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MONTHLY REPORT • ECONOMIC AND FINANCIAL MARKET OUTLOOK
MAY 2025

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BPI

MONTHLY REPORT - ECONOMIC AND FINANCIAL MARKET OUTLOOK

May 2025

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

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Weaker quarter in a volatile context

April was characterised by very high volatility and successive changes in policy and stance between the US and its trading partners, with significant potential impacts on the global economy and financial markets and, consequently, on our scenarios. In Portugal, in addition to the sharp (and very unstable) change in context, we will also have to take into account the unexpected behaviour of activity in the first 3 months of the year, forcing us to revise our expectation of an annual change in GDP, at least in 2025. Although we don't consider this performance to be worrying, it does remind us that, there is still a long way to go in order to have a more resilient economy, despite structural improvements.

GDP recorded a negative performance in the first 3 months of the year. According to INE's preliminary estimate, GDP fell by 0.5% and the year-on-year growth rate fell from 2.8% in Q4 to 1.6%. It's important to emphasise that, despite the negative surprise, we don't consider this to be worrying or a precursor to a more negative trend in activity in Portugal. Indeed, we believe it should be read in conjunction with the strength (also not anticipated or corresponding in the other partial indicators) revealed in Q4 2024 when activity experienced a positive boost of 1.4% quarter-on-quarter, well above the historical average of its behaviour. The factors that were at the root of the trend at the end of last year – a strong increase in private consumption and a fall in imports – and their respective correction (above what was expected) should have justified the contraction in activity in the first few months of the year. But we'll only have confirmation of this reading later, when INE releases the details of the national accounts.

Although we are not laying out any new scenarios, we recognise the strong mechanical impact of this new information, which alone should lead to significant revisions in the behaviour of GDP in 2025 by the various institutions that currently anticipate expansion levels of 2% or more. In addition to this, we have to take into account the many positive and negative factors that arise from the evolution of the international context. Firstly, the impact of the imposition of customs tariffs by the US, which appear to have stabilised at least by the beginning of July, a subject to which we dedicated a more detailed analysis in this same publication. Then there is the uncertainty factor, particularly in terms of economic and trade policies, which has increased significantly, contributing to the postponement of consumption and investment by families and companies alike. Finally, there are the impacts on energy prices (so far favourable for economies that are net importers of fuel) and on other raw materials, on interest rates (also apparently positive as they favour controlling inflation in the euro zone), and on possible changes in the outlook of the main foreign partners. Here, too, there seems to be positive news given the good first quarter in the euro zone and the favourable impulses stemming from a hopefully more accommodating fiscal policy in the EMU countries and the joint effort to invest in defence. Considering all these factors, next month we will present our new scenario in more detail.

It is worth highlighting, in this publication, the inclusion of two additional analyses within the scope of the Portuguese economy. The first is a focus on the tourism sector and the demonstration of evidence that there is indeed some reduction in the levels of seasonality in revenues. Increasing activity in the sector (in terms of arrivals or revenue) in periods traditionally considered low or moderate seasons (in addition to extending the average stay) is one of the strategies for maintaining a sustainable growth trend in this sector without causing demographic pressure in some regions or excessive use of resources. And secondly on the behaviour of the property market in Portugal, showing how the exuberance of prices and volumes transacted has been moving away from the centres of the Lisbon or Porto metropolitan areas.

Paula Carvalho
May 2025

Chronology

APRIL 2025

2 «Liberation Day»: Trump announces a universal 10% tariff and higher «reciprocal» tariffs on 57 countries.
17 The ECB cuts interest rates by 25 bps, leaving the depo rate at 2.25%.
28 Spain and Portugal are affected by a massive blackout, causing severe disruptions in both countries.

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%.

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.

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%.

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.

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%.

Agenda

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).

JUNE 2025

2 Portugal: employment and unemployment (April).
3 Spain: registration with Social Security and registered unemployment (May).
3 Euro area: CPI flash estimate (May).
5-6 Governing Council of the European Central Bank meeting.
17 Spain: quarterly labour cost survey (Q1).
17-18 Federal Open Market Committee meeting.
20 Portugal: industrial production prices (May).
23 Spain: balance of payments and NIIP (Q1).
Portugal: house prices (Q1).
24 Portugal: GDP breakdown (Q1).
25 Spain: quarterly national accounts (Q1).
Spain: loans, deposits and NPL ratio (Q1 and April).
26 Portugal: NPL ratio (Q1).
26-27 European Council meeting.
27 Spain: CPI flash estimate (June).
Euro area: economic sentiment indicator (June).
30 Spain: household savings rate (Q1).
Portugal: CPI flash estimate (June).

The scene after the storm

100 days after Donald Trump's inauguration as US president and five weeks following the announcement of the tariff hikes, there is a feeling of tense calm in the economy and the financial markets, as we wait to see how the negotiations between the major trading blocs develop. Nothing has been definitively broken, but the deterioration of confidence among economic agents, investors and even traditional political allies has been significant. In economics, as in so many other facets of life, there are repairable damages and others that are more difficult to restore, especially when uncertainty and predictability are gone. Beyond any hope that can be taken from the occasional recovery in financial asset prices, we cannot forget that, today, the effective US tariff remains 23% (3% prior to «Liberation Day»). Therefore, with the economy entering a new era, as the IMF has pointed out at its latest bi-annual meeting, the risk of changes in the economic paradigm of the last few decades remains on the table, and this could potentially affect economic and financial variables, as well as affecting key questions such as the dollar's role as the global reserve currency.

For now, the growth data for Q1, although of little use for extrapolating future trends, paint a picture of a global economy that was still showing strength and resilience before the storm, despite the difficulty of filtering out the distortions caused by agents bringing forward their decisions. In the US, the increase in imports in the run-up to 2 April (+9% quarter-on-quarter) caused a slight drop in GDP for the period January to March (–0.1% quarter-on-quarter), and this could be reversed in Q2. Meanwhile, the better than expected growth recorded in the euro area (0.4%), China (1.2%) and Taiwan (2.4%) reflect the other side of the coin in trade flows. Taken together and in chronological order from January to March, the data indicate that the world economy was still in the process of landing, growing by around 2.7% versus the 3.2% recorded in 2024. However, we are now entering unknown territory, as we wait to find out the extent of the decline in trade in the middle of the year, as well as the effects of uncertainty on consumers' and businesses' decisions. That said, it is also true that the sharp drop in the oil price (–17%) and the gas price (–30%) since January will counteract the decline in growth for many countries. Moreover, the sharp depreciation of the dollar gives economic policy outside the US a greater degree of freedom to respond to these new shocks, especially in emerging countries.

Therefore, what we already know is that the global slowdown is going to be more intense than we were anticipating a few months ago, that the risk of stagflation in the US is not insignificant and that the asymmetrical nature of the shock triggered by the trade war (a supply-side shock in the US and demand-side in the rest of the world) will lead to different economic policy responses in each region, especially in the monetary sphere. If the final balance is a scenario in which trade agreements are reached and the average US tariff is reduced to the 10-15% range, we could find ourselves within the IMF's baseline scenario, with weak global growth (2.8%) but avoiding a global recession. More adverse scenarios could also arise, with a significant deterioration in trade relations, which would trigger a more severe economic slowdown, losses in the financial markets and a more sweeping response from governments and central banks in order to contain the systemic risks. In any case, the key will lie in the final result of the negotiations between China and the US, as this will affect supply chains, international savings flows and will oblige all other countries – especially connecting countries (Vietnam, Mexico, etc.) – to optimise their trade relations with both economic powers in order to defend their competitive advantages. In this context, the thermometers for taking the temperature of the negotiations and the potential adoption, if necessary, of more aggressive negotiating strategies on the US administration's part will be the evolution of the yield on the 10-year US bond (with 5% as a threshold level) and the behaviour of the dollar. Trump can overcome most of the indicators, except that of the financial markets. What happens with US inflation will also be key, bearing in mind that the mid-term elections are just around the corner. In short, there are many pockets of risk threatening the global economy right now, as it continues to grapple with geopolitical risk (with the conflict between India and Pakistan as a new source of uncertainty) while sitting on a mountain of debt (324 trillion dollars, or 325% of global GDP).

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
INTEREST RATES							
Dollar							
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
Euro							
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
Germany							
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
Spain							
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
Portugal							
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
EXCHANGE RATES							
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/GBP (yen per euro)	129.56	126.41	129.91	156.99	161.18	158.00	154.00
OIL PRICE							
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
GDP GROWTH							
Global	**4.3**	**3.3**	**2.5**	**3.5**	**3.3**	**3.1**	**3.1**
Developed countries	***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	0.8	1.4
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
Emerging and developing countries	***6.3***	***4.8***	***3.1***	***4.7***	***4.3***	***4.1***	***4.1***
China	10.6	8.0	4.7	5.4	5.0	4.2	3.9
India	7.2	6.7	3.8	8.9	6.7	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	4.1	4.3	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
INFLATION							
Global	**4.1**	**3.7**	**5.5**	**6.6**	**5.7**	**4.6**	**3.9**
Developed countries	***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
Emerging and developing countries	***6.9***	***5.6***	***6.9***	***8.0***	***7.7***	***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

Portuguese economy

	Average 2000-2007	Average 2008-2019	Average 2020-2022	2023	2024	2025	2026
Macroeconomic aggregates							
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	1.4	–	–
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
Gross domestic product	**1.5**	**0.4**	**1.5**	**2.6**	**1.9**	**2.4**	**2.1**
Other variables							
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	0.4	0.3

Forecasts

Spanish economy

	Average 2000-2007	Average 2008-2019	Average 2020-2022	2023	2024	2025	2026
Macroeconomic aggregates							
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	2.8	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	2.9	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
Gross domestic product	**3.6**	**0.7**	**0.6**	**2.7**	**3.2**	**2.5**	**2.1**
Other variables							
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)[1]	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

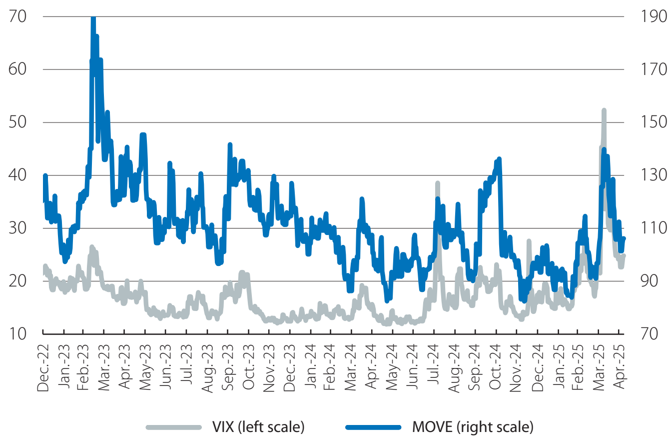
Financial markets embrace the tariff pause

Following the spike in volatility at the start of April, risk appetite recovers. President Trump's announcement of «reciprocal» tariffs on 2 April triggered an episode of high volatility in which uncertainty and concerns surrounding global growth, especially in the US, dominated the narrative in the markets. Global stock markets accumulated losses in excess of 10% in the space of just a few sessions, the dollar depreciated and even commodity prices suffered, particularly energy commodities and industrial metals. However, the 90-day pause on the tariffs announced by Trump, together with macroeconomic data suggesting that the global economy is holding up, at least for now, led to an easing of volatility in the markets. Risk appetite partially recovered and stock markets regained almost all of the lost ground. The dollar has managed to stabilise and commodities (with the exception of oil) recorded gains in the month. On the other hand, the declines in sovereign yields, particularly in the short end of the curves, have persisted amid expectations that central banks will continue to ease monetary policy.

Central banks' strategies diverge. The Fed finds itself in a delicate position in which its two mandates (price stability and full employment) are in tension. In this situation, and faced with a heightened risk of stagflation due to tariffs and the significant uncertainty of the current economic context, it has opted to put any decisions on hold until there is further clarity on the impact the tariffs will have on the real data. At its meeting in early May it kept the fed funds rate unchanged in the 4.25%-4.50% range for the third consecutive time. In contrast, with the risks clearly skewed towards weaker growth, other central banks have managed to continue easing policy. The ECB lowered interest rates by 25 bps at its April meeting, setting the marginal deposit facility rate at 2.25%, and it prepared to respond quickly to the impact of the tariffs, leaving the door open to future changes but without committing itself to any particular course of action. The Bank of England also cut rates by 25 bps at the beginning of May, placing the official rate at 4.25%, and highlighted the risks tariffs pose to economic activity. Looking ahead to the medium term, markets expect these three central banks will cut rates at least three more times by the end of the year, but the Fed has much less margin for manoeuvre, and in cumulative terms the ECB will have lowered interest rates the most in this cycle.

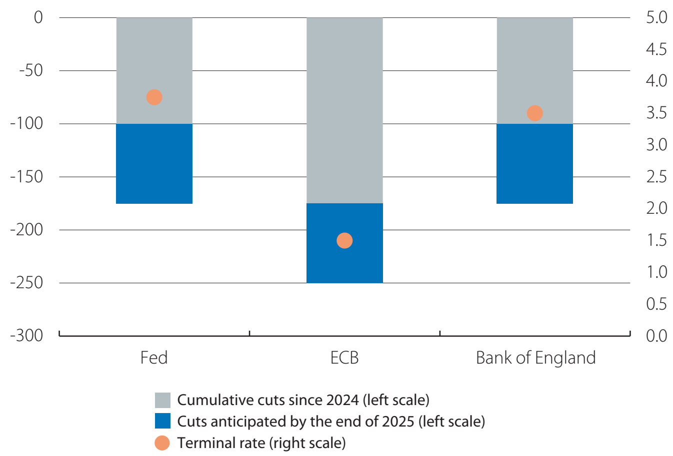
Sovereign yields fall back, in general terms, to the levels of March. In the US, the initial reaction to tariffs was a widespread spike in sovereign yields, but they have since fallen back down in the shorter section of the curve amid expectations that the Fed will cut interest rates this year. Yields in the longer sections, in contrast, have remained higher given the growing doubts surrounding the strength

Volatility indices



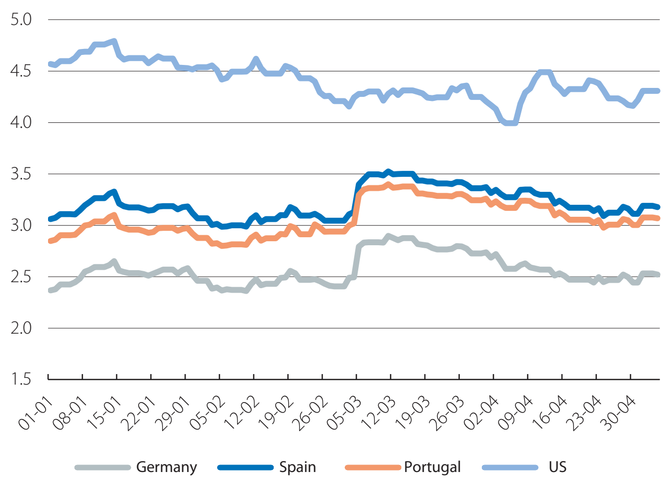
Note: *The VIX index measures the volatility of the S&P 500. The MOVE index measures the volatility of US debt markets.*
Source: *BPI Research, based on data from Bloomberg.*

Interest rate expectations



Note: *Rate cuts anticipated according to the futures curves for the EFFR, the STR OIS and the GBP OIS.*
Source: *BPI Research, based on data from the ECB, the Fed, the Bank of England and Bloomberg.*

10-year sovereign interest rates



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

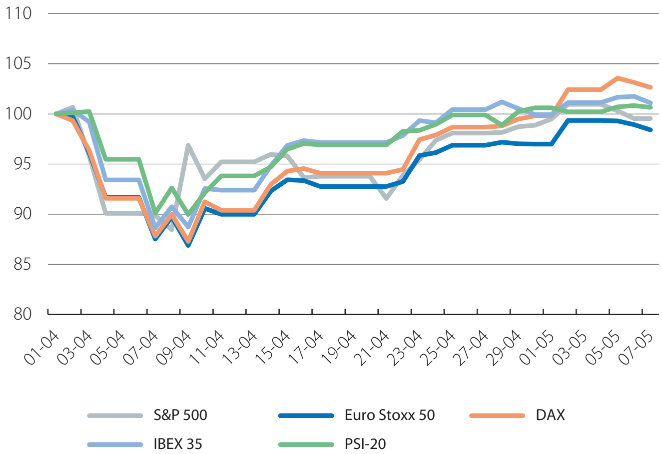
of US economic activity and the potential fiscal deterioration. Sovereign yields in the euro area, meanwhile, have returned to the levels they were at in late March, along the whole curve, even falling below those levels and wiping out all the gains accumulated with the announcements of fiscal expansion and defence spending. The expectation of a dovish ECB has been the main catalyst behind the rally in European sovereign bonds of recent weeks.

The stock markets recover some ground. The main global indices managed to recover the losses suffered at the start of the month and are now back at, or very close to, the level of the day prior to the tariffs announcement. The S&P 500 racked up nine consecutive sessions of gains at the end of April, the longest streak in two decades, driven by strong employment data and a good earnings season for tech firms. In the euro area, the German and Spanish stock markets led the gains amid better-than-expected economic activity data. Global sentiment also steadily gained traction on the back of the Trump administration's negotiation annoucements and as conversations with some trading partners got underway.

The dollar stabilises, but remains weak. Despite its traditional role as a safe-haven asset, the dollar suffered a sharp deterioration (of over 4%) against its main counterparts after tariffs were imposed and amid the surge in volatility in the financial markets. Moreover, this weakness was widespread: both against developed-economy currencies such as the euro, pound sterling and yen, and against those of emerging markets such as the Mexican peso. However, the dollar appears to have hit a floor, for now. Against the yen it has stabilised at around 142 and 143 dollars per yen, against the euro at 1.13, and against the pound sterling at 1.33. Similarly, against the Mexican peso, the dollar has been trading at around 19.6 dollars per peso for the past two weeks.

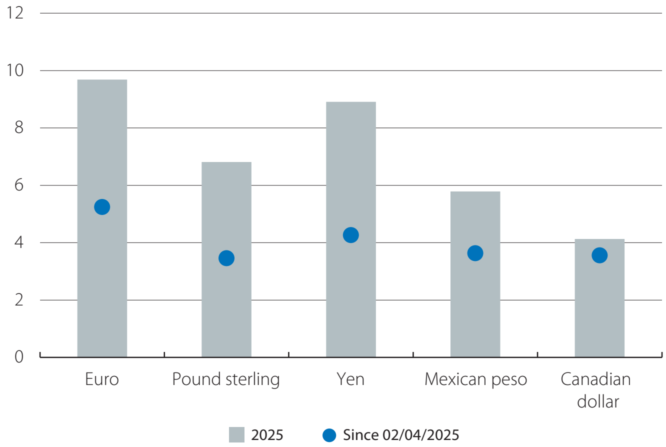
Energy prices feel the effects of the global uncertainty. The focus of commodity markets has been primarily on energy. The price of Brent fell more than 15% during the month of April, reaching around 60 dollars/barrel, its lowest level in four years. This is due, firstly, to expectations of lower global activity growth, which would stifle demand for crude oil. Secondly, it is because OPEC and its partners announced a production increase of 411,000 barrels a day beginning in June. Moreover, Saudi Arabia warned other members of the organisation that it would increase its production even more if they do not meet their quotas. On the other hand, gold has performed particularly well, amassing gains of over 25% in the year to date due to its role as a safe-haven asset (see the Focus «Gold: the shiniest asset» in this same *Monthly Report*).

