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MONTHLY REPORT • ECONOMIC AND FINANCIAL MARKET OUTLOOK

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ECONOMIC & FINANCIAL ENVIRONMENT

FINANCIAL MARKETS
What has driven the global rise in long-term interest rates?

INTERNATIONAL ECONOMY
What can we expect from labour force participation rates in the US and EU?

Migration and migration policy: a global overview

SPANISH ECONOMY
The ageing of the workforce: a challenge for Spain and Europe

Household saving remains high despite the inflation shock

DOSSIER: 2027 OUTLOOK

Global economic outlook: how much more resilience in 2027?

2027: monetary outlook and fiscal implications

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

CaixaBank Research

MONTHLY REPORT - ECONOMIC AND FINANCIAL MARKET OUTLOOK
November 2026

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The limits and strengths of Spain's economic resilience

The Spanish economy has stood out for its strong performance for several years now, and 2026 will be no exception. With the third quarter now over, all indications are that growth will once again exceed 2.5% this year, most likely reaching 2.6%. GDP growth will once again exceed forecasts made at the start of the year (CaixaBank Research projected 2.1%, while the consensus forecast among economists was 2.2%). It will also outpace most developed economies: US growth is expected to be only slightly above 2%, compared with around 1% in the euro area. Moreover, growth will be well above the Spanish economy's historical average of 2.1% a year since 1995.

This strong performance is all the more notable given the environment in which the Spanish economy is operating: an inflation shock stemming from the war in the Middle East, a new cycle of rate hikes by the ECB and a widening of sovereign risk premia in some major countries.

The Spanish economy's resilience rests on three pillars: a broadly sound financial position, robust domestic demand and buoyant services exports. None of these three elements are new, but it is notable that all three remain in place despite the passing years. Private debt remains relatively low, while public debt is still high. However, unlike other advanced economies, the budget deficit remains contained, allowing the public debt ratio to continue to gradually fall. International investors' assessment is broadly positive: Spain's risk premium remains between 60 and 65 basis points, while France's has been above 150 basis points for several weeks now and Italy's above 100 basis points.

The strength of domestic demand is supported partly by the private sector's sound financial position, mentioned above, as well as by two additional factors: the impact of NGEU funds, which we expect will continue to feed through to the productive sector despite the programme having ended, and population growth, underpinned by migration flows. Finally, buoyant services exports reflect the tourism sector's continued strength and, above all, the competitiveness of Spain's non-tourism services exports. Exports of non-tourism services now account for 8.5% of GDP, nearly 2 percentage points more than in 2019. By comparison, exports of tourism services have risen by just over 1 percentage point in the same period, to 5.5% of GDP.

The future is not set in stone, and 2027 could once again surpass our expectations. If the war in the Middle East ends soon, Spain's economy has enough strengths to sustain robust growth in household consumption and business investment. However, its resilience also has limits, especially if the conflict becomes protracted or intensifies. In that case, pressures on energy prices would increase, the ECB could be forced to raise interest rates further and sovereign risk premia could come under renewed pressure. Added to this are two major structural challenges: the growing housing shortage, which is pushing up prices and making homes less affordable, especially for lower-income groups, and persistently weak productivity growth, which must improve if economic growth is to be sustainable over the long term. The Spanish economy's strengths provide grounds for cautious optimism about the future, although its resilience, like that of any economy, has limits.

Oriol Aspachs
November 2026

Chronology

OCTOBER 2026

29 Christine Lagarde announces that she will step down early from the ECB on 7 February 2027.

AUGUST 2026

12 Europe experienced its hottest June-July period on record in 2026, according to analysis by the EU's Copernicus Programme.

MAY 2026

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

SEPTEMBER 2026

10 The ECB raises interest rates by 25 bps, setting the deposit rate at 2.50%.
16 The Fed raises interest rates by 25 bps, setting the target range for the fed funds rate at 3.75%-4.00%.
18 The Bank of Japan raises interest rates by 25 bps, setting the benchmark rate at 1.25%.

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.

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.

Agenda

NOVEMBER 2026

2 Portugal: public debt (Q3).
4 Spain: registration with Social Security and registered unemployment (October).
Portugal: employment (Q3).
Euro area: CPI flash estimate (October).
6 Spain: industrial production (September).
13 Portugal: labour cost (Q3).
16 Japan: GDP (Q3).
17 Spain: foreign trade (September).
19 Portugal: balance of payments (September).
24 Spain: loans, deposits and NPL ratio (September).
27 Spain: CPI flash estimate (November).
Euro area: Economic Sentiment Indicator (November).
30 Portugal: GDP breakdown (Q3).
Portugal: CPI flash estimate (November).

DECEMBER 2026

1 Euro area: CPI flash estimate (November).
2 Spain: registration with Social Security and registered unemployment (November).
Portugal: industrial production (October).
8-9 Federal Open Market Committee meeting.
10 Portugal: international trade (October).
17 Spain: quarterly labour cost survey (Q3).
Governing Council of the European Central Bank meeting.
European Council meeting.
23 Spain: quarterly national accounts (Q3).
Spain: balance of payments and NIIP (Q3).
Portugal: GDP breakdown by institutional sector (Q3).
Portugal: house prices (Q3).
28 Spain: loans, deposits and NPL ratio (Q3).
30 Spain: CPI flash estimate (December).
Spain: household saving rate (Q3).
Portugal: NPL ratio (Q3).
31 Portugal: CPI flash estimate (December).

France in the crosshairs

For much of the past decade, governments, businesses and households grew accustomed to a world of cheap money. That world appears to be gone for good. The combination of the energy shock, the sharp rise in private-sector financing needs to fund the new wave of AI-related investment and the start of measured monetary tightening by central banks has shifted the entire yield curve upwards. When the cost of money rises, issues that were sidelined for years matter again: the quality of investment projects, the capacity to generate growth and, above all, the sustainability of public finances. This transition is increasing the vulnerability of countries that are entering the new environment with structural fiscal imbalances and limited budgetary room for manoeuvre. At the same time, tighter financial conditions are forcing investors to be more selective between projects, companies and countries. Higher interest rates are therefore changing not only the cost of capital but also its marginal allocation. Every reallocation process creates winners and losers.

France stands to be one of the biggest losers. It combines three factors that bond vigilantes can scarcely ignore: lacklustre potential growth, a highly precarious fiscal position and a complex sociopolitical backdrop. The shift is significant: in the markets' eyes, France is no longer trading as one of the euro area's core countries and is moving into what was traditionally known as the periphery. Arithmetic explains much of this transformation. To stabilise debt at around 120% of GDP over a ten-year horizon, France would need to make primary balance adjustments which it has failed to achieve for decades. This therefore appears to be not a speculative attack by financial markets, but a structural reassessment of risk within the euro area. The market is not questioning the irreversibility of the euro, as it did between 2010 and 2012. It is pricing in countries' differing abilities to navigate a world in which financing high levels of debt once again comes at a cost.

This inevitably raises the question of how far the ECB should go, and more specifically, whether there would ever be grounds for activating the Transmission Protection Instrument (TPI). The TPI was created in 2022 in order to allow government bond purchases in the event that an unwarranted and disorderly rise in risk premia threatens the smooth transmission of monetary policy. It was conceived precisely as a warning: to show that the ECB has tools as its disposable to curb any financial fragmentation that is incompatible with the functioning of a monetary union. It was not, however, intended to quell every rise in a risk premium, especially one driven by deteriorating fundamentals.

That distinction is essential both to understanding the limited contagion to economies that have improved their public finances and to putting the French case in context. The current widening of the country's risk premium largely reflects its worsening fiscal outlook and political uncertainty. France would therefore need to accompany any monetary support with credible signs of fiscal consolidation in order to become eligible for a potential activation of the TPI. For now, there also appears to be no systemic urgency: the deterioration in French risk has had limited spillover effects on the other large peripheral issuers.

And that is precisely how this episode differs from the sovereign debt crisis of 15 years ago. The problem then was the fragmentation of the monetary union and redenomination risk, which affected much of the periphery. This time – at least for now – the problem is much more conventional: identifying which countries are best placed to withstand structurally higher capital costs.

In short, France is a classic case of being in the wrong place at the worst possible time – a combination that has put it squarely in the sights of international investors. France's main problem is less about identifying the necessary reforms as it is about building the political and social consensus needed to implement them. The added difficulty is that France is not just another member of the monetary union. Its economic weight and, especially, its political centrality to the European project magnify the implications of any prolonged deterioration in its fiscal position. The good news is that Europe is facing this episode with a much stronger institutional framework than in 2011-12.

That is probably why the battle over the coming months will be fought not in Frankfurt or Brussels, but in Paris. The ECB can prevent a crisis of confidence from becoming a euro crisis, but it cannot replace reforms with bond purchases or manufacture fiscal sustainability through a central bank's balance sheet. Europe now has stronger defences. France will need to show that it too can respond.

José Ramón Díez

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	4.00	3.50
3-month SOFR	3.62	1.01	2.09	4.37	3.71	4.22	3.72
12-month SOFR	3.86	1.48	2.39	4.19	3.48	4.22	3.77
2-year government bonds	3.70	1.04	2.06	4.24	3.51	4.45	3.75
10-year government bonds	4.69	2.57	2.31	4.40	4.14	5.20	4.60
Euro							
ECB depo	2.05	0.20	0.61	3.09	2.00	2.75	2.50
ECB refi	3.05	0.75	1.11	3.24	2.15	2.90	2.65
€STR	–	–0.54	0.52	3.06	1.93	2.68	2.43
1-month Euribor	3.18	0.50	0.57	2.89	1.92	2.80	2.53
3-month Euribor	3.24	0.65	0.70	2.83	2.05	2.89	2.59
6-month Euribor	3.29	0.78	0.87	2.63	2.14	3.11	2.62
12-month Euribor	3.40	0.96	1.04	2.44	2.27	3.39	2.65
Germany							
2-year government bonds	3.41	0.35	0.56	2.02	2.13	3.04	2.40
10-year government bonds	4.30	1.54	0.72	2.22	2.84	3.30	3.00
Spain							
3-year government bonds	3.62	1.69	0.92	2.26	2.39	3.44	2.91
5-year government bonds	3.91	2.19	1.07	2.48	2.64	3.59	3.15
10-year government bonds	4.42	3.17	1.61	2.90	3.28	3.80	3.55
Risk premium	11	164	90	68	45	50	55
Portugal							
3-year government bonds	3.68	3.33	0.76	2.03	2.16	2.98	2.48
5-year government bonds	3.96	3.94	0.98	2.15	2.49	3.23	2.85
10-year government bonds	4.49	4.67	1.52	2.68	3.14	3.70	3.50
Risk premium	19	314	81	46	31	40	50
EXCHANGE RATES							
EUR/USD (dollars per euro)	1.13	1.26	1.12	1.05	1.17	1.17	1.18
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	75.9
Brent (euros/barrel)	36.4	62.5	67.0	69.8	52.6	71.8	64.3

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	3.5	3.5	3.0	3.3
Developed countries	*2.7*	*1.5*	*1.7*	*1.9*	*1.9*	*1.7*	*1.7*
United States	2.7	1.8	2.4	3.0	2.3	2.2	1.9
Euro area	2.3	0.9	1.1	1.1	1.3	1.0	1.4
Germany	1.6	1.3	0.2	0.0	0.3	1.1	1.1
France	2.3	1.0	1.0	1.4	0.9	0.5	0.9
Italy	1.5	–0.3	1.5	0.6	0.7	0.9	0.8
Portugal	1.5	0.4	1.9	2.7	1.9	2.3	1.9
Spain	3.6	0.7	1.1	3.7	2.6	2.6	2.0
Japan	1.4	0.4	0.1	–0.2	1.1	0.8	0.6
United Kingdom	2.8	1.3	1.0	1.0	1.3	1.2	1.1
Emerging and developing countries	*6.3*	*4.9*	*3.5*	*4.5*	*4.5*	*3.8*	*4.4*
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	1.9	1.6
Mexico	2.3	1.5	1.1	1.5	0.5	1.3	1.7
Russia	–	1.4	1.5	4.9	1.0	0.7	1.3
Türkiye	5.6	4.6	6.0	3.5	3.7	2.6	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	4.3	3.7
Developed countries	*2.1*	*1.6*	*3.9*	*2.6*	*2.5*	*3.0*	*2.5*
United States	2.7	1.8	4.5	3.0	2.6	3.3	2.3
Euro area	2.2	1.4	4.2	2.4	2.1	3.0	2.6
Germany	1.7	1.4	4.6	2.5	2.3	2.8	2.5
France	1.9	1.3	3.5	2.3	0.9	2.4	2.3
Italy	2.4	1.4	4.1	1.1	1.6	2.7	2.5
Portugal	3.1	1.1	3.4	2.4	2.3	3.0	2.4
Spain	3.2	1.3	3.7	2.8	2.7	3.4	2.5
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	3.0	2.7
Emerging and developing countries	*6.9*	*5.6*	*7.3*	*8.0*	*5.2*	*5.6*	*4.8*
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	4.4
Mexico	5.2	4.2	5.6	4.7	3.8	3.8	3.9
Russia	14.2	7.9	7.4	8.5	8.7	6.0	5.2
Türkiye	22.6	9.6	39.5	58.5	34.9	31.5	24.5
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	3.1	3.1	3.0	2.1
Government consumption	4.5	0.9	3.0	3.3	2.4	2.1	2.2
Gross fixed capital formation	5.7	–1.2	0.8	4.9	5.4	4.1	2.5
Capital goods	4.9	0.2	–1.3	3.0	6.1	2.6	2.6
Construction	5.7	–2.6	0.0	5.3	5.0	4.0	2.3
Domestic demand (vs. GDP Δ)	4.4	–0.2	0.9	3.3	3.4	2.8	2.1
Exports of goods and services	4.7	2.9	2.4	3.8	2.6	1.0	2.0
Imports of goods and services	7.0	0.2	1.9	3.3	5.5	1.9	2.4
Gross domestic product	**3.6**	**0.7**	**1.1**	**3.7**	**2.6**	**2.6**	**2.0**
Other variables							
Employment	3.2	–0.5	2.0	2.8	3.1	2.8	1.9
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	3.4	2.5
Unit labour costs	3.1	0.6	4.1	3.3	4.1	3.8	3.2
Current account balance (% GDP)	–5.8	–0.2	1.2	3.3	3.2	2.0	2.4
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	1.7	0.5	1.5	2.9	3.7	2.9	1.9
Government consumption	1.8	0.5	1.5	3.0	3.7	1.7	1.2
Gross fixed capital formation	–0.4	–0.7	3.7	4.7	4.3	5.1	1.7
Capital goods	3.3	2.7	6.3	8.0	3.0	–	–
Construction	–1.4	–2.4	3.1	3.0	5.4	–	–
Domestic demand (vs. GDP Δ)	1.3	0.0	2.0	3.0	3.9	3.3	1.6
Exports of goods and services	5.3	4.0	3.8	3.4	0.0	3.9	3.4
Imports of goods and services	3.6	2.7	3.6	4.1	4.6	5.6	2.4
Gross domestic product	**1.5**	**0.4**	**1.9**	**2.7**	**1.9**	**2.3**	**1.9**
Other variables							
Employment	0.4	–0.4	1.4	1.2	3.2	2.4	1.3
Unemployment rate (% of labour force)	6.1	11.4	6.6	6.4	6.0	5.7	5.7
Consumer price index	3.1	1.1	3.4	2.4	2.3	3.0	2.4
Current account balance (% GDP)	–9.2	–2.8	–0.7	2.2	1.2	0.4	0.6
External funding capacity/needs (% GDP)	–7.7	–1.5	0.6	3.3	2.7	2.0	1.5
Fiscal balance (% GDP)	–4.5	–5.1	–1.9	0.6	0.7	–0.2	–0.4

Forecasts

Risk aversion dominates market sentiment

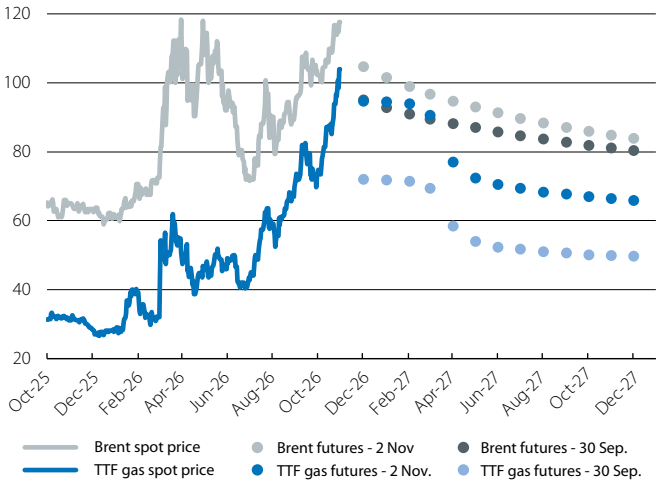
Geopolitical tensions and energy concerns fuel market caution. The conflict in the Middle East, amid an intensification of direct tensions between Iran and Saudi Arabia, led to sustained uncertainty over global energy supplies and kept Brent crude above 100 dollars a barrel throughout the month. It even exceeded 115 dollars, reaching new highs for the year. The TTF natural gas price was also affected and surged by over 40% in October, bringing it close to €100/MWh. Brent and TTF gas futures curves for the coming quarters also shifted upwards, reflecting revised market expectations amid the persistent risk of supply disruptions. Investors also faced renewed doubts surrounding the sustainability and profitability of AI-related investment amid tight financial conditions. In Europe, risk aversion also increased amid persistent fiscal risks in France. This led to a sharp widening of the French sovereign risk premium, some spillover to Italy and a limited impact on Spanish and Portuguese risk premia. In this context, the ECB and the Fed kept interest rates unchanged but signalled that monetary policy would remain restrictive.

