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MONTHLY REPORT • ECONOMIC AND FINANCIAL MARKET OUTLOOK
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ECONOMIC & FINANCIAL ENVIRONMENT

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Climate change and international tourist loyalty: new evidence for Spain

CaixaBank Research

MONTHLY REPORT - ECONOMIC AND FINANCIAL MARKET OUTLOOK
July-August 2026

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

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The global economy in search of a new balance

The easing of geopolitical uncertainty following the signing of the agreement between the US and Iran and its immediate impact on energy prices has rebalanced the short-term risk map, just as we are entering the time of year when financial variables are most sensitive to any disturbance. The energy channel's response to the nascent reopening of Hormuz has been more intense than expected. Indeed, oil prices have almost returned to their starting point (around 70 dollars), and futures are anticipating average prices through to the end of 2027 well below the assumptions used in most baseline forecast scenarios. It is too early to declare victory, as we are only at the end of the beginning of the long process that will involve the reconfiguration of geopolitical balances in the Middle East. The agreement is not a definitive treaty, but a memorandum of understanding (MoU) which marks the start of a 60-day period to negotiate three key aspects: the reopening and management of the Strait of Hormuz (for now, traffic remains limited), the release of frozen Iranian assets (plus reconstruction aid), and the resolution of the conflict in Lebanon.

Therefore, we cannot rule out the possibility of the negotiations being drawn out and remaining subject to high volatility. However, in the delicate task of making economic forecasts in recent times, the fall in energy prices has automatically reduced tail risks and the likelihood of the most negative scenarios (stagflation), while increasing the likelihood that all the instability accumulated since February will be limited to a moderate supply shock. Following the turmoil of recent months, the improvement in the energy channel is thus leading to downside risks for inflation and upside risks for activity. It is also improving the composition of nominal growth as the gap between supply and demand narrows, particularly in certain segments of the commodities markets.

Indeed, the inflation data for June in Europe (2.8% vs. 3.2% in May) indicate that easing energy prices could quickly relieve price pressures, with declines in harmonised inflation in three of the four largest economies (France, Germany, and Italy). The most significant development, however, has been the sharp decline in short-term inflation expectations on both sides of the Atlantic. This reflects the effectiveness of the moderate monetary tightening carried out in recent months and it grants central banks more flexibility in their response while they assess the intensity of second-round effects on prices. The outcome of all this has been an easing of the monetary policy outlook, with markets now anticipating only one more interest rate hike in the US and Europe, following the ECB's 25-bp increase and the Fed's communication strategy shift with Warsh's arrival. The general perception is that central banks will maintain a restrictive course until doubts surrounding the complex international scenario are resolved. That said, based on oil and gas futures prices at the end of June, the direct impact of energy on headline inflation in 2026 could be reduced by some 0.3 pps compared to estimates from a month ago.

There is slightly less visibility on the economic activity front, pending the national accounts data for Q2. However, it seems that the negative effects on growth will be moderate, especially if the latest signs of improvement in consumer and business confidence indicators are confirmed. This once again reflects the resilience of the global business cycle, as well as the fresh investment boom. Indeed, after a decade and a half of stagnation, investment is now taking over from private consumption in the short term, driven by AI deployment, defence spending, the energy transition, and the final stages of NGEU in Europe. The shift from prioritising efficiency in economic policy to focusing on national security, industrial resilience, and technological competition between blocs will come at a very high cost. Now, we just need to secure funding and assess how this process could affect the delicate balance between fiscal and financial fragility, as recently highlighted by the BIS. Hopefully, this search for a new equilibrium in the global economy will conclude successfully, once the positive AI shock on productivity more than offsets the negative shocks of recent years. The global economy is entering a new era marked by two parallel seismic shifts: geoeconomic fragmentation and technological revolution. In this context, the challenge for economic policy is to maintain the resilience of an increasingly complex, interconnected and uncertain economic system. As Keynes warned, the challenge lies not so much in developing new ideas as in escaping old ones, thus freeing ourselves from inherited mental frameworks.

José Ramón Díez
July-August 2026

Chronology

JUNE 2026

11 The ECB raises interest rates by 25 basis points, increasing the depo rate from 2.00% to 2.25%.
18 The US and Iran sign a memorandum of understanding agreeing to a ceasefire and the opening of the Strait of Hormuz.

MAY 2026

22 Kevin Warsh is sworn in as Fed Chair and is elected Chairman of the FOMC.

APRIL 2026

1-10 The Artemis II mission travels to the Moon and reaches 406,771 km, the greatest distance from Earth ever achieved by a manned mission.

MARCH 2026

11 The International Energy Agency agrees to release 400 million barrels of strategic reserves to mitigate the impact of the war in the Middle East.

FEBRUARY 2026

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.

JANUARY 2026

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.

Agenda

JULY 2026

1 Portugal: employment and unemployment (May).
Portugal: public debt (May).
Euro area: CPI flash estimate (June).
2 Spain: registration with Social Security and registered unemployment (June).
9 Spain: financial accounts (Q1).
15 China: GDP (Q2).
17 Spain: Moody's rating.
Portugal: balance of payments (May).
23 Portugal: non-financial sector debt (May).
Governing Council of the European Central Bank meeting.
24 Spain: loans, deposits and NPL ratio (May).
28 Spain: labour force survey (Q2).
28-29 Federal Open Market Committee meeting.
30 Spain: GDP flash estimate (Q2).
Spain: CPI flash estimate (July).
Portugal: GDP flash estimate (Q2).
Euro area: GDP (Q2).
Euro area: economic sentiment indicator (July).
US: GDP (Q2).
31 Portugal: CPI flash estimate (July).
Euro area: CPI flash estimate (July).

AUGUST 2026

3 Portugal: public debt (June).
4 Spain: registration with Social Security and registered unemployment (July).
5 Portugal: employment (Q2).
6 Spain: industrial production (June).
14 Portugal: average monthly gross salary per worker (Q2).
17 Japan: GDP (Q2).
18 Spain: foreign trade (June).
19 Portugal: balance of payments (June).
25 Spain: loans, deposits and NPL ratio (June).
28 Spain: CPI flash estimate (August).
Portugal: S&P rating.
Euro area: economic sentiment indicator (August).
31 Spain: balance of payments (June).
Portugal: GDP breakdown (Q2).
Portugal: CPI flash estimate (August).

The Spanish economy after Hormuz

The global economy, including Spain's, has spent recent months fixated on developments in the conflict involving the US, Israel and Iran. The closure of the Strait of Hormuz, a vital artery for global energy flows, could have slowed growth or even caused a recession if it had been prolonged. The agreement reached is fragile and uncertainty remains high, but the Strait is gradually returning to normal and in June energy prices quickly corrected to close to pre-conflict levels. It is worth taking stock of the impact of the shock to date and assessing how the Spanish economy could fare going forward if the agreement holds.

The most visible and immediate effect of the conflict has been on inflation, which, between March and June, remained well above what had been expected at the beginning of the year. It has exceeded 3% and would probably have approached 4% had it not been for the measures adopted by the government. This upturn has impacted both business confidence and household consumption, which followed a U-shaped pattern between March and June. On the business side, this is reflected by the Purchasing Managers' Index (PMI), and on the consumer side, by the real-time indicator developed by CaixaBank Research. Both registered sharp declines as the conflict seemed to become entrenched and energy prices soared, and both have recovered in June, coinciding with the agreement and the correction in energy prices. The PMI has returned to levels similar to those of January and once again indicates a dynamic growth rate. Domestic consumption, after a sluggish May, has been regaining momentum throughout June.

The labour market tends to respond more slowly to macroeconomic shocks. Changing jobs or hiring an employee are usually decisions planned in advance. In this case, the shock has been neither intense nor persistent enough to alter the underlying dynamics, and Q2 has ended with still broadly dynamic employment growth comparable to that of Q1. Furthermore, this dynamism has been bolstered by the process of regularising immigrants, resulting in total employment actually growing slightly above the rate observed in Q1.

Finally, it is worth highlighting the only area where the conflict has had a positive impact from a macroeconomic perspective: the tourism sector. Following the strong growth of recent years, we expected tourist flows to continue to increase in 2026, but at a more moderate rate. This was indeed the trend up until the outbreak of the conflict, at which point the sector's growth once again accelerated. Spain is perceived as one of the safest destinations and, as on previous occasions, many European tourists have changed their plans in order to visit it. The latest data suggest that the number of international tourists could well exceed 100 million this year.

Overall, GDP is likely to close the second quarter with growth slightly below what was anticipated at the start of the year, but higher than in the current scenario, which assumed high energy prices for longer. More importantly, if the agreement holds and energy prices do not rebound, the post-Hormuz Spanish economy has fuel to continue growing at a dynamic pace.

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	3.50	3.00
3-month SOFR	3.62	1.01	2.09	4.37	3.71	3.72	3.21
12-month SOFR	3.86	1.48	2.39	4.19	3.48	3.57	2.95
2-year government bonds	3.70	1.04	2.06	4.24	3.51	3.90	3.85
10-year government bonds	4.69	2.57	2.31	4.40	4.14	4.60	4.65
Euro							
ECB depo	2.05	0.20	0.61	3.09	2.00	2.50	2.00
ECB refi	3.05	0.75	1.11	3.24	2.15	2.65	2.15
€STR	–	–0.54	0.52	3.06	1.93	2.43	1.93
1-month Euribor	3.18	0.50	0.57	2.89	1.92	2.52	2.00
3-month Euribor	3.24	0.65	0.70	2.83	2.05	2.58	2.04
6-month Euribor	3.29	0.78	0.87	2.63	2.14	2.72	2.14
12-month Euribor	3.40	0.96	1.04	2.44	2.27	2.89	2.26
Germany							
2-year government bonds	3.41	0.35	0.56	2.02	2.13	2.61	2.07
10-year government bonds	4.30	1.54	0.72	2.22	2.84	3.00	2.90
Spain							
3-year government bonds	3.62	1.69	0.92	2.26	2.39	3.03	2.66
5-year government bonds	3.91	2.19	1.07	2.48	2.64	3.21	2.96
10-year government bonds	4.42	3.17	1.61	2.90	3.28	3.50	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	2.62	2.23
5-year government bonds	3.96	3.94	0.98	2.15	2.49	2.91	2.67
10-year government bonds	4.49	4.67	1.52	2.68	3.14	3.45	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	1.21
EUR/GBP (pounds per euro)	0.66	0.84	0.87	0.83	0.88	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	83.7	76.2
Brent (euros/barrel)	36.1	62.5	67.0	69.8	52.6	69.7	62.9

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 GROWTH[1]							
Global	4.3	3.3	2.8	3.4	3.4	3.0	3.2
Developed countries	*2.7*	*1.5*	*1.7*	*1.8*	*1.9*	*1.6*	*1.6*
United States	2.7	1.8	2.4	2.8	2.1	2.1	2.1
Euro area	2.3	0.8	1.1	0.9	1.5	0.7	1.2
Germany	1.6	1.3	0.2	–0.5	0.3	0.6	1.1
France	2.3	1.0	1.0	1.4	0.9	0.4	0.9
Italy	1.5	–0.3	1.5	0.6	0.7	0.6	0.7
Portugal	1.5	0.4	1.9	2.1	1.9	1.8	1.8
Spain	3.6	0.7	1.1	3.5	2.8	2.1	1.8
Japan	1.4	0.4	0.1	–0.2	1.1	0.8	0.6
United Kingdom	2.8	1.3	1.0	1.0	1.4	1.0	0.9
Emerging and developing countries	*6.3*	*4.9*	*3.5*	*4.5*	*4.4*	*3.9*	*4.2*
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	2.3	1.8	1.9
Mexico	2.3	1.5	1.1	1.4	0.6	1.1	1.8
Russia	–	1.4	1.5	4.9	1.0	0.8	1.5
Türkiye	5.5	4.5	6.4	3.3	3.6	3.1	3.9
Poland	4.1	3.7	2.6	3.1	3.6	3.1	2.8
INFLATION							
Global	4.1	3.7	5.9	5.8	4.1	4.4	3.7
Developed countries	*2.1*	*1.6*	*3.9*	*2.6*	*2.5*	*3.0*	*2.3*
United States	2.7	1.8	4.5	3.0	2.6	3.5	2.4
Euro area	2.2	1.4	4.2	2.4	2.1	3.1	2.3
Germany	1.7	1.4	4.6	2.5	2.3	3.2	2.4
France	1.9	1.3	3.5	2.3	0.9	2.4	2.0
Italy	2.4	1.4	4.1	1.1	1.6	2.6	2.1
Portugal	3.1	1.1	3.4	2.4	2.3	2.9	2.3
Spain	3.2	1.3	3.7	2.8	2.7	3.5	2.7
Japan	–0.3	0.4	1.4	2.7	3.2	2.1	2.0
United Kingdom	1.6	2.3	5.0	2.5	3.4	3.2	2.7
Emerging and developing countries	*6.9*	*5.6*	*7.3*	*8.0*	*5.2*	*5.3*	*4.6*
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	4.5	4.0
Mexico	5.2	4.2	5.6	4.7	3.8	4.2	3.9
Russia	14.2	7.9	7.4	8.5	8.7	5.7	4.6
Türkiye	22.6	9.6	39.5	58.5	34.9	30.3	21.5
Poland	3.5	1.9	8.2	3.7	3.4	3.3	2.7

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	3.3	2.4	1.8
Government consumption	4.5	0.9	3.1	2.9	2.4	1.4	1.9
Gross fixed capital formation	5.7	–1.2	1.0	3.6	5.8	3.9	2.1
Capital goods	4.9	0.2	–1.4	1.9	7.4	2.8	2.2
Construction	5.7	–2.6	0.4	4.0	5.2	4.1	2.0
Domestic demand (vs. GDP Δ)	4.4	–0.2	0.9	3.2	3.5	2.4	1.8
Exports of goods and services	4.7	2.9	2.4	3.2	3.6	0.6	1.9
Imports of goods and services	7.0	0.2	1.9	2.9	6.2	1.6	2.1
Gross domestic product	**3.6**	**0.7**	**1.1**	**3.5**	**2.8**	**2.1**	**1.8**
Other variables							
Employment	3.2	–0.5	2.0	2.8	3.1	2.5	1.6
Unemployment rate (% of labour force)	10.5	19.5	13.9	11.3	10.5	9.8	9.3
Consumer price index	3.2	1.3	3.7	2.8	2.7	3.5	2.7
Unit labour costs	3.1	0.6	4.1	3.3	4.1	3.7	3.1
Current account balance (% GDP)	–5.8	–0.2	1.2	3.2	2.9	2.3	2.5
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	–2.4	–2.3	–2.3

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	3.6	2.0	1.8
Government consumption	2.2	–0.3	1.9	1.5	1.6	1.4	1.0
Gross fixed capital formation	–0.4	–0.7	3.7	3.8	3.6	4.0	1.5
Capital goods	3.4	2.7	6.3	8.4	–0.9	–	–
Construction	–1.4	–2.4	3.1	3.0	5.5	–	–
Domestic demand (vs. GDP Δ)	1.3	0.0	2.0	2.9	3.6	2.2	1.6
Exports of goods and services	5.3	4.0	3.8	3.1	0.4	1.4	3.3
Imports of goods and services	3.6	2.7	3.6	4.8	4.3	2.0	2.8
Gross domestic product	**1.5**	**0.4**	**1.9**	**2.1**	**1.9**	**1.8**	**1.8**
Other variables							
Employment	0.4	–0.4	1.4	1.2	3.2	1.2	1.4
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	2.9	2.3
Current account balance (% GDP)	–9.2	–2.9	–0.4	2.1	1.2	1.2	1.3
External funding capacity/needs (% GDP)	–7.7	–1.5	0.6	3.3	2.7	2.8	2.2
Fiscal balance (% GDP)	–4.5	–5.1	–2.0	0.6	0.7	–0.2	–0.4

Forecasts

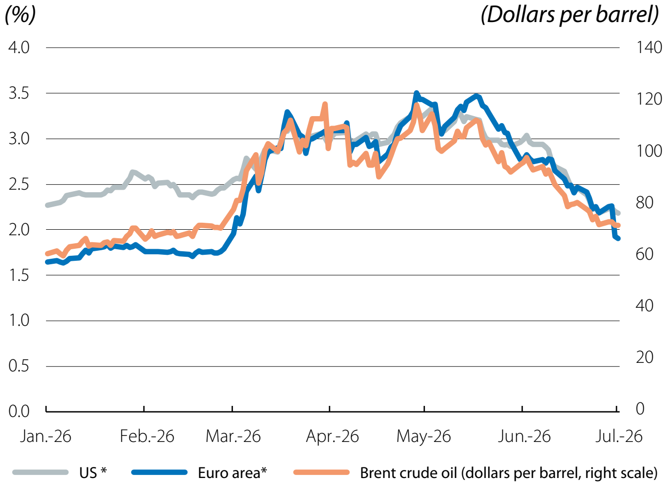
The reopening of Hormuz supports markets despite monetary tightening

Risk appetite: torn between geopolitics and central banks. The provisional agreement between the US and Iran reached mid-month, which extended the military truce and allowed the gradual reopening of the Strait of Hormuz, triggered one of the sharpest drops in oil prices in recent years. This led to a significant decline in short-term global inflation expectations. However, the Fed and the ECB toughened their messages in their respective meetings and emphasised their anti-inflation stance, generating opposing forces in the markets. Nevertheless, the drop in oil prices led investors to anticipate fewer ECB rate hikes compared to the previous month, while markets continued to expect further tightening from the Fed. As a result, the dollar rallied during the month, despite the recovery in investors' risk appetite. Stock markets showed varied performance depending on their sectoral composition. European indices recorded significant gains, with several of them reaching new all-time highs, supported by the easing of crude oil prices. On the other hand, US and Asian stock markets performed worse, weighed down by a poor month for tech firms, particularly larger firms with more debt for AI deployment.

