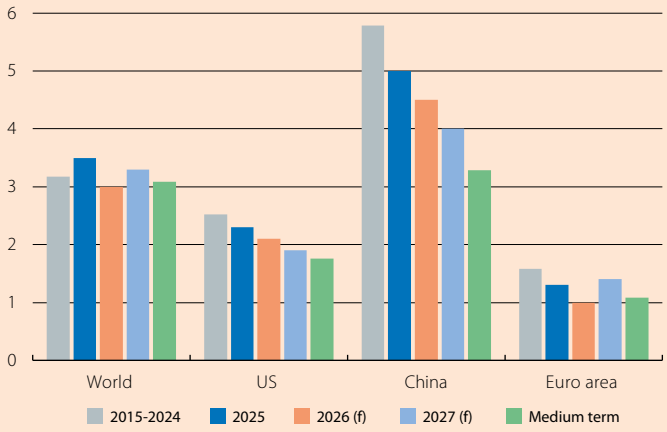
Global economic outlook: how much more resilience in 2027?

In recent years, the global economy has fared better than expected amid a succession of shocks, from Russia's invasion of Ukraine and the US tariff shift to disruptions to energy flows through the Strait of Hormuz. This resilience has been underpinned by the initial strength of private-sector balance sheets and employment, financial stability and the ability of businesses, supply chains and energy markets to adapt.[1] It will be tested again next year, however, at a time when economic policy will have less room to respond, while structural forces such as population ageing and climate change will continue to take effect.

GDP growth forecasts
(%)



Notes: *(f) Own forecasts for 2026 and 2027, produced in September 2026. The medium-term forecasts are for 2031 and come from the IMF's October 2026 WEO.*
Source: *CaixaBank Research, based on data from the IMF.*

In a fragmented and uncertain geopolitical environment, we expect the global economy will continue to be shaped by two opposing forces: the drag from the energy shock and the boost from the technology cycle. The course of the conflict in the Middle East and artificial intelligence's ability to generate corporate returns, broaden its adoption and boost productivity will determine the balance between the two, with differing effects on growth, inflation and monetary policy. This backdrop is compounded by different imbalances across the major economies: buoyant domestic demand and large fiscal and external deficits in the US, savings that are not being channelled sufficiently into investment in the EU and overinvestment amid weak consumption in China.[2]

Under our baseline scenario, the gradual easing of the energy shock – despite upside risks to prices given recent futures prices – and continued technological momentum will allow global growth to rise from 3.0% in 2026 to 3.3% in 2027. This pace would be close to the growth recorded over the past decade and that projected over the medium term (see first chart). Growth will vary across regions: the US will slow slightly, expanding by 1.9% in 2027 compared to 2.1% in 2026; the euro area will regain some momentum, accelerating from 1.0% to 1.4%; and China will continue to slow, moderating from 4.5% to 4.0%. Stronger growth in other emerging economies will partly offset the gradual loss of momentum in these three major blocs.

With limited fiscal headroom, the composition of the stimulus will be crucial

Persistent inflation, especially if the energy shock continues, limits the scope for monetary easing, while diminishing fiscal space also constrains the capacity to respond.[3] The dilemma will be less about whether to stimulate or consolidate than where to focus scarce resources without exacerbating inflationary pressures. In the event of further shocks, any support measures should be temporary, protecting vulnerable households without blunting price signals or eroding the remaining policy headroom.[4]

The US continues to run large fiscal and external deficits alongside strong domestic demand. However, they also push up long-term interest rates and heighten concerns about the sustainability of public debt. According to the IMF, the fiscal stance will be somewhat restrictive in 2027, as the gradual improvement in the structural primary balance that began in 2026 continues, though this will not amount to substantial consolidation (see second chart). The One Big Beautiful Bill Act (OBBBA), passed in 2025, will continue to support economic activity, while the public finances will remain firmly in deficit.[5] The new Democratic majority in both chambers may seek to reverse some spending cuts or block the extension of temporary tax measures, together worth around 0.5%-0.7% of annual GDP.[6,7] However, the presidential veto and lack of supermajorities render the prospect of any substantial change in the fiscal path unlikely without bipartisan agreement.