Risk aversion pushes sovereign yields lower. Despite higher energy prices, US and German government bond yields fell, reflecting risk aversion amid geopolitical uncertainty and doubts surrounding stock valuations in the technology and AI sectors. The yield on the 10-year treasury reached its peak at the beginning of the month, hitting 5.30%, a level not seen since 2002, before retreating to around 5.0%. This was still more than 30 bps above the end of september, while the year to date increase remains close to 80 bps. German yields fell, with the yield on the 10-year *Bund* dropping by more than 20 bps. In the United Kingdom, sovereign yields reached their highest level in almost 20 years in early October before falling in the latter weeks, as the government's forecasts and budgets were received relatively favourably.

European risk premia rise, with tensions concentrated in France. Euro area sovereign debt markets came under pressure amid concerns over France's public finances. Specifically, France's high public debt and the political difficulty of bringing it down, given a fragmented parliament and presidential elections due in the spring, pushed the yield on the 10-year French government bond (OAT) above 5%. The risk premium continued to widen too, exceeding 170 basis points after reaching levels not seen since the European sovereign debt crisis, before easing slightly towards the end of the month after rating agency Moody's maintained France's Aa3 credit rating. Against this backdrop, both ECB President Christine Lagarde and the governor of the Bank of France stated that it was for the French authorities to correct the fiscal imbalances, suggesting that the conditions for an intervention by the ECB have not currently been met. The spillover to other euro area risk premia was limited. Italy's spread remained around 120 bps, well below the levels reached in 2023, while the Spanish and Portuguese spreads rose by less than 10 bps and remained close to their lowest levels since 2009.

Oil and gas prices

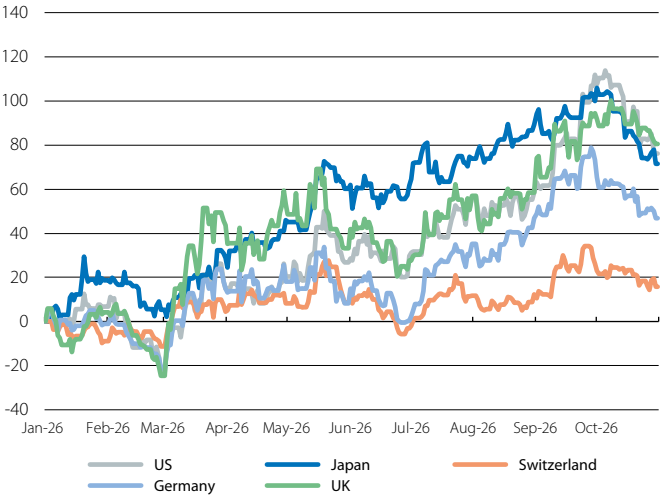
(Dollars per barrel and euros per MWh)



Note: *Brent and TTF gas futures refer to contracts with two-month and one-month maturities, respectively.*
Source: *CaixaBank Research, based on data from Bloomberg.*

10-year sovereign bond yields

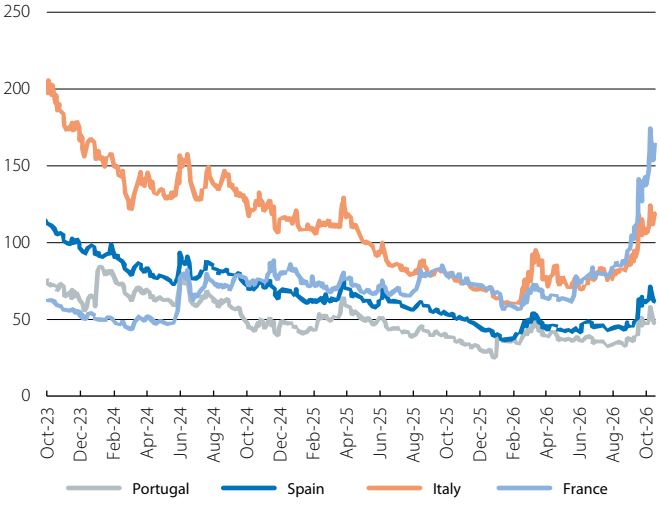
Year-to-date change (bps)



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

10-year risk premium

(bps)



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

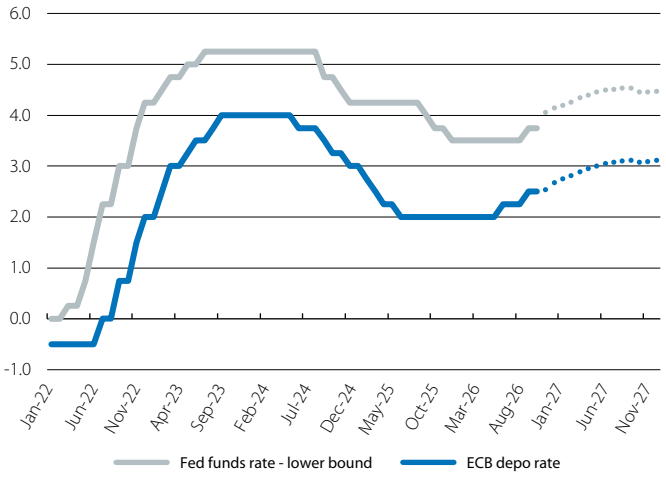
The ECB and Fed keep rates unchanged but signal further hikes to come. As expected, both the ECB and the Fed left interest rates unchanged at their October meetings. The ECB unanimously kept the deposit rate at 2.50%, arguing that conditions remain consistent with a gradual tightening of monetary policy. With financial conditions tighter and core inflation readings subdued so far, the ECB opted to await further data before taking any new action. Besides the monetary policy message, the main focus was the announcement by Christine Lagarde that she will step down as ECB president in early February, around eight months before the end of her term. The Fed kept the federal funds rate within the 3.75%-4.00% range, although two members dissented in favour of a 25-bp increase. Chair Warsh stressed the need to gather more information before considering further monetary policy adjustments, while acknowledging that inflation remains too high and highlighting the strength of the US economy. Despite the pause, markets continued to price in interest rate rises at the Fed and ECB's December meetings as the most likely scenario. Market expectations also point to a continuation of the monetary tightening cycle in 2027, with two further 25-bp increases by the ECB and one further hike by the Fed.

Concerns over AI weigh down stocks. Equity markets were volatile in October, a month marked by the start of the third-quarter earnings season, with investors focused on large tech firms. Despite generally solid results, markets were concerned about the surge in AI investment and companies' ability to generate sufficient returns to justify the vast levels of spending on these initiatives. This weighed on share prices in the second half of the month, with declines in the technology and semiconductor sectors reflected in several stock market indices. As a result, the Nasdaq 100 fell by around 6% in October, while the S&P 500, which is less exposed to these sectors, lost less than 1%. European markets performed better, with the STOXX 600 gaining almost 2% over the month, supported by sectors less exposed to AI. By country, Germany's DAX index ended October up, while France's CAC 40 managed to finish virtually flat (+0.1%), despite persistent concerns over the country's fiscal position.

A volatile dollar against major currencies. Concerns over France's debt weighed on the euro, which fell nearly 1% against the dollar and traded at around 1.11–1.12 dollars. By contrast, sterling gained more than 1% against the dollar, while the yen ended the month broadly unchanged. Among emerging-market currencies, the Brazilian real was particularly volatile, weighed down by uncertainty surrounding the presidential election, which ended with Lula da Silva's victory.

Fed and ECB: policy interest rates

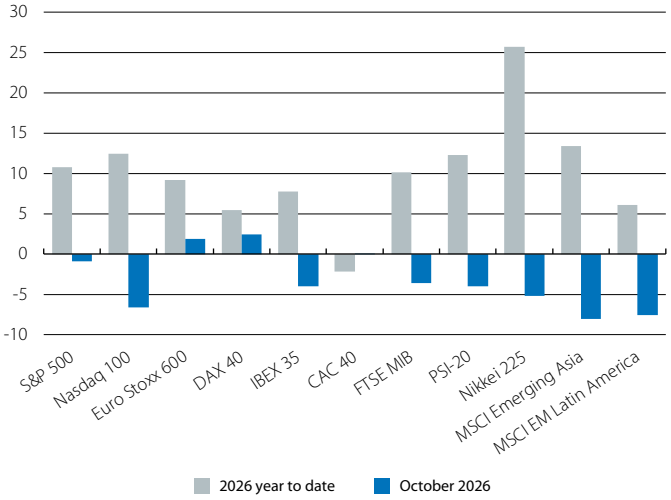
(%)



Note: *The dotted lines show forward rates for the Fed and the ECB as at 3 November 2026.*
Source: *CaixaBank Research, based on data from Bloomberg.*

Stock market indices

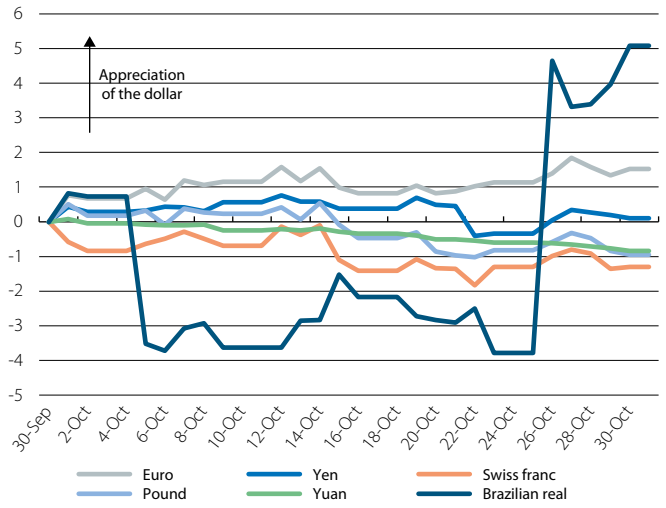
Cumulative change (%)



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

Currency movements against the dollar

(%)



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

What has driven the global rise in long-term interest rates?

So far this year, sovereign yields have risen across the board in the main developed economies, with a particularly sharp increase at longer maturities. Synchronised trends in the US, Europe and Japan point to global forces that go beyond fiscal or institutional factors specific to each country. Although the conflict between the US and Iran has intensified the move, the trend has been evident since late 2024.

The nature of this rebound matters because the possible explanations for it have very different economic implications. One interpretation attributes it to higher inflation expectations or a loss of confidence in the sustainability of public finances. Another, particularly in the US, links higher real interest rates to stronger growth prospects stemming from the deployment of artificial intelligence (AI) and a possible rise in the neutral interest rate. A third explanation, which lies midway between the two, links greater public and private investment needs to a more price-sensitive investor base that demands higher returns to fund them. Although all three play some role, this latter explanation appears to be the most influential.

Real rates are driving the move

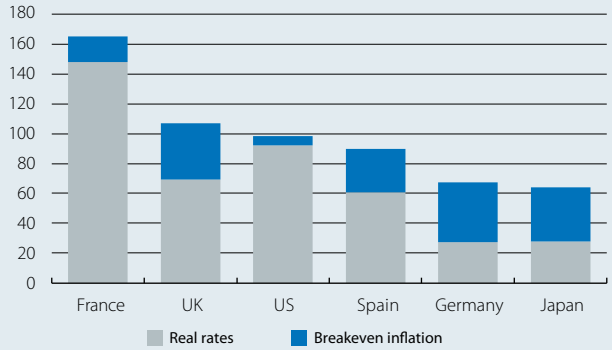
The rise in long-term interest rates is not primarily driven by higher inflation expectations, although their contribution varies across countries and stages of the conflict. Since the start, real rates have accounted for around 93 of the nearly 100-bp rise in the US 10-year interest rate. Germany and Japan have a more balanced composition, but compensating for inflation, despite gaining importance in recent weeks, is not the main driver of the trend either in the year to date or since the end of 2024.

More than a broad-based crisis of sovereign confidence

The rise also does not appear to be driven mainly by a widespread crisis of confidence in public finances. The broad-based move affects economies with widely differing fiscal positions and is not confined to those with the most worrying debt trajectories. Switzerland is a notable exception, with a much smaller rebound and a favourable fiscal position. Nevertheless, other economies with sound public finances and no significant deterioration expected, such as Denmark and Norway, have been similarly affected, as they are more exposed to common forces including the European monetary cycle and increased spending needs related to geopolitics and defence.

Trends in 10-year sovereign debt yields

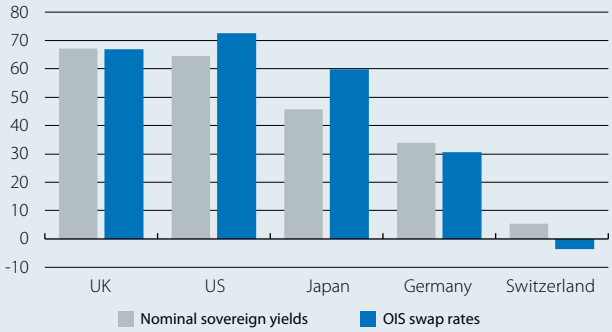
Change from the start of the conflict in Iran (27 February 2026) to 26 October 2026 (bps)



Notes: *The real rate is an implied rate, calculated from the inflation-linked sovereign bond curve. Breakeven inflation is calculated as the difference between the nominal yield at a comparable maturity and this implied real yield.*
Source: *CaixaBank Research, based on data from Bloomberg.*

Trends in 30-year interest rates

Change from the start of the conflict in Iran (27 February 2026) to 26 October 2026 (bps)



Note: *The 30-year OIS rate is the fixed rate that is exchanged for the overnight interest rate (which is very close to the policy rate), compounded over 30 years. It reflects expectations for short-term interest rates over this time horizon, together with the term premium, and carries minimal credit risk.*
Source: *CaixaBank Research, based on data from Bloomberg.*

Trends in swap rates confirm that a substantial part of the shift reflects a general rise in the cost of long-term capital, rather than merely a higher sovereign risk premium. Since late February, the rate on the 30-year dollar Overnight Index Swap (OIS) has risen by around 70 bps, compared with around 65 bps for the equivalent Treasury. In the United Kingdom, OIS rates have risen by almost as much as the gilt, while in the euro area the OIS rate has increased by around 30 basis points, some 5 basis points less than the *bund*.