The ECB raises rates and the Fed adopts a more hawkish tone. The ECB raised rates by 25 bps, taking the depo rate to 2.25%. This move was the first since the depo rate was lowered to 2.00% in June 2025, completing the monetary cycle that was kick-started by the Ukraine war inflation crisis. The ECB justified the increase to 2.25% with the conflict in the Middle East and its asymmetric economic impacts, namely a significant rise in inflation and a relatively minor impact on economic activity. The Fed kept rates unchanged at its first meeting chaired by Kevin Warsh, but surprised analysts with a more restrictive tone: about half of the Committee anticipated at least one more rate hike according to the dot plot. This led markets to anticipate a rate hike in the coming months, which would place the fed funds rate in the 3.75%-4.00% range. At one point, markets even priced in the possibility of two Fed rate hikes, but the drop in oil prices tempered expectations of monetary tightening. At the ECB's annual forum held in Sintra at the end of June, several members continued to advocate for slightly higher interest rates, but emphasised that there is no urgency to raise rates again and that the agreement between the US and Iran improves the balance of risks. As a result, markets ended the month betting on another ECB rate hike before the end of the year (bringing the depo rate to 2.50%), but ruling out the possibility of the depo rate reaching 2.75% (in May, they had assigned more than an 80% probability to a third hike).

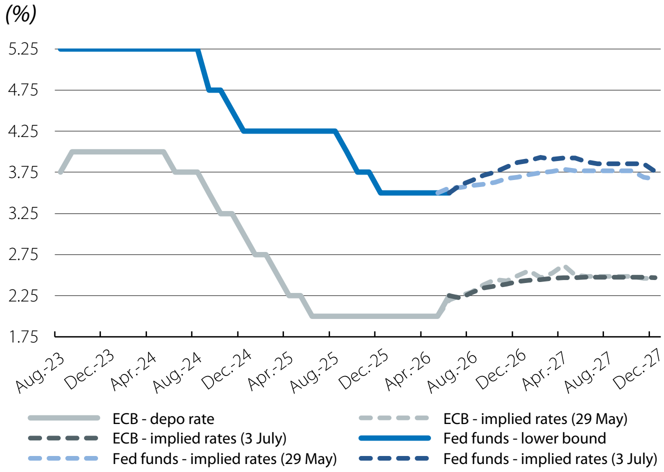
A month of varied dynamics in sovereign rates. In the first half of the month, the macroeconomic strength in the US and the restrictive tone of the ECB and the Fed drove up yields, especially at the short end of the curve. The Fed's more restrictive tone reinforced this movement and drove short-term treasury yields to their highest level in over a year, causing a flattening of the curve. In the second half of the month, however, the drop in oil

Inflation expectations for the next two years and crude oil prices



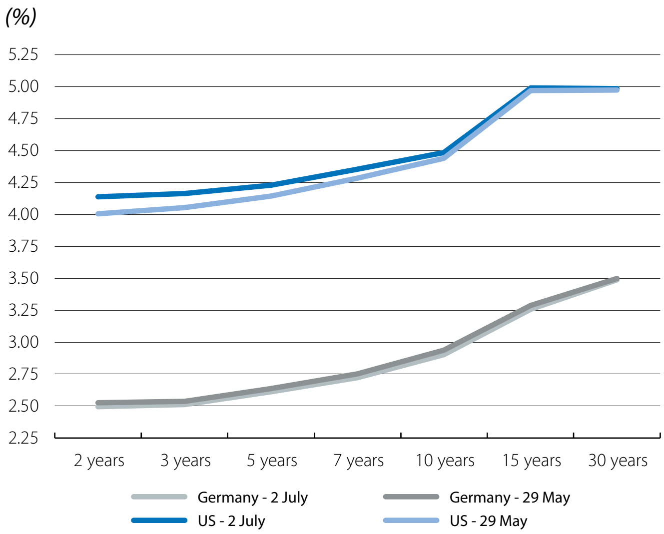
Note: ** Inflation expectations are the average of one-year and two-year zero-coupon inflation swaps.*
Source: *CaixaBank Research, based on data from Bloomberg.*

Monetary policy expectations priced in through to December 2027



Note: *ECB rates are OIS-implied. Fed rates are derived from the spread between the Effective Federal Funds Rate (EFFR) and the three-month SOFR.*
Source: *CaixaBank Research, based on data from Bloomberg.*

Sovereign yields at different maturities



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

prices disrupted this pattern. In the euro area, the German yield curve shifted downwards across all segments, while in the US the long segments fell the most, accentuating the flattening of the curve. This trend ultimately prevailed in the month as a whole: a downward shift in sovereign interest rates in Europe and a flattening of the US curve (particularly due to rising interest rates at the short end). The sovereign risk premiums of the euro area periphery widened slightly, although they remained contained. The Italian premium stabilised at levels still higher than at the start of the year, while the Spanish and Portuguese premiums remained at historically low levels.

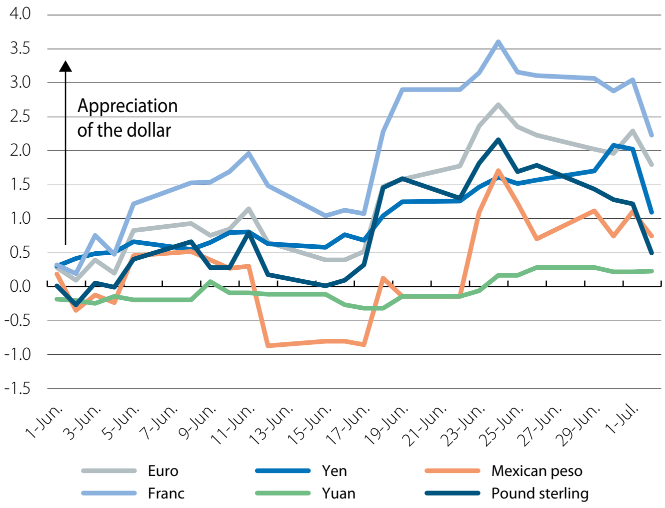
A strong month for the dollar. The month of June saw a moderation in expectations of ECB rate hikes, particularly following the reopening of the Strait of Hormuz, together with renewed confidence in a more restrictive Fed monetary policy. This combination led to a widening of the interest rate spread in favour of the US currency and an appreciation of the dollar in its nominal effective exchange rate. The euro thus depreciated to 1.14 dollars, reaching its lowest level in about a year. The yen continued to weaken, falling to nearly 160 yen per dollar, and remained close to multi-decade lows against the dollar. This was despite the Bank of Japan's interest rate hike at its June meeting (from 0.75% to 1.00%) and the rise in Japanese sovereign debt yields. The pound sterling also depreciated against the dollar, although it showed greater relative resilience, supported by a similarly restrictive tone from the Bank of England (which kept rates at 3.75% in June, despite two dissenting votes in favour of an increase).

Divergence in global stock markets, with European indices regaining ground. Doubts surrounding the profitability of AI investments once again generated volatility, particularly affecting hyperscalers. Chip manufacturers also experienced significant volatility, ending the month with relatively better performance. In the US, the S&P 500 and the Nasdaq ended the month with losses, although the S&P equal weight index closed with gains, as did firms less exposed to AI. In Asia, the indices most exposed to tech firms also recorded losses. In Europe, stock markets recorded widespread gains and outperformed the rest of the world, thanks to the fall in energy prices, with the Stoxx 600 reaching all-time highs. At the sector level, energy company stocks lagged behind.

The collapse in oil prices deflates market inflation expectations. The reopening of the Strait of Hormuz normalised energy flows and returned the price of crude oil to almost pre-conflict levels. Specifically, the benchmark price for Brent crude oil (a future referenced to two months ahead) fell to nearly 70 dollars per barrel. The decline was less sharp for oil futures referenced to 2027, which also remained close to 70 dollars (vs. an average for 2027 that was trading at 78 dollars at the end of May and at 67 dollars at the end of February). The correction in oil prices quickly affected inflation expectations priced into swaps. Natural gas, which had been less stressed than oil, showed a much smaller decline during the month and fluctuated just above 40 euros/MWh. In other commodities, both precious metals such as gold and industrial metals like aluminium recorded significant declines.

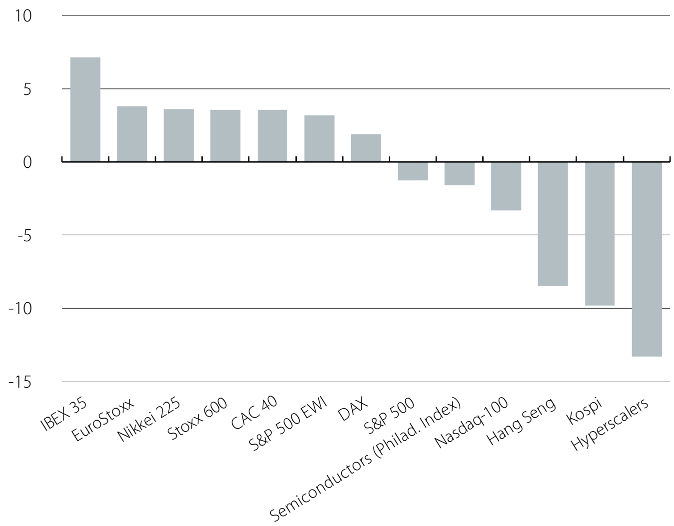
Performance of selected currencies against the dollar

(Change versus 29 May, %)



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

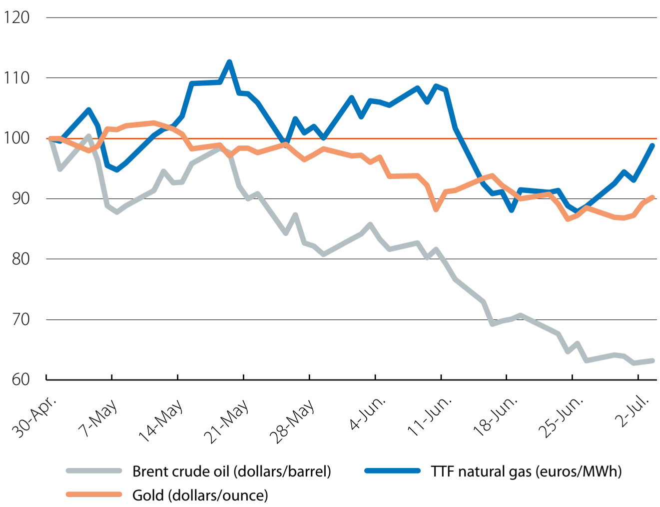
Performance in the month (from 29 May to 2 July)



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

Commodity price fluctuations since May

Index (100 = 30 April 2026)



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

Warsh's Fed: from guiding expectations to managing them without commitment

Kevin Warsh's appointment as Chair of the Federal Reserve marks a significant shift in US monetary policy. His first meeting as head of the FOMC did not change interest rates, but it did provide indications about the institution's future direction. Beyond a somewhat more restrictive tone in response to the uptick in inflation, the most significant change appears to lie in a redefinition of the Fed's communication framework. The market reaction suggests that investors are anticipating a Fed that is less inclined to commit to future interest rate moves and that will provide less forward guidance, although the anti-inflationary bias of its first meeting helped dispel potential doubts about its political independence.

In the last two decades, the Fed has believed that providing hints about the future path of interest rates – forward guidance – was the most effective and efficient communication framework for monetary policy, although it was not without risks or costs. The logic is that the effects of interest rates depend both on current decisions and on expectations about their trajectory, so influencing these amplifies the transmission mechanism. As Bernanke explained, this required reducing communicative ambiguity: the better agents could anticipate the Fed's reaction function, the more directly they would incorporate this behaviour into prices and decisions, thus promoting macro-financial stability, especially in a low inflation and rate environment.[1]

The dot plot, introduced in 2012, serves this purpose by translating an implicit reaction function into an observable signal.[2] Although it is neither a collective decision nor a formal commitment, it reveals how FOMC members incorporate their macroeconomic forecasts into interest rates. However, the dot plot can become overly influential and hinder a proper adjustment of expectations, especially in contexts with greater uncertainty and dispersion. Recent evidence suggests that while it contains useful information and can improve the average accuracy of forecasts, it may also cause anchoring effects if agents continue to place too much emphasis on projections which may have been rendered obsolete by the economic reality.[3] Moreover, the market tends to interpret the median as if it were the Fed's intention, even if this is not formally the case. This risk increases when there is significant dispersion in the dot plot, as is currently the case, because the median can conceal deep disagreements and convey a false sense of consensus.[4]

Warsh has expressed scepticism about the usefulness of forward guidance, as he believes that both this and the forecasts of macro-financial variables can overly constrain central bankers. His critique does not reject transparency, but it does question whether more communication always enhances monetary policy transmission. As he explained in his review of the transparency of the Bank of England's Monetary Policy Committee, transparency is desirable, but it does not necessarily mean that everything should be made more explicit and visible.[5] In his view, an «overly talkative» central bank can give the market a false sense of precision about the future, excessively influence financial prices, and limit its own flexibility. The lesson that seems to be drawn from mistakes such as characterising inflation as «transitory» in 2021 is that the Fed should not always draw more attention to its deliberations, but rather should acknowledge its limitations, for instance, when predicting economic variables.[6]

Warsh put that vision into practice at his first meeting, where the shift in communication was more significant than the decision on rates. The statement was shorter and more direct, and it removed the explicit reference to future guidance. At the press conference, he insisted that the statement should be limited to presenting the facts «as best we can judge them» and refused to provide anything akin to future guidance, arguing that it did not suit the current situation. Additionally, he chose not to publish his own projection in the dot plot.

This shift in the communication paradigm poses a challenge, as economic agents perceive communication as being reasonably effective. According to a Brookings survey of academics and economists (from both think tanks and private companies), the Fed's communication is rated highly, and tools such as the press statement and conference are widely appreciated.[7] The dot plot, despite its limitations, is still considered useful by the majority. The risk, therefore, is that altering a framework that works reasonably well without clearly explaining what will

1. Board of Governors of the Federal Reserve System. (2003). «Minutes of the Federal Open Market Committee», 24-25 June 2003. Federal Reserve. B.S. Bernanke (19 November 2013). «Communication and monetary policy». Board of Governors of the Federal Reserve System. Federal Reserve.
2. The dot plot is the chart that summarises Fed members' individual forecasts for the future interest rate path which they consider most appropriate for the macroeconomic scenarios they envisage.
3. E. Engstrom (2026). «Anchored to the dot plot: Central bank projections and interest rate expectations». Finance and Economics Discussion Series nº 2026-026). Board of Governors of the Federal Reserve System. Federal Reserve.
4. A. Foerster and Z. Martínez (2023). «The evolution of disagreement in the dot plot». Federal Reserve Bank of San Francisco Economic Letter, 2023-21. FRBSF.
5. K. Warsh (2014). «Transparency and the Bank of England's Monetary Policy Committee». Bank of England.
6. N. Timiraos (14 June 2026). *Kevin Warsh wants the Fed to stop explaining everything*. The Wall Street Journal.
7. S. Ahmad and D. Wessel (8 May 2026). *Grading Fed communications: A 2026 survey of Fed watchers*. Brookings Institution.

replace it may end up reducing clarity without gaining sufficient flexibility.

The cost of shifting to a new, more opaque communication regime and greater flexibility in setting interest rates may be reduced predictability and increased volatility. The market reaction following the latest FOMC meeting provides a good illustration of what can happen under this new regime, although it was also influenced by a hawkish bias which investors did not anticipate. The 2-year treasury yield – the segment most sensitive to monetary policy – rose by just over 13 bps on the day of the meeting. Although the FOMC kept rates unchanged and the movement was not particularly sharp from a historical perspective, it was nevertheless significant: it exceeded 1.6 standard deviations from the average movements observed on FOMC meeting days since 1976. If only meetings without rate changes since Bernanke's arrival in 2006 are considered, the movement was almost 2 standard deviations above the average and ranked among the most intense, specifically in the top 2.5% out of some 140 meetings.

Warsh's interpretation of the variables which define the Fed's dual mandate (price stability and full employment) is also relevant. On inflation, his approach hints at a Fed that is guided less by direction and more by the assessment of the data at each meeting. In his public statements, he has argued that the data used to judge inflation are imperfect and has expressed a preference for measures that better distinguish noise from the underlying trends, such as trimmed means. These metrics exclude extreme price swings and can provide a more stable reading of underlying inflation than traditional measures that only remove food and energy, as well as better estimating future inflation based on empirical evidence.[8]

However, trimmed measures also have their limitations: they are useful for estimating trends over long time horizons but may not perform so well for short periods.[9] This is relevant today: if shocks – such as the tariff and energy shocks – are isolated, trimmed inflation measures can adequately filter out the noise; however, if they become widespread across components and affect expectations, they tend to underestimate inflationary pressure. In the current context, these measures do not present a particularly worrying diagnosis, although this did not prevent the FOMC from showing greater concern about inflation than in previous months.

