

# MR04

MONTHLY REPORT • ECONOMIC AND FINANCIAL MARKET OUTLOOK

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## INTERNATIONAL ECONOMIES AND MARKETS

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### FINANCIAL MARKETS

*Germany's fiscal shift and the bund:  
when security comes at a price*

### INTERNATIONAL ECONOMY

*A shift in the EU's political priorities*

*Ukraine's reconstruction and its potential  
energy implications for Europe*

## SPANISH ECONOMY

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*Monitoring consumption in over 200 Spanish  
towns and cities in real time*

*Increase in Spanish household savings in 2024*

*The high lending capacity continues to help  
reduce Spain's foreign debt*

*The diversification of Spain's export  
destinations*

## MONTHLY REPORT - ECONOMIC AND FINANCIAL MARKET OUTLOOK

April 2025

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

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## Trump tariffs: an own goal?

The Trump administration's announcements of tariff hikes have raised the effective average US tariff on its imports by more than 20 pps, placing them at their highest levels in the last century, although their implementation has been suspended for 90 days (with the exception of China), during which time a universal tariff of 10% will apply. In addition to the arbitrary calculation method used to determine the tariff to be imposed country by country (including some uninhabited islands), the decision will not serve to achieve the objectives of reducing the US' trade deficit (it stems from over-investment on domestic savings), recovering jobs in sectors in which the US has long lost its competitive advantages or structurally balancing the country's fiscal deficit. Meanwhile, the price to pay is a return to a fragmented world and an exponential increase in uncertainty surrounding what shape economic and trade policy will take, and this threatens to destabilise the world economy. Therefore, this is a decision that falls within the category of negative-sum games, given that it will harm all actors involved, and at the very least this will translate into a scenario with lower global growth and higher inflation in those countries which participate in the protectionist escalation. For now, the performance of the financial markets in the days following the decision – with sharp setbacks in the stock markets, increased volatility and a rebound in credit spreads – reflects the destabilising potential of the measures announced.

It is not easy to look for signals among the noise and the disruption, to discover order in the disorder or to find some pattern of rational behaviour in the face of decisions that are harmful for all players involved in a game which, in theory, should be cooperative, for the sake of maximum efficiency. Just as the evolution of cultures is a continuous search for positive-sum solutions to the inevitable problems that arise from coexistence, advances in economic development are also based on positive-sum games, largely based on each of the players on the economic board harnessing their own competitive advantages. If innovation and the dissemination of knowledge are at the heart of the growth process, then in economies with barriers to foreign competition the factors of production are unlikely to be optimally allocated to leading processes and sectors, and this will limit the growth of productivity and per capita income (a measure in which the US has been a leader in recent decades). This is especially the case in the absence of a stable institutional environment, with proper protection of property rights. This was the widespread consensus among economists, at least up until the now infamous «Liberation Day».

Where do we go from here? The starting point is a challenging one, because shooting oneself in the foot is not what usually comes to mind when talking about the economic policy of the world's leading power. We are entering a new phase of global uncertainty, as the measures announced could mark a starting point for a multilateral negotiation that brings us closer to a less damaging balance or they could lead to an escalation of trade tensions. In the first scenario, if some kind of agreement is quickly reached involving an average tariff that is substantially lower than the one initially announced, then the collateral damage would be limited, particularly because it would reduce tensions in the financial channel and provide greater certainty to economic agents in order to make decisions. However, in a scenario with a widespread trade war, the world economy will suffer a greater impact with the risk of being accompanied by an inflationary process. In any case, what seems clear is that we are witnessing the final throes of the process known as globalisation and the consolidation of trends such as: geopolitical fragmentation, the search for strategic autonomy, the reconfiguration and shortening of value chains and the forced rebalancing of growth models that are overly dependent on foreign demand (here too, Draghi is right). We may or may not like it, but what has worked in recent decades (the German model?) might not anymore. And the ability and flexibility to adapt to the new environment will determine who is among the winners and the losers, once the cards have been shuffled and the new global balance is reached. For now, the European response (beyond pure trade negotiations) seems to be heading in the right direction, although it is probably insufficient, given the scale of the challenges. It will not be easy to strategically balance relations with the US and China in the short term, especially without improvements in governance. In the meantime, we can expect the ceremony of confusion to continue, among fireworks, liberation days and a lot of noise.

**José Ramón Díez**  
April 2025

## Chronology

### MARCH 2025

- 4 The European Commission presents its ReArm Europe plan to bolster the EU's defence capabilities.
- 6 The ECB cuts interest rates by 25 bps, leaving the depo rate at 2.50%.

### JANUARY 2025

- 10 The EU's Copernicus programme reports that 2024 was the warmest year on record and the first to exceed the threshold of 1.5°C above the pre-industrial average.
- 30 The ECB cuts interest rates by 25 bps and lowers the depo rate to 2.75%.

### NOVEMBER 2024

- 7 The Fed cuts interest rates by 25 bps, placing them in the 4.50%-4.75% range.  
The BoE cuts interest rates by 25 bps to 4.75%.

### FEBRUARY 2025

- 1 Trump signs the first executive orders imposing tariffs on China, Canada and Mexico.
- 10-11 Artificial Intelligence Action Summit in Paris, with the participation of governments, organisations and companies from over 100 countries.

### DECEMBER 2024

- 12 The ECB cuts interest rates by 25 bps and leaves the depo rate at 3.00%.
- 18 The Fed cuts interest rates by 25 bps, placing them in the 4.25%-4.50% range.

### OCTOBER 2024

- 17 The ECB cut interest rates by 25 bps and lowered the depo rate to 3.25%.

## Agenda

### APRIL 2025

- 1 Euro area: CPI flash estimate (March).
- 2 Spain: registration with Social Security and registered unemployment (March).  
Spain: household savings rate (Q4).
- 8 Portugal: turnover in industry (February).
- 10 Spain: financial accounts (Q4).
- 11 Spain: Fitch rating.
- 17 Governing Council of the European Central Bank meeting.  
China: GDP (Q1).
- 24 Spain: loans, deposits and NPL ratio (February).
- 28 Spain: labour force survey (Q1).
- 29 Spain: GDP flash estimate (Q1).  
Spain: CPI flash estimate (April).  
Portugal: bank credit portfolio (March).  
Euro area: economic sentiment index (April).
- 30 Portugal: GDP flash estimate (Q1).  
Portugal: CPI flash estimate (April).  
Portugal: budget execution (March).  
Euro area: GDP (Q1).  
US: GDP (Q1).

### MAY 2025

- 2 Euro area: CPI flash estimate (April).
- 6 Spain: registration with Social Security and registered unemployment (April).
- 6-7 Federal Open Market Committee meeting.
- 7 Portugal: employment and unemployment (Q1).
- 8 Spain: industrial production index (March).
- 9 Portugal: international trade (March).
- 14 Portugal: labour cost index (Q1).
- 16 Japan: GDP (Q1).
- 19 Spain: international trade (March).
- 26 Spain: loans, deposits and NPL ratio (March).
- 27 Euro area: economic sentiment indicators (May).
- 30 Spain: CPI flash estimate (May).  
Portugal: GDP breakdown (Q1).  
Portugal: loans and deposits (April).  
Portugal: tourism activity (April).

## The Spanish economy in the face of the Trump shock

2025 could have been a year of economic normalisation, a good year. However, in the space of just a few weeks, the new tenant of the White House has managed to shake the world economy. The announcement of a significant and widespread increase in tariffs, coupled with an erratic and unpredictable economic policy, has triggered fears of a further slowdown in the global economy. In this context, it is time to re-evaluate where the Spanish economy currently stands, assessing its strengths and weaknesses in the new scenario.

For starters, the current situation is different from the financial and sovereign debt crisis or the pandemic. On this occasion, the Spanish economy is facing the Trump shock from a position of relative strength. On the one hand, the starting point for economic activity is a relatively healthy one. Among developed economies, Spain is the one that has grown the most in recent years, and the data for Q1 show that the rate of growth remains at similar levels to last year. Q1 2025 has ended with dynamic job creation, the main activity indicators have remained at almost the same levels as in the final quarter of 2024 and household confidence has remained strong. According to CaixaBank Research's forecasting models, GDP grew by around 0.6% quarter-on-quarter in the first three months of the year.

On the other hand, it should be noted that the Spanish economy's exposure to the US is limited. Exports of Spanish goods to the US represent 1.1% of GDP, and the added value generated in Spain of exports that end up in the US, either directly or via other countries, is of a similar magnitude. That said, it should be noted that the level of exposure varies widely by sector and in some cases is somewhat higher. This is particularly the case for certain agrifood products, chemicals and machinery and transportation equipment.

Beyond the recent dynamics and the direct exposure to the shock, the Spanish economy has corrected some of the main macroeconomic imbalances it had and which previously made it more vulnerable to external shocks. Of particular note in this regard is the improvement in the financial position of the private sector, with a significant reduction in the level of debt, which in recent years has been accompanied by a notable increase in savings. In addition, this has gone hand in hand with a marked reduction in net foreign debt, which has gone from the 95% of GDP which it reached in 2015 to 48% at the end of last year.

Despite the fact that there have been notable positive development on the «credit» side, on the «debit» side there are still several challenges yet to be addressed. The high level of public debt is one of them. Although it has declined significantly in recent years, and is at similar or even lower levels than other comparable countries, it remains high and limits the public sector's capacity to act in times of difficulty. AIREF has also recently recalled that there will be substantial upward pressures on public spending in the coming years, especially on health and dependency. The anticipated increase in defence spending will add even more pressure. Added to this is a growth capacity that is still dependent on external factors, such as migration flows and tourism. A growth model more based on productivity improvements would be less sensitive to swings in the international context and, therefore, more robust. Moreover, it would facilitate greater growth in household purchasing power.

In the context of these early days of April, the risks surrounding the growth forecasts for the Spanish economy have shifted to the downside. Last month, we published a forecast of 2.5% GDP growth for the Spanish economy this year, a figure that incorporated a cost of a couple of tenths of a percentage point due to the tariff hikes and uncertainty we were anticipating. In the coming weeks, we will have to assess whether any adjustment to this forecast is needed, depending on how the negotiations and the uncertainty associated with them evolve, and on where the tariffs eventually settle. In any case, the anticipated impact on the Spanish economy is significantly lower than the likely impact on the US economy and on the economies most exposed to the US market.

**Oriol Aspachs**

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

### Financial markets

	Average 2000-2007	Average 2008-2019	Average 2020-2022	2023	2024	2025	2026
<b>INTEREST RATES</b>							
<b>Dollar</b>							
Fed funds (lower limit)	3.18	0.54	0.67	5.25	4.25	4.00	3.75
3-month SOFR	3.62	1.01	1.07	5.37	4.37	4.07	3.85
12-month SOFR	3.86	1.48	1.48	4.95	4.19	4.01	3.93
2-year government bonds	3.70	1.04	1.21	4.46	4.24	4.35	4.10
10-year government bonds	4.69	2.57	1.76	4.01	4.40	4.80	4.50
<b>Euro</b>							
ECB depo	2.05	0.20	-0.30	4.00	3.09	1.75	2.00
ECB refi	3.05	0.75	0.20	4.50	3.24	1.90	2.15
€STR	-	-0.54	-0.38	3.90	3.06	1.70	2.06
1-month Euribor	3.18	0.50	-0.32	3.86	2.89	1.74	2.10
3-month Euribor	3.24	0.65	-0.21	3.94	2.83	1.76	2.11
6-month Euribor	3.29	0.78	-0.07	3.93	2.63	1.91	2.14
12-month Euribor	3.40	0.96	0.10	3.68	2.44	2.09	2.18
<b>Germany</b>							
2-year government bonds	3.41	0.35	-0.21	2.55	2.02	1.87	1.96
10-year government bonds	4.30	1.54	0.14	2.11	2.22	2.00	2.15
<b>Spain</b>							
3-year government bonds	3.62	1.69	0.18	2.77	2.26	2.41	2.58
5-year government bonds	3.91	2.19	0.38	2.75	2.48	2.52	2.72
10-year government bonds	4.42	3.17	0.99	3.09	2.90	2.70	2.95
Risk premium	11	164	85	98	68	70	80
<b>Portugal</b>							
3-year government bonds	3.68	3.33	0.07	2.33	2.03	1.95	2.10
5-year government bonds	3.96	3.94	0.35	2.42	2.15	2.16	2.36
10-year government bonds	4.49	4.67	0.96	2.74	2.68	2.55	2.85
Risk premium	19	314	82	63	46	55	70
<b>EXCHANGE RATES</b>							
EUR/USD (dollars per euro)	1.13	1.26	1.13	1.09	1.05	1.02	1.08
EUR/GBP (pounds per euro)	0.66	0.84	0.87	0.86	0.83	0.81	0.80
EUR/JPY (yen per euro)	129.56	126.41	129.91	156.99	161.18	158.00	154.00
<b>OIL PRICE</b>							
Brent (\$/barrel)	42.3	80.1	71.0	77.3	73.1	73.5	69.2
Brent (euros/barrel)	36.4	62.5	63.9	70.9	69.8	72.1	64.0

Forecasts

Change in the average for the year versus the prior year average (%), unless otherwise indicated

### International economy

	Average 2000-2007	Average 2008-2019	Average 2020-2022	2023	2024	2025	2026
<b>GDP GROWTH</b>							
<b>Global</b>	4.3	3.3	2.5	3.3	3.2	3.1	3.1
<b>Developed countries</b>	2.7	1.5	1.6	1.7	1.8	1.6	1.7
United States	2.7	1.8	2.1	2.9	2.8	2.1	1.9
Euro area	2.3	0.8	1.2	0.5	0.8	0.9	1.3
Germany	1.6	1.3	0.2	-0.1	-0.2	0.0	0.9
France	2.3	1.0	0.6	1.1	1.1	0.5	1.1
Italy	1.5	-0.3	1.6	0.8	0.5	0.5	1.3
Portugal	1.5	0.4	1.5	2.6	1.9	2.4	2.1
Spain	3.6	0.7	0.6	2.7	3.2	2.5	2.1
Japan	1.4	0.4	-0.2	1.5	0.1	1.0	1.0
United Kingdom	2.8	1.2	1.0	0.4	1.1	1.0	1.3
<b>Emerging and developing countries</b>	6.3	4.8	3.1	4.4	4.2	4.1	4.1
China	10.6	8.0	4.7	5.4	5.0	4.2	3.9
India	7.2	6.7	3.6	7.7	6.5	6.8	6.6
Brazil	3.6	1.6	1.5	3.2	3.4	2.0	1.8
Mexico	2.3	1.5	0.5	3.3	1.5	1.0	1.4
Russia	–	1.4	0.7	3.6	4.1	1.7	1.3
Türkiye	5.5	4.5	6.3	5.1	3.2	2.1	2.9
Poland	4.2	3.7	3.6	0.1	2.8	3.6	3.3
<b>INFLATION</b>							
<b>Global</b>	4.1	3.7	5.5	6.7	5.8	4.6	3.9
<b>Developed countries</b>	2.1	1.6	3.7	4.6	2.6	2.6	2.3
United States	2.8	1.8	4.6	4.1	3.0	3.1	2.7
Euro area	2.2	1.4	3.7	5.4	2.4	2.4	1.9
Germany	1.7	1.4	4.1	6.0	2.5	2.6	2.0
France	1.9	1.3	2.8	5.7	2.3	2.0	1.9
Italy	2.4	1.4	3.5	5.9	1.1	1.9	1.8
Portugal	3.1	1.1	3.0	4.3	2.4	2.2	2.0
Spain	3.2	1.3	3.7	3.5	2.8	2.5	2.2
Japan	-0.3	0.4	0.7	3.3	2.7	1.5	1.5
United Kingdom	1.6	2.3	4.2	7.3	2.5	2.6	2.1
<b>Emerging and developing countries</b>	6.9	5.6	6.9	8.1	7.8	5.7	4.7
China	1.7	2.6	1.8	0.2	0.2	0.8	1.3
India	4.6	7.3	6.1	5.7	5.0	4.6	4.4
Brazil	7.3	5.7	6.9	4.6	4.4	4.9	4.2
Mexico	5.2	4.2	5.7	5.5	4.7	4.4	3.7
Russia	14.2	7.9	8.0	5.9	8.5	8.4	6.0
Türkiye	22.6	9.6	34.7	53.9	58.5	36.1	26.1
Poland	3.5	1.9	7.4	10.8	3.7	4.6	3.4

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 2020-2022	2023	2024	2025	2026
<b>Macroeconomic aggregates</b>							
Household consumption	3.7	0.0	0.0	1.7	2.8	3.1	2.4
Government consumption	4.5	0.9	2.6	5.2	4.1	1.9	0.8
Gross fixed capital formation	5.7	-1.2	-1.0	2.1	3.0	3.1	3.0
Capital goods	4.9	0.2	-2.5	1.1	2.3	3.8	1.5
Construction	5.7	-2.6	-1.9	3.0	3.5	3.0	3.8
Domestic demand (vs. GDP Δ)	4.4	-0.2	0.7	1.7	2.8	2.7	2.1
Exports of goods and services	4.7	2.9	2.5	2.8	3.1	2.1	2.3
Imports of goods and services	7.0	0.2	2.5	0.3	2.4	2.9	2.5
<b>Gross domestic product</b>	<b>3.6</b>	<b>0.7</b>	<b>0.6</b>	<b>2.7</b>	<b>3.2</b>	<b>2.5</b>	<b>2.1</b>
<b>Other variables</b>							
Employment	3.2	-0.5	1.4	3.2	2.4	2.0	1.8
Unemployment rate (% of labour force)	10.5	19.5	14.5	12.2	11.3	10.7	10.2
Consumer price index	3.2	1.3	3.7	3.5	2.8	2.5	2.2
Unit labour costs	3.1	0.6	3.6	6.1	4.0	3.3	2.7
Current account balance (% GDP)	-5.8	-0.2	0.6	2.7	3.0	2.9	3.1
External funding capacity/needs (% GDP)	-5.2	0.2	1.4	3.7	4.2	3.9	4.1
Fiscal balance (% GDP) <sup>1</sup>	0.3	-6.5	-7.1	-3.5	-3.2	-2.8	-2.6