Country-specific fiscal risks do appear to explain differences in the scale of rate increases across countries. France is the clearest example. Alongside the broad rise in long-term interest rates, since early 2023 and amid QT, the spread on 10-year French sovereign debt over the

European OIS rate has widened by around 170 bps, compared with some 115 bps against the *bund*. This reflects both a premium linked to France's fiscal and political situation and the lower scarcity premium on German debt as the ECB reduces its sovereign bond holdings.

Why, then, have real interest rates risen?

Part of the increase reflects expectations that policy rates will remain higher for longer. Between September 2024 and early 2026, the rise in interest rates was relatively more concentrated at longer maturities, pointing to structural forces. However, the conflict in Iran and the energy *shock* have also prompted a sharp repricing at the short end. Whereas markets were pricing in rate cuts at the start of the year, they are now anticipating several further hikes, putting upward pressure on risk-free rates across the curve.

Even so, for the US, one of the Fed's decompositions of the 10-year Treasury yield[1] confirms that the revision of expected risk-free rates does not explain the entire move. Since the outbreak of the conflict in Iran in March, just over 40% of the rise in the 10-year Treasury yield can be explained by higher expected short-term real interest rates, while around 30% appears to reflect a higher real term premium. In other words, expectations about the path of monetary policy account for only slightly more than the higher compensation which investors are demanding for duration risk.

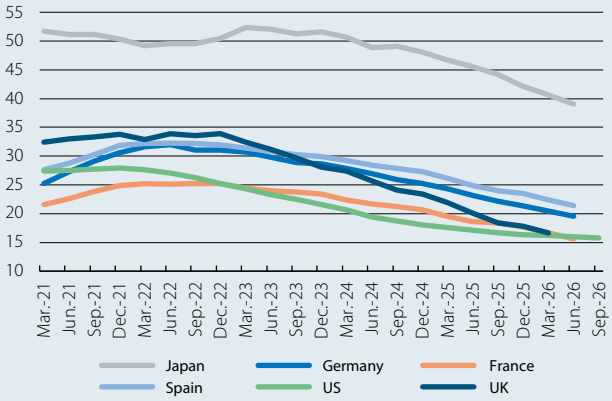
A second explanation for the rise in real interest rates is stronger global demand for investment capital. In the US, for example, the Bloomberg consensus forecasts real private investment growth of almost 5% in 2026 and 2027, up from 3.1% in 2025. The technology companies dominating the AI infrastructure boom, known as hyperscalers, are alone expected to invest around 800 billion dollars in 2026 and more than 1.1 trillion in 2027 (2.4% and 3.4% of expected nominal GDP in each year, respectively).

This substantial investment does not necessarily mean that the neutral rate has risen permanently. Expectations of high future returns may spur investment before the technology's productivity effects become visible, increasing competition for savings and thereby raising real interest rates.[2]

In Europe, defence needs, energy security and infrastructure are also competing for savings, alongside growing issuance in European currencies by several AI companies.

Central bank holdings of central government debt, by country

Debt instruments with maturities of over one year (%)



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

Finally, the shift in the investor base also helps explain why greater funding needs may require higher returns. During QE, central banks and other official buyers absorbed large volumes of debt with little regard for returns, reducing the amount available to the rest of the market. As their balance sheets normalise, more debt is held by price-sensitive private investors, and some of the scarcity or convenience premium that compressed sovereign yields during the QE era may dissipate.

A new price for capital

Ultimately, markets appear to be seeking higher returns to meet growing global funding needs. Inflation and policy rate expectations have contributed to the rebound, particularly since the outbreak of the conflict in Iran, but real rates have been the main driver. Higher investment demand, high debt stocks, a lower scarcity premium and a more price-sensitive investor base complete the explanation. Fiscal deterioration is therefore an important part of a broader story, not its sole cause.

David del Val

1. S. D'Amico, D.H. Kim and M. Wei (2018), «Tips from TIPS: The Informational Content of Treasury Inflation-Protected Security Prices», JFQA, 53(1); updated data: Federal Reserve Board.
2. R.J. Caballero (2026), «Speculative Growth and the AI 'Bubble'», NBER WP 34722.

Interest rates (%)

	31-October	30-September	Monthly change (bp)	Year-to-date (bp)	Year-on-year change (bp)
Euro area					
ECB Refi	2.65	2.65	0	50	50
3-month Euribor	2.68	2.62	6	65	63
1-year Euribor	3.31	3.33	–2	106	112
1-year government bonds (Germany)	2.91	2.96	–5	90	103
2-year government bonds (Germany)	3.04	3.21	–17	92	106
10-year government bonds (Germany)	3.32	3.59	–26	47	68
10-year government bonds (Spain)	3.95	4.13	–19	66	80
10-year government bonds (Portugal)	3.79	4.01	–22	64	78
US					
Fed funds (lower limit)	3.75	3.75	0	25	0
3-month SOFR	4.05	4.08	–3	40	20
1-year government bonds	4.37	4.54	–17	90	68
2-year government bonds	4.59	4.89	–30	111	98
10-year government bonds	4.93	5.28	–36	76	83

Spreads corporate bonds (bps)

	31-October	30-September	Monthly change (bp)	Year-to-date (bp)	Year-on-year change (bp)
Itraxx Corporate	65	63	3	14.7	11.4
Itraxx Financials Senior	75	69	5	20.4	16.8
Itraxx Subordinated Financials	127	115	12	33.6	28.0

Exchange rates

	31-October	30-September	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
EUR/USD (dollars per euro)	1.116	1.133	–1.5	–5.0	–3.5
EUR/JPY (yen per euro)	175.780	178.350	–1.4	–4.5	–1.4
EUR/GBP (pounds per euro)	0.833	0.854	–2.4	–4.4	–5.2
USD/JPY (yen per dollar)	157.560	157.410	0.1	0.5	2.2

Commodities

	31-October	30-September	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
Bloomberg Commodity Index	141.2	141.8	–0.4	28.7	32.2
Brent ($/barrel)	117.6	103.5	13.6	93.3	81.0
Gold ($/ounce)	3,874.6	4,157.4	–6.8	–10.3	–3.7

Equity

	31-October	30-September	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
S&P 500 (USA)	7,580.1	7,651.5	–0.9	10.7	11.1
Eurostoxx 50 (euro area)	6,131.3	6,269.0	–2.2	5.9	7.6
Ibex 35 (Spain)	18,652.9	19,426.2	–4.0	7.8	16.3
PSI 20 (Portugal)	9,276.1	9,666.8	–4.0	12.3	9.8
Nikkei 225 (Japan)	63,290.1	66,753.7	–5.2	25.7	23.3
MSCI Emerging	1,566.6	1,704.9	–8.1	11.6	11.0

The global economy holds firm as the outlook becomes more challenging

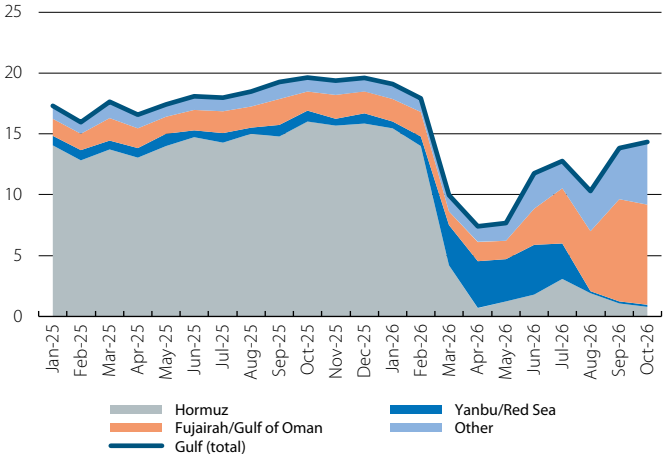
Euro area growth exceeds expectations in Q3… Euro area GDP grew more than expected in Q3 2026 (+0.4% quarter on quarter vs. +0.6% in the previous quarter), although the figure was again distorted by Ireland. Excluding Ireland, euro area GDP grew by 0.2% quarter on quarter (vs. 0.3% in the previous quarter). Although growth slowed compared to Q2, it confirmed the continued resilience of economic activity in the face of the energy shock. Trends varied across countries. Spain again led the growth among the major economies, expanding by 0.6% (see the Spanish Economy - Economic Outlook section in this report), while Germany's growth slowed to 0.2%, Italy stagnated and France contracted by 0.1%. Overall, while investment and exports have weakened, consumption has held up better, supported by the savings buffer accumulated in recent years. The Q3 figure reduces the downside risks to our full-year forecast (1.0%), although we still anticipate a slowdown towards the end of the year.

… ahead of a more challenging Q4. The available data point to a slowdown at the start of Q4, amid weakening confidence and divergence among the euro area's major economies. European consumer confidence fell again in October, weighed down by higher energy costs, political uncertainty and fears of a deterioration in the labour market, which led it to fall to –17.9 points, well below its historical average. Business survey data also point to a loss of momentum, although activity remains in expansionary territory. The euro area composite PMI fell 1.4 points to 51.7, weighed down mainly by France, where it dropped 2.7 points to 48.4 amid a widespread deterioration in services and manufacturing. Meanwhile, energy markets remain constrained by geopolitical deadlock and intermittent flows from the Middle East. In this context, rising sovereign yields amid doubts over France's fiscal outlook, together with signs of mounting public discontent over the rising cost of living, are creating further sources of tension. Against this backdrop, European countries face a more challenging year-end than expected.

Inflation remains high due to rising energy prices, but pass-through to the rest of the basket remains limited. Headline inflation in the euro area rose again in October, to 4.0% (from 3.8% in September). Core inflation remained at 2.5%, indicating stable underlying price pressures, although higher energy costs could push inflation up further in the coming months and increase the risk of spillover to other prices. In the US, inflationary pressures also intensified in recent months. Headline PCE inflation (the Fed's preferred measure) rose to 3.6% year on year (+0.2 pps), while core PCE inflation increased to 3.1% (+0.1 pps). The rise largely reflects the energy shock, which is most visible in fuel prices, although price pressures are beginning to build in some services. For now, second-round effects remain relatively contained. However, that could change if higher energy prices persist, reinforcing expectations of further rate hikes by the Fed (see the Financial Markets - Economic Outlook section in this report).

Global: crude oil flows from the Persian Gulf

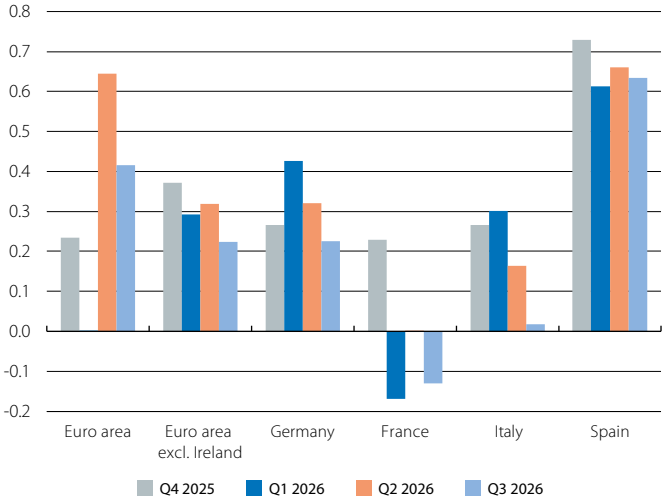
Million barrels per day (mb/d)



Note: *Monthly averages are used. The conflict in the Middle East has made maritime flows less transparent, and the latest data may be subject to revision.*
Source: *CaixaBank Research, based on data from Vortexa (via Bloomberg).*

Euro area: GDP

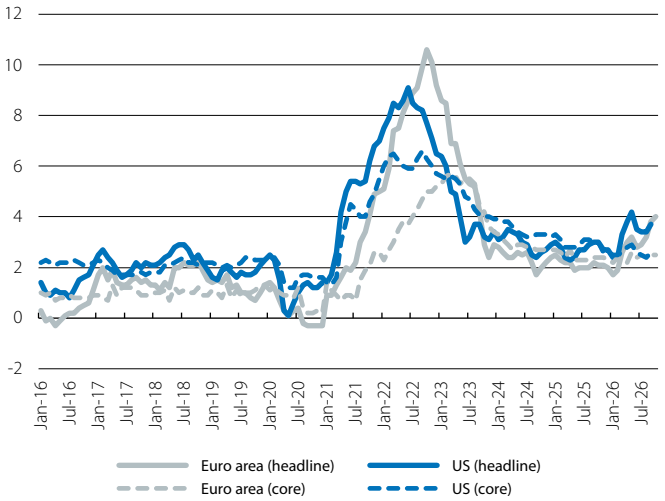
Quarter-on-quarter change (%)



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

Euro area and US: CPI

Year-on-year change (%)



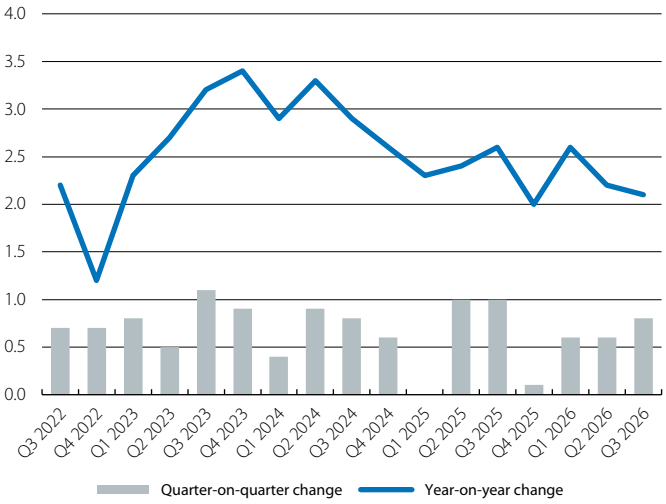
Source: *CaixaBank Research, based on data from Eurostat and the Bureau of Labor Statistics.*

The US economy was buoyant in Q3, while the Democrats secured a clear victory in the midterms. In the US, GDP grew by 0.8% quarter on quarter, accelerating from Q2, supported by strong consumption and investment. As for Q4, the indicators continue to point to robust growth: the composite PMI fell in October but remained high at 57.6, while consumer confidence surveys offered mixed signals. The strength of economic activity contrasts with a gradual loss of momentum in the labour market in recent months. Job creation slowed to 29,000 in September, below analysts' consensus expectations, and averaged +51,000 a month in Q3 (vs. +76,000 in the first half of the year). At the same time, the unemployment rate edged up by 0.1 pps to 4.2%. The slowdown in employment remains uneven across sectors, with greater resilience in education and health, retail and construction, contrasting with weakness in professional, financial and information services. In this context, the midterm elections delivered a landslide victory for the Democrats, with the party taking control of both chambers and making gains even in areas that backed Trump in 2024. The new majority will strengthen checks on the executive, but will likely lead to two years of political gridlock. This is particularly concerning given the large fiscal imbalances, although the executive retains considerable room for manoeuvre in areas such as trade, migration and foreign policy.

Emerging economies continue to prove remarkably resilient to the energy shock, led by China, but challenges lie ahead. In its autumn report, the IMF maintained its global growth forecast at 3.1% for 2026, down from 3.5% in 2025, against a backdrop it describes as «resilience under strain». Emerging economies face a particularly challenging environment, especially energy importers, and those with the least fiscal headroom to respond to the impact of this shock are the most exposed. By contrast, countries more deeply integrated into the technology supply chain have proved more dynamic. China's economy gained momentum in Q3, with GDP growing by 1.2% quarter on quarter (vs. 0.9% in the previous quarter), putting year-to-date growth at the lower end of this year's official target range of 4.5-5.0%. The improvement was driven by industry, while exports remained buoyant, growing by nearly 30% over the quarter. Private consumption remained sluggish, while investment continued to be weighed down by the property crisis. Emerging economies continue to withstand the energy shock better than expected, but challenges lie ahead. In Brazil, President Lula da Silva's victory in the second round of the presidential election pushed up sovereign yields and weakened the Brazilian real, reversing the market moves that followed Bolsonaro's first-round victory. This reflected concerns about the country's fragile fiscal position amid rising global interest rates. In India, the latest indicators continue to point to robust economic activity and a recovery in investment. Growth is nevertheless expected to slow gradually in 2027 as inflation rises and monetary policy is tightened.