Regarding the labour market, Warsh has been attentive to the impact of artificial intelligence (AI) on productivity and, consequently, on the natural or equilibrium interest rate. The statement even included a reference to productivity growth and capital investment. Various studies suggest that technological advances can have ambiguous effects on inflation and the natural rate of interest: an increase in productivity may exert disinflationary pressures, but it can also raise the equilibrium rate if it boosts investment and aggregate demand.[10] For now, the latest total factor productivity data do not show any clear acceleration in recent quarters or compared to previous decades (although the inflation data do indicate that the high investment in AI is increasing demand and, with it, consumer prices for related items). This uncertainty could support Warsh's argument for reducing the publication of forecasts on unobservable indicators, which are particularly difficult to estimate during times of change, such as potential growth, labour market potential, or the natural rate of interest.

Finally, balance sheet policy could represent another major shift at Warsh's Fed. If he translates his historical scepticism towards asset purchases into a more rapid balance sheet reduction process, he may encounter the operational limits that the Fed faced previously when it withdrew liquidity too quickly. As governor, Warsh was sceptical about the ability of bond purchases to boost the economy and has even mentioned the need for a new «agreement» between the Fed and the Treasury. As demonstrated by episodes such as the taper tantrum of 2013 (which highlighted the costs of unclear communication about stimulus withdrawal) or the tensions in the repo market in 2019 (which showed the central role of reserves in the current financial system), it will be necessary to tread very carefully in order to avoid disrupting financial stability.

Ultimately, Warsh's Fed is moving towards a monetary policy that is less guided and more data dependent. The exact extent of the change in communication policy will depend on his ability to transform his ideas on managing expectations and implementing monetary policy into a framework that is intelligible and accepted by the market. Making the reaction function less explicit could increase the Fed's flexibility in a more uncertain environment, but it also requires the institution's credibility and independence to be strengthened. The challenge lies in communicating the new framework without replacing what is considered false precision with equally unnecessary opacity – the risk being that this reduced guidance could lead to more volatility than clarity.

David del Val

8. T. Atkinson, J. Dolmas and R. Zarutskie (16 April 2026). «Skewness warrants caution as Trimmed Mean PCE inflation eases». Federal Reserve Bank of Dallas.
9. R. W. Rich, R.J. Verbrugge and S. Zaman (2022). «Adjusting median and trimmed-mean inflation rates for bias based on skewness». Federal Reserve Bank of Cleveland Economic Commentary, 2022-05. Federal Reserve Bank of Cleveland.
10. G. Melina and S. Villa (2025). «From servers to rates: AI, ICT capital, and the natural rate». IMF Working Paper nº 2025/224. IMF. And I. Aldasoro, S. Doerr, L. Gambacorta and D. Rees (2024). «The impact of artificial intelligence on output and inflation». BIS Working Paper nº 1179). BIS.

Interest rates (%)

	30-June	31-May	Monthly change (bp)	Year-to-date (bp)	Year-on-year change (bp)
Euro area					
ECB Refi	2.40	2.15	25	25	25
3-month Euribor	2.32	2.27	6	30	39
1-year Euribor	2.73	2.80	–8	49	67
1-year government bonds (Germany)	2.43	2.41	1	41	66
2-year government bonds (Germany)	2.53	2.53	0	41	67
10-year government bonds (Germany)	2.86	2.94	–8	0	27
10-year government bonds (Spain)	3.34	3.35	–1	6	12
10-year government bonds (Portugal)	3.24	3.30	–6	9	20
US					
Fed funds (lower limit)	3.50	3.50	0	0	–75
3-month SOFR	3.73	3.66	8	8	–56
1-year government bonds	3.97	3.77	21	50	0
2-year government bonds	4.17	4.00	17	70	42
10-year government bonds	4.47	4.44	3	30	19

Spreads corporate bonds (bps)

	30-June	31-May	Monthly change (bp)	Year-to-date (bp)	Year-on-year change (bp)
Itraxx Corporate	52	53	–1	1.1	–3.5
Itraxx Financials Senior	54	55	–1	0.0	–4.6
Itraxx Subordinated Financials	89	91	–2	–4.0	–12.6

Exchange rates

	30-June	31-May	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
EUR/USD (dollars per euro)	1.142	1.166	–2.0	–2.8	–2.5
EUR/JPY (yen per euro)	185.680	185.670	0.0	0.9	9.6
EUR/GBP (pounds per euro)	0.861	0.867	–0.6	–1.2	0.8
USD/JPY (yen per dollar)	162.550	159.270	2.1	3.7	12.4

Commodities

	30-June	31-May	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
Bloomberg Commodity Index	123.2	135.1	–8.8	12.3	19.7
Brent ($/barrel)	72.9	92.1	–20.8	19.8	7.6
Gold ($/ounce)	4,008.0	4,540.3	–11.7	–7.2	22.4

Equity

	30-June	31-May	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
S&P 500 (USA)	7,499.4	7,580.1	–1.1	9.6	21.5
Eurostoxx 50 (euro area)	6,328.1	6,050.5	4.6	9.3	18.8
Ibex 35 (Spain)	19,471.9	18,362.9	6.0	12.5	39.4
PSI 20 (Portugal)	9,132.6	9,076.5	0.6	10.5	21.4
Nikkei 225 (Japan)	70,062.3	66,329.5	5.6	39.2	74.5
MSCI Emerging	1,722.9	1,752.2	–1.7	22.7	40.2

The US-Iran agreement alleviates adverse scenarios for the international economy

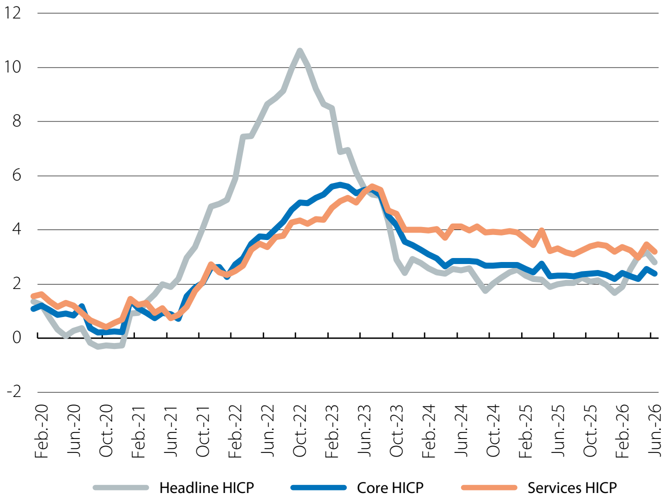
The evolution of the conflict in the Middle East remains key for the global outlook. In mid-June, the US and Iran signed a Memorandum of Understanding (MoU), which is not a definitive or binding treaty, but rather a statement of intent outlining the terms of their future collaboration. The MoU marks the beginning of a 60-day period for negotiations on a range of highly sensitive issues, including Iran's nuclear programme and the lifting of sanctions. One of the first decisions taken was to reopen the Strait of Hormuz and end the US naval blockade, providing significant relief to energy markets and reducing the likelihood of the worst-case scenarios materialising. The key will lie in how quickly trade flows passing through the Strait can recover. The data show a somewhat erratic increase in flows, consistent with warnings from various international agencies that normalisation will take months. On the other hand, geopolitical uncertainty remains high and the complex dynamics surrounding the US-Iran agreement highlight its fragility.

The peak impact of the rise in energy costs on inflation may have been in May. In the euro area, headline inflation reached an almost three-year high in May at 3.2%, driven by the energy component (which contributed nearly 1.0 pp). However, in June it fell by 0.4 pps to 2.8%, largely due to a slight easing in that component (–2.1 pps to 8.7%). In the US, headline inflation, driven by energy, rose by 0.4 pps in May to 4.2% (a three-year high), while core inflation was more contained (+0.1 pp to 2.9%). However, the price components of the main business climate and opinion indicators for June suggest that the peak of inflation may already be behind us.

Ireland's volatility influences the euro area's performance. The GDP revision for the euro area shows a 0.2% quarter-on-quarter decline in Q1 2026 (vs. +0.2% per the initial estimate), explained by the collapse of the Irish economy (–12.0% vs. –2.0% initially). Without Ireland, the euro area would have grown by 0.2%, following the 0.3% recorded in Q4 2025. This is still a modest result, indicating that most of the region had not yet achieved the desired acceleration before the outbreak of the conflict in the Middle East. In this context, the available indicators for Q2 2025 suggest an economy that is practically stagnant: the PMIs for the euro area consolidated in June at levels below the 50-point threshold (and clearly below their average for Q1 2025). This was due to the deterioration in services, while the manufacturing PMI reflected how the positive impact of the increase in precautionary orders following the outbreak of war in the Middle East was beginning to dissipate.

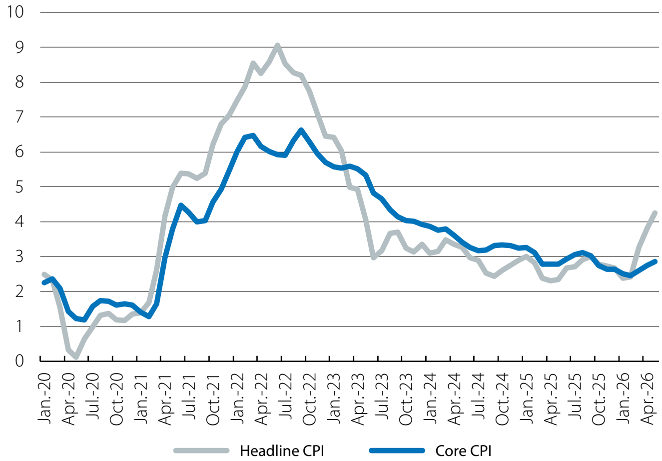
Germany sees rising energy costs limit the impact of its infrastructure plan. In fact, the increase in energy prices is particularly impacting its industrial sector (in April, industrial production stagnated and orders fell by almost 4.0%), while household consumption remains very weak (April's retail sales

Euro area: HICP
(% year-on-year)



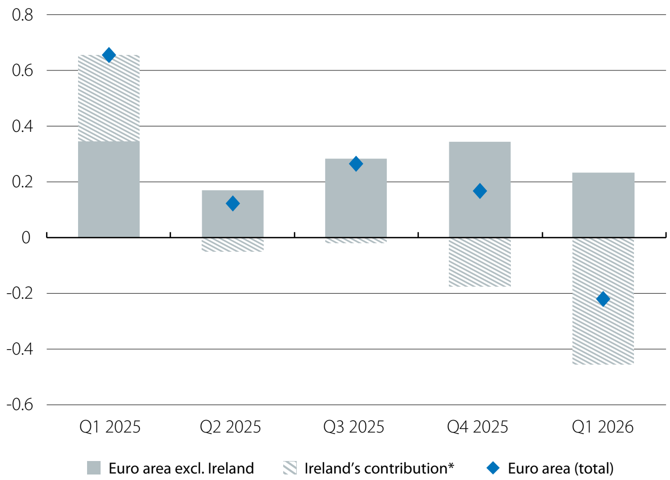
Source: *CaixaBank Research, based on data from Eurostat.*

US: CPI *
(Year-on-year change, %)



Note: ** The CPI for October 2025 was not published due to the shutdown; the figure shown has been interpolated.*
Source: *CaixaBank Research, based on data from the Bureau of Labor Statistics.*

Euro area: GDP
(Quarter-on-quarter change, %)



Note: ** Ireland's contribution to the quarter-on-quarter growth of the euro area in percentage points.*
Source: *CaixaBank Research, based on data from Eurostat.*

are still 1.6% below their 2025 year-end level). Moreover, the implementation of the infrastructure investment plan is progressing very slowly: total accumulated federal spending to May increased by more than 3.0% year-on-year, with defence growing by 22%, but infrastructure spending was still 10% lower. Sentiment regarding Germany's performance remains rather weak, although some indicators suggest that the peak impact of the Middle East conflict may have already passed. In June, the ZEW indicates that the percentage of respondents expecting a further deterioration in the situation has almost halved (to less than 18%), while the Ifo recorded a new increase, although it remains at very low levels (85.6, with 100 being its historical average).

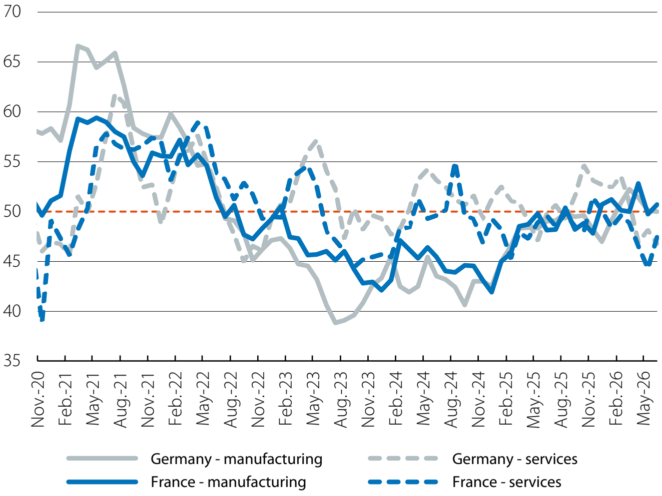
In the US, the labour market shows stability rather than recovery. In fact, 57,000 non-agricultural jobs were created in June, almost half the number expected. Additionally, the figures for the previous two months were revised downwards by more than 70,000 people. Nevertheless, average monthly job creation in 2026 exceeds 90,000, compared to less than 10,000 in 2025, and the unemployment rate fell by 0.1 pp to 4.2%. This stability in the labour market will continue to support household consumption: in May, it rose by a robust 0.7% in nominal terms and 0.3% in real terms, surpassing the average monthly growth recorded in the rest of the year (0.5% and 0.1%, respectively). Industrial production slowed in May (increasing by just 0.1% month-on-month after a previous rise of 0.9%), following several months of strong growth driven by orders being brought forward in response to the war in the Middle East.

US business leaders are more confident about the economic situation than consumers. The main business climate indicators suggest that economic growth in Q2 will have remained at similar or slightly higher rates than in Q1 (0.5% quarter-on-quarter). Specifically, the PMI for June rose to 52.2 points, placing the Q2 average at 51.8, almost the same as in Q1. The ISM indices, for both manufacturing and services, also point in the same direction, standing at around 54 points in May for both sectors (50 is the threshold indicating positive activity growth in both the PMI and the ISM). Additionally, business leaders are starting to notice signs of a moderation in the rate at which input costs are rising. This limits the risks of further rises in inflation, although it will remain high in the coming months. This increase in prices is the main factor undermining consumer confidence, amid a 0.7% year-on-year fall in real wages in May.

In China, the dynamism of the external sector contrasts with the persistent weakness of domestic demand. Exports in May grew by around 20% year-on-year, driven by demand for technology linked to AI and orders being brought forward, which continues to support industrial production despite a slight slowdown (+4.5% year-on-year vs. 6.0% in Q1). In contrast, retail sales fell by 0.6%, marking the first decline since the end of 2022, partly due to the withdrawal of consumer incentives. Urban fixed investment fell by 4.0% in the year to May, impacted by weakness in real estate and lower infrastructure investment. In this context, inflation remained at 1.2% and production prices reached 3.9%, the highest in nearly four years.

Euro area: PMI by component

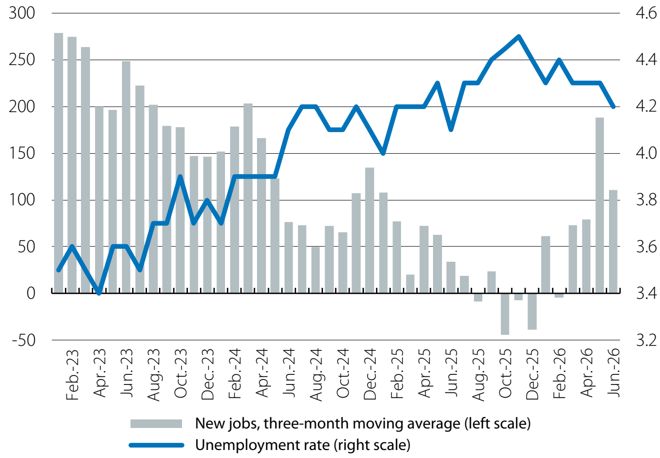
Index (>50 expansion, <50 contraction)



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

US: employment *

New jobs, three-month moving average (thousands) — *Unemployment rate (%)*



Note: ** The unemployment rate for October 2025 was not published due to the shutdown; the figure shown has been interpolated.*
Source: *CaixaBank Research, based on data from the Bureau of Labor Statistics.*

China: economic activity data

Year-on-year growth in the three-month moving average (%)

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

European inflation: taking stock of the Middle East shock

The conflict in the Middle East has raised European inflation to around 3% and has pushed the ECB out of its comfort zone. On 11 June, the central bank raised interest rates, and both its recent communications and financial market prices suggest that it will do so again in the coming months. The main issue is not the direct impact of rising energy costs, but the risk that this increase could spill over to other prices in the economy, leading to excessively high and persistent inflation. What do the data tell us about this spillover?

