clearly skewed to the downside.

Consumption and employment on the rise. The available indicators for Q1 show an economy that remains resilient, especially in the face of the bad weather that has affected several regions at the start of the year. On one hand, the [CaixaBank Research Consumption Tracker](#) reflects the impact of the adverse weather during the first few weeks of February, although the latest data already show a clear improvement. Thus, while in the first fortnight of the month consumer spending barely grew in year-on-year terms, in the second week, it gained momentum and increased by an average of 3.2%. For reference, in Q4 2025, the growth rate stood at 4.6%. Beyond the aggregate figures, it is worth noting that the slowdown was concentrated in fashion, transport, and leisure and hospitality, while spending in other categories has rebounded.

The labour market has also shown improvement at the start of the year. In January, the rate of job creation was just 17,000 social security affiliates in month-on-month and seasonally adjusted terms, far from the 42,000 recorded on average in 2025. In contrast, in February the increase was 45,000 affiliates, a figure consistent with the dynamic growth rate of the past year and indicating that the dip at the beginning of 2026 was temporary. In fact, in the first two months of the year, the average seasonally adjusted rate of job creation reached 31,000 affiliates per month. If this trend continues throughout the year, new registrations in 2026 would exceed approximately 375,000, only just shy of the forecast of 400,000 net affiliations, excluding the effect of the exceptional amnesty announced by the government.

Economic activity growth moderates. On the supply side, the PMIs also suggest that the growth rate remains positive and relatively dynamic, albeit probably somewhat more moderate. On the one hand, the manufacturing PMI appears to have bottomed out after several months of weakening, although it remains at relatively low levels. Specifically, in

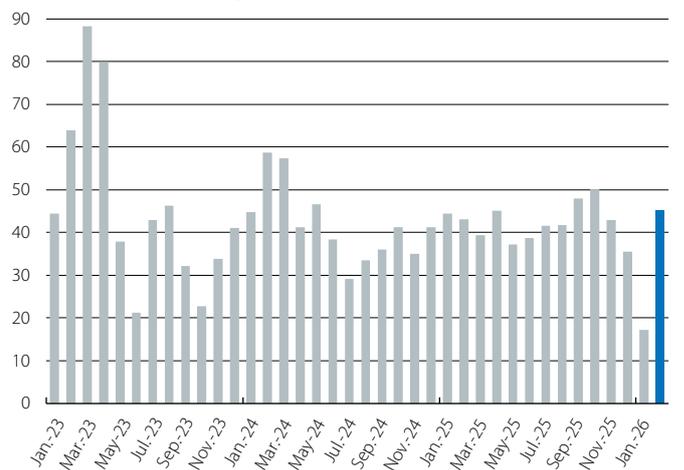
Spain: PMI



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

Spain: Social Security affiliates*

Month-on-month change (thousands of people)

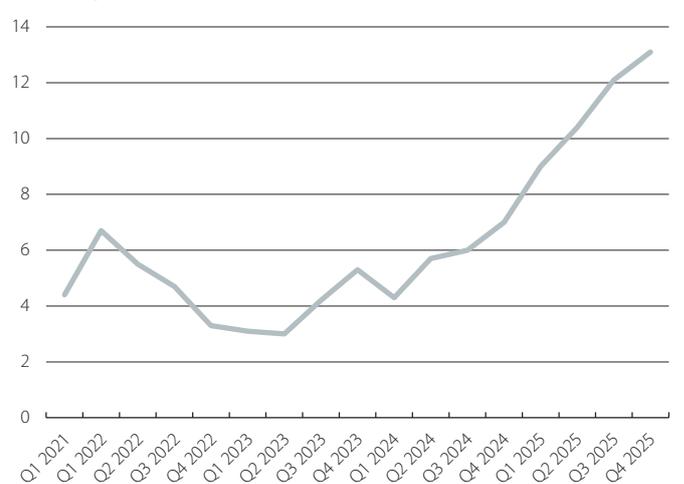


Note: * Seasonally adjusted series.

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

Spain: house prices

Year-on-year change (%)



Source: CaixaBank Research, based on data from the Ministry of Housing and Urban Agenda (MIVAU).

February it stood at 50 points, a level that typically delineates expansive territory from the contractive one, and slightly higher than the January figure. However, the average for Q1 stands at 49.6 points, well below the 51.1 points of Q4 2025. The services PMI is also weakening compared to the figures recorded at the end of 2025. In February, it stood at 51.9 points, leaving the average for the first quarter of 2026 to date at 52.7 points, well below the figures recorded at the end of 2025.

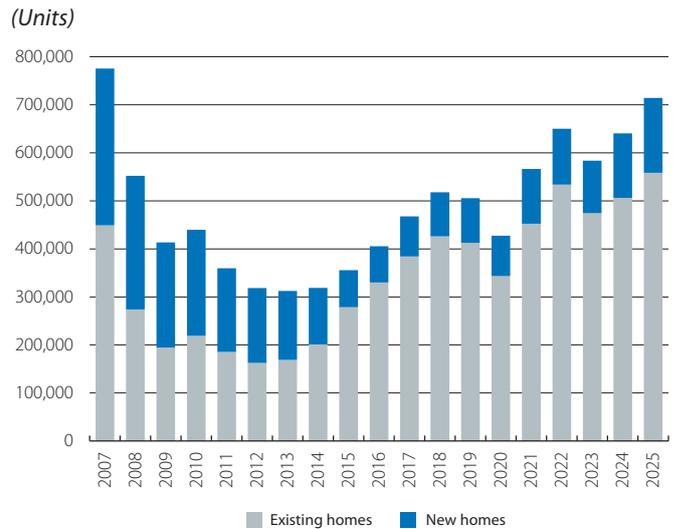
The demand for housing stabilises. The housing market is showing a trend similar to that of other indicators: the level of activity is high, but the growth rate is losing momentum. This is reflected in the trend in sales: 2025 closed with 714,237 transactions, a historically high level (between 2014 and 2019 an average of 428,000 sales were closed per year). However, the growth rate has been weakening in recent months: during the first half of the year, the average growth in sales was 20.9% year-on-year, a figure that contrasts with the 4.5% average in the second half.

