

CONFEDERACIÓN DE EMPRESARIOS DE GALICIA

GLOBAL UNCERTAINTY: RISKS, OPPORTUNITIES AND CHALLENGES FOR THE SPANISH ECONOMY*

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SANTIAGO DE COMPOSTELA

2 APRIL 2025

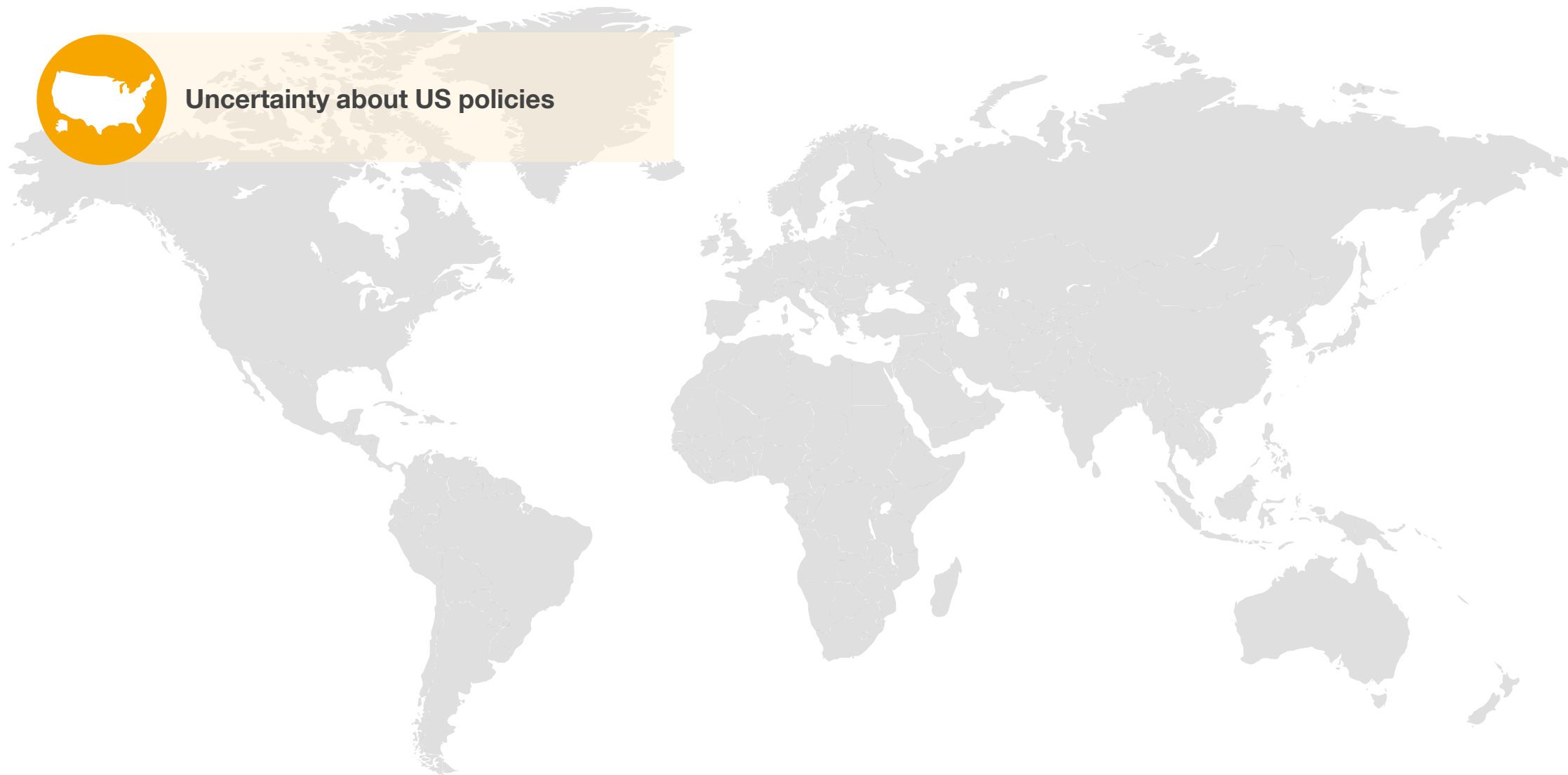
* English translation from the original in Spanish.