Performance of stock market indices
Index (100 = 01/04/2025)



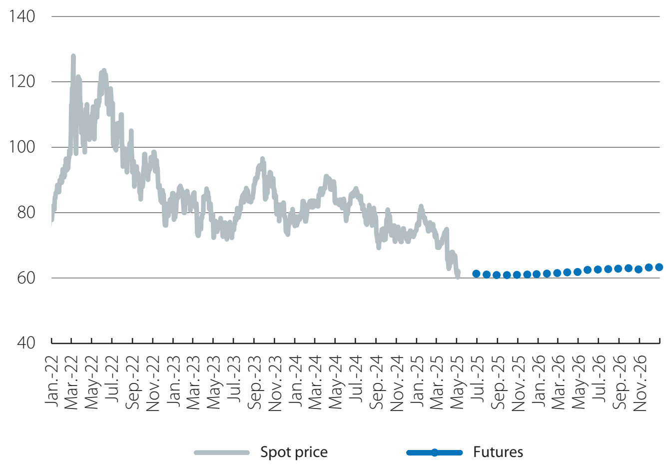
Source: *BPI Research, based on data from Bloomberg.*

Performance of currencies against the dollar
(%)



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

Brent oil prices
(Dollars/barrel)



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

Gold: the shiniest asset

2024 was a record year for gold. The interest rate cuts in the US and the geopolitical tensions led both central banks, especially in emerging economies, and investors to intensify their demand for gold during the second half of the year. This preference for security, or the lower risk of gold, caused the price per ounce to surge by 27% in the year. To date, in the first four months of 2025, most of the dynamics that fed that rally either remain in place, such as the expectations of further rate cuts by the Fed, or have intensified, such as the geopolitical risks linked to Donald Trump's tariff policy. As a consequence, the total demand for gold has continued to grow,[1] largely driven by increased investment in gold (whether in the form of ETFs,[2] bars or coins), and this has allowed the price to reach 3,500 dollars per ounce.[3]

What triggered this gold boom?

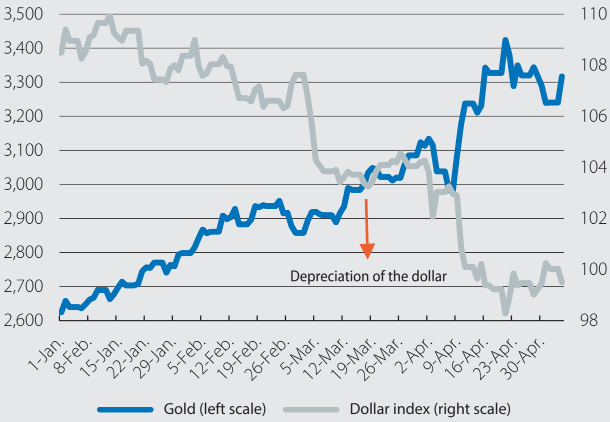
Before delving into the causes of the current gold price rally, it is worth pausing to identify which theoretical factors determine prices of this precious metal. In the long term, on the demand side, wealth and disposable income play a key role: institutions and individuals invest in gold, while consumers spend a portion of their income and their wealth on jewellery and technology products that contain gold. On the supply side, aspects such as mining production and gold recycling, the availability of natural reserves and environmental factors also influence prices.

However, it is shorter-term factors that play a bigger role when it comes to determining the return, or the price, of gold. These include macrofinancial factors such as foreign exchange rates, the relative value of assets and the level of risk aversion in the financial markets, which introduce greater volatility relative to its long-term determining factors. The first is the so-called opportunity cost of currency: the price of gold is denominated in dollars, and when the dollar weakens, gold becomes more affordable for holders of other currencies (see first chart). The second factor is the opportunity cost of interest rates: the presence of gold in investment portfolios is partly due to its expected future return relative to other safe assets, such as US Treasury bonds. The interest rate yield of these bonds, particularly in the case of 10-year Treasuries, is closely and inversely correlated to the gold price. The third element is linked to gold's consideration among financial investors as a safe-haven asset. Therefore, its demand increases significantly when the market's perception of risks regarding economic growth and geopolitics is greater.

1. According to data from the World Gold Council (WGC), in Q1 2025 the total demand for gold grew by 40% compared to Q1 2024.
2. Gold ETFs (Exchange Traded Funds) are funds that are listed on the stock market which replicate the price of gold and allow investors to obtain exposure to gold without having to purchase or store physical gold.
3. During the session of 21 April 2025.

Gold price and the dollar

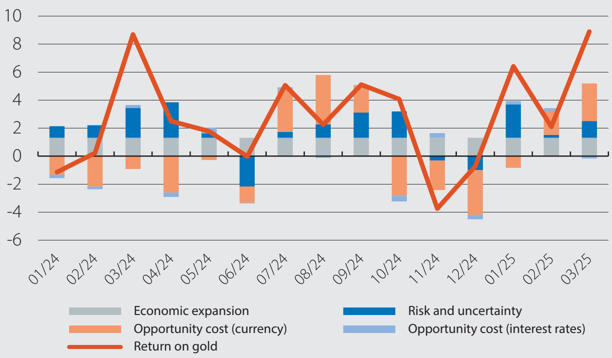
Dollars/ounce *Index*



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

Main determining factors of the return on gold

(%)



Note: *Data as of 31 March 2025. Multiple regression model of returns on gold, based on four categories of determining factors. The results are based on the analysis of data between June 2019 and October 2024.*
Source: *BPI Research, based on data from the World Gold Council.*

If we consider these factors in the current context, it is clear that they have supported the increase in the demand for gold and, therefore, the increase in its price. Donald Trump's arrival in the White House, with the introduction of tariffs and an erratic and unpredictable economic policy, has raised fears of a possible economic recession in the US. This, in turn, has been reflected in a weakening of the dollar and has fuelled pre-existing geopolitical unease, triggering an episode of significant tension in the financial markets. The heightened volatility and the risk aversion in such an uncertain environment have led many investors – both institutions and individuals – to choose to diversify their portfolios towards a safe-haven asset such as gold, driving up its price and attracting new investment flows, as reflected in the Gold Return Attribution Model of the World Gold Council (WGC) (see second chart).

Investment in gold, a classic that is gaining followers

For centuries, gold has been considered a safe asset in times of political and economic uncertainty, offering its holder a sense of security due to its nature as a high-value product that can be easily transported. However, today's investors prioritise the liquidity and stability that this asset provides rather than its intrinsic utility.

In 2024, the demand for gold as an investment asset reached 90.6 billion dollars, a record level surpassed only in 2020, when the economic crisis triggered by COVID-19 caused a surge in investment in safe-haven assets, and the level of investment reached 102 billion dollars. The data on investment in gold during Q1 2025 indicate that the trend remains upward, not only in monetary terms but also in physical terms,[1] with the demand in volume reaching a peak since the outbreak of the war in Ukraine in 2022. In this regard, in addition to the strength of demand for physical gold, mostly in the form of bars, investment through gold ETFs has also increased significantly. The flow of investment towards ETFs has remained positive for 10 months in the last year, and according to data from the WGC it reached 20.8 billion dollars between January and March. This increase will have been favoured by the appeal sparked by the rise in gold prices itself, as well as by fears of a recession in the US, volatility in the stock markets and investors' expectations of possible interest rate cuts by the Fed and the ECB.

The role of the central banks

The importance of gold in central banks' foreign reserves is due to its role as a long-term store of value, as an alternative to the major currencies and without any credit risk. This is why, since 2010, central banks have increased their gold positions and are net buyers. However, the rate of their purchases has doubled since Russia's invasion of Ukraine, particularly in the case of emerging economies. In the last few quarters, the highest demand for gold has come from the central banks of Poland, China, Kazakhstan, the Czech Republic and India. In this regard, the market views the purchases by central bank of China (PBoC) with some concern. At the beginning of 2025, it was estimated that the Chinese monetary authority's foreign reserves amounted to around 3 trillion dollars, of which 5.9% was in gold. If we put this percentage in perspective, and in order to understand the significance of the PBoC's actions, if it were to decide to increase this percentage to, say, the level of holdings of India's central bank (9%), this would generate additional demand of approximately 15,000 tonnes of gold, equivalent to around 30% of the total global demand for gold in 2023.

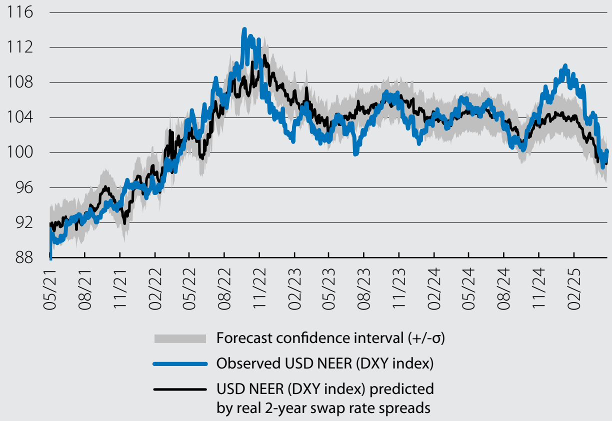
In short, the uncertainty dominating the current global economic and political outlook appears to be acting as a tailwind for the demand for gold to remain strong. However, major changes in international geopolitics, such as an end to the war between Russia and Ukraine or greater clarity regarding the US' trade policy, could lead to an easing of the buying pressure on gold on the part of investors.

1. In Q1 2025, the demand for gold for investing stood at 552 tonnes, 170% more than in Q1 2024.

Anatomy of a depreciation: the dollar in times of economic policy uncertainty

The recent depreciation of the dollar, in a context of risk aversion in the financial markets, has triggered concerns among investors for two fundamental reasons. The first is based on an article published after last November's presidential election by someone who is now one of Trump's top economic advisers, defending the implementation of measures aimed at devaluing the dollar. The second was the announcement on 2 April of the mislabelled «reciprocal» tariffs, which introduced a higher-than-expected degree of trade protectionism, intensifying investor scrutiny over the new administration's reform agenda. For these reasons, we must consider the possibility that the anomalous behaviour of the currency in April could be an indication that the market is assessing the risk linked to unorthodox economic policies in the United States, which could affect the dollar's role as a reserve currency. Are there grounds for this viewpoint? For now, and despite the depreciation that the currency has accumulated so far this year, we cannot state with certainty that the current value of the dollar reflects any significant shift in its central role in the international monetary system.

Nominal effective exchange rate of the dollar
Index



Source: *BPI Research, based on data from Bloomberg and Macrobond.*

Some controversial economic policy reflections…

Stephen Miran, the current chair of the White House Council of Economic Advisers, published a report in late November (prior to his appointment) exploring how the US could achieve various economic policy goals contained in Trump's campaign programme.[1] Miran proposed a variety of ways in which to: reduce the cost of debt servicing and increase US Treasury revenues, get US allies to play their part in defence spending, and improve the price-competitiveness of US industry in order to regain productive capacity and jobs, all simultaneously.

To achieve all these objectives, he proposed a range of measures which included, among others: higher tariffs, the devaluation of the dollar, and even a charge on the yields of Treasury bonds held by foreign governments. Throughout the report, Miran outlined ways to implement these measures either simultaneously or alternately, and through both multilateral channels (i.e. agreed with other countries) and, ultimately, unilaterally by the US.

The potential impact of these measures put investors on high alert. Therefore, the recent depreciation of the dollar[2] in a context of risk aversion in the market, when the currency usually acts as a safe-haven asset and tends to appreciate in value, raised doubts as to whether the market was already pricing in the risk that the administration was implementing these less orthodox – and more profound – measures which Miran explored in his report.

… and a dollar that returns to the level indicated by the yield spread

However, several analyses indicate that these factors, although still on investors' radar, have been transient, and the currency has returned to the levels indicated by its historical relationship with other assets and financial variables. One such relationship is the historical correlation between the dollar's nominal effective exchange rate and the spread between real interest rates in the US[3] and those of its main trading partners.[4] In fact, the dollar's nominal effective exchange rate is currently where this correlation predicts it should be[5] (the observed level barely deviates from the predicted level) and it seems to have found some stability there (see first chart).

The explanatory power of real rates for the exchange rate has fluctuated in recent months. Specifically, it decreased between last October and January this year.

1. A User's Guide to Restructuring the Global Trading System (November 2024).
2. In its nominal effective exchange rate, it has accumulated a depreciation of more than 8% in the year and of more than 4% since the announcement of «reciprocal» tariffs on 2 April.
3. Measured as the difference between Overnight Indexed Swap (OIS) rates and inflation swap rates.
4. According to the weighting of the DXY index (the standard benchmark for the overnight nominal effective exchange rate), these are: the euro, the yen, the pound sterling, the Canadian dollar and the Swedish krona.
5. Firstly, the joint movement of real rates in these currencies is obtained, excluding real rates in dollars (i.e. the first two factors of a principal component analysis), and this is then plotted against the DXY index.

After the Fed began its cycle of rate cuts in September 2024, the narrative that prevailed in the market was that of a soft landing of the US economy, thanks to good employment data and prices that seemed to be converging towards the 2% target. Later, Trump's victory breathed new air into that narrative of exceptional US economic growth.

In this context, the spread between rates widened, indicating a more appreciated dollar, and although the currency moved in that same direction, it did so more than the rates predicted. This decoupling was probably due to investors interpreting Trump's set of policies – tariffs, immigration restrictions, tax cuts – as being particularly favourable for the dollar.

It was not until January – when investor sentiment regarding Trump's policies changed and the depreciation trend that has pushed the dollar down to its current levels began – that the spread in real rates between the dollar and other major currencies recovered its great explanatory power for exchange rate fluctuations.

Thus, according to this analysis, the dollar's see-saw movement over the past eight months appears to be more related to a shift in the narrative regarding Trump's impact on the US' economic growth potential over the coming quarters than it is to the proposals put forward by Stephen Miran. The fact that the appreciation of the dollar began in October, before Miran's report was even published and in the opposite direction to that advocated by the report, is another piece of evidence to support the view that the dollar's see-saw movement since then (the DXY index is less than 1% below where it stood on 30 September) has been mainly driven by other forces and narratives. In other words, what we have witnessed since September appears to be the rise and fall of a market narrative that was highly favourable for US assets (referred to by some as the «Trump trade»).

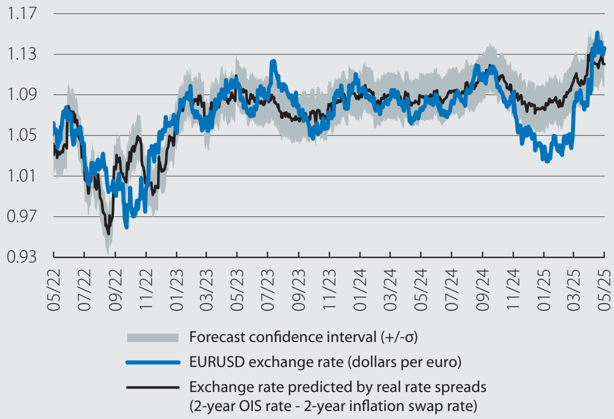
In a specific and simplified version of this analysis, focusing solely on what happened relative to the euro, the conclusion is similar: the dollar's appreciation since October 2024 distanced it from the level predicted by the spread of real rates between the US and the euro area, but since then it has reverted to this predicted rate, albeit unusually quickly in the last two months following the announcement of higher public spending in Germany and Trump's so-called «Liberation Day» on 2 April (see second chart).

Structural strengths that remain Trump-proof

In short, it seems clear that, although the market narrative has changed and investors' sensitivity to any new «unorthodox» policy proposed by the Trump administration has soared following the announcement of the reciprocal tariffs, the fact is that if a structural shift in the dollar's role in the international financial system in the short-term was considered to be a likely scenario, then the dollar should have registered an even greater appreciation than it has.

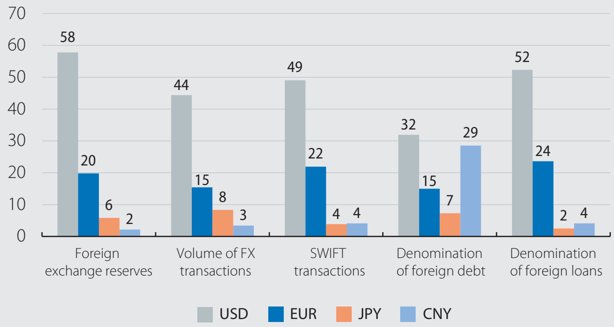
For now, the dollar's structural strengths remain in place. Nevertheless, the mere suggestion of altering the value of the central asset of the international financial system has sent shivers throughout the market; its central role remains intact, at least as long as such suggestions do not materialise. As can be seen in the third chart, the dollar remains the international reserve currency, the most highly-traded currency in foreign exchange markets, the currency in which the majority of global payments are denominated and that in which the greatest volume of debt is issued. It will take more than reflections on possible reforms to change this.