In any case, the pressure from demand continues to be reflected in prices in a context where supply is growing at a more moderate pace. The appraisal value of unsubsidised housing according to the Ministry of Housing and Urban Agenda (MIVAU) rose by 13.1% year-on-year in Q4, the largest increase of the current cycle. Although prices are reaching new nominal highs, in real terms they remain 25% below 2007 levels. Taken together, the recent data reinforce a scenario characterised by the structural housing deficit, which is likely to continue exerting pressure on prices.

Inflation stabilises at moderate levels. The moderate slowdown of the Spanish economy is being accompanied by a reduction in inflationary pressures. In February, inflation remained at 2.3%, far from the figures of nearly 3% recorded at the end of 2025. Our forecast scenario anticipates that inflation will stabilise at levels similar to the current ones, which should help the growth of private consumption, and that of economic activity in general, to remain dynamic. However, the rise in energy prices triggered by the war that has erupted in the Middle East could reignite inflationary pressures in the coming months.

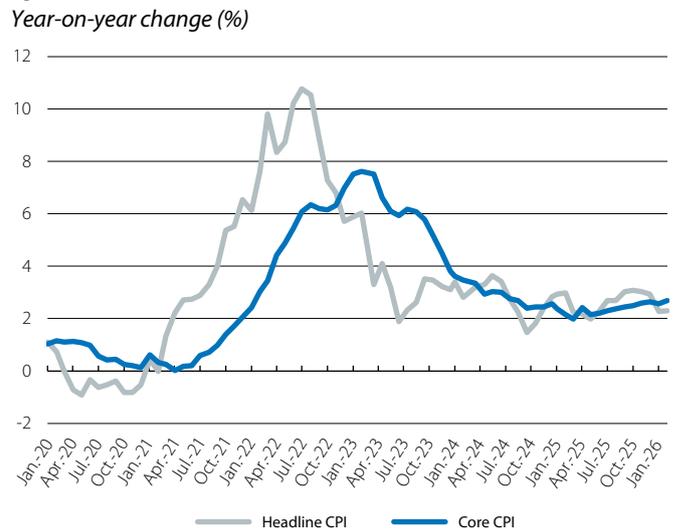
The current account holds up despite the deterioration of the international context. Despite the challenging international context, the foreign sector has remained a source of support for the Spanish economy to date. In 2025, the current account closed with a surplus of 2.9% of GDP, a level slightly below the 3.2% of the previous year, but still above the 2.3% average recorded during the period 2014-2019. Beneath this overall result lie opposing dynamics. On one hand, the trade balance deteriorated significantly in an environment marked by higher tariffs and reduced trade flows with the US. However, this deterioration was offset by the improvement in the services surplus, which reached 7.1% of GDP, thanks to the dynamism of non-tourism service exports, while the tourism surplus recorded a slight slowdown.

Spain: house sales



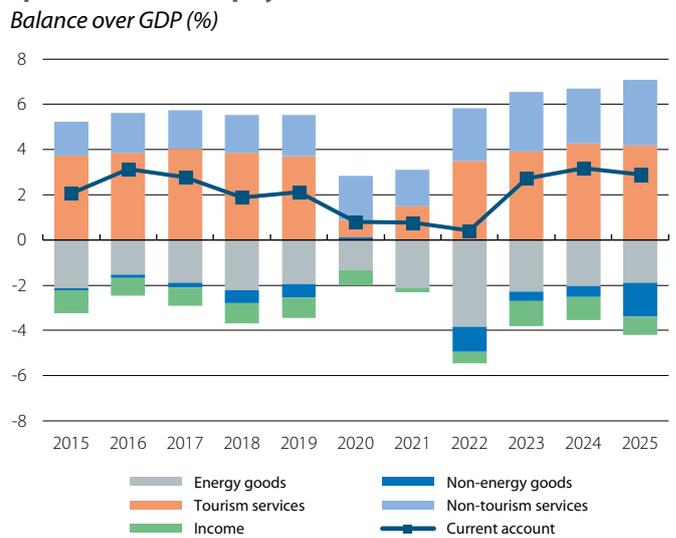
Source: CaixaBank Research, based on data from the National Statistics Institute (INE).

Spain: CPI



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

Spain: balance of payments



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

The Spanish economy in 2026

CaixaBank Research’s forecast scenario for the Spanish economy, which was finalised before the outbreak of the war in Iran, anticipates dynamic growth in 2026, albeit more moderate than that of recent years. Domestic demand, and especially private consumption and investment, began the year with sufficient momentum to enjoy strong growth and continue leading the recovery. However, the outbreak of the conflict in the Middle East opens a new chapter of global economic and political uncertainty.

The economic consequences of this conflict will depend on its regional scope and duration, as well as the damage sustained by the region’s energy infrastructure. In this regard, it is still too early to assess the impact it could have on the Spanish economy. At the close of this report, energy prices have risen significantly, but the markets are anticipating that this could be a temporary spike; the increase in inflation expectations has also been moderate, and sovereign risk premiums remain relatively low. These are some of the channels through which the Spanish economy could be affected, so they should be closely monitored over the coming months.

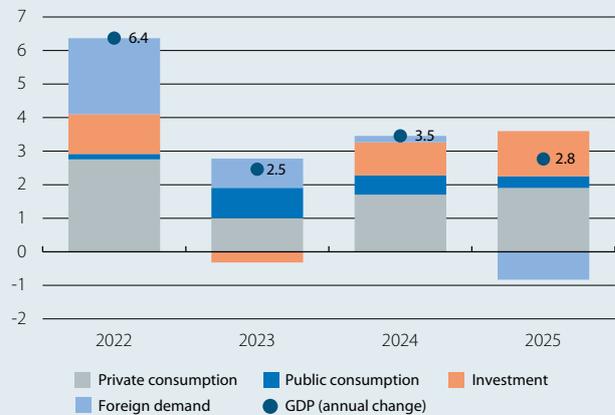
The economy ended 2025 on a strong note

2025 was a good year for the Spanish economy. Despite the tariff challenges, GDP advanced by an impressive 2.8%, almost double the 1.5% recorded by the euro area as a whole. The composition of growth confirmed the shift in growth drivers. Domestic demand, particularly private consumption and investment, drove the expansion, while net foreign demand reduced growth for the first time in years (see chart). This negative contribution does not mean a loss of competitiveness – as we explain in the Focus [«Spanish exports amid challenges to their competitiveness»](#) in this same *Monthly Report* – but rather reflects the weak growth of our main trading partner, the protectionist shift in the US and the sharp increase in imports linked to investment and, to a lesser extent, consumption.