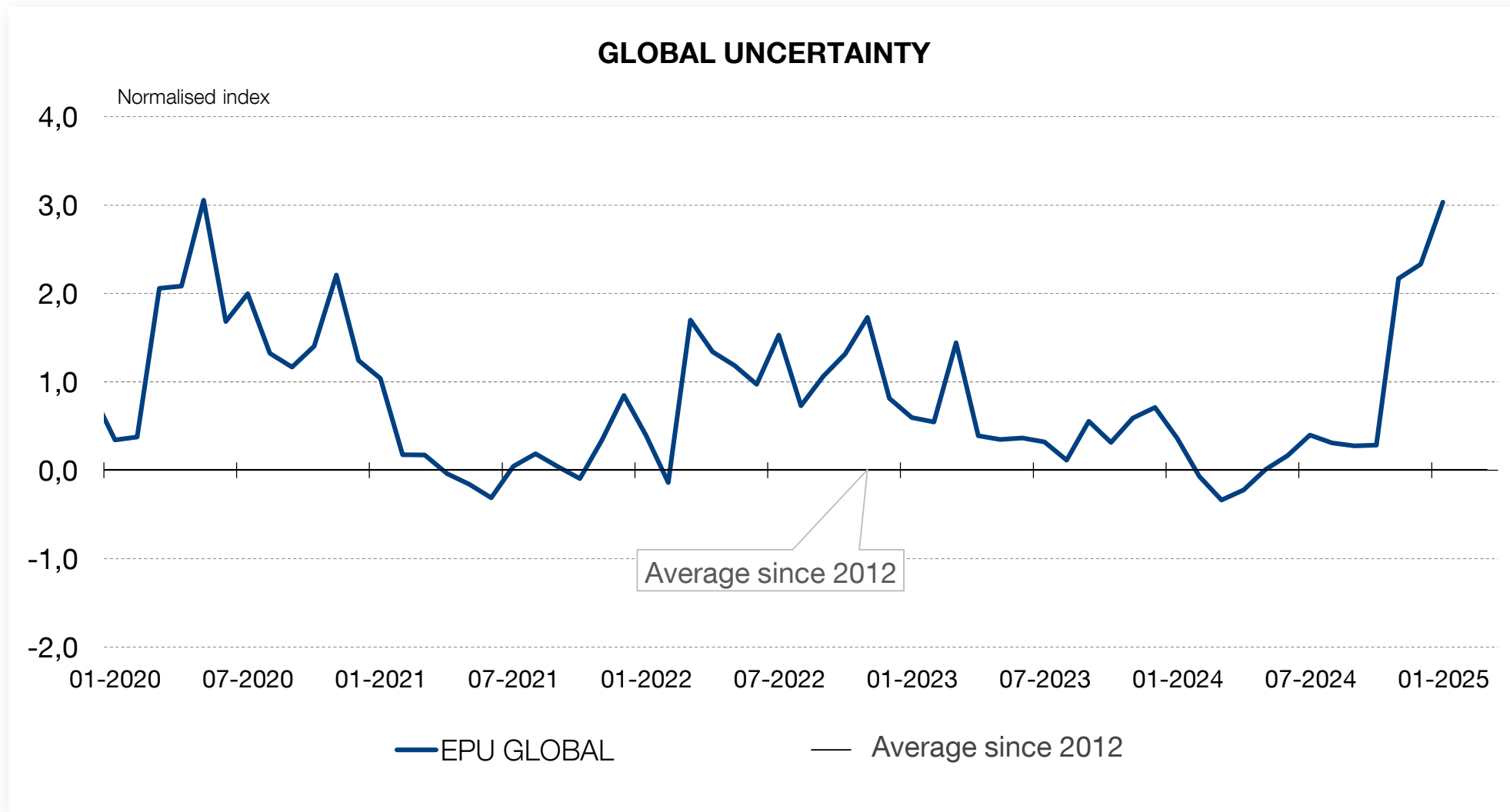
THE GLOBAL ECONOMY IS FACING A HIGH-RISK SCENARIO



Uncertainty about US policies

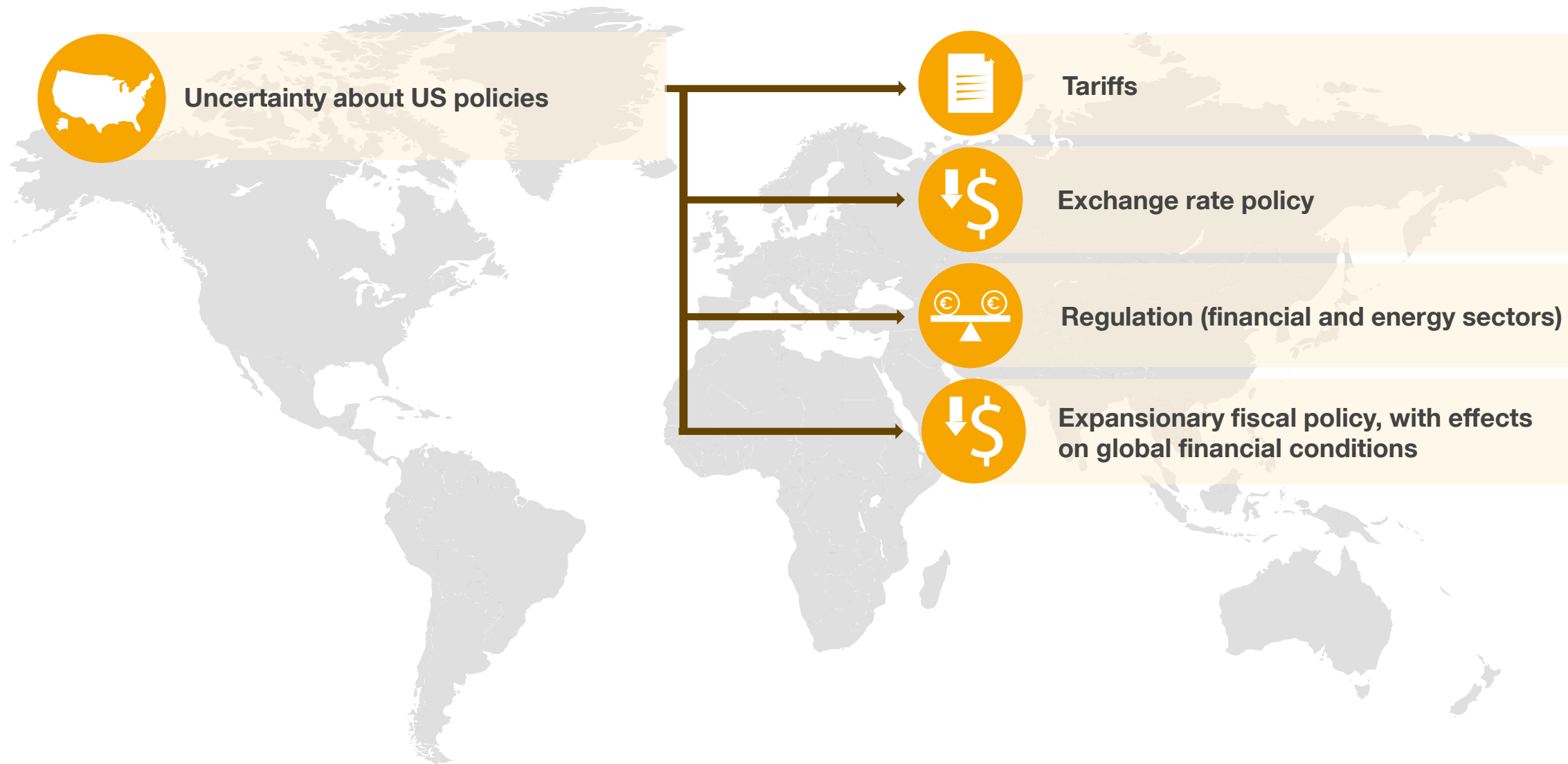


HISTORIC RISE IN ECONOMIC POLICY UNCERTAINTY

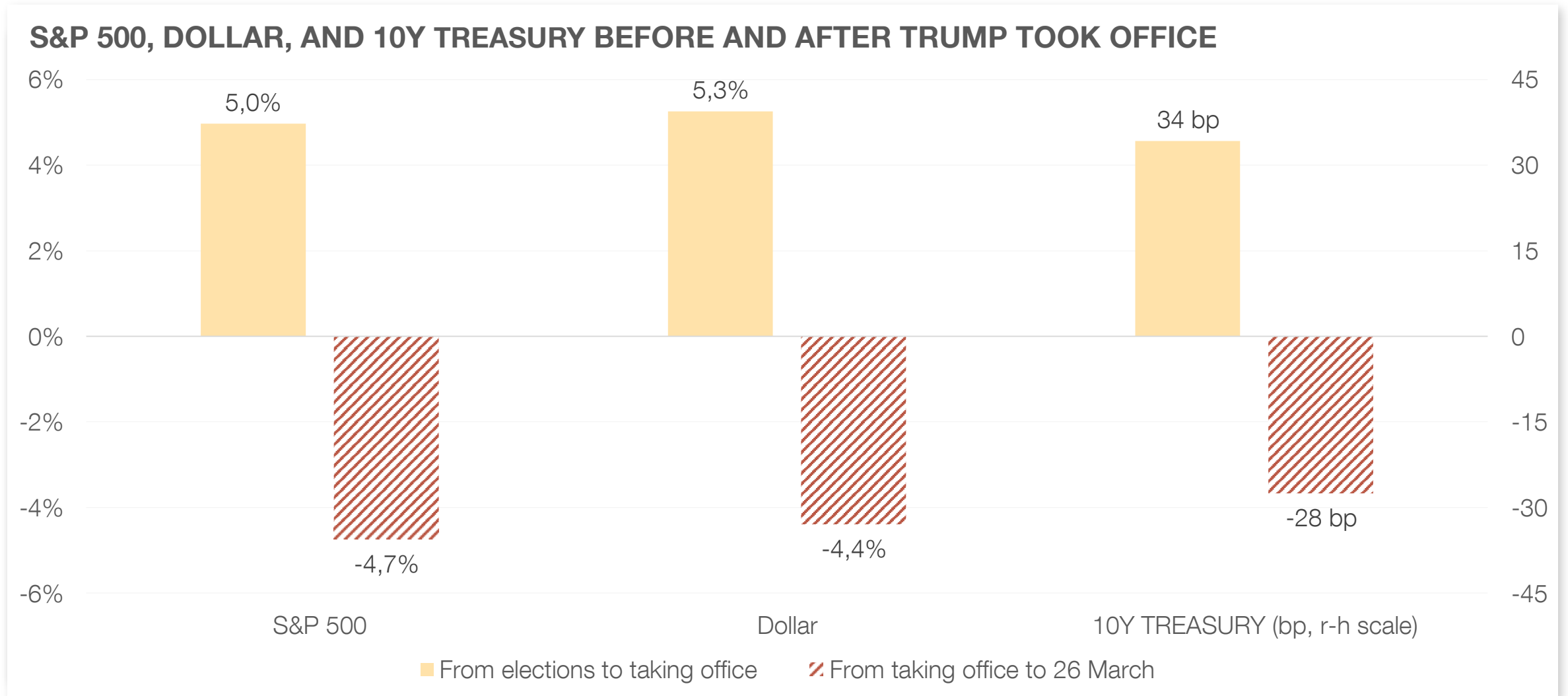


**Highest level
of policy
uncertainty since