EURUSD exchange rate
Dollars per euro



Source: *BPI Research, based on data from Macrobond and Bloomberg.*

Use of currencies by instrument or concept
(% of the total in each case)



Note: *Data on foreign reserves obtained from the IMF (as of Q4 2024); FX transaction volume data obtained from the BIS (2022); SWIFT transaction data from SWIFT (March 2025); and debt and loan denomination data from Bloomberg (April 2025).*
Source: *BPI Research, based on data from Bloomberg.*

Interest rates (%)

	30-April	31-March	Monthly change (bp)	Year-to-date (bp)	Year-on-year change (bp)
Euro area					
ECB Refi	2.40	2.65	–25	–75.0	–210.0
3-month Euribor	2.16	2.34	–18	–55.8	–163.2
1-year Euribor	2.05	2.31	–26	–41.1	–160.7
1-year government bonds (Germany)	1.75	2.01	–26	–49.2	–156.9
2-year government bonds (Germany)	1.69	2.05	–36	–39.6	–94.4
10-year government bonds (Germany)	2.44	2.74	–29	7.7	12.8
10-year government bonds (Spain)	3.11	3.37	–26	5.2	–12.6
10-year government bonds (Portugal)	3.00	3.26	–26	15.5	–12.5
US					
Fed funds (lower limit)	4.25	4.25	0	0.0	–100.0
3-month SOFR	4.27	4.29	–2	–3.9	–104.8
1-year government bonds	3.85	4.02	–17	–29.3	–95.7
2-year government bonds	3.60	3.88	–28	–63.9	–82.6
10-year government bonds	4.16	4.21	–4	–40.7	4.1

Spreads corporate bonds (bps)

	30-April	31-March	Monthly change (bp)	Year-to-date (bp)	Year-on-year change (bp)
Itraxx Corporate	68	64	4	10.7	8.5
Itraxx Financials Senior	73	69	4	9.4	1.8
Itraxx Subordinated Financials	129	120	8	16.4	–3.2

Exchange rates

	30-April	31-March	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
EUR/USD (dollars per euro)	1.133	1.082	4.7	9.4	5.2
EUR/JPY (yen per euro)	162.010	162.210	–0.1	–0.5	1.5
EUR/GBP (pounds per euro)	0.850	0.837	1.5	2.7	–0.4
USD/JPY (yen per dollar)	143.070	149.960	–4.6	–9.0	–3.4

Commodities

	30-April	31-March	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
CRB Commodity Index	547.6	547.1	0.1	2.1	5.9
Brent ($/barrel)	63.1	74.7	–15.5	–15.4	–20.3
Gold ($/ounce)	3,288.7	3,123.6	5.3	25.3	61.6

Equity

	30-April	31-March	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
S&P 500 (USA)	5,569.1	5,611.9	–0.8	–5.3	11.5
Eurostoxx 50 (euro area)	5,160.2	5,248.4	–1.7	5.4	10.3
Ibex 35 (Spain)	13,287.8	13,135.4	1.2	14.6	34.4
PSI 20 (Portugal)	6,992.3	6,865.6	1.8	9.6	13.1
Nikkei 225 (Japan)	36,045.4	35,617.6	1.2	–9.6	–0.2
MSCI Emerging	1,112.8	1,101.4	1.0	3.5	11.0

The global economy shows symptoms of *tariffitis*

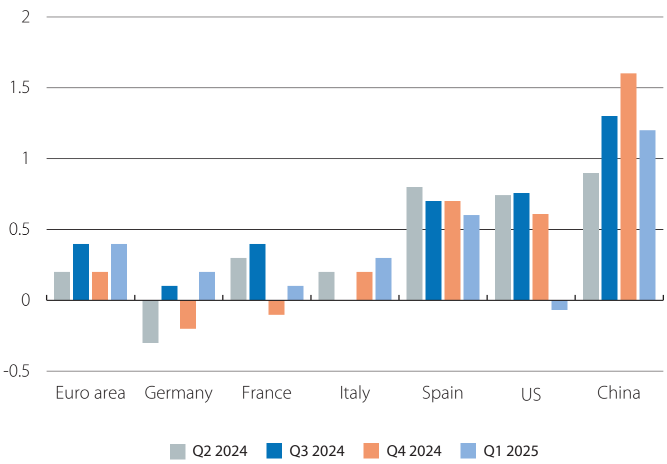
With Q1 now in the rear view mirror, the figures for US GDP reveal contrasts between strong domestic demand and trade flows that were anticipating the introduction of tariffs. According to the initial estimate, in Q1 2025 the US economy shrank by 0.1% quarter-on-quarter (the first negative growth since 2022) and the year-on-year rate of change moderated by 0.5 pps, to 2.0%. However, the impact of Trump's policies is starting to weigh on the economy. The contraction was primarily due to a rise in imports (+9.0% quarter-on-quarter), in anticipation of the now infamous «Liberation Day», while public spending declined (–0.4%). On a positive note, domestic demand continued to grow at a steady pace: investment grew 1.9% quarter-on-quarter, with a particularly marked acceleration in capital goods, while private consumption remained buoyant (0.4% vs. 1% in the previous quarter) in the context of a strong labour market.

The euro area accelerates in Q1, but it may soon run out of steam. In the euro area, GDP grew 0.4% quarter-on-quarter in Q1 2025 (vs. 0.2% in the previous quarter), with the year-on-year growth rate standing at 1.2%. While imports have acted as a headwind in the US, the latest data indicate that exports have served as a tailwind on this side of the Atlantic. All the major economies, with the exception of Spain (see the Spanish Economy - Economic Outlook section of this report), have accelerated their growth rate this quarter, particularly Germany (which grew by 0.2% quarter-on-quarter vs. –0.2% previously); France grew 0.1% (vs. –0.1%) and Italy 0.3% (vs. 0.2%). In China, GDP grew by 1.2% quarter-on-quarter in Q1 (vs. 1.6% in Q4) and the year-on-year rate remained at 5.4%. Despite the slowdown, the pace of growth has been robust in a quarter in which exports have accelerated and the support from fiscal policy has supported an expansion.

The tariffs, and their knock-on effects, will begin to take their toll. Given the choreography and magnitude of the tariff hikes imposed by the US administration, they will continue to have economic implications around the world, as well as knock-on effects on financial markets and on agents' confidence. On the one hand, despite having suspended the «reciprocal» part of the tariffs for 90 days, the White House has kept in place the universal floor of 10%, as well as sector-specific tariffs. On the other hand, in the protectionist escalation with China there is currently no truce in sight. Meanwhile, beyond the turbulence in financial markets (see the Financial Markets - Economic Outlook section of this report), the increase in uncertainty began to take its toll on agents' confidence. In the US, although economic activity is holding up, economic sentiment continues to deteriorate. The US composite PMI fell in April due to a significant decline in services, while the manufacturing sector has stabilised. Of particular note is the deterioration in the sub-components related to expectations, particularly on the services side, which are at their lowest levels since late 2022. On the consumer confidence side, the Conference Board's index hit its lowest level since 2020 and the OECD's equivalent index has been showing a downward trend since late 2024.

Global: GDP

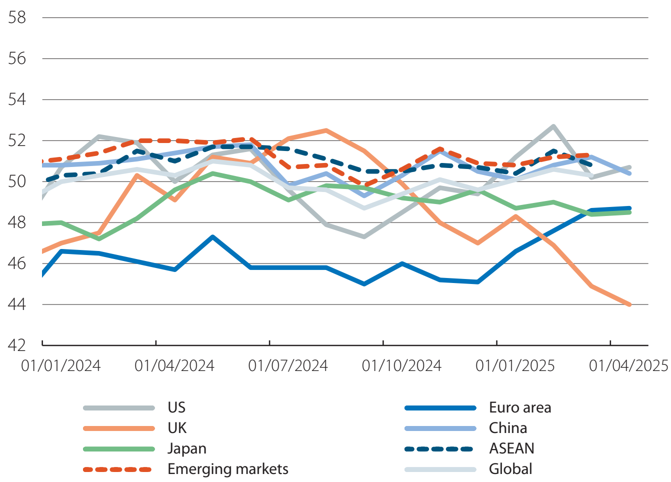
Quarter-on-quarter growth (%)



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

Manufacturing PMI

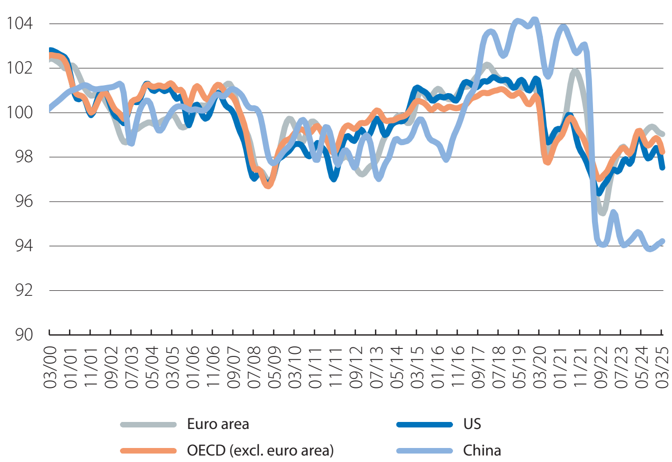
Index



Source: *BPI Research, based on data from S&P Global, via Bloomberg.*

Consumer confidence

Index



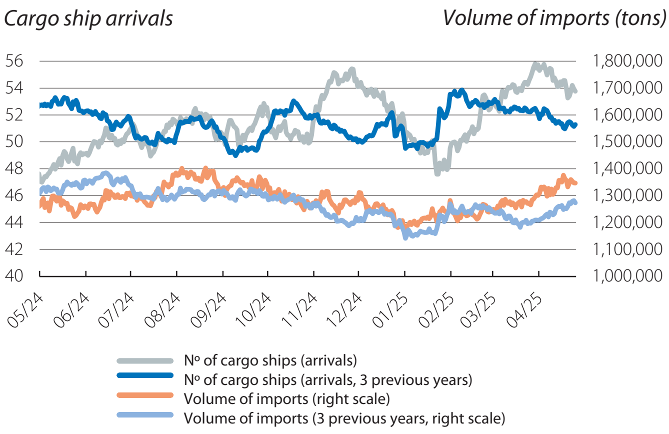
Note: *The chart uses the three-month average.*
Source: *BPI Research, based on data from the OECD.*

The European and Chinese economies have also cooled at the start of Q2. In the euro area, the composite PMI fell in April to 50.1 (vs. 50.9 previously), a fall also explained by the deterioration of the services component, although the composite indicator has managed to remain above the 50-point threshold for the fourth consecutive month. On the positive side, the German economy has shown consistent signs of improvement in the early part of the year: in April, the Ifo Industrial Climate Index consolidated the increase recorded in the previous month (+0.2 points, to 86.9). In China, the official manufacturing PMI stood at 49.0 points (vs. 50.5 in March), a sharp month-on-month decline that places the indicator at its lowest point since the end of 2023. The fall in the Caixin manufacturing PMI was more moderate (going from 51.2 points in March to 50.4 points in April), but both point to a sharp slowdown in the manufacturing sector, with particularly visible setbacks in the sub-components relating to new orders.

No clear signs of a «slump» in trade flows, for now. The chaotic days that followed the the US administration's announcement of the «reciprocal» tariffs raised fears of severe turbulence in trade flows. Although we are likely to see a material reduction in the flows of goods over the coming months, particularly between the US and China, the impact so far is still limited. In fact, between the end of January and the beginning of April, there has been an increase both in cargo ship arrivals and in the volume of imports arriving in the main US ports, clearly driven by US importers anticipating the tariff announcements. On the other hand, there are fluctuations in freight charges. Since the beginning of April, the price of shipping a container from Ho Chi Minh (Vietnam) to Los Angeles (the largest US port and the most important point of entry for goods arriving from Asia) has surged by 60%, while the price from Shanghai, following a brief increase, has remained at a level close to what was observed up until March.

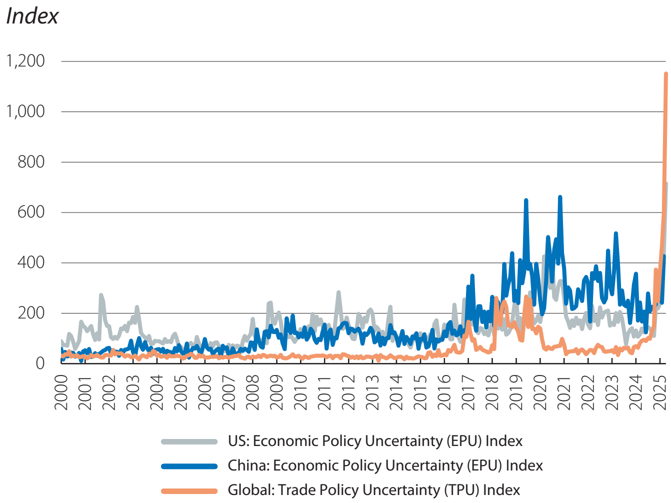
With uncertainty at a peak, the global economy will enter a slowdown, with more downside risks and more questions than certainties. In its spring forecast report, the IMF noted that tariffs are a supply-side shock for the country that applies them and a demand-side shock for countries that find themselves on the receiving end. Consequently, the impact on global growth is clearly negative, although in the case of inflation there are forces acting in opposite directions. Thus, the IMF revised its growth forecast for the US down to 1.8% for 2025 and to 1.7% for 2026 (–0.9 and –0.4 pps, respectively, from the previous forecast), while for the euro area the adjustment was more modest, to 0.8% for 2025 and to 1.2% for 2026 (–0.2 pps vs. the previous forecast). China's growth is anticipated to be 4.0% (–0.6 and –0.5 pps). The IMF also revised upwards the forecast for global inflation in 2025 and 2026 to 4.3% and 3.6% (+0.1 pp), respectively. For 2025, inflation is expected to be 3.0% for the US (vs. 1.9% previously), 2.1% for the euro area (vs. 2.0% previously) and 0.0% for China (vs. 1.7% previously). In addition, the institution notes that the tariffs could also have a negative impact on growth in the medium term, by reducing innovation and competition. Amid an outlook marked by lower growth, rising financing costs and higher public spending on defence, the IMF predicts that public debt could exceed 100% of GDP by the end of the decade.

US: arrivals of goods into major ports *



*Note: * 30-day average. Based on the sum of the traffic in goods (in number of daily arrivals of cargo ships and in goods) of the 10 main ports in the US, according to the IMF's PortWatch: Los Angeles-Long Beach, New York-New Jersey, Houston, New Orleans, Savannah, South Louisiana, Charleston, Mobile, Baltimore, Marcus Hook. Together, these ports account for 60% of US imports by sea.*
Source: BPI Research, based on data from the IMF's PortWatch.

Global: economic and trade uncertainty



Source: BPI Research, based on data from the Economic Policy Uncertainty Index (downloaded from https://www.policyuncertainty.com/index.html on 02/05/2025).

IMF: GDP growth forecasts

Annual change (%)

		Forecast		Δ vs. Jan. WEO (pp)	
	2024	2025	2026	2025	2026
Global GDP	3.3	2.8	3.0	–0.5	–0.3
Advanced economies	1.8	1.4	1.5	–0.5	–0.3
US	2.8	1.8	1.7	–0.9	–0.4
Euro area	0.9	0.8	1.2	–0.2	–0.2
Germany	–0.2	0.0	0.9	–0.3	–0.2
France	1.1	0.6	1.0	–0.2	–0.1
Italy	0.7	0.4	0.8	–0.3	–0.1
Spain	3.2	2.5	1.8	0.2	0.0
Emerging and developing economies	4.3	3.7	3.9	–0.5	–0.4
China	5.0	4.0	4.0	–0.6	–0.5
India	6.5	6.2	6.3	–0.3	–0.2
Brazil	3.4	2.0	2.0	–0.2	–0.2
Mexico	1.5	–0.3	1.4	–1.7	–0.6
Global trade	3.8	1.7	2.5	–1.5	–0.8
Global inflation	5.7	4.3	3.6	0.1	0.1

Source: BPI Research, based on data from the IMF (World Economic Outlook, April 2025).

A snapshot of investor apathy in the EU

The agenda to boost defence spending, the change to Germany's fiscal orientation and the apparent greater unity within the EU in the face of the recent geopolitical challenges represent green shoots for the European economy's growth outlook. However, the challenges that lie ahead in order for this scenario to materialise are not insignificant, especially in an international context like the current one. To a large extent, the outcome will depend on whether the right conditions and confidence can be generated in order to promote investment projects that lay the productive foundations for the medium term, and this has not yet been achieved in the post-pandemic recovery phase. In fact, the business sector has become more reluctant to invest, opting instead to accumulate savings or to pay off debt while awaiting greater certainty and improvements in the competitive conditions of the single market.

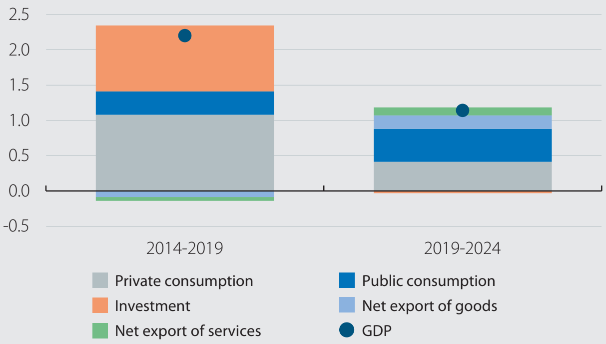
(Lower) growth without investment

Economic growth in the EU has not only diminished in recent years by the string of intense and varied shocks it has endured (COVID-19 and the war in Ukraine), but its composition has also changed, with a greater role now played by public consumption, partly driven by the NGEU funds,[1] and by the foreign sector (see first chart). In contrast, private domestic demand is keeping a low profile, with a marked slowdown relative to the pre-pandemic years in both private consumption, despite the strength of the labour market, and particularly in the case of investment, which in 2024 was still showing a volume of activity similar to that of 2019.

By asset type, investment has been particularly weak in machinery, equipment and intangibles (see second chart), with COVID-19 continuing to have a negative and persistent impact in an environment marked by heightened uncertainty and limited prospects for increased capacity among European firms.[2] Capital expenditure on construction has performed better, supported in its non-residential segment by the increase in public investment, and in the housing segment in the first few years after the pandemic by the combination of accumulated savings, favourable financing conditions and schemes supporting home renovations – most notably Italy's Superbonus, where investment in housing has almost doubled compared to 2019.[3]

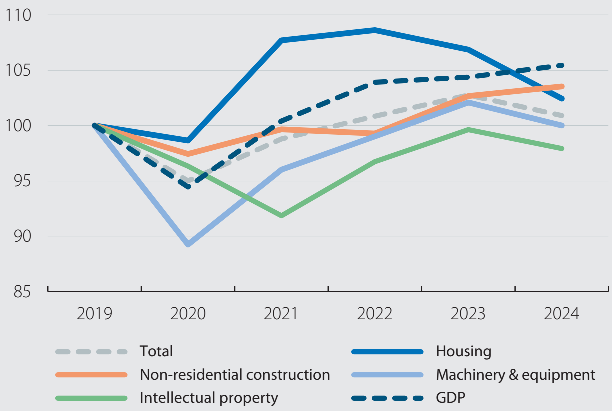
1. See the Dossier «The transformative capacity of NGEU and other fiscal stimulus plans» in the MR03/2025.
2. M. Andersson, V. Jarvis and M. Soudan (2025), «Business investment: why is the euro area lagging behind the United States?», ECB Economic Bulletin.
3. N. Battistini *et al.* (2021). «The euro area housing market during the COVID-19 pandemic», ECB Economic Bulletin.

Composition of average annual GDP growth in the EU-27
(pps)



Note: *Based on real data at constant 2020 prices; investment includes gross fixed capital formation and change in inventories.*
Source: *BPI Research, based on data from Eurostat.*

Investment in the EU-27 by asset type
Index (100 = 2019)



Note: *Gross fixed capital formation. Real data at constant 2020 prices.*
Source: *BPI Research, based on data from Eurostat.*

Manufacturing and technology drive the decline in European firms' appetite for investment

The EU-wide investment rate – measured as the ratio between gross fixed capital formation and GDP in nominal terms – has fallen to almost 2018 levels, with a cumulative decline of 0.8 pp since COVID-19 (see third chart).

By institutional sector, this setback has been led by non-financial corporations, which account for most of the stock of capital in machinery, equipment and intangibles – precisely the types of assets that have shown the worst trend in volume terms, as noted above, and have also seen price declines relative to other products. At the opposite end of the spectrum, both the general government and households – with their capital concentrated in infrastructure and housing, respectively – have contributed to raising the aggregate rate of investment recording growth in volume terms just below that of GDP but a sharp increase in relative prices, driven by the rise in the cost of construction materials in the wake of the war in Ukraine and the price rally in most European residential markets since the pandemic.[4]

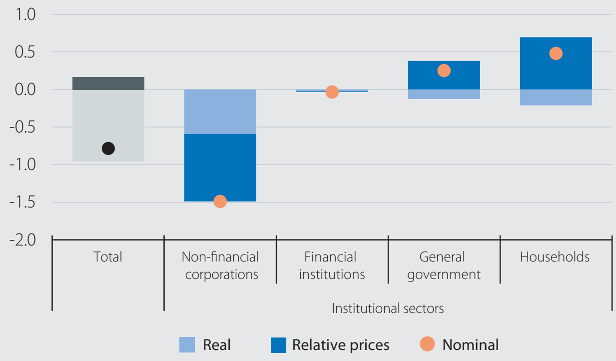
Given its central role in the sluggishness of capital formation in the EU, we took a deeper dive into the business sector, performing an analysis disaggregated by investment sector. With data in this case up until 2023, and limiting the analysis to industry and market services, we observe that the fall in the real investment rate has been mostly the result of the more significant decrease in manufacturing and in information and communication technology (ICT) services. Together, these sectors explain a decline of 1.7 pps (see fourth chart), which is only partially offset by a higher investment rate in the utilities sector and a greater role of ICT in the economy as a whole (given its more capital-intensive nature).