Growth in Q4 2025 was better than expected: GDP increased by 0.8% quarter-on-quarter, exceeding the initial forecast of 0.5%. Similarly to the entire year, the impetus came from private consumption and investment, while the foreign sector detracted from growth despite the rise in exports. This positive surprise places the Spanish economy in a better starting position to face 2026, and mechanically adds 0.2 pps to the annual growth forecast due to the so-called carry-over effect.

Following the strong end to 2025, the available indicators for economic activity, employment and consumption in

Spain: contributions to GDP growth
(pps and annual change)



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

2026 to date present a more mixed picture. The initial Social Security affiliation data and the PMIs show a slight moderation compared to the previous quarter, partly due to disruptions caused by the bad weather. The CaixaBank Research consumption indicator also shows a temporary loss of momentum due to the bad weather: in January, it grew by 4.0% year-on-year, a very similar figure to that of 2025; in the first two weeks of February, the growth rate fell below 1%, but the latest data already suggest a certain recovery. The forecast scenario anticipates growth of 0.5% in Q1 2026, but in light of all this, the risks have shifted to the downside.

Underlying assumptions of the scenario

The Spanish economy has benefited from several dynamics that could persist and continue to drive economic activity. The population grew by 1.0% in 2025, well above the average rate of 0.4% recorded between 2014 and 2019, mainly due to immigration flows. Although these flows may moderate, they are likely to continue supporting demographic growth in the coming years.

The labour market has managed to absorb the population increase, and the employment rate – employed persons as a proportion of the population aged over 16 – continued to grow, rising from 52.1% in 2024 to 52.8% in 2025. Our scenario assumes that this trend will continue in the coming quarters, as we do not observe any clear signs of stress. Proof of this is that the CaixaBank Research wage indicator shows that private sector wages grew by 2.7% on average in 2025, below the 3.3% recorded in 2024, suggesting an absence of widespread wage pressures.

Additionally, in 2025, a strong investment cycle began, particularly in capital goods. This type of cycle tends to show high persistence, so as long as the macro-financial conditions remain accommodative and there is not a persistent increase in uncertainty, investment could remain relatively dynamic over the coming years.

At the international level, the main uncertainty is the price of energy. Before the outbreak of the conflict, we were anticipating a steady moderation. In the early stages of the conflict, Brent oil and natural gas prices have surged. Nevertheless, they are still lower than those recorded in 2022. If this price spike is short-lived, then its impact on growth and inflation would be limited to just a few fractions of a percentage point. Under this assumption, the inflationary disturbance would be temporary and the ECB could keep interest rates at their current levels. However, the uncertainty is particularly high in this area.

Regarding foreign markets, the forecast scenario is based on the assumption of moderate growth in the main export destinations, of around 2% in 2026 (2.8% in 2025, 4.3% between 2017 and 2019), but it could be lower depending on how the conflict in the Middle East develops.¹ Therefore, Spanish exports are likely to continue to grow at a moderate pace.

Forecast scenario

The forecast scenario assumes that in 2026 the Spanish economy will retain much of the dynamics that characterised 2025, although they could be more or less affected depending on how the conflict in Iran pans out. In principle, domestic demand – sustained by consumption and investment – could continue to be the main driver of growth. In contrast, exports are expected to play a more subdued role due to the weakness of global trade. At the same time, the anticipated increase in imports to meet domestic demand would mean that foreign demand will detract from growth. Following the 2.8% recorded in 2025, the scenario anticipates GDP growth of 2.4% in 2026 and of 2.0% in 2027.

Private consumption could be supported by interest rate cuts, demographic growth driven by immigration,

the strength of the labour market and the gradual reduction of the savings rate. Investment, for its part, could also benefit from lower interest rates and the continued support of NGEU funds. 2026 is a crucial year for these funds, as it marks the programme's final year. Our forecast scenario assumes that they will be executed in their entirety before the deadline, which would involve a slight acceleration in the pace of execution. While around 15 billion was executed annually between 2023 and 2025 on average, it is assumed that around 16 billion will be executed in 2026. By component, we anticipate a greater boost in residential investment, while investment in equipment is expected to grow at a more moderate pace.

On the other hand, the scenario envisages a moderation of inflation to around 2.4%, compared to 2.7% in 2025. However, the surge in energy prices triggered by the conflict in the Middle East introduces upside risks in this regard. Beyond the doubts about the future evolution of the energy component, services prices continue to show resistance to moderation and there has been a certain resurgence of food price pressures.

There is also significant uncertainty surrounding forecasts for the labour market. It ended 2025 on a very strong note, even accelerating the growth rate in the final part of the year. In this context, employment growth began 2026 with a relatively favourable outlook, as reflected in our forecast scenario, which anticipates a 2.3% increase in employment this year and a reduction in the unemployment rate to as low as 9.8%. However, in this sphere, the impact of the war in the Middle East could also be felt if it affects energy prices, global trade or financial conditions.

In short, the Spanish economy began the year with sufficient support to continue growing at a strong pace, but the outbreak of the war in Iran once again makes any forecasting exercise very difficult. Its impact will depend on the duration, intensity and geographical scope of the conflict. In order to gauge this, over the coming months it will be necessary to closely monitor the expected magnitude and persistence of the energy price rally and the potential impacts on global trade flows, as well as the resilience of financial conditions.

Oriol Carreras Baquer

1. For further information about the calculation for the export markets, see the article [«How will the Spanish economy be affected by the performance of its main export markets?»](#), in the MR11/2025.

Spain's foreign sector performed better than expected in 2025

The challenging international environment in 2025 – marked by US tariff hikes, the slowdown in global trade and heightened uncertainty – foreshadowed a significant deterioration in Spain's current account balance, which had been performing excellently with uninterrupted surpluses since 2012. These factors led us, in mid-2025, to revise downwards the current account surplus forecast to 2.3% of GDP. However, the balance has ended up being better than expected, thanks to other more favourable factors, such as the containment of international energy prices and the dynamism of service exports, including both tourism services and, above all, non-tourism services. Consequently, the deterioration of the current account balance was very limited, resulting in a surplus of 2.9% of GDP, just 0.3 percentage points below the historic figure of 2024.