Significant direct impact

Energy costs have risen by around 10% in recent months, driven by fuels, which have experienced price increases of over 20% year-on-year, while the electricity CPI has been much less strained (with inflation close to 3% year-on-year). This has added 1 pp to headline inflation in the euro area and almost entirely explains the change in level since February (see first chart). Although the figures are much lower than the stress experienced in 2022 (when energy inflation peaked at 40%), the magnitudes are significant enough to spread to other prices through indirect effects (increased input costs).[1] The spillover could also have second-round effects (wage-price spiral), although such effects appear with a delay and it is too early to observe them in the available data.

Indirect impact: mixed evidence

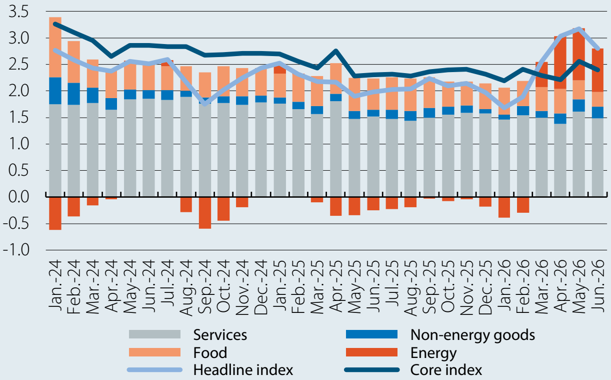
The detailed breakdown of the price index provides the first clues about the extent of the indirect effects so far. On one hand, a breakdown of the HICP into nearly 300 products (see table) clearly shows that the bulk of the current inflation spike is purely energy-related. However, some spillover to energy-intensive goods and services, such as audiovisual media or various transport services, is apparent.[2]

On the other hand, if we focus on more real-time inflationary measures, such as momentum,[3] there are also some signs of indirect effects. Specifically, as shown in the second chart, although the vast majority of goods and services continue to have momentums below 2.5%, the share of products in the core basket[4] with momentums exceeding 4.0% has increased from 10% to 25% so far this year.

1. See the Focus «Energy tensions, inflation and monetary policy in the euro area», in the MR04/2026.
2. These products are identified as energy-intensive based on the analysis of input-output tables referenced in footnote 1.
3. Annualised quarter-on-quarter change in the seasonally adjusted HICP, which reflects changes of trend more rapidly.
4. The core HICP excludes energy and all food.

Euro area: HICP

Year-on-year change (%) and contributions (pps)



Note: *Year-on-year change for the headline and core HICP, contributions to headline inflation for the rest.*
Source: *CaixaBank Research, based on data from Eurostat.*

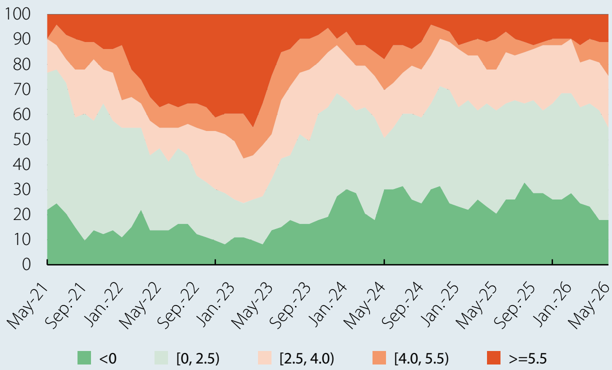
Euro area: top 15 items with the highest inflation increase

	Year-on-year inflation (π) in May 2026 (%)	Δπ between February 2026 and May 2026 (pps)	Weight (%)
Liquid fuels	43.4	50.6	0.3
Diesel	29.4	31.5	1.5
Unrecorded recording media	35.1	21.0	0.0
Petrol	16.3	19.8	2.2
Other fuels for personal transport equipment	12.2	17.5	0.1
Natural gas through networks	3.7	9.5	1.5
Audiovisual media	4.7	8.8	0.1
Fresh or chilled leguminous vegetables	12.1	8.2	0.0
Hire of personal transport equipment	9.3	7.6	0.2
Vegetable oils	–4.0	7.4	0.3
Passenger transport by air, international	9.0	6.8	0.8
Liquefied hydrocarbons	5.3	6.3	0.1
School uniforms	0.5	5.8	0.0
Video game computers, consoles, game applications and software	–1.1	5.6	0.2
Other fruits, fresh	2.5	5.6	0.2

Note: *Breakdown according to ECOICOP2 at the four-digit level.*
Source: *CaixaBank Research, based on data from Eurostat.*

Euro area: core HICP traffic light

(% of components according to momentum)



Notes: *Momentum refers to the annualised change in the average HICP over the last three months compared to the previous three months. Seasonally adjusted data for the three-digit breakdown of the core HICP.*
Source: *CaixaBank Research, based on data from Eurostat.*

Another way to assess the indirect effects of the energy shock is to build an inflation indicator that includes all the non-energy goods and services that are most likely to experience spillover effects from energy. Based on the energy intensity of each productive sector in the euro area, which we can infer using input-output tables, we have classified all non-energy goods and services that make up the HICP into «energy-sensitive» and «non-energy-sensitive»: making up approximately 30% and 70% of the core basket, respectively.[5] As shown in the third chart, during the inflation crisis of 2022-2023, the «energy-sensitive» indicator predicted the stress and easing in other underlying prices. Although current movements are much smaller compared to 2022-2023, between February and May 2026, «energy-sensitive» core inflation rose by 0.4 pps, while the «non-energy-sensitive» index remained stable.[6]

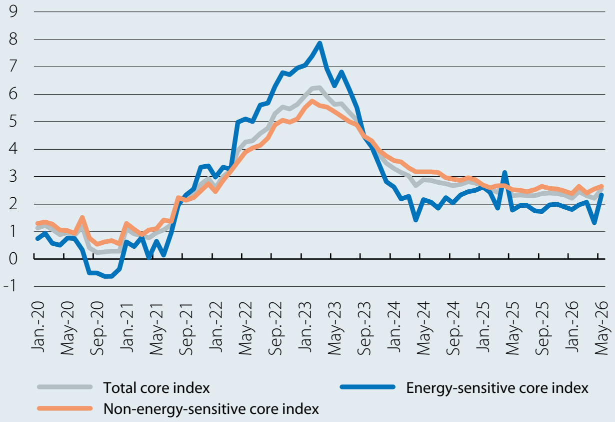
This review of different segments of the HICP, which is the benchmark index and the most relevant metric for the ECB, shows some indirect effects, although they are still somewhat incipient (more visible in momentum than in year-on-year rates of change) and of limited magnitude. There are other indicators besides the HICP that do make the threat of indirect effects more visible. These are primarily indicators based on business surveys such as the PMIs or the European Commission's sentiment indicators. Since March, these indicators have reflected sustained pressure on input costs and intentions to raise prices for final products. Moreover, Eurostat's production price data indicate certain pressures in capital goods (+2.1% in April vs. 1.6% in January-February), intermediate goods (3.9% vs. 1.4%) and durable consumer goods (2.7% vs. 2.3%). Finally, food inflation has eased in the euro area in recent months (from 2.5% in February to 1.6% in June). However, these prices are not without future risks, especially given the rising cost of key inputs such as fertilisers (although fertiliser prices fell sharply in June following the US-Iran agreement).

What about the US-Iran agreement?

In mid-June, oil and gas prices fell sharply due to the memorandum of understanding announced by the US and Iran, which marked a continuation of the military truce and the announced reopening of the Strait of Hormuz together with a 60-day negotiation window. Geopolitical uncertainty is high, but if the markets continue to react favourably, the inflationary threat from the conflict could be significantly reduced: according to oil and gas futures prices at the end of June, the direct impact of energy on headline inflation in the euro area in 2026 could be reduced by around 30% (see last chart).[7] Even in these favourable scenarios, euro area inflation could average close to 3% in 2026, but it would be «slightly below» rather than «slightly above». With a lower risk of adverse scenarios, the likelihood of significant price spillovers would also decrease, boosting confidence in a return to 2% during the course of 2027.

Euro area: core HICP

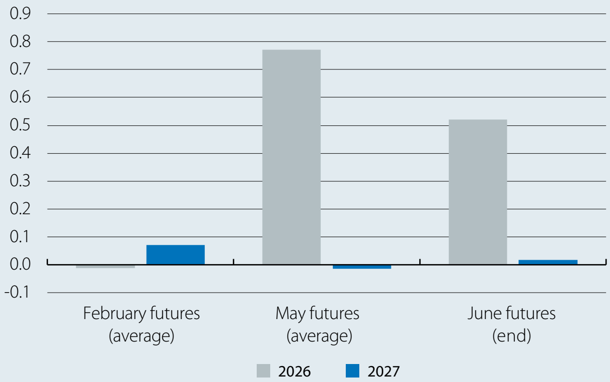
Year-on-year change (%)



Note: *All inflations are calculated using the fixed weights of the 2026 HICP.*
Source: *CaixaBank Research, own estimates based on data from Eurostat.*

Euro area: energy's contribution to headline inflation according to gas and oil futures

(pps)



Note: *The estimated contribution also incorporates all available HICP data at each time.*
Source: *CaixaBank Research, own estimates based on data from Bloomberg and Eurostat.*

5. We reproduce the methodology used by Fagandini *et al.* (2024), «Decomposing HICPX inflation into energy-sensitive and wage-sensitive items», ECB Economic Bulletin 3/2024, but using a slightly less detailed breakdown of the HICP (3 digits, with 103 items) and the latest weightings (2026). A particular good/service is considered «energy-sensitive» when its energy intensity (intermediate energy consumption over total production) is higher than the average for all goods/services.
6. The «energy-sensitive» index shows two recent sawtooth patterns, in April 2025 and 2026, attributed to calendar effects related to Easter (with a significant base effect on passenger airfares and holiday packages).
7. This direct impact is estimated using linear regressions which transfer oil and gas futures to the HICP of fuels and lubricants and to the HICP of energy excluding fuels, respectively.

The upcoming budget takes over from NGEU in the European Semester

On 3 June, the so-called 'Spring Package' – the final stage of the EU's annual cycle of economic, fiscal and cohesion policy coordination – was presented. Last year, the focus was on accelerating the execution of NGEU funds in their final phase and reflecting the guidance of the newly launched Competitiveness Compass. In 2026, the European Semester strengthens its role as a framework for identifying reform and investment needs ahead of the upcoming 2028-2034 EU budget. The priorities include: more tangible progress towards an effective integration of the Single Market, alongside strengthening the competitiveness agenda in strategic sectors and reconciling new spending needs with the European fiscal framework.

The geopolitical context exacerbates the EU's structural weaknesses

The initial diagnosis is clear: there is no room for complacency in the face of external threats – such as security risks, climate change and supply tensions – and internal weaknesses – notably fragmentation of the internal market and low productivity growth. In line with the Competitiveness Compass, the three priorities are: closing the innovation gap, decarbonising the economy and reducing strategic dependencies.[1] To achieve this, the focus is on effectively integrating the Single Market by reducing barriers, simplifying regulations, and developing the Savings and Investments Union (SIU), with recommendations to better channel European savings into productive investment.

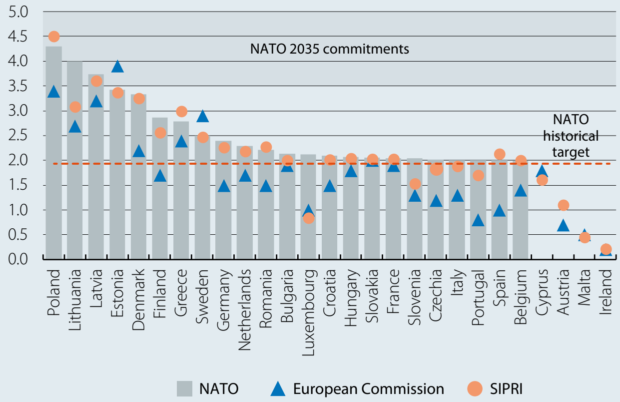
In terms of economic security and strategic autonomy, the central focus is on reducing dependencies in energy, critical raw materials and key technologies. Initiatives such as REPowerEU and AccelerateEU aim to accelerate the diversification of supplies, the deployment of renewables, electrification, and the strengthening of networks and interconnections, turning the energy transition into both a climate and geopolitical policy lever. In parallel, efforts are being made to bolster the industrial base in strategic sectors such as defence, focusing on joint procurement – supported by instruments like SAFE loans – and deeper coordination among Member States, which would allow for more efficient progress on NATO's new commitments (see first chart).[2]

A broad set of challenges under the new strategic priorities

The country-specific recommendations reflect a more demanding agenda than in the past, centred around a

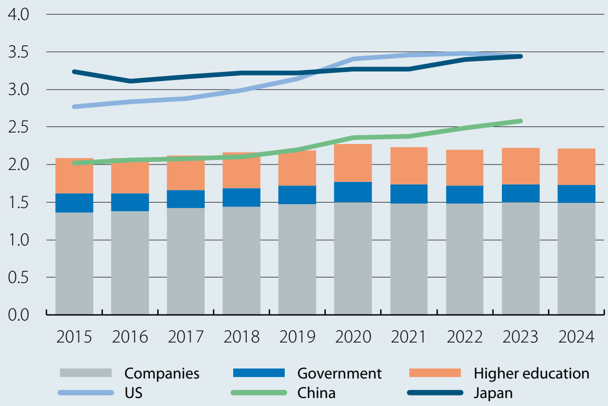
1. See the Focus «How far has the EU progressed on the Competitiveness Compass?» in the MR04/2026.
2. See the Focus «5% of GDP on defence: Why? What for? Is it feasible?» in the MR09/2025.

EU: defence spending by country (2025)
(% of GDP)



Note: *Austria, Cyprus, Ireland and Malta are not NATO members.*
Source: *CaixaBank Research, based on data from NATO, the European Commission and the Stockholm International Peace Research Institute (SIPRI).*

EU: R&D expenditure by sector and total of other countries (2024)
(% of GDP)



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

common core linked to new strategic priorities. Thus, for the four largest economies, the emphasis combines competitiveness, the functioning of the internal market, and structural reforms. Boosting innovation is a shared priority, given the persistent gap with the US and other global competitors like China (see second chart). This includes recommendations to boost investment in R&D, improve the transfer of knowledge to the business sector, facilitate access to funding, and develop ecosystems that support the growth and scaling-up of start-ups. Reducing administrative bottlenecks that limit the ability to execute large-scale investments is also a priority in these countries. Recommendations in this area focus on improving efficiency, cutting red tape and expediting permits.

In Central and Eastern Europe, the focus remains on the energy transition in favour of renewable sources, given these regions' current reliance on coal and gas, along with strengthening energy security. In the Baltic and Eastern European countries, security, defence, and civil preparedness are gaining prominence in the context of the war in Ukraine, while in Southern Europe the recommendations place greater emphasis on social cohesion, the labour market, and climate resilience.

A significant development this year is the increased prominence of housing on the European agenda.[3] The Commission links the challenges in this area not only to social cohesion but also to competitiveness, due to their impact on labour mobility and the functioning of the labour market. The recommendations propose action on several fronts: simplifying and expediting permits and planning processes, mobilising public land and improving coordination between different levels of government, boosting the construction and renovation of affordable and energy-efficient housing, reviewing tax incentives that could distort demand, and encouraging the reuse of underutilised housing.

The fiscal governance framework: short-term flexibility, medium-term frictions

Together, these recommendations reflect a more ambitious investment and reform agenda, the pursuit of which is constrained by the state of European public finances.[4] This year's Spring Package represents the first comprehensive test of both the new fiscal framework adopted in 2024 and the national medium-term fiscal-structural plans submitted in 2025.[5] The assessment combines the objective of ensuring the medium-term sustainability of public debt with adapting to an environment marked by rising structural spending needs (defence, energy, digital transformation and population ageing). The response has been to introduce limited and temporary flexibility into the fiscal framework, which, in some cases, allows the new spending pressures to be reconciled with the recommended fiscal path. However, compliance across Member States remains uneven, with risks of deviation concentrated in 2026.[6]

The main flexibility instrument is the national escape clause for defence expenditure, which was activated last year and allows for an additional spending margin of 1.5% of GDP through to 2028 without compromising medium-term fiscal sustainability. In 2026, its scope will be expanded, within this limit and time frame, to include certain energy-related measures linked to reducing external dependencies: up to 0.3% of annual GDP and a cumulative limit of 0.6% for investment in electrification, networks, storage, energy efficiency, or the clean energy transition.

This flexible design allows the energy and security shocks to be absorbed without formally altering the fiscal anchor. However, it does not eliminate underlying tensions: the margins are temporary, the additional expenditure will be incorporated into fiscal trajectories, and achieving sustainability will depend on these priorities being combined with higher potential growth or cuts to other budgetary items. In this context, the key will be how these new structural commitments are reflected in the spending paths of the medium-term plans. The risk, however, is that the EU may not have resolved the alignment of its strategic priorities with fiscal rules and a greater common budgetary capacity.