Levers and risks on the horizon

The European Investment Bank has recently recalled that the main factors that are considered detrimental to investment are, in this order, a lack of adequate labour, energy costs, uncertainty and the regulatory framework, in all cases to a greater extent in Europe than for US companies.[5] Many of these aspects have been the subject of deep reflection in the Letta and Draghi reports published last year and have served as the basis for the competitiveness plan presented by the European Commission on 29 January (the so-called Competitiveness Compass).[6] The deployment of measures aimed at reducing the fragmentation of the internal market, lowering energy prices and meeting human capital needs ought to support a more positive medium-term outlook for European investment. However, these measures appear insufficient while we await confirmation of the extent of public leverage in order to boost productive spending in the EU and the establishment of a genuine Savings and Investment Union that can channel the bloc's persistent and abundant private savings towards the funding of strategic sectors (see fifth chart). Moreover, just when financial conditions were also becoming more accommodative, thus providing an extra boost to firms' plans to expand their capacity, new threats in the form of tariffs have emerged, bringing renewed uncertainty. When faced with such a situation, investment tends to be halted in its tracks and support from economic policies becomes critical to minimise the damage to future growth potential.

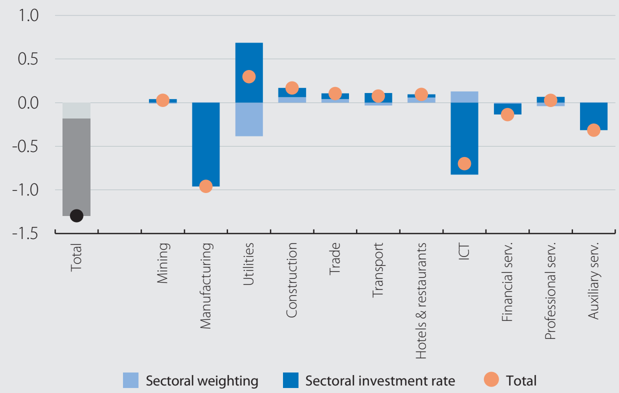
4. See «House prices in Europe reactivate with the shift in monetary policy» in the *Real Estate Sector Report* of S1/2025.
5. European Investment Bank (2025). «EIB Investment Report 2024/2025: Innovation, integration and simplification in Europe».
6. See the Focus «A shift in the EU's political priorities» in the MR04/2025.

Investment rate in the EU-27: change between 2019 and 2024
(pps of GDP)



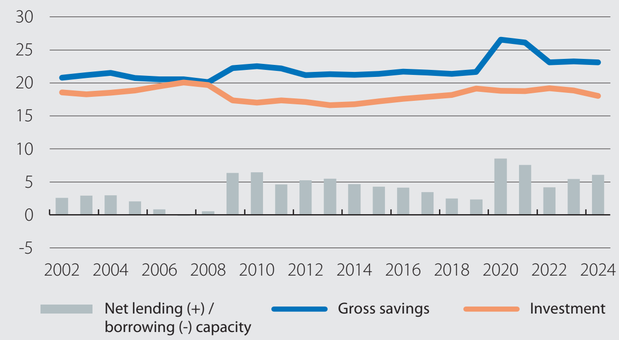
Note: *Gross fixed capital formation. Real data at constant 2020 prices and relative prices between the investment deflator and the GDP deflator.*
Source: *BPI Research, based on data from Eurostat.*

Investment rate in the EU-27 in market sectors: change between 2019 and 2023
(pps of value added)



Notes: *Gross fixed capital formation. Real data at constant 2020 prices. Market sectors include CNAE sections B to N, excluding L-Real estate services. Aggregate for 20 EU countries.*
Source: *BPI Research, based on data from Eurostat.*

Private-sector savings and investment rate in the EU-27
(% of GDP)



Notes: *The private sector includes households, non-profit institutions serving households, non-financial corporations and financial institutions. Investment corresponds to gross fixed capital formation. Nominal data.*
Source: *BPI Research, based on data from Eurostat.*

India: the wheel of dharma on the path to development

Over the last decade, many have argued that a change is brewing in the multi-polar world order, as globalisation appears to be stagnating, new geopolitical conflicts threaten to become entrenched and the economic rise of great powers such as India is accelerating. In this challenging context, one of the big questions is whether India could become the new China. The wheel of dharma – a key element of the tricolour flag since the country's independence in 1947 – offers a symbol of progress and represents the values that India will need to possess for such a future to materialise, such as the discipline and wisdom necessary to seize opportunities and address weaknesses.

India's economy in perspective

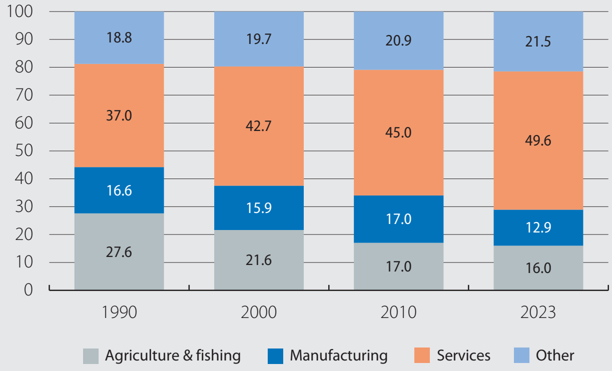
Without indulging in guessing games, India is the most populated country in the world, with approximately 1.44 billion inhabitants in 2023. This places it above China, the population of which has been in decline for several years now and currently stands at 1.41 billion. Moreover, India will no doubt remain the most populated country for the rest of the 21ST century, as its population continues to grow at a steady pace (0.9% in 2023, in line with the global average), it has a comparatively young structure, and there is scope for it to increase its life expectancy, which is currently low compared to other emerging economies in its vicinity.

Being the most populated country in the world, and with a young and growing demographic, has given India a certain advantage in terms of economic growth (the so-called demographic dividend), since domestic demand – consumption and investment – has been the main driver of its economic growth and has provided a buffer against external shocks. Thus, India's GDP has grown at annual rates of around 7% in recent years, with the exception of 2020. In 2023, its GDP slightly exceeded that of the United Kingdom, its former colonial power, reaching 3.57 trillion current dollars. However, India's GDP per capita in 2023 was around 2,500 current dollars (almost 10,200 in purchasing power parity terms), placing it around the average mark for lower-middle-income countries,[1] and indicating that the country still has a lot of room left to grow. By way of comparison, China reached that income level between 2004 and 2005, and its GDP per capita, at around 12,600 current dollars, places it slightly above average among upper middle-income countries.

This high growth rate is the result of the growing role of

India: value added by economic sector

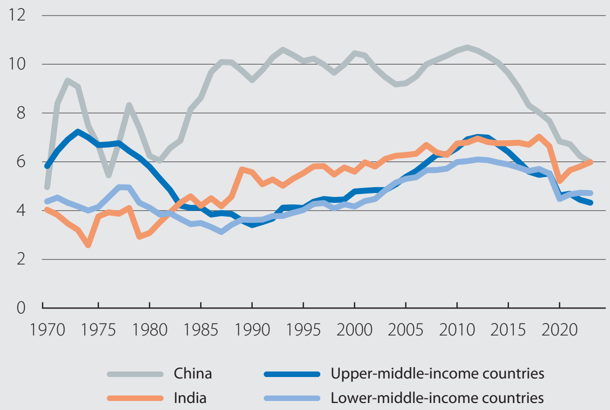
(% of GDP)



Source: *BPI Research, based on data from the World Bank.*

GDP growth

10-year average (%)



Source: *BPI Research, based on data from the World Bank.*

services, which in 2023 accounted for almost 50% of its GDP (see first chart). However, the labour market shows some of the Indian economy's weaknesses. Around half of the labour force is employed in low-productivity sectors, such as agriculture, construction or trade. In addition, according to the IMF,[2] the informality rate of the labour market is very high, and stands at around 90% for the country as a whole, with a particularly high rate in rural areas. Labour participation has also remained low in recent years, rising barely 8 pps between 2018 and 2024 to 56.4%, reflecting the difficulties faced by women in entering the labour market (the participation rate in urban areas barely reaches 30%).

A structural viewpoint

In recent years, India has experienced remarkable growth, far surpassing that of China and that of middle-income

1. The World Bank classifies economies into different groups according to their income levels, based on Gross National Income (GNI) per capita as calculated using the Atlas Method (which uses data unadjusted for purchasing power parity), assigning India a GNI per capita of 2,520 current dollars. These groups consist of: low-income economies (1,145 dollars or less); lower-middle-income economies (1,146 to 4,515 dollars); upper-middle-income economies (4,516 to 14,005 dollars), and high-income economies (more than 14,005 dollars).

2. IMF (2025). «India: 2024 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for India», IMF Staff Country Reports 2025, 054.

India: development indicators

	2010-2019				2000-2009				1990-1999			
	China	India	Lower-middle -income countries	Upper-middle -income countries	China	India	Lower-middle -income countries	Upper-middle -income countries	China	India	Lower-middle -income countries	Upper-middle -income countries
Economic indicators												
GDP per capita (USD thousands)	14.2	6.4	6.4	15.6	6.2	3.8	4.3	9.6	2.6	2.5	3.1	6.6
GDP growth (annual, %)	7.7	6.6	5.5	5.5	10.4	6.3	5.7	6.3	10.0	5.8	4.3	4.5
Inflation, CPI (annual, %)	2.6	6.8	4.4	3.2	1.9	5.5	5.5	5.4	7.8	9.5	9.3	11.7
Agriculture (% of GDP)	8.3	16.7	16.3	7.4	12.0	18.5	18.5	8.3	20.1	25.7	23.5	11.1
Manufacturing (% of GDP)	29.6	15.3	14.6	22.6	32.1	16.3	15.3	22.6	30.0	16.4	17.1	20.0
Services (% of GDP)	49.2	47.3	49.3	52.2	42.0	44.4	47.0	49.7	34.9	38.5	42.1	49.9
Foreign debt	14.0	20.6	26.2	23.1	11.7	18.8	30.7	26.3	16.0	27.1	49.1	30.8
FDI (% of GDP)	2.4	1.7	1.9	2.5	3.7	1.6	2.2	3.0	3.9	0.4	1.1	2.1
Imports of goods and services (% of GDP)	20.3	25.3	29.0	23.6	23.9	20.5	27.4	26.4	15.0	10.8	20.9	20.6
Fuel imports (% imp. of goods)	16.0	32.6	21.3	14.5	10.5	32.9	21.1	11.5	5.0	26.3	16.2	6.4
Exports of goods and services (% of GDP)	22.6	21.6	24.7	24.8	28.5	17.9	24.1	29.1	17.1	9.9	17.5	20.2
Manufactures exports (% exp. of goods)	93.7	65.9	58.2	75.1	91.3	70.6	58.8	75.9	83.8	73.9	58.3	73.5
Food exports (% exp. of goods)	2.9	10.5	13.4	8.7	3.8	10.5	14.9	7.8	8.6	16.8	20.0	12.2
Demographic and poverty indicators												
Fertility rate	1.7	2.3	2.9	1.9	1.6	3.0	3.5	1.9	1.7	3.7	4.2	2.2
Urban population (% of total)	54.8	32.6	36.9	61.8	41.8	29.1	32.6	52.4	30.6	26.5	29.4	43.5
Poverty headcount ratio (% of total)	3.7	16.3	17.5	4.1	25.5	37.1	32.6	19.7	58.0	48.0	43.8	40.7
Dependency ratio, older population	14.1	8.4	7.6	12.6	11.0	7.5	7.0	10.4	9.0	7.2	6.9	8.8
Dependency ratio, younger population	25.6	44.6	52.5	31.3	29.8	54.8	60.4	36.1	41.1	64.0	69.7	47.2
Education and health indicators												
Government expenditure (% of GDP)	4.1	4.0	3.6	4.2	3.0	3.5	3.1	4.1	1.8	3.8	2.9	4.1
Literacy rate	95.0	69.0	72.4	94.4	91.0	62.0	65.4	91.6	78.0	48.0	56.9	84.6
Pupil-teacher ratio, primary education	16.6	33.0	29.5	18.5	18.6	40.5	33.8	20.8	22.7	40.0	34.7	23.9
Current health expenditure (% of GDP)	4.8	3.3	3.7	5.5	4.2	3.8	3.9	5.2	–	–	–	–
General government health expenditure (% of total)	56.4	28.5	31.7	54.7	33.0	20.4	27.7	45.0	–	–	–	–
Out-of-pocket health expenditure (% of total)	37.3	61.5	55.3	33.1	56.2	71.7	61.0	41.5	–	–	–	–
Hospital beds (per 1,000 people)	3.7	1.6	1.4	3.0	1.9	1.8	1.6	2.1	2.6	0.8	1.1	2.9

Note: *The averages of each period are used. GDP per capita in purchasing power parity (PPP) terms, in constant 2021 dollars. The relative weight of agriculture, manufacturing and services is calculated as the % of the GVA originating in each sector. Foreign debt is calculated as a % of national income. Only inbound FDI flows are considered. The fertility rate is calculated as the number of births per woman. For the calculation of the poverty rate, the % of the population living on less than $2.15 a day is considered. The dependency ratios are calculated as a % of the working-age population. The literacy rate is calculated as a % of the population aged 15 or over. Public and direct private spending on health is calculated as a % of the total current spending on health.*
Source: *BPI Research, based on data from the World Bank.*

economies as a whole (around 5%, see second chart). Taking a broader view, the average growth rate since 2010 has been 6.8% (excluding the years 2020 and 2021), compared to 6.3% in the period 2000-2009 and 5.8% in the previous decade. On the other hand, China had been growing at an average rate of 10% per year between the mid-1980s and 2010, which has allowed it to rapidly converge with higher-income countries in terms of GDP per capita, and it now finds itself in a different phase of development, with lower growth rates and adverse demographics. In short, India's recent «overtaking» of China, in terms of growth rate, is taking place because these countries are at different stages in their development.

The evolution of the Indian economy in recent decades can be illustrated through three key spheres of development: changes in its economic structure, demographics, and educational and health conditions (see table). In the economic sphere, of particular note is the similarity between India and other lower-middle-income countries in terms of their sectoral composition and the profile of their imports and exports. This is an economy in which agriculture still plays a vital role (around 17%), and that of the manufacturing sector is relatively low (around 15%), while food and fuel still make up a significant portion of the country's international trade.[3] There are also similarities with other lower-middle-income countries at the demographic level, including a high percentage of the population living in poverty and living in rural areas, despite the rapid progress made in the last decade in reducing poverty in the country. At the same time, structural weaknesses are evident in the education and health indicators, with persistently low literacy rates, anda health system with limited coverage and infrastructure.

However, the last few years of President Modi's rule have been an example of successful macrofinancial stabilisation. Since 2013, inflation, while still highly volatile due to its heavy dependence on the food component, has been within the target range of between 2% and 6%, and episodes of higher inflation have been brief. In this task of controlling inflation, a monetary policy focused on bolstering the credibility of the central bank in achieving its objective has been key, with increases in the intervention rate when necessary. All this has been accompanied by a sustained increase in foreign reserves, which has supported the rupee, and contained levels of foreign debt. These years of orthodox monetary and exchange rate policy have allowed the country to begin to steadily lower interest rates.

On the other hand, unlike China, India has maintained a persistent current account deficit. This is because, although it exports professional and technological services,as well as high-value-added consumer electronics, this is not enough to offset its imports of all kinds of goods, including labour-intensive manufactured goods. The relatively small size of the country's manufacturing sector is partly due to the high obstacles that the country continues to impose on foreign direct investment and on various imports of intermediate goods. Alleviating these obstacles, as government initiatives such as *Make in India* or the *Production-Linked Incentive* are seeking to do, will help develop an Indian industrial sector that is integrated into global value chains and is capable of competing, especially in the current context marked by the reconfiguration of international trade, where friendshoring could play a vital role.

The new ~~China~~ India?

In short, having taken a brief snapshot of the Indian economy, the debate surrounding whether India could be the new China remains open. Robust demographics and economic growth play in its favour, accompanied by moderate inflation expectations and a healthy financial situation. Since 2024, India's growth has slowed slightly, but it is expected to remain above 6% in the coming years. However, there are still structural problems that limit the country's potential growth and need to be reformed, such as the labour market, institutional quality, bureaucracy, and the high poverty rate. Therefore, whether the wheel of dharma will be able to pick up the pace on the path to development will remain a topic of heated debate during the next decade.

3. This stands in stark contrast to the situation in China, where the manufacturing sector plays a significant role both in terms of value added and in the country's exports.

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

UNITED STATES

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	02/25	03/25	04/25
Activity									
Real GDP	2.9	2.8	3.0	2.7	2.5	2.0	–	–	–
Retail sales (excluding cars and petrol)	5.2	3.5	3.4	3.6	4.1	4.8	4.7	5.0	...
Consumer confidence *(value)*	105.4	104.5	98.9	102.2	110.6	99.8	100.1	93.9	86.0
Industrial production	0.2	–0.3	0.0	–0.4	–0.3	1.5	1.5	1.3	...
Manufacturing activity index (ISM) *(value)*	47.1	48.2	48.5	47.3	48.2	50.1	50.3	49.0	48.7
Housing starts *(thousands)*	1,421	1,368	1,340	1,332	1,392	1,393	1,494	1,324	...
Case-Shiller home price index *(value)*	312	330	329	332	336	...	340	...	...
Unemployment rate *(% lab. force)*	3.6	4.0	4.0	4.2	4.1	4.1	4.1	4.2	4.2
Employment-population ratio *(% pop. > 16 years)*	60.3	60.1	60.1	60.0	59.9	60.0	59.9	59.9	60.0
Trade balance [1] *(% GDP)*	–3.1	–2.9	–2.8	–2.9	–3.1	–3.5	–3.5	–3.8	...
Prices									
Headline inflation	4.1	3.0	3.2	2.6	2.7	2.7	2.8	2.4	...
Core inflation	4.8	3.4	3.4	3.2	3.3	3.1	3.1	2.8	...

JAPAN

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	02/25	03/25	04/25
Activity									
Real GDP	1.5	0.1	–0.7	0.7	1.1	...	–	–	–
Consumer confidence *(value)*	35.1	37.2	37.2	36.9	36.1	34.7	34.8	34.1	31.2
Industrial production	–1.4	–3.0	–3.5	–1.8	–2.5	2.1	4.3	–0.3	...
Business activity index (Tankan) *(value)*	7.0	12.8	13.0	13.0	14.0	12.0	–	–	–
Unemployment rate *(% lab. force)*	2.6	2.5	2.6	2.5	2.5	2.5	2.4	2.5	...
Trade balance [1] *(% GDP)*	–3.0	–1.1	–1.0	–1.1	–1.0	...	–0.9	...	...
Prices									
Headline inflation	3.3	2.7	2.7	2.8	2.9	3.8	3.6	3.6	...
Core inflation	3.9	2.4	2.2	2.0	2.3	2.7	2.6	2.8	...