By component, the deficit of the income balance in 2025 stood at 0.8% of GDP, slightly lower than the previous year's figure (1.0%), but very similar to the average recorded since 2014. This balance, which shows a chronic deficit linked to the Spanish economy's debtor position vis-à-vis the exterior,¹ is mainly linked to interest and dividend payments to foreign investors (primary income) and to current transfers from the EU, notably the NGEU funds (secondary income). With still incomplete information (January-September), the sharp correction of the primary income deficit (-0.2% of GDP vs. -0.4% a year earlier), resulting from the fall in interest rates, contrasts with the stabilisation of the secondary income deficit (-0.7% of GDP).

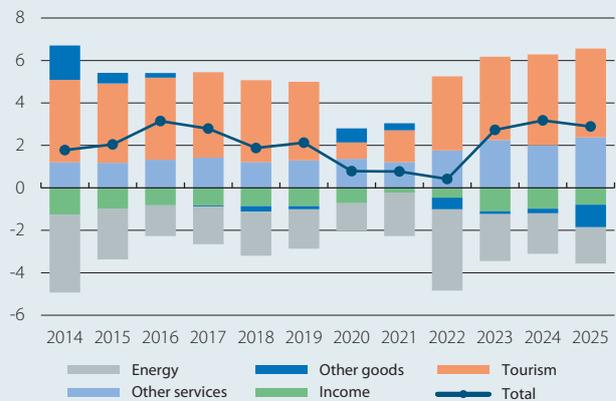
As for the trade deficit in goods, it rose sharply to 2.8% of GDP (2.1% in 2024),² weighed down by the significant deterioration in the balance of non-energy goods, in a context of buoyant domestic demand that boosted imports, especially of capital goods, and a slowdown in foreign demand, in line with the weak performance of the euro area, the main destination for our exports. Other factors contributing to the weaker performance of exports include the strength of the euro (which appreciated by almost 14% against the dollar) and increased international competition, exacerbated by global tariff tensions and market diversification strategies. All this explains the meagre growth of Spain's non-energy exports, of just 1.8%, a rate well below that

1. See the Focus «[The income balance suffers at the hand of the rate hikes](#)» in the MR04/2024.

2. This is an estimate, as the final data for the goods account of the balance of payments will not be known until 24 March. The balance in terms of the balance of payments is slightly different from the balance in terms of customs. For more information on the differences between the two, see the Focus «[Excellent records in the foreign sector in 2024](#)» in the MR03/2025.

Spain: current account balance

(% of GDP)



Note: Trade data for energy goods according to the SITC (Standard International Trade Classification).

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

Spain: contribution to the change in the trade deficit in 2025

(pps)



Source: CaixaBank Research, based on data from DataComex.

of imports (6.7%). The energy balance, meanwhile, performed more favourably and its traditional deficit registered a significant correction, in line with the reduced price of imports (the price of a barrel of Brent oil fell by 18.6% in dollars).

One of the key elements of the international landscape in 2025 was the US tariff hikes. The exposure of the Spanish export sector to the North American economy is limited (as of 2024, exports of Spanish goods to the US account for 1.1% of GDP, compared to 3.2% in the case of the EU), and this has cushioned the direct impact.³ However, the sharp decline in sales to the US (-8.0%), especially of oils, chemicals and crude oil derivatives, is compounded by

3. For more information, see the article «[Tariff tensions and reconfiguration of trade flows: impact on Spain](#)» in the Sectoral Observatory S1 2025.

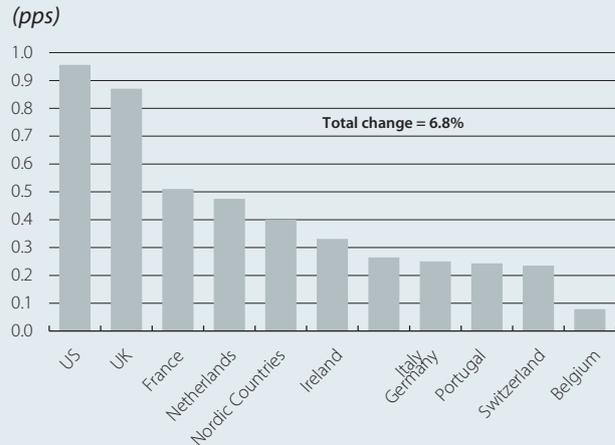
vigorous imports (+7.0%), driven in recent years by the energy sector.⁴ This results in a notable widening of the trade deficit with the US, which, in turn, accounts for a substantial part of the deterioration in the overall balance of trade (see second chart).

As for the balance of trade in services, it continues to register record surpluses. On the one hand, tourism has once again become the driving force of the current account, demonstrating great resilience despite the global economic slowdown, with a surplus that remained very close to its peak (4.2% of GDP vs. 4.3% previously).⁵ The depreciation of the dollar against the euro, meanwhile, did not reduce the influx of travellers from the US, which is one of the source markets with the highest average spending.⁶ On the contrary, it was the market that contributed the most to the growth of total expenditure and, among non-European markets, the one that contributed the most to the growth in tourist arrivals (see third chart).

As for non-tourism services, which have been gaining prominence in Spain's foreign sector in recent years, they performed better than expected. Sectors such as transportation, financial services, consultancy, and digital services experienced very strong growth, supported by the growing trend of outsourcing among European firms and the consolidation of Spain as a hub for advanced corporate services. This dynamism allowed the surplus of this sub-balance to rise by 0.4 percentage points, to 2.4% of GDP, marking a new all-time high. With data up to September, exports are growing at twice the rate of imports (15.4% year-on-year vs. 7.7%), resulting in a 33.0% year-on-year surge in the surplus. By type of service, only intellectual property and insurance and pensions show deficits, while transportation has registered a notable improvement in its surplus.