The ball is in national governments' court

With the publication of the Spring Package, the Commission is laying out the diagnosis and guiding the priorities, but it should not be forgotten that the final implementation lies with Member States. In the short term, they must finalise the execution of NGEU funds, apply the country-specific recommendations, and conclude negotiations for the 2028-2034 EU budget, which will determine the EU´s actual capacity to fund its ambitions in competitiveness, defence, energy and cohesion.[7] In this context, the focus shifts from the European response to national execution, where factors such as administrative capacity, regulatory delays and territorial fragmentation can be decisive.

The debate, therefore, cannot be confined to the European dimension nor to what is discussed and agreed upon in Brussels. The conclusion of the NGEU programme marks the end of an exceptional instrument and necessitates the establishment of a more permanent framework for investment and reforms. The European Semester sets the direction, but the transition will not be automatic and will require deciding which part of this approach, along with the associated conditionality, is incorporated into the new financial instruments of the next budget (referred to as National and Regional Partnership Plans in the Commission's initial proposal). Ultimately, it will be the ability – and the political willingness – of Member States to reach and implement ambitious agreements that will determine whether the EU has risen to the challenge.

David Martínez Turégano

3. See the Focus «There are reasons why housing has become the top concern among European citizens» in the MR02/2026.
4. See the article «Europe's medium-term fiscal dilemma» from the Dossier in the MR11/2025.
5. See the Focus «The new EU economic governance framework» in the MR01/2025.
6. Moderate risks of slippage emerge in 2026 for major economies such as France and Spain, although these are limited and compatible with compliance in cumulative terms. More strained situations are observed in a smaller group of countries with a risk of material non-compliance, such as Hungary, Croatia, Lithuania and Bulgaria; for the latter, the Commission is considering initiating an excessive deficit procedure.
7. See the Focus «The 2028-2034 EU budget: An impossible mission?» in the MR09/2025.

Europe needs to channel its high savings into productive investments

The euro area has maintained a high lending capacity, even during major shocks, largely driven by households.[1,2] By country, Germany has been the major source of lending, regardless of its position in the cycle. Spain and Italy's lending capacity, meanwhile, has been more heavily affected by the euro crisis, the pandemic, and the energy crisis triggered by the war in Ukraine. This behaviour reflects significant structural differences and is consistent with the diagnosis outlined in the Draghi report[3] and the European Commission's «Spring Package»:[4] the region has resources but needs to mobilise them more effectively towards productive investments that enhance competitiveness, strategic autonomy, and the ability to adapt to the new technological, energy and geopolitical reality.

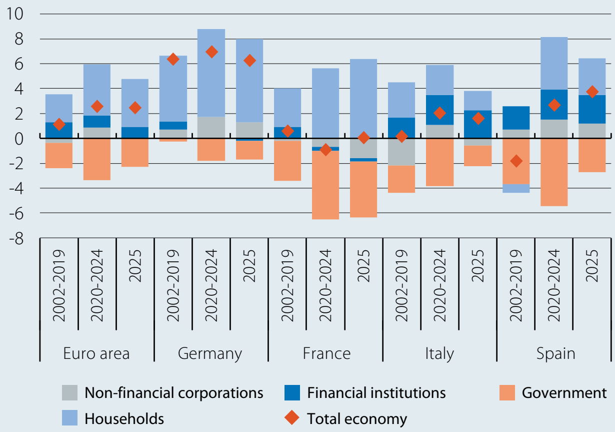
Europe's problem is not a lack of resources for investment

Before the 2008 financial crisis, the euro area's gross saving stood at around 22% of GDP. Then, after falling to around 20% in 2009-2010, it gradually recovered from 2013 onwards, supported by an improvement in public saving and the recovery of economic activity. In 2019, the gross saving of the economy as a whole stood at around 25% of GDP. The pandemic temporarily changed the composition of savings: household savings reached historic highs, at around 13% of GDP in 2020, compared with an average of 8.0% in the previous decade, offsetting the significant deterioration in the general government balance. Although a part of those savings has been used up as economic activity has returned to normal, household savings still exceed their pre-pandemic average. As a result, gross savings in the euro area reached almost 24% of GDP in 2025, equivalent to some 3.8 trillion euros.

However, this volume of resources has not resulted in an equivalent recovery of investment. After reaching an average of 22.3% of GDP between 2002 and 2008 due to the boom in residential investment, gross non-financial investment fell to a low of 19% of GDP in 2014, in the aftermath of the financial crisis. Subsequently, the low

Net lending (+) / Net borrowing (–) by institutional sector

(% of GDP)



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

interest rate environment allowed for a slight recovery, but the pandemic, increased uncertainty, and the tightening of financial conditions due to the energy crisis triggered by the war in Ukraine limited its progress. In 2025, investment stood at 20% of GDP, approximately 3.4 trillion euros. This gap between saving and investment translates into a net lending position in the euro area of around 391 billion euros, or 2.5% of GDP. The issue is not the lack of savings, but rather their insufficient conversion into investment within the region itself.

Germany accounts for a significant portion of the euro area's excess savings

The German economy accounts for about one-third of the region's gross savings, amounting to some 1.19 trillion euros in 2025, of which more than 47% is household savings. However, the investment effort of the economy has been relatively low: in 2025, gross investment was around 908 billion euros, or 20% of GDP, compared to 21.4% in the euro area. This explains why Germany recorded a lending capacity of nearly 282 billion euros, or around 6% of its GDP, which represents the bulk of the euro area's aggregate lending capacity.

The gap between savings and investment in Germany is expected to gradually narrow with the implementation of the infrastructure investment plan, although this convergence will be slow. With the exception of Spain, the bloc's other major economies have a more limited lending capacity. France's savings have been well below its level of investment since the pandemic, influenced by the deterioration of public saving and the funding needs

1. Lending capacity = gross saving – gross investment.
2. Gross saving is the portion of gross national disposable income (GNDI) that is not allocated to final consumption. It is the sum of savings from different institutional sectors (households, businesses and government).
3. See «Draghi proposes a European industrial policy as a driving force to address the challenges of the coming decades» in the MR10/2024.
4. See the Focus «The upcoming budget takes over from NGEU in the European Semester», in this same report.

of the business sector.[5] Spain, on the other hand, has shown a notable improvement in household savings since the pandemic. Together with consolidation efforts in the public sector, this allowed it to record a lending capacity of 3.7% of GDP in 2025, which is approximately 63 billion euros.

Household savings are allocated to illiquid assets

Households are the main source of savings generated in the euro area, but they have always shown a «more conservative» profile when it comes to investing those savings. Housing constitutes their main asset: it accounts for more than 55% of their total net wealth, over 50% of wealth in the bottom 50%, and 45% in the highest decile. There is also a significant preference for deposits, which account for around 14% of total wealth, over 40% for households in the bottom 50%, but just 10% in the top decile. In contrast, exposure to financial assets with higher expected returns (investment funds and shares) accounts for only 9% of the wealth of all households and is mainly concentrated in the highest wealth percentile, while among the bottom 50% it represents just 3% of their wealth.[6,7]

In the US, holding financial assets is a more widespread practice. In fact, for households as a whole, housing accounts for less than 20% of their wealth, and deposits make up just 8% of their assets. Corporate shares and investment funds, meanwhile, account for over 30% of their wealth.[8] There are significant differences between wealth brackets, but even among the groups with less wealth there is a clear preference for somewhat more complex financial products. In fact, for households in the bottom 50%, equities and investment funds account for 14% of their total wealth (well below the more than 50% among wealthier households), while deposits make up between 15% and 20%. As for housing, it accounts for around 30%-40% of wealth among less wealthy households, and only represents between 8% and 13% of the wealthiest households' wealth.[9]

Savings in the euro area must be allocated more efficiently

Ultimately, the key issue for Europe is not how much it saves, but how it ensures that these savings fund its future growth. The comparison with the US clearly illustrates this difference: in Europe, a significant portion of household wealth remains concentrated in housing and deposits, whereas in the US, the greater presence of investments in stocks and funds reflects the existence of deeper, more liquid and developed capital markets. This greater depth allows savings to reach companies more quickly and under better conditions, especially those with greater long-term funding needs and higher risk, such as start-ups, innovative companies, or projects linked to the energy and technological transition. This diagnosis aligns with the European Commission's Spring Package, which proposes advancing the Savings and Investments Union as a necessary vehicle to transform its high lending capacity into higher potential growth, increased innovation, and a better response to geopolitical, technological and climate challenges.

Rita Sánchez Soliva

5. Since Eurostat does not publish data on dividend distributions for all countries, we use gross operating profit as a proxy for the income generated by companies. The difference between that profit and the gross savings of companies indicates that in France, the decline in corporate savings is not due to a deterioration in margins, but rather to increased financial cost pressures and/or a more generous dividend distribution policy compared to its partners.
6. See «Whoever has a home has a treasure» in the MR05/2024.
7. In its Household Finance and Consumption Survey (HFCS), the ECB publishes information for each of the 6th, 7th, 8th, 9th and 10th deciles and for the bottom 50%. Deciles divide the wealth series, ordered from lowest to highest, into 10 equal parts and make it possible to differentiate the population by level of wealth. Thus, the lowest deciles represent the population with the least wealth, while the 10th decile represents the wealthiest group.
8. Corporate shares encompass shares of both domestic and foreign companies, whether listed or not, valued at market prices, as well as direct investments in companies, not just stock market shares. Investment funds refer to equity funds, mixed funds and fixed-income funds. Among others, this category does not include monetary funds or directly acquired debt securities, which are accounted for in their own categories.
9. In its Distributional Financial Accounts, the Fed publishes the distribution of wealth by percentile. It presents five major percentiles: the wealthiest 0.1% (billionaires), the rest of the top 1%, the next 9% (top 10%), then the next 40% (middle and upper-middle class), and the bottom 50%.

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

UNITED STATES

	2024	2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	04/26	05/26	06/26
Activity									
Real GDP	2.8	2.1	2.1	2.3	2.0	2.7	–	–	–
Retail sales (excluding cars and petrol)	3.4	4.5	4.8	4.6	3.9	4.6	5.0	5.6	...
Consumer confidence *(value)*	104.5	96.1	93.1	97.4	94.2	90.7	93.8	90.6	91.2
Industrial production	–0.7	1.1	0.5	1.7	1.6	0.8	1.4	1.7	...
Manufacturing activity index (ISM) *(value)*	48.2	48.9	48.8	48.7	48.2	52.6	52.7	54.0	53.3
Housing starts *(thousands, monthly average)*	1,370	1,356	1,356	1,347	1,323	1,418	1,392	1,177	...
Case-Shiller home price index *(index)*	330	339	338	338	341	343	342	...	...
Unemployment rate *(% lab. force)*	4.0	4.3	4.2	4.3	4.5	4.3	4.3	4.3	4.2
Employment-population ratio *(% pop. > 16 years)*	60.1	59.8	59.8	59.6	59.7	59.3	59.1	59.2	59.0
Trade balance [1] *(% GDP)*	–2.8	–3.3	–3.5	–3.4	–3.1	–2.5	–2.3	...	...
Prices									
Headline inflation	2.9	2.6	2.4	2.9	2.7	2.7	3.8	4.2	...
Core inflation	3.4	2.8	2.8	3.1	2.6	2.5	2.8	2.9	...

JAPAN

	2024	2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	04/26	05/26	06/26
Activity									
Real GDP	–0.2	1.1	1.9	0.5	0.3	0.4	–	–	–
Consumer confidence *(value)*	37.2	34.7	33.2	34.8	36.7	36.9	32.2	33.6	33.8
Industrial production	–3.0	0.1	0.1	–1.1	–1.3	1.2	2.0	1.2	...
Business activity index (Tankan) *(value)*	12.8	13.5	13.0	14.0	15.0	17.0	–	–	–
Unemployment rate *(% lab. force)*	2.5	2.5	2.5	2.5	2.6	2.7	2.5	2.5	...
Trade balance [1] *(% GDP)*	–1.0	–0.6	–0.7	–0.5	–0.4	–0.3	–0.2	–0.1	...
Prices									
Headline inflation	2.7	3.2	3.4	2.9	2.7	1.4	1.3	1.5	...
Core inflation	2.4	3.0	3.2	3.2	3.0	2.6	1.9	1.8	...

CHINA

	2024	2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	04/26	05/26	06/26
Activity									
Real GDP	5.0	5.0	5.2	4.8	4.5	5.0	–	–	–
Retail sales	3.3	3.8	4.4	2.4	0.7	2.4	0.2	–0.6	...
Industrial production	5.6	5.9	6.2	5.8	5.0	6.0	4.1	4.5	...
PMI manufacturing *(value)*	49.8	49.6	49.4	49.5	49.4	49.6	50.3	50.0	50.3
Foreign sector									
Trade balance [1,2]	997	1,187	1,145	1,174	1,187	1,176	1,165	1,167	...
Exports	4.6	5.5	6.0	6.5	3.8	14.5	13.9	19.2	...
Imports	1.0	0.2	–0.8	4.7	3.6	23.2	25.2	27.4	...
Prices									
Headline inflation	0.2	0.1	0.0	–0.2	0.6	0.8	1.2	1.2	...
Official interest rate [3]	3.1	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Renminbi per dollar	7.2	7.2	7.2	7.2	7.1	6.9	6.8	6.8	6.8

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	Q2 2025	Q3 2025	Q4 2025	Q1 2026	04/26	05/26	06/26
Retail sales *(year-on-year change)*	1.2	2.4	3.1	2.0	2.3	1.9	1.0	...	...
Industrial production *(year-on-year change)*	–2.9	1.6	1.5	1.5	1.9	–1.6	0.3	...	...
Consumer confidence	–12.6	–13.4	–14.1	–13.6	–12.9	–13.7	–20.5	–19.0	–17.7
Economic sentiment	95.9	95.9	95.0	95.9	97.1	97.8	93.3	93.7	95.0
Manufacturing PMI	45.9	49.1	49.3	50.1	49.5	50.6	52.2	51.6	51.4
Services PMI	51.5	51.3	50.1	50.9	53.0	51.2	47.6	47.7	49.4
Labour market									
Employment (people) *(year-on-year change)*	1.0	0.7	0.7	0.7	0.7	0.5	–	–	–
Unemployment rate *(% labour force)*	6.4	6.3	6.3	6.3	6.3	6.3	6.2	6.2	...
Germany *(% labour force)*	3.4	3.7	3.7	3.8	3.9	3.8	3.8	3.8	...
France *(% labour force)*	7.5	7.7	7.6	7.8	8.0	8.1	8.2	8.2	...
Italy *(% labour force)*	6.6	6.1	6.3	6.0	5.7	5.2	5.1	5.0	...
Real GDP *(year-on-year change)*	0.9	1.5	1.6	1.4	1.2	0.3	–	–	–
Germany *(year-on-year change)*	–0.5	0.3	0.4	0.3	0.4	0.3	–	–	–
France *(year-on-year change)*	1.4	0.9	0.8	0.8	1.1	0.9	–	–	–
Italy *(year-on-year change)*	0.6	0.7	0.5	0.7	0.9	0.8	–	–	–

Prices

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

	2024	2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	04/26	05/26	06/26
General	2.4	2.1	2.0	2.1	2.1	2.0	3.0	3.2	2.8
Core	2.8	2.4	2.4	2.3	2.4	2.3	2.2	2.6	2.4

Foreign sector

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

	2024	2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	04/26	05/26	06/26
Current balance	3.0	2.0	2.4	2.2	2.0	2.1	2.0	...	...
Germany	5.9	4.5	5.0	4.7	4.5	4.4	4.3	...	...
France	0.1	–0.3	–0.2	–0.5	–0.3	–0.3	–0.3	...	...
Italy	1.1	1.1	0.9	1.1	1.1	1.4	1.4	...	...
Nominal effective exchange rate[1] *(value)*	**94.2**	**96.1**	**96.2**	**97.9**	**97.5**	**97.2**	**97.4**	**96.7**	**96.1**

Credit and deposits of non-financial sectors

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

	2024	2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	04/26	05/26	06/26
Private sector financing									
Credit to non-financial firms[2]	0.8	2.7	2.6	2.9	3.0	3.0	3.4	4.0	...
Credit to households[2,3]	0.5	2.2	2.1	2.5	2.9	3.0	3.0	3.1	...
Interest rate on loans to non-financial firms[4] *(%)*	4.9	3.4	3.4	3.2	3.3	3.3	3.3	3.3	...
Interest rate on loans to households for house purchases[5] *(%)*	4.6	3.7	3.7	3.6	3.5	3.5	3.6	3.6	...
Deposits									
On demand deposits	–3.9	5.0	5.3	5.5	5.4	5.4	4.0	4.3	...
Other short-term deposits	12.4	–0.1	–0.1	–1.5	–1.0	–0.2	0.9	1.4	...
Marketable instruments	20.0	7.7	11.0	4.4	0.9	0.8	0.9	3.2	...
Interest rate on deposits up to 1 year from households *(%)*	3.0	1.9	1.9	1.7	1.8	1.8	1.9	1.9	...