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

Forecasts

### Portuguese economy

	Average 2000-2007	Average 2008-2019	Average 2020-2022	2023	2024	2025	2026
<b>Macroeconomic aggregates</b>							
Household consumption	1.8	0.5	1.2	1.9	3.2	2.3	1.8
Government consumption	2.2	-0.3	2.0	0.6	1.1	0.9	0.8
Gross fixed capital formation	-0.4	-0.7	2.9	3.6	3.0	5.5	5.2
Capital goods	3.3	2.7	5.5	5.6	5.8	–	–
Construction	-1.4	-2.4	2.6	1.2	2.4	–	–
Domestic demand (vs. GDP Δ)	1.3	0.0	1.9	1.7	2.5	2.7	2.3
Exports of goods and services	5.3	4.0	3.6	3.8	3.4	3.4	3.7
Imports of goods and services	3.6	2.7	4.0	1.8	5.0	4.0	4.1
<b>Gross domestic product</b>	<b>1.5</b>	<b>0.4</b>	<b>1.5</b>	<b>2.6</b>	<b>1.9</b>	<b>2.4</b>	<b>2.1</b>
<b>Other variables</b>							
Employment	0.4	-0.4	1.1	2.3	1.2	1.0	1.5
Unemployment rate (% of labour force)	6.1	11.4	6.6	6.5	6.4	6.4	6.4
Consumer price index	3.1	1.1	3.0	4.3	2.4	2.2	2.0
Current account balance (% GDP)	-9.2	-2.8	-1.1	0.6	2.2	–	–
External funding capacity/needs (% GDP)	-7.7	-1.5	0.1	2.0	3.3	4.2	3.9
Fiscal balance (% GDP)	-4.5	-5.1	-3.0	1.2	0.7	0.3	0.2

Forecasts

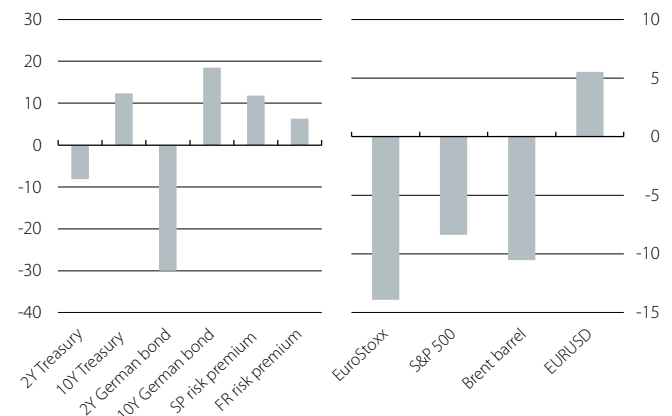
## Trump's tariffs send markets plummeting

**Trump's tariffs dent investor risk appetite.** The tariffs, coupled with the government spending reforms in Germany, dominated investors' attention amid growing concerns that the US could enter stagflation in the next two years. As a result, the slopes of sovereign yield curves steepened on both sides of the Atlantic in view of the likelihood of seeing short-term rate cuts and the prospect of higher public spending in the long term. Central banks adopted a cautious stance in this environment, although the implied money market rates reflect a more dovish monetary policy for 2025. The dollar weakened against major developed-market currencies, prolonging a trend which, against the euro, had already begun with the announcement of higher future public spending in Germany. The risk aversion caused sharp declines in the stock markets, especially in developed economies, while energy commodities and industrial metals also came under pressure due to demand concerns. This contrasted with the performance of gold, which capitalised on its role as a safe-haven asset.

**Central banks navigate turbulent waters.** Central banks recognised their growing dependence on the data and their limited ability to guide the market on future steps in this environment of exceptional uncertainty in economic and trade policy. After cutting rates by 25 bps in March (placing the depo rate at 2.5%), the ECB stated that rates were no longer clearly restrictive, given the 150-bp reduction accumulated since June 2024, and that at its future meetings it would act according to the data. Thus, after the implied money market rates anticipated a terminal depo rate of 2% following the announcement of higher spending in Germany, Trump's tariffs pushed ECB rate expectations back to the levels of earlier in the month, with an anticipated terminal rate of 1.75%. The Fed, meanwhile, kept rates stable (4.25%-4.50%), while investors went on to anticipate four rate cuts as the most likely scenario for 2025 following Trump's tariff announcement, although after the pause announced on 9 April they finally settled on three cuts. The Fed revised its growth outlook downwards and its inflation outlook upwards, citing tariffs as a key factor, although noting that they are still assessing whether the impact on prices will be permanent.

**Widespread steepening of sovereign yield curves on both sides of the Atlantic.** The doubts surrounding US growth due to Trump's tariffs, a potential deterioration in the US fiscal outlook and some movements related to the closure of speculative positions, triggered declines in short-term sovereign debt yields and rebounds in the longer segments of the curve. As for inflation expectations, they picked up in the shorter segments and declined in the longer term. All of this resulted in lower short-term real rates, highlighting investors' concerns about an economic slowdown with inflation slightly above the Fed's target. The European yield curve also saw a steepening of its slope: yields on the 2-year benchmarks fell sharply, while the longer segments registered increases on expectations of higher government spending in Germany, which later

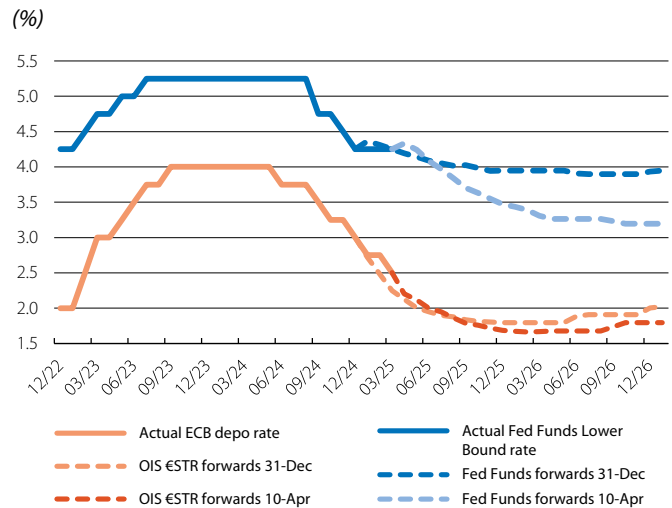
### Monthly performance of the main financial assets (bps)



Note: Data from 28 February to 9 April.

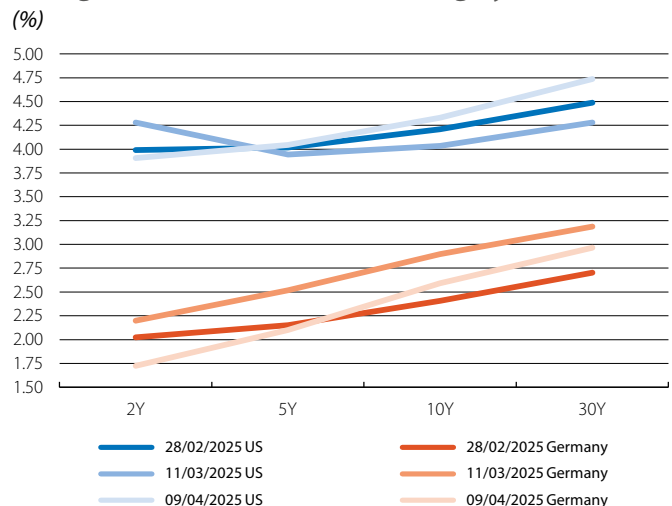
Source: CaixaBank Research, based on data from Bloomberg.

### Market expectations regarding policy rates (%)



Source: CaixaBank Research, based on data from Bloomberg.

### Changes in US and German sovereign yield curves (%)



Source: CaixaBank Research, based on data from Bloomberg.

moderated as the EU delayed a coordinated fiscal agreement. Spreads in the periphery countries, which had remained stable following the announcement of higher public spending in Germany, which later moderated as the EU delayed a coordinated fiscal agreement.

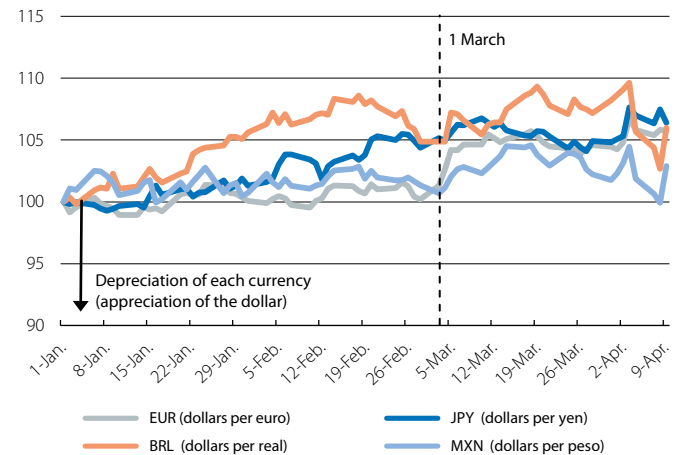
**The tariffs also weigh on the dollar.** The dollar dropped more than 4% against major peers, largely due to the aforementioned decline in short-term real rates and as investors continue to search for the new equilibrium for US assets. Although the depreciation was widespread against the major currencies, the strengthening of the euro was one of the biggest contributors (more than 5%) in a move that began with the announcement of a defence and infrastructure spending package in Germany. The Swiss franc acted as a safe-haven asset and appreciated around 5%, while appreciations were also recorded by the Mexican peso (+1.5%) and the Canadian dollar (+2.6%) in a context of high volatility. Among emerging currencies, the Brazilian real appreciated slightly due to high rates and low exposure to the US market, while the Turkish lira depreciated in a context of greater political instability.

**High volatility in the stock markets, especially in developed economies.** Risk assets were the most affected, in a context marked by high uncertainty and fears of a slowdown in global growth, although they rebounded rapidly following the announcement of a pause in the reciprocal tariffs. In this up-and-down environment, the MSCI All Country World Index recorded one of the biggest setbacks in the month, sliding 9%. US indices followed suit, with small caps and domestically-focused firms hit hardest, as well as tech firms due to them being among the country's top exporters. Finally, the main indices were down around 8%. The European indices also recorded losses, with the Stoxx 600 falling more than 15%, while the Iberian indices showed the best relative performance despite the IBEX 35 also closing the month with significant losses of around 11%. Emerging markets initially resisted the downturn, although it ended up affecting them all the same, with the MSCI Emerging Markets Index closing with losses of just under 10%. The main exception was the Latin American stock markets, thanks to the better relative performance of the Brazilian stock market and, to a lesser extent, Mexico's.

**Fall in the commodities most dependent on the business cycle.** Oil prices dropped over 10% in the month after Trump's tariff announcement, amid doubts surrounding aggregate demand and the resilience of the cycle. Natural gas prices also plunged, with Dutch TTF futures falling over 20%, weighed down by expectations of greater supply in Europe given that Trump's tariffs could have a bigger impact on Asian economies. Similarly, industrial metals showed some weakness in the month amid the prospect of dampened global demand, with aluminium and copper prices losing over 8%. On the other hand, gold benefited from uncertainty and its safe-haven appeal, ending the month up around 8%. Finally, livestock prices also picked up (+5%), as the tariffs are expected to increase the price of meat in the US.

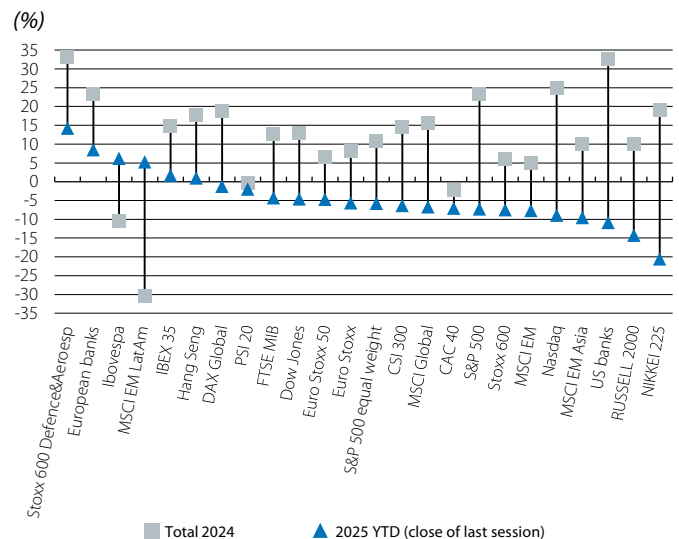
### Selected currencies against the dollar

Index (100 = 31/12/2024)



Source: CaixaBank Research, based on data from Bloomberg.

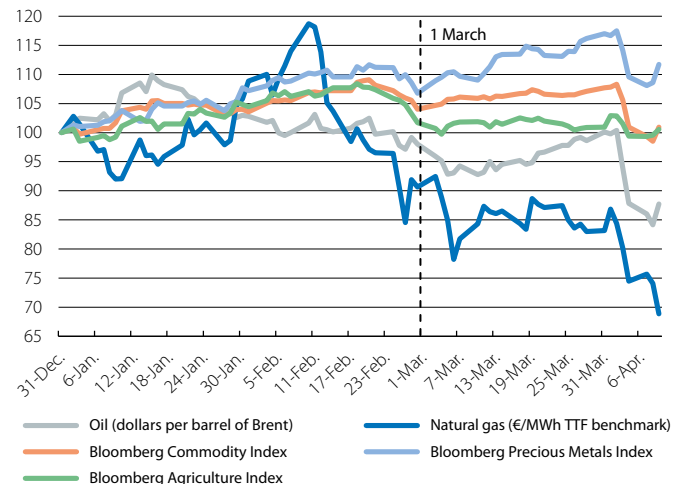
### Performance of stock market indices



Source: CaixaBank Research, based on data from Bloomberg.

### Commodity prices

Index (100 = 31/12/2024)



Source: CaixaBank Research, based on data from Bloomberg.

## Germany's fiscal shift and the *bund*: when security comes at a price

Germany has shifted gears in its public spending policy. At the beginning of March, the leaders of the CDU/CSU, the SPD and the Greens presented a proposed agreement to reform the constitutional debt ceiling and significantly boost military and infrastructure spending, and on 21 March the agreement was ratified by the legislative chambers. The total spending approved for the next decade will finally amount to over one trillion euros.<sup>1</sup> In this article, we analyse the impact of this new policy on German sovereign debt and, in particular, on the yield of its 10-year benchmark (known as the *bund*, being the federal bond, which is considered the euro area's main risk-free asset) as well as its future outlook.

### A big change to the surprise of expectant investors

The market reaction to these announcements was significant and, in the week in which the pre-agreement was reached, the yield on the *bund* rose 50 bps. Let us begin by analysing this movement relative to that of other financial assets. The first thing to note is that the yield on German debt had already priced in a likely future increase in public spending. The spread of the *bund* relative to an interest rate highly dependent on the ECB's intervention rate (which can be interpreted as a German risk premium) had already widened significantly since the end of last summer, when doubts began to arise about the stability of the previous German government and the country's economic expectations deteriorated (43 bps between 10 September and 5 March, see first chart).<sup>2</sup>

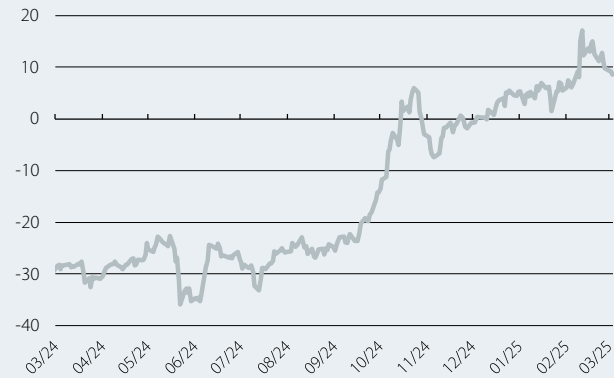
This expansion is also apparent in some valuation models for the *bund*. For example, in a model which takes into account medium-term expectations for euro area interest rates and general conditions for risk, liquidity and the supply of public debt, we see a clear upward trend since the summer in the yield on German debt, distancing it from what would be expected based on its historical relationship with these variables (see second chart). Between the end of last year and the week prior to the announcement, the spread of the *bund* relative to the theoretical value indicated by this model stood at around 30 bps (or a standard deviation), probably because investors were already anticipating higher public spending in Germany.

1. On the one hand, there is a specific fund of 500 billion euros for infrastructure, to be implemented over the next 12 years, which will mean around 42 billion euros per year on average (1% of 2024 GDP). In addition, 100 billion euros will be allocated to environmental and energy transformation policies, and the federal states will be allowed to invest more, which could amount to another 15 billion euros per year (0.35% of GDP). On the other hand, defence spending exceeding 1% of GDP will be exempted from the constitutional debt limit.

2. Risk premium measured as the spread between the yield on the *bund* and that of the 6-month Euribor swap rate.

### Spread between the *bund* and the 10-year swap rate on the 6-month Euribor

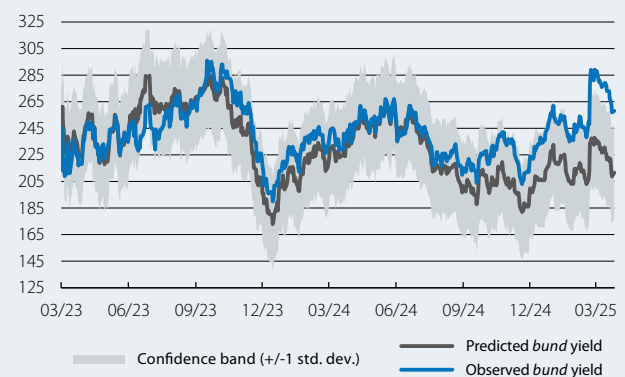
(b. p.)



Source: CaixaBank Research, based on data from Bloomberg.

### Expected yield on the *bund* according to investor expectations for euro area interest rates

(b. p.)



Note: The model includes the forward swap of the ESTR 1Yx3Y, a risk premium of the euro area periphery countries (average of the spread between their 10-year sovereign debt and Germany's, weighted by their GDP) and the size of the ECB's balance sheet as a percentage of euro area GDP.

Source: CaixaBank Research, based on data from Bloomberg.

### The financial outlook: a *bund* that reflects a shift in the fiscal paradigm

In the week in which the agreement was finalised, the price of the *bund* rebounded, as mentioned, by 50 bps, while its theoretical value according to this model was up 30 bps. We can thus interpret that 30 bps of the upturn in the *bund* was due to the change in monetary policy expectations, while the other 20 bps (which correspond to the widening of the spread between the theoretical and observed values) correspond to the fact that the fiscal boost was greater than that already priced in by the market. Following the announcement, the *bund* seems to have stood those 50 bps above its theoretical value, and this gap has persisted with the market movements triggered by Trump's tariffs.

This difference between the actual yield on the *bund* and that suggested by other market variables allows us to reflect on two possible future scenarios. In the first, based on the assumption that the historical relationship with other instruments has not changed, one of the two assessments – either the observed one or the predicted one – would converge with the other. In other words, either the German spending programme will manage to revive the country's economy and exert a pull effect on the rest of the euro area, in which case we should see an increase in interest rate expectations, or alternatively the programme is unsuccessful and we would see a drop in the yield on the *bund* from its current levels.

