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MONTHLY REPORT • ECONOMIC AND FINANCIAL MARKET OUTLOOK
SEPTEMBER 2026



ECONOMIC & FINANCIAL ENVIRONMENT

FINANCIAL MARKETS

The ECB's path to a new normal

INTERNATIONAL ECONOMY

The new US tariff landscape (2026 back-to-school edition)

Ireland, the country that skews Europe's statistics

PORTUGUESE ECONOMY

The macroeconomic impact of climate risks and regional asymmetries in Portuguese exposure

Inflation (HICP): X-ray after the the Middle East energy shock

MONTHLY REPORT - ECONOMIC AND FINANCIAL MARKET OUTLOOK

September 2026

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

BPI Research (DF-EEF)

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Portugal: crescer entre ventos contrários

In 2026, the Portuguese economy has shown a more favourable trend than anticipated at the start of the year, suggesting a likely upward revision of the growth outlook. The strength of economic activity reflects the resilience of domestic demand, underpinned by a dynamic labour market, growth in household disposable income and the take-up of European funds, as well as a relatively solid performance in exports. In this context, GDP growth should exceed 2%, despite an international context marked by high geopolitical and commercial uncertainty.

However, the improved growth outlook is occurring in an environment where inflation risks have regained prominence. The intensification of tensions in the Middle East has triggered a new rise in oil and natural gas prices, contributing to a recent acceleration of inflation. However, the nature of this energy shock differs from the crisis observed in 2022. While at that time there was a rapid and widespread pass-through of rising energy costs to most goods and services, the current impact remains more concentrated on components directly related to energy and transport.

The analysis of the composition of inflation, covered in this publication, suggests that the indirect effects on the economy as a whole remain, for now, relatively limited. Inflation expectations among businesses and consumers remain significantly below the levels recorded during the previous energy crisis, while also benefiting from a monetary policy that has become more restrictive and from reduced pressure on production costs. Nevertheless, persistently high energy prices could delay the process of inflation converging towards the European Central Bank's 2% target, particularly if rises in energy costs end up having a wider impact on the prices of services and manufactured goods.

In addition to the cyclical risks associated with energy, climate change represents one of the main structural challenges facing the Portuguese economy in the long term, a situation which we analyse in an article in this publication. The available evidence suggests that Portugal is among the European countries most vulnerable to the economic effects of global warming, owing to its geographical characteristics and the importance of sectors that are particularly sensitive to climatic conditions, notably agriculture and tourism. The increased frequency of extreme weather events, including droughts, heatwaves, wildfires and heavy rainfall, could have a significant impact on productivity, investment and the economy's growth potential.

In addition to these risks, there are some vulnerabilities of a macrofinancial nature. Although Portugal continues to have a relatively sound budgetary position compared with most euro area countries, the most recent indicators point to a gradual narrowing of the margin of safety in the public finances. The slowdown in economic activity, the rise in expenditure linked to an ageing population and, in the medium term, the costs of climate adaptation and the normalisation of European support pose further challenges to maintaining the budget surpluses seen in recent years. In parallel, there has been a deterioration in the current account balance, which has evolved from a surplus to a deficit in recent months, reflecting the worsening goods deficit due to faster growth in imports compared with exports and the impact of rising energy prices on the external bill. Whilst this development does not, for the time being, pose a risk to external sustainability, it does signal a greater reliance on external financing and a reduction in one of the key macroeconomic buffers built up by the Portuguese economy over the last decade.

In summary, the macroeconomic scenario for Portugal combines a relatively favourable growth environment with significant challenges in both the short and the long term. While, on the one hand, recent developments in economic activity warrant a moderately positive revision of the forecasts – which we will present next month – on the other hand, persistent energy pressures and the increasing materialisation of climate-related risks represent vulnerabilities that could affect price stability and the growth potential of the Portuguese economy in the coming decades. The economy's ability to adapt to these challenges will therefore be crucial to ensuring a sustainable growth trajectory.

Paula Carvalho
September 2026

Chronology

AGOSTO 2026

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

MAY 2026

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

MARCH 2026

- 11** The International Energy Agency agrees to release 400 million barrels of strategic reserves to mitigate the impact of the war in the Middle East.

JUNE 2026

- 11** The ECB raises interest rates by 25 basis points, increasing the depo rate from 2.00% to 2.25%.
- 18** The US and Iran sign a memorandum of understanding agreeing to a ceasefire and the opening of the Strait of Hormuz.

APRIL 2026

- 1-10** The Artemis II mission travels to the Moon and reaches 406,771 km, the greatest distance from Earth ever achieved by a manned mission.

FEBRUARY 2026

- 20** The US Supreme Court invalidates the tariffs announced under the IEEPA.
- 28** The US and Israel launch a coordinated attack against Iran in which Ali Khamenei is killed.

Agenda

SETEMBRO 2026

- 1** Euro area: CPI flash estimate (August).
- 2** Spain: registration with Social Security and registered unemployment (August).
- 4** Portugal: Fitch rating.
- 9** Portugal: international trade (July).
- 10** Governing Council of the European Central Bank meeting.
- 11** Spain: S&P rating.
Spain: Fitch rating.
- 15-16** Federal Open Market Committee meeting.
- 17** Spain: quarterly labour cost survey (Q2).
- 22** Portugal: house prices (Q2).
- 23** Spain: balance of payments and NIIP (Q2).
Portugal: GDP breakdown by institutional sector (Q2).
- 24** Portugal: NPL ratio (Q2).
- 25** Spain: GDP breakdown (Q2).
Spain: loans, deposits and NPL ratio (Q2).
- 29** Spain: CPI flash estimate (September).
Euro area: Economic Sentiment Indicator (September).
- 30** Spain: household savings rate (Q2).
Portugal: CPI flash estimate (September).
Portugal: employment and unemployment (August).