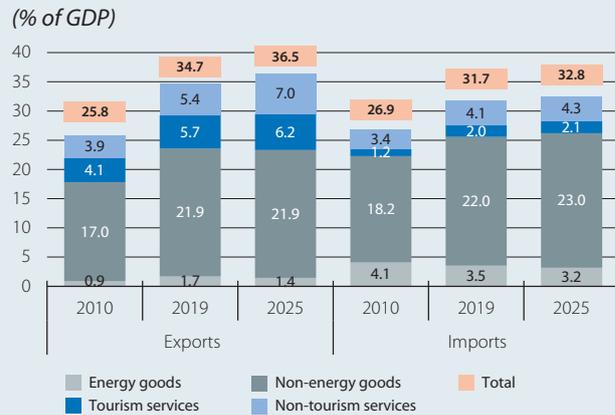
Ultimately, the 2025 data reinforce the diagnosis of a robust Spanish export sector. Taking a longer-term view, the current account surplus between 2023 and 2025 averaged 0.6 pps above the 2017-2019 average. The significant increase in recent decades in the share of non-energy goods and services exports – both tourism and non-tourism – (see last chart) reflects a growing diversification of the foreign sector. In this context, and as set out in the Focus [«Spanish exports amid challenges to their competitiveness»](#) in this same report, the deterioration of the balance of trade in non-energy goods this year seems to be primarily explained by the

Spain: contribution to the change in tourism expenditure in 2025



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

Spain: exports and imports of goods and services



Note: Trade data for goods according to the SITC (Standard International Trade Classification). Source: CaixaBank Research, based on data from the National Statistics Institute and the Bank of Spain.

weakness of our main trading partners and by the increase in imports linked to the rebound in investment, rather than by a deterioration in competitiveness.

Sergio Díaz Valverde

4. Since the outbreak of the war in Ukraine, dependence on US liquefied natural gas (LNG) has surged. See the Focus [«The importance of the trade in goods between Spain and the United States»](#) in the MR12/2024.
 5. This slight reduction in the surplus is mainly due to the strong growth in tourism payments, which far exceeds that of income (15.3% vs. 6.9%)
 6. The average expenditure per American tourist was 2,296 euros, 65% above the average (1,392 euros).

Spanish exports amid challenges to their competitiveness

In the last three years, Spain's foreign sector has significantly improved its position: the current account surplus went from representing 0.4% of GDP in 2022 to nearly 3% of GDP in 2025, which reflects a greater lending capacity relative to the rest of the world. However, this improvement has occurred in a context in which Spain's inflation has remained slightly above the euro area average over the last two years, as well as coinciding with an appreciation of the euro against the dollar in this period. In light of the potential increase in export prices resulting from these conditions, we assess the impact on the price and cost competitiveness of export sales and we analyse Spain's current share of exports in a global scenario marked by rising trade tensions where the margins for competition appear to be narrowing.

As a measure of price competitiveness, we will use the real effective exchange rate (REER), which measures Spain's nominal exchange rate averaged against a set of trading partners, adjusted for relative inflation according to the harmonised index of consumer prices. The adjustment for inflation captures the differences in consumer prices between Spain and its counterparts. Therefore, if the REER rises, it means that Spain loses competitiveness, as its exports become more expensive and imports become relatively cheaper, and vice versa.

In the first chart, we compare the REER against the euro area and a group of 37 industrialised countries. In comparison with the euro area, given that Spain shares the same currency, the nominal exchange rate component does not operate and the reading equates to a comparison of relative prices. Following a turning point in the last quarter of 2022 (when inflation in Spain rose less than in other euro area countries), we see a modest deterioration in competitiveness until the last quarter of 2025, which leaves us, nevertheless, in a more competitive position than we had in 2019. Against the group of 37 countries, the recent rise in the REER is more pronounced due to the impact of the appreciation of the euro. Even so, we remain at levels comparable to the pre-pandemic situation.

On the other hand, we can also analyse the evolution of the REER deflated by the unit labour cost (ULC) index instead of inflation. This allows us to assess whether, from the production side, there is any pressure arising from the relationship between wages and productivity that could contribute to a relative increase in costs compared to other countries. In the second chart we can see that, following a peak in the REER during the COVID-19 pandemic due to the sharp rise in ULCs, Spain has clearly regained competitiveness against euro area costs, although it is in a worse position than in 2019.

Spain: real effective exchange rate adjusted for the CPI

Index (100 = 2015)



Note: * «37 industrialised countries» includes the EU-27 plus Australia, Canada, the USA, Japan, Norway, New Zealand, Mexico, Switzerland, the United Kingdom and Turkey.
Source: CaixaBank Research, based on data from Eurostat.

Spain: real effective exchange rate adjusted for unit labour cost

Index (100 = 2015)



Note: * «37 industrialised countries» includes the EU-27 plus Australia, Canada, the USA, Japan, Norway, New Zealand, Mexico, Switzerland, the United Kingdom and Turkey.
Source: CaixaBank Research, based on data from Eurostat.

Against the group of 37 industrialised economies, the improvement that occurred in 2020 has gradually moderated and, after a slight upturn in 2025, the current position is similar to that of 2019.

Taken together, the two charts present a nuanced picture: on the side of final prices, there is solid competitiveness, while the recent slight loss is more attributable to labour costs, which have evolved more favourably compared to the euro area than against the group of 37 industrialised economies, in turn highlighting the effect of the exchange rate appreciation. In order to determine whether these tensions have actually resulted in a setback in our external position, we complement the analysis by examining the evolution of Spain's share of exports of goods and services. This measure is useful because competitiveness can be assessed not only in terms of prices and costs, but also from the perspective

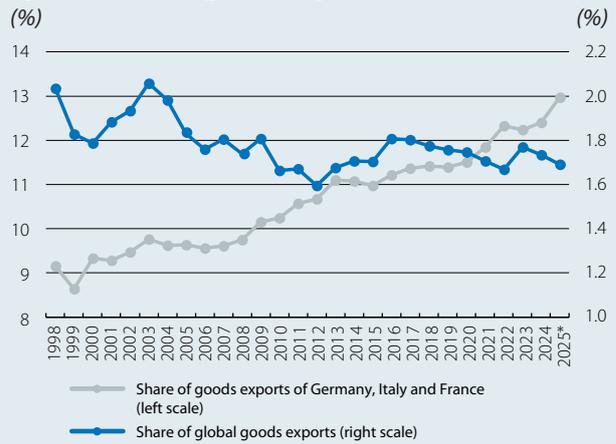
of other dimensions such as innovation, complexity or the level of technology of exports.¹ In this regard, the export share reflects how the set of factors that influence international trade ultimately materialises in foreign sales.