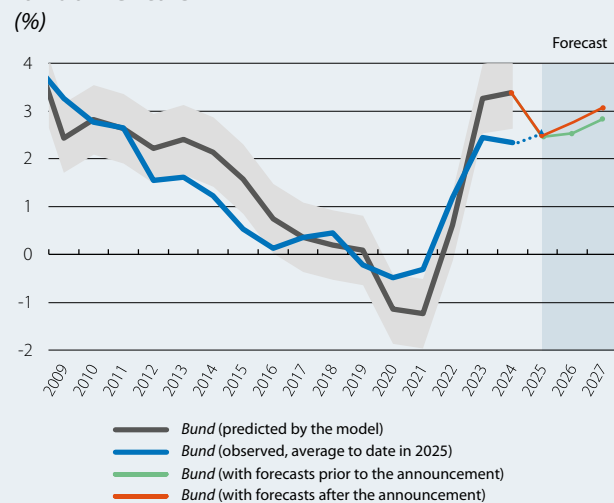
In the second scenario, the historical relationship would have been altered and with the change in gear in its public spending policy the spread between the yield on the *bund* and that of other low-risk assets would now be structurally greater. This scenario seems likely, primarily because on the supply side the change in public spending policy does not appear to be cyclical. On the demand side, and even if this were already the case prior to the German spending announcement, the increased volume of German debt issues is coming at a time when the ECB is no longer making reinvestments under its asset purchase programmes, so from now on the demand it previously provided will have to be substituted by other market players. That said, the increase in public debt is expected across the euro area, and possibly in all developed markets. This could therefore result in Germany maintaining its status – relatively speaking, of course – as an economy with limited debt, which will nevertheless pay slightly more to place that debt in the market.

### The macroeconomic perspective: a moderate impact of the stimulus appears to be already priced in

Another way to analyse both the movement of the *bund* and its likely future performance would be to look at the impact of macroeconomic variables on the price of the debt. From this perspective, what the historical relationships reveal is that, as we would expect, policy rates (i.e. the rates set by the ECB) are the main determining factors for the yield on the *bund*. Inflation also has a significant impact on the yield, although it is somewhat variable, since it depends on how concerned investors are about prices at any given time.

As for GDP growth in Germany, it does not seem to have any influence beyond that detected through the impact which growth has on ECB interest rates. Moreover, economic growth acts through other channels, such as determining the debt/GDP ratio. More indirectly, how effective the spending is in stimulating the German economy and its long-term growth will influence where long-term interest rates lie.

### Bund predicted by the macroeconomic fundamentals



**Note:** The model includes Germany's inflation and debt-to-GDP ratio, the ECB's depo rate and the evolution of its balance sheet.

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

The level of public debt, on the other hand, does have a more stable and constant impact on the yield on the *bund* over time. However, as already mentioned, just as important as Germany's debt-to-GDP ratio is that of the rest of the euro area. Any widespread increase in this ratio across the euro area, as occurred during the COVID-19 pandemic, does not create additional pressure exclusively on the *bund*, as it allows Germany to continue to have a low level of debt relative to other countries.

While the definition and implementation of the fiscal stimulus is being finalised, both in Germany and in the rest of the euro area, we estimate that a gradual increase in the debt-to-GDP ratio, consistent with the expectations of a gradual implementation of the stimulus, would cause the yield on the *bund* to be around 30 bps higher compared to a situation without any stimulus (see third chart). This level reflects both slightly higher inflationary pressures in Germany and the country's growing funding needs,<sup>3</sup> in a context in which the impact of the ECB's balance sheet reduction programme (quantitative tightening) on the price of public debt is still limited, given that liquidity remains high and there is an appetite for this class of asset among investors.

David del Val

3. In a scenario with a gradual implementation of the stimulus, the country's additional funding needs would represent approximately 0.3 pps of GDP in 2025, 0.8 pps in 2026 and around 0.9 pps in 2027. We estimate a moderate impact on GDP and a very mild impact on inflation. The debt-to-GDP ratio would only increase by 3 pps by 2027 relative to its 2024 levels. The depo rate would behave as currently predicted by money market implied rates.

*Interest rates (%)*

	31-March	28-February	Monthly change (bp)	Year-to-date (bp)	Year-on-year change (bp)
<b>Euro area</b>					
ECB Refi	2.65	2.90	-25	-50.0	-185.0
3-month Euribor	2.34	2.46	-13	-37.8	-155.5
1-year Euribor	2.31	2.39	-9	-15.4	-135.7
1-year government bonds (Germany)	2.01	2.02	0	-22.9	-136.7
2-year government bonds (Germany)	2.05	2.03	2	-3.5	-81.6
10-year government bonds (Germany)	2.74	2.41	33	37.1	37.7
10-year government bonds (Spain)	3.37	3.05	33	31.1	18.2
10-year government bonds (Portugal)	3.26	2.94	32	41.2	22.4
<b>US</b>					
Fed funds (lower limit)	4.25	4.25	0	0.0	-100.0
3-month SOFR	4.29	4.32	-3	-1.7	-101.4
1-year government bonds	4.02	4.08	-6	-12.3	-97.5
2-year government bonds	3.88	3.99	-11	-35.8	-76.4
10-year government bonds	4.21	4.21	0	-36.4	-10.4

*Spreads corporate bonds (bps)*

	31-March	28-February	Monthly change (bp)	Year-to-date (bp)	Year-on-year change (bp)
Itraxx Corporate	64	54	10	6.3	10.5
Itraxx Financials Senior	69	57	12	5.4	6.9
Itraxx Subordinated Financials	120	100	21	8.2	8.8

*Exchange rates*

	31-March	28-February	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
EUR/USD (dollars per euro)	1.082	1.038	4.3	4.5	-0.2
EUR/JPY (yen per euro)	162.21	156.27	3.8	-0.4	-1.1
EUR/GBP (pounds per euro)	0.837	0.825	1.5	1.2	-2.3
USD/JPY (yen per dollar)	149.96	150.63	-0.4	-4.6	-0.9

*Commodities*

	31-March	28-February	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
CRB Commodity Index	547.1	539.2	1.5	2.0	0.9
Brent (\$/barrel)	74.7	73.2	2.1	0.1	-17.6
Gold (\$/ounce)	3,123.6	2,857.8	9.3	19.0	36.3

*Equity*

	31-March	28-February	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
S&P 500 (USA)	5,611.9	5,954.5	-5.8	-4.6	9.0
Eurostoxx 50 (euro area)	5,248.4	5,463.5	-3.9	7.2	3.5
Ibex 35 (Spain)	13,135.4	13,347.3	-1.6	13.3	18.4
PSI 20 (Portugal)	6,865.6	6,800.1	1.0	7.7	8.8
Nikkei 225 (Japan)	35,617.6	37,155.5	-4.1	-10.7	-10.4
MSCI Emerging	1,101.4	1,097.3	0.4	2.4	5.0

## Political decisions will shape the international economy

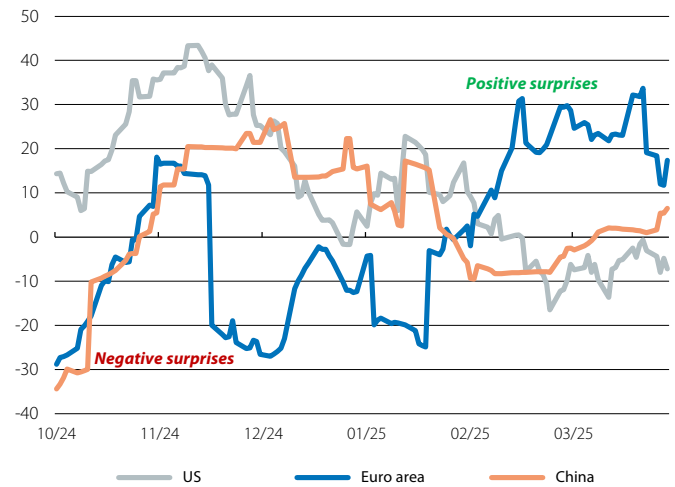
In the last month, we have witnessed a surge in uncertainty (see the [Financial Markets - Economic Outlook](#) section). Unlike what we have experienced in the last three years, we are now beginning to look with caution at the impact the Trump administration's policies could have on volatility. The latest – and most disruptive – such episode was the tariffs announced on so-called «Liberation Day» which, if applied, would end up raising the average tariff on US imports from 3% to around 25%, their highest level in over a century. For the moment, since 5 April a universal tariff of 10% has been in force and Trump has left the additional increases on hold for 90 days, with the exception of China, with which he has entered into an intense protectionist escalation. We are thus entering a new phase, with negotiations that could lead to tariffs lower than those initially announced or, in a worst-case scenario, retaliation that would increase the risks of a trade war. For now, the surge in uncertainty and the tariff hikes introduce downside risks to global growth, as well as upside risks to US inflation, while the impact on prices for the rest of the world is much more uncertain.

**Germany reaches an historic pact to reform the «debt brake» and approve a large fiscal package.** The three majority parties of the outgoing parliament (CDU/CSU, SPD and the Greens), which held well over two thirds of the seats, reached an agreement to amend the constitution and loosen restrictions around the well-known debt brake. This rule, introduced in 2009, established that the structural budget deficit should not exceed 0.35% of GDP and has only been put on hold once, during the COVID pandemic. With this agreement, an Infrastructure Investment Fund amounting to 500 billion euros (12% of 2024 GDP) has been approved for the next 12 years, it has been decided to raise defence spending to 3.5% of GDP (2.1% currently) and, at the same time, defence spending exceeding 1% of GDP will not count towards the debt brake limit. In addition, the European Commission has announced its ReArm Europe plan, with which it plans to bolster the continent's military capabilities and which has been allocated a budget of some 800 billion euros (4.5% of 2024 GDP) over the next four years. To this end, private investment in the defence industry will be encouraged, Member States will be given more leeway to increase their defence spending through the temporary easing of EU fiscal limits and the Security Action for Europe (SAFE) instrument will be created. SAFE is intended to provide loans to Member States and will be allocated 150 billion euros, much of which could come from loans already approved under the NGEU funds that have not been requested by countries.

**Highly uncertain outlook for the euro area economy.** The sheer volume of the measures announced will support growth, particularly in 2026 and 2027. However, caution must be exercised, not only because the increase in trade protectionism would limit the magnitude of the fiscal boost announced, but also because certain details are yet to be clarified, including how the increase in defence spending in the EU will be carried out, the timetable for implementing Germany's Infrastructure Investment Fund, as well as what the fiscal multiplier of these measures is expected to be. The experience with NGEU funds (see the Dossier «[The transformative capacity of NGEU and other fiscal stimulus plans](#)» in the MR03/2025) shows the difficulties involved in implementing such vast investment projects. For the moment, the business opinion indicators improved amid expectations of this fiscal stimulus, but they have not

### Economic surprise index

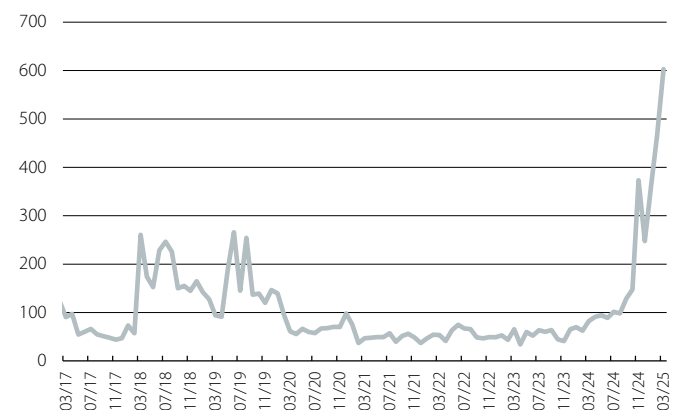
Deviation from expectations



Source: CaixaBank Research, based on data from Citigroup.

### Trade policy uncertainty index

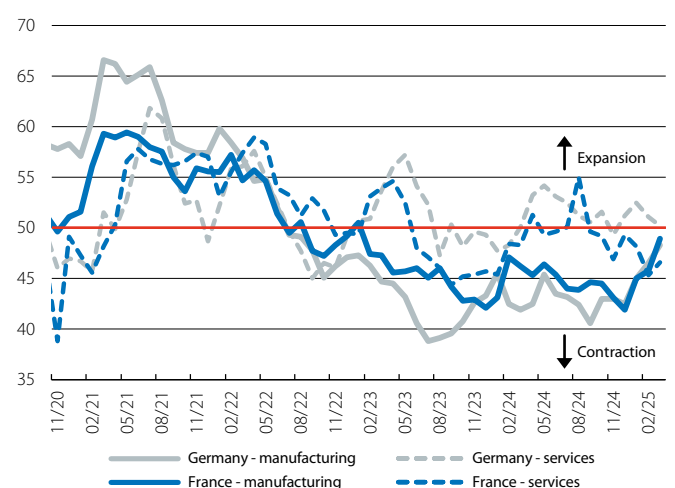
Frequency of joint occurrences of trade policy and uncertainty terms in the press



Source: CaixaBank Research, based on data from D. Caldara, M. Iacoviello, P. Molligo, A. Prestipino and A. Raffo (2020). Updated at <https://www.matteoiacoviello.com/tpu.htm#overview>.

### Euro area: PMI by component

Index



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

yet captured the possible impact of the latest tariffs announced by Trump. In fact, in March, Germany's ZEW Indicator of Economic Sentiment recorded its biggest increase in almost two years, and the Ifo business confidence indicator reached its highest levels since the summer of 2024 (+1.4 points, to 86.7); meanwhile, the composite PMI for the euro area rose to 50.4, marking the third consecutive month above the 50-point threshold that indicates positive growth, thanks to the manufacturing sector.

#### In the US, the risks of a sharper economic slowdown increase.

The continuous tightening and loosening of tariffs and the cuts in government spending have fuelled fears – especially after «Liberation Day» – that the economy could experience a sharper than expected slowdown. Consumer confidence has been the first indicator to reflect this increase in uncertainty, as households fear a deterioration in the labour market and a rebound in inflation due to the trade protectionist policies. Thus, the index produced by the Conference Board has been declining all year and, in March, stood at its lowest level since January 2021. However, the business climate and opinion indicators, which hint at a slight moderation in activity in Q1 2025, still remain at levels compatible with positive but modest growth. In fact, in March, the composite PMI increased significantly (+1.9 points, to 53.5) and the services ISM indicator managed to stay above the 50-point threshold (50.8 vs. 53.5), while the ISM indicator for manufacturing was at levels that suggest a practical stagnation (49.0 vs. 50.3).

**The labour market remains highly buoyant in Q1.** In March, 228,000 non-agricultural jobs were created, the unemployment rate increased just 0.1 pp to 4.2%, and redundancies were at a low of 1.0% of total employment. These figures reveal that the impact of the measures adopted by DOGE, which have resulted in a cumulative loss of around 14,000 federal jobs between February and March, is quite small, for now. This is because the public sector accounts for only 15% of all non-agricultural employment, and this figure falls to a mere 1.8% in the case of federal employment.

#### Upside risks for US inflation and no clear bias in the euro area.

In February, both headline and core US inflation fell for the first time in five months and were down 0.2 pps, to 2.8% and 3.1%, respectively. Despite the encouraging data, the risks to inflation remain concentrated to the upside due to the current context of deteriorating trade tensions. In fact, in its March macroeconomic outlook, the Fed revised inflation upwards precisely because of the impact of the tariffs and the heightened uncertainty. Thus, the Fed has pushed back the date when inflation is expected to return to its 2.0% target to 2027. Meanwhile, in the euro area, inflation resumed its path of moderation: in March, headline inflation declined 0.1 pp to 2.2%, while the core index fell 0.2 pps to 2.4%, thanks to the continued decline of inflation in services (3.4% vs. 3.7%), and it is now at its lowest level since June 2022. In addition, the ECB revised its 2025 inflation estimate modestly upwards, but kept its forecast for the next two years unchanged.

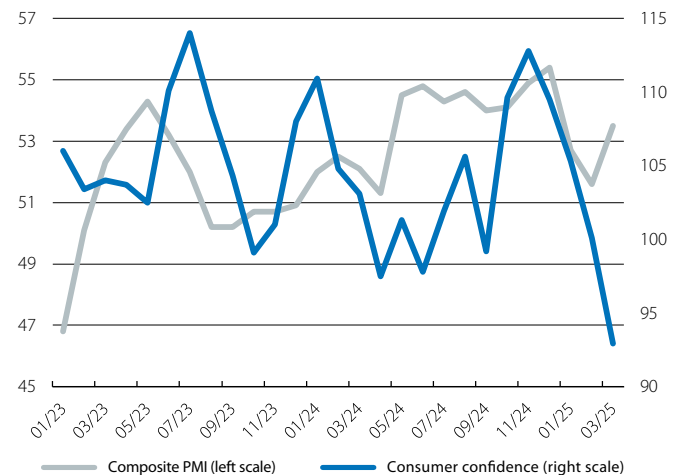
#### China will need to continue to implement stimulus measures to meet its growth targets.

At its annual meeting of the Two Sessions, the Chinese government once again set a growth target of around 5% and, in order to achieve this, will pursue a «moderately expansive» fiscal policy, still heavily focused on supply-side measures. However, the bilateral protectionist escalation with the US has raised concerns about the Chinese economy (exports to the US account for around 3% of its GDP).

#### US: confidence indicators

(Index = 50)

(Index = 100)

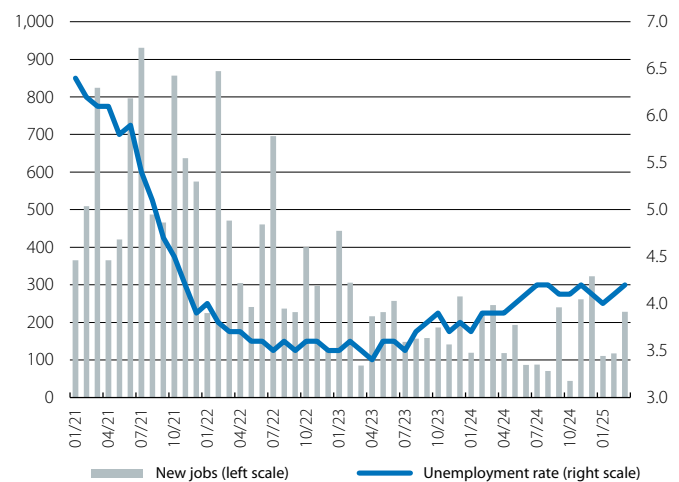


Source: CaixaBank Research, based on data from the Conference Board and S&P Global.