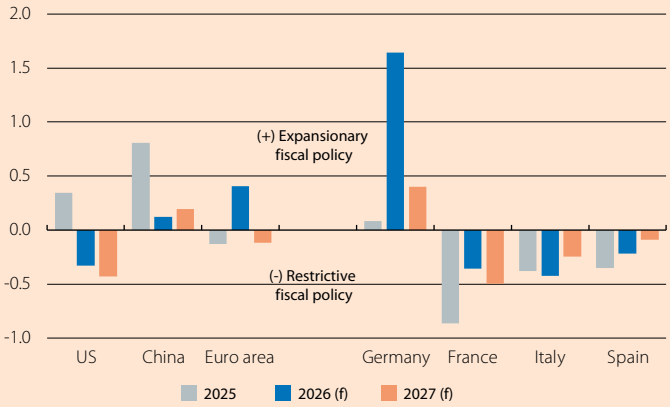
1. BIS (2026). «From Resilience to Robustness?».
2. IMF (2026). «World Economic Outlook: Resilience Under Strain, Urgent Choices».
3. For further details, see the article «2027: monetary outlook and fiscal implications», in this same Dossier.
4. IMF (2026). «Fiscal Monitor: Taxing Better to Boost Growth».
5. IMF (2026). «United States: 2026 Article IV Consultation».
6. See the Brief Note «Contundente victoria demócrata en las *midterms*, bloqueo a la vista» (content available in Spanish) and the Focus «Are the midterms important for Trump? And for the US?», in the MR10/2026.
7. Estimate based on Congressional Budget Office (2025). «Estimated Budgetary Effects of Public Law 119-21 [OBBBA]».

In the EU, the end of the roll-out of NGEU funds coincides with growing funding needs to close strategic gaps. The aggregate fiscal stance is expected to be broadly neutral in 2027, although Germany has more scope for fiscal expansion, while Italy and especially France face tighter constraints. There is also growing pressure to redirect spending towards strategic areas such as defence and infrastructure.[8] Implementing the competitiveness agenda will depend on the political cycle and negotiations over the EU's 2028-34 budget, which will need to reconcile these new priorities with the position of the frugal countries and the preservation of cohesion policies.[9]

China can stimulate its economy again, but another expansion in infrastructure and manufacturing investment would exacerbate local government problems and excess capacity, while indiscriminately reviving the property sector would delay its adjustment. Any fiscal support should strengthen social protection, support the completion and delivery of unfinished homes sold off-plan and reduce household uncertainty in order to boost consumption and lessen reliance on exports.[10]

Fiscal policy stance

(percentage points of potential GDP)



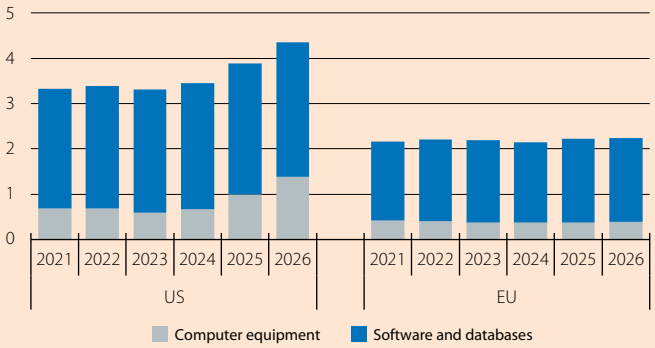
Notes: *(f) Forecasts. Fiscal policy stance is approximated using the year-on-year change in the cyclically adjusted primary balance, with the sign reversed.*
Source: *CaixaBank Research, based on data from the IMF.*

AI's moment of truth

The surge in digital capital investment has supported the economic cycle, particularly in the US, with AI recently emerging as one of its main drivers (see third chart). In 2027, however, AI will need to demonstrate that its impact can extend beyond technology infrastructure, lead to broader adoption across the productive economy and generate corporate returns that sustain the investment drive. The capacity to make this leap will vary widely. The US has an advantage in computing, models, semiconductors, financing and intangible assets. China has industrial scale and rapid adoption, but faces constraints accessing advanced technology. The EU continues to lag in investment, scale and the commercialisation of innovation.[11]

Investment in AI-related digital capital

(% of GDP)



Notes: *Data in nominal terms. Gross fixed capital formation in computer equipment, software and databases is used as a proxy for the digital investment base that supports the development and adoption of AI, although it also includes investment unrelated to this technology. The latest OECD data correspond to 2024 for the US and to 2023 for the EU. Subsequent figures are estimated based on national accounts, using annual data up to 2025 and quarterly data up to Q2 2026. No equivalent, comparable breakdown is available for China.*
Source: *CaixaBank Research, based on data from the OECD, the BEA and Eurostat.*