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.*

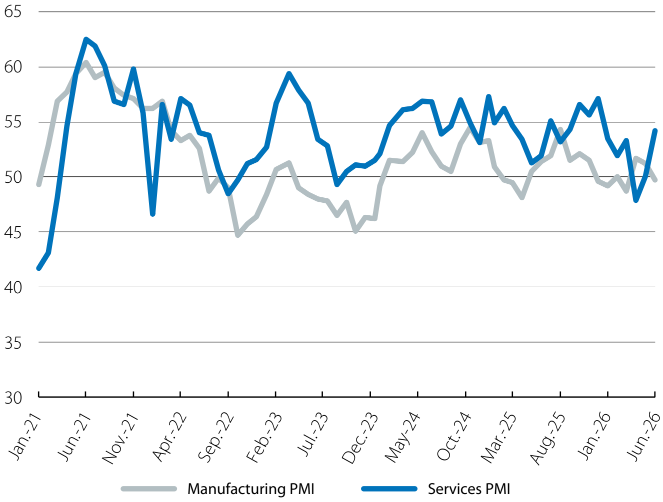
The Spanish economy at a crossroads: slowdown or recovery?

The improvement in the outlook for the US-Iran conflict reduces the early warnings of a slowdown in our economy. Four months after the outbreak of the conflict, signs began to emerge last month indicating that the economic growth rate might be affected by the conflict's impact on the energy market, confidence and financial conditions. However, the partial reopening of the Strait of Hormuz following the recent agreement signed between the US and Iran has significantly eased tensions in the energy markets, reducing the pressure that has been building on the economy and dispelling the spectre of a slowdown.

Activity indicators have improved compared to the previous month. On the consumption side – the area expected to be hardest hit by rising inflation – we observed good performance in May. The retail trade index rose by 0.6% month-on-month, recovering some of the ground lost in April's poor result (–1.5%). However, the average for April and May remains 0.5% below the average for Q1. In the same month, industrial production recorded strong growth, with the year-on-year rate accelerating from 2.3% to 3.4%. The data for the tourism sector were very encouraging. In May, international tourist arrivals were up 9.5% and 10.9% year-on-year, compared to 1.2% and 4.6% recorded in May of the previous year. This improvement aligns with the view that Spain's tourism sector should benefit from the Middle East conflict due to the redirection of tourist flows, hinting at a record high season. Finally, the composite PMI rose significantly in June, reaching 53.3 points (50.1 the previous month). This places it well above the threshold indicating no change (>50 points) and is the highest level since December 2025. Overall, and considering the labour market data discussed below, the set of indicators suggests that GDP growth in Q2 2026 could exceed the 0.3% quarter-on-quarter rate envisaged in our forecast.

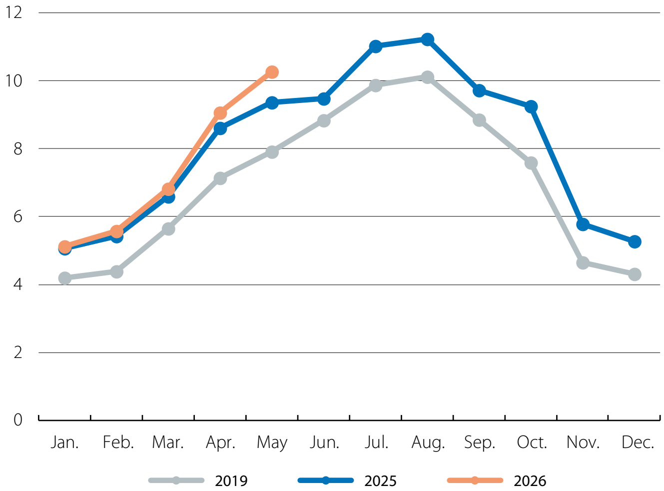
The labour market ends Q2 with strong growth in registered employment due to the impact of the regularisation of undocumented workers, although even without this effect the growth rate remains dynamic. In Q2 as a whole, the number of registered workers grew compared to the Q1 average by around 595,000 people. This growth exceeds the figure of 540,000 recorded on average in the second quarters of 2023 to 2025. However, according to the government, some 160,000 workers were registered due to the exceptional regularisation process. Therefore, net of this effect, the quarter-on-quarter change stands at around 435,000 workers, which is slightly below the usual figure for this quarter of the year. In seasonally

Spain: PMIs
Level



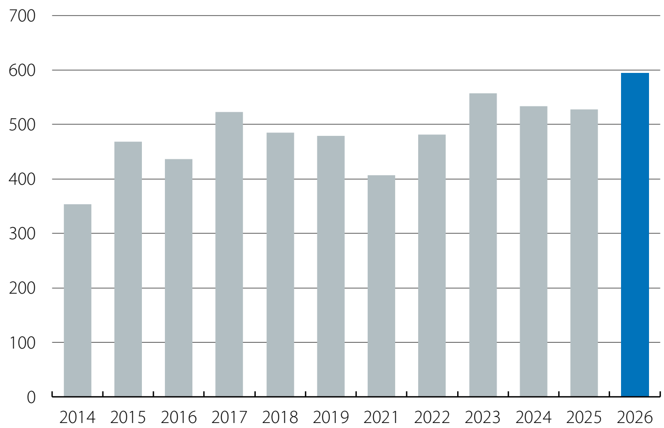
Source: *CaixaBank Research, based on data from S&P Global PMI.*

Spain: international tourist arrivals
(Millions of people)



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

Spain: Social Security affiliates in Q2 of the year*
Quarter-on-quarter change (thousands of people)



Note: * *Raw series.*
Source: *CaixaBank Research, based on data from the Ministry of Inclusion, Social Security and Migration.*

adjusted terms, we estimate that the corrected figure represents a quarter-on-quarter growth in affiliates of 0.5% in Q2 – a dynamic growth rate in line with that of the previous quarter.

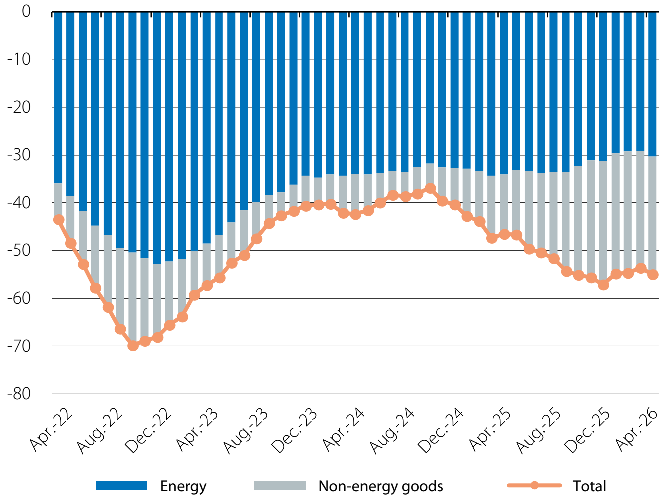
The rise in energy prices is beginning to show in external sector data, but without disrupting the steady improvement in the trade balance since the start of the year. In April, the trade deficit stood at 5.172 billion euros, up from 3.882 billion euros a year earlier, due to import growth of 8.7% year-on-year, compared to a 5.8% increase in exports. This import growth was driven by the surge in energy product imports (+32.2%), mainly due to higher prices. Despite the deterioration due to the energy component in April, the cumulative trade balance between January and April shows a deficit of 16.85 billion euros, lower than the 18.982 billion recorded in the same period of 2025. However, the May and June figures are expected to show a continued deterioration in the energy balance, hindering any improvement in the overall trade balance.

Inflation in June remains stable at 3.2%, but begins to reflect the effects of falling energy prices. Although the tax support measures on gas and electricity bills were withdrawn in June, energy inflation barely accelerated compared to the previous month. This was made possible by the sharp drop in fuel pump prices, reflecting the decline in oil prices in international markets. Core inflation fell by 0.1%, although it remains high at 3.1%, largely due to the services component. This is affected by transport costs, particularly air travel, which is the category most directly impacted by the recent rise in energy prices. Over the coming months, we are likely to see a rise in inflation due to the gradual withdrawal of tax subsidies on fuels. However, the drop in oil futures prices suggests that the inflation path for the rest of the year will be lower than we were anticipating before the US-Iran agreement.

In the lead-up to the conflict in Iran, the household savings rate remained high. In the four-quarter aggregate, the household savings rate stood at 11.8% in Q1 2026, just 0.2 pps below the previous month's figure and significantly above the 2015-2019 average of 7.3%. This high savings rate provides a buffer for households to cope with the rise in inflation in Q2. Whether or not they will use this buffer remains to be seen. For now, the slight deterioration observed in consumption-related indicators suggests that households may have chosen to protect their savings and adjust their consumption decisions.

Spain: balance of trade in goods

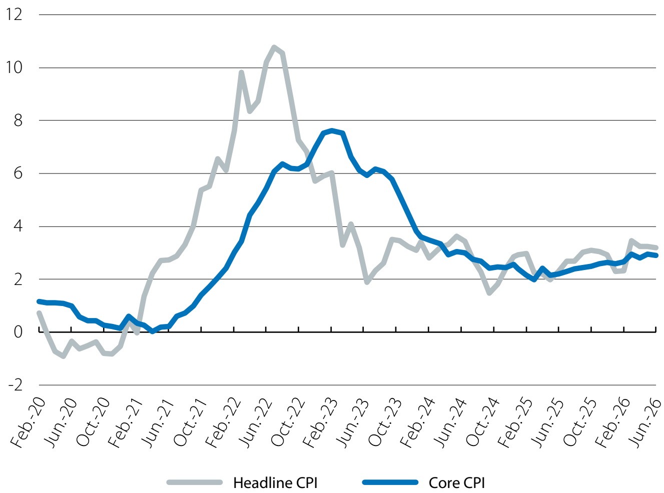
EUR billions (12-month aggregate)



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

Spain: CPI

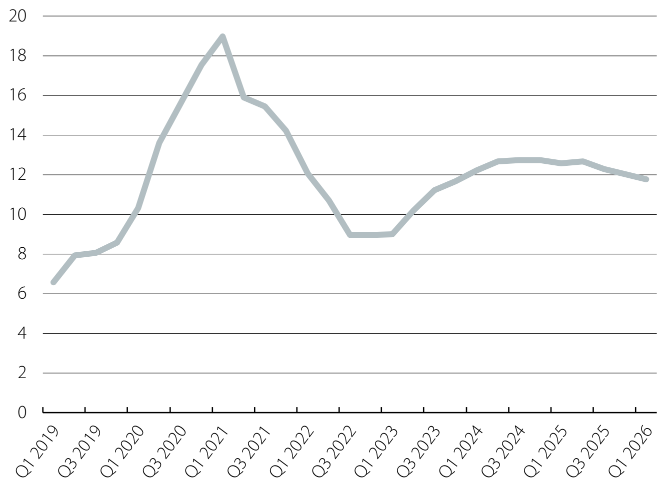
Year-on-year change (%)



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

Spain: household savings rate

*(% of gross disposable income)**



Note: ** Four-quarter aggregate.*
Source: *CaixaBank Research, based on data from the National Statistics Institute (INE).*

The trajectory of employment growth in Spain

It is well known that employment in Spain has experienced rapid growth in recent years. The unemployment rate has also fallen sharply, reaching 10.5% in 2025, the best figure since 2008 and almost 4 pps below the 2019 figure. Nevertheless, it remains one of the highest in the euro area. Furthermore, the number of job vacancies in 2025 was almost 50% higher than in 2019; 40% of the jobs created were filled by foreign-born workers, and in Q2 2026 more than 40% of firms reported being constrained by the availability of labour.[1] In light of these figures, one might question whether the labour market can continue to support Spain's economic growth.

A significant portion of unemployment is concentrated among groups who experience difficulties entering the labour market, most notably the long-term unemployed. In the years leading up to the 2008 financial crisis, only 25% of the unemployed had been seeking work for more than a year. However, this group exceeded 50% during the subsequent recovery period and has remained at around 40% in recent years (35% in Q1 2026).

This factor is compounded by an increase in unemployment among older workers. The proportion of unemployed individuals aged 55 or over has increased significantly since the financial crisis and, in the current cycle, is nearly double the pre-2008 level. Qualifications also play a crucial role: around half of the unemployed have a low level of education.[2] These three factors – long duration, senior age, and low education – create a pool of unemployment that is difficult to absorb.

Groups with higher employability have a lower unemployment rate. For example, the unemployment rate for people aged 25 to 49 who have been unemployed for less than a year is around 6%. This is significantly lower than the rate for the population as a whole, although it is still above the euro area's 4%.

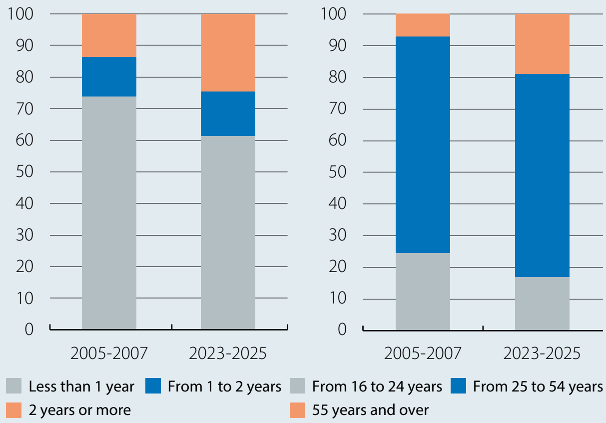
By sector, the unemployment rate lies below 5% in half of them, which account for 40% of employment. Sectors with lower unemployment rates also tend to have higher wages.

Spain's labour market still shows a relatively high level of slack overall, so it should be able to continue supporting economic growth. However, it is essential to strengthen the mechanisms that incentivise and facilitate the employment of individuals who face greater challenges in finding work. Active employment policies are crucial, especially those focused on training in sectors and professions that experience the greatest difficulties in finding labour.

Zoel Martín Vilató

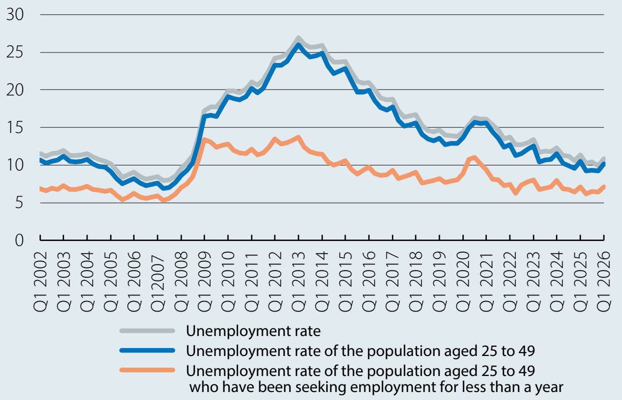
1. Bank of Spain's EBAE business activity survey.
2. Low educational level: having completed at most the first stage of secondary education.

Spain: composition of unemployment by duration and age



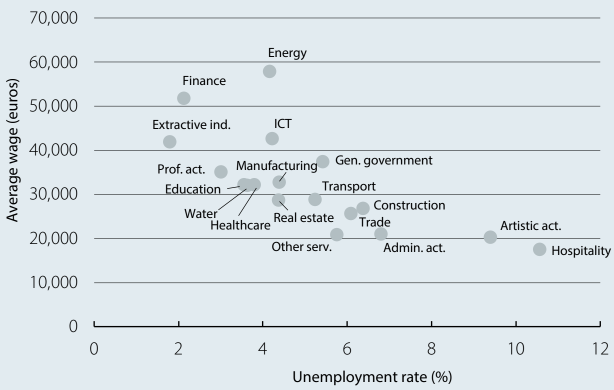
Source: *CaixaBank Research, based on data from the National Statistics Institute (INE).*

Spain: alternative unemployment rates



Note: *Unemployment rates for the population aged 25 to 49 are calculated based on the labour force within the same age range.*
Source: *CaixaBank Research, based on data from the National Statistics Institute (INE).*

Spain: unemployment rates and wages by sector



Note: *The calculation of sectoral unemployment rates excludes unemployed individuals who have been seeking work for more than one year.*
Source: *CaixaBank Research, based on data from the National Statistics Institute (INE).*

From the weekday set menu to Saturday night: weekly consumption patterns in Spanish restaurants

Following the post-pandemic boom, Spain's catering industry is entering a phase of more sustainable growth. Spending remains dynamic, driven by the tourism sector, albeit more moderate than in recent years. Beyond this pattern, in this article we focus on the sector's marked seasonality. Specifically, leveraging the highly detailed card spending data recorded on CaixaBank POS terminals,[1] we analyse the intra-weekly seasonality of catering spending, that is, how demand is distributed across the days of the week.

Most catering spending occurs between Friday and Sunday

Catering activity is concentrated in the last days of the week. In fact, this has been a fairly stable pattern in recent years (see first chart), although between 2021 and 2022 there was a slight increase in the relative weight from Friday to Sunday. This was probably linked to remote working and changes in office habits, which partially reduced consumption from Monday to Thursday. In any case, the effect was limited and has been gradually corrected since then. In 2025, just over 57% of weekly spending occurred between Friday and Sunday (just 0.7 pps more than in 2019), compared to just under 43% from Monday to Thursday.