In the third chart, of particular note are Spain's gains over time compared to Germany, Italy, and France: Spain's share of this group's exports of goods has continued to increase and now stands at 13%, compared to 11.4% in 2019. This improvement is explained by the fact that, in the period 2020-2025, Spanish exports of goods grew by 30%, compared to a growth rate of 12% in these three countries as a whole. Spain's share of global trade, meanwhile, has remained stable at around 1.7% in recent years, indicating that Spain has not lost its presence in the global trade of goods despite the inflation and exchange rate dynamics. This ability to maintain market share during this period is even more noteworthy in a context in which the export share of China, and of other Asian economies such as Vietnam and Taiwan, has grown inexorably.

Regarding the share of service exports in the global total, in the last year Spain has regained its pre-pandemic level – a particularly positive result when compared to Germany, Italy and France, which are losing share. In parallel, the US, despite remaining the leader in the sector, is losing some ground in the global distribution, while China and the United Kingdom have gained share in recent years. If we analyse tourism services in particular, Spain's performance is especially impressive. Our global share stands at around 6%, ahead of France (around 4%), Italy (3.5%) and Germany (2.5%), and 1 pp above the level recorded in 2019, consolidating Spain as one of the main exporters of tourism services in Europe. If we focus solely on non-tourism services, following the exceptional growth of the sector since 2021, we find that Spain has managed to maintain its market share in an environment with Germany, Italy, France, and the US in retreat. That said, it has not improved this share either, given that the volume of global exports has also increased sharply.

Taken together, the indicators analysed suggest that, despite the inflation gap and the appreciation of the euro in recent years, there has been no significant deterioration in Spain's external competitiveness.

Spain: share of goods exports



Note: * Data up until Q3, trailing four-quarter cumulative total. Source: CaixaBank Research, based on data from the World Trade Organization.

Share of service exports in the global total



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

This, combined with a stable or rising share of exports in both goods and services, suggests that the Spanish economy has managed to maintain its competitive position in a challenging environment. This performance could be associated with a diversification effort by our export sector, or with the ability to compete in other dimensions, which may have partially offset the impact of higher relative prices. All this becomes even more relevant in a global environment in which China continues to expand its influence and where several European economies and even the US have lost ground.

Catalina Becu

1. See the Focus: «Is technology and complexity exported from Spain?» in the MR07/2025.

Activity and employment indicators

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

	2024	2025	Q1 2025	Q2 2025	Q3 2025	Q4 2025	12/25	01/26	02/26
Industry									
Industrial production index	0.4	1.3	-0.6	1.5	2.5	1.7	-0.3	0.3	...
Indicator of confidence in industry (value)	-4.9	-4.8	-5.0	-5.4	-5.0	-3.8	-3.5	-2.5	-2.2
Manufacturing PMI (value)	52.2	50.9	50.0	50.0	52.6	51.1	49.6	49.2	50.0
Construction									
Building permits (cumulative over 12 months)	16.7	8.8	20.1	14.8	7.9	8.8	8.8	...	...
House sales (cumulative over 12 months)	9.7	11.5	17.0	22.9	18.7	11.5	11.5	...	...
House prices	8.4	...	12.2	12.7	12.8	...	...	...	...
Services									
Foreign tourists (cumulative over 12 months)	10.1	3.2	8.1	6.3	4.3	3.2	3.2	3.0	...
Services PMI (value)	55.3	54.5	55.3	52.2	54.2	56.4	57.1	53.5	51.9
Consumption									
Retail sales ¹	1.8	4.3	3.4	5.1	4.5	4.3	2.9	...	...
Car registrations	7.2	12.9	14.0	13.7	16.9	8.0	-2.2	1.1	7.5
Economic sentiment indicator (value)	103.1	103.1	103.3	102.1	102.7	104.4	104.6	106.2	106.2
Labour market									
Employment ²	2.2	2.6	2.4	2.7	2.6	2.8	...	...	...
Unemployment rate (% labour force)	11.3	10.5	11.4	10.3	10.5	9.9	...	...	...
Registered as employed with Social Security ³	2.4	2.3	2.3	2.2	2.3	2.4	2.4	2.3	...
GDP	3.5	2.8	3.0	2.8	2.7	2.6	...	...	...

Prices

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

	2024	2025	Q1 2025	Q2 2025	Q3 2025	Q4 2025	12/25	01/26	02/26
General	2.8	2.7	2.7	2.2	2.8	3.0	2.9	2.3	2.3
Core	2.9	2.3	2.2	2.3	2.4	2.6	2.6	2.6	2.7

Foreign sector

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

	2024	2025	Q1 2025	Q2 2025	Q3 2025	Q4 2025	12/25	01/26	02/26
Trade of goods									
Exports (year-on-year change, cumulative over 12 months)	0.2	0.7	3.3	2.0	0.8	0.7	0.7	...	...
Imports (year-on-year change, cumulative over 12 months)	0.1	4.6	4.2	4.1	4.6	4.6	4.6	...	...
Current balance	50.7	48.7	47.8	48.6	48.7	48.7	48.7	...	...
Goods and services	66.3	62.6	63.5	63.7	62.1	62.6	62.6	...	...
Primary and secondary income	-15.7	-13.8	-15.7	-15.1	-13.4	-13.8	-13.8	...	...
Net lending (+) / borrowing (-) capacity	68.7	67.4	66.6	67.6	67.1	67.4	67.4	...	...

Credit and deposits in non-financial sectors⁴

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

	2024	2025	Q1 2025	Q2 2025	Q3 2025	Q4 2025	12/25	01/26	02/26
Deposits									
Household and company deposits	5.1	4.8	4.6	3.9	4.9	4.8	4.8	5.1	...
Demand and notice deposits	2.0	6.7	3.1	5.0	7.2	6.7	6.7	7.2	...
Time and repo deposits	23.5	-4.7	12.6	-1.5	-6.6	-4.7	-4.7	-4.9	...
General government deposits ⁵	23.1	4.9	24.4	25.5	7.2	4.9	4.9	5.3	...
TOTAL	6.3	4.8	5.9	5.4	5.1	4.8	4.8	5.2	...
Outstanding balance of credit									
Private sector	0.7	3.5	1.7	2.6	2.8	3.5	3.5	3.4	...
Non-financial firms	0.4	2.9	1.6	2.5	2.3	2.9	2.9	2.6	...
Households - housing	0.3	3.5	1.4	2.3	2.9	3.5	3.5	3.7	...
Households - other purposes	2.3	4.5	3.1	-261.4	-278.2	4.5	4.5	4.7	...
General government	-2.6	10.7	-0.3	5.3	12.9	10.7	10.7	6.6	...
TOTAL	0.5	3.9	1.6	2.7	3.4	3.9	3.9	3.6	...
NPL ratio (%)⁶	3.3	2.7	3.2	3.0	2.9	2.7	2.7	...	...