In our baseline scenario, the AI boom will continue to support growth over the coming years, particularly in the US, although its strength will increasingly depend on investment delivering tangible productivity gains. Its widespread adoption will require diffusion across sectors, as well as extensive human capital, data and business reorganisation. Faster transmission to the wider economy would boost potential growth. By contrast, weaker-than-expected results could curb investment and trigger a correction in market valuations, with knock-on effects for financial conditions and aggregate demand.[12]

Imbalances constraining growth

The three major blocs face different initial imbalances. The US combines robust domestic demand, large fiscal and external deficits and slower labour supply growth due to immigration restrictions.[13] The EU generates ample savings but fails to channel enough of these resources into investment, innovation and companies with sufficient scale.[14] China

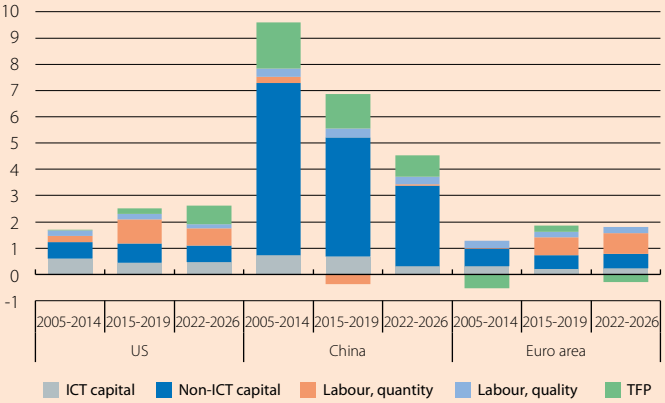
8. European Commission (2026). «An Assessment of the Euro Area Fiscal Stance in 2026 and 2027 amid an Energy Supply Shock».
9. See the Focus «The upcoming budget takes over from NGEU in the European Semester», in the MR07/2026.
10. D. García-Macía, S. Jain-Chandra, S. Kothari and Y. Xu (2026). «How China's Economy Can Pivot to Consumption-led Growth».
11. See the Dossier «The present and futures of the new AIconomy», in the MR05/2026.
12. K. Barhoumi *et al.* (2026), «Global Economic and Financial Implications of Artificial Intelligence: Lessons from a Scenario-Planning Exercise» and IMF (2026), «Global Financial Stability Report: Resilience, Risk, and Transformation».
13. See the Focus «Trump 2.0 immigration policies: the end of the American Dream?», in the MR10/2026.
14. See the Focus «How far has the EU progressed on the Competitiveness Compass?», in the MR04/2026.

maintains very high levels of investment and productive capacity, but consumption remains weak and capital continues to flow into sectors with diminishing returns or excess capacity, while the property crisis and weak confidence are weighing on demand.[15]

Against this backdrop, the contributions to growth of labour, capital and productivity differ markedly across blocs (see fourth chart). Recently, the US has seen a more favourable and balanced growth mix, with a recovery in total factor productivity (TFP) and a greater contribution from technology capital than in the pre-pandemic years. China remains heavily reliant on capital accumulation, although the contributions of both capital and total factor productivity continue to decline. In the euro area, by contrast, modest growth reflects a contribution from TFP that has remained very low or even negative in recent years. Looking ahead, population ageing and low participation among some groups will constrain the labour supply,[16] while capital will need to be directed towards more productive uses. Further sustained productivity gains will depend above all on AI adoption spreading throughout the productive economy, being accompanied by organisational change and enabling a more efficient allocation of resources.

Breakdown of GDP growth

(pps)



Notes: *Average annual contributions in each period. The contributions of each component are estimates up to 2025 and forecasts for 2026. The 2020–21 period is excluded because of distortions caused by COVID-19. ICT = information and communications technology. TFP = total factor productivity.*
Source: *CaixaBank Research, based on data from The Conference Board.*

From resilience to better growth

Resilience will remain necessary, but it will no longer be enough to sustain growth. If the energy shock subsides, the global economy could gain momentum in 2027, but this will not necessarily signal stronger underlying growth. The key will be to turn this rebound into more robust growth without exhausting the available buffers or recreating the previous imbalances. Achieving this will require higher labour force participation, harnessing immigration to counter population ageing, channelling savings into productive investments and ensuring that the technology cycle delivers productivity gains. These transformations, together with adaptation to climate change, which is already affecting productive capacity,[17] will compete with other strategic priorities for limited resources.