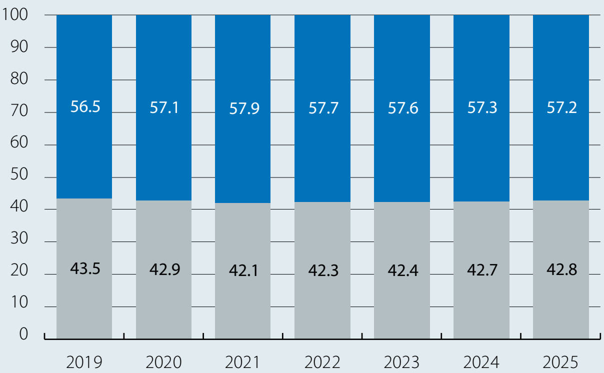
The relative importance of Friday to Sunday highlights a structural feature of the sector: catering spending is closely linked to leisure time. Indeed, this trend received a boost in the years immediately following the pandemic. The higher concentration of spending on Fridays and at weekends is largely due to a higher amount per transaction, although the greater number of transactions is also a contributing factor. Around 53% of transactions occur between Friday and Sunday, which is 4 points less than when we looked at the percentage of spending.

The key lies in the average transaction value: whereas from Monday to Thursday it is around 16.5 euros per transaction, in the last three days of the week it stands at around 23 euros, some 37% more.[2] One possible interpretation of this gap is the different pricing structures and consumption formats during the working week versus Friday-Sunday: on weekdays, options such as the set menu of the day are more common, whereas they are less prevalent from Friday to Sunday.

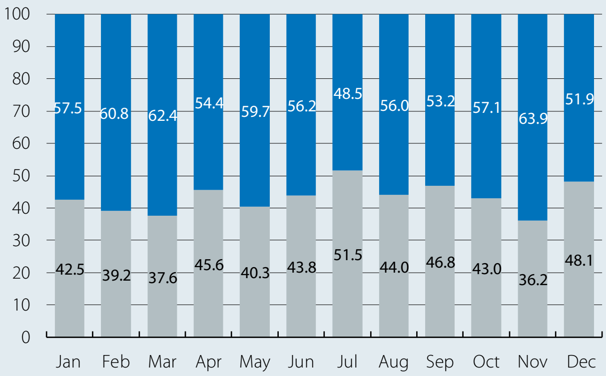
It is worth asking whether this pattern is consistently reproduced throughout the year or if there is some seasonal variation. Broadly speaking (see second chart), it is observed that the proportion of spending from

Spain: trends in weekly catering spending

Amount of expenditure on catering transactions
(% of total annual expenditure)



Weekly expenditure throughout 2025
(% of total monthly expenditure)



Monday-Thursday   Friday-Sunday

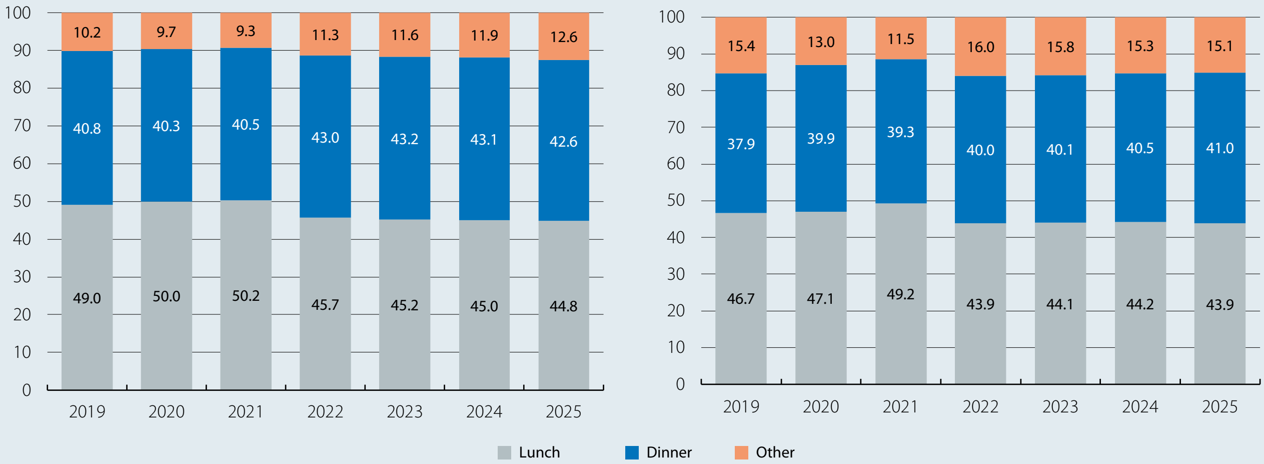
Note: *The analysis is limited to transactions over 5 euros to mitigate the bias resulting from the increased use of cards for small payments after the pandemic.*
Source: *CaixaBank Research, based on internal data.*

1. According to our internal data, 40.5% of the total turnover of the average Spanish restaurant is concentrated in just four months of the year (the high season from June to September), as we analysed in the article «The catering sector in Spain in 2024: what the data from millions of card payment transactions reveal» in the *Tourism Sector Report S1 2025*.
2. These average transaction figures pertain to the year 2025, but this gap has remained very stable in recent years and the figures do not differ significantly from those of 2019.

Spain: intra-week and intra-day catering spending

Expenditure from Monday to Thursday
(% of total expenditure from Monday to Thursday)

Expenditure from Friday to Sunday
(% of total expenditure from Friday to Sunday)



Note: *The analysis is limited to transactions over 5 euros to mitigate the bias resulting from the increased use of cards for small payments after the pandemic.*
Source: *CaixaBank Research, based on internal data.*

Monday to Thursday is relatively higher in months with more leisure activities and holidays, such as July, December, or April (Easter), which tends to smooth the difference between Monday-Thursday and Friday-Sunday.

In recent years, dinner has seen its share of total spending grow relative to lunch

The trend in catering spending indicates a very gradual shift in daily consumption patterns: although lunch remains the main meal, dinner has been gaining relative importance over time, both from Monday to Thursday and, especially, from Friday to Sunday.

Between Monday and Thursday, dinner has gone from representing 40.8% of spending in 2019 to 42.6% in 2025, while lunch has decreased from 49.0% to 44.8%. A similar trend is observed from Friday to Sunday, where dinner has increased its share from 37.9% to 41.0%. The pandemic temporarily altered this pattern: in 2021, there was an increase in spending on lunch from Friday to Sunday (49.2% of expenditure, compared to 46.7% in 2019), probably linked to a recovery in consumption that was still affected by restrictions and was more concentrated during daytime hours. However, in the following years, the distribution of expenditure gradually shifts back towards dinner.

This trend indicates a shift in spending patterns in favour of leisure and social activities, particularly towards the end of the week. Although lunch still accounts for the majority of spending, the relative growth of dinner supports the idea that dining from Friday to Sunday increasingly relies on more discretionary consumption experiences with higher average spending.

Consumption patterns vary between provinces

Across all Spanish provinces, the percentage of spending on dining from Friday to Sunday exceeds that of the rest of the week. However, when analysing the distribution of this variable and comparing the pattern between Monday to Thursday and Friday to Sunday, notable differences emerge, as shown in the maps of the last chart.

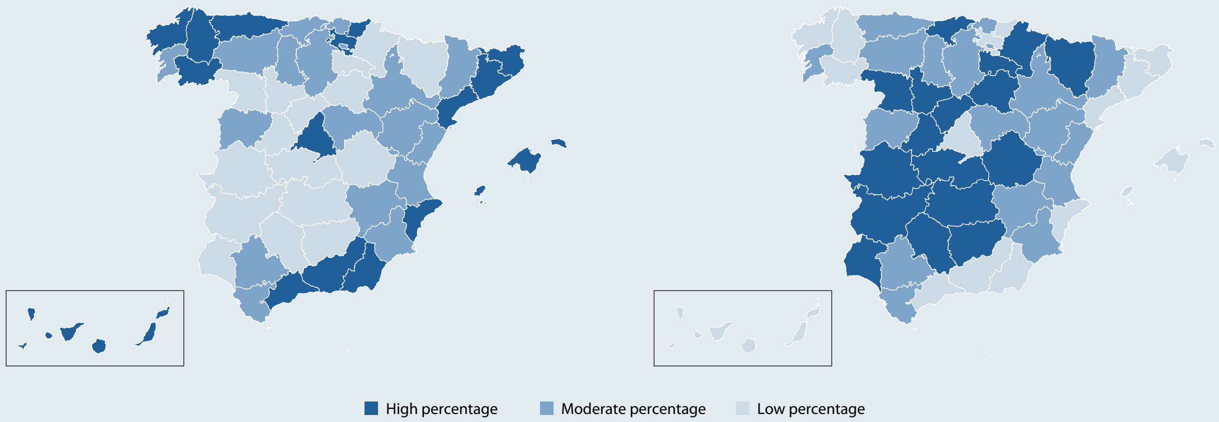
Spending during the working week tends to be relatively higher in provinces with greater economic and urban density, where the catering sector benefits from work-related activity and recurring consumption associated with daily life. In contrast, in much of Spain's interior and in some western and southern provinces, spending from Friday to Sunday represents a relatively higher proportion of the total, reflecting a pattern more closely associated with leisure and socialising. Overall, this contrast indicates the coexistence of two geographical demand profiles: one that is more structural and sustained throughout the week, and another more concentrated and dependent on consumption towards the end of the week.

The Mediterranean arc and some tourist provinces deserve special mention, as they exhibit a more mixed pattern. Specifically, they combine a relatively high level of weekday spending with a significant presence of consumption from Friday to Sunday, which is consistent with a more diversified demand associated with foreign consumers.

The analysis of catering spending in Spain highlights the significant persistence of a pattern that is clearly concentrated from Friday to Sunday, when more than

Spain: distribution of catering spending throughout the week, by province

Expenditure from Monday to Thursday | ***Expenditure from Friday to Sunday***



Notes: *Data from 2025. The percentage is considered «high» if it exceeds the 66th percentile (P66) of the distribution, «moderate» if it is between the 66th and 33rd percentiles, and «low» if it is below the 33rd percentile.*
Source: *CaixaBank Research, based on internal data.*

half of expenditure occurs, driven by a higher average transaction value and linked to leisure activities. However, this pattern shows some seasonality – with a higher relative weight of weekday consumption during festive periods or times of increased leisure activity – and geographical differences that reflect the coexistence of demand profiles that are more linked to daily economic activity versus those more oriented towards leisure. Additionally, there is a gradual shift in daily habits, with dinner gaining prominence slightly relative to lunch, particularly towards the end of the week, suggesting a growing trend towards more social and discretionary consumption experiences.

Pedro Álvarez Ondina and Eduard Alcobé Garcia

Climate change and international tourist loyalty: new evidence for Spain

International tourism has been one of the Spanish economy's major strengths in recent years. Following the post-pandemic recovery, the sector has once again recorded very high figures for arrivals and spending, reinforcing its role as a driver of economic activity, employment and income generation across much of the region. However, this leadership position coexists with a profound structural challenge: climate change. Spain is a highly competitive tourist destination thanks to its rich and diverse tourism offering, high-quality infrastructure and long tourist season. However, much of its appeal still relies on climatic conditions that are changing rapidly. In this context, it is important to understand how tourists react to episodes of extreme heat in order to anticipate risks and opportunities in the sector.

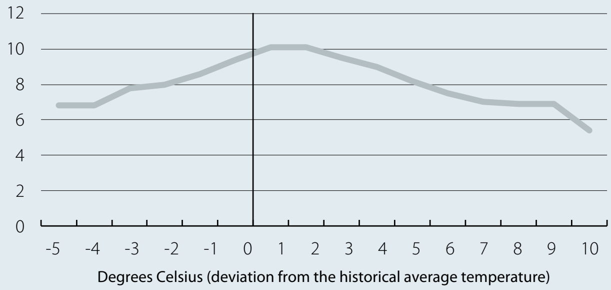
In a previously published article,[1] we used internal CaixaBank data on foreign card payments recorded on POS terminals, cross-referenced with climate information from the European Union's Copernicus Land Monitoring Service Information, to analyse for the first time whether heatwaves affected the likelihood of an international tourist returning to Spain. In that analysis, we found that tourists who had experienced exceptionally high temperatures during their stay were less likely to return the following year. Specifically, when the deviation of the average temperature from its historical reference exceeded 8ºC – which we considered an extreme heatwave – the likelihood of a repeat visit decreased by 13.8%. The update of this analysis with data from 2024 and 2025 confirms that this was not an isolated pattern, but rather consistent behaviour that persists over time.

The first chart shows that the relationship between temperature and loyalty follows a very similar pattern to that observed previously. When the temperature experienced by a tourist is around its historical average, the propensity to return to Spain remains stable. However, as the temperature deviation exceeds four degrees above the average, the likelihood of returning decreases. In the most extreme cases, tourists who experienced exceptionally hot temperatures during their stay are around 15% less likely to return compared to those who experienced temperatures close to their historical norms. This result is particularly significant as it is obtained in a context in which international tourism to Spain remains highly dynamic, suggesting that the climate effect operates even during a period with high aggregate demand.

1. See the article «Tourist loyalty and climate change» in the *Tourism Sector Report S2 2024*.

Probability of returning to Spain based on the temperature experienced

*Probability of a tourist returning to Spain in the summer of 2025 after visiting in the summer of 2024 (%)**

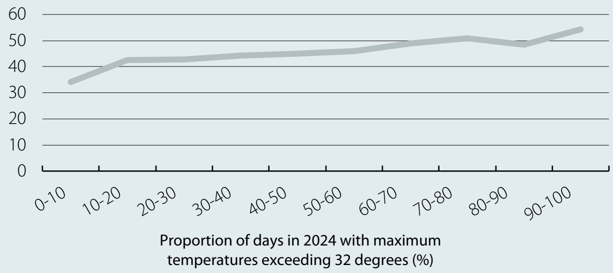


Note: ** Based on the weather conditions experienced during their stay in the summer of 2024. Specifically, the horizontal scale represents the deviation of the average temperature (in degrees Celsius) experienced during the summer of 2024 compared to the historical average temperature (between 1970 and 2000) for the same dates and location.*

Source: *CaixaBank Research, based on internal data from foreign card payments recorded on CaixaBank POS terminals and the European Environmental Agency.*

Probability of repeat tourists choosing cooler destinations based on the temperature experienced

(%)



Notes: *Probability of a tourist choosing a destination in 2025 with historical temperatures 5 degrees cooler than the historical temperature of their destination in 2024. The historical temperature is the average of the temperatures recorded on the same day between 1970 and 2000. Tourists can adjust both the destination and the travel date to find a different historical average temperature.*

Source: *CaixaBank Research, based on internal data from foreign card payments recorded on CaixaBank POS terminals and the European Environmental Agency.*

The main innovation of this article is that we extend the analysis to study not only whether tourists return, but also how they adjust their decisions when they do so. The second chart shows that tourists who have experienced a heatwave during their stay tend to choose holiday destinations or dates with cooler expected temperatures the following year. Specifically, the likelihood of selecting a combination of a destination and dates in 2025 that offers a historical temperature at least 5ºC lower than what they experienced in 2024 increases in line with the proportion of days during the previous stay when the maximum temperature exceeded 32ºC. In other words, experiencing extreme heat reshapes preferences within the Spanish tourism market.

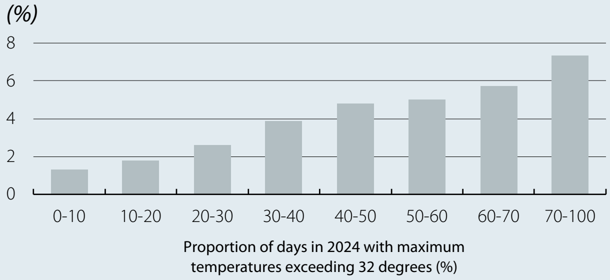
This adjustment of preferences in relation to Spain's tourism market can occur through two main channels. The first is geographical substitution: a tourist generally keeps their holiday schedule unchanged but chooses a destination within Spain that offers more moderate expected temperatures. The second channel is temporal substitution: the tourist maintains a similar type of destination but shifts their holiday to cooler months of the year, either bringing their trip forward or delaying it.

Although tourists are adjusting their trips, they are doing so subtly. Repeat tourists tend to be loyal to their destinations. For instance, in Mediterranean destinations, which account for two-thirds of international arrivals, 85.2% of repeat tourists whose main destination in 2024 was in the Mediterranean returned to the same type of destination in 2025. Only 1.8% of international tourists who chose the Mediterranean in 2024 and returned to Spain opted to visit the Atlantic coast as their main destination in 2025. A regression analysis linking climatic experience with substitution by destination type suggests that this option is rarely used: tourists who have experienced a heatwave and still return to Spain do not generally change their type of destination. Furthermore, we observe that heatwaves are not associated with changes in the tendency to substitute seasons.

This limited mobility between destination types and seasons does not, however, mean a lack of adaptation. A tourist seeking a Mediterranean holiday can switch municipalities or coastal areas without leaving the general category of their preferred destination. Similarly, a visitor to the Canary Islands can choose a different island, a different coastal orientation, or different dates within a similar season. The specification of our regression, which links the experience of heatwaves with switching to a destination with historically lower temperatures while keeping the destination type and season fixed, shows positive and economically significant coefficients. Therefore, it seems that tourists who experience heatwaves manage to choose cooler destinations within the same season and geographical type.