#### US: labour market

(Thousands of people)

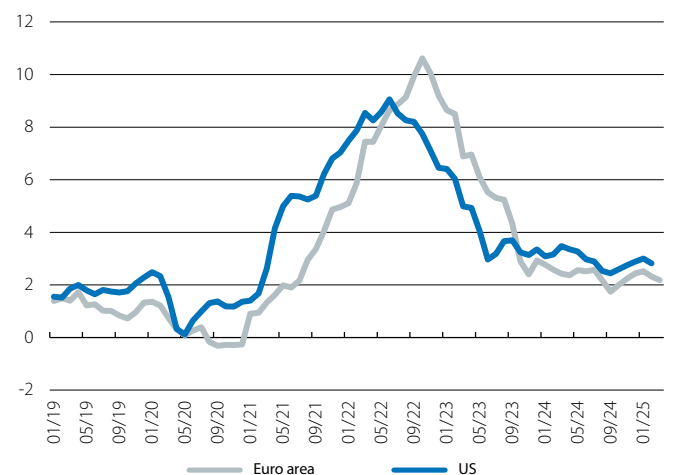
(%)



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

#### Headline inflation

Year-on-year change (%)



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

## A shift in the EU's political priorities

The new European Commission has completed its first 100 days amid turmoil in transatlantic relations. The implementation of Trump's agenda (and the accompanying drama) is accelerating the change in political priorities that was already foreseen for von der Leyen's second term. The urgent need to build a more competitive EU now seems indivisible from the goal of maintaining the security and integrity of its borders. The next 2028-2034 budget cycle should reflect the bloc's ambition in relation to these medium-term challenges, but between now and when that budget will be defined, there are tough negotiations to be had on how to finance it and critical questions to be answered on matters such as the future of Ukraine and climate commitments.

### A plan to find direction in global competitiveness

On 29 January, the European Commission presented the Competitiveness Compass.<sup>1</sup> This is a roadmap for 2025-2026 that translates the recommendations of the Letta and Draghi reports<sup>2</sup> into policy actions focusing on the three key objectives of the latter report: to close the innovation gap vis-à-vis global competitors, to pursue competitive decarbonisation and to reduce strategic dependencies. In addition to the specific actions proposed for each of these objectives, the roadmap includes five general priorities, which include simplifying business regulation, making further progress in the integration of the Single Market, boosting financing with new savings and investment products, ensuring the provision of appropriate skills in the labour market and improving the coordination of European instruments with a boost to common projects.

The European Commission has already put forward several proposals for political action in relevant areas, and these must now be endorsed by the Council and the European Parliament. The proposals include two packages of measures aimed at simplifying regulation in the sphere of sustainability, with a view to easing the administrative burden on companies by at least 25% (35% in the case of SMEs). Another of the proposals is a new clean industry pact, which includes the deployment of 100 billion euros for the production of clean technologies in the EU and an action plan to cut energy costs for consumers and businesses, which could entail savings of 45 billion in 2025 (and up to 260 billion in 2040).

As for what is yet to come in 2025, there are high expectations for the revision of regulations covering state aid and the competition framework, as well as the strategy for reducing the fragmentation of the internal market. On this latter note, a proposal has already been

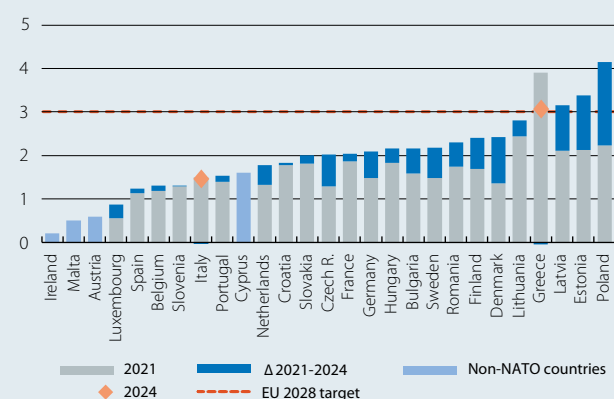
put forward to establish a Savings and Investments Union (SIU),<sup>3</sup> the main objective of which is to facilitate the channelling of household savings into financing for strategic sectors.

### Defence spending, more and faster than expected

In 2025, between the Competitiveness Compass and new geopolitical realities, the EU is hastening to reduce its strategic dependence on the US in defence matters.<sup>4</sup> The catalyst for this urgency has been the new Trump administration's unilateral approach to foreign policy, which has fractured the transatlantic axis with harsh rhetoric against Europe – far from the expected transactional approach – and has given Russia leeway beyond the Ukraine conflict.<sup>5</sup> The response has come in the form of an ambitious package of measures (ReArm Europe), which is expected to include the activation of the escape clause in the fiscal rules, enabling the release of some 650 billion for defence spending over the next four years, as well as a new EU instrument with 150 billion in loans to Member States to facilitate joint purchases and to bolster pan-European capabilities (Security Action for Europe, SAFE).

This package of measures would allow annual defence spending for the EU as a whole to increase by just over 1 point of GDP by 2028, bringing it above 3% and approaching the US' levels of the last decade. However, the starting point varies widely, so if a common objective is set then the fiscal effort would also vary widely between Member States (see first chart). For obvious

### Defence spending in 2021 and increase up until 2024 (% and pps of GDP)



**Note:** Latest available data for non-NATO EU countries (2023 for Austria and 2022 for Cyprus, Ireland and Malta); the 2024 figures are marked with diamonds for countries with a reduction in their defence spending since 2021 (Greece and Italy).

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

3. European Commission (2025). «Savings and Investments Union: A Strategy to Foster Citizens' Wealth and Economic Competitiveness in the EU», communication from the European Commission, COM(2025) 124 final.

4. European Commission (2025). «Joint White Paper for European Defence Readiness 2030», JOIN(2025) 120 final.

5. See the Focus «Ukraine's reconstruction and its potential energy implications for Europe» in this same *Monthly Report*.

1. See European Commission (2025). «A Competitiveness Compass for the EU», communication from the European Commission, COM(2025) 30 final.

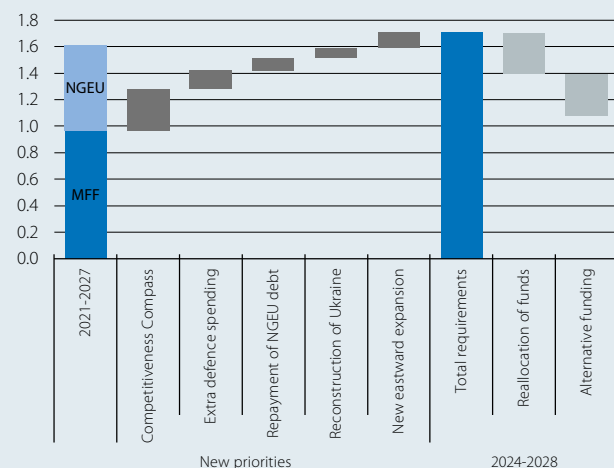
2. See the Focus «Draghi proposes a European industrial policy as a driving force to address the challenges of the coming decades» in the MR10/2024.

reasons, the countries bordering Russia and Ukraine have registered the sharpest increase in defence spending since 2021 and have shown the highest ratios in 2024, with Poland standing out at 4.2%. Among the bloc's large economies, Germany and France were around the average, followed some way behind by Italy (1.5%) and Spain (1.2%). In some cases, filling this gap will put additional stress on their limited fiscal space,<sup>6</sup> so it is likely that they will redirect unused EU funds, such as those from the NGEU programme.<sup>7</sup>

### Prioritising with a budget that is up to the challenges ahead

The European Commission will present its proposal for the Multiannual Financial Framework (MFF) 2028-2034 in July this year. This new budget cycle begins in a very different context from the previous one, which was approved in 2020 at the height of the pandemic. The geopolitical environment seems more hostile, with an armed conflict on the EU's eastern border and a breakdown of the historical transatlantic alliance, including the geo-economic alliance, with risks of escalating protectionism and trade fragmentation. Addressing this scenario will require considerable resources in order to simultaneously fund the Competitiveness Compass, higher defence spending, the reconstruction of Ukraine<sup>8</sup> and a possible new phase of eastward expansion led by this country,<sup>9</sup> as well as the repayment of the pooled debt issued to finance the NGEU programme.<sup>10</sup> Taking all these factors into consideration, we estimate that the EU's annual budget could increase from 1% of GDP in 2021-2027 to total expenditure requirements of 1.7% in 2028-2034, a similar jump to that entailed by the NGEU funds (see second chart).<sup>11</sup> A portion of this increase could be channelled through a reorientation of resources from the

### Estimate of the EU annual budget for 2028-2034 (% of GDP)



Source: CaixaBank Research, based on the Draghi report (2024) and references cited in this article published in Bruegel (2024) and the European Parliament (2024, 2025).

previous cycle, including those not used from NGEU, as well as other alternative sources of funding: issues of pooled debt, new internal EU funds or even the use of Russian assets that were frozen following the invasion of Ukraine.<sup>12</sup>

The road to the approval of a new MFF will not be free of obstacles. Internal political fragility has intensified after the latest electoral cycle, including the European Parliament elections in 2024. Also, the prospect of higher public spending could add tension to the sovereign debt markets,<sup>13</sup> and it remains to be seen what socio-political bill will be left by the new European Commission's apparent shift on environmental matters, with a climate agenda that is increasingly subordinated to the drive for competitiveness.

However, the Council's unanimity in endorsing the European defence plan proposal, together with the recent green shoots in Paris-Berlin relations, has given cause for some optimism to pursue an ambitious budget that is up to the challenges of the time. Unlike the urgency that guided the historic agreements for NGEU in 2020, we now have the advantage that a thorough prior reflection on the EU's priorities has been carried out through the Letta and Draghi reports, thus facilitating the selection of policy actions that can have a real impact and that are meaningful in the medium term for the 450 million Europeans.

David Martínez Turégano

6. See the Focus [«The new EU economic governance framework»](#) in the MR01/2025.

7. See the Dossier [«The transformative capacity of NGEU and other fiscal stimulus plans»](#) in the MR03/2025.

8. World Bank (2025). «Ukraine: Fourth Rapid Damage and Needs Assessment Fourth Rapid Damage and Needs Assessment».

9. See Z. Darvas and J. Mejino-López (2024). «What enlargement could imply for the European Union's budget», Bruegel.

10. See Z. Darvas and C. McCaffrey (2024). «Management of debt liabilities in the EU budget under the post-2027 MFF», European Parliament.

11. We assume the following hypotheses in the detailed calculation shown in the chart: (i) the public sector finances a quarter of the 800 billion per year identified in the Draghi report as investment needs, while another 25% is covered by the EU budget through the Competitiveness Compass funds; (ii) the extra defence expenditure corresponds to pooled funding of 25% of an increase of 1 point of GDP, not including the needs already identified in the Draghi report (20 billion per year); (iii) the repayment of the NGEU pooled debt is in the range of 20-25 billion per year; (iv) we consider that half of the cost of rebuilding Ukraine (500 billion over the next 10 years, according to the World Bank) will be borne by European institutions and that, based on what has been observed to date, 50% will be pooled; (v) according to different sources, the cost of a possible eastward expansion would be around 20 billion per year for the EU budget; (vi) reallocation of 25% of the funds for the period 2021-2027; and (vii) the alternative funding considers the rollover of the NGEU pooled debt, the use of around 100 billion of frozen Russian assets and new internal funds amounting to 35 billion annually.

12. K. Kowald and M. Pari (2025). «Future of EU long-term financing», European Parliament.

13. See the Focus [«Germany's fiscal shift and the bund: when security comes at a price»](#) in this same Monthly Report.

## Ukraine's reconstruction and its potential energy implications for Europe

Since Donald Trump's arrival in the White House, attempts have been made to bring Russia and Ukraine to the negotiating table. On 25 March, a first step was taken with the signing of a partial ceasefire deal between Ukraine and Russia, with the aim of guaranteeing the safety of navigation and trade in the Black Sea. In addition, it included a commitment not to carry out attacks against energy infrastructure, highlighting the sector's importance for both domestic needs and fossil fuel export revenues in these two countries. Beyond the political and social considerations, a lasting peace agreement would have a positive impact on international energy flows and would favour an easing of prices, especially in the case of gas. The EU, aware of this advantage and of the need to restore the energy facilities damaged during the war, has begun planning the rebuilding of Ukraine's energy infrastructure and other sectors vital for economic growth.

### The costs of reconstruction

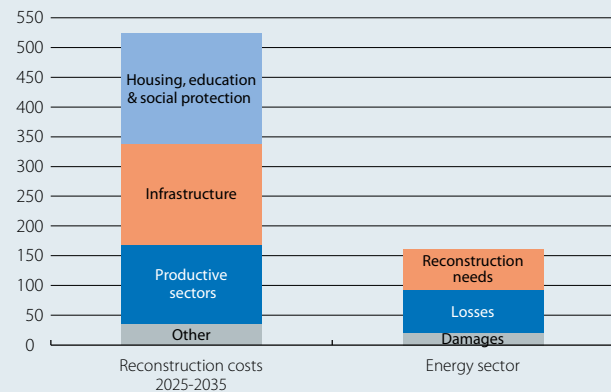
Together, the World Bank, the EU and the United Nations<sup>1</sup> have estimated that the value of direct damage from the war in Ukraine, between February 2022 and December 2024, amounts to 176 billion dollars (170 billion euros), which is 15.8% higher than the figure calculated at the end of 2023. Over the past year, there has been a widespread increase in damage across the residential, transportation, trade and industrial sectors. However, losses in the energy sector rose by 70% as a result of damage to assets related to electricity generation and transmission, energy distribution infrastructure and urban heating (see first chart).

These three international organisations estimate that the cost of Ukraine's reconstruction and recovery needs in both the public and private sectors over the next decade amount to 524 billion dollars (506 billion euros), approximately 2.8 times Ukraine's estimated nominal GDP in 2024. Housing (16%) would top the aid priority list, followed by transportation (15%), energy (12%), trade and industry (12%) and agriculture (11%).

At the same time, and in order to obtain the necessary support for Ukraine's future accession to the EU, the Ukrainian government has launched a programme

1. See «[Fourth Rapid Damage and Needs Assessment \(RDNA4\)](#)». World Bank Document, February 2025.

### Ukraine: costs of the economic and energy reconstruction (USD billions)



Source: CaixaBank Research, based on data from the World Bank, the EU and the UN.

of reforms and investments set out in the Ukraine Plan.<sup>2</sup> Ukraine is taking steps to attract private investment into the energy sector and legislative and structural reforms (focusing on improving energy security and the transition to renewable energy) have been accelerated in order to align the sector with EU regulations and standards, as an essential requirement in order to compete in European markets.

### What will happen to the European energy scenario following peace agreements?

One of the most highly debated issues around a partial or total peace agreement and the reconstruction process is what will happen to the European energy scenario. Questions remain over whether Europe will resume significant imports of Russian energy or what impact Russia's return to the European scene will have on oil and gas prices remain central to the unresolved questions.

With regards to oil, following the invasion of Ukraine, the West sanctioned Russian crude oil exports,<sup>3</sup> although this did not prevent Russia from maintaining a high production rate. Since then, flows from Russia to Europe

2. In May 2024, the Ukrainian government adopted the EU's [Ukraine Plan](#). This is a comprehensive reform and investment programme for the period 2024-2027, covering most sectors of the Ukrainian economy.

3. In 2022, the US and the UK banned imports of oil and derivative products from Russia. The EU also banned them beginning in late 2022 and, in 2023, restricted the provision of associated services (shipping and maritime insurance) for importers of Russian oil. In parallel, in 2022, the G7 imposed a cap on the sale price of a barrel of Russian oil transported by sea at 60 dollars. This cap does not affect the crude oil that arrives in Europe via pipelines to countries without access to the sea.

have been effectively minimised (see second chart), and Russian oil shipments have been redirected to China, India and Turkey. Europe, for its part, has made up for this shortfall by buying barrels from the Middle East and the US. In a potential peace agreement, there is a possibility that the US might ease sanctions related to the price cap imposed by the G7, in which case the discount premium at which the Urals barrel is currently being traded would be diluted, causing it to lose its competitive advantage over the Brent barrel price for Asian buyers. This is unlikely to significantly affect Europe's oil import volumes and prices could register downward pressures related to the increase in OPEC's supply beginning in April.

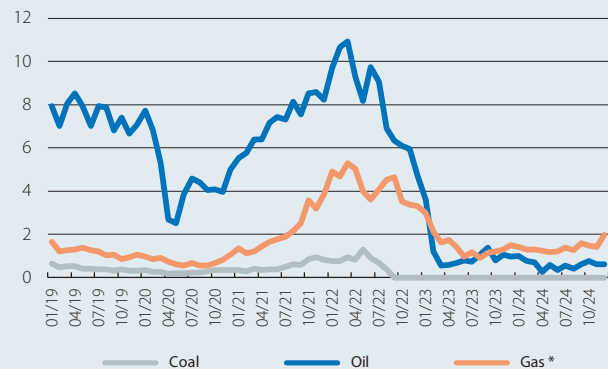
In the case of gas, in contrast, a peace agreement could have bigger implications for Europe. The current European gas scenario is very different to before the outbreak of the war. On the one hand, the demand for natural gas in Europe fell by 20% between 2021 and 2024. The increase in the gas price in Europe since the start of the war, the deployment of renewable energies and the energy-saving policies promoted by the EU<sup>4</sup> have led to a considerable drop in demand. On the other hand, Europe has sought alternative suppliers of natural gas and has placed greater emphasis on liquefied natural gas (LNG), mainly from the US, as well as on the entire storage and regasification industry associated with this fuel. Although Russian gas exports to Europe have plummeted, it is worth noting that since 2022, Russia has continued to sell LNG to Europe, accounting for 18% of the total LNG imported by Europe (excluding Turkey) in 2024.

Another factor that has changed dramatically is the routes used to import gas from Russia to Europe via pipeline. Of the four access routes that existed at the start of the war (the Yamal pipeline through Poland, Nord Stream through Germany, Brotherhood through Ukraine and Turk Stream through Turkey), only the Turkish gas pipeline is currently operational. Unlike oil, the EU has not explicitly sanctioned natural gas flows via pipeline, and the interruptions in supply have been due to legal, political and logistical issues.

However, when peace comes, it seems unlikely that the volume of Russian gas exports to Europe will return to pre-war levels. In the last three years, EU countries have inverted their preference for cheap energy in favour of energy security. Most Member States are opposed

4. See «REPowerEU: energy policy in EU countries' recovery and resilience plans», which aims to end dependence on Russian fossil fuels by 2027, saving energy and diversifying supplies. And «Fit for 55», the EU package of measures on European climate legislation with the goal of cutting EU greenhouse gas emissions by at least 55% by 2030.

### Russia: exports of fossil fuels to the EU (USD billions)



Note: \* Includes both natural gas and LNG.