The political, financial and geopolitical environment poses additional risks. Unmet expectations over AI's performance, rising sovereign bond yields or vulnerabilities in non-bank financial intermediation could tighten financial conditions. This is compounded by the prospect of deadlock between the Trump administration and a Democratic-controlled Congress over the next two years, as well as Europe's political and budgetary cycle, marked by tensions in France. Internationally, the fragile truce between the US and China does not eliminate the risks surrounding Taiwan, while the war in Ukraine and Russia's hybrid threats continue to exert pressure on Europe. Fragmentation can reduce strategic dependencies, but it can also raise costs, duplicate capacity and slow the spread of technology.[18]

Ultimately, in 2027 the global economy will need to show that it remains as resilient as it has been in recent years, while also beginning to deliver better growth on more balanced and sustainable foundations.

David Martínez Turégano

15. OECD (2026). «OECD Economic Outlook: Under Pressure».
16. See the article «The effects of ageing on growth and policy tools to mitigate them», in the Dossier of the MR09/2025 and the Focus «What can we expect from labour force participation rates in the US and EU?», in this same *Monthly Report*.
17. IPCC (2023). «Climate Change 2023: Synthesis Report» and P.R. Lane (2026), «Climate Change and Monetary Policy».
18. S. Aiyar *et al.* (2023). «Geoeconomic Fragmentation and the Future of Multilateralism».

2027: monetary outlook and fiscal implications

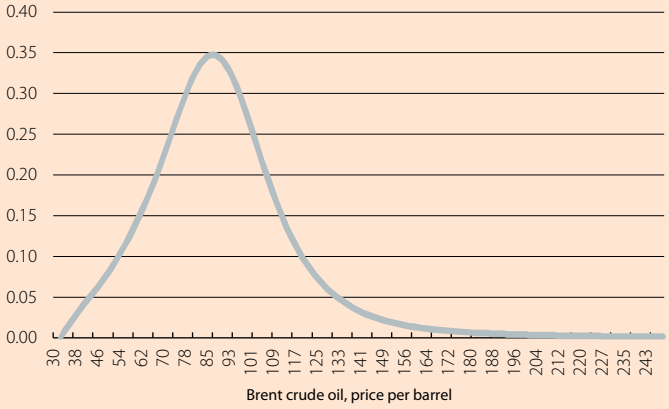
We are approaching 2027 with expectations of higher interest rates, reflecting the new inflation outlook and the impact of the conflict in the Middle East. In recent months, inflation in Europe and the US has approached 4%, driven by a 20% rise in consumer energy prices. In response, the ECB and the Fed have begun raising interest rates to cool demand and ease price pressures.

A measured tightening of financial conditions

Central banks are expected to continue tightening monetary policy over the coming quarters, but with a measured approach. Specifically, we expect ECB rates to peak at 3.00% and Fed rates to reach 4.00%-4.25%, which would leave interest rates in 2027 some 100 basis points above pre-war expectations. There are several reasons why we expect a measured tightening. Above all, the outlook hinges on geopolitics and could therefore shift rapidly in different directions, requiring central banks to act with agility and caution (given the lags in monetary policy transmission). The ECB and the Fed can also do little to curb the energy price inflation caused directly by the shock in the Middle East. Their mission is to prevent higher energy costs from feeding through to other prices in the economy (so-called indirect effects) and causing inflation to spread. Moderate growth in aggregate demand, which limits the scope to pass on higher costs to final prices, and inflation expectations anchored at the 2% target support a continuation of measured monetary tightening. If the containment of the indirect effects seen so far is confirmed in 2027, this could even pave the way for the first interest rate cuts by the ECB and the Fed.[1]

Brent crude: distribution of the 2027 average price

Implied probability based on October 2026 market prices (%)



Note: *Distribution implied by prices for Brent crude oil call options, averaged over October 2026. The chart shows the average implied distributions for March, June, September and December 2027 Brent futures.*
Source: *CaixaBank Research, based on data from Bloomberg.*

However, last summer's failed attempt to resolve the conflict between the US and Iran has prolonged the energy disruption and increased uncertainty, heightening the risk of spillovers to other prices and more persistent inflation. Our September forecasts were based on 2027 market prices of around 80 dollars a barrel for Brent crude and 45 euros/MWh for TTF gas. In October, futures prices were already pointing to Brent crude averaging just over 90 dollars and gas close to 70 euros over 2027 as a whole, albeit with some easing during the year (moderating from 105 dollars and 80 euros in January to 85 dollars and 60 euros at the year end). Markets themselves are also pricing in considerable uncertainty, as shown by the distribution of Brent prices in the first chart, based on the options market.