US: GDP

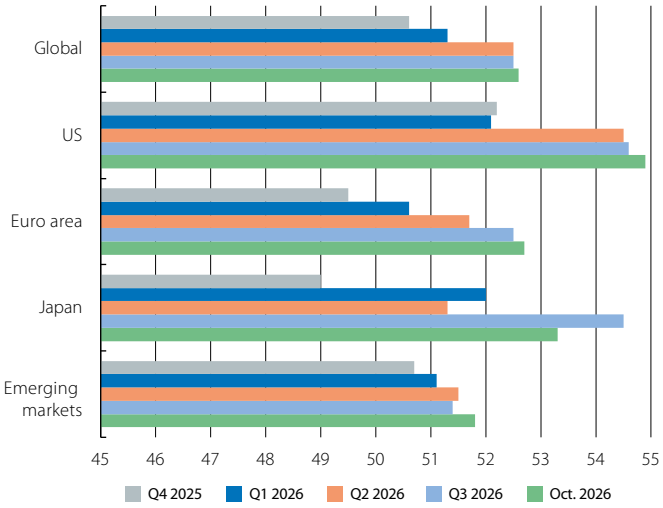
(%)



Source: *CaixaBank Research, based on data from the Bureau of Economic Analysis.*

Global: manufacturing PMI

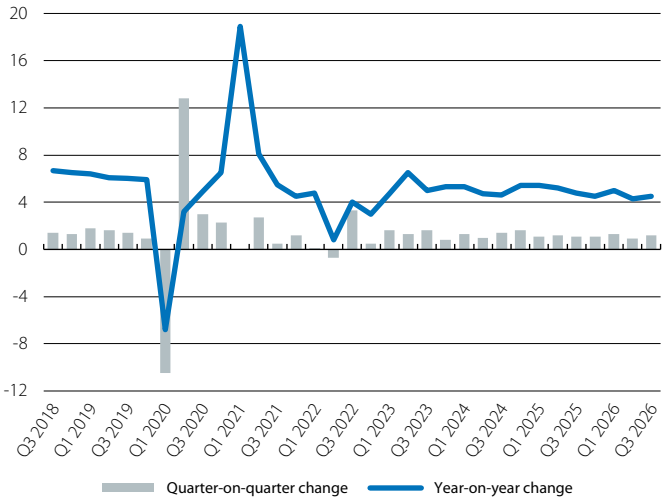
Index



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

China: GDP

(%)



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

What can we expect from labour force participation rates in the US and EU?

Population ageing poses significant challenges to economic growth, but there are policy tools that can at least partly mitigate its effects.[1] Chief among these are boosting productivity and increasing the working-age population through immigration.[2] Another such tool related to the labour market is to make greater use of labour by increasing workforce participation among groups that remain under-represented. To assess the potential of this approach, we analyse the factors that have driven its evolution in the US and the EU's four largest economies over the past 25 years. The results show that demographic trends, education and changes in labour-market behaviour have operated with varying degrees of intensity on both sides of the Atlantic, and that some of the forces that drove participation in the past are beginning to lose momentum.

A breakdown of its structural factors

The labour force participation rate measures the proportion of the population that is either employed or actively seeking work. In order to identify the factors that drive its evolution, we have statistically broken down its change over time into three components: shifts in the population's age distribution, changes in education level within each age group and changes in participation among people of the same sex, age and education level.[3] This final component captures changes in labour market behaviour within each group and may include cohort effects shaped by factors such as labour market policies, pension reforms, measures related to work-life balance and shifts in labour demand. The analysis uses OECD data for men and women aged 25-64 in the US, Germany, France, Italy and Spain. Within each sex, we distinguish four ten-year age groups and three levels of education (basic, medium and higher), and we compare how they have evolved over the past 25 years.

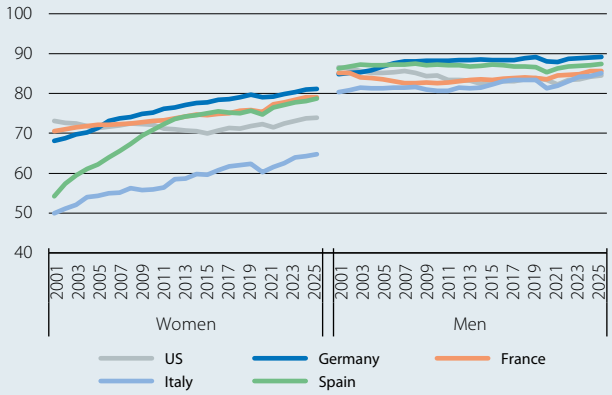
Convergence, but driven by different forces

Since the start of the century, there has been a clear convergence in labour force participation rates between the US and the EU's four largest economies, but through very different channels and with varying degrees of intensity over time. Between 2001 and 2013, the labour force participation rate among 25-64 year-olds fell for both sexes in the US, while it rose in European countries – particularly in Spain, followed by Germany and Italy – driven decisively by women (see first chart). This extended the convergence between the two areas that had begun decades earlier.[4] Possible explanations for the US trend highlighted in the literature include weaker demand for workers with certain qualifications and the resulting skills mismatch, changes in the sectoral composition of employment and a higher prevalence of health problems or disabilities among some groups.[5]

The structural breakdown allows us to identify the drivers of these trends more precisely (see second chart). For example, between 2001 and 2013, changes in participation

US and EU countries: labour force participation rate by sex

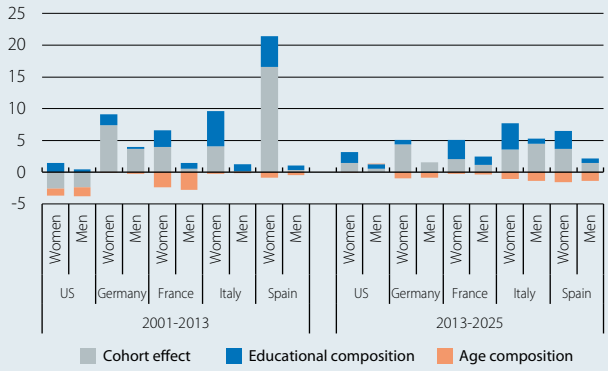
(%)



Note: *Population aged 25-64.*
Source: *CaixaBank Research, based on data from the OECD.*

US and EU countries: labour force participation rate by sex

(Contributions to change in pps)



Notes: *Population aged 25-64. The cohort effect captures the impact of changes in the participation rate among people within the same age group and with the same level of education.*
Source: *CaixaBank Research, based on data from the OECD.*

1. See the article «The effects of ageing on growth and policy tools to mitigate them», in the Dossier of the MR09/2025.
2. On immigration, see the Focus «Migration and migration policy: a global overview», in this same *Monthly Report*.
3. We follow the methodology used in C. Fernández-Vidaurreta and D. Martínez-Turégano (2018) «Evolución y perspectivas de la tasa de participación en el área del euro: una visión de largo plazo». Boletín Económico, 1/2018, Bank of Spain.
4. *Ibid.*
5. L. Bengali, M.C. Daly, E.A. Duzhak and C. Zhao (2025), «Pulled Out or Pushed Out? Declining Male Labor Force Participation», and (2023), «Men's Falling Labor Force Participation across Generations». FRBSF Economic Letter, 2023-26, Federal Reserve Bank of San Francisco.

within similar age and education groups accounted for around 17 of the 20 percentage-point rise in Spain's overall female participation rate. This component also accounted for most of the increase among women in Germany and France. In the US, however, changes within similar groups made a negative contribution for both sexes. In Europe, the higher labour force participation among younger female cohorts was associated, among other factors, with changing fertility decisions and improved opportunities to balance professional and family life. Among older women, it also reflected the fact that cohorts which had entered the labour market in large numbers in previous decades were approaching retirement age. Improved education levels made a positive contribution in all countries, particularly among women in Italy, where it was the main driver, and in Spain. In contrast, changes in the age structure had a negative impact across the board, especially in France and the US.

Since 2013, the pattern has shifted. The US has seen a rebound after decades of decline, while trends in Europe have been more mixed: increases slowed in Germany and Spain, accelerated in France and remained strong in Italy. The improvement was broad-based among women, with increases of 3-6 percentage points. Among men, Italy stood out, recording a rise on a par with that for women, while increases were more moderate in the other countries. The US recovery suggests that the earlier decline was not driven solely by irreversible forces, although the data do not allow the shift to be attributed to any single factor.

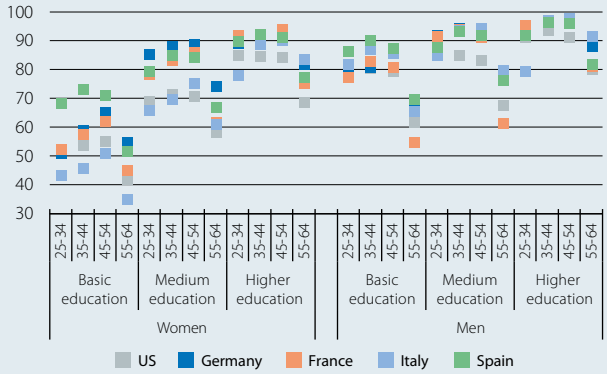
The mix of factors also changed. In the US, the recovery was driven both by higher participation within age and education groups and by rising education levels, while the effect of the composition by age was broadly neutral. In Europe, participation across the various groups continued to make a positive contribution, particularly among women, as well as among men in the case of Italy, while population ageing continued to have a moderate but persistent negative effect. Thus, up until 2013, the convergence reflected rising participation in Europe and a decline in the US, while thereafter, participation improved on both sides of the Atlantic, albeit modestly and driven by different groups and factors.

Fewer tailwinds ahead and a need for more targeted policies

Trends over the past 25 years suggest there is still some scope for labour force participation to help sustain the labour supply, but not all the factors that contributed in the past can continue to do so to the same extent. The first constraint is demographic. Between 2013 and 2025, changes in the age structure reduced labour force participation in all four European countries, and this pressure is expected to intensify as the proportion of the population aged 55-64 increases. This effect could be partly offset by migration flows that lower the population's age profile, as well as by higher participation rates among older workers, although the latter would need to rise

US and EU countries: labour force participation rate by sex, education level and age group (2025)

(%)



Source: *CaixaBank Research, based on data from the OECD.*

significantly to counter the growing share of this age group in the population.[6]

The second constraint concerns education. Given that people with higher education levels have a closer connection to the labour market, their growing share of the population has raised the aggregate participation rate. However, this tailwind will dissipate as high education levels become the norm across the various cohorts. For the same reason, the impact of generational turnover among women will also diminish as cohorts entering the labour market increasingly resemble their predecessors in their behaviour.

The remaining scope is therefore concentrated among specific groups (see third chart). In 2025, the gap in the labour force participation rate between men and women aged 25–64 still exceeded 20 percentage points in Italy and stood at around 10 pps in the US and Spain. There is also scope to raise participation among 55-64 year-olds, particularly in France and the US, where average participation rates were more than 10 pps below Germany's. Policies should address the specific barriers facing each group through measures addressing work-life balance, incentives to bring the effective retirement age closer to the statutory age, more flexible forms of employment and training tailored to the different stages of working life.

In the US, the recovery under way since 2013 may also face constraints in the coming years. Projections by the Bureau of Labor Statistics point to a slight decline in labour force participation among 25-54 year-olds between 2024 and 2034, but further increases among those aged 55 to 64, particularly women.[7] This is compounded by the

6. See a detailed analysis for Spain in the Focus, «The ageing of the workforce: a challenge for Spain and Europe», in this same *Monthly Report*.

7. Bureau of Labor Statistics (2025). «Civilian Labor Force Participation Rates by Age, Sex, Race, and Ethnicity, 2004, 2014, 2024 and Projected 2034».

tightening of immigration policy under the second Trump administration. In line with the slowdown in inflows, growth in the foreign-born working-age population, which accounts for nearly a fifth of the US labour force, has moderated since 2025.[8] For now, the aggregate participation rate among prime-age workers remains stable, but this masks signs of weakness in some segments, including a lower propensity to participate among the foreign-born population.[9] Even so, it is too early to separate the effects of immigration restrictions from those arising from the annual update to population estimates and underlying population ageing.[10]

In sum, there is scope to increase participation on both sides of the Atlantic, but it will be more limited and concentrated than in recent decades. Progress will increasingly depend less on major socio-educational shifts and more on policies targeting women in countries with wide gaps, people with lower levels of education and workers nearing retirement. Even if successful, these policies will only partially cushion the impact of ageing. They will therefore need to be complemented by measures aimed at boosting productivity and managing migration flows in ways that help sustain the growth of the working-age population.

David Martínez Turégano

8. See the Focus «Trump 2.0 immigration policies: the end of the American Dream?», in the MR10/2026.
9. L. Bengali, I. Chen, A. New-Schmidt and N. Petrosky-Nadeau (2026), «The Recent Slowdown in Labor Supply and Demand». FRBSF Economic Letter, 2026-02, Federal Reserve Bank of San Francisco.
10. A. Bick (2026), «What's Behind the Sharp Drop in Labor Force Participation?». Federal Reserve Bank of St. Louis.

Migration and migration policy: a global overview

Migration flows have historically reflected human needs: escaping armed conflict, violence against specific groups and natural disasters or, in most cases, simply seeking better opportunities. By moving from less developed regions or countries to more prosperous ones, migrants can improve their living standards and put their time and talents to more productive use, benefiting from better institutions, markets and technologies, as well as from a less uncertain environment.[1] Migration not only benefits individuals and host regions but also creates considerable development opportunities in countries of origin, for example through remittances to family members, investment and knowledge transfer. However, as with trade in goods and services or capital mobility, the movement of people has distributional effects and poses significant challenges for public policy.

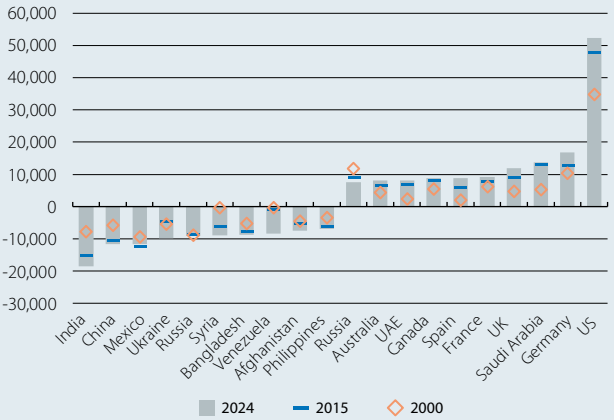
Recent trends and geographical patterns

So far this century, global migration flows have continued to grow. More than 300 million people now live outside their country of origin (2024 data, the latest available).[2] Although the main origin and destination countries for migration flows have not substantially changed, there are several notable features worth highlighting (see first chart). The US has been the world's leading destination for migration flows, with more than 50 million migrants in 2024. Destinations such as Saudi Arabia, the United Arab Emirates, the United Kingdom and Spain have also experienced substantial growth. Also notable are India's rise as the world's leading country of origin for international migrants and the resurgence in migration flows from countries affected by conflict or humanitarian crises, such as Ukraine, Syria and Venezuela.[3] This global picture masks a strong geographical dimension, as illustrated by major migration routes such as the Mexico-US and Syria-Turkey corridors, and those between Central Asian countries and the Gulf region. Most migrants and displaced people move to nearby countries because they are easier to reach, more familiar and offer a quicker route to safety.[4]

High migration flows over the past 25 years, coupled with population ageing in developed economies,[5] have significantly increased the share of foreign-born people in these countries (see second chart). Across advanced economies, the average increase between 2000 and 2024 was 6 percentage points. Europe, North America and Oceania remain among the top destinations for international migrants, who account for more than 15% of the population in these regions. By country, the largest increases since the turn of the century have been concentrated in several European countries, including Austria, Spain, Switzerland, Sweden, Belgium and the United Kingdom. All have recorded rises of around 10 percentage points or more in the share of international migrants in the population.