Source: CaixaBank Research, based on data from Bruegel.

to the return of Russian gas to Europe, with the exception of Slovakia and Hungary, so they will support the diversification of suppliers and will not make significant investments in reinstating the disused pipelines. In addition, the war has accelerated a series of structural changes in the EU with a longer-term profile, such as investment in renewable energy sources, the relocation of some gas-intensive industries and the development of LNG capacity, all of which diminish the potential growth of demand for Russian gas.

All in all, in the event of a balanced peace agreement between Russia and Ukraine, the return of Russian oil and gas flows to Europe is unlikely to reach pre-war levels. In addition to the political, legal and security issues, the significant damage suffered by Ukraine's energy infrastructure during the conflict, despite being a priority objective for the reconstruction, will slow down the normalisation of these flows.

*Beatriz Villafranca*

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

## UNITED STATES

	2023	2024	Q1 2024	Q2 2024	Q3 2024	Q4 2024	01/25	02/25	03/25
<b>Activity</b>									
Real GDP	2.9	2.8	2.9	3.0	2.7	2.5	–	–	–
Retail sales (excluding cars and petrol)	5.2	3.4	2.8	3.4	3.5	3.8	3.6	3.5	...
Consumer confidence (value)	105.4	104.5	106.3	98.9	102.2	110.6	105.3	100.1	92.9
Industrial production	0.2	–0.3	–0.5	0.0	–0.4	–0.2	1.9	1.4	...
Manufacturing activity index (ISM) (value)	47.1	48.2	48.8	48.5	47.3	48.2	50.9	50.3	49.0
Housing starts (thousands)	1,421	1,368	1,407	1,340	1,332	1,392	1,350	1,501	...
Case-Shiller home price index (value)	312	330	325	329	332	336	339	...	...
Unemployment rate (% lab. force)	3.6	4.0	3.8	4.0	4.2	4.1	4.0	4.1	...
Employment-population ratio (% pop. > 16 years)	60.3	60.1	60.2	60.1	60.0	59.9	60.1	59.9	...
Trade balance <sup>1</sup> (% GDP)	–3.1	–2.9	–2.8	–2.8	–2.9	–3.1	–3.4	...	...
<b>Prices</b>									
Headline inflation	4.1	3.0	3.2	3.2	2.6	2.7	3.0	2.8	...
Core inflation	4.8	3.4	3.8	3.4	3.2	3.3	3.3	3.1	...

## JAPAN

	2023	2024	Q1 2024	Q2 2024	Q3 2024	Q4 2024	01/25	02/25	03/25
<b>Activity</b>									
Real GDP	1.5	0.1	–0.7	–0.7	0.7	1.1	–	–	–
Consumer confidence (value)	35.2	37.2	38.9	37.0	36.8	36.3	35.2	35.0	...
Industrial production	–1.4	–3.0	–4.3	–3.5	–1.8	–2.5	2.3	4.5	...
Business activity index (Tankan) (value)	7.0	12.8	11.0	13.0	13.0	14.0	–	–	–
Unemployment rate (% lab. force)	2.6	2.5	2.6	2.6	2.5	2.5	2.5	2.4	...
Trade balance <sup>1</sup> (% GDP)	–3.0	–1.1	–1.2	–1.0	–1.1	–1.0	–1.0	–0.9	...
<b>Prices</b>									
Headline inflation	3.3	2.7	2.5	2.7	2.8	2.9	4.0	3.6	...
Core inflation	3.9	2.4	3.2	2.2	2.0	2.3	2.6	2.6	...

## CHINA

	2023	2024	Q1 2024	Q2 2024	Q3 2024	Q4 2024	01/25	02/25	03/25
<b>Activity</b>									
Real GDP	5.4	5.0	5.3	4.7	4.6	5.4	–	–	–
Retail sales	7.8	3.3	4.7	2.6	2.7	3.8	...	4.0	...
Industrial production	4.6	5.6	5.8	5.9	5.0	5.6	...	5.9	...
PMI manufacturing (value)	49.9	49.8	49.7	49.8	49.4	50.2	49.1	50.2	50.5
<b>Foreign sector</b>									
Trade balance <sup>1,2</sup>	865	995	841	864	897	995	1,049	1,041	...
Exports	–5.1	4.6	–1.7	4.4	5.4	10.0	5.5	–2.3	...
Imports	–5.5	1.1	1.6	2.5	2.2	–1.7	–16.5	1.5	...
<b>Prices</b>									
Headline inflation	0.2	0.2	0.0	0.3	0.5	0.2	0.5	–0.7	...
Official interest rate <sup>3</sup>	3.5	3.1	3.5	3.5	3.4	3.1	3.1	3.1	3.1
Renminbi per dollar	7.1	7.2	7.2	7.2	7.2	7.2	7.3	7.3	7.3

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 &amp; 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

	2023	2024	Q1 2024	Q2 2024	Q3 2024	Q4 2024	01/25	02/25	03/25
Retail sales (year-on-year change)	-1.9	1.2	0.1	0.4	2.1	2.1	1.5	...	...
Industrial production (year-on-year change)	-1.6	-3.0	-4.7	-3.9	-1.7	-1.5	0.0	...	...
Consumer confidence	-17.4	-14.0	-15.3	-14.2	-13.0	-13.4	-14.1	-13.6	-14.5
Economic sentiment	96.2	95.7	95.7	95.8	96.1	95.2	95.3	96.3	95.2
Manufacturing PMI	45.0	45.9	46.4	46.3	45.8	45.5	46.6	47.6	48.6
Services PMI	51.2	51.5	50.0	53.1	52.5	52.1	51.3	50.6	51.0
<b>Labour market</b>									
Employment (people) (year-on-year change)	1.4	1.2	1.1	1.0	1.0	0.7	-	-	-
<b>Unemployment rate (% labour force)</b>	6.6	6.4	6.5	6.4	6.3	6.2	6.2	6.1	...
Germany (% labour force)	3.0	3.4	3.3	3.4	3.5	3.4	3.5	3.5	...
France (% labour force)	7.3	7.4	7.5	7.4	7.4	7.3	7.3	7.4	...
Italy (% labour force)	7.7	6.6	7.1	6.7	6.3	6.1	6.2	5.9	...
<b>Real GDP (year-on-year change)</b>	0.5	0.8	0.5	0.5	1.0	1.2	-	-	-
Germany (year-on-year change)	-0.1	-0.2	-0.1	-0.2	-0.3	-0.2	-	-	-
France (year-on-year change)	1.1	1.1	1.4	1.0	1.2	0.6	-	-	-
Italy (year-on-year change)	0.8	0.5	0.3	0.6	0.6	0.6	-	-	-

## Prices

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

	2023	2024	Q1 2024	Q2 2024	Q3 2024	Q4 2024	01/25	02/25	03/25
General	5.5	2.4	2.6	2.5	2.2	2.2	2.5	2.3	2.2
Core	5.0	2.8	3.1	2.8	2.8	2.7	2.7	2.6	2.4

## Foreign sector

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

	2023	2024	Q1 2024	Q2 2024	Q3 2024	Q4 2024	01/25	02/25	03/25
<b>Current balance</b>	2.1	3.5	2.6	3.2	3.3	3.5	3.4	...	...
Germany	5.6	5.7	6.0	6.4	6.3	5.7	5.4	...	...
France	-1.0	0.4	-0.5	-0.4	0.0	0.4	0.2	...	...
Italy	0.0	1.4	0.5	0.9	1.1	1.4	1.3	...	...
<b>Nominal effective exchange rate<sup>1</sup> (value)</b>	94.7	95.1	95.2	95.2	95.6	94.2	93.2	92.7	94.6

## Credit and deposits of non-financial sectors

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

	2023	2024	Q1 2024	Q2 2024	Q3 2024	Q4 2024	01/25	02/25	03/25
<b>Private sector financing</b>									
Credit to non-financial firms <sup>2</sup>	2.7	0.8	0.3	0.4	1.0	1.4	2.0	2.2	...
Credit to households <sup>2,3</sup>	1.7	0.5	0.2	0.3	0.5	0.9	1.3	1.5	...
Interest rate on loans to non-financial firms <sup>4</sup> (%)	4.6	4.9	5.1	5.1	4.9	4.4	4.1	...	...
Interest rate on loans to households for house purchases <sup>5</sup> (%)	4.4	4.6	4.8	4.8	4.7	4.3	4.1	...	...
<b>Deposits</b>									
On demand deposits	-8.5	-3.9	-8.8	-5.5	-2.5	1.2	2.9	3.8	...
Other short-term deposits	21.1	12.3	18.3	14.3	10.5	5.9	3.3	2.0	...
Marketable instruments	20.3	20.2	20.6	19.8	22.1	18.5	17.3	19.8	...
Interest rate on deposits up to 1 year from households (%)	2.7	3.0	3.2	3.1	3.0	2.6	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.

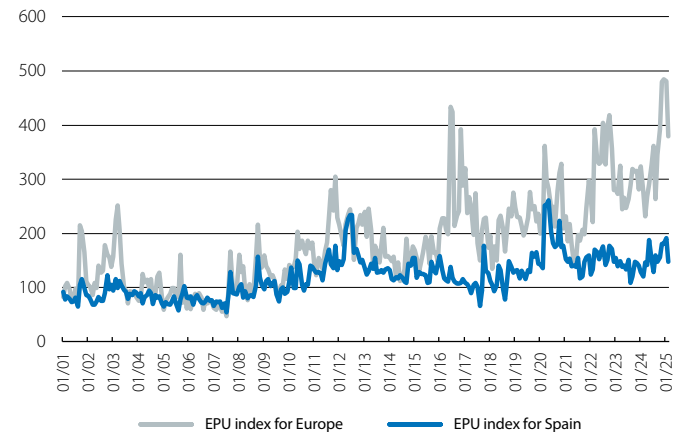
## The Spanish economy continues to grow at a steady pace despite the uncertain international environment

**Uncertainty is the buzzword of the moment, but it is felt less in our economy than elsewhere in Europe.** The turbulent international context, shaken by the actions of the Trump administration, remains the subject of the utmost attention and concern. There is high uncertainty surrounding several elements: regarding the trade war unleashed by the US, about developments in the war between Russia and Ukraine and about the transatlantic relationship itself. Faced with so much uncertainty, it is worth differentiating its intensity by country. In Spain, the uncertainty indices, measured through textual analysis of the country's main newspapers, show a lower upturn than that observed for Europe as a whole. Spain's more contained exposure to trade with the US compared to Europe as a whole, or its distance from the Ukrainian front, could be some of the explanations for this gap. That being the case, for the moment, and while we wait for events to unfold, it seems that our economy ought to weather this period of uncertainty better than our main trading partners.

**The services sector continues to enjoy rapid growth, while the turbulent international context is being felt in industry.** On the services side, in Q1 the Purchasing Managers' Index (PMI) for the sector stood at 55.3 points, 0.2 points higher than in the previous quarter. Also, the production index for the services sector climbed a notable 1.5% month-on-month in January, propelling the year-on-year rate from 2.1% to 4.2%. In contrast, the manufacturing PMI fell 3.6 points in the Q1 2025 average compared to Q4 2024, to 50 points. This decline is explained by the weakness of foreign demand, affected by the uncertainty surrounding tariffs. In the same vein, the industrial production index began the year on a bad footing, with a month-on-month decline of 1.0%. On the consumption side, the signals are mixed. In the January and February average, the retail trade index was up 0.2% from the previous quarter average and the CaixaBank Research consumption indicator showed growth of 3.4% year-on-year, with data up until the third week of March, compared to the 4.0% registered in the previous quarter. However, it should be noted that the March readings were particularly modest, mainly because of the in-person consumption category, which may have been affected by the heavy rains during the month as well as by a calendar effect caused by Easter, which in 2024 fell in March. Finally, as we will discuss below, employment has continued to make good progress. Thus, despite their nuances, the available indicators continue to point to a significant rate of GDP growth, which we place in the range of 0.6%-0.7% quarter-on-quarter.

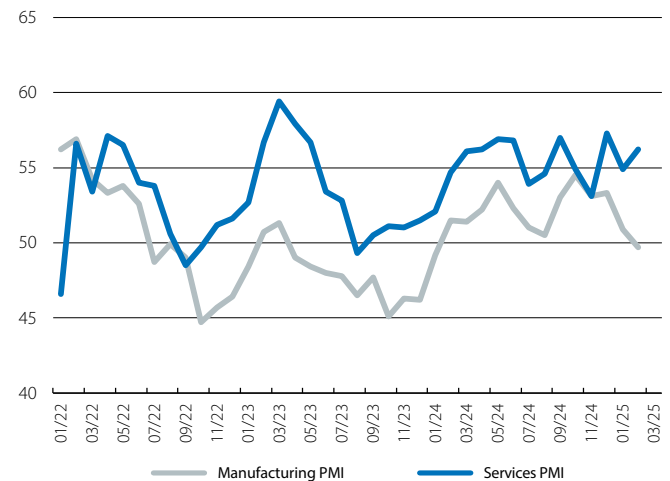
**Job creation remains dynamic in March despite the fact that Easter falls in April this year.** In March, the number of S.S. affiliates increased by 161,492 people (0.8% month-on-month).

### Spain: economic policy uncertainty indices



Source: CaixaBank Research, based on data from S.R. Baker, N. Bloom and S. Davis, and C. Ghirelli, J.J. Pérez and A. Urtasun.

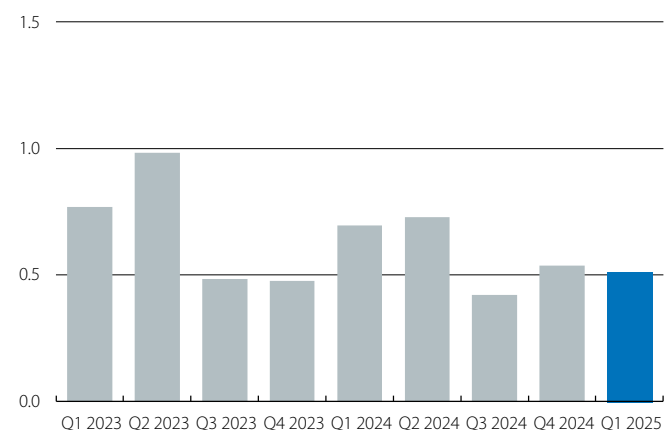
### Spain: PMI



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

### Spain: registered workers affiliated with Social Security

Quarter-on-quarter change (%)



Note: Seasonally adjusted series of affiliates not on furlough (ERTE).

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

This is in line with the usual increase for this month of the year, but is slightly below the growth recorded in March 2024 (0.9%), given that last year Easter fell in March. In Q1 as a whole, the growth rate in the number of affiliates accelerated by 0.1 pp compared to the previous quarter, with an increase of 0.6% quarter-on-quarter after correcting for seasonality.

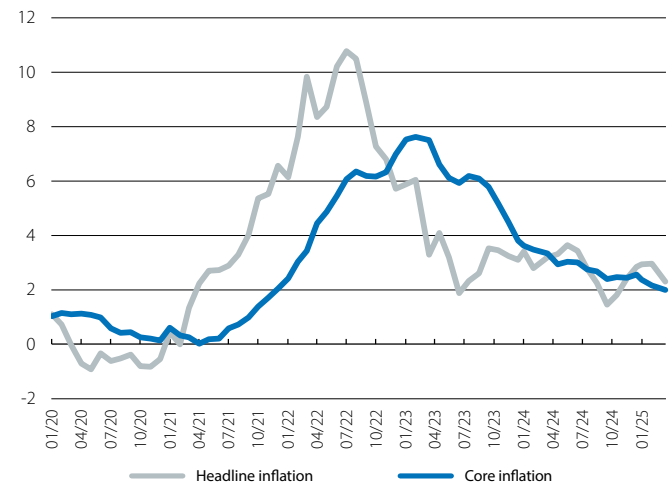
**Significant reduction in inflation in March.** Headline inflation fell by 0.7 pps in March to 2.3% and core inflation by 0.2 pps to 2.0%. This decline in headline inflation is largely a response to the drop in electricity prices. On the other hand, core inflation is following a pattern of sustained reduction, having fallen 0.6 pps in just three months, although this month's figure could be influenced by a calendar effect. Last year Easter fell in March, and this entailed an increase in the price of tourism services which has not materialised this month. The sharp price correction of the main energy commodities in March, coupled with the lower oil prices anticipated by the futures markets, suggests that energy prices should contribute to a moderation in inflation over the coming months.

**The budget deficit fell to 3.2% of GDP in 2024** and stood just below 50.2 billion euros; this is equivalent to 3.15% of GDP and represents a reduction of almost 2.5 billion compared to 2023. Without counting the exceptional expenditure linked to the floods in Valencia, which was 5.59 billion euros, the deficit stood at 2.8% of GDP, 0.2 pps below the 3.0% target set by the government and the European Commission. Government revenues increased by 7.1%, driven by dynamic economic activity and still relatively high inflation, while spending grew by 6.2%, mainly due to increases in pension spending and public sector wages. 2024 closed with a considerable fiscal adjustment of 0.7 pps, if we exclude the exceptional expenditure due to the flooding.

**The foreign debtor position continues to decline thanks to the strength of the foreign sector.** The current account balance closed 2024 with a surplus of 3.0% of GDP, up from the 2.7% of the previous year and very close to the historical peak of 3.1% reached in 2016. Both the balance of trade in goods and that of services contributed to the improvement in the current account balance: the deficit in the case of goods fell 0.3 pps to 2.0% pps of GDP, thanks to the energy component as a result of cheaper imports, while the surplus in services grew 0.1 pp, to 6.3%, thanks to the boost from tourism. In contrast, the deficit in the income balance remained stable at 1.3%. The healthy state of the current account, in conjunction with the surplus in the capital account, has further reduced the deficit in the net international investment position – the difference between the value of our assets abroad and that of foreigners' assets in this country – a dynamic which is discussed in more detail in the Focus [«The high lending capacity continues to help reduce Spain's foreign debt»](#) in this same *Monthly Report*. Specifically, the NIIP closed 2024 with a debit balance of 44% of GDP, 7.3 pps less than in 2023 and a level not seen since 2002.