What if indirect inflation effects take hold?

Although a rapid easing cannot be ruled out – over the summer, energy prices showed how quickly they could fall if the military conflict is brought under control – the risk of prolonged disruption is more concerning. We will therefore focus on Europe in order to assess the prospect of energy prices remaining high for longer and the potential knock-on effects on broader inflation.

The exercise starts with the risk priced in by financial markets themselves in October. Specifically, we use derivatives markets (call options) on Brent crude oil and TTF gas futures to derive a distribution of possible prices, as shown in the first chart, and analyse two alternative paths for 2027. At the 75th percentile (p75, the threshold for the top 25% of prices), markets point to Brent averaging 105 dollars and TTF nearly 80 euros in 2027. At the 95th percentile (p95, the top 5% of prices), the figures would be around 135 dollars and 135 euros. This could translate into annual growth in the euro-area energy CPI of between 10% (p75) and 20% (p95) in 2027.[2]

Besides the direct impact on headline inflation, estimated at 1-2 percentage points under these alternative scenarios, we assess the potential pass-through to other prices based on the energy intensity of the various CPI components.[3] The second chart summarises this analysis, showing a range of possible inflation rates depending on the severity of the energy shock and the extent to which it feeds through.

1. Between the spring and summer, inflation should fall sharply owing to a strong step effect driven by energy base effects, as the year-on-year comparison will already include the first months of the conflict.
2. As suggested by regressions of the Brent crude oil price against the fuel CPI and the TTF gas price against the electricity CPI.
3. We replicate the methodology used by Fagandini *et al.* (2024), «Decomposing HICPX inflation into energy-sensitive and wage-sensitive items», ECB Economic Bulletin 3/2024, to calculate an «energy-sensitive» HICP. Using input-output tables, each sector's energy intensity is calculated as the portion that intermediate energy consumption represents in its total output. After allocating sectoral energy intensity across CPI sub-items, we pass through higher energy costs in proportion to the ratio between each component's energy intensity and that of purely energy-related items.

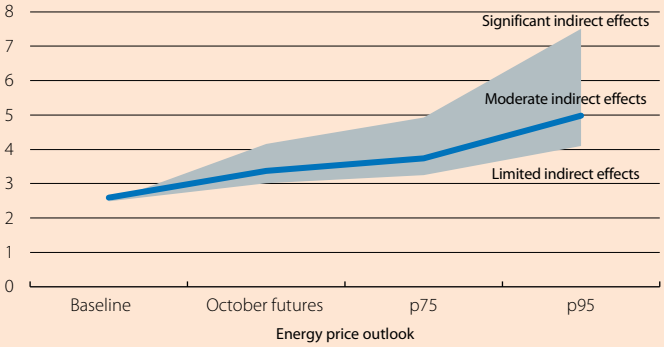
Our baseline scenario, which uses energy futures from early September and assumes modest indirect effects, places euro-area inflation at 2.6% in 2027. Incorporating the latest data and October gas and oil futures, however, could lift inflation into the 3.0-4.0% range. At the 75th percentile, it would rise to 3.0-5.0%, while under more extreme, high-pass-through scenarios, the analysis suggests the range could extend as high as 7%.[4]

Monetary policy paths and fiscal consequences

The above exercise illustrates the risk of further monetary tightening if the energy disruption persists. The perfect storm following the 2022 energy shock gives a ceiling to how high the ECB and the Fed may be willing to raise rates[5] in a severe scenario. At the same time, monetary tightening need not be delivered solely through higher interest rates: central banks can also keep rates in restrictive territory for longer. In other words, whereas the baseline scenario envisages a transitory shock (with an easing of energy prices or weaker indirect effects) which would pave the way for the first rate cuts in late 2027, a more prolonged US-Iran conflict and disruption to energy flows could cause interest rates to be kept restrictive for longer.