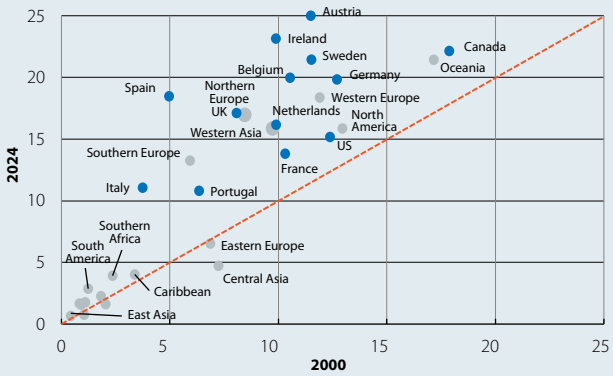
Across the OECD, despite a slight slowdown in 2024, migration flows have reached record highs in recent years, at close to 6 million arrivals a year. While work-related entries have almost doubled since the pre-pandemic period to more than one million, family reasons have remained the main route of entry, while entries on

Top 10 migrant origin and destination countries
(Thousands of people)



Note: *Migrant population stock as at the date shown.*
Source: *CaixaBank Research, based on data from the United Nations.*

International migrants by destination country or region
(% of the total population)



Note: *Grey markers represent macro-regions and blue markers selected countries.*
Source: *CaixaBank Research, based on data from the United Nations.*

1. Around 70% of migrant workers worldwide are in advanced economies.
2. According to the «World Migration Report 2026» published by the International Organization for Migration (IOM), this represented almost 4% of the world's population in 2024, compared with 175 million migrants in 2000 (just under 3% of the population).
3. United Nations data indicate that around 2.5 million refugees will need resettlement this year, up from fewer than 1 million in 2015.
4. IOM (2026), op. cit., chapter three.
5. See the Dossier «Challenges and policies in the age of longevity», in the MR09/2025.

humanitarian grounds have risen steadily.[6] These migration trends accelerated in 2022-24 in countries such as Spain, Portugal, the Netherlands, the United Kingdom and Canada, while in Germany, Sweden and Norway they slowed from their 2014-19 peaks (see third chart).[7]

Public policy and the migration challenge: future implications

Against this backdrop, OECD countries have made significant changes to their migration policies. Some have set explicit targets to reduce immigration flows and significantly tightened conditions for asylum seekers and family reunification, while also restricting access to social benefits.[8] At the same time, labour-related migration routes have become more selective and increasingly geared towards individual countries' economic needs. Tight labour markets have also prompted a rapid expansion of quota systems in recent years, alongside the introduction of lists of shortage occupations.[9]

On integration, the prevailing trend is increasingly to link reception policies to labour market participation. Several countries have strengthened mechanisms for recognising qualifications obtained abroad and have expanded training and labour market integration programmes for more vulnerable groups, such as migrant women. While some countries are expanding their integration frameworks, others have tightened requirements for newcomers, reflecting a broader shift towards more restrictive systems with a stronger focus on economic outcomes.

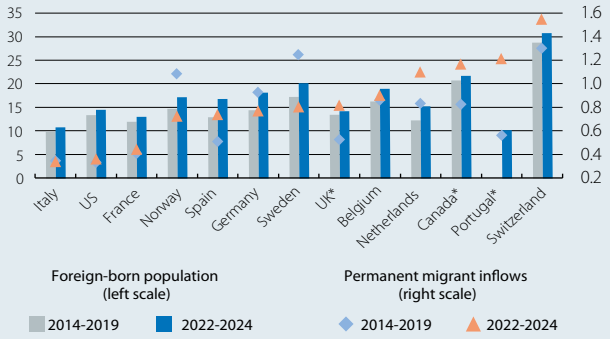
The main destination countries for global migration are also seeking a new balance between their structural need for immigration and growing political pressure to control these flows. Although labour shortages, population ageing and global competition for talent continue to drive structural demand, more selective policies are being adopted, resulting in tighter entry requirements and immigration being increasingly aligned with market needs. Integration policies are also shifting from an approach focused on reception in favour of models that prioritise newcomers' economic contribution.

This trend reflects a deeper transformation in global migration. Migration has historically been driven by humanitarian factors or income disparities between regions. Today, it is increasingly central to debates on economic growth, population ageing and the sustainability of welfare systems. In this new environment, managing migration flows at the national level will remain crucial, but will require both the adaptation of a broad range of public policies and stronger international cooperation. More restrictive policies may alter migration patterns, but they are unlikely to eliminate the structural factors driving international mobility and the challenges it creates.

Luís Pinheiro de Matos

OECD: stock and flows of international migrants

(% of the total population) *(% of the total population)*



Notes: ** The countries indicated have incomplete data on their foreign-born populations. For the UK, the latest available figure is for 2021. For Canada, data are available for 2016 and 2021 only. For Portugal, data are available only for 2021. The foreign-born population statistics are compiled from data provided by OECD national correspondents and follow national definitions and methodologies, limiting comparability across countries. The annual estimates of permanent migrant inflows into OECD countries are based on data on permits and visas issued to foreign nationals, compiled by national statistical offices and ministries. They encompass various reasons for migration (including work, family and humanitarian or other grounds), as well as estimates of migrants exercising free movement rights.*

Source: *CaixaBank Research, based on data from the OECD.*

6. In 2024, the number of new asylum applications lodged in OECD countries reached 3 million, more than double the 2019 figure. This increase was driven mainly by the US (1.7 million), but also by Canada and the UK, while the number of applications fell across the EU.
7. If the trends observed between 2019 and 2024 continue, the foreign-born population will exceed 20% before 2030 in some OECD countries, including Germany, Spain and Canada, while it would approach 15% in France, Italy, the UK and the US. According to OECD data, in 2024 Spain had 8.8 million foreign-born residents, accounting for 18.1% of the population. According to data from Spain's National Statistics Institute (INE), the country had 9.5 million foreign-born residents at the end of 2024, accounting for 19.3% of the population. The latest available data (July 2026) indicate that around 10.3 million people living in Spain were born abroad, equivalent to 20.7% of the population (provisional data, Continuous Population Statistics, INE).
8. See, for example, Elcano Royal Institute (2026), «La aplicación del Pacto Europeo de Migración y Asilo: hacia políticas más restrictivas» and the Focus «Trump 2.0 immigration policies: the end of the American Dream?», in the MR10/2026
9. There has also been a focus on developing temporary migration schemes targeting highly skilled workers. See OECD (2025), «International Migration Outlook 2025».

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

UNITED STATES

	2024	2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	08/26	09/26	10/26
Activity									
Real GDP	3.0	2.3	2.0	2.6	2.2	2.1	–	–	–
Retail sales (excluding cars and petrol)	2.3	4.1	3.4	3.6	4.5	4.6	4.8	5.0	...
Consumer confidence *(value)*	104.5	96.1	94.2	90.7	92.2	87.7	88.6	84.2	91.7
Industrial production	–0.7	1.1	1.6	0.8	1.5	1.7	1.6	2.2	...
Manufacturing activity index (ISM) *(value)*	48.2	48.9	48.2	52.6	53.3	54.9	54.6	54.5	55.5
Housing starts *(thousands, monthly average)*	1,370	1,356	1,323	1,418	1,345	1,293	1,288	1,221	...
Case-Shiller home price index *(index)*	330	339	341	343	344	...	347	...	...
Unemployment rate *(% lab. force)*	4.0	4.3	4.5	4.3	4.3	4.1	4.1	4.2	...
Employment-population ratio *(% pop. > 16 years)*	60.1	59.8	59.7	59.3	59.1	59.1	59.1	59.2	...
Trade balance [1] *(% GDP)*	–2.7	–3.3	–3.1	–2.5	–2.3	...	–2.5	...	...
Prices									
Headline inflation	3.0	2.7	2.7	2.7	3.9	3.5	3.4	3.7	...
Core inflation	3.4	2.9	2.6	2.5	2.7	2.5	2.4	2.6	...

JAPAN

	2024	2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	08/26	09/26	10/26
Activity									
Real GDP	0.1	1.2	0.4	0.6	0.9	...	–	–	–
Consumer confidence *(value)*	37.2	34.7	36.7	36.9	33.2	35.3	35.5	35.4	35.0
Industrial production	–3.0	0.1	–1.3	1.2	1.9	3.2	2.7	3.1	...
Business activity index (Tankan) *(value)*	12.8	13.5	15.0	17.0	22.0	24.0	–	–	–
Unemployment rate *(% lab. force)*	2.5	2.5	2.6	2.7	2.5	2.4	2.5	2.4	...
Trade balance [1] *(% GDP)*	–1.0	–0.6	–0.4	–0.3	–0.2	...	–0.4	...	...
Prices									
Headline inflation	2.7	3.2	2.5	1.4	1.5	2.0	1.9	2.1	...
Core inflation	2.5	3.0	3.0	2.5	1.8	2.1	2.0	2.4	...

CHINA

	2024	2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	08/26	09/26	10/26
Activity									
Real GDP	5.0	5.0	4.5	5.0	4.3	4.5	–	–	–
Retail sales	3.3	3.8	0.7	2.4	0.2	0.7	0.4	1.1	...
Industrial production	5.6	5.9	5.0	6.0	4.6	5.1	5.2	5.5	...
PMI manufacturing *(value)*	49.8	49.6	49.4	49.6	50.2	49.7	49.8	50.1	49.3
Foreign sector									
Trade balance [1,2]	997	1,186	1,186	1,178	1,180	1,257	1,212	1,257	...
Exports	4.6	5.5	3.8	14.5	20.0	28.2	24.7	36.1	...
Imports	1.0	0.3	3.7	22.7	29.5	29.0	28.2	31.0	...
Prices									
Headline inflation	0.2	0.1	0.6	0.8	1.1	0.7	0.8	0.9	...
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	7.1	6.9	6.8	6.7	6.7	6.7	6.7

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	Q4 2025	Q1 2026	Q2 2026	Q3 2026	08/26	09/26	10/26
Retail sales *(year-on-year change)*	1.3	2.4	2.4	2.0	1.4	...	0.8	...	...
Industrial production *(year-on-year change)*	–2.9	1.6	1.9	–1.8	0.0	...	–1.1	...	...
Consumer confidence	–12.6	–13.4	–12.9	–13.7	–19.0	–16.1	–15.6	–16.8	–17.9
Economic sentiment	95.9	95.9	97.1	98.1	94.5	97.6	98.2	97.5	96.9
Manufacturing PMI	45.9	49.1	49.5	50.6	51.7	52.5	52.7	52.9	52.7
Services PMI	51.5	51.3	53.0	51.2	48.2	52.1	51.6	53.0	51.4
Labour market									
Employment (people) *(year-on-year change)*	1.0	0.7	0.7	0.5	...	...	–	–	–
Unemployment rate *(% labour force)*	6.4	6.3	6.3	6.4	6.4	6.5	6.5	6.5	...
Germany *(% labour force)*	3.4	3.7	3.9	3.9	3.9	4.1	4.1	4.1	...
France *(% labour force)*	7.4	7.7	8.0	8.1	8.3	8.4	8.3	8.5	...
Italy *(% labour force)*	6.6	6.0	5.7	5.6	5.8	6.2	6.2	6.3	...
Real GDP *(year-on-year change)*	1.2	1.3	1.1	0.6	1.2	1.3	–	–	–
Germany *(year-on-year change)*	0.0	0.3	0.3	0.6	1.0	1.2	–	–	–
France *(year-on-year change)*	1.4	0.9	1.1	0.8	0.5	–0.1	–	–	–
Italy *(year-on-year change)*	0.9	0.7	0.9	0.9	1.0	0.8	–	–	–

Prices

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

	2024	2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	08/26	09/26	10/26
General	2.4	2.1	2.1	2.0	3.0	3.3	3.3	3.8	4.0
Core	2.8	2.4	2.4	2.3	2.4	2.5	2.4	2.5	2.5

Foreign sector

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

	2024	2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	08/26	09/26	10/26
Current balance	3.0	2.1	2.1	2.1	2.0	...	1.9	...	...
Germany	5.8	4.4	4.4	4.3	4.4	...	4.5	...	...
France	–0.3	–0.4	–0.4	–0.3	–0.1	...	–0.5	...	...
Italy	0.8	0.7	0.7	0.8	0.5	...	0.5	...	...
Nominal effective exchange rate[1] *(value)*	94.5	96.4	97.8	97.6	97.1	96.9	97.2	97.1	95.5

Credit and deposits of non-financial sectors

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

	2024	2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	08/26	09/26	10/26
Private sector financing									
Credit to non-financial firms[2]	0.8	2.7	3.0	3.0	3.8	4.3	4.2	4.2	...
Credit to households[2,3]	0.5	2.2	2.9	3.0	3.0	3.1	3.1	3.1	...
Interest rate on loans to non-financial firms[4] *(%)*	4.9	3.4	3.3	3.3	3.4	3.5	3.4	3.6	...
Interest rate on loans to households for house purchases[5] *(%)*	4.6	3.7	3.5	3.5	3.6	3.8	3.9	3.9	...
Deposits									
On demand deposits	–3.9	5.0	5.4	5.2	3.9	3.0	3.0	2.7	...
Other short-term deposits	12.4	–0.1	–1.0	–0.2	1.7	4.1	4.1	4.6	...
Marketable instruments	20.0	7.7	0.9	0.8	2.7	6.0	6.6	7.1	...
Interest rate on deposits up to 1 year from households *(%)*	3.0	1.9	1.8	1.8	1.9	2.2	2.1	2.3	...

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 holds firm despite uncertainty and the energy shock

The Spanish economy is facing today's challenging environment of energy pressures and global geopolitical uncertainty from a position of strength. Growth remains robust and broad-based, driven particularly by private consumption, investment and services exports. The large stock of accumulated savings is allowing households to cushion the inflationary pressures and, for now, limit their impact on consumer spending (see the Focus «Household saving remains high despite the inflation shock» in this same report). The economy also continues to create jobs, although the exceptional regularisation of immigrants makes it difficult to assess the true strength of the labour market.

Spain's economy continues to record strong growth, supported by domestic demand. GDP grew by 0.6% quarter on quarter in Q3 2026, in line with CaixaBank Research forecasts and just 0.1 percentage points less than in the previous quarter. It thus continues to outpace the euro area as a whole, which grew by 0.2% excluding Ireland. In year on year terms, the rate accelerated by 0.1 pp to 2.7%. By component, quarter-on-quarter GDP growth was driven mainly by strong domestic demand, which contributed 0.5 pps. This was underpinned by private and public consumption, which rose by 0.6% and 0.9% respectively, as well as by business investment, which increased by 0.7%.

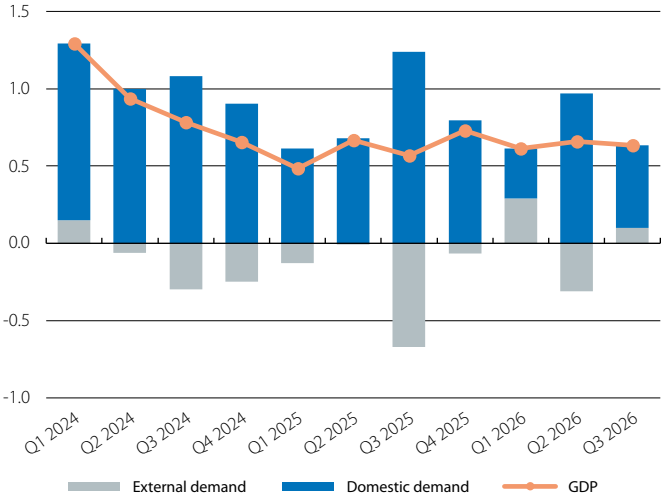
External demand contributed 0.1 pps to quarter-on-quarter GDP growth. This performance reflects stronger export growth of 1.3%, with both tourism and non-tourism services continuing to perform well, compared with a 1.1% rise in imports.