CHINA

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	02/25	03/25	04/25
Activity									
Real GDP	5.4	5.0	4.7	4.6	5.4	5.4	–	–	–
Retail sales	7.8	3.3	2.6	2.7	3.8	3.6	4.0	5.9	...
Industrial production	4.6	5.6	5.9	5.0	5.6	6.8	5.9	7.7	...
PMI manufacturing *(value)*	49.9	49.8	49.8	49.4	50.2	49.9	50.2	50.5	49.0
Foreign sector									
Trade balance [1,2]	865	996	864	897	996	1,085	1,041	1,085	...
Exports	–5.1	4.6	4.4	5.4	10.0	5.7	–2.3	12.2	...
Imports	–5.5	1.1	2.5	2.2	–1.8	–7.0	1.4	–4.3	...
Prices									
Headline inflation	0.2	0.2	0.3	0.5	0.2	–0.1	–0.7	–0.1	...
Official interest rate [3]	3.5	3.1	3.5	3.4	3.1	3.1	3.1	3.1	3.1
Renminbi per dollar	7.1	7.2	7.2	7.2	7.2	7.3	7.3	7.3	7.3

Notes: *1. Cumulative figure over last 12 months. 2. Billion dollars. 3. End of period.*
Source: *BPI Research, based on data from the Department of Economic Analysis, Bureau of Labor Statistics, Federal Reserve, Standard & Poor's, ISM, National Bureau of Statistics of Japan, Bank of Japan, National Bureau of Statistics of China and Refinitiv.*

EURO AREA

Activity and employment indicators

Values, unless otherwise specified

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	02/25	03/25	04/25
Retail sales *(year-on-year change)*	–1.9	1.1	0.3	2.1	2.1	1.8	1.9	1.5	...
Industrial production *(year-on-year change)*	–1.6	–3.0	–4.0	–1.7	–1.6	...	1.2	...	...
Consumer confidence	–17.4	–14.0	–14.2	–13.0	–13.4	–14.1	–13.7	–14.5	–16.7
Economic sentiment	96.2	95.7	95.9	96.2	95.2	95.4	96.1	95.0	93.6
Manufacturing PMI	45.0	45.9	46.1	46.4	46.3	46.3	47.6	48.6	49.0
Services PMI	51.2	51.5	51.7	52.7	53.1	52.6	50.6	51.0	50.1
Labour market									
Employment (people) *(year-on-year change)*	1.4	1.2	1.0	1.0	0.7	...	–	–	–
Unemployment rate *(% labour force)*	6.6	6.4	6.4	6.3	6.2	6.2	6.2	6.2	...
Germany *(% labour force)*	3.0	3.4	3.4	3.5	3.5	3.5	3.5	3.5	...
France *(% labour force)*	7.3	7.4	7.4	7.4	7.3	7.3	7.4	7.3	...
Italy *(% labour force)*	7.7	6.6	6.7	6.3	6.1	6.0	5.9	6.0	...
Real GDP *(year-on-year change)*	0.5	0.8	0.5	1.0	1.2	1.2	–	–	–
Germany *(year-on-year change)*	–0.1	–0.2	–0.2	–0.3	–0.2	–0.2	–	–	–
France *(year-on-year change)*	1.1	1.1	1.0	1.3	0.8	0.8	–	–	–
Italy *(year-on-year change)*	0.8	0.5	0.7	0.6	0.5	0.6	–	–	–

Prices

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

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	02/25	03/25	04/25
General	5.5	2.4	2.5	2.2	2.2	2.3	2.3	2.2	2.2
Core	5.0	2.8	2.8	2.8	2.7	2.6	2.6	2.4	2.7

Foreign sector

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

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	02/25	03/25	04/25
Current balance	2.0	3.5	3.2	3.5	3.5	...	3.5	...	...
Germany	5.6	5.7	6.4	6.3	5.7	...	5.3	...	...
France	–1.0	0.4	–0.4	0.0	0.4	0.1	0.1	0.1	...
Italy	0.1	1.1	0.9	0.9	1.1	...	1.0	...	...
Nominal effective exchange rate [1] *(value)*	**94.7**	**95.0**	**95.1**	**95.5**	**94.2**	**93.5**	**92.7**	**94.7**	**97.0**

Credit and deposits of non-financial sectors

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

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	02/25	03/25	04/25
Private sector financing									
Credit to non-financial firms [2]	2.7	0.8	0.4	1.0	1.4	2.1	2.1	2.3	...
Credit to households [2,3]	1.7	0.5	0.3	0.5	0.9	1.5	1.5	1.7	...
Interest rate on loans to non-financial firms [4] *(%)*	4.6	4.9	5.1	4.9	4.4	3.9	3.9	3.7	...
Interest rate on loans to households for house purchases [5] *(%)*	4.4	4.6	4.8	4.7	4.3	4.0	4.0	3.9	...
Deposits									
On demand deposits	–8.5	–3.9	–5.5	–2.5	1.2	3.6	3.7	4.1	...
Other short-term deposits	21.1	12.3	14.3	10.5	5.9	2.3	2.0	1.5	...
Marketable instruments	20.3	20.2	19.8	22.1	18.3	15.1	18.0	11.3	...
Interest rate on deposits up to 1 year from households *(%)*	2.7	3.0	3.1	3.0	2.6	2.2	2.2	2.1	...

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.*

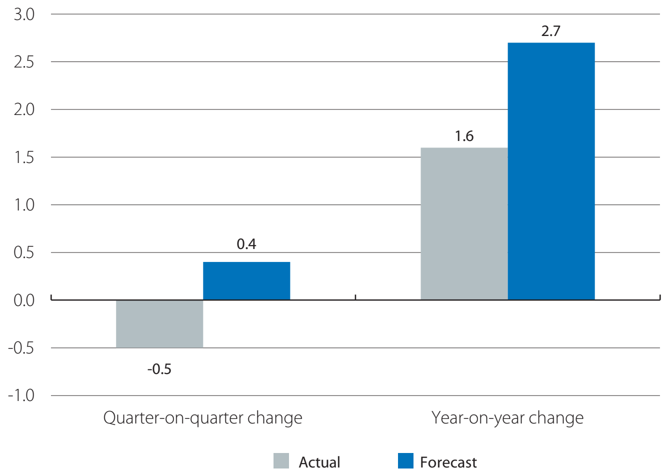
Source: *BPI Research, based on data from the Eurostat, European Central Bank, European Commission, national statistics institutes and Markit.*

Volatile economy despite greater structural robustness

GDP in Q1 2025 surprised on the downside, falling 0.5% quarter-on-quarter in INE's preliminary estimate. This movement will mainly reflect a correction of the strong growth seen in 4Q 2024, which was associated with one-off factors. In particular, the increase in household disposable income resulting from the changes to the personal income tax (with retroactive effect to the beginning of 2024) and the payment of the extraordinary supplement to pensioners in October 2024, was the basis for the 2.8% growth in private consumption in Q4 23, well above its historical behavioural pattern (around 0.6% since 2014), and this component should have fallen back in Q1 25. If we look at the last two quarters (Q4 24 and Q1 25) together - reducing the volatility typical of a small economy with a high degree of openness to the outside world - we see that, on average, growth in activity stood at 0.45% per quarter. The Q1 figure was a negative surprise and contrasts with the preliminary indicators for the period, which did not suggest a contraction, confirming our view that this is a normalisation. In terms of consumption, we highlight that retail sales excluding fuels grew by 0.7% and car sales by almost 13% in the quarter. Likewise, turnover in industry and services increased by 0.8% and 3.8% respectively. Finally, the European Commission's economic sentiment indicator for the first three months of the year stood at 104.4 points, showing a downward trend throughout the quarter, but always above the 100 level, indicating that activity is expanding (and remained so in April). Finally, it should be noted that the data for Q1 2025 poses downside risks to BPI Research's forecast for real GDP growth (2.4%). Despite the volatility of the economy, which may continue over the next few quarters, it seems to us that this does not reflect the real behaviour of the economy, which remains robust. Note the growth in employment and wages, reflecting the resilience of the labour market; the implementation of community funds should accelerate given the proximity of the end of the EU NG (2026); and the signing of several investment contracts and the reduction in financing costs also suggest that investment will remain robust.

The revised macroeconomic scenarios released in April are unanimous on the slowdown in the Portuguese economy's growth rate in 2025. Thus, the IMF, Catholic University (NECEP) and CFP revised their forecasts by –0.2/–0.3 tenths compared to their previous estimates from October, January and September. These reflect the signs of slowdown that we mentioned in the previous paragraph and the mostly downside risks that the current global situation represents. Still, the outlook remains positive and these three organisations continue to expect the economy to grow by around 2% in 2025. However, given the Q1 data, we expect them to be adjusted slightly downwards to levels below 2 per cent (in line with our current revision).

Portugal: real GDP in Q1 2025
Rate of change (%)



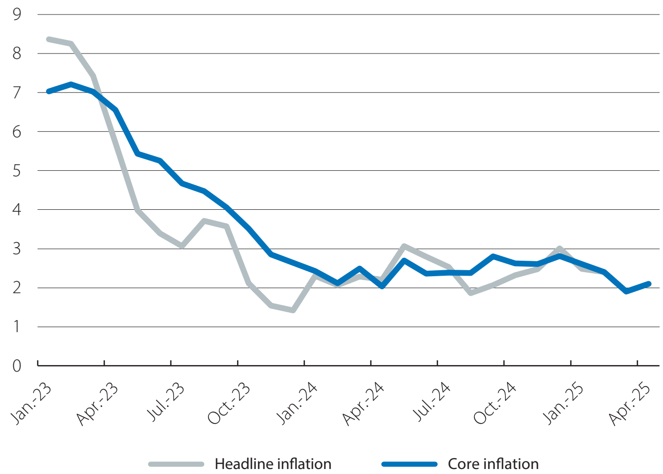
Source: *BPI Research, based on data from the National Statistics Institute of Portugal.*

Portugal: Previsões para o crescimento do PIB real

		2024	2025	2026	2027	Cum. 25-27
BPI	fev.-25	1,9	2,4	2,1	2,0	6,7
FMI	abr.-25		2,0	1,7	1,5	5,3
CFP	abr.-25		2,2	2,0	1,6	5,9
NECEP	abr.-25		2,0	2,0	2,2	6,3
Banco de Portugal	mar.-25		2,3	2,1	1,7	6,2

Fonte: *BPI Research, based on data from FMI, CFP, NECEP e Banco de Portugal.*

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



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

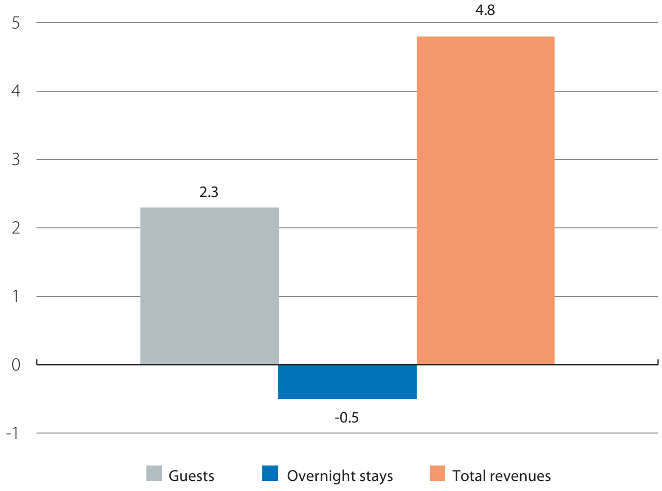
Inflation in April returns to levels above 2%. Indeed, the year-on-year rate of change in the Consumer Price Index (CPI) rose to 2.1% in April, as did the Underlying CPI (both up from 1.9% in March). One thing to note about April's figures is that, as in March, headline inflation is once again equal to core inflation. This means that the disinflationary process is currently mainly based on less volatile price dynamics and is therefore slower. The monthly changes in the underlying and overall CPI (0.8% and 0.7% respectively) were once again higher than the pre-pandemic historical average (0.5% in both), unlike the previous month. Although at the time of writing the price of Brent has already fallen by around 25% year-on-year, the contribution of the energy component to disinflation is still modest and unprocessed food inflation this year has been above 2.5% on average.

Tourism grows modestly in Q1 2025. In the first three months of 2025, the number of tourists rose 2.3% year-on-year, overnight stays fell 0.5% and total revenue rose 4.8%. This performance was probably influenced by the moving structure of the calendar, i.e. the effect of the vacation periods associated with Easter, which this year took place in April, whereas in the previous year it was mainly concentrated in March. In fact, this is a modest performance, justified by the above, which should improve in the coming months based on the main *drivers* for the sector this year: recovery in household purchasing power, diversification of source markets and a reduction in seasonality (a topic covered in an article in this publication).

IMF estimates that Portugal will continue with budgetary consolidation. Despite the greater uncertainty and the current situation which is prone to increasing public spending, the IMF estimates that Portugal will stand out positively from the eurozone countries as a whole, maintaining the trend of reducing the public debt ratio in the medium term. We therefore expect this ratio to gradually decrease over the next five years, reaching 81.6% of GDP in 2028; for 2025 it is estimated that it will stand at 91.8% of GDP. This will be helped by maintaining a policy of budgetary consolidation, with the IMF forecasting that the budget balance will stand at 0.5% of GDP in 2025 and 0.1% in the following years. Fulfilling this trend will tend to limit possible shocks and/or positively favour the evolution of the Portuguese economy's financing costs, in a period of greater uncertainty for the global economy.

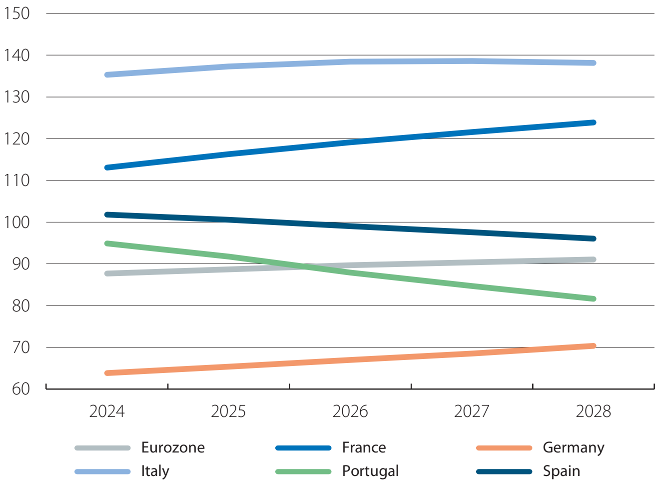
***Stocks* of credit and deposits follow different rhythms within the private sector**.Household credit portfolios grew by 5.1% and deposits by 5.7% year-on-year in March, reflecting a positive trend in both variables compared to the same month in 2024. The increase in demand for loans is mainly justified (in absolute terms) by mortgage loans, due to the lower level of interest rates (total loans rose by 6.683 billion euros compared to March 2024, of which 5.189 came from mortgage loans). Private deposits, despite continuing to grow, have shown a slowdown since October 2024, which partly reflects the reduction in the remunerations offered. In contrast, loans to companies (non-securitised) have remained stagnant (0.1% year-on-year), due to a slight decrease in demand for loans by large companies, which offset the slight increase seen by SMEs. Corporate deposits grew by 8.6%, a major recovery from the falls seen in March 2024, but also showing a slowdown compared to February this year.

Portugal: tourism in Q1 2025
Year-on-year change (%)



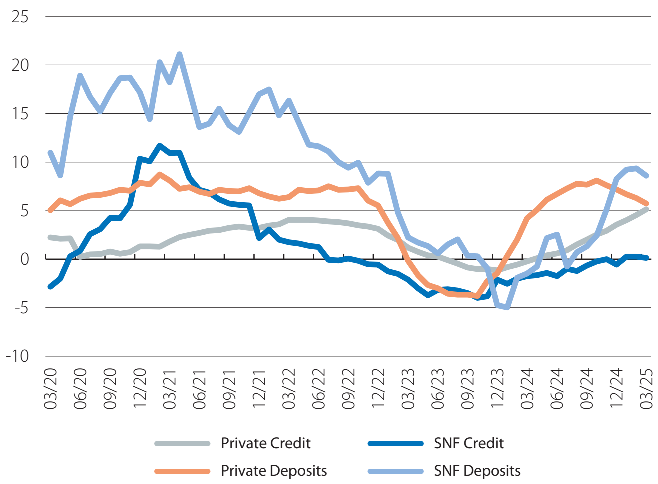
Source: *BPI Research, based on data from the National Statistics Institute of Portugal.*

Public debt ratio
(% of GDP)



Source: *BPI Research, based on IMF data.*

Stocks of Loans and Deposits
Annual rate of change (%)



Source: *BPI Research, based on BdP data.*

Rates: moderate headwinds for Portugal

Economic relations between Portugal and the US have developed in recent years, particularly in terms of trade, so the changes introduced by the US administration in its trade policy could have an unfavourable impact on activity in some sectors and on the economy as a whole. In this article, we provide an overview of relations between Portugal and the USA, with a greater focus on trade in goods, which are most impacted by the current US customs policy; and we discuss potential impacts on the economy of this same policy.

What has happened since 2019 and what we export to the US

Exports of goods increased by 75% and exports of services more than doubled, both in tourism (+132%) and other services (+118%); the number of North American tourists visiting Portugal increased by 90% in5 years (almost doubled); US direct investment in Portugal grew by 95% and in the real estate sector (residential and commercial) it almost quadrupled, increasing by 357%. Together, exports of goods and services from Portugal to the US and US direct investment in Portugal represent only 6% of Portugal's GDP; but the component that could be most affected by the US protectionist drift, exports of goods, is tiny: only 1.9% of GDP.

In 2024, exports of goods to the US amounted to 5.318 billion euros, with pharmaceutical products accounting for 22% of the value exported and coke and refined products accounting for 19% of the total exported. These two, or 43% of the value exported to the US in 2024, are for the time being outside the basket of products subject to increased tariffs by the Trump administration.

In turn, steel and aluminium products and transport equipment, which are subject to increased tariffs of 25%, have a small weight in exports of goods to the US: about 5% and 1%, respectively.

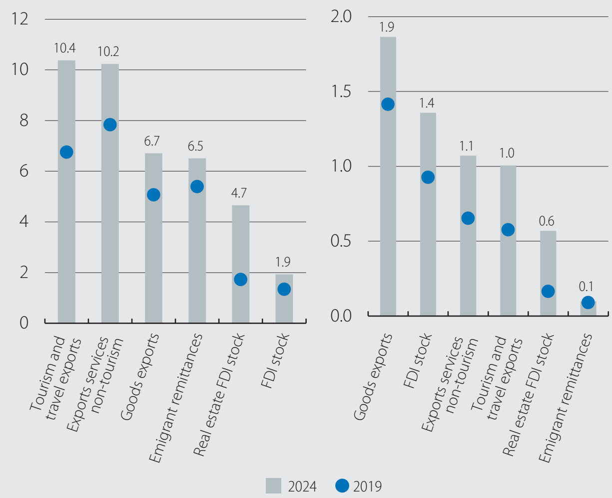
For the time being, the impact on the economy as a whole will tend to be small, possibly more centred on the postponement of investment and consumption decisions that the uncertainty over the final outcome of the protectionist drift will cause; and also indirectly, given the prospect of a cooling of the main external partners.