Euro area: headline inflation in 2027

(%)



Notes: *The range covers projected scenarios with varying degrees of spillover from the energy shock. The range extends from limited effects (virtually all the deviation from the baseline scenario is due to the direct energy shock) to significant effects (higher energy inflation feeds through to the prices of goods, services and food in proportion to each product's energy intensity). Under the «moderate» effects scenario (solid line), pass-through is reduced to 40% of energy intensity. Energy intensity is measured using economic sectors' intermediate consumption, based on input-output tables.*

Source: *CaixaBank Research, based on own simulations using data from Eurostat and Bloomberg.*

So far, the energy shock appears to be primarily a story of inflation and monetary policy. But keeping interest rates higher for longer has a second consequence: it gradually raises the cost of financing public debt – a particular concern in economies with fiscal imbalances such as France and the US. The impact of higher interest rates on their short-term debt dynamics is limited, thanks to long average maturities (around eight and six years, respectively). The path of public debt depends on each country's deficit, its borrowing costs and the pace of its economic growth. This allows us to project debt dynamics and break down their evolution. As the final table shows, the main factor driving the rise in the public debt ratio in economies such as the US and France is persistently high primary budget deficits, pointing to a further deterioration in already elevated debt ratios. By contrast, Europe's traditional periphery looks set to continue to reduce its debt levels if it stays the fiscal course and meets economic growth forecasts. This rebuilding of fiscal space will be key, given the increasing frequency of supply shocks and disruptions in recent years.

Public finances

(% of GDP)	Estimated debt in 2026	Debt: 5-year change *				Primary balance	
		Total	Contribution of primary balance	Contribution of *i-g*	5-year change (forward rate +100 bps)**	2026 estimate	Stabilises debt at the 2026 level***
US	126.8	19.8	18.5	1.4	21.4	–4.9	0.9
Japan	199.4	–7.3	8.9	–16.3	–6.0	–1.2	–2.6
UK	102.0	–2.6	–4.2	1.6	–2.1	–1.1	0.6
Germany	64.6	11.6	14.6	–3.1	12.2	–3.4	–0.3
France	118.5	5.4	6.6	–1.2	6.4	–2.9	0.3
Italy	137.9	–2.4	–8.5	6.1	–1.1	1.0	1.7
Spain	97.6	–8.3	–0.7	–7.6	–7.4	–0.2	–1.1
Netherlands	45.4	2.9	6.5	–3.6	3.2	–2.0	–0.5
Belgium	109.8	12.0	14.5	–2.5	12.8	–3.2	–0.1
Ireland	33.5	–12.0	–8.2	–3.8	–11.8	1.7	–0.7
Austria	82.4	5.8	9.3	–3.5	6.5	–2.7	–0.3
Portugal	85.1	–13.1	–6.7	–6.4	–12.5	1.9	–1.0
Finland	90.6	11.2	16.0	–4.8	12.1	–3.5	–0.7
Greece	136.0	–21.2	–12.1	–9.1	–20.3	3.4	–1.3

Notes: ** Mechanical evolution based on the standard debt dynamics equation. IMF forecasts (October 2026 WEO) for 2026 debt, the primary fiscal balance and nominal GDP growth. Market forwards as at mid-October 2026 for interest rates. ** Change in debt between 2026 and 2031 if the forward rate were consistently 100 bp above the quoted level. *** Over a 10-year horizon.*

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

4. The «significant indirect effects» scenario assumes strong pass-through: energy inflation of 20% pushes core inflation close to 5%. For comparison, after energy inflation reached 37% in 2022, euro-area core inflation remained close to 6% for much of 2023. In the «moderate indirect effects» scenario, we limit pass-through to 40% of energy intensity, resulting in energy-to-core inflation pass-through similar to that seen in 2022. Moderate demand growth and anchored inflation expectations support more limited pass-through. By contrast, memories of the 2022 inflation crisis may influence behaviour and lead to more pronounced indirect effects.
5. The ECB reached 4.00% and the Fed 5.25%-5.50%, against a backdrop of a more severe energy shock, a faster post-pandemic recovery in demand than in supply and a starting point of highly expansionary economic policies.