The third chart shows how tourists who experienced more extreme temperatures in the Mediterranean in the summer of 2024, and who return to the Mediterranean in the summer of 2025, are more likely to choose destinations with historical temperatures 5 degrees below the historical temperature of their destination in 2025. This demonstrates that there is significant potential for climatic substitution without changing season or destination category. Another example of this type of substitution is that tourists who visited inland areas in the summer of 2024, experienced heatwaves and decided to return inland in 2025 tended to choose higher altitude destinations than those who did not experience heatwaves.

Probability of repeat tourists in summer and in the Mediterranean choosing cooler destinations based on the temperature experienced



Notes: *Probability of a tourist choosing a destination in 2025 with historical temperatures 5 degrees cooler than the historical temperature of their destination in 2024. The historical temperature is the average of the temperatures recorded on the same day between 1970 and 2000. Although tourists can adjust both the destination and the travel date to achieve a different historical average temperature, in this case, we only analyse tourists who travelled to the Mediterranean in the summer of 2024 and returned to the Mediterranean in the summer of 2025.*
Source: *CaixaBank Research, based on internal data from foreign card payments recorded on CaixaBank POS terminals and the European Environmental Agency.*

Overall, the results show that tourists respond to heatwaves in two ways. On one hand, they reduce their inclination to return to Spain. On the other hand, without changing the type of main destination or the travel season, they choose cooler destinations.

For Spain's tourism sector, the implications are significant. Firstly, international tourists' loyalty can be undermined by extreme heatwaves. Secondly, adapting the supply will be increasingly key for maintaining competitiveness. Making tourist accommodation and public spaces more comfortable during periods of extreme heat, providing more shaded areas, improving energy efficiency, adjusting opening hours and diversifying indoor and outdoor activities are all measures that can reduce the impact of heat on the tourist experience and maintain the loyalty levels of international tourists in Spain.

David Cesar Heymann and Eduard Alcobé Garcia

Activity and employment indicators

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

	2024	2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	04/26	05/26	06/26
Industry									
Industrial production index	0.4	1.3	1.3	2.4	1.8	0.5	2.3	3.4	...
Indicator of confidence in industry *(value)*	–4.9	–4.8	–5.3	–5.0	–3.9	–3.2	–4.9	–4.1	–3.2
Manufacturing PMI *(value)*	52.2	50.9	50.0	52.6	51.1	49.3	51.7	51.2	49.7
Construction									
Building permits *(cumulative over 12 months)*	16.7	8.8	14.8	7.9	8.8	...	...	...	...
House sales *(cumulative over 12 months)*	9.7	11.5	22.9	18.7	11.5	5.6	5.3	...	...
House prices	8.4	12.7	12.7	12.8	12.9	12.9	...	...	...
Services									
Foreign tourists *(cumulative over 12 months)*	10.1	3.2	6.3	4.3	3.2	2.7	2.3	3.1	...
Services PMI *(value)*	55.3	54.5	52.2	54.2	56.4	52.9	47.9	50.1	54.2
Consumption									
Retail sales[1]	1.7	4.3	5.3	4.4	4.1	3.3	0.6	1.3	...
Car registrations	7.2	12.9	13.8	16.9	8.0	7.6	8.4	–0.8	7.8
Economic sentiment indicator *(value)*	103.1	103.1	102.3	102.7	104.3	105.1	102.7	102.6	103.3
Labour market									
Employment[2]	2.2	2.6	2.7	2.6	2.8	2.4	...	...	...
Unemployment rate (% labour force)	11.3	10.5	10.3	10.5	9.9	10.8	...	...	...
Registered as employed with Social Security[3]	2.4	2.3	2.2	2.3	2.4	2.3	2.4	2.5	2.8
GDP	**3.5**	**2.8**	**2.9**	**2.7**	**2.6**	**2.7**	...	...	...

Prices

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

	2024	2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	04/26	05/26	06/26
General	2.8	2.7	2.2	2.8	3.0	2.7	3.2	3.2	3.2
Core	2.9	2.3	2.3	2.4	2.6	2.7	2.8	3.0	2.9

Foreign sector

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

	2024	2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	04/26	05/26	06/26
Trade of goods									
Exports *(year-on-year change, cumulative over 12 months)*	0.2	0.7	2.0	0.8	0.7	0.2	1.1	...	...
Imports *(year-on-year change, cumulative over 12 months)*	0.1	4.6	4.1	4.6	4.6	1.7	2.9	...	...
Current balance	**50.7**	**49.5**	**48.5**	**48.2**	**49.5**	**48.6**	**48.0**	**...**	**...**
Goods and services	66.3	64.7	64.0	62.5	64.7	67.1	67.7	...	...
Primary and secondary income	–15.7	–15.1	–15.5	–14.3	–15.1	–18.6	–19.8	...	...
Net lending (+) / borrowing (–) capacity	**68.7**	**66.9**	**67.5**	**66.6**	**66.9**	**65.8**	**65.2**	**...**	**...**

Credit and deposits in non-financial sectors[4]

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

	2024	2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	04/26	05/26	06/26
Deposits									
Household and company deposits	5.1	4.8	3.9	4.9	4.8	5.5	5.5	5.5	...
Demand and notice deposits	2.0	6.7	5.0	7.2	6.7	7.1	6.2	5.9	...
Time and repo deposits	23.5	–4.7	–1.5	–6.6	–4.7	–2.2	2.1	3.5	...
General government deposits[5]	23.1	4.9	25.5	7.2	4.9	5.0	8.7	3.1	...
TOTAL	**6.3**	**4.8**	**5.4**	**5.1**	**4.8**	**5.5**	**5.8**	**5.4**	**...**
Outstanding balance of credit									
Private sector	0.7	3.5	2.6	2.8	3.5	3.8	2.9	3.0	...
Non-financial firms	0.4	2.9	2.5	2.3	2.9	3.7	3.7	3.8	...
Households - housing	0.3	3.5	2.3	2.9	3.5	3.7	3.7	3.8	...
Households - other purposes	2.3	4.6	3.5	3.7	4.6	4.3	–1.3	–1.5	...
General government	–2.6	10.7	5.3	12.9	10.7	8.1	9.9	8.1	...
TOTAL	**0.5**	**3.9**	**2.7**	**3.4**	**3.9**	**4.1**	**3.4**	**3.3**	**...**
NPL ratio (%)[6]	**3.3**	**2.7**	**3.0**	**2.9**	**2.7**	**2.6**	**2.6**	**...**	**...**

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

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

Portugal: confidence levels recover and employment remains strong

A steady improvement throughout Q2. A broad recovery in key sentiment indicators has been observed since May, as uncertainty surrounding the impact of the war in Iran has steadily dissipated. In June, the European Commission's economic sentiment indicator performed particularly well, rising to 103 points (vs. 101.7 in May). Private consumption also continues to show strength. Retail sales grew by 4.2% in the first two months of the quarter, while car registrations increased by 11.8% in Q2 (versus 10.1% in Q1). This performance was supported by the strong labour market and the growth in nominal wages, which rose by 5% in Q1. In this context, the savings rate remains close to its historical highs, at 12.3% in Q1, and investment indicators suggest a positive performance in Q2.

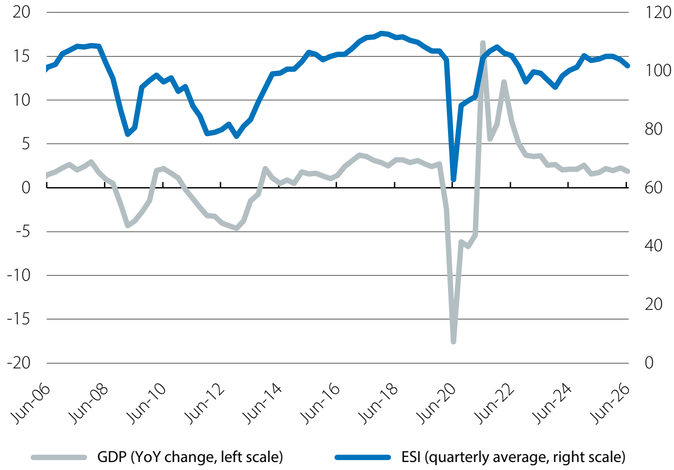
Mixed inflation data in June. Headline inflation stood at 3.2% in June, slightly below the 3.3% recorded in May. This was due to a sharp slowdown in energy prices, which rose by 9.1% year-on-year in June (vs. 13.1% in May), following the rapid decline in global energy prices after the US and Iran signed the memorandum of understanding. Core inflation gained momentum and stood at 2.5% (vs. 2.2% in May), possibly reflecting lagged effects of the energy shock.

Employment is gaining momentum again and Q2 could be better than expected. Employment grew by 2.8% year-on-year in May, exceeding the average growth recorded in the previous four months (2.4%), and the employed population reached a new all-time high of 5,366,600 workers. The unemployment rate fell to 5.5%, representing a reduction of 0.2 pps compared to April and of 0.7 pps compared to the same month last year. These figures suggest better-than-expected labour market performance and indicate downside risks to our current unemployment rate forecast for 2026 as a whole (5.9%).

The house price index rose by 17.8% year-on-year in Q1. This figure represents a slight slowdown compared to Q4 2025 (18.9%), also reflected in the quarterly growth rate, which remained high (3.8%) but below the intensity observed in previous quarters. House sales also showed a slight moderation. During the quarter, 37,745 homes were sold, which is 8.7% fewer than in the same period last year, with a significant decline also recorded in quarterly terms (–12.4%). Expectations regarding price trends and sales have moderated, although the market fundamentals remain consistent with a strong appreciation in house prices through 2026.

Portugal: economic sentiment and GDP growth

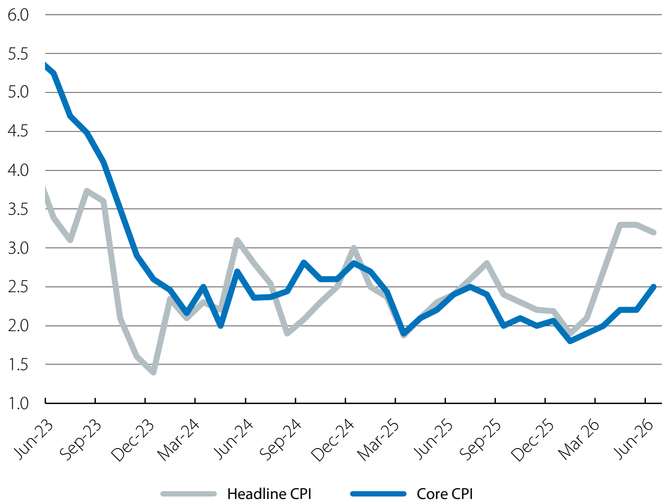
Year-on-year change (%) *Index (100 = 2000-2025 average)*



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

Portugal: CPI

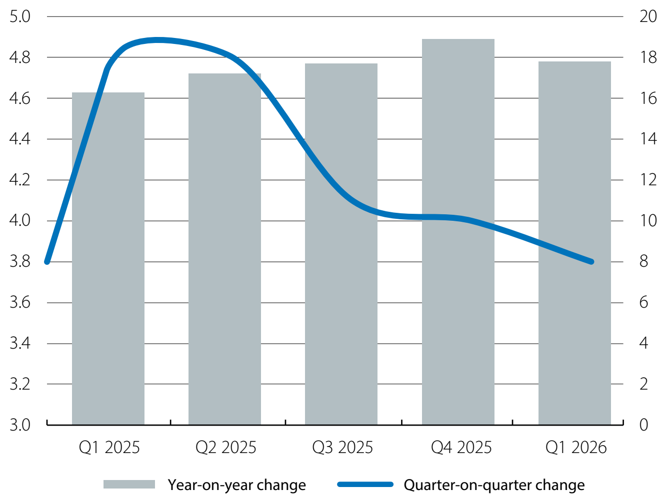
Year-on-year change (%)



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

Portugal: house price index

Quarter-on-quarter change (%) *Year-on-year change (%)*



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

Activity and employment indicators

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

	2024	2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	04/26	05/26	06/26
Coincident economic activity index	2.0	2.0	2.0	2.3	2.2	...	1.9	1.7	...
Industry									
Industrial production index	0.8	0.7	3.3	0.6	0.4	...	0.0	–2.3	...
Confidence indicator in industry *(value)*	–6.2	–4.0	–3.2	–2.9	–2.1	–3.6	–2.8	–3.5	–4.4
Construction									
Building permits - new housing (number of homes)	6.5	21.4	9.1	16.9	...	...	5.6	...	...
House sales	14.5	15.5	3.8	–4.7	–8.7	...	–	–	–
House prices *(euro / m² - valuation)*	8.5	17.4	18.2	18.4	17.5	...	16.5	17.1	...
Services									
Foreign tourists *(cumulative over 12 months)*	6.3	1.9	2.6	1.9	2.2	...	1.8	1.8	...
Confidence indicator in services *(value)*	5.5	10.1	11.6	7.7	6.0	8.2	7.9	8.3	8.5
Consumption									
Retail sales	3.3	5.3	5.8	5.3	4.4	...	5.2	3.2	...
Coincident indicator for private consumption	2.8	3.4	3.1	3.2	3.0	...	2.5	2.0	...
Consumer confidence index *(value)*	–18.0	–16.2	–16.2	–15.2	–16.2	–25.6	–23.9	–27.1	–25.9
Labour market									
Employment	1.2	3.2	3.7	3.7	2.3	...	2.4	2.8	...
Unemployment rate (*% labour force*)	6.4	6.0	5.8	5.8	6.1	...	5.7	5.5	...
GDP	**2.2**	**1.9**	**2.2**	**1.9**	**2.3**	**...**	–	–	–

Prices

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

	2024	2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	04/26	05/26	06/26
General	2.4	2.3	2.6	2.2	2.2	3.3	3.3	3.3	3.2
Core	2.5	2.2	2.3	2.1	1.9	2.3	2.2	2.2	2.5

Foreign sector

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

	2024	2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	04/26	05/26	06/26
Trade of goods									
Exports *(year-on-year change, cumulative over 12 months)*	2.0	0.6	2.0	0.6	–3.0	...	–1.2	...	...
Imports *(year-on-year change, cumulative over 12 months)*	2.0	4.1	6.7	4.1	3.1	...	3.7	...	...
Current balance	**6.5**	**3.8**	**3.0**	**3.8**	**3.0**	**...**	**3.1**	**...**	**...**
Goods and services	6.4	3.7	3.5	3.7	2.8	...	2.6	...	...
Primary and secondary income	0.1	0.1	–0.5	0.1	0.2	...	0.5	...	...
Net lending (+) / borrowing (–) capacity	**9.6**	**8.3**	**7.0**	**8.3**	**7.3**	**...**	**7.6**	**...**	**...**

Credit and deposits in non-financial sectors

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

	2024	2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	04/26	05/26	06/26
Deposits [1]									
Household and company deposits	7.5	5.4	6.3	5.4	6.4	...	6.9	6.6	...
Sight and savings	–0.3	8.1	8.6	8.1	7.9	...	7.4	7.3	...
Term and notice	15.3	3.1	4.3	3.1	5.1	...	6.5	6.0	...
General government deposits	26.7	28.7	–0.5	28.7	20.4	...	15.2	10.9	...
TOTAL	**7.9**	**6.0**	**6.1**	**6.0**	**6.9**	**...**	**7.2**	**6.7**	**...**
Outstanding balance of credit [1]									
Private sector	1.9	6.6	5.8	6.6	7.7	...	8.0	7.8	...
Non-financial firms	–1.0	2.6	2.2	2.6	4.3	...	4.9	4.2	...
Households - housing	3.0	9.3	8.0	9.3	9.8	...	10.1	10.2	...
Households - other purposes	5.4	7.0	6.9	7.0	8.4	...	8.3	8.2	...
General government	0.6	6.4	4.8	6.4	3.2	...	2.7	4.6	...
TOTAL	**1.9**	**6.6**	**5.7**	**6.6**	**7.5**	**...**	**7.8**	**7.7**	**...**
NPL ratio *(%)* [2]	**2.4**	**2.1**	**2.3**	**2.1**	**2.1**	**...**	–	–	–

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

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We recommend:

Brief Notes on Economic and Financial Developments

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

Consumption tracker

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

Currency flash report

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

Sectoral Observatory S1 2026

The Spanish economy is facing the first half of 2026 from a position of strength, albeit with a clear moderation in growth following the strong dynamism of 2025 and amid a more adverse international context. The outbreak of the war in Iran has introduced a new supply shock that is affecting sectors unevenly, with a bigger impact on industry while domestically-oriented services are showing greater resilience. Despite this, the strength of domestic demand and progress made in modernising the productive base are allowing the impact to be absorbed without any significant deterioration of the cycle.

Real Estate Sector Report S1 2026

This new edition of the Real Estate Sector Report (S1 2026) analyses recent dynamics and the outlook for the sector in Spain, highlighting the main challenges that will shape market trends and price pressures in the coming years: the deterioration of affordability, the shortage of available housing and territorial imbalances. The rental cost burden among Spaniards is also examined in depth through the analysis of high-frequency internal data.

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.

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