### Spain: CPI

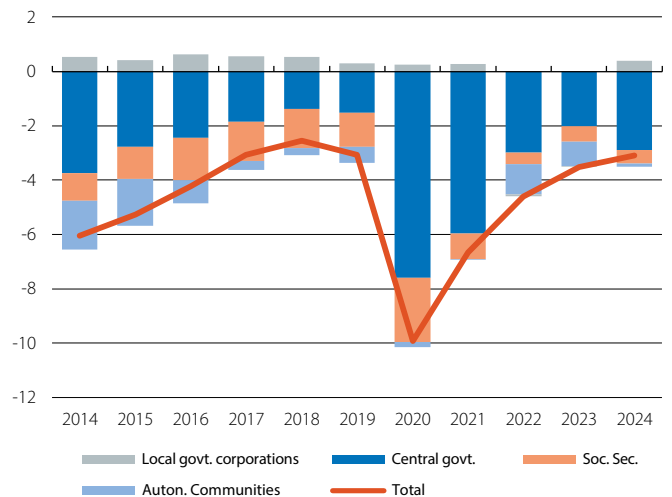
Year-on-year change (%)



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

### Spain: general government balance

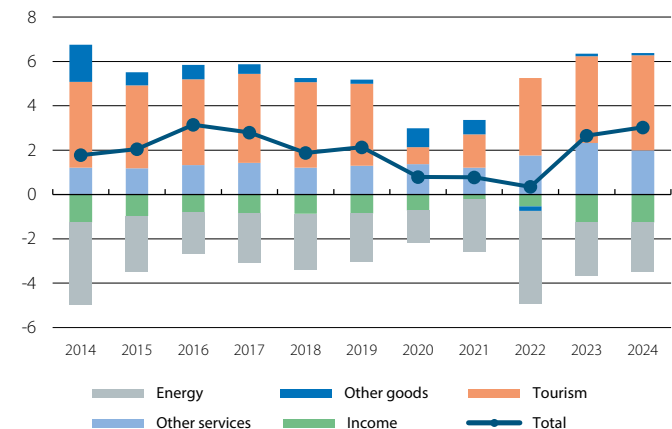
(% of GDP)



Source: CaixaBank Research, based on data from the Ministry of Finance.

### Spain: current account balance

(% of GDP)



Note: Data on the trade in energy goods according to the classification of usage groups.

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

## Monitoring consumption in over 200 Spanish towns and cities in real time

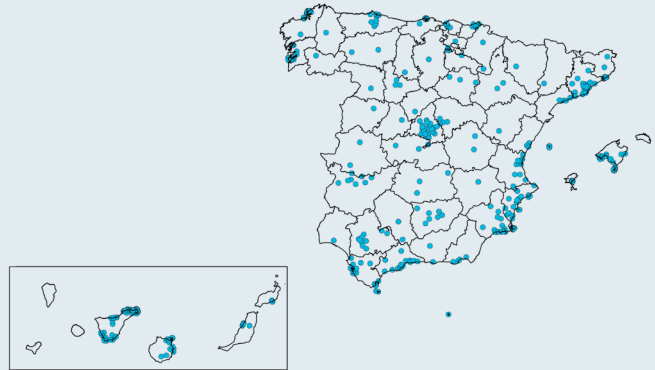
Big data allows us to track developments in the economy at a level of detail and with an immediacy until recently unimaginable. An example of this is the [CaixaBank Research Real-Time Economics portal](#), a pioneering tool for monitoring the Spanish economy using internal CaixaBank data, aggregated and duly anonymised.<sup>1</sup> Consumption is one of the areas analysed on the basis of payments and cash withdrawals carried out with bank cards.<sup>2</sup> Until now, data on consumption trends were available at an aggregate level for Spain as a whole and for all autonomous community regions.

Now we have added to the portal data on consumption in each of Spain's municipalities with over 35,000 inhabitants. In total, we track 207 municipalities, including all provincial capitals. Many of these cities are economic entities of considerable size, but there is often limited economic information about them, especially information with low latency that allows for near real-time monitoring.<sup>3</sup> This new tool offers an indicator of spending in the municipality which reflects the local economic reality on the basis of high-quality data.

Consumption is identified based on in-person card spending and cash withdrawals carried out in each of these 207 Spanish towns and cities (see first chart). Thus, we include card spending and cash withdrawals carried out by both Spaniards and foreigners in order to take the pulse of consumption in a given municipality.<sup>4</sup> Each month, and within just a few days following the end of the month, we will publish how in-person consumption is evolving in each municipality.

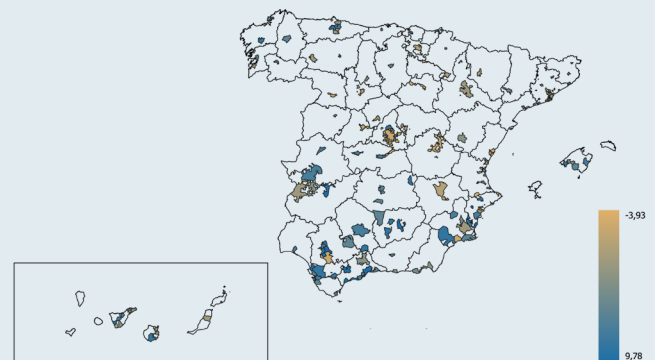
Consumption in Spain increased 3.4% year-on-year in Q1 2025,<sup>5</sup> slightly short of the 4.0% recorded in the previous

### Spain: towns and cities available for monitoring consumption on the Real-Time Economics portal



Source: CaixaBank Research, based on internal data (Real-Time Economics portal, <https://realtimeeconomics.caixabankresearch.com/#/home?lang=ENG>).

### Spain: consumption growth in Spain's main towns and cities in 2024



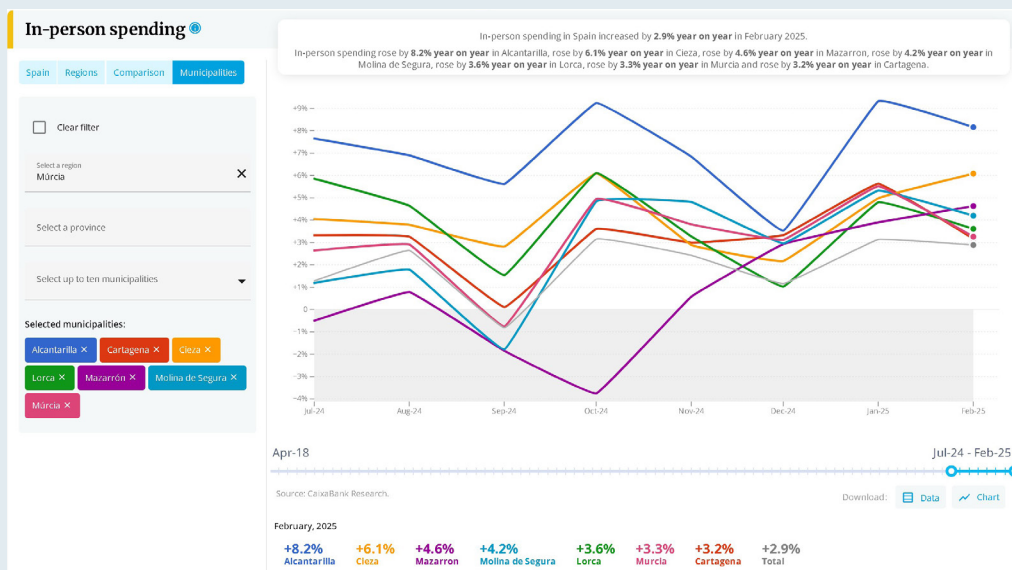
Note: Consumption growth corresponds to the average monthly growth in 2024 measured using in-person card spending and cash withdrawals carried out by card in each municipality.  
Source: CaixaBank Research, based on internal data (Real-Time Economics portal, <https://realtimeeconomics.caixabankresearch.com/#/home?lang=ENG>).

1. See the Focuses «[Real-time economics: the new portal by CaixaBank Research](#)» in the MR11/2022 and «[What big data reveals about consumption in Spain](#)» in the MR07/2024, for further details.
2. The available indicators are grouped into five areas: consumption, housing, tourism, wages and inequality. See the methodological document for further details on how the indicators are built and validated: [https://www.caixabankresearch.com/es/nota-metodologica\\_rte](https://www.caixabankresearch.com/es/nota-metodologica_rte).
3. An exception is the data on social security affiliation and registered unemployment at the municipal level, which are published monthly by the Social Security Institute and the State Employment Service (SEPE), respectively.
4. More specifically, we include in-person spending and cash withdrawals carried out in the municipality, either with cards issued by CaixaBank or, in the case of foreigners, transactions recorded on CaixaBank POS terminals and at CaixaBank ATMs. The location of the spending in a particular municipality is determined based on the location of the POS terminal or, when this is not available, based on the location of the establishment where the card transaction took place.
5. Data up until 21 March. For more information, see the [Consumption Tracker | CaixaBank Research](#).

quarter but still a relatively high growth rate.<sup>6</sup> In particular, the growth of in-person consumption in the form of card payments and cash withdrawals, which we also monitor at the municipal level, remained at 1.9%, similar to that recorded in the previous quarter.

The map of consumption growth in the various municipalities included on the portal reveals the wide range of situations that cannot be appreciated with consumption data at the national level alone. As we

6. This figure is slightly lower than that published by the National Statistics Institute for the nominal consumption series (+4.3% year-on-year in Q4 2024, with data unadjusted for seasonal or calendar effects). The two series differ in several respects. For example, our tracker only includes data on payments and cash withdrawals carried out by card, as well as direct debit payments, so it excludes the consumption of goods produced off-market, among others.



can see in the second map, consumption in 2024 grew at a faster rate in the southern half of the peninsula and in the Balearic and Canary Islands, often in towns and cities that are popular with tourists. Several cities in northern Spain also recorded significant consumption growth, including Santiago de Compostela. In this city, spending rose by 4.5% in 2024, perhaps a prelude to a good jubilee year for consumption in the Galician capital.

In fact, territorial differences do not only occur between different provinces, but also within provinces themselves. For example, in Barcelona we find both Ripollet, one of the 10 cities that grew the most in terms of consumption in 2024, and Gavà, which recorded the second biggest decrease. On the other hand, the classic rivalry between municipalities in the province ended with a tight victory for Sabadell, where consumption grew by 2.8% in 2024, beating its arch-rival Terrassa by 1 pp (1.8%).

Among the towns and cities where consumption grew the most last year, we find renowned tourist destinations, such as Estepona and Benidorm. So far this year, both locations have maintained a similar rate of growth and are still among the top 10 municipalities. At the other end of the spectrum, the municipality with over 35,000 inhabitants which recorded the worst change in consumption in 2024 was Paterna, with a decrease of 3.9%.

Although there may be a degree of variability from month to month due to the nature of the data, these indicators allow us to compare the different trends within a given territory. For instance, if we focus on the towns and cities in the Murcia region (see third chart), we can see how consumption growth in Alcantarilla is outpacing that of the other municipalities. On the other hand, we can also see the weakness of consumption

### Spain: ranking of the 10 towns and cities in Spain which recorded the biggest increase (or decrease) in consumption in 2024

Biggest increase in consumption (%)		Biggest decrease in consumption (%)	
1 Estepona	9.8	1 Paterna	-3.9
2 Torremolinos	8.5	2 Gavà	-2.0
3 Benidorm	7.9	3 Azuqueca de Henares	-1.2
4 Irún	7.0	4 Burriana	-1.2
5 Málaga	6.8	5 Soria	-1.1
6 Pozuelo de Alarcón	6.5	6 Castellón de la Plana	-1.0
7 Alcantarilla	6.1	7 Arganda del Rey	-1.0
8 Ripollet	5.9	8 Ontinyent	-0.8
9 Adeje	5.9	9 Zamora	-0.7
10 Elda	5.8	10 Collado Villalba	-0.5

Source: CaixaBank Research, based on internal data (Real-Time Economics portal, <https://realtimeeconomics.caixabankresearch.com/#/home?lang=ENG>).

in Mazarrón during the second half of 2024, as well as its rapid recovery since then.

At CaixaBank Research, we believe in the importance of providing high-quality economic information that is accessible to all. That is why we offer accurate and useful indicators that reflect the local and national economic reality on our Real-Time Economics portal.

*Josep Mestres Domènech and Zoel Martín Vilató*

## Increase in Spanish household savings in 2024

The household savings rate has increased in 2024, favoured by the sharp rise in disposable income. Specifically, the savings rate rose to 13.6% of gross disposable income (GDI), up from the 12.0% recorded in 2023 and the historical average of 8.6% between 2000 and 2019 (see first chart). This amounts to 139.9 billion euros of gross savings, 26 billion more than in 2022 and 86 billion more than the average for the period 2015-2019. If we look at savings per household, the figure has gone from 5,800 euros per household in 2023 to more than 7,000 in 2024.

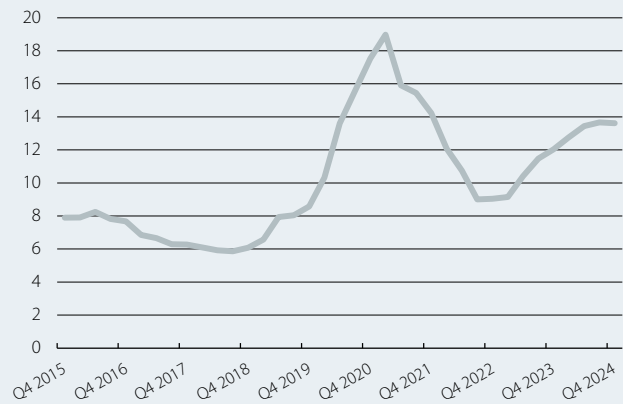
What is behind these figures? The increase in the savings rate has been driven by nominal GDI growth of 8.7% year-on-year. This is a dynamic growth rate, albeit slightly below that of 2023 (10.7%), and it is much higher than that recorded by household final consumption expenditure, which rose by 7.1% (see second chart). But what economic factors underlie these trends? The buoyancy of GDI has been due to a significant increase in wage-earners' remuneration (7.7%), reflecting the intense job creation that took place in 2024 (resulting in an increase in the number of wage earners) as well as the strength of wages themselves, as indicated by the 4.7% rise in the remuneration per worker. Other factors that have also contributed to the rise in incomes include social benefits received, which increased by 5.9% year-on-year as a result of the growth in the number of pensioners and the pension rise of 3.8%, self-employment income and net property income, thanks to an increase in the collection of dividends and other investment income in an environment of high interest rates that stimulate savers. All this has more than offset the increase in the negative contribution of direct taxes and social security contributions paid (see third chart). Finally, for the year as a whole, net interest payments (14.45 billion)<sup>1</sup> fell by 9% year-on-year and the debt burden represented 1.4% of GDI, versus 1.7% in 2023.

The increase in GDI clearly outpaced both average annual inflation (2.8%) and the growth in the number of households (0.7% according to the LFS) in 2024, enabling a recovery of purchasing power. Thus, in 2024 real GDI per household stood 4.1% above pre-pandemic levels, after having recovered that level in 2023, as shown in the fourth chart.

1. Before financial brokerage services (SIFMI).

### Spain: household savings rate

(% of gross disposable income)

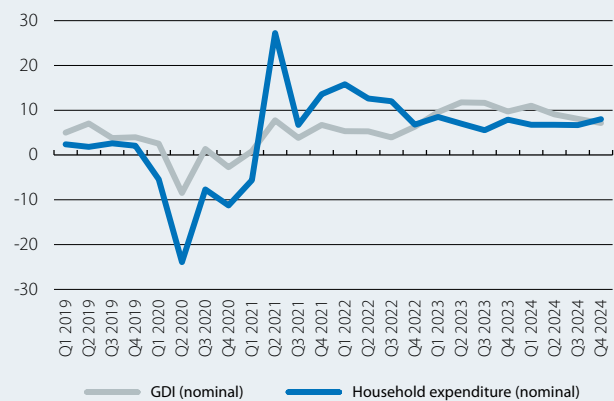


Note: Four-quarter cumulative data.

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

### Spain: household gross disposable income and final consumption expenditure

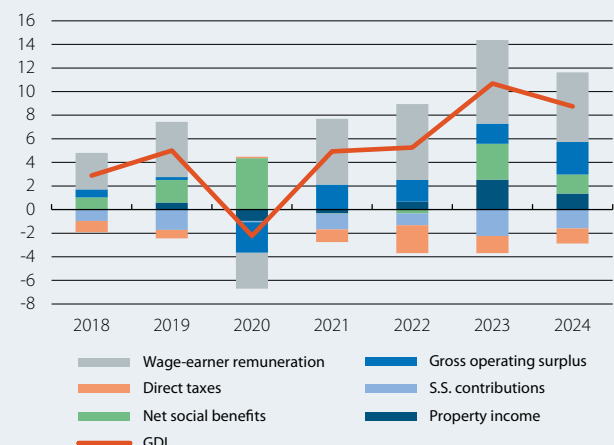
Year-on-year change (%)



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

### Spain: household gross disposable income

Annual change (%) and contributions



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

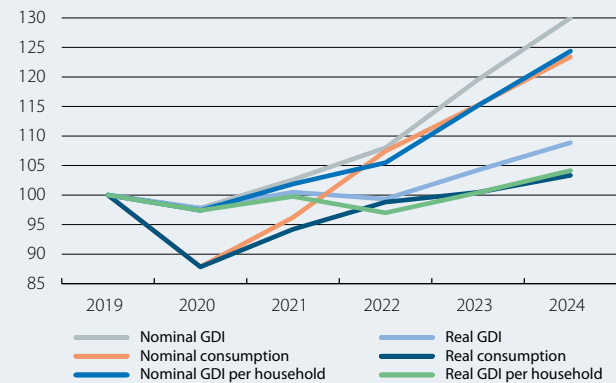
For this year, GDI growth is expected to remain dynamic thanks to the strength shown by the labour market. In fact, the final GDI figure for 2024 coupled with the good labour market data for Q1 2025 suggest that the growth of GDI could slightly exceed 5.0% this year. Such a growth rate is consistent with the good outlook in the labour market and the anticipated increase in pension spending, which AIReF estimates will reach 5.0% (2.8% due to pension rises plus 2 points driven by the replacement effect/new entries). Thus, if household spending registers a growth rate of around 6% – slightly lower than in 2024 in nominal terms due to the lower inflation – then the savings rate would be reduced by half a point this year to 13%. After the savings rate increased in 2024 with the rise in interest rates, in a context of falling rates it would be logical to see a decline in the savings rate. Other factors besides rates, such as uncertainty and differences between age brackets and income percentiles, help explain these high aggregate savings rates. According to a previous analysis by CaixaBank Research,<sup>2</sup> households of retirement age and those with higher incomes are the ones that have experienced the biggest increase in savings relative to the pre-pandemic period.

In Q4 2024, for the first time since Q4 2022, nominal GDI growth was lower than that of final consumption expenditure, indicating that in 2025 the savings rate is likely to decline. In Q4 (for the quarter only), nominal GDI grew by 7.2% year-on-year (8.1% in Q3), while final consumption expenditure grew by 8.0% (6.7% in Q3), reflecting the greater dynamism of private consumption in real terms. In order for these dynamics to consolidate this year, it is important that uncertainty, which has spiked as a result of the trade tensions, returns to more moderate levels.