Tariffs and their impacts

On so-called «Liberation day» (2 April 2025), Trump announced that tariffs on European products would increase to 20%, but 7 days later he postponed their implementation for 90 days, deciding that the European Union would be subject to a 10% tariff. This decision will be in force until July, after which it depends on

Importance of relations with the US

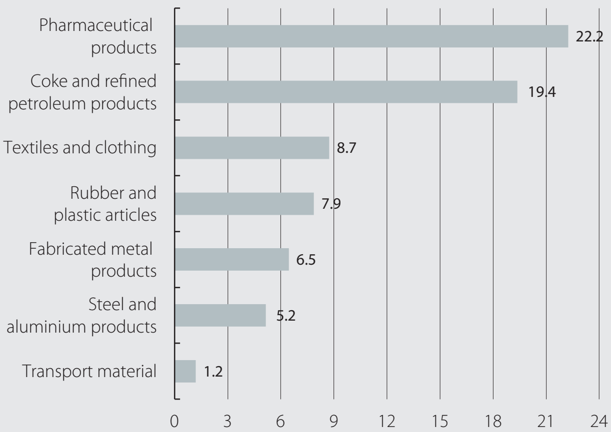
(% of respective aggregate) *(% of GDP)*



Source: *BPI Research based on data from Banco de Portugal and INE.*

Weight of products in total exports in 2024

(%)



Source: *BPI Research based on data from National Statistics Institute.*

negotiations and their success. Pharmaceuticals and petroleum products are exempt from the general 10% tariff for the time being; in the case of steel and aluminium cars, a 25% tariff is applied.

Although not exempt from the unfavourable impacts associated with the change in US trade policy, Portugal has a relatively moderate exposure to the US, so it is estimated that the impact on growth, although negative, will be limited.

As a first point, we highlight the fact that Portuguese exports of goods to the US represent only 6.7% of total national exports, so the current 10% increase in tariffs applied by the US will only increase the average tariffs borne by Portugal by 0.7 percentage points, with this increase rising to 1.3 percentage points in July, in the event that negotiations between the US and the European Union end without any agreement and if the US returns to the 20% tariffs. Furthermore, as mentioned above, almost half of exported products are currently exempt from tariffs.

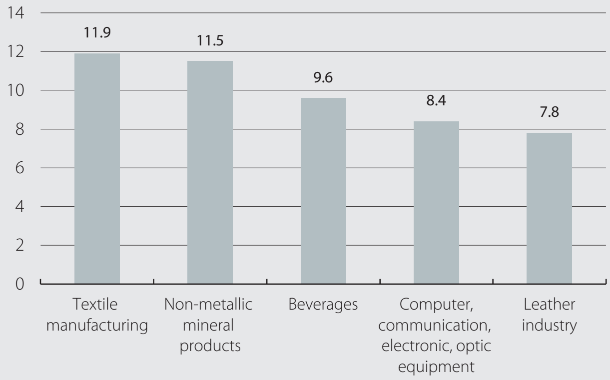
Second, the Portuguese gross value added incorporated into US final demand is 2.4%.[1] This means that applying the price increase corresponding to the tariffs of 10% to all products exported to the US, keeping all other variables constant and assuming a demand-price elasticity of –1, would result in a reduction in the volume exported of also 10%, with a corresponding negative effect on GDP of 0.24 percentage points; in the case of a 20% increase in tariffs, the impact would be close to 0.5 percentage points.

In addition to the direct impacts, the instability over which final customs duty framework will be adopted tends to exacerbate uncertainty, resulting in postponement of investment and consumption decisions. For the eurozone as a whole, the ECB estimates that the environment of greater uncertainty could reduce growth by 0.2 percentage points. As Portugal is an economy with a high degree of openness, we expect a similar or slightly higher potential impact. There is also the effect of recomposing global value chains, a process that will continue over time, affecting growth. In addition to this are potential effects on the activity figures for the first 3 months of the year (at least), as there will have been an anticipation of imports by US companies, with a potential positive impact for Europe (and Portugal) due to the boost in exports.

In other words, in a scenario where nothing else changes but customs duties, the impact we estimate could amount to 0.7 percentage points, possibly spread over 2025 and 2026. However, this seems an unlikely scenario, as the signing of new trade agreements with other countries, the adoption of support measures for exporting companies,[2] fiscal policies to boost domestic demand in Europe and Portugal, and the evolution

Companies with high exposure to the US market (2023)

(% of exporting companies in the sector)



Source: *BPI Research, based on data from Banco de Portugal.*

of the currency itself, will tend to reduce the amplitude of the shock (in the case of the exchange rate, for example, reducing the impact on prices will allow for a more expansionary monetary policy). In addition, World Trade Organization rules allow for the adoption of safeguard measures for sectors most exposed to sudden changes (increases) in imports,[3] limiting the negative impact that the detour of usual exports from some countries to the US could have on Portugal.

Although the impact on growth is expected to be moderate, the impact it could have on certain sectors is not immaterial. The Bank of Portugal assumes that a company's degree of exposure is high when its exports to the US represent more than 10% of its total exports, concluding that the sectors most exposed to changes in US trade policy are textiles, non-metallic mineral products, which include glass, cement and ceramic products, the beverage industry, the manufacture of computer, communication, optical and electronic equipment and the leather industry. In these sectors, and in the same order, exports to the US would represent 76%, 82%, 34%, 75% and 69% of its total exports in 2023.

Teresa Gil Pinheiro

1.Public Finance Council, Economic and budgetary outlook 2025-2029, Box 4 - Trump 2.0: Impact of potential tariffs on Portuguese economic activity.
2.The Portuguese government has approved a package of measures to support competitiveness, exports and internationalisation, amounting to around 10 billion euros.
3.Safeguard measures aim to protect a given industry when it is affected by an unforeseen, sharp and sudden increase in imports of a specific commodity. Recently, when the US increased its tariffs on imports of aluminium and steel to 25%, the European Union used this mechanism to limit imports of these products, in order to avoid disruptive effects on European industry associated with possible detour to EU countries of the usual exports from third countries to the US.

Real Estate: valuation moves away from the centre of Lisbon and Porto

In March, INE released the final figures for 2024 for the Housing Price Index (HPI). With this disclosure, we had access to a set of data that is now important to highlight in order to better understand the dynamics of the real estate market. First of all, it's worth noting that the market's dynamics have moved from the deceleration quadrant (a decrease in the number of sales with an increase in prices) to the expansion quadrant (an increase in the number of sales with an increase in prices). The average change in the HPI was 9.1% and was higher for used homes (9.7%) than for new homes (7.5%). With this variation, the price index is 89.6% above the pre-pandemic level. The number of transactions increased by 14.5%: 156.3 thousand homes were sold, which is still below the annual maximum that had been set for 2022 (167.9 thousand). This is a recovery after 2023 was marked by the monetary tightening process, with an increase in interest rates and a corresponding drop in sales (down 19% that year).

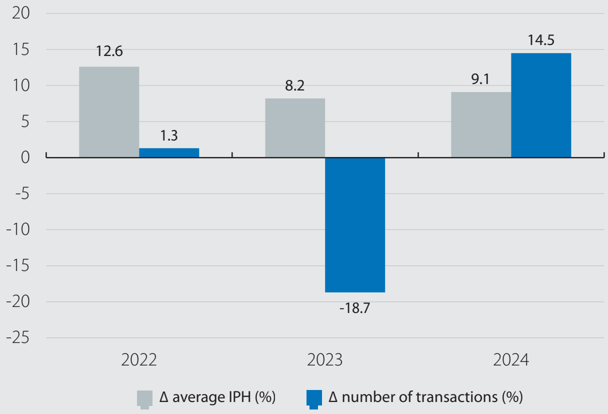
The total value of housing transacted in 2024 amounted to 33,833 million euros (+20.8%) and the average value of housing transacted is 216.4 thousand euros (205.2 thousand in 2023). Purchases by buyers with tax residence outside Portugal fell in number compared to 2023 (–6%)[1] and accounted for 6.3% of the number and 10.2% of the total value transacted. The Algarve continues to be the region where the weight of transactions by people with a tax residence outside Portugal is greatest in terms of number (23.8%) and value (35.9%), although it fell last year (–3.4 pp and –2.6 pp, respectively). Finally, it's also important to note that the average value of purchases by buyers with a tax domicile in the EU (286.8 thousand euros), but especially in the other countries (421.7 thousand euros), is much higher than the average value of purchases by people with a tax domicile in Portugal (207.2 thousand euros).

Housing appreciation by region

The region with the largest relative increase in 2024 in the number of homes sold was Porto[2] (+20.8%) as opposed to the Algarve, at the opposite end of the performance spectrum (–1.9%). In terms of value traded, the biggest relative increase was in Madeira (+37.3%) and the smallest was also in the Algarve (+2.2%). In terms of value, Porto also recorded the second strongest increase (+29.4%). Part of the explanation for these relatively more positive (Madeira, Porto) and negative (Algarve) dynamics is likely to be the purchases made by people with a tax residence outside Portugal, whose average purchase value is higher, as we have already seen. Indeed, Madeira recorded the biggest increase in value and number of purchases made by people with a tax residence in the EU (+43% and +38%, respectively) and Porto the second biggest increase in number (+7.5%). On the other hand, the Algarve saw a drop in value and number of buyers with tax residence in the EU and other countries. Given the high weight of these in the Algarve's buyer mix, the reflection in the overall figures was more marked.

However, the increases we talked about in the previous paragraph are changes in nominal traded values and not price indices (INE does not publish the NUT's HPI). Bearing in mind that the number of transactions in Porto and Greater Lisbon together represent 35% of the total number of transactions made in 2024, we thought it pertinent to understand how valuations are evolving in these areas in a broader sense, thinking in terms of municipalities and their distance from the two major cities.[3] We have classified the municipalities by distance from the centre of Lisbon[4] and Porto[5] and we evaluated not only the historical

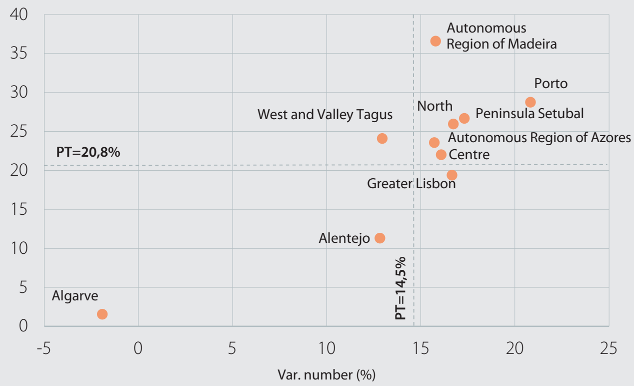
Price variation of no. of housing transactions



Source: *BPI Research based on data from Institute of National Statistics.*

Rates of change in the number and value of housing transactions in 2024 (NUTS II)

(Var. value %)



Source: *BPI Research based on data from Institute of National Statistics.*

1. In 2024, this corresponded to 9,774 properties and 3.463 billion euros transacted.
2. Porto is not a NUT II, but the INE details the figures for Porto (part of the NUT Norte). If NUT II were strictly considered, the region with the greatest relative increase in the number of properties sold was the Setúbal Peninsula.
3. As a proxy for valuation, we used the median values per m^2 from bank appraisals of mortgage loans.
4. The Lisbon Metropolitan Area (AML) includes the municipalities of Alcochete, Almada, Amadora, Barreiro, Cascais, Lisboa, Loures, Mafra, Moita, Montijo, Odivelas, Oeiras, Palmela, Seixal, Sesimbra, Setúbal, Sintra and Vila Franca de Xira.
5. The Porto Metropolitan Area (AMP) includes the municipalities of Arouca, Espinho, Gondomar, Maia, Matosinhos, Oliveira de Azeméis, Paredes, Porto, Póvoa de Varzim, Santa Maria da Feira, Santo Tirso, São João da Madeira, Trofa, Vale de Cambra, Valongo, Vila do Conde and Vila Nova de Gaia.

evolution of valuations but also the valuation that will occur in 2024.

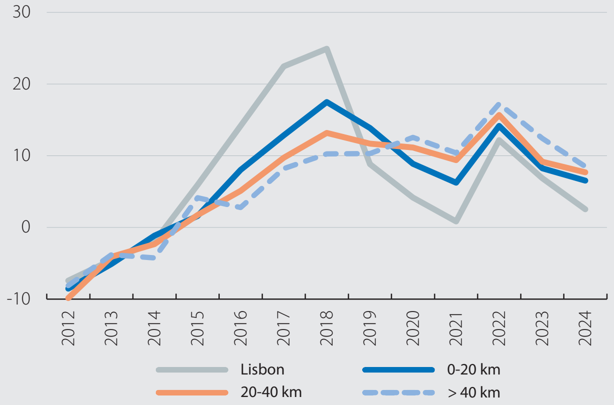
As can be seen (third graph), in the first phase of this cycle of strong house prices, which began in 2015, the most significant increases in value/m^2 were in the cities of Lisbon and Porto. This is true for Lisbon until 2018 and for Porto until 2019. Possibly this trend is broken first in Lisbon not only because the exuberance of the appreciation was stronger, putting pressure earlier on the accessibility of those who wanted to buy a house in the city, combined with the fact that the starting median value/m^2 was already higher. Another aspect to note is that the valuation in the municipalities furthest from Lisbon (> 40 km) has started to be higher than that of Lisbon and the municipalities at other distances (0-20 km and 20-40 km) systematically since 2020. In Porto, only in 2024 will the appreciation of the more distant municipalities (> 40 km) be stronger. As some of the literature has already shown, and despite these nuances between Lisbon and Porto, there seems to have been a movement of contagion to the outskirts in recent years following the exuberance of prices in the city centres.[6] An argument that is not strictly economic and financial may also have contributed to the stronger valuations in the more distant municipalities recently: the intensification of remote working, which means fewer commutes to city centres.[7]

Finally, we highlight some particular aspects of the median values per square metre. The median value/m^2 of housing in locations over 40 km from Lisbon (1,764 eur) is higher than in municipalities up to 20 km from Porto (1,691 eur). Also, the difference in value between housing in Lisbon and municipalities more than 40 km away is more than 2,000 eur/m^2 (2,027 eur) while for Porto this figure is «only» 1,464 eur. However, the value/m^2 in Porto is 2.3x higher than in locations > 40 km, while in Lisbon this ratio is lower, at 2.1x. This may be because the event of greater appreciation in locations > 40 km occurred first and most consistently in Lisbon.

Tiago Belejo Correia and Tiago Miguel Pereira

Bank appraisals for Lisboa

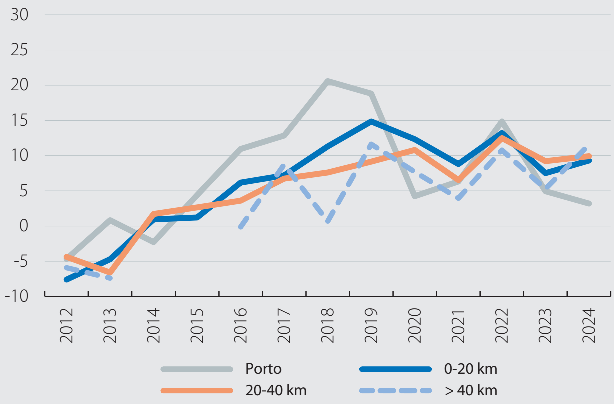
Annual change in median eur/m² (%)



Source: *BPI Research based on data from Institute of National Statistics.*

Bank appraisals for Porto

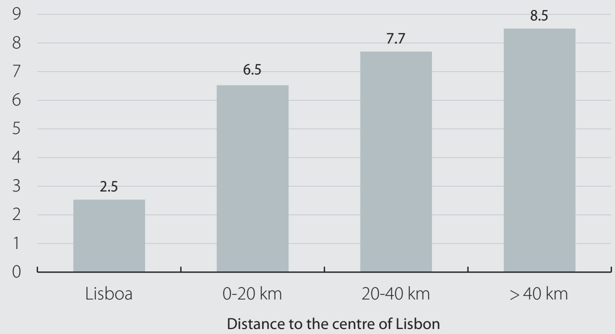
Annual change in median eur/m² (%)



Source: *BPI Research based on data from Institute of National Statistics.*

Bank appraisals in Lisbon (2024)

Annual change in median eur/m² (%)

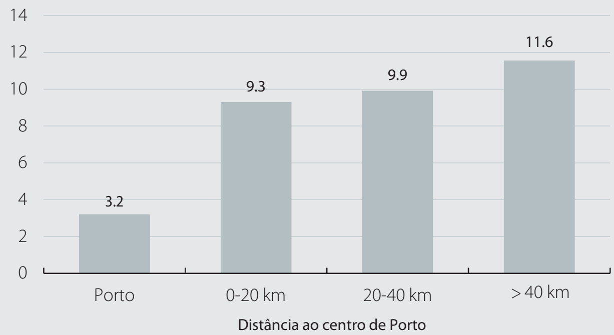


Distance to the centre of Lisbon	Lisbon	0-20 km	20-40 km	> 40 km
Euros/m²	3,791	2,416	1,973	1,764

Source: *BPI Research based on data from Institute of National Statistics.*

Bank appraisals at Porto (2024)

Annual change in median eur/m² (%)



Distância ao centro de Porto	Porto	0-20 km	20-40 km	> 40 km
Euros/m 2	2,549	1,691	1,471	1,085

Source: *BPI Research based on data from Institute of National Statistics.*

6. See the article “Exuberance and contagion in the Portuguese real estate market: a perspective on disaggregate local residential prices” by René Huget, Rita F. Lourenço and Paulo M. M. Rodrigues, which is part of the study "The real estate market in Portugal - prices, rents, tourism and accessibility" by the Francisco Manuel dos Santos Foundation.
7. The end of the possibility of obtaining a *gold* visa through the purchase of real estate from 2023 and before that (in 2022) the restrictions already in place for this purpose on real estate in big cities may also have had an influence.

Reducing seasonality in Portuguese tourism: some evidence

The national tourism sector has seen remarkable growth in recent decades. At the same time, we are seeing an increasingly marked reduction in seasonality, i.e. a greater dispersion of tourist flows outside the historically strongest months for the sector - July and August.[1] In this article, we intend to characterise this movement towards less seasonality in various ways.

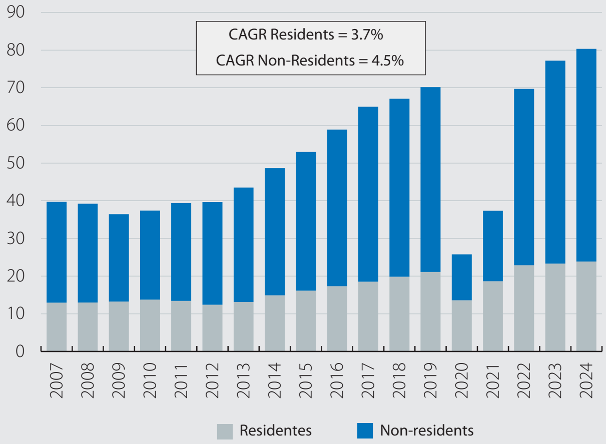
As we said in the first paragraph, the growth of the tourism sector has been quite exceptional. Let's take a closer look.[2] In 2007, the country recorded 39.7 million overnight stays, a figure that rose to more than 80 million in 2024 and which was boosted by stronger growth in foreign guests. The first sign of a decrease in seasonality over this time horizon is related to the absolute growth in overnight stays compared to 2007 in the high season and the rest of the year, which was 90% and 106% respectively. Another aspect of evaluating seasonality is to assess the weight of overnight stays in the high season in total overnight stays. This is what we show in the second graph, where a decrease in the weight of overnight stays in July and August in 2024 is clearly visible. There is therefore a tendency for a progressive smoothing of overnight stays to other months, which is especially consistent in the last quarter of the year. We have a clearer view of the evolution of this trend when we evaluate the proportion of overnight stays in high season in each year of this period (third graph). It is clear that in the context of the international financial crisis and financial assistance to the country (the «troika»), the number of overnight stays during peak season has increased. This could be justified by the increase in unemployment and reduction in income, forcing tourists to channel available resources into taking holidays only during one period of the year, the summer period. After these years, the downward trend in seasonality is clearer and more gradual, although it was abruptly interrupted during the pandemic period, which was also conditioned by mobility factors (normally in the summer months the severity of the spread of the virus was lower, as were restrictions on mobility). Thus, with the exception of the pandemic period, 2013 was the peak year for overnight stays in high season (28.2%) and 2024 was the lowest.