The economy remains buoyant, albeit with some signs of moderation. The data available for Q4 remain very limited, but are nevertheless consistent with a continuation of growth at a slightly slower pace. On the positive side, the manufacturing PMI rose to 52.2 in October, its highest reading since August last year. The services PMI, pending the publication of the October figure, is at its highest level since 2021. By contrast, retail sales volumes fell by 1.4% year on year in September, adding to the evidence that inflationary pressures are beginning to weigh on household spending decisions.

The labour market continues to perform well, but the extraordinary regularisation continues to cloud the picture. According to the Labour Force Survey (LFS), job creation slowed in Q3. Employment rose by 73,600 people, below the level usually recorded in this period (around 150,000 between 2023 and 2025). On a seasonally adjusted basis, growth was 0.3% quarter on quarter, down from 0.5% in the previous quarter. Meanwhile, growth in social security affiliation remains very strong, driven by the extraordinary regularisation of immigrant workers. By mid-October, seasonally adjusted registrations had risen by 129,481 people over the previous two fortnights, the largest increase since June 2021 and well above the monthly average in Q3 (90,748).

Spain: GDP

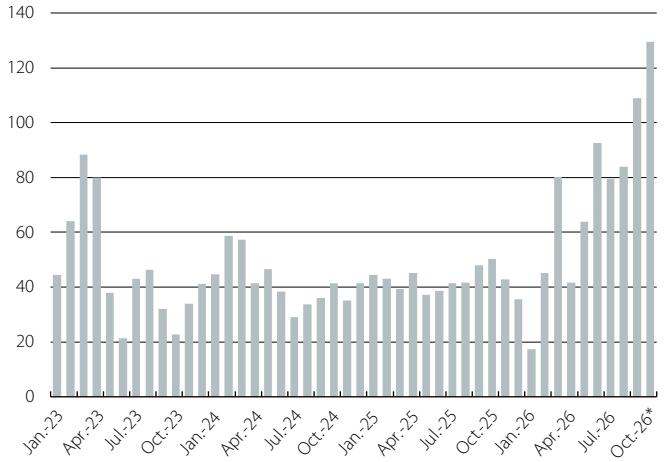
Quarter-on-quarter change (%) and contributions (pps)



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

Spain: workers registered with Social Security

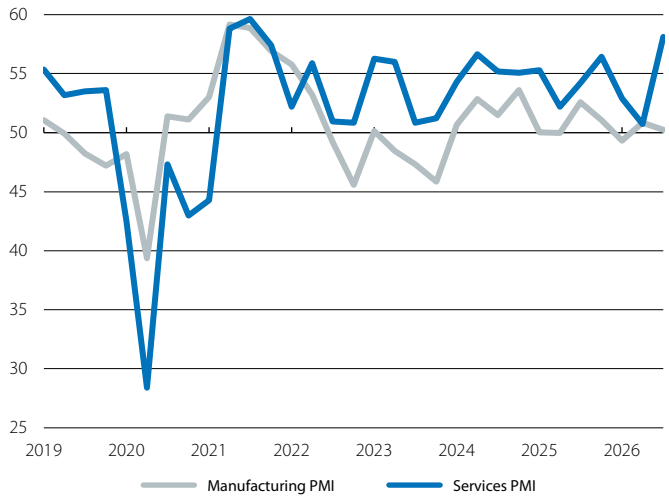
Month-on-month change (thousands)



Notes: *Seasonally adjusted data. * Provisional data.*
Source: *CaixaBank Research, based on data from the Ministry of Inclusion, Social Security and Migration.*

Spain: PMI

Level (quarterly average)



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

The effect on employment of the regularisation is difficult to quantify using the LFS, as it records individuals' actual employment status regardless of whether their employment is officially registered. Even so, there are some signs of an increase in foreign workers, who accounted for 16.8% of total employment in Q3, 1 pp more than in Q1 before the process began. The impact is far more evident in the affiliation data. In the year to 30 September, the number of foreign workers registered with the Social Security system rose by 576,188, compared with 211,457 over the same period in 2025. Of this increase, 421,306 (73.1%) were reportedly linked to the regularisation process. At the same time, growth in the number of Spanish affiliates has slowed markedly, rising by just 108,103, compared with around 210,000 a year earlier. In any event, it remains unclear how much of the increase in foreign registered workers reflects genuine job creation and how much reflects previously undeclared employment relationships moving out of the informal economy.

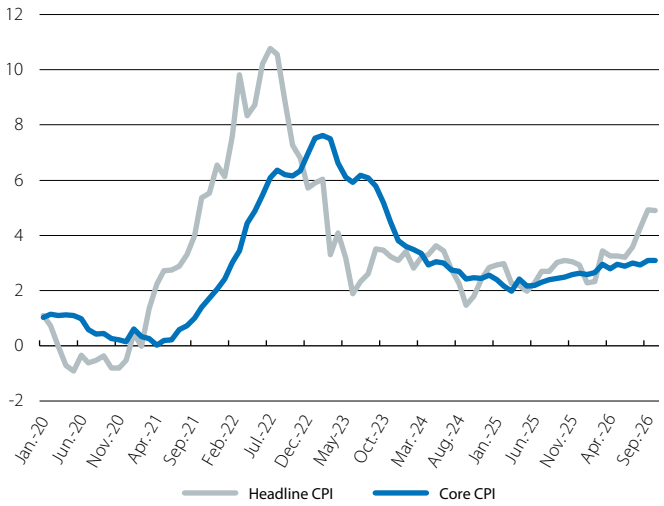
Energy keeps inflation high. According to the CPI flash estimate, headline inflation stood at 4.9% in October, unchanged from the previous month. Core inflation, which excludes energy and unprocessed food, also held steady at 3.1%. With oil and gas prices still very high, subsidies that reduce fuel prices are offsetting the rise in services inflation driven by tourism. Nevertheless, the rise in energy prices in October was greater than we had anticipated, creating upside risks to our inflation forecasts.

The strength of the services balance contrasts with the deterioration in the trade balance. The current account balance recorded a surplus of 2.6% of GDP in the 12 months to August, 0.6 pps lower than in 2025 as a whole but still above the pre-pandemic level (2.1% in 2019). The trade deficit widened to 3.4% of GDP (–3.0% in 2025). This was despite the energy deficit stabilising at 1.7% of GDP, as the non-energy goods deficit deteriorated sharply (–1.7% vs. –1.2%), driven mainly by the motor vehicle and capital goods balances. By contrast, services continue to generate large surpluses. Non-tourism services are cementing their growing importance (2.6% of GDP, unchanged from last year), while tourism remains at a record 4.3% for the third consecutive year.

Home sales slow, but the market remains very tight. Sales were down 2.3% year on year between January and August. Deteriorating affordability, the base effect of an exceptional 2025 and the prospect of tighter financial conditions explain this normalisation. Activity nevertheless remains historically high, with around 700,000 transactions over the past 12 months. On the supply side, new-build permits have risen by 11% over the past 12 months, but this increase remains insufficient to close the gap with demand. Prices have risen more slowly in recent quarters, although the persistent imbalance between supply and demand will continue to push them higher.

Spain: CPI

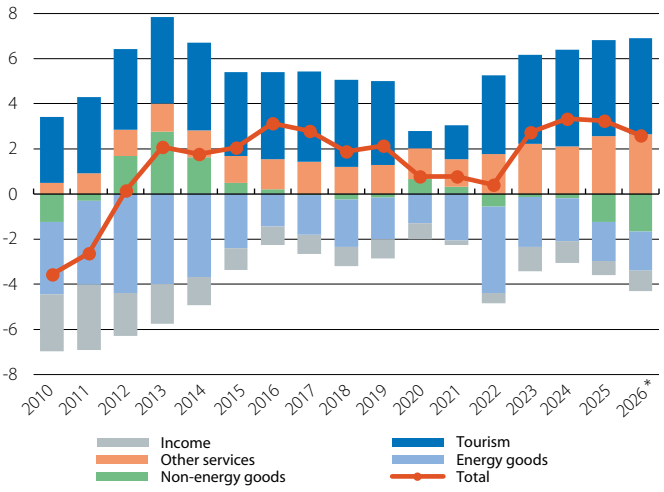
Year-on-year change (%)



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

Spain: current account balance

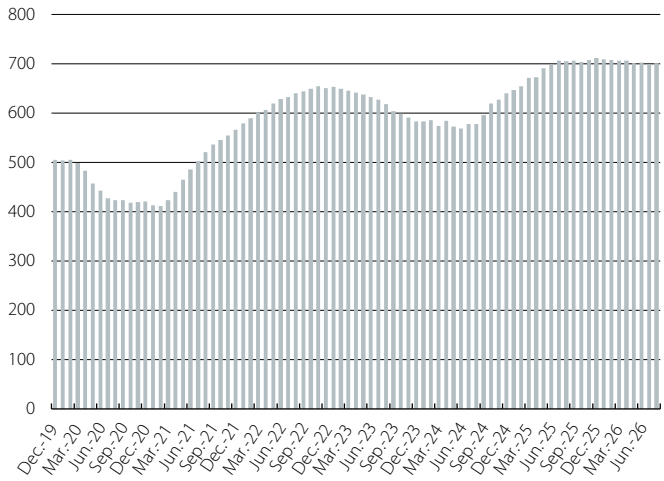
(% of GDP)



Notes: ** Cumulative data for the 12 months to August. Goods data according to the SITC classification.*
Source: *CaixaBank Research, based on data from the Bank of Spain.*

Spain: home sales

(Thousands)



Note: *12-month cumulative data.*
Source: *CaixaBank Research, based on data from the National Statistics Institute (INE).*

The ageing of the workforce: a challenge for Spain and Europe

Spain's labour market is enjoying a period of strength, with year-on-year employment growth above 2% and record employment levels: 22.85 million people in work, according to the Q3 Labour Force Survey. However, this positive trend masks a structural challenge that will increasingly constrain economic growth: the ageing of the workforce. In this article we analyse changes in the age profile of the workforce, identifying which segments are growing or shrinking as a share of the total labour market and comparing Spain with Europe as a whole.[1]

The labour force has grown since 2019 by 8.8% (just over 2 million people), but its age profile has changed significantly. As the first chart shows, the distribution has shifted markedly to the right. Thus, while the labour force aged 25 to 54 – the age group with the highest labour force participation rates – has grown by 276,000 people, a meagre 1.6%, the number aged over 55 has risen by more than 1.4 million, or 35.3%.

Another way to look at this is to calculate the average age of the labour force,[2] which has risen from 42.6 years in 2019 to 43.5 in 2026. While this trend is shared across the major European economies (see second chart), Spain has one of the fastest-ageing workforces, behind only Italy, while the change has been somewhat more moderate in Germany and France.

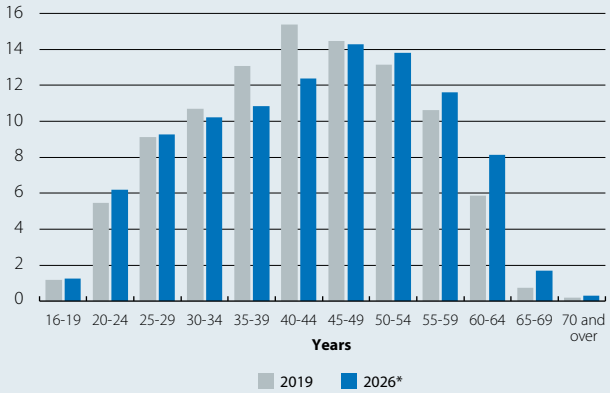
A breakdown by nationality shows that the vast majority of new labour market participants are foreign nationals, numbering more than 1.2 million, an increase of 41.3%. By contrast, Spanish participants increased by just 149,000, or 0.8%. The remainder are dual nationals. In any case, ageing affects both groups: the average age among Spaniards has risen from 43 to 43.9 years. Foreign nationals, while still younger on average, have also aged: their average age rose from 39.4 in 2019 to 40.8 in 2026.

Given that economic growth depends, among other factors, on what happens in the labour force, the retirement of increasingly large cohorts may constrain labour force growth and, consequently, economic growth. There are two main ways to mitigate this effect: increase the working-age population – immigration could help achieve this – and raise the labour force participation rate. However, there is limited scope for this second approach. Among prime-age workers aged 25 to 54, the participation rate is already close to 90% in both Spain and neighbouring countries (see third chart). There is greater scope for gains among young people and older workers, although they are unlikely to match prime-age participation rates.[3]

Population projections produced by Spain's National Statistics Institute (INE) illustrate these constraints. Between 2026 and 2030, 3.4 million people are expected to turn 65, while the population aged 25 to 54 will increase by just 290,000, and even this increase is driven

Spain: distribution of the total labour force by age group

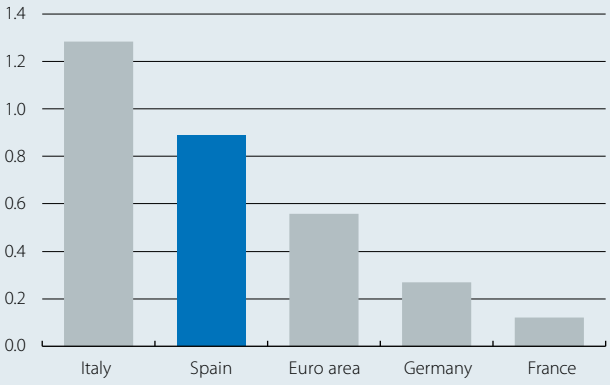
(% of the total)



Notes: *Annual average data. * Average for the four quarters to Q2.*
Source: *CaixaBank Research, based on data from the National Statistics Institute of Spain (INE).*

Europe: change in the average age of the total labour force between 2019 and 2026*

(Years)



Notes: *Annual average data. * Average for the four quarters to Q2.*
Source: *CaixaBank Research, based on data from Eurostat.*

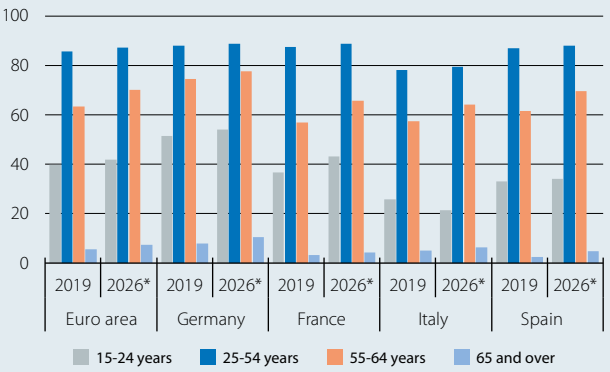
1. For a complementary perspective focusing on the factors behind changes in labour force participation rates in the US and the four largest EU economies, see the Focus «What can we expect from labour force participation rates in the US and EU?» in this same report.
2. The LFS provides data by age group in five-year bands, so we assign the same age – the midpoint of the band – to all labour force participants in each band, i.e. 22 for everyone aged 20-24, 27 for those aged 25-29 and so on.
3. Several factors constrain growth in labour force participation among the youngest and oldest age groups. For younger people, these include staying in education longer and difficulty finding work due to a lack of experience; for older people, retirement and early exit from the labour market, employability issues and adapting to new technology.

by the migration flows projected by the INE.[4] The population aged 15-24 will increase by 268,000, while the number of 55-64 year-olds will rise by 606,000. If age-specific participation rates remained constant, the labour force would increase by around 892,000 people by 2030. That equates to an average annual growth of 0.7%, compared with the 1.6% recorded between 2022 and 2025. By contrast, if labour force participation rates rose to the considerably higher levels found in Germany, the increase would be around 1.1 million people and annual growth would reach 0.8%.[5] Higher labour force participation can therefore cushion the impact of ageing, but it is unlikely to offset it. Changes in the working-age population will thus remain the main constraint on labour supply.