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.

Stormy start to the year for the Portuguese economy

In 2025, the Portuguese economy grew by 1.9%, driven by domestic demand, which contributed 3.7 pps, largely due to the growth of private consumption. The contribution from foreign demand was negative (-1.8 pps), resulting from a sharp slowdown in exports (0.4% vs. 3.2% in 2024), while imports continued to grow at a steady pace, driven by dynamic consumption and investment. In Q4, quarter-on-quarter growth stood at 0.9% (revised +0.1 pps), which places the carry-over effect for 2026 at 1.2% (i.e. the annual growth if a quarter-on-quarter growth of 0% were recorded in all four quarters). In this context, we have revised upwards the expected growth for this year to 2.1% (vs. 2.0% previously).

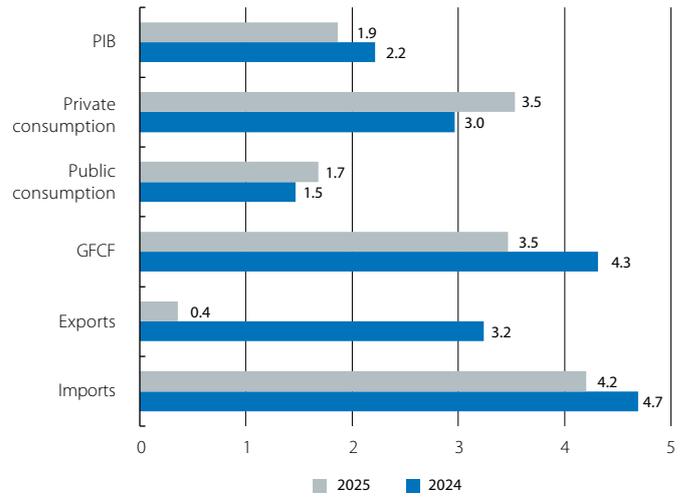
The forecast for 2026 incorporates the impacts that adverse weather conditions could have on economic growth.

Although the magnitude of the effect of these events is still uncertain, we can expect to see a negative impact in Q1 and a boost to activity in the following quarters, driven by the recovery of activity and the reconstruction efforts in the affected areas, which could almost entirely offset the losses recorded at the beginning of the year (not yet fully accounted for). The sentiment indicators for February – which already include the period of these storms – reveal a positive trend. The European Commission’s Economic Sentiment Indicator (ESI) improved compared to January (104.3 points vs. 103.4 previously), while the National Statistics Institute’s economic climate indicator also rose, with improvements in services and industry. In contrast, sentiment in the construction and trade sectors deteriorated, as did consumer sentiment.

The CPI rises again in February. Headline inflation stood at 2.1%, compared to 1.9% in January, driven by the sharp month-on-month rise in unprocessed food prices (+0.5%) and energy prices (+0.9%). The impact of the storms may have exerted additional pressure on unprocessed food prices, and this effect could persist throughout the year, in a category that already recorded high inflation last year. The core index remained contained below 2%, standing at 1.9% (vs. 1.8% previously).

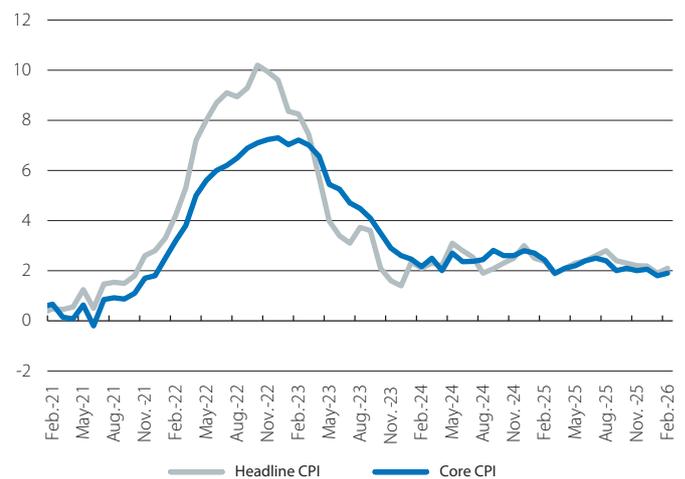
The current account balance decreased in 2025. In the year as a whole, it recorded a surplus of 1.2% of GDP (3.8 billion euros), representing a 1.0-pp reduction versus the 2024 figure. This pattern is justified by an increase in the deficit of the balance of trade in goods (+3.95 billion euros compared to 2024), as a result of the increase in imports (+2.71 billion euros) and the decrease in exports (-1.24 billion euros). On the other hand, the surplus of the services balance increased (+1.26 billion euros compared to 2024), mainly due to the rise in tourism exports. The available data show that the tourism sector remained buoyant in Q1. In January, the number of guests was up 3.8% year-on-year, with overnight stays by residents showing a trend of higher growth. We maintain a stable growth outlook, amid global dynamism in the sector.

Portugal: GDP Annual change (%)



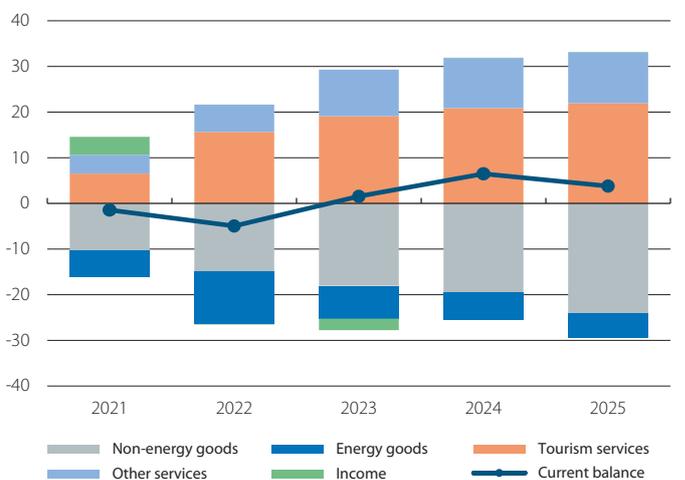
Source: CaixaBank Research, based on data from the National Statistics Institute of Portugal.