1997**

Source: Refinitiv Datastream. EPU: Economic Policy Uncertainty Index (Baker et al.). Normalised indices. Latest data: January 2025.



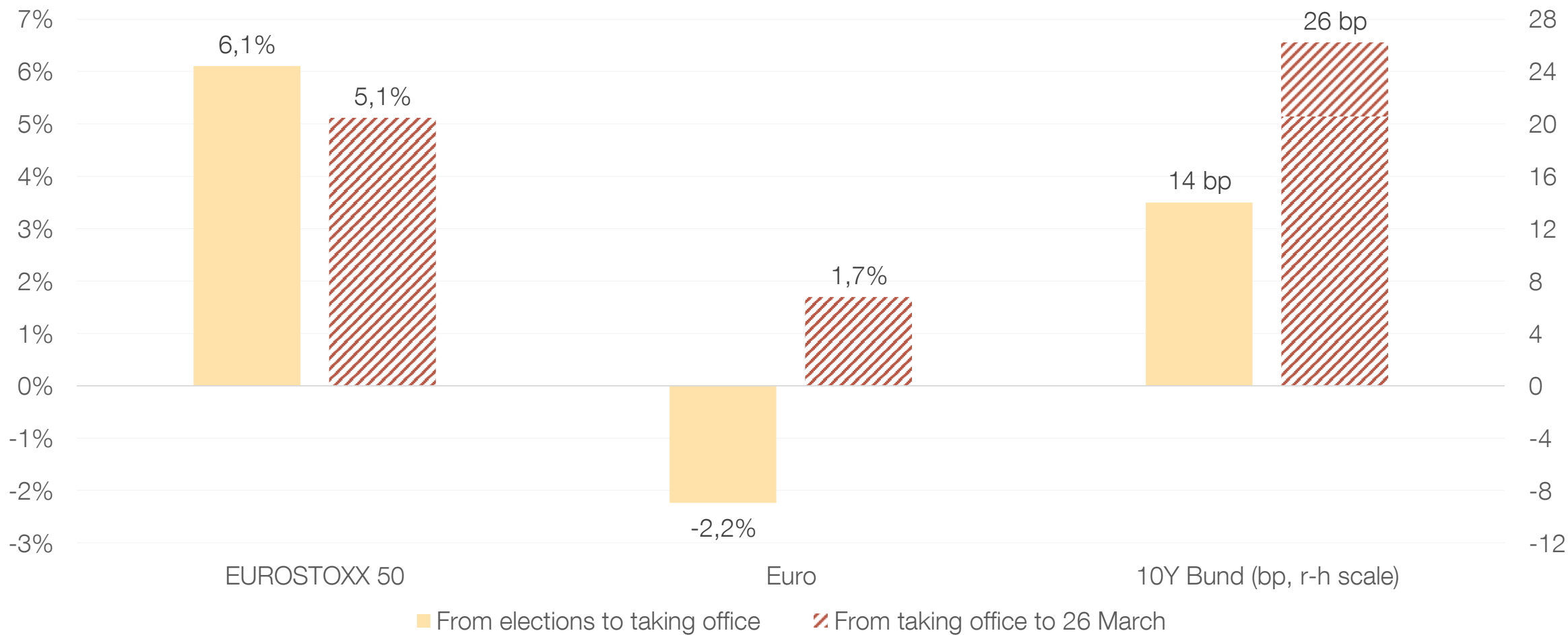
EXPECTATIONS FOLLOWING TRUMP'S VICTORY, OF HIGHER ASSET PRICES AND A STRONGER DOLLAR, HAVE BEEN COMPLETELY UPENDED