Seasonality by source market and region

Based on the data on overnight stays, we conclude that seasonality recorded its biggest decline when comparing 2013 and the most recent annual record. But which are the most and least seasonal source markets? Which source markets have seen the biggest drop in seasonality?

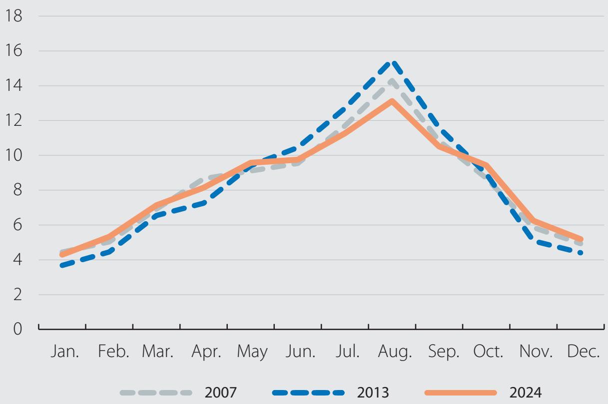
1.For the sake of simplicity, in this article we will refer to July and August as the «high season».
2.We have used this year as a reference for comparison with the present, as it is the most recent year for which the INE has provided us with data. In addition, it is also a starting point prior to periods with effects that may distort some of the sector's data, such as the great financial crisis, the «troika» period or the pandemic, for example.

Stays
Number (millions)



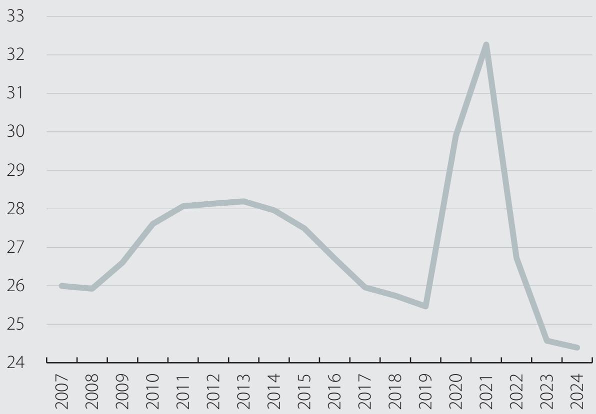
Note: *CAGR refers to Compound annual growth rate.*
Source: *BPI Research based on data from National Statistics Institute.*

Monthly overnight stays
(% of total overnight stays each year)



Source: *BPI Research based on data from Institute of National Statistics.*

Proportion of overnight stays in July and August each year
(% of total overnight stays each year)



Source: *BPI Research based on data from Institute of National Statistics.*

And which regions of the country are the most and least seasonal?

To answer these questions, we analysed the number of guests from the 15 main source markets[3] and we illustrate the main metrics in the table. First conclusion: the weight of the high season for resident guests is in 2024 very similar to the weight of foreign guests (21.9% and 22.2%, respectively), although the reduction in the seasonality of resident tourists (-2.2%) is less than that of non-residents (-2.8%). In other words, between 2013 and 2024, seasonality fell more in foreign source markets. It can also be seen that the ten source markets with the highest seasonality are European and among the top ten are two of the most important for national tourism - Spain (30.4% of the high season) and France (25.9%). Tourists from Brazil, on the other hand, are only 17% concentrated in the high season.

In terms of seasonality reduction compared to 2013, the Polish market leads the way. That year it was, together with Italy (32.9%), the most seasonal source market. Although Italy has been one of the source markets with the greatest reduction in seasonality, it is still the second largest in terms of tourists during the high season (29.5%). The only country that increased seasonality was Sweden (very slightly, +0.8%). The USA, a country that has been growing significantly in terms of its share of our tourism, was also one of the countries that reduced seasonality the least (-0.6%), although by comparison this was already relatively low in 2013. It should also be noted that the «Other» markets have below-average seasonality and above-average seasonality, which means that attracting tourists from smaller source markets could be a strategic bet for national tourism. Reducing seasonality should be an objective, especially because it avoids overcrowding (providing a better experience for tourists and increasing the likelihood that they will return); and, because it usually also corresponds to greater geographical dispersion, contributing to local economies away from the coast and typical beach destinations.

To analyse seasonality by region, due to data limitations, it was only possible to compare 2017 (and not 2013) with 2024.[4] Even so, seasonality has been reduced in all regions. The Algarve remained the region with the greatest weight of the high season, but it is also the second region with the greatest reduction in seasonality compared to 2017, surpassed only by the Alentejo. Madeira is the tourist region with the lowest seasonality (much on a par with Lisboa) and also one of those that has managed to reduce it the most. A temperate climate all year round and events outside the high season, such as Carnival and New Year's celebrations, can help explain this.

The issue of seasonality in tourism is complex and its movements can only be explained by a multitude of factors, which require more detailed investigation. We can point to the diversification of the tourist offer (increase in the number of units, location and type) as supporting the movement to reduce seasonality; the promotion of events (sporting, cultural) outside the high season; the promotion of business and nature tourism and the capacity and capillarity of air connections. There are also exogenous aspects. The fact that we are living longer and healthier can stimulate senior tourism, and climate change can also boost milder winters and demand outside the high season. Despite the data that this article puts on the table, in order to draw finer conclusions and interpret trends, it would be important to have sociodemographic data on guests - age, income, education, for example.

Tiago Belejo Correia

Seasonality by issuing market

Source Market	Weight of high season (2024)	Source Market	Seasonality variation (2024) vs. 2013)
Spain	30.4%	Poland	–10.1%
Italy	29.5%	Netherlands	–4.7%
France	25.9%	Belgium	–4.4%
Belgium	25.3%	Italy	–3.4%
Switzerland	24.3%	Others	–2.9%
Ireland	23.7%	Canada	–2.8%
Denmark	23.0%	Ireland	–2.7%
Netherlands	22.7%	France	–2.7%
United Kingdom	21.3%	Brazil	–2.2%
Poland	20.9%	Spain	–2.2%
Canada	19.5%	United Kingdom	–2.0%
Others	19.3%	Germany	–0.8%
USA	19.0%	Denmark	–0.6%
Germany	18.2%	USA	–0.6%
Sweden	17.5%	Switzerland	–0.1%
Brazil	17.0%	Sweden	–0.8%
Portugal	**21.9%**	**Portugal**	**–2.2%**

Note: *The weight of the high season refers to the percentage of tourists from each source market in July and August compared to the total number of tourists from each source market in the whole year. The change in seasonality refers to the change in the weight of the high season between 2013 and 2024.*
Source: *BPI Research based on data from Institute of National Statistics.*

Seasonality by region (NUTS 2013)

Region	Weight of high season (2024)	Region	Seasonality variation (2024) vs. 2017)
Algarve	26.7%	Alentejo	–2.2%
Autonomous Region of Azores	26.6%	Algarve	–1.5%
Alentejo	23.2%	Autonomous Region of Madeira	–1.4%
Centre	22.5%	Centre	–1.2%
North	21.8%	AM Lisbon	–0.9%
AM Lisbon	19.4%	Autonomous Region of Azores	–0.5%
Autonomous Region of Madeira	19.2%	North	–0.3%

Note: *High season weight refers to the percentage of tourists from each region in the months of July and August compared to the total number of tourists from that region in the whole year. The change in seasonality refers to the change in the weight of the high season between 2017 and 2024.*
Source: *BPI Research based on data from Institute of National Statistics.*

3. Also resident guests («Portugal») and everyone else (included in the «Other» category).
4. And based on NUT 2013.

Activity and employment indicators

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

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	02/25	03/25	04/25
Coincident economic activity index	3.5	1.8	1.7	1.6	1.8	1.9	1.9	2.0	...
Industry									
Industrial production index	–3.1	0.8	1.9	–0.2	–0.4	–2.3	1.2	–5.5	...
Confidence indicator in industry *(value)*	–7.4	–6.2	–6.7	–6.2	–3.9	–5.1	–5.2	–5.4	–5.2
Construction									
Building permits - new housing (number of homes)	7.5	6.0	9.7	13.1	22.2	...	14.2	...	...
House sales	–18.7	14.5	10.4	19.4	32.5	...	...	...	...
House prices *(euro / m^2 - valuation)*	9.1	8.5	6.8	8.5	13.2	15.2	16.0	...	...
Services									
Foreign tourists *(cumulative over 12 months)*	19.0	6.3	9.5	7.8	6.3	...	5.8	...	...
Confidence indicator in services *(value)*	7.6	5.5	4.3	–0.4	11.9	15.8	16.5	10.7	4.1
Consumption									
Retail sales	1.1	3.3	2.4	3.9	5.2	3.0	2.5	1.6	...
Coincident indicator for private consumption	2.9	2.8	2.4	2.8	3.6	4.0	4.1	4.1	...
Consumer confidence index *(value)*	–28.6	–18.0	–18.7	–14.3	–14.3	–15.5	–15.3	–16.0	–17.9
Labour market									
Employment	2.3	1.2	1.0	1.2	1.3	2.4	2.5	2.2	...
Unemployment rate (*% labour force*)	6.5	6.4	6.1	6.1	6.7	6.6	6.5	6.5	...
GDP	**2.6**	**1.9**	**1.5**	**2.0**	**2.9**	**1.6**	**...**	**...**	**...**

Prices

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

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	02/25	03/25	04/25
General	4.4	2.4	2.7	2.2	2.6	2.3	2.4	1.9	2.1
Core	5.1	2.5	2.4	2.5	2.7	2.3	2.5	1.9	2.1

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	02/25	03/25	04/25
Trade of goods									
Exports *(year-on-year change, cumulative over 12 months)*	–1.4	2.4	–3.7	0.7	2.4	...	4.3	...	...
Imports *(year-on-year change, cumulative over 12 months)*	–4.0	2.2	–5.6	–0.8	2.2	...	3.3	...	...
Current balance	**1.5**	**6.1**	**4.2**	**5.2**	**6.1**	**...**	**5.6**	**...**	**...**
Goods and services	4.0	6.7	5.7	6.1	6.7	...	6.4	...	...
Primary and secondary income	–2.5	–0.5	–1.5	–0.9	–0.5	...	–0.8	...	...
Net lending (+) / borrowing (–) capacity	**5.3**	**9.3**	**7.9**	**8.6**	**9.3**	**...**	**8.5**	**...**	**...**

Credit and deposits in non-financial sectors

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

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	02/25	03/25	04/25
Deposits [1]									
Household and company deposits	–2.3	7.5	5.6	6.0	7.5	6.5	7.1	6.5	...
Sight and savings	–18.5	–0.3	–8.6	–6.7	–0.3	3.5	2.5	3.5	...
Term and notice	22.2	15.3	24.0	20.9	15.3	9.3	11.4	9.3	...
General government deposits	–12.4	26.7	4.5	29.1	26.7	29.3	40.6	29.3	...
TOTAL	**–2.6**	**7.9**	**5.6**	**6.7**	**7.9**	**7.1**	**7.9**	**7.1**	**...**
Outstanding balance of credit [1]									
Private sector	–1.5	2.1	–0.3	1.0	2.1	3.3	3.0	3.3	...
Non-financial firms	–2.1	–0.6	–1.8	–0.6	–0.6	0.1	0.3	0.1	...
Households - housing	–1.4	3.2	0.1	1.4	3.2	5.1	4.5	5.1	...
Households - other purposes	–0.3	4.7	2.5	4.0	4.7	5.1	4.8	5.1	...
General government	–5.5	0.6	–5.8	–4.1	0.6	–8.0	1.0	–8.0	...
TOTAL	**–1.7**	**2.0**	**–0.5**	**0.9**	**2.0**	**2.9**	**2.9**	**2.9**	**...**
NPL ratio *(%)* [2]	**2.7**	**2.4**	**2.6**	**2.6**	**2.4**	**–0.2**	**...**	**...**	**...**

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

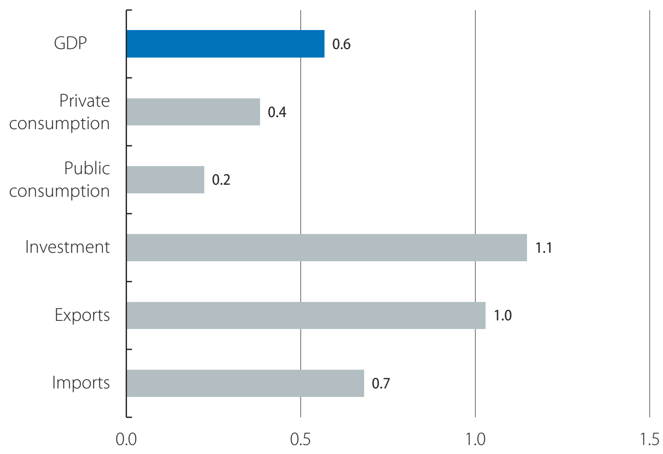
The Spanish economy weathers the uncertainty storm

These first few months of 2025 have been marked by several announcements by the Trump administration to increase tariffs on imports from the US' main trading partners, including the euro area. Although part of these tariffs remain suspended until July pending negotiations, the back-and-forth barrage of announcements regarding US trade policy has entailed an unprecedented increase in uncertainty. This situation has led to a downward revision of the IMF's global growth forecasts. The Spanish economy, however, has been spared. In fact, the IMF has given a positive assessment of Spain's lower exposure to the US and its good growth dynamics to date, leading it to revise upwards its growth forecast for the Spanish economy to 2.5%.

Spain's GDP growth remains strong. During Q1 2025, GDP grew by 0.6% quarter-on-quarter, 0.1 pp below the previous quarter's growth rate. Thus, the Spanish economy continues to show resilience in an increasingly unfavourable environment. The breakdown by component reveals a solid pattern of growth, with domestic demand contributing 0.4 pps to quarterly GDP growth and foreign demand contributing 0.2 pps after two quarters of negative contributions. On the side of domestic demand, of particular note was the 1.1% quarter-on-quarter growth recorded by investment, in spite of the context of heightened uncertainty, while private consumption grew 0.4% quarter-on-quarter. As for foreign demand, exports grew faster than imports, driven by exports of non-tourism services. The Q1 GDP figure is in line with our forecasts, which already incorporated a slight slowdown derived from the increase in uncertainty linked to the trade tensions.

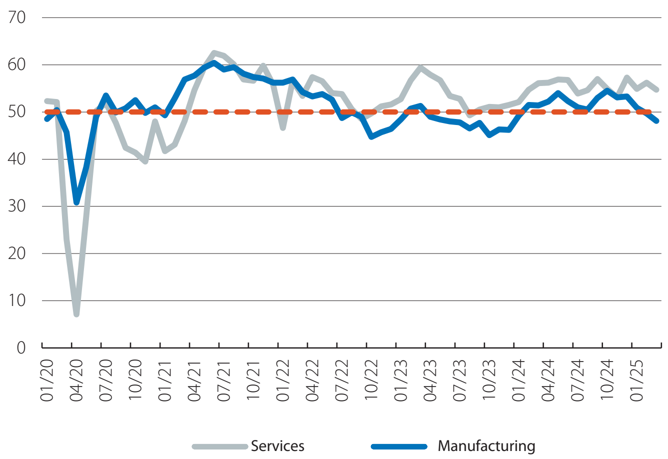
The gap between services and industry persists. The main economic activity indicators remained marked by a gap between the services and manufacturing sectors, with the latter being more affected by the trade tensions. On the one hand, the Purchasing Managers' Index (PMI) for the services sector stood at 54.7 points in April, above the threshold denoting growth in the sector (50 points), albeit slightly below the 56.2 points of the prior month. On the other hand, the PMI for the manufacturing sector suffered another setback, standing at 48.1 points and remaining below the 50-point threshold for the second consecutive month. Respondent firms point out the impact derived from the US trade policies as one of the factors behind the deterioration. Finally, consumption remained strong in April, growing by 3.9% year-on-year, according to data from the CaixaBank Research consumption tracker. However, this figure is skewed slightly upwards by Easter, which fell this year in April but last year in March. In any case, if we take the average growth of the last two months as a benchmark, growth stands at 3.6%, slightly exceeding that of Q1.

Spain: GDP and its components
Quarter-on-quarter change in Q1 2025 (%)



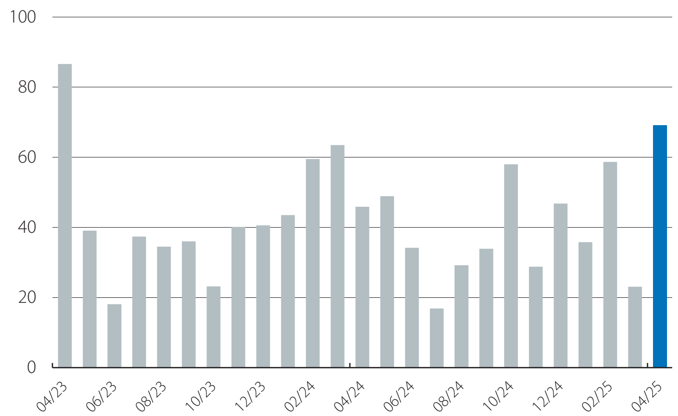
Source: *BPI Research, based on data from the Spanish National Statistics Institute (INE).*

Spain: PMI
Level



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

Spain: registered workers affiliated with Social Security *
Month-on-month change (thousands of people)



Note: ** Series corrected for seasonality.*
Source: *BPI Research, based on data from the Ministry of Inclusion, Social Security and Migration (MISSM).*

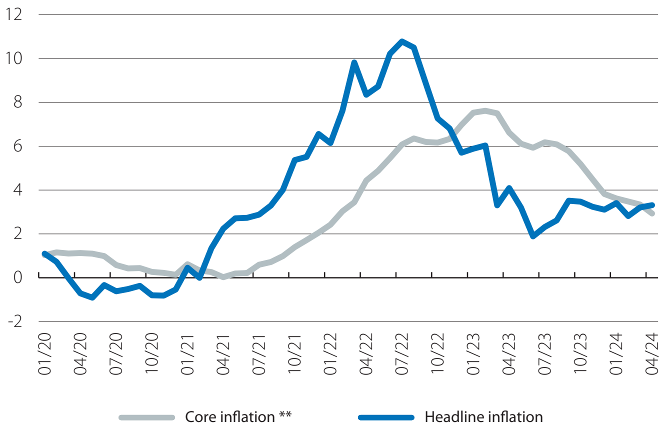
Job creation gains traction. In April, the labour market provided a positive surprise with the number of registered workers affiliated with Social Security increasing by 230,993 (a monthly growth rate of 1.1%). This represents a bigger increase than the average growth of 174,000 affiliates in the months of April during the period 2014-2019 or the 200,000 recorded last year, although Easter fell in April this year. With this latest figure, the total number of registered workers stands at 21,588,639, marking a new record and representing 487,134 more than a year ago. The temporary employment rate stabilised at an all-time low: of the total number of affiliates registered under the General Scheme, 11.8% were temporary workers. This is the third consecutive month at this same rate, which itself is 0.8 pps lower than a year ago.