Sergio Díaz Valverde

Europe: overall labour force participation rate by age group

(%)



Notes: *Labour force as a proportion of the total population in each age group. Annual average data. * Average for the four quarters to Q2.*
Source: *CaixaBank Research, based on data from Eurostat.*

4. Without net immigration inflows, the population aged 25 to 54 would shrink by more than 1.3 million participants.
5. Matching Germany's labour force participation rate would require an increase of nearly 5 percentage points (from 65.6% to 70.3%), concentrated among the youngest and oldest age groups.

Household saving remains high despite the inflation shock

The household saving rate remained high in the first half of 2026, although it continued to moderate. Strong employment boosted gross disposable income (GDI), which in turn helped sustain consumption despite the rise in inflation linked to the war in Iran. Households also drew on some of their savings buffer to sustain consumption levels. This trend is likely to continue in the second half of the year, although savings will remain well above their historical average. In this article we examine recent trends in household income, consumption and saving, as well as the outlook for 2026 and 2027 as a whole in a context marked by the war in Iran, higher inflation and considerable global uncertainty.

Mid-year review: income remains robust and savings stay high

Household consumption was stronger than expected in Q2 2026, but an upside surprise in income prevented a sharper fall in the saving rate. In non-seasonally adjusted terms, gross saving reached almost 57 billion euros, equivalent to 18.7% of gross disposable income. Although this ratio was below the 19.9% recorded in Q2 2025, it remained above the 17.2% average for the second quarters of 2015-19. It is worth noting that Q2 tends to account for the largest volume of savings during the year, as it coincides with exceptional income such as summer bonuses and dividends.

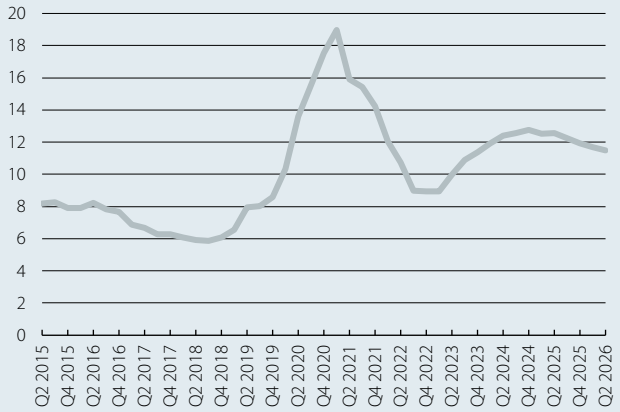
To strip out this seasonality, it is more informative to look at the cumulative saving rate over the past four quarters. This measure fell slightly, from 11.7% in Q1 to 11.5% in Q2, broadly in line with our pre-release forecast of 11.6%.

This moderation in saving reflected stronger spending growth. Nominal consumption grew by 6.9% year on year in Q2, up from 5.7% in the previous quarter, while real consumption growth accelerated from 3.0% to 3.5%. However, household income also surpassed expectations: nominal GDI rose by 5.5% year on year, above the 5.1% forecast. This trend was underpinned by a strong labour market, with wage-earner remuneration rising by 7.2%, reflecting a 2.9% increase in the number of employees and a 4.3% rise in the average compensation per employee.

In real terms, GDI rose by around 2.3% year on year. Strong growth in the number of households, at around 1.3%, tempered the improvement on a per-household basis: real GDI per household rose by 1.0%. Households' purchasing power therefore continued to improve, though more modestly than the trend in aggregate income would suggest.

Spain: saving rate

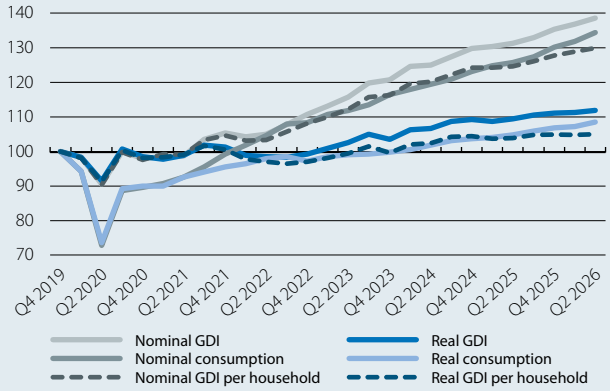
(% of gross disposable income)



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

Spain: household gross disposable income and consumption

Index (100 = Q4 2019)



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

Household balance sheets continue to strengthen

Households' financial strength was also reflected in an increase in their stock of gross financial assets. In Q2 2026, they reached 3.65 trillion euros, equivalent to 209.8% of GDP and up from 202.2% in the previous quarter.

The stock of financial assets rose by 177.94 billion euros during the quarter. A distinction should be made between new asset purchases and valuation changes: 48.19 billion reflected net purchases, while 129.76 billion came from revaluations, mainly in equity holdings and investment funds.

Compared with Q2 2025, the total stock of financial assets rose by 10.5%. Growth was concentrated in equities and investment funds, the combined value of which rose by

17.2%, increasing their share of the financial portfolio from 47.4% to 50.3%. Deposits also rose, albeit more moderately, by 4.1% year on year. As a result, their share of the overall portfolio fell from 33.2% to 31.3%. Insurance and pension assets rose by 8.0%, with their share remaining broadly stable at around 11.5%.

At the same time, borrowing remained contained. Household debt fell by 755 million euros from the previous quarter to 728.82 billion, equivalent to 41.9% of GDP. This ratio fell by 0.6 percentage points (pps) compared to Q1 and by 1.9 pps year on year, reaching a level similar to that recorded in the second half of 1999. The combination of growing financial wealth and falling debt as a share of GDP strengthens households' confidence and ability to cushion the impact of adverse shocks on their consumption.

Outlook: saving will continue to moderate, but remain above its historical average

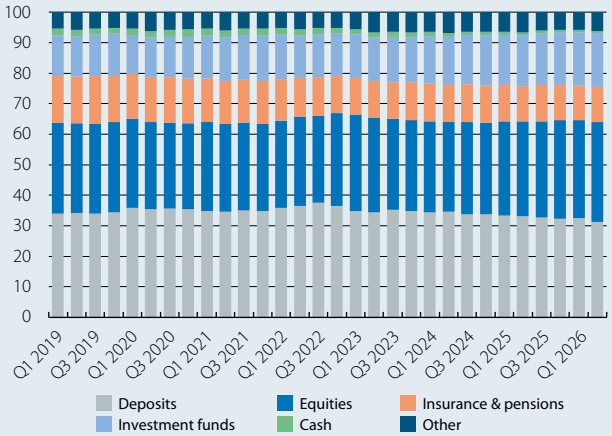
Rising inflation and heightened uncertainty have opposing effects on saving. If households seek to maintain real consumption levels as prices rise, they must increase nominal spending and reduce the portion of income which they save. By contrast, greater uncertainty may prompt them to postpone spending decisions and increase precautionary saving.

So far, households have drawn on their savings to cushion the inflationary shock. Second-quarter data show a simultaneous acceleration in nominal and real consumption, suggesting that households are drawing on some of their savings buffer to sustain spending as prices rise. For the year as a whole, we estimate that a further decline in saving will offset just over half the impact of the rebound in inflation on real consumption[1]. This will bring the saving rate to 10.8% in 2026, compared with 11.9% in 2025 and the 11.5% forecast prior to the conflict with Iran.

In 2027, employment and wage growth, coupled with the pension update in line with 2026 inflation,[2] will help support gross income. At the same time, the expected easing of inflation will likely reduce pressure on nominal spending. With gross disposable income and nominal consumption both growing by around 4.5%, we expect the saving rate to stand at 10.6%, just below its 2026 level.

Spain: household financial assets

(% of the total)



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

Tensions in energy markets in recent weeks have cast doubt on the extent to which inflation will ease next year. Higher inflation could lead to a further drop in saving. As a sensitivity exercise, if inflation in 2027 were 1 pp above our baseline forecast and this increase fully fed through into higher nominal consumption, the savings rate could fall to around 9.8%.

In practice, the impact could be more limited. Higher inflation could be accompanied by greater uncertainty and boost precautionary saving. Higher-than-expected interest rates would also increase the incentive to save.

Ultimately, while there is uncertainty over the exact level of the saving rate in 2027, it is likely to remain well above the 8.6% average recorded between 2000 and 2019.

Javier Garcia-Arenas

1. This estimate is derived by comparing the revision to the saving rate projected for 2026, from 11.5% before the conflict to 10.8% now, with the 1.3-pp upward revision to inflation. It assumes that, in the absence of a decline in saving, the additional increase in nominal spending caused by inflation would have translated into roughly equivalent lower real consumption growth.
2. Strictly speaking, the update will depend on average inflation between December 2025 and November 2026.

Activity and employment indicators

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

	2024	2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	08/26	09/26	10/26
Industry									
Industrial production index	0.4	1.3	1.8	0.5	2.1	...	1.5	...	...
Indicator of confidence in industry *(value)*	–4.9	–4.8	–4.1	–3.1	–4.0	–2.3	–3.5	–0.9	–0.4
Manufacturing PMI *(value)*	52.2	50.9	51.1	49.3	50.9	50.2	49.5	51.0	52.2
Construction									
Building permits *(cumulative over 12 months)*	16.7	8.8	8.8	6.2	9.8	...	...	...	...
House sales *(cumulative over 12 months)*	9.7	11.1	11.1	5.2	0.6	...	–0.6	...	...
House prices	8.4	12.7	12.9	12.9	12.2	...	...	...	...
Services									
Foreign tourists *(cumulative over 12 months)*	10.1	3.2	3.2	2.7	3.2	...	4.3	...	...
Services PMI *(value)*	55.3	54.5	56.4	52.9	50.7	58.1	57.8	58.3	...
Consumption									
Retail sales[1]	1.8	4.3	4.2	3.2	0.7	–0.8	–0.5	–1.4	...
Car registrations	7.2	12.9	8.0	7.6	5.0	8.0	11.8	10.2	1.8
Economic sentiment indicator *(value)*	103.1	103.1	104.2	105.2	103.0	104.1	102.2	105.6	105.1
Labour market									
Employment[2]	2.2	2.6	2.8	2.4	2.3	2.1	...	...	...
Unemployment rate (% labour force)	11.3	10.5	9.9	10.8	9.9	10.2	...	...	...
Registered as employed with Social Security[3]	2.4	2.3	2.4	2.3	2.6	3.2	3.1	3.4	...
GDP	**3.7**	**2.6**	**2.5**	**2.6**	**2.6**	**2.7**	...	...	...

Prices

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

	2024	2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	08/26	09/26	10/26
General	2.8	2.7	3.0	2.7	3.2	4.3	4.3	4.9	4.9
Core	2.9	2.3	2.6	2.7	2.9	3.0	2.9	3.1	3.1

Foreign sector

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

	2024	2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	08/26	09/26	10/26
Trade of goods									
Exports *(year-on-year change, cumulative over 12 months)*	0.2	0.7	0.7	0.2	1.2	...	2.6	...	...
Imports *(year-on-year change, cumulative over 12 months)*	0.1	4.6	4.6	1.7	4.5	...	6.0	...	...
Current balance	**53.4**	**54.8**	**54.8**	**54.2**	**47.0**	**...**	**45.9**	**...**	**...**
Goods and services	69.0	65.1	65.1	67.7	61.7	...	61.9	...	...
Primary and secondary income	–15.6	–10.3	–10.3	–13.4	–14.7	...	–16.0	...	...
Net lending (+) / borrowing (–) capacity	**71.5**	**72.3**	**72.3**	**71.7**	**66.0**	**...**	**64.7**	**...**	**...**

Credit and deposits in non-financial sectors[4]

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

	2024	2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	08/26	09/26	10/26
Deposits									
Household and company deposits	5.1	4.8	4.9	4.8	5.5	5.0	5.0	4.8	...
Demand and notice deposits	2.0	6.7	7.2	6.7	7.1	5.0	5.0	4.2	...
Time and repo deposits	23.5	–4.7	–6.6	–4.7	–2.2	5.4	5.4	8.0	...
General government deposits[5]	23.1	4.9	7.2	4.9	5.0	8.5	8.5	4.6	...
TOTAL	**6.3**	**4.8**	**5.1**	**4.8**	**5.5**	**5.3**	**5.3**	**4.8**	**...**
Outstanding balance of credit									
Private sector	0.7	3.5	2.8	3.5	3.8	2.0	2.0	3.3	...
Non-financial firms	0.4	2.9	2.3	2.9	3.7	3.8	3.8	4.5	...
Households - housing	0.3	3.5	2.9	3.5	3.7	3.7	3.7	3.8	...
Households - other purposes	2.3	4.6	3.7	4.6	4.3	–6.8	–6.8	–0.9	...
General government	–2.6	10.7	12.9	10.7	8.1	8.3	8.3	2.5	...
TOTAL	**0.5**	**3.9**	**3.4**	**3.9**	**4.1**	**2.4**	**2.4**	**3.3**	**...**
NPL ratio (%)[6]	**3.3**	**2.7**	**2.9**	**2.7**	**2.6**	**2.5**	**2.5**	**...**	**...**

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.*

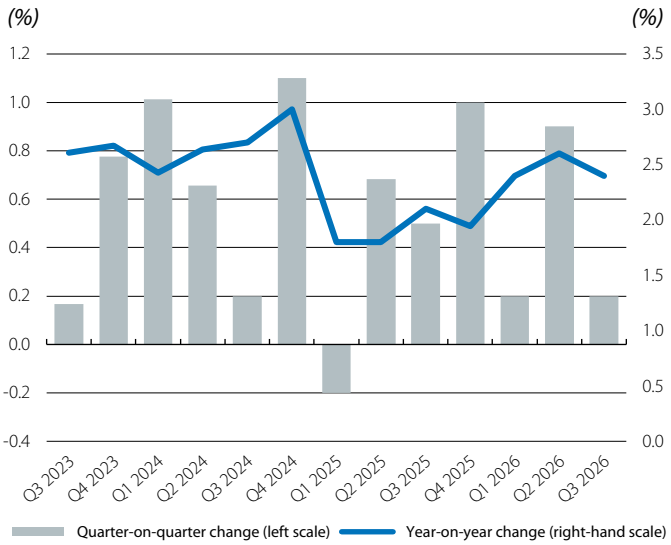
Portugal's growth withstands inflationary pressures

GDP grew by 0.2% quarter on quarter and 2.4% year on year in Q3, reinforcing expectations that the economy will expand by 2.3% in 2026. Growth continues to be supported by domestic demand. In particular, investment accelerated in the third quarter, as the pace of NGEU fund disbursement picked up. According to Portugal's National Statistics Institute (INE), private consumption slowed amid a rising cost of living and higher interest rates. External demand continues to weigh on growth, owing to a severe energy *shock* and the high import content of investment. Indicators for Q4 point to a slowdown. The economic climate indicator fell to 2.3% in October (from 2.7% previously), driven by a sharp deterioration of sentiment in the services sector, which dropped from 10.5 points in September to 3.3 in October. By contrast, other sectors recorded a slight improvement. Households are also more pessimistic: the confidence indicator fell to –26.9 (from –22.3 in September), amid a more negative assessment of their financial position and the country's economic outlook. Despite this deterioration, we expect growth to accelerate in Q4, supported by faster deployment of European funds and fiscal stimulus of around 800 million euros. The latter, which includes an extraordinary payment to pensioners and a retroactive cut in personal income tax, will help support household disposable income in the final weeks of the year. This scenario reinforces the forecast for 2.3% growth in 2026, 0.4 percentage points higher than in 2025.