Spain in 2027: a robust economy in a more challenging environment

A positive result for 2026

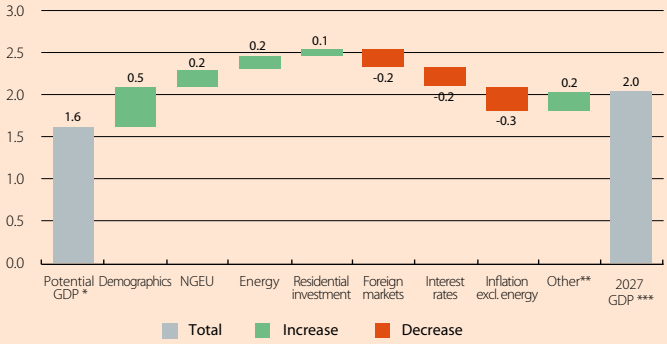
The Spanish economy has weathered a 2026 marked by the conflict in the Middle East and resurgent inflation. We expect GDP to grow by 2.6%, compared with 1.0% in the euro area, supported by strong fundamentals: a robust labour market, a high household saving rate, low private-sector debt, limited direct trade exposure to the Middle East and the extensive roll-out of renewables, which has cushioned the rise in electricity prices. Population and employment growth have supported income and consumption, while investment has benefited from NGEU funds, business confidence and the 2025 interest rate cuts. Overall, 2026 will end with strong growth and no significant imbalances.

2027 outlook: tailwinds and headwinds

In 2027, we expect the economy to grow by 2.0% – a strong rate, albeit lower than in 2026. The slowdown in 2027 is mainly due to the lagged impact of the 2026 energy shock. Below, we outline the main drivers of GDP growth and its key constraints, as shown in the chart. Starting from potential growth of 1.6%, various tailwinds and headwinds would account for any deviation from this pace.[1] On the positive side:

2027 GDP: growth breakdown

(pps)



Notes: *This is an illustrative exercise showing deviations in growth from its potential rate. The contributions do not capture the full effect of each component, but rather its incremental contribution over and above what is already incorporated, explicitly or implicitly, into potential growth. The estimates for the various channels do not account for possible interactions between them, so the exercise cannot be interpreted as a decomposition into shocks that are entirely independent. * Potential GDP adjusted for the impact of rapid population growth and NGEU funds. The contribution from the remaining channels represents the additional portion not already factored into potential growth. ** The «Other» category captures the difference between estimated growth and the sum of the channels shown. The difference reflects the decision to omit channels with contributions close to, but not equal to, zero in order to make the chart more readable. It also reflects the potential overlap between the different channels mentioned above. *** Annual change (%).*

Source: *CaixaBank Research.*

- Demographics: we expect the population to grow by just under 1% in 2027, which is well above the pre-pandemic rate, driven by migration flows. Taking this population's entry into the labour market into account, we estimate that population growth could add 0.5 percentage points to GDP growth.[2]
- NGEU funds: despite the Recovery Plan formally ending in 2026, we do not expect a «cliff edge», as many projects and financial instruments will continue to be rolled out over several years. We estimate a contribution to growth of 0.2 pps, compared with 0.4 pps in 2026.
- Energy relief: the scenario assumes that average oil and gas prices will fall in 2027 compared to the previous year.[3] This moderation would reduce costs for both businesses and households and could add 0.2 pps to growth. Nevertheless, the recent increase in tensions in energy markets poses downside risks. Later in this article, we examine the impact of alternative scenarios.
- Residential investment will continue to expand: strong demand and a gradual increase in supply will prolong the expansion in construction. We expect new-build permits to rise by around 10% again in 2027. Homes started in 2026 will continue to generate activity in 2027, as construction takes more than a year. This will be compounded by stronger demand for household durable goods. Residential investment could add a further 0.1 pps to growth.

Not all factors are favourable to growth. We have also identified headwinds:

- Weak international conditions will continue to constrain exports. The US protectionist shift, the conflict in the Middle East and the impact of the inflation shock on our trading partners will, according to our forecasts, leave growth in the main export markets around 1 pp below the average annual rate recorded between 2014 and 2024.[4] This channel is expected to shave 0.2 pps off GDP growth.