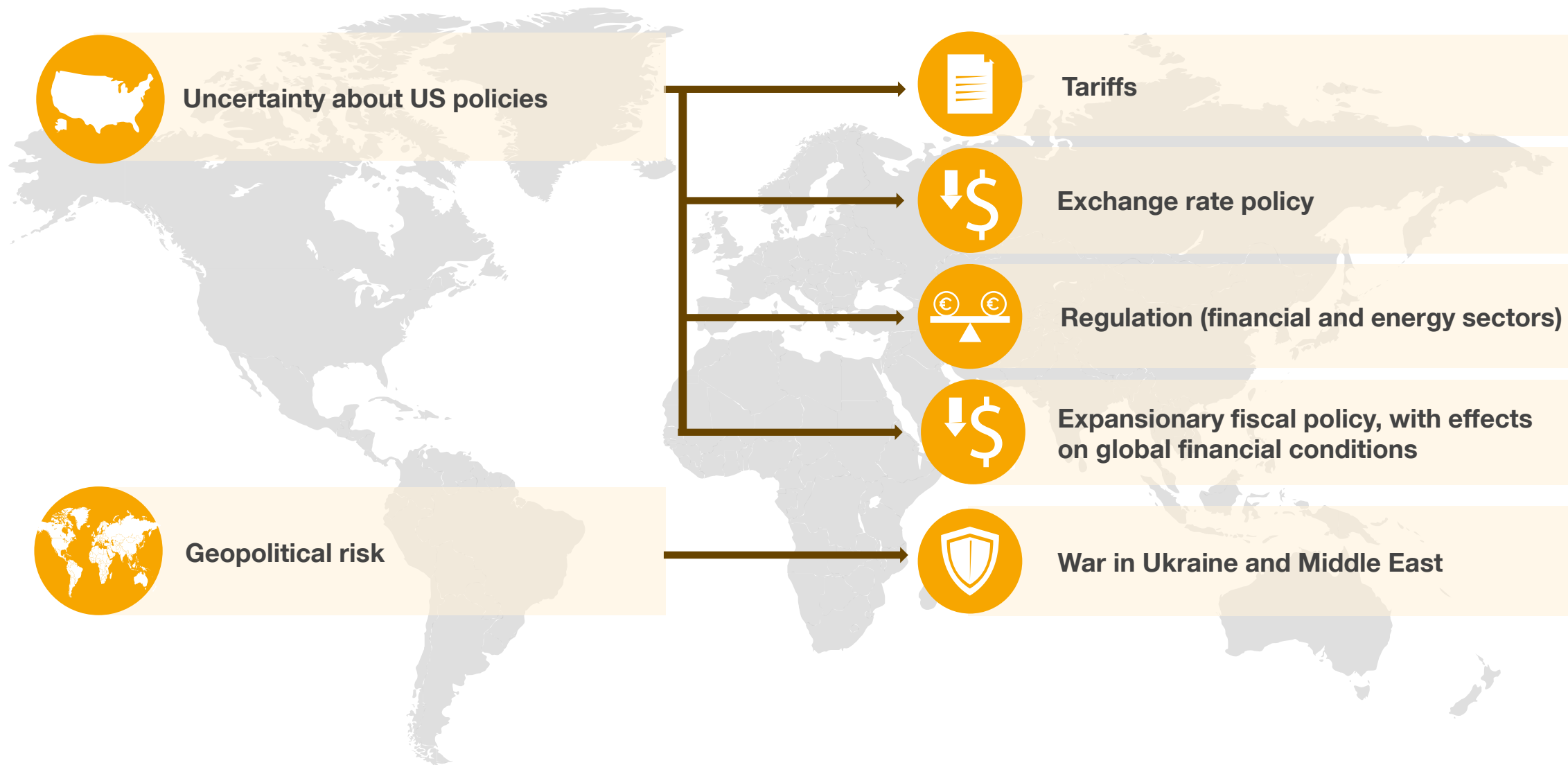
Source: Bloomberg

IN EUROPE THE STOCK MARKET AND GOVERNMENT BOND YIELDS HAVE CONTINUED TO CLIMB WHEREAS THE EXCHANGE RATE HAS REVERSED.