Finally, households' lending capacity surged in 2024, going from 44.6 billion euros in 2023 to 74.4 billion euros in 2024. The reasons behind this increase include the higher savings (increase in gross savings from 26 billion to 139.9 billion) and the smaller relative increase in investment by households: gross fixed capital formation, which includes real estate purchases (new construction) and investment in physical assets by self-employed workers, stood at 70.7 billion euros in 2024, 6 billion more than in 2023. However, according to these statistics, investment is beginning to pick up following the revival of the housing supply: its growth stood at 9.5% year-on-year in 2024 after stagnating in

### Spain: household gross disposable income and consumption

Index (100 = 2019)

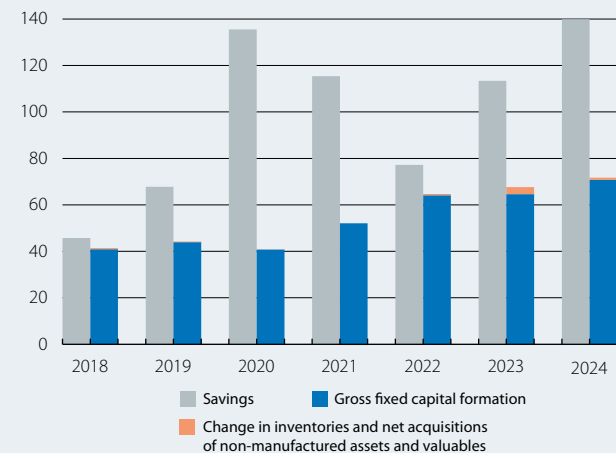


Note: Seasonally-adjusted data.

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

### Spain: household savings and investment

(EUR billions)



Note: Investment is the sum of gross fixed capital formation (acquisition of new housing and investment by self-employed workers in machinery and vehicles) plus the change in inventories, the net acquisition of valuable assets and the net acquisition of non-manufactured assets.

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

2023. In short, the strength of the labour market paved the way for a significant increase in household GDI in 2024. This increase, together with a more moderate pattern in spending despite its gradual revival, enabled significant growth in household savings.

Javier Garcia-Arenas

2. See the Focus «The rise in savings: magnitude, distribution and the importance of demographics» in the MR01/2025.

## The high lending capacity continues to help reduce Spain's foreign debt

The Spanish economy continues to reduce its foreign indebtedness – one of its main macroeconomic imbalances and a source of vulnerability in the event of potential shocks in the financial markets. This reduction is contributing to the lending capacity which the economy has been continuously generating for the past 13 years and which in 2024 reached a new all-time high (4.2% of GDP vs. 3.7% in the previous year). By economic agent, this high lending capacity was derived mainly from the non-financial private sector, including both corporations (0.9% of GDP) and, above all, households (4.7%): in the case of the former, the figure is much lower than in 2023 (2.0%) and also compared to the pre-pandemic average (3.2% in the period 2014-2019); in contrast, households showed an improvement relative to the 3.0% recorded in 2023 and to the 1.2% average of 2014-2019.<sup>1</sup>

As a result, in 2024, the net international investment position (NIIP), which measures the balance of financial assets and liabilities vis-à-vis the rest of the world, showed a debit (negative) balance equivalent to 44.0% of GDP; this represents a significant reduction compared to the previous year (51.3%) and is the lowest figure since 2001. Despite the significant reduction in recent years (–53.2 points since the 2009 peak), it remains above the alert threshold set by the European Commission (35.0%) in the Macroeconomic Imbalance Procedure (MIP)<sup>2</sup> (see third chart).

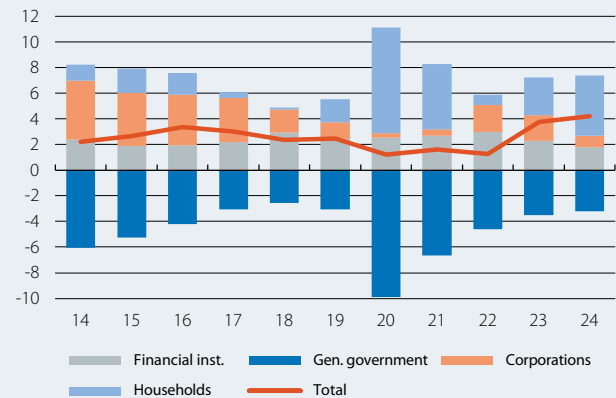
Excluding the Bank of Spain, in 2024 the debit balance of the NIIP resumed the downward path that had been interrupted in the previous year and fell by 109.7 billion euros, bringing it to 530.4 billion: we need to go back to 2012 to find a bigger decrease. This improvement came from both a positive net change in value due to exchange rate fluctuations (the effect of the depreciation of the euro was somewhat more intense on the assets than on the liabilities) and price fluctuations (given their higher volume, the price reduction had a greater impact on the liabilities), and above all due to net financial transactions

1. The lending capacity reflects the positive difference between savings and investment. In the case of households, the improvement in recent years is due to the significant increase in savings, plus net capital transfers, of 4.4 points of GDP relative to the 2014-2019 average. This is more than enough to fund investment, which has also grown, but by somewhat less (1.6 points). In the case of corporations, besides the weakness of investment (which has lost 1.6 points of GDP) there has also been a significant decline in savings (–3.6 points).

2. A supervisory mechanism intended to prevent and correct potentially dangerous macroeconomic imbalances that could adversely affect economic stability in EU countries.

### Spain: lending capacity/funding needs by economic agent

(% of GDP)

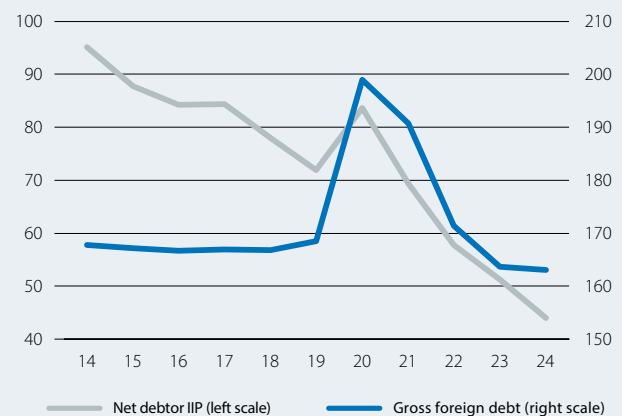


Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE, non-financial accounts).

### Spain: debtor NIIP and gross foreign debt

(% of GDP)

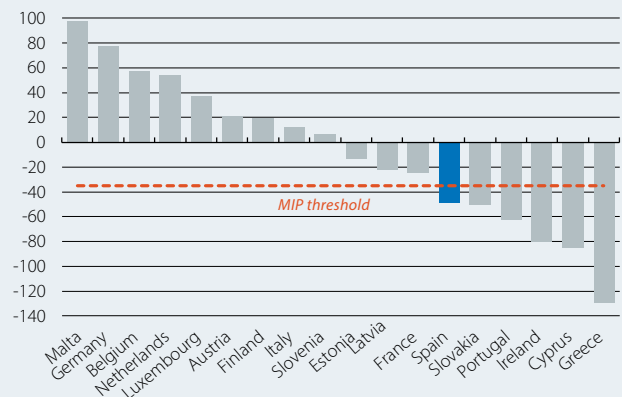
(% of GDP)



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

### Euro area: NIIP

(% of GDP)



Note: Data for Q3 2024.

Source: CaixaBank Research, based on data from Eurostat.

with other countries (the positive net transactions in the assets exceeded those in the liabilities, as shown in the fourth chart).

By financial instrument, all categories improved their balance in 2024, especially other investment;<sup>3</sup> this category went from -2.8% to 3.8% of GDP, marking its highest level since 1995, mainly thanks to foreign financial transactions (in addition to an increase in assets, there was a sharp drop in liabilities.) On the other hand, the debit balances reduced slightly, both in the case of direct investment<sup>4</sup> (-14.6% vs. -15.6% of GDP) and for portfolio investment (-22.7% vs. -24.3% of GDP); in both cases this was thanks to positive transactions (the assets grew more than the liabilities), which more than offset the negative impact of prices.

By sector, last year only the general government sector registered a deterioration in its NIIP, which went from -38.1% to -40.2% of GDP, its worst figure since 2021. In contrast, significant improvements were recorded both in the Other Domestic Sectors category («OSR» in Spanish)<sup>5</sup> and, most notably, in Monetary Financial Institutions excluding the Bank of Spain («OIFM»):<sup>6</sup> in both cases, they went from a debtor balance to a creditor balance, reaching 2.5% and 4.3% of GDP, respectively (versus -1.8% and -2.8% the previous year), and marking the highest figures in the series. In the case of Other Domestic Sectors, this is also the first time this has happened: households and corporations have switched to having a net creditor position vis-à-vis the rest of the world. In other words, they have more assets than liabilities. This is the result, above all, of the savings generated by the non-financial private sector in recent years, which has been used, on the one hand, to reduce the level of debt (deleveraging) and, on the other hand, to acquire assets abroad (investment). The downside to this phenomenon is that this investment is not carried out in Spain, meaning that the positive effect it would have on economic activity, employment, innovation, productivity and business confidence is lost.

Sergio Díaz Valverde

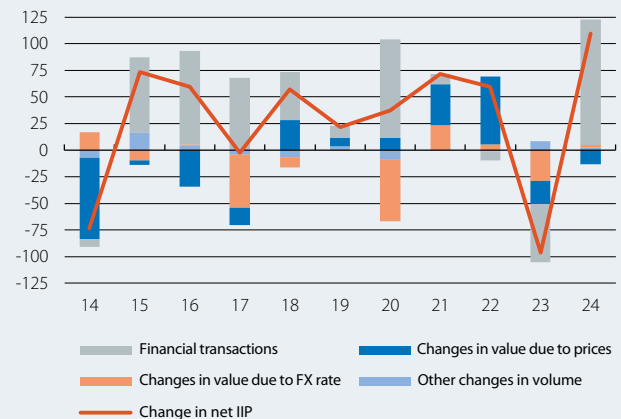
3. Mainly loans, repos and deposits.

4. Shares and other forms of equity, reinvested profits, investments in real estate and financing between related companies.

5. Households, corporations and non-monetary financial institutions (non-MFIs), including insurance firms and pension funds, among others.

6. Credit institutions, money market funds, electronic money institutions and financial credit establishments.

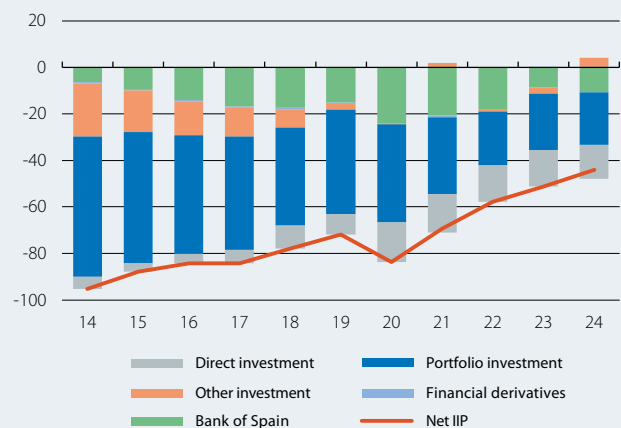
**Spain: change in NIIP by component \***  
(EUR billions)



Note: \* Excluding the Bank of Spain.

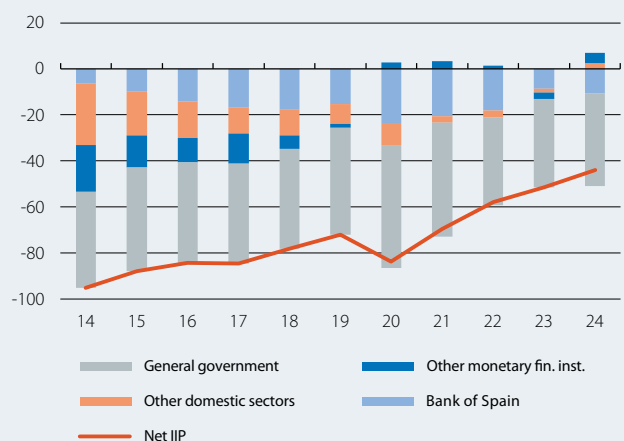
Source: CaixaBank Research, based on data from the Bank of Spain.

**Spain: NIIP by financial instrument**  
(% of GDP)



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

**Spain: NIIP by institutional sector**  
(% of GDP)



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

## The diversification of Spain's export destinations

In 2024, Spain defied the European trend by registering GDP growth of 3.2%, in contrast to the 0.7% recorded in the euro area as a whole. Spain's foreign sector, although closely linked to the economies of the EU, played a key role in this growth, driven in particular by international trade in services, which contributed to a significant current account surplus.<sup>1</sup> Exports of goods, on the other hand, showed a weaker performance and grew by just 0.1%,<sup>2</sup> affected by weak demand from the main European economies. However, it is noteworthy that exports of goods managed to stay afloat while sales to the EU fell by 0.9%.<sup>3</sup> Considering the euro area alone, the decline stood at -1.5%. This was made possible by the growth of exports to other, non-EU destinations, reflecting the economy's valuable ability to access a range of customers when difficulties arise in certain markets.

Exports of goods to our two main trading partners, France and Germany, registered significant declines of 4% and 1.1%, respectively, and affected durable consumer goods and vehicles in particular. Belgium represents just 3% of our exports,<sup>4</sup> yet it was the country that contributed the most to the decline (-0.7 pps), with a contraction of 18.1% that was led by semi-manufactured and capital goods in particular.

Conversely, exports to destinations with looser trade relations, such as Eastern European countries (Poland, Romania, the Czech Republic, Hungary, etc.), experienced growth driven by manufactured consumer goods and vehicles. Positive contributions also came from Portugal, Italy and, topping the list, Ireland (+0.3 pps).

Spain reduced its exports to the EU, but also those going to the US, so it had to seek out opportunities in new markets in order to diversify and strengthen its trade relations. Of particular note are the increases in trade with ASEAN countries (13.9%), Latin America and the Caribbean islands (+5.8%)<sup>5</sup> and Oceania (+15.1%). In the case of Africa, the third most important region for Spanish exports, Spain intensified its exports, especially those destined for Morocco (4.7%) and Algeria.

1. For an analysis of the foreign sector in 2024, see the Focus «[Excellent records in the foreign sector in 2024](#)» in the MR03/2025. And for an analysis of the weakness in the euro area, see the Brief Note «[La economía vuelve a decepcionar en el cierre de año](#)» published in January 2025 (content available in Spanish).

2. According to data from the Customs Department.

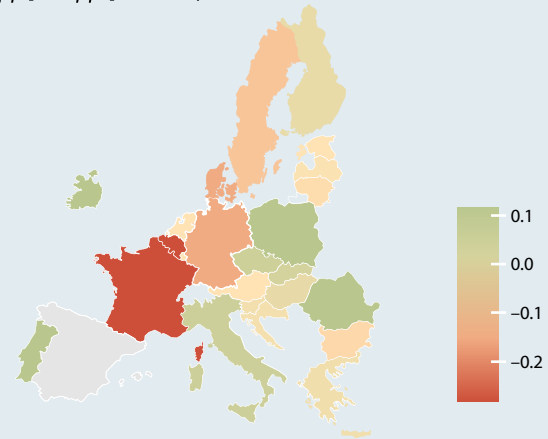
3. Transactions classified as «intra-community provisioning» and «deep-sea fishing in another EU state» are excluded throughout the article.

4. For comparison, France, Morocco and the US account for 15%, 3.3% and 4.7%, respectively, of total exports.

5. Latin America excluding the countries included in Mercosur and Mexico.

### Contribution to the growth of Spanish exports in 2024

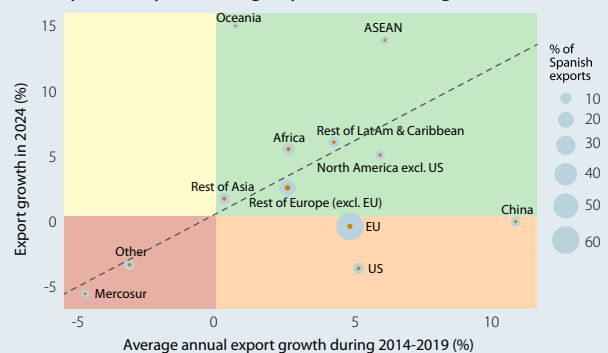
(pps, the colours at each extreme refer to a growth [or fall] of 0.1 pp [-0.3 pps] or more)



Source: CaixaBank Research, based on data from Datacomex.

### Evolution of Spanish exports

(% of year-on-year change by destination region)



**Note:** The ASEAN countries comprise: Indonesia, the Philippines, Malaysia, Singapore, Thailand, Vietnam, Brunei Darussalam, Cambodia, Laos and Myanmar; MERCOSUR 5 includes Argentina, Bolivia, Brazil, Paraguay and Uruguay, but excludes Venezuela; North America excluding the USA includes Mexico, Canada and Greenland; Rest of Asia includes the continent's non-ASEAN countries besides China; Rest of LatAm and the Caribbean includes Latin American and Caribbean Island countries not included in MERCOSUR or North America excluding the US; Other encompasses inter-EU and non-EU provisions and deep-sea fishing in other EU states among others of the same nature.













Source: CaixaBank Research, based on data from Datacomex.

### The 10 countries that contributed the most to the growth of Spanish exports in 2024

Country	Contribution (pps)	Growth (%)
United Kingdom	0.30	5.2
Ireland	0.26	34.5
Morocco	0.15	4.7
Portugal	0.14	1.7
Poland	0.14	5.7
Romania	0.14	17.6
United Arab Emirates	0.13	27.0
Algeria	0.12	141.7
Mexico	0.11	7.6
Australia	0.09	18.1

Source: CaixaBank Research, based on data from Datacomex.

**Spain: structure of Spanish exports by destination region**

	% of Spanish exports by destination		Change (pps)	Most popular sub-sector in the region	Second most popular sub-sector in the region
	2023	2024			
EU	61.1	60.5	 -0.6	Chemicals	Cars & motorcycles
Rest of Europe (excl. EU)	11.7	11.9	 0.2	Cars & motorcycles	Chemicals
US	4.9	4.7	 -0.2	Chemicals	Equipment
North America (excl. US)	2.1	2.1	 0.1	Chemicals	Other equipment
Mercosur 5	1.3	1.2	 -0.1	Chemicals	Equipment
Rest of LatAm & Caribbean	2.5	2.6	 0.1	Chemicals	Mach. specific to certain industries
Africa	5.2	5.5	 0.3	Oil & derivative prod.	Chemicals
ASEAN	1.1	1.2	 0.1	Chemicals	Transport equipment
Rest of Asia	4.6	4.7	 0.1	Chemicals	Other equipment
China	2.0	1.9	 0.0	Chemicals	Ores & minerals
Oceania	0.6	0.6	 0.1	Chemicals	Other equipment
Other	3.0	2.9	 -0.1	Oil & derivative prod.	Other goods

Source: CaixaBank Research, based on data from Datacomex.