1. Potential GDP is estimated using the production function approach. For further details, see the Focus «The medium-term potential growth of Spain's GDP», in the MR04/2024. To strip out the effects of strong population growth in recent years and NGEU funds from the potential GDP calculation, we have assumed that the population has grown since 2022 at the 2017-19 average rate of 0.3% a year. We have also reduced annual investment by the estimated amount financed by NGEU funds. Potential growth is also consistent with interest rates and energy prices remaining at their 2026 average levels.
2. The main assumptions are that the employment rate (the employed population as a proportion of the total population) remains unchanged and that there is a productivity gap between the foreign-born and native populations, in line with the Bank of Spain's estimate (see P. Cuadrado and A. Regil «An estimation of the contribution of the foreign population in Spain to GDP per capita growth in the period 2022-2024», Economic Bulletin 2025/Q2).
3. The scenario assumes an average oil price of 78.5 dollars a barrel in 2027 and an average gas price of 45 euros/MWh.
4. Export markets are calculated as the weighted average growth in imports across Spain's 15 largest export markets. See the Focus «How will the Spanish economy be affected by the performance of its main export markets?», in the MR11/2025, for further details about the calculation of the export markets variable.

- Tighter financial conditions: in response to rising inflation, and following the two rate hikes already implemented, we expect the ECB to raise rates in December 2026 and once more in 2027. As a result, the Euribor would be around 90 basis points higher in 2027 than forecast before the crisis in Iran. As monetary policy operates with a time lag, the impact of the 2026 rate rises will be concentrated in 2027, shaving around 0.2 pps off growth.
- Indirect effects of the energy shock: higher energy prices not only increase households' energy bills, but also raise companies' production costs. As they pass these higher costs on through to the prices of other goods and services, inflation spreads across the consumer basket. This process is more gradual than the direct impact on energy, but it reduces households' real incomes and constrains their spending capacity. We estimate that this channel will shave 0.3 pps off growth in 2027.

Finally, several other factors will also shape the Spanish economy in 2027:

- Savings as a buffer against unexpected shocks: after falling from 11.9% in 2025 to 10.8% in 2026, according to our forecasts, and helping to cushion the initial impact of the resurgence in inflation, we expect the saving rate to remain at similar levels in 2027. Households are likely to curb consumption slightly further in order to preserve some financial headroom against potential new shocks.
- The tourism sector will remain buoyant, although growth will slow. In 2026, the sector benefited from tourists switching destinations, as it was seen as being safer than the Middle East. In 2027, however, we expect growth to moderate as purchasing power weakens in the main source markets, converging towards its long-term trend rate.
- Public-sector contribution: based on the measures announced to date, we estimate that the fiscal stance, excluding NGEU funds, will be neutral. However, this will depend on the outcome of the 29 November general election and the policies implemented by the resulting government.

Key risks: energy, inflation and interest rates

The main risks stem from a potential escalation of the conflict in the Middle East, which could push up energy prices, fuel inflation and prompt a more restrictive response from the ECB. Slower growth among Spain's trading partners would also constrain the country's exports.

To estimate this risk, we model an adverse scenario in which oil averages 105 dollars a barrel and gas 80 euros/MWh in 2027.[5] Based on these assumptions, and taking into account the direct and indirect effects of energy prices, we estimate that inflation would be around 1.25 pps above our forecast.[6] In this scenario, we expect that the ECB would raise its policy interest rates to 50 bps above our baseline scenario.

The impact on economic activity would depend largely on how households responded. Assuming households can absorb half the impact by reducing their saving rate, GDP growth in 2027 would be 0.3 pps lower than forecast.[7] This is a relatively modest effect and is smaller than estimates based on historical sensitivities, but more consistent with the experience of recent years.[8] Overall, even under this adverse scenario, the Spanish economy could maintain a relatively strong growth rate.

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5. This scenario corresponds to the 75th percentile of the price distribution implied by the Brent crude oil and TTF gas futures derivatives markets. See the article «2027: monetary outlook and fiscal implications», in this same Dossier.
6. Our sensitivity analysis suggests that a 10% increase in oil prices raises inflation by 0.2 pps, while an equivalent increase in gas prices raises it by 0.04 pps. These energy price increases would also add 0.1 pps to inflation through indirect effects. The indirect effects take a year to emerge. Given that the shock occurred between September and October 2026, we assume that only half of its impact will materialise in 2027.
7. Absorbing half the impact on consumption would require a 0.5-0.6-pp reduction in the saving rate. Households have scope to make this adjustment, as the saving rate remains high.
8. This calculation should be regarded as a partial exercise. It does not factor in slower growth among our trading partners or a possible rise in uncertainty, nor does it account for the potential adoption of new fiscal measures to cushion the impact on households and businesses.