Inflation continues to decline thanks to energy. In April, headline inflation resumed its downward trend, falling 0.1 pp to 2.2%, according to the flash indicator published by the National Statistics Institute (INE). This marked the second decline following the inflationary spike that occurred between September and February, and it was primarily driven by the fall in electricity and fuel prices. However, core inflation, which excludes energy and unprocessed food, rebounded by 0.4 pps to 2.4%. This increase could be a response to Easter, which this year fell in April (whereas in 2024 it fell in March), as this period tends to see a temporary spike in the price of tourism services.

The trade deficit continued to rise in February. The foreign sector is experiencing a slight deterioration in an environment still marked by the weakness of the euro area and uncertainty surrounding trade policy. In particular, in February the trade deficit increased to –3.96 billion euros, compared to the –2.23 billion recorded in February last year. This was driven by import growth of 3.5% year-on-year, while exports grew by just 0.4%, weighed down by declines in the energy and automotive sectors, especially those destined for France, Germany, Italy and the United Kingdom. The increase in the trade deficit contrasts with the surplus in service exports of 6.7% of GDP (trailing 12-month total), primarily driven by the strength of tourism exports.

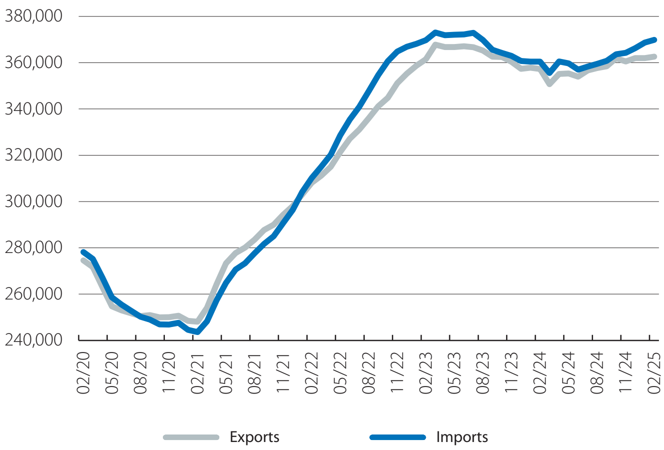
Residential activity in Spain records the best start to the year since 2007. In February, house sales were up 13.9% year-on-year, a growth rate 2.9 pps higher than in January. This buoyancy is driven by widespread activity growth in both new housing and existing homes, with increases of 22% and 12% year-on-year, respectively. In the first two months of the year, a total of 120,300 sales were closed, the highest figure for this period since 2007. By region and in total for the past 12 months, the biggest increases were registered in Asturias, La Rioja and Castilla-La Mancha, with growth rates in excess of 20% year-on-year. Andalucia was the only region among the major markets where sales grew above the average.

Spain: headline and core inflation *
Change (%)



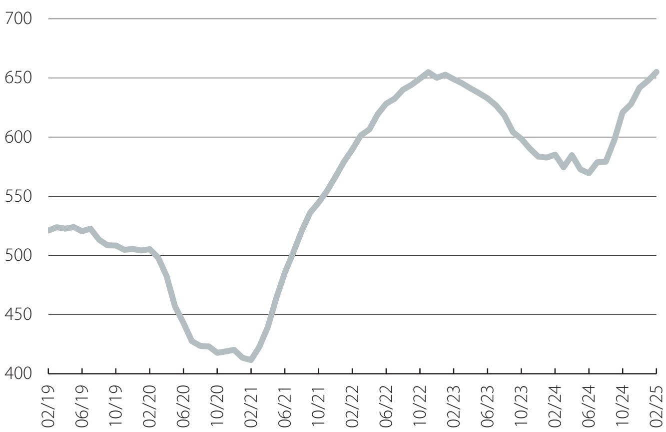
Notes: ** The data for April are preliminary. ** Core inflation excludes unprocessed food and energy.*
Source: *BPI Research, based on data from the Spanish National Statistics Institute (INE).*

Spain: foreign trade in goods *
Trailing 12-month total (EUR millions)



Notes: **Nominal data, series not seasonally adjusted. Excludes energy.*
Source: *BPI Research, based on data from the Customs Department.*

Spain: house sales
Trailing 12-month total (thousands of homes)



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

Spanish firms bolster their financial solidity

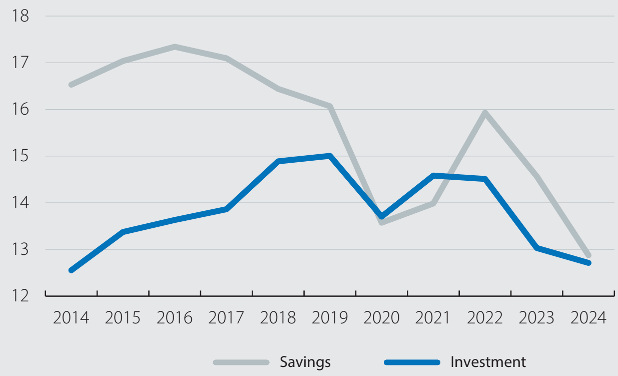
In 2024, Spanish firms experienced lower income growth, although they managed to continue improving their net assets and financial situation. This was reflected in their lending capacity, a sustained deleveraging process and an increase in their financial assets. However, despite this favourable position, a buoyant Spanish economy and an improvement in financing conditions, business investment remained weak throughout the year.

In 2024, firms' disposable income (equivalent to savings)[1] declined for the second consecutive year, and it did so sharply, by 6.1%. This was the biggest setback since 2011, if we exclude the year of the pandemic. This deterioration occurred in an environment marked by declining earnings (gross operating surplus, GOS), which were down 2.4%, and an increase in net property income, of 11.0%. This latter rate is significant, but much lower than that of the previous year (37.6%), which was mainly driven by an increase in net dividend payments (6.9%). In the case of net interest payments, they grew by 16.5%, although the rate of increase eased as the year progressed, in line with the relaxation of monetary policy. In fact, in Q4 2024, interest payments, before financial brokerage services (SIFMI), fell by 3.0% year-on-year, in contrast to an increase of over 40% recorded in the first half of the year. On the other hand, tax payments practically stagnated (up just 0.2%). Thus, last year, corporate savings stood at just 204.9 billion euros, or 12.9% of GDP (see first chart).

Business investment recorded a growth of 3.6% compared to the prior year, which is lower than nominal GDP growth (6.2%). Therefore, investment in terms of GDP fell 0.3 pps to 12.7% and remains below pre-pandemic levels (13.9% on average in the period 2014-2019).[2] Consequently, last year companies generated a lending capacity, specifically of 14.24 billion euros (0.9% of GDP). Although this has been commonplace since 2009, the figure is lower than that of 2023, which stood at 2.0% of GDP, or the average for the period 2014-2019, which was 3.2%.

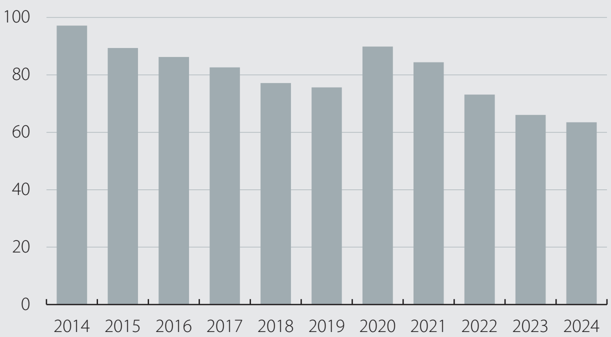
1. Gross value added of companies, excluding wage earners' remuneration, tax payments and the net income balance, which includes interest payments and dividends distributed.
2. In real terms (using the capital goods investment deflator), growth in 2024 was 2.3% and is well below the peak reached in 2019 (–11.7%). Investment by firms is showing greater weakness than would be expected in a context in which the cost of debt is falling, driven by lower interest rates, and in which their net asset position has improved; the obstacles to investment are therefore related to other factors, such as uncertainty, the outsourcing of production processes and business regulation. See Bank of Spain (2025), «Report on the financial situation of households and firms», 2nd half of 2024, and «Weak business investment in Spain following the pandemic: an analysis based on the Banco de España Business Activity Survey», Economic Bulletin 2025/Q1.

Spain: savings and investment of non-financial corporations
(% of GDP)



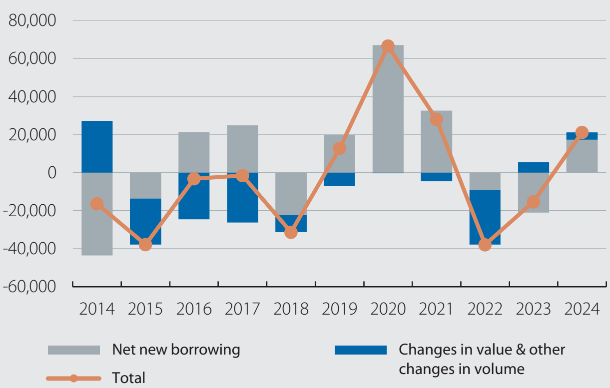
Source: *BPI Research, based on data from the Spanish National Statistics Institute (INE).*

Spain: consolidated debt of non-financial corporations
(% of GDP)



Note: *Debt in the form of debt securities and loans, excluding debt with other companies.*
Source: *BPI Research, based on data from the Bank of Spain.*

Spain: change in the consolidated debt of non-financial corporations
(EUR millions)



Note: *Debt in the form of loans and debt securities, excluding debt with other companies.*
Source: *BPI Research, based on data from the Bank of Spain.*

This lending capacity generated by the business sector last year was used for the acquisition of financial assets, for which firms also took on greater levels of debt (in volume terms): at a time when interest rates began to fall, companies were able to borrow again. In this regard, the volume of consolidated debt (i.e. excluding debt between companies) increased in 2024 for the first time in three years, by 21.2 billion euros (1.2%), reaching a total of 1.01 trillion. In any event, given that nominal GDP grew more rapidly, last year saw a continuation of the corporate deleveraging process (see second chart), which is understood as the reduction in the debt-to-GDP ratio: this ratio fell by 2.5 points to 63.5%, marking its lowest level since 2001. This is also a far cry from the peak reached in 2009 (119.0%), as well as being below the level for the euro area as a whole (67.3%). If we measure the total unconsolidated debt, it was slightly over 1.32 trillion euros, representing 83.2% of GDP and also well below the euro area level (105.6%).

The increase in the debt balance (the aforementioned 21.2 billion euros) corresponds to net new borrowing of 17.3 billion euros (the rest of the change corresponds to changes in value and other changes in volume), mostly in the form of fixed-income securities (13.4 billion), while net borrowing in the form of loans was also positive but somewhat lower (3.9 billion). In any case, bank loans – contracted with monetary financial institutions (MFIs) – continue to lose prominence in the companies' financing: whereas between 2014 and 2019 they represented almost half of the total consolidated debt on average, in 2024 that share stood at 44.5% (see fourth chart). On the other hand, loans granted by non-residents and, above all, the issuance of fixed-income securities have gained prominence.

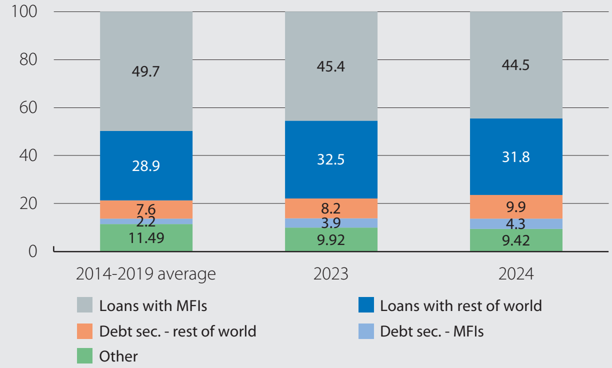
In the case of companies' financial assets, they increased sharply last year, by 174.7 billion euros (5.7%), to a total of 3.25 trillion (see fifth chart): this increase far exceeds that of 2023 (126.2 billion) as well as the 2014-2019 average (100.0 billion). This increase in assets is explained both by their increase in value (94.3 billion), especially in the case of shares and investment funds (IFs) thanks to the good performance of the main stock market indices, as well as by the net acquisition of assets (82.9 billion). This financial investment by companies was focused in trade receivables, cash and deposits, as well as shares and IFs, while they disinvested slightly in fixed-income securities.

As for the structure of companies' financial wealth, it is still dominated by equity holdings in other companies and IFs, accounting for 54.7% of the total, which is slightly above the average for the period 2014-2019 (54.4%). Cash and deposits have also increased as a proportion of the total, while the proportion corresponding to loans and other assets, such as trade receivables, has decreased.

In short, non-financial corporations are facing the current context – marked by increasing uncertainty and risks surrounding the scenario – in a solid financial position. This strength, coupled with falling inflation, favourable financing conditions and the boost provided by NGEU funds, should help to drive stronger investment.

Spain: structure of the consolidated debt of non-financial corporations

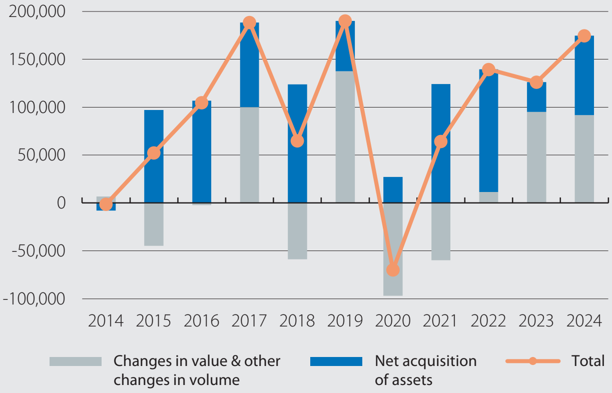
(% of the total)



Note: *Excluding debt with other companies.*
Source: *BPI Research, based on data from the Bank of Spain.*

Spain: change in the financial assets of non-financial corporations

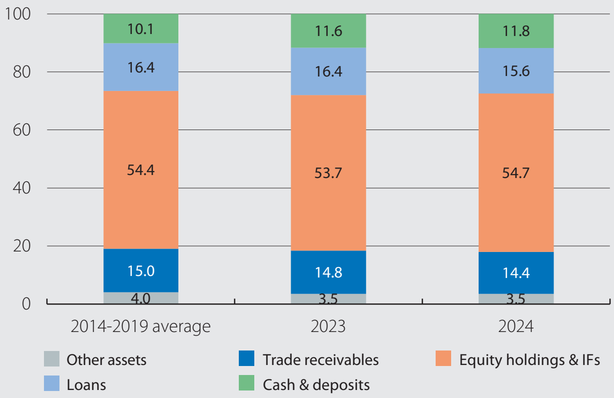
(EUR millions)



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

Spain: structure of the financial wealth of non-financial corporations

(% of the total)



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

Activity and employment indicators

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

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	02/25	03/25	04/25
Industry									
Industrial production index	–1.6	0.4	0.0	–0.2	1.2	...	–1.9	...	...
Indicator of confidence in industry *(value)*	–6.5	–4.9	–5.6	–2.9	–6.0	–5.4	–6.2	–5.5	–4.2
Manufacturing PMI *(value)*	48.0	52.2	52.8	51.5	53.6	50.0	49.7	49.5	48.1
Construction									
Building permits *(cumulative over 12 months)*	0.5	16.7	4.6	10.2	16.7	...	14.7	...	...
House sales *(cumulative over 12 months)*	–10.2	10.0	–10.0	–1.2	10.0	...	11.9	...	...
House prices	4.0	8.4	7.8	8.2	11.3	...	...	...	...
Services									
Foreign tourists *(cumulative over 12 months)*	18.9	10.1	14.2	12.3	10.1	8.1	9.2	8.1	...
Services PMI *(value)*	53.6	55.3	56.6	55.2	55.1	55.3	56.2	54.7	53.4
Consumption									
Retail sales[1]	2.5	1.8	0.5	2.6	2.8	3.2	3.6	3.6	...
Car registrations	16.7	7.2	8.5	1.7	14.4	14.0	10.5	23.2	7.1
Consumer confidence index *(value)*	–19.2	...	–14.5	–13.7	...	...	...	...	...
Labour market									
Employment[2]	3.1	2.2	2.0	1.8	2.2	2.4	...	...	...
Unemployment rate (% labour force)	12.2	11.3	11.3	11.2	10.6	11.4	...	...	...
Registered as employed with Social Security[3]	2.7	2.4	2.4	2.3	2.4	2.3	2.4	2.2	2.3
GDP	**2.7**	**3.2**	**3.3**	**3.3**	**3.3**	**2.8**	...	...	...

Prices

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

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	02/25	03/25	04/25
General	3.5	2.8	3.5	2.2	2.4	2.7	3.0	2.3	2.2
Core	6.0	2.9	3.0	2.6	2.5	2.2	2.2	2.0	2.4

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	02/25	03/25	04/25
Trade of goods									
Exports *(year-on-year change, cumulative over 12 months)*	–1.4	0.2	–4.9	–1.8	0.2	...	0.6	...	...
Imports *(year-on-year change, cumulative over 12 months)*	–7.2	0.1	–7.1	–3.1	0.1	...	1.4	...	...
Current balance	**39.8**	**48.1**	**45.1**	**48.3**	**48.1**	**...**	**44.6**	**...**	**...**
Goods and services	58.8	68.1	65.2	68.3	68.1	...	64.7	...	...
Primary and secondary income	–19.1	–20.0	–20.2	–20.0	–20.0	...	–20.1	...	...
Net lending (+) / borrowing (–) capacity	**56.0**	**66.6**	**61.2**	**65.7**	**66.6**	**...**	**63.0**	**...**	**...**

Credit and deposits in non-financial sectors[4]

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

	2023	2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	02/25	03/25	04/25
Deposits									
Household and company deposits	0.3	5.1	5.2	4.3	5.1	4.5	5.3	4.5	...
Demand and notice deposits	–7.4	2.0	–1.9	–1.6	2.0	3.1	3.6	3.1	...
Time and repo deposits	100.5	23.5	68.0	47.5	23.5	12.3	14.4	12.3	...
General government deposits[5]	0.5	23.1	–4.1	14.8	23.1	24.2	24.6	24.2	...
TOTAL	**0.3**	**6.3**	**4.5**	**5.1**	**6.3**	**5.8**	**6.6**	**5.8**	**...**
Outstanding balance of credit									
Private sector	–3.4	0.7	–1.3	–0.3	0.7	1.7	1.5	1.7	...
Non-financial firms	–4.7	0.4	–1.8	–0.6	0.4	1.5	1.3	1.5	...
Households - housing	–3.2	0.3	–1.5	–0.7	0.3	1.4	1.1	1.4	...
Households - other purposes	–0.5	2.3	0.7	1.2	2.3	3.1	3.0	3.1	...
General government	–3.5	–2.6	–2.7	–5.4	–2.6	–0.2	0.0	–0.2	...
TOTAL	**–3.4**	**0.5**	**–1.4**	**–0.7**	**0.5**	**1.6**	**1.4**	**1.6**	**...**
NPL ratio (%)[6]	**3.5**	**3.3**	**3.4**	**3.4**	**3.3**	**...**	**3.3**	**...**	**...**

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: *BPI 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.*

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