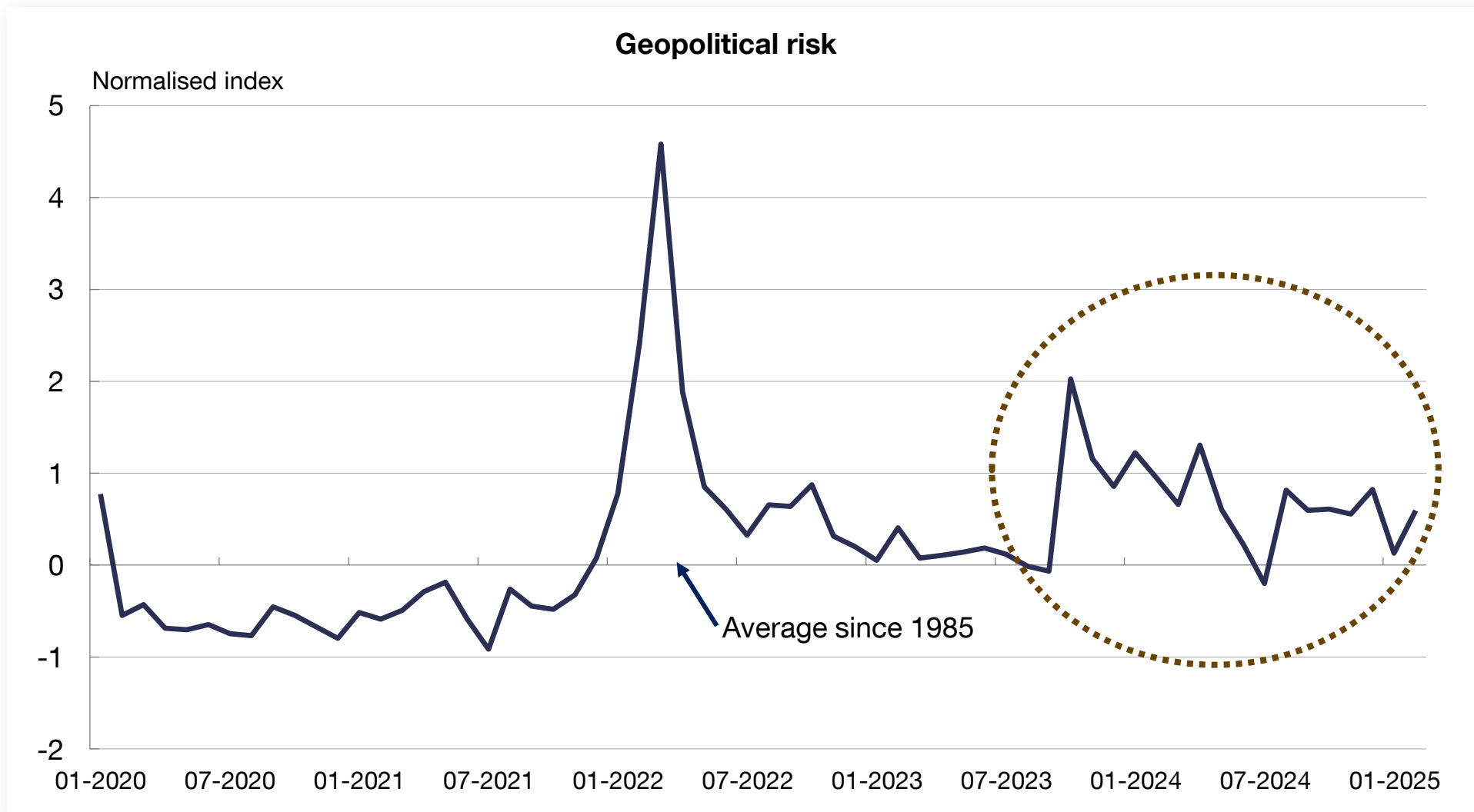
EUROSTOXX 50, EURO AND 10Y BUND BEFORE AND AFTER TRUMP TOOK OFFICE



THE GLOBAL ECONOMY IS FACING A HIGH-RISK SCENARIO



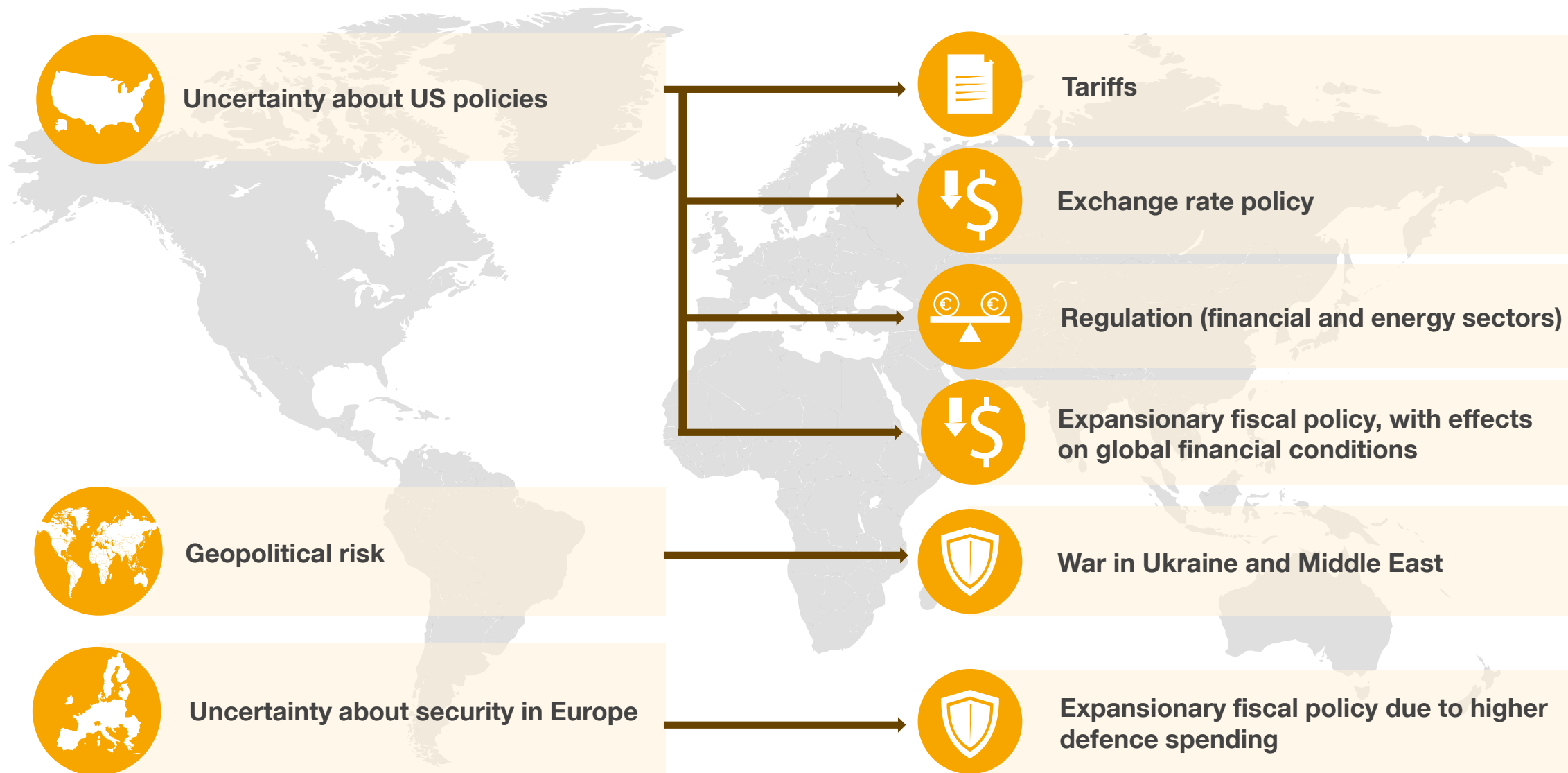
GEOPOLITICAL RISK STANDS AT VERY HIGH LEVELS...