Portugal: CPI Year-on-year change (%)



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

Portugal: current account Annual total (EUR billions)



Source: CaixaBank Research, based on data from Refinitiv.

Activity and employment indicators

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

	2024	2025	Q1 2025	Q2 2025	Q3 2025	Q4 2025	12/25	01/26	02/26
Coincident economic activity index	2.0	2.0	1.9	1.8	2.0	2.2	2.2	2.2	...
Industry									
Industrial production index	0.8	0.5	-2.3	1.2	2.8	0.5	1.8	1.2	...
Confidence indicator in industry (<i>value</i>)	-6.2	-4.0	-5.1	-4.8	-3.4	-2.8	-2.0	-1.4	-2.1
Construction									
Building permits - new housing (number of homes)	6.5	...	40.2	19.5	7.9	...	...	...	...
House sales	14.5	...	25.0	15.5	3.8	...	-	-	-
House prices (<i>euro/m² - valuation</i>)	8.5	17.4	15.8	17.4	18.2	18.4	19.1	18.7	...
Services									
Foreign tourists (<i>cumulative over 12 months</i>)	6.3	1.9	4.6	4.1	2.6	1.9	1.9	1.7	...
Confidence indicator in services (<i>value</i>)	5.6	10.1	12.5	6.6	12.9	8.4	6.6	4.7	5.0
Consumption									
Retail sales	3.3	4.8	4.5	4.8	5.4	4.4	2.8	4.6	...
Coincident indicator for private consumption	2.8	3.4	3.9	3.5	3.1	3.1	3.2	3.3	...
Consumer confidence index (<i>value</i>)	-18.0	-16.2	-15.5	-17.9	-16.2	-15.2	-14.5	-14.7	-15.3
Labour market									
Employment	1.2	3.2	2.4	2.9	3.7	3.7	3.6	2.6	...
Unemployment rate (<i>% labour force</i>)	6.4	6.0	6.6	5.9	5.8	5.8	5.6	5.6	...
GDP	2.1	1.9	1.6	1.7	2.2	1.9	-	-	-

Prices

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

	2024	2025	Q1 2025	Q2 2025	Q3 2025	Q4 2025	12/25	01/26	02/26
General	2.4	2.3	2.3	2.2	2.6	2.2	2.2	1.9	2.1
Core	2.5	2.2	2.3	2.3	2.3	2.1	2.1	1.8	1.9

Foreign sector

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

	2024	2025	Q1 2025	Q2 2025	Q3 2025	Q4 2025	12/25	01/26	02/26
Trade of goods									
Exports (<i>year-on-year change, cumulative over 12 months</i>)	2.0	0.5	5.3	4.2	2.0	0.5	0.5	...	...
Imports (<i>year-on-year change, cumulative over 12 months</i>)	2.0	3.9	5.4	7.0	6.7	3.9	3.9	...	...
Current balance	6.5	3.8	4.6	3.5	3.0	3.8	3.8	...	...
Goods and services	6.4	3.7	4.9	4.0	3.5	3.7	3.7	...	...
Primary and secondary income	0.1	0.1	-0.3	-0.5	-0.5	0.1	0.1	...	...
Net lending (+) / borrowing (-) capacity	9.6	8.3	7.9	6.9	7.0	8.3	8.3	...	...

Credit and deposits in non-financial sectors

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

	2024	2025	Q1 2025	Q2 2025	Q3 2025	Q4 2025	12/25	01/26	02/26
Deposits¹									
Household and company deposits	7.5	5.4	6.5	5.4	6.3	5.4	5.4	5.0	...
Sight and savings	-0.3	8.1	5.0	5.1	8.6	8.1	8.1	7.5	...
Term and notice	15.3	3.1	7.8	5.8	4.3	3.1	3.1	2.8	...
General government deposits	26.7	28.7	29.3	39.6	-0.5	28.7	28.7	25.3	...
TOTAL	7.9	6.0	7.1	6.4	6.1	6.0	6.0	5.6	...
Outstanding balance of credit¹									
Private sector	1.9	6.6	3.3	4.9	5.8	6.6	6.6	6.7	...
Non-financial firms	-1.0	2.8	0.1	2.2	2.4	2.8	2.8	2.4	...
Households - housing	3.0	9.3	4.9	6.4	8.0	9.3	9.3	9.6	...
Households - other purposes	5.4	7.0	5.7	6.6	6.9	7.0	7.0	7.1	...
General government	0.6	6.4	-8.0	3.8	4.8	6.4	6.4	5.2	...
TOTAL	1.9	6.6	2.9	4.9	5.8	6.6	6.6	6.6	...
NPL ratio (%)²	2.4	...	2.3	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.

Through our studies, we help to stimulate debate and the exchange of views among all sectors of society, as well as to promote the dissemination of the major themes of the socio-economic environment of our time. Both the *Monthly Report* and the rest of CaixaBank Research's publications are available at: www.caixabankresearch.com

We recommend:

Brief Notes on Economic and Financial Developments



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

Consumption tracker



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

Currency flash report



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

Tourism Sector Report S1 2026



The Spanish tourism sector enters 2026 from a position of strength, with a positive outlook after the stabilisation of post-pandemic growth. In 2025, Spain consolidated its global leadership with 97 million international arrivals and record spending of €135 billion, ranking second worldwide. Tourism GDP grew by 2.7% and is expected to maintain a growth rate of around 2.5%-2.7% in the coming years.

Sectoral Observatory S2 2025



The Spanish economy is going through a phase of strong and widespread expansion, with balanced growth between sectors and significant resilience in a challenging international context. Moreover, the reduction in temporary employment and the current strength of the manufacturing industry, partly thanks to the competitive advantage it enjoys over Europe in terms of energy prices, act as tailwinds for the current dynamism of Spain's economic sectors.

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.



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