Inflation nears 4% in October. The headline CPI rose by 3.8% year on year (3.6% in September), while core inflation reached 2.8% (2.7% in September). Energy continued to drive up inflation, with prices accelerating once again and recording a 17.4% year-on-year rise (15.3% in September). Although energy prices are still feeding through only modestly to the rest of the consumer basket, this figure poses upside risks to inflation in 2026, which could exceed 3%. Industrial producer prices also continue to gather momentum and are likely to keep exerting upward pressure on inflation in the coming months.

Employment will have reached record highs, while the public finances remain balanced. In September, employment rose by 0.6% year on year but fell by 0.1% from the previous month, its fourth consecutive monthly decline. Unemployment, meanwhile, continues to improve. Data from both the employment survey (compiled by the INE) and registrations of unemployed people at employment centres (according to the public employment service, IEFP) show that unemployment continues to fall. Compared with September 2025, the INE's figures showed a 4.9% reduction, while the IEFP's revealed a 10.1% drop. The unemployment rate also remained at 5.6%. On the fiscal front, the government forecasts a balanced budget in 2026 and a surplus of 0.1% of GDP in 2027. The completion of the RRP will ease spending pressures in 2027, although tax cuts and higher interest costs will constrain fiscal headroom. Public debt is expected to continue to decline, falling from 87.5% of GDP in 2026 to 84.5% in 2027.

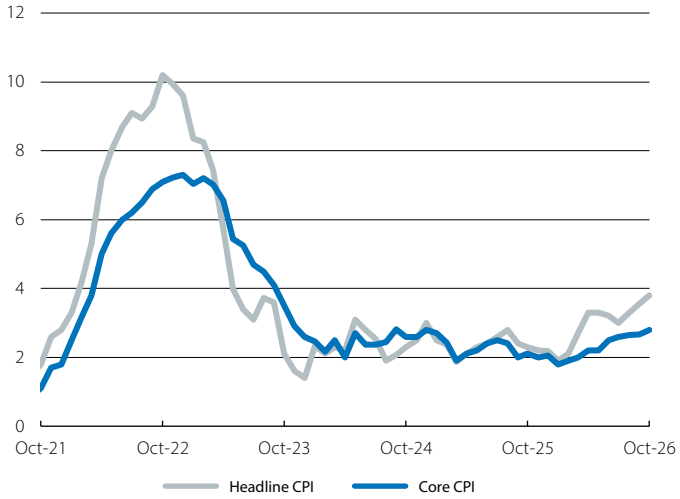
Portugal: GDP



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

Portugal: CPI

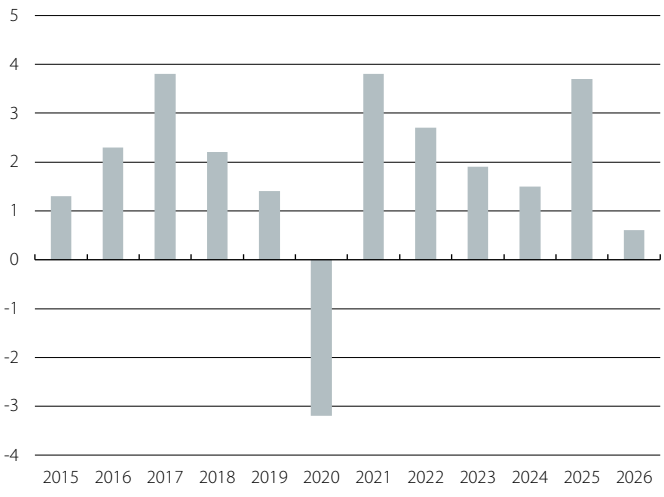
Year-on-year change (%)



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

Portugal: employment

Year-on-year change in September (thousands of people)



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

Activity and employment indicators

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

	2024	2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	08/26	09/26	10/26
Coincident economic activity index	2.3	2.1	2.4	2.4	2.3	2.4	2.4	2.4	...
Industry									
Industrial production index	0.8	0.7	0.6	0.4	–0.8	–2.5	–4.1	–2.7	...
Confidence indicator in industry *(value)*	–6.2	–4.0	–2.9	–2.1	–3.6	–4.3	–4.4	–4.3	–4.1
Construction									
Building permits - new housing (number of homes)	8.8	18.9	14.8	–2.2	11.0	–31.1	–2.9	...	...
House sales	14.5	15.5	–4.7	–8.7	–6.4	...	–	–	...
House prices *(euro / m² - valuation)*	8.5	17.4	18.4	17.5	16.7	14.7	14.7	14.2	...
Services									
Foreign tourists *(cumulative over 12 months)*	6.3	1.7	1.7	2.1	1.5	18.2	9.3	18.2	...
Confidence indicator in services *(value)*	5.5	10.1	7.7	6.0	8.2	8.5	8.4	8.8	7.5
Consumption									
Retail sales	3.3	5.3	5.3	4.4	3.5	1.5	2.0	0.1	...
Coincident indicator for private consumption	2.9	3.6	3.6	3.5	3.0	2.9	2.9	2.9	...
Consumer confidence index *(value)*	–18.0	–16.2	–15.2	–16.2	–25.6	–21.2	–20.5	–20.6	–23.1
Labour market									
Employment	1.2	3.2	3.7	2.3	2.9	1.1	1.0	0.6	...
Unemployment rate (*% labour force*)	6.4	6.0	5.8	6.1	5.3	5.5	5.6	5.6	...
GDP	**2.7**	**1.9**	**1.9**	**2.4**	**2.6**	**2.4**	–	–	–

Prices

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

	2024	2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	08/26	09/26	10/26
General	2.4	2.3	2.2	2.2	3.3	3.3	3.3	3.6	3.8
Core	2.5	2.2	2.1	1.9	2.3	2.6	2.6	2.7	2.8

Foreign sector

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

	2024	2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	08/26	09/26	10/26
Trade of goods									
Exports *(year-on-year change, cumulative over 12 months)*	2.0	0.1	0.1	–3.2	–0.1	...	2.4	...	...
Imports *(year-on-year change, cumulative over 12 months)*	2.0	4.5	4.5	3.7	4.3	...	3.9	...	...
Current balance	**7.3**	**3.6**	**3.6**	**2.3**	**1.2**	**...**	**0.7**	**...**	**...**
Goods and services	6.8	3.0	3.0	1.7	0.5	...	0.1	...	...
Primary and secondary income	0.5	0.6	0.6	0.6	0.7	...	0.5	...	...
Net lending (+) / borrowing (–) capacity	**10.5**	**8.3**	**8.3**	**7.7**	**7.3**	**...**	**6.9**	**...**	**...**

Credit and deposits in non-financial sectors

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

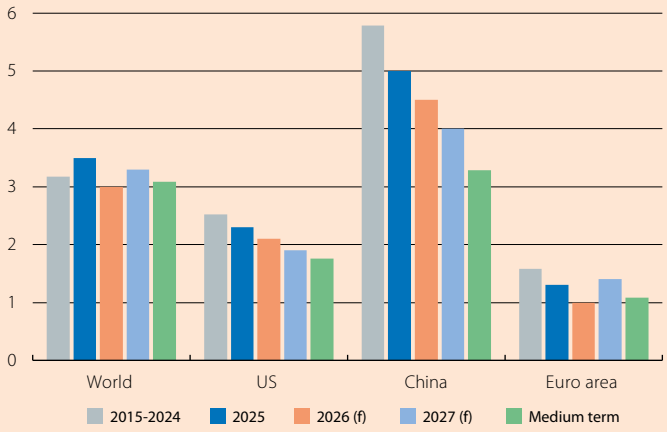
	2024	2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	08/26	09/26	10/26
Deposits [1]									
Household and company deposits	7.5	5.4	5.4	6.4	6.9	5.3	5.8	5.3	...
Sight and savings	–0.3	8.1	8.1	7.9	7.3	4.5	5.6	4.5	...
Term and notice	15.3	3.1	3.1	5.1	6.5	6.0	5.9	6.0	...
General government deposits	26.7	28.7	28.7	20.4	9.2	23.1	24.9	23.1	...
TOTAL	**7.9**	**6.0**	**6.0**	**6.9**	**7.0**	**5.9**	**6.4**	**5.9**	**...**
Outstanding balance of credit [1]									
Private sector	1.9	6.6	6.6	7.7	8.2	8.8	8.7	8.8	...
Non-financial firms	–1.0	2.6	2.6	4.3	4.8	5.2	5.2	5.2	...
Households - housing	3.0	9.3	9.3	9.8	10.6	11.3	11.2	11.3	...
Households - other purposes	5.4	7.0	7.0	8.4	8.2	8.6	8.7	8.6	...
General government	0.6	6.4	6.4	3.2	3.2	4.2	6.9	4.2	...
TOTAL	**1.9**	**6.6**	**6.6**	**7.5**	**8.0**	**8.6**	**8.7**	**8.6**	**...**
NPL ratio *(%)* [2]	**2.4**	**2.1**	**2.1**	**2.1**	**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.*

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.

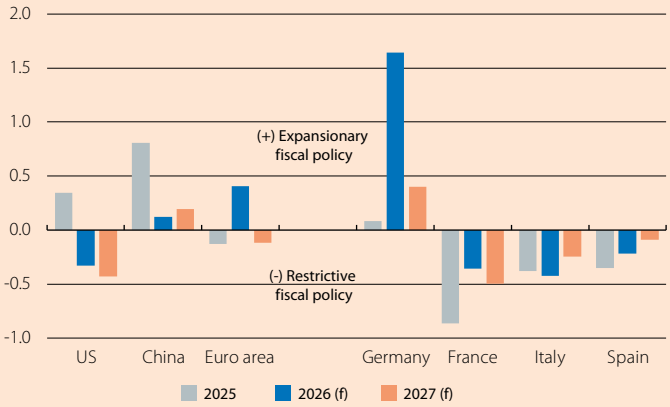
1. BIS (2026). «From Resilience to Robustness?».
2. IMF (2026). «World Economic Outlook: Resilience Under Strain, Urgent Choices».
3. For further details, see the article «2027: monetary outlook and fiscal implications», in this same Dossier.
4. IMF (2026). «Fiscal Monitor: Taxing Better to Boost Growth».
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)



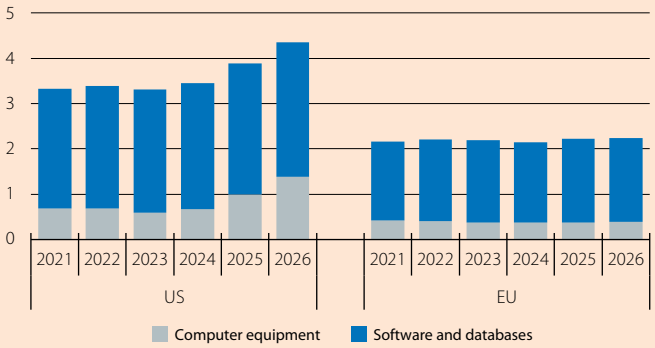
Notes: *(f) Forecasts. Fiscal policy stance is approximated using the year-on-year change in the cyclically adjusted primary balance, with the sign reversed.*
Source: *CaixaBank Research, based on data from the IMF.*

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

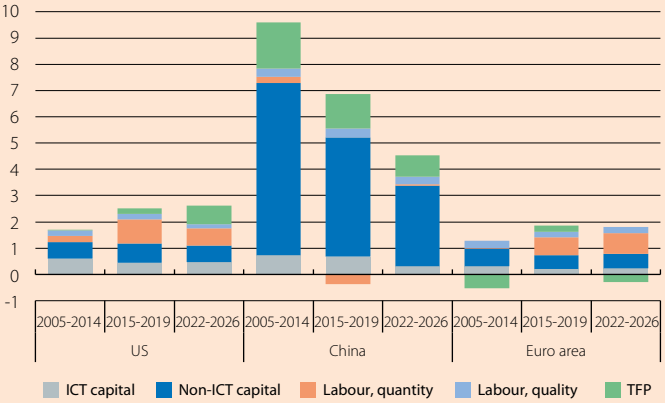
8. European Commission (2026). «An Assessment of the Euro Area Fiscal Stance in 2026 and 2027 amid an Energy Supply Shock».
9. See the Focus «The upcoming budget takes over from NGEU in the European Semester», in the MR07/2026.
10. D. García-Macía, S. Jain-Chandra, S. Kothari and Y. Xu (2026). «How China's 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

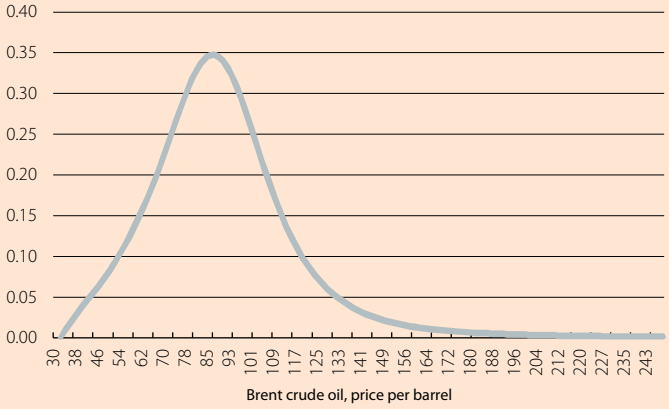
We are approaching 2027 with expectations of higher interest rates, reflecting the new inflation outlook and the impact of the conflict in the Middle East. In recent months, inflation in Europe and the US has approached 4%, driven by a 20% rise in consumer energy prices. In response, the ECB and the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

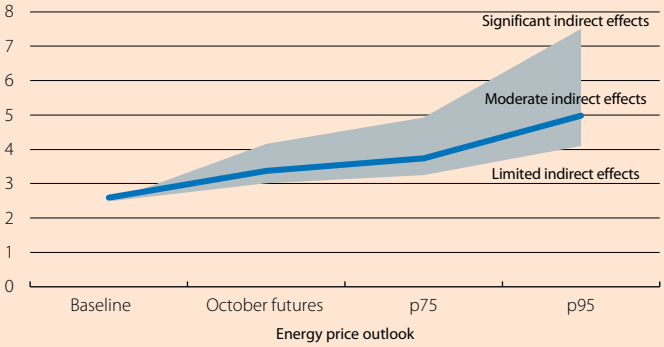
Our baseline scenario, which uses energy futures from early September and assumes modest indirect effects, places euro-area inflation at 2.6% in 2027. Incorporating the latest data and October gas and oil futures, however, could lift inflation into the 3.0-4.0% range. At the 75th percentile, it would 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

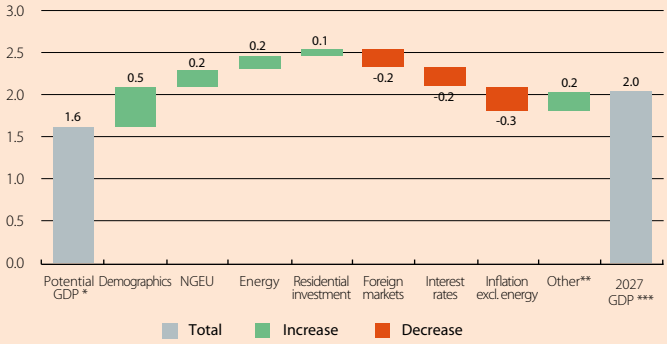
The Spanish economy has weathered a 2026 marked by the conflict in the Middle East and resurgent inflation. We expect GDP to grow by 2.6%, compared with 1.0% in the euro area, supported by strong fundamentals: a robust labour market, a high household saving rate, low private-sector debt, limited direct 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.

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Agrifood Sector Report 2026



Although the Spanish agrifood sector faces 2026 in better conditions than in previous years, it must adapt to an increasingly demanding environment, marked by climate change, geopolitical volatility and international competition. Innovation, digitalisation, scaling up and adaptation in sectors such as the wine industry will be crucial to enhancing their resilience and ability to generate added value.

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.

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