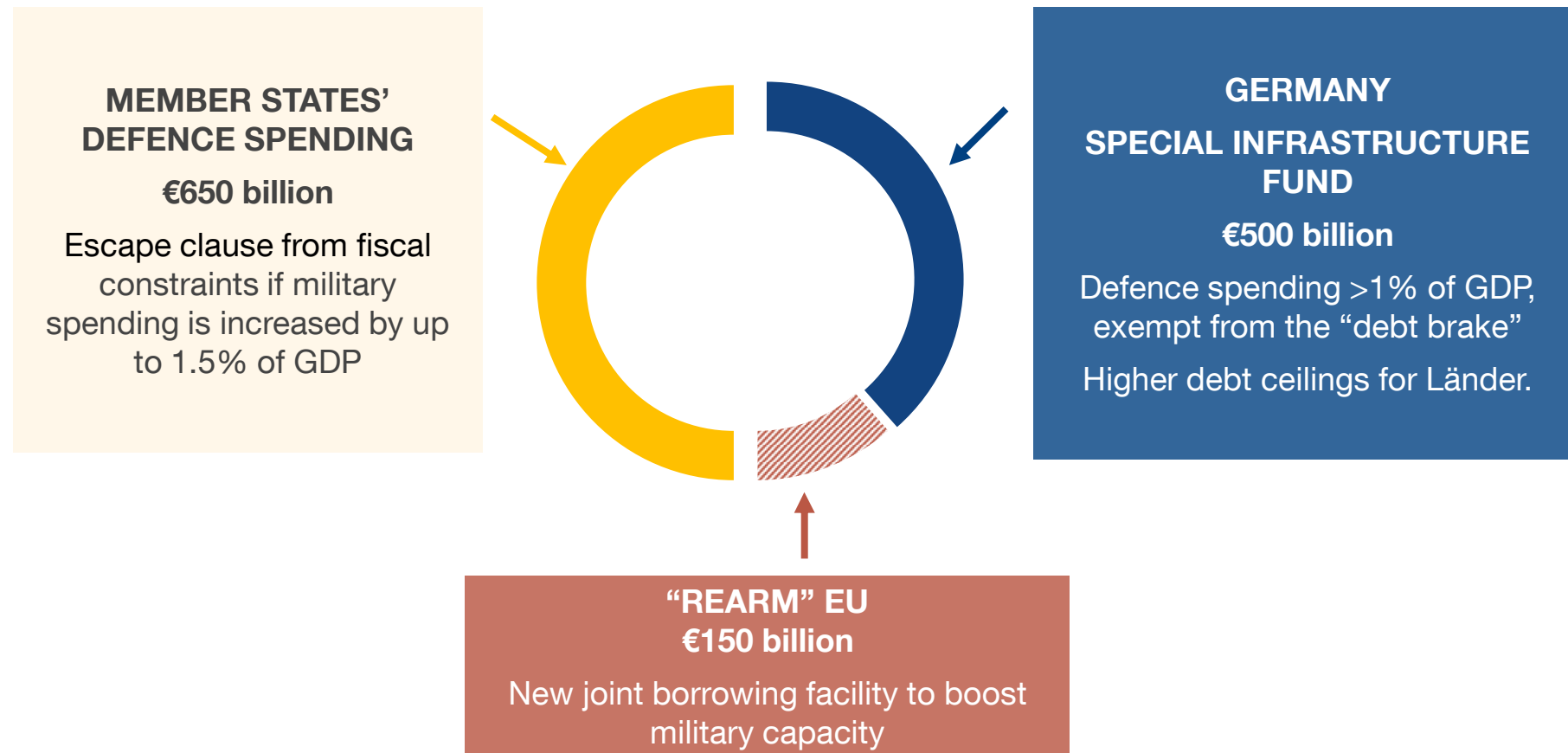
Geopolitical risk is currently above the average of the last 40 years, but has fallen from the significant increase when Russia began its invasion of Ukraine

Source: Geopolitical Risk (GPR) Index. Caldara and Iacoviello (2022). Latest data: February 2025.