The growth of exports to these markets has acted as a buffer amid the weakness of Spain's European partners. The export sector has shown a valuable ability to diversify its destination markets in a context of weak demand from its main trading partners.

If we compare the distribution of Spanish exports by destination over time, we see significant changes in 2024. The proportion of exports destined for the EU has fallen by 0.6 pps from 61.1% to 60.5%, and those for the US by -0.2 pps, going from 4.9% to 4.7%. Exports to China have remained relatively stable, while the relative weight of Africa, non-EU European countries, Asia, Latin America and the Caribbean islands has increased.

Another aspect that reflects the expansion of the export base is the increase in the number of companies that export regularly (those that have exported more than 1,000 euros in the year in question and in each of the three immediately preceding years), which in 2024 grew by 4.8%, to 45,931 exporters. These firms were

responsible for exports valued at 368.65 billion euros, which is 95.9% of the total and 3% more than the previous year.

It remains to be seen whether these latest changes in trade relations will be accentuated in the coming years, in an attempt to diversify destinations given the recently unleashed trade tensions, or whether Spanish exports will seek shelter in their main trading partner. Exports to the US could continue to see their relative weight decline, while exports to the EU – if the bloc's recently improved outlook can be consolidated – could make up for some of the lost ground. Should European demand remain sluggish, then the search for new markets could be consolidated as a structural adjustment. However, proximity, historical ties and regulatory and logistical barriers make a rapid shift in orientation a difficult task, which is why we are more likely to see a gradual process conditioned by the evolution of the continent's economic fortunes.

Anna Bahí Esteba

**Activity and employment indicators**

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

	2023	2024	Q1 2024	Q2 2024	Q3 2024	Q4 2024	01/25	02/25	03/25
<b>Industry</b>									
Industrial production index	-1.6	0.4	0.7	0.0	-0.2	1.2	-1.0	...	...
Indicator of confidence in industry (value)	-6.5	-4.9	-5.1	-5.5	-2.9	-6.0	-4.4	-6.3	-5.6
Manufacturing PMI (value)	48.0	52.2	50.7	52.8	51.5	53.6	50.9	49.7	49.5
<b>Construction</b>									
Building permits (cumulative over 12 months)	0.5	16.7	2.0	4.6	10.2	16.7	13.7	...	...
House sales (cumulative over 12 months)	-10.2	10.0	-10.9	-10.0	-1.1	10.0	11.2	...	...
House prices	4.0	8.4	6.3	7.8	8.2	11.3	...	...	...
<b>Services</b>									
Foreign tourists (cumulative over 12 months)	18.9	10.1	15.8	14.3	12.3	10.1	9.7	7.7	...
Services PMI (value)	53.6	55.3	54.3	56.6	55.2	55.1	54.9	56.2	54.7
<b>Consumption</b>									
Retail sales <sup>1</sup>	2.5	1.8	1.2	0.5	2.6	2.8	2.3	3.6	...
Car registrations	16.7	7.2	3.2	8.5	1.7	14.4	5.3	10.5	23.2
Consumer confidence index (value)	-19.2	...	-17.2	-14.5	-13.7	...	...	...	...
<b>Labour market</b>									
Employment <sup>2</sup>	3.1	2.2	3.0	2.0	1.8	2.2	...	...	...
Unemployment rate (% labour force)	12.2	11.3	12.3	11.3	11.2	10.6	...	...	...
Registered as employed with Social Security <sup>3</sup>	2.7	2.4	2.6	2.4	2.3	2.4	2.4	2.4	2.2
<b>GDP</b>	<b>2.7</b>	<b>3.2</b>	<b>2.6</b>	<b>3.2</b>	<b>3.3</b>	<b>3.4</b>	...	...	...

**Prices**

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

	2023	2024	Q1 2024	Q2 2024	Q3 2024	Q4 2024	01/25	02/25	03/25
General	3.5	2.8	3.1	3.5	2.2	2.4	2.9	3.0	2.3
Core	6.0	2.9	3.5	3.0	2.6	2.5	2.4	2.2	2.0

**Foreign sector**

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

	2023	2024	Q1 2024	Q2 2024	Q3 2024	Q4 2024	01/25	02/25	03/25
<b>Trade of goods</b>									
Exports (year-on-year change, cumulative over 12 months)	-1.4	0.2	-6.9	-4.9	-1.8	0.2	0.3	...	...
Imports (year-on-year change, cumulative over 12 months)	-7.2	0.1	-9.8	-7.1	-3.1	0.1	0.8	...	...
<b>Current balance</b>	<b>39.8</b>	<b>48.1</b>	<b>41.3</b>	<b>45.1</b>	<b>48.3</b>	<b>48.1</b>	<b>45.3</b>	...	...
Goods and services	58.8	68.1	60.4	65.2	68.3	68.1	66.0	...	...
Primary and secondary income	-19.1	-20.0	-19.1	-20.2	-20.0	-20.0	-20.7	...	...
<b>Net lending (+) / borrowing (-) capacity</b>	<b>56.0</b>	<b>66.6</b>	<b>56.4</b>	<b>61.2</b>	<b>65.7</b>	<b>66.6</b>	<b>63.7</b>	...	...

**Credit and deposits in non-financial sectors<sup>4</sup>**

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

	2023	2024	Q1 2024	Q2 2024	Q3 2024	Q4 2024	01/25	02/25	03/25
<b>Deposits</b>									
Household and company deposits	0.3	5.1	3.3	5.2	4.3	5.1	5.4	5.3	...
Demand and notice deposits	-7.4	2.0	-5.2	-1.9	-1.6	2.0	3.0	3.6	...
Time and repo deposits	100.5	23.5	96.7	68.0	47.5	23.5	18.7	14.4	...
General government deposits <sup>5</sup>	0.5	23.1	-4.6	-4.1	14.8	23.1	22.7	24.6	...
<b>TOTAL</b>	<b>0.3</b>	<b>6.3</b>	<b>2.7</b>	<b>4.5</b>	<b>5.1</b>	<b>6.3</b>	<b>6.6</b>	<b>6.6</b>	...
<b>Outstanding balance of credit</b>									
Private sector	-3.4	0.7	-2.6	-1.3	-0.3	0.7	1.4	1.5	...
Non-financial firms	-4.7	0.4	-3.6	-1.8	-0.6	0.4	1.5	1.3	...
Households - housing	-3.2	0.3	-2.5	-1.5	-0.7	0.3	0.8	1.1	...
Households - other purposes	-0.5	2.3	-0.1	0.7	1.2	2.3	2.8	3.0	...
General government	-3.5	-2.6	-4.8	-2.7	-5.4	-2.6	-0.8	0.0	...
<b>TOTAL</b>	<b>-3.4</b>	<b>0.5</b>	<b>-2.7</b>	<b>-1.4</b>	<b>-0.7</b>	<b>0.5</b>	<b>1.2</b>	<b>1.4</b>	...
<b>NPL ratio (%)<sup>6</sup></b>	<b>3.5</b>	<b>3.3</b>	<b>3.6</b>	<b>3.4</b>	<b>3.4</b>	<b>3.3</b>	<b>3.3</b>	...	...

**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 kicks off 2025 with a slight loss of traction in economic activity

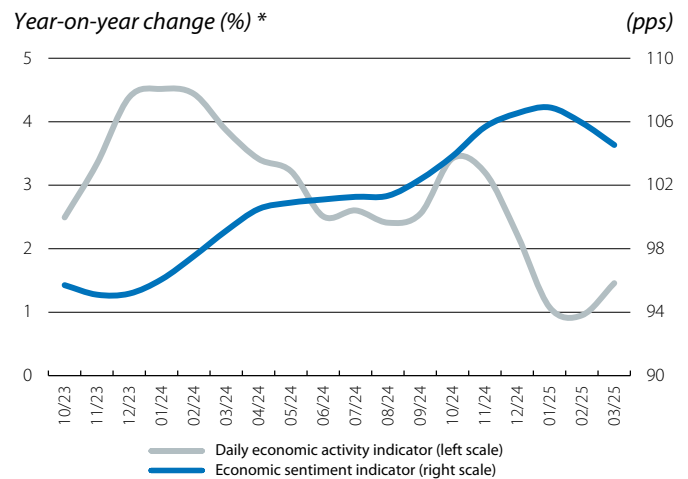
**Economic activity is showing signs of a slowdown.** These signs are reflected in the performance of synthetic indicators, such as the European Commission's economic sentiment indicator (which fell from 106.5 in Q4 2024 to 104.4 in Q1 2025) and the daily economic activity indicator (which slowed from 2.2% year-on-year in Q4 2024 to 1.5% in Q1 2025). In the foreign sector, the January data point to stronger growth in exports of goods, although this could be due to increased activity in anticipation of the tariff hikes. In short, the outlook is encouraging for Q1 2025, although signs of cooling are emerging associated with the increase in risks, both internationally and also domestically, following the political crisis which culminated in the fall of the government and the announcement of early elections scheduled for 18 May.

**Inflation fell below 2% in March for the first time since August 2024.** Moreover, the core CPI had not stood below 2% since December 2021. As for industrial prices (–0.4% year-on-year in February), they continue to support the decline in inflation, while the rise in real wages at the end of last year was considerably more moderate (around 3% year-on-year). The data thus appear to be converging towards a normalisation of prices. Nevertheless, the outlook is still subject to risks, particularly a more aggressive escalation of tariff policies and unpredictable effects on energy prices (associated with the ongoing armed conflicts).

**In 2024, the economy improved its foreign lending capacity to 2.9% of GDP (1.7% in 2023).** Households contributed to this improvement, as their funding capacity increased to 4.7% of GDP, 2.5 pps more than in 2023. This reflects an increase in households savings, thanks to more intense growth in disposable income (10.5%) than in consumption (5.8%). Consequently, the savings rate rose to 12.2%, its highest level since 2004 (excluding the years of the pandemic). Among other agents, the funding capacity deteriorated compared to 2023, particularly in the case of the public sector, which nevertheless still shows a surplus (0.7% of GDP, 0.5 points less), and the financial sector (1.9% of GDP, 0.2 points less). Non-financial corporations saw their funding needs increase to 4.4% of GDP (+0.6 pps compared to 2023) despite sluggish gross capital formation (1.2% year-on-year).

**After another surprising year, budget execution remains favourable.** The budget balance once again exceeded expectations in 2024 and registered a surplus of 0.7% of GDP, surpassing both the government's forecast (0.4%) and that of CaixaBank Research (0.5%). Expenditure growth exceeded that of income, which explains the decrease in the surplus compared to 2023 (1.2% of GDP).

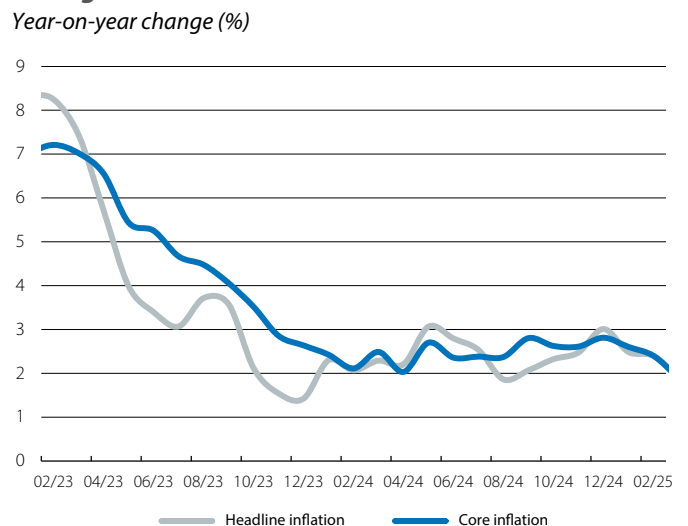
### Portugal: synthetic economic activity and sentiment indicators



Note: \* Three-month moving average.

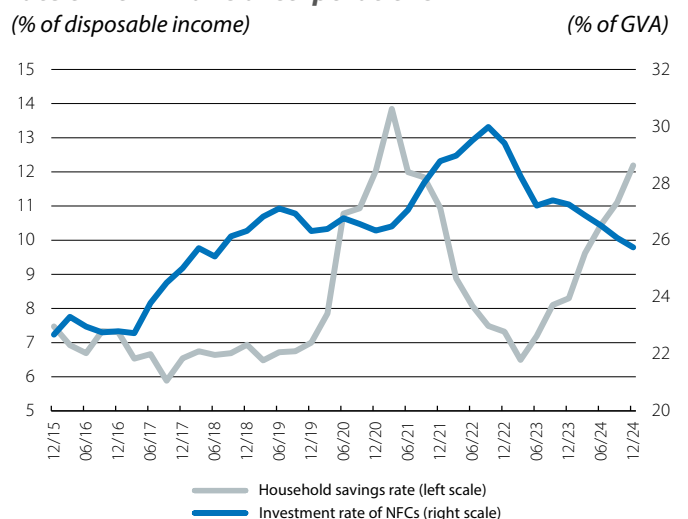
Source: CaixaBank Research, based on data from the Bank of Portugal and the European Commission.

### Portugal: IPC



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

### Portugal: household savings rate and investment rate of non-financial corporations



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

### Activity and employment indicators

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

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	01/25	02/25	03/25
Coincident economic activity index	3.5	1.8	1.7	1.6	1.8	...	1.8	1.8	...
<b>Industry</b>									
Industrial production index	-3.1	0.2	1.4	-0.8	-1.0	...	-3.1	0.9	...
Confidence indicator in industry (value)	-7.4	-6.2	-6.7	-6.2	-3.9	-5.1	-4.7	-5.2	-5.4
<b>Construction</b>									
Building permits - new housing (number of homes)	7.5	4.9	8.4	12.4	20.2	...	...	...	...
House sales	-18.7	14.5	10.4	19.4	32.5	...	-	-	-
House prices (euro / m <sup>2</sup> - valuation)	9.1	8.5	6.8	8.5	13.2	...	14.5	16.0	...
<b>Services</b>									
Foreign tourists (cumulative over 12 months)	19.0	6.3	9.5	7.8	6.3	...	6.4	5.8	...
Confidence indicator in services (value)	7.6	5.5	4.3	-0.4	11.9	15.8	20.2	16.5	10.7
<b>Consumption</b>									
Retail sales	1.1	3.3	2.2	3.9	5.5	...	5.4	3.0	...
Coincident indicator for private consumption	2.9	2.8	2.4	2.8	3.6	...	3.9	4.0	...
Consumer confidence index (value)	-28.6	-18.0	-18.7	-14.3	-14.3	-15.5	-15.1	-15.3	-16.0
<b>Labour market</b>									
Employment	2.3	1.2	1.0	1.2	1.3	...	2.0	2.2	...
Unemployment rate (% labour force)	6.5	6.4	6.1	6.1	6.7	...	6.3	6.4	...
<b>GDP</b>	2.6	1.9	1.5	2.0	2.9	...	-	-	-

### Prices

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

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	01/25	02/25	03/25
General	4.4	2.4	2.7	2.2	2.6	2.3	2.5	2.4	1.9
Core	5.1	2.5	2.4	2.5	2.7	2.3	2.7	2.5	1.9

### Foreign sector

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

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	01/25	02/25	03/25
<b>Trade of goods</b>									
Exports (year-on-year change, cumulative over 12 months)	-1.4	2.5	-3.7	0.7	2.5	...	3.5	...	...
Imports (year-on-year change, cumulative over 12 months)	-4.0	2.1	-5.6	-0.8	2.1	...	3.1	...	...
<b>Current balance</b>	1.5	6.1	4.2	5.2	6.1	...	5.9	...	...
Goods and services	4.0	6.7	5.7	6.1	6.7	...	6.7	...	...
Primary and secondary income	-2.5	-0.5	-1.5	-0.9	-0.5	...	-0.8	...	...
<b>Net lending (+) / borrowing (-) capacity</b>	5.3	9.3	7.9	8.6	9.3	...	8.9	...	...

### Credit and deposits in non-financial sectors

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

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	01/25	02/25	03/25
<b>Deposits<sup>1</sup></b>									
Household and company deposits	-2.3	7.5	5.6	6.0	7.5	...	7.3	7.1	...
Sight and savings	-18.5	-0.3	-8.6	-6.7	-0.3	...	1.9	2.5	...
Term and notice	22.2	15.3	24.0	20.9	15.3	...	12.5	11.4	...
General government deposits	-12.4	26.7	4.5	29.1	26.7	...	27.1	40.6	...
<b>TOTAL</b>	-2.6	7.9	5.6	6.7	7.9	...	7.8	7.9	...
<b>Outstanding balance of credit<sup>1</sup></b>									
Private sector	-1.5	2.1	-0.3	1.0	2.1	...	2.7	3.0	...
Non-financial firms	-2.1	-0.6	-1.8	-0.6	-0.6	...	0.3	0.3	...
Households - housing	-1.4	3.2	0.1	1.4	3.2	...	3.8	4.5	...
Households - other purposes	-0.3	4.7	2.5	4.0	4.7	...	4.6	4.8	...
General government	-5.5	0.6	-5.8	-4.1	0.6	...	-0.3	1.0	...
<b>TOTAL</b>	-1.7	2.0	-0.5	0.9	2.0	...	2.6	2.9	...
<b>NPL ratio (%)<sup>2</sup></b>	2.7	2.4	2.6	2.6	2.4	...	-	-	-

Notes: 1. Residents in Portugal. The credit variables exclude securitisations. 2. Period-end figure.

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

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### Brief Notes on Economic and Financial Developments



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

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

### Currency flash report



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

### Real Estate Sector Report S1 2025



Spain's real estate market accelerated in 2024, supported by the easing of financial conditions and the strong performance of the Spanish economy. In 2025, we predict that demand will remain very strong and, although supply will continue to gradually grow, the deficit of housing accumulated in recent years will sustain significant price growth, at levels similar to the current ones.

### Tourism Sector Report S1 2025



Spain's tourism sector enjoyed rapid growth in 2024 and has support factors to continue expanding in 2025. These include the economic growth of the main source countries and the sector's price competitiveness, as it continues to seek a reduction in its seasonality to avoid congestion during the peak season and increase the utilisation of the installed capacity. The good performance of the tourism sector will be key in ensuring that catering continues to enjoy its current level of buoyancy.

### Sectoral Observatory



In 2024, the Spanish economy has experienced widespread growth across virtually all of its sectors. The outlook for 2025 also looks promising, although there will be differences in growth rates and the transition to a more sustainable production system will need to be tackled head on. The automotive sector will also face the challenge of remaining competitive in the new global ecosystem.

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