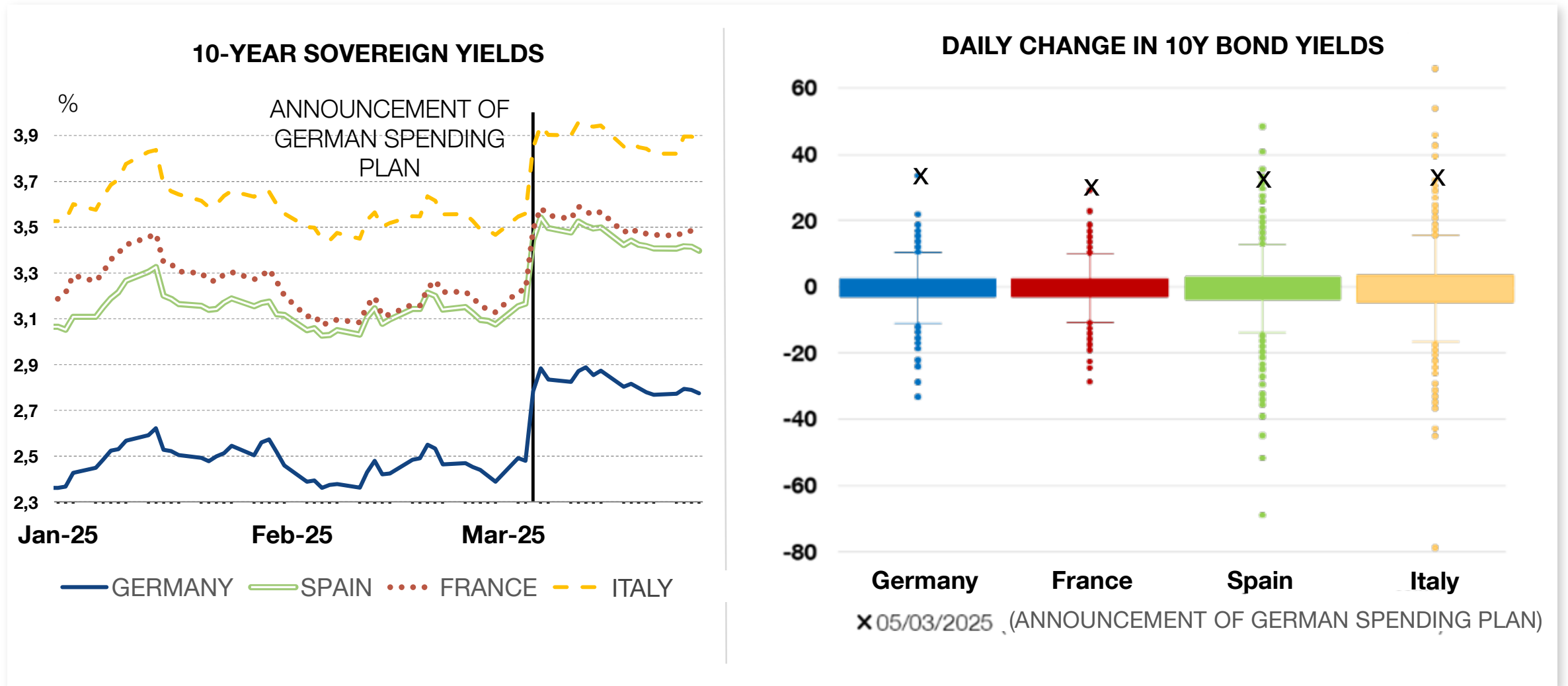
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FISCAL PLANS ANNOUNCED IN THE EU



SURGE IN GOVERNMENT DEBT IN EUROPE, WHICH IS STRONGEST IN GERMANY AND FRANCE SINCE THE INTRODUCTION OF THE EURO.



Sources: LSEG Datastream and Banco de España. Latest observation: 28/03/2025.
(a) Daily changes in sovereign bonds since 1991 and in OIS since 2005

Source: Bloomberg

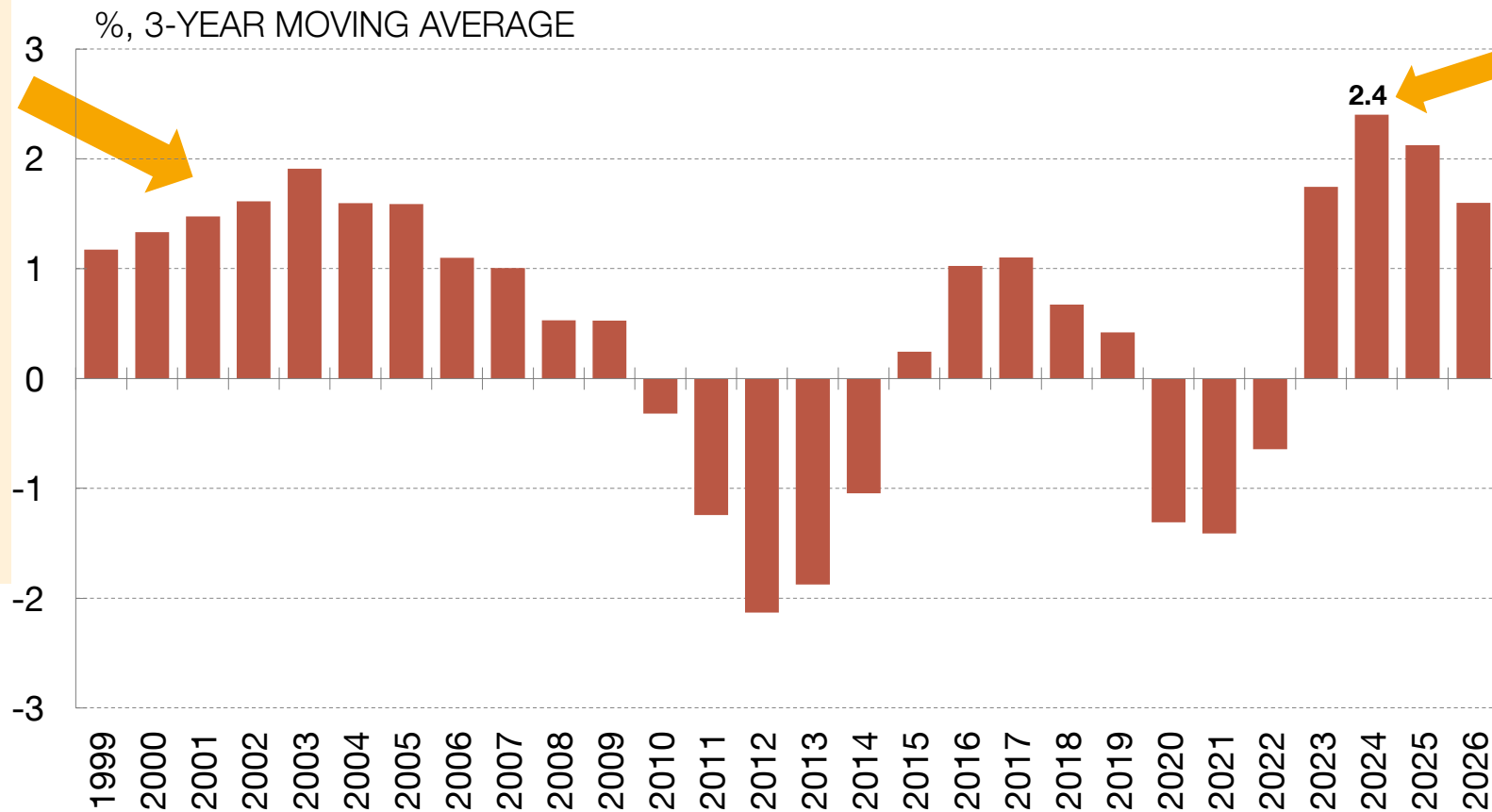
RECENT GDP GROWTH IN SPAIN HAS BEEN HIGHER THAN IN THE EURO AREA, EXCEEDING THE GROWTH DIFFERENTIALS RECORDED DURING THE REAL ESTATE BUBBLE BUT WITHOUT THE BUILD-UP OF MACROECONOMIC IMBALANCES

Build-up of macroeconomic imbalances:

Spain-Euro area average inflation differential 1999-2007: 1.1 pp

Average current account balance 1999-2007: deficit 6% of GDP

GDP GROWTH DIFFERENTIAL BETWEEN SPAIN AND THE EURO AREA

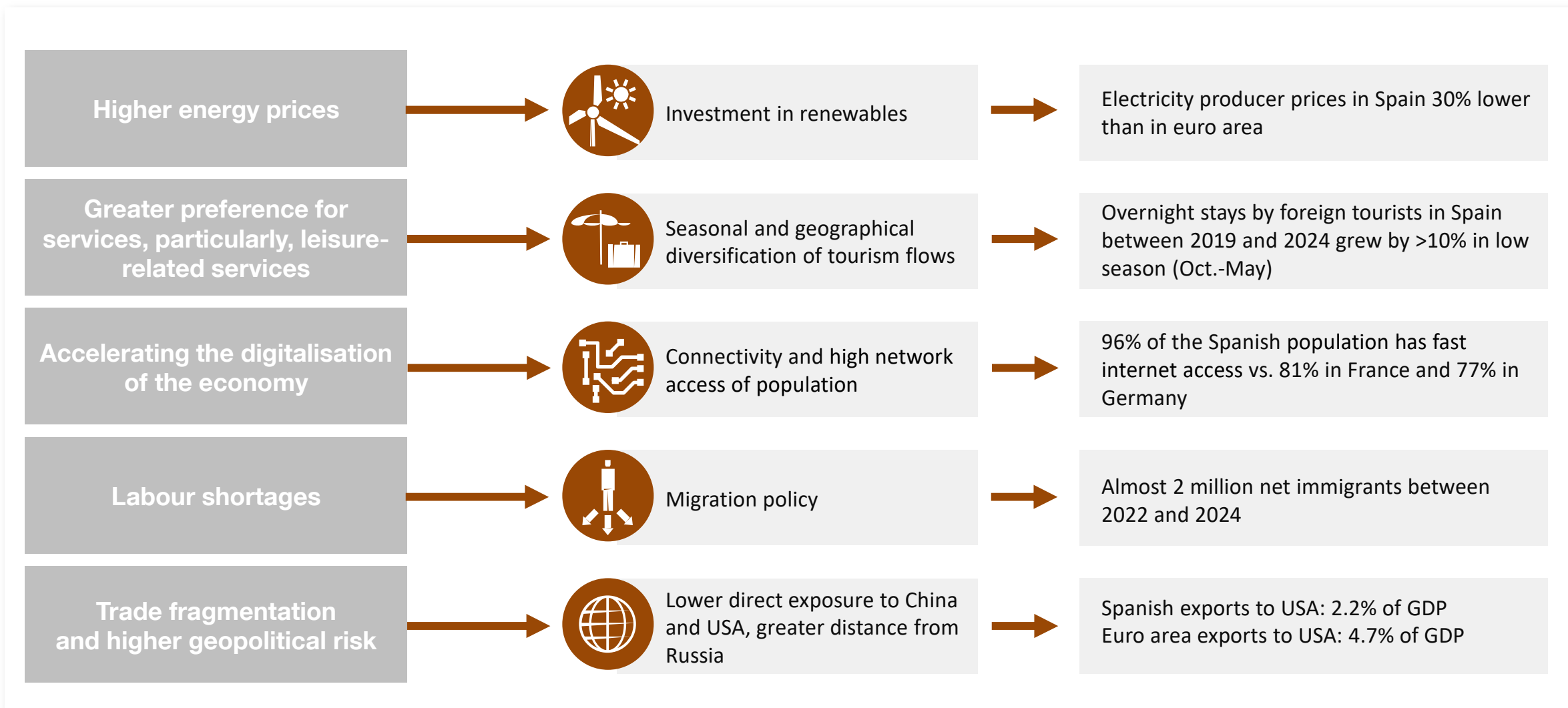


Correction of macroeconomic imbalances

Spain-Euro area average inflation differential 2019-2024: -0.4 pp

Current account balance 2023-2024: surplus of 2%-3% of GDP

SOME POST-PANDEMIC SHOCKS AFFECTING EUROPEAN ECONOMIES HAVE MEANT A RELATIVE ADVANTAGE FOR SPAIN AND, IN SOME CASES, A MORE EFFICIENT USE OF PLANT CAPACITY



DESPITE THIS ROBUST GROWTH, THE SPANISH ECONOMY HAS SOME VERY SIGNIFICANT STRUCTURAL CHALLENGES AHEAD

Some structural challenges

Productivity gap

Fiscal consolidation

Housing

Quality of general government

Education system



Thank you for your attention