OUTUBRO 2026

- 1** Portugal: public debt (August).
- 2** Spain: registration with Social Security and registered unemployment (September).
Euro area: CPI flash estimate (September).
- 8** Spain: financial accounts (Q2).
- 9** Portugal: international trade (August).
- 15** European Council meeting.
- 19** China: GDP (Q3).
- 26** Spain: loans, deposits and NPL ratio (August).
- 27** Spain: labour force survey (Q3).
Portugal: loans and deposits (September).
- 27-28** Federal Open Market Committee meeting.
- 29** Portugal: employment and unemployment (September).
Euro area: Economic Sentiment Indicator (October).
Governing Council of the European Central Bank meeting.
US: GDP (Q3).
- 30** Spain: GDP flash estimate (Q3).
Spain: CPI flash estimate (October).
Spain: DBRS rating.
Portugal: GDP flash estimate (Q3).
Portugal: CPI flash estimate (October).
Euro area: GDP (Q3).

We need to talk about interest rates

In a summer focused on the effects of climate change – with events like El Niño, which could disrupt global activity in the autumn – and with political risk back where it stood before the signing of the US-Iran deal in June, an old acquaintance has once again come knocking on the door of economic and financial risks. The sharp rise in yields across all segments of the curve, of between 40 and 50 basis points since the end of June, marks a new phase in the shift in bond markets that began in 2022 and reflects the structural transformations that the global economy faces. This poses a new source of concern if this trend intensifies, given that global public debt is now approaching the psychological threshold of 100 trillion dollars, with that of countries such as the US exceeding 40 trillion dollars. This brings it close to the limits set by Ferguson's Law, which states that any great economic power risks ceasing to be one when the interest payments on its public debt exceed its defence spending. At that point, servicing past debts requires more resources than ensuring future security.

Considering that the natural rate of interest is the one that balances savings and investment and is compatible with price stability, the reality is that, after more than a lost decade for gross capital formation following the great financial crisis, since the pandemic there has been an increase in funding needs associated with defence, artificial intelligence (AI), population ageing and the energy transition. This trend has accelerated in recent quarters, driven by the race among major tech firms to lead the AI revolution and their increasing direct recourse to financial markets. From this perspective, we are witnessing a normalisation of interest rates following a prolonged period characterised by economic and financial anomalies, such as negative yields or the use of unconventional instruments by central banks to combat the risk of Western economies following in the footsteps of Japan. This normalisation has placed the average interest rate of the OECD's main long-term debt benchmarks at 2008 levels, around 3.7%. The normalisation is also evident in the upward revision of neutral rates by central banks such as that of the euro area, which has now placed them between 2% and 2.5%. At the same time, these institutions are reducing their footprint in the markets, with a balance sheet that has shrunk from 65% to 37% of the euro area's GDP, and are refocusing monetary policy on benchmark rates and weekly auctions.

If we break down the interest rate movements of recent months into the real component and inflation expectations, the real yield would account for most of the rise, both in the 10-year bond and for the 30-year benchmark. This phenomenon is particularly evident in the US, where real rates have settled between 2.5% and 3% at the long end of the curve, in contrast to the still negative levels of early 2022, while medium-term inflation expectations barely exceed 2%. This development reflects the degree of confidence in central banks' ability to bring inflation back down to target levels, as well as changes in the balance between savings and investment, and optimism about the impact of investment in AI on long-term growth. It also helps to explain the apparent contradiction between the increase in the risk-free asset's yield and the strong performance of stock markets over the summer.

If, alternatively, we break down long-term yields between expectations regarding future central bank movements and the term premium – that is, the cost of hedging against unforeseen fiscal or monetary risks – most of the increase so far this year appears to be explained by an upward recalibration of the level of rates required to achieve inflation targets. However, with the exception of the usual suspects of recent years, such as France and the United Kingdom, the term premium has not increased significantly. This overly tolerant attitude may be explained by the fact that the rise in the risk-free rate also reflects concerns about fiscal policy.

Ultimately, it seems that the recent rise in yields is not due to excessive investor concern over monetary or fiscal imbalances, but rather central banks' commitment to higher neutral rates in order to combat the effects of supply shocks, as well as higher equilibrium rates to accommodate the new funding demands of both the public and private sectors. Therefore, the expectation, albeit not without risk, is that investments in AI will quickly translate into productivity, potential growth, and corporate profits, enabling the stabilisation of public debt dynamics. Nevertheless, the degree of optimism and calm vary by region, as demonstrated by the surprising interventions of the US Treasury in the bond market, both directly through increased purchases of government debt and indirectly via its actions in the currency markets alongside the Japanese authorities.

José Ramón Díez

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

Financial markets

	Average 2000-2007	Average 2008-2019	Average 2020-2023	2024	2025	2026	2027
INTEREST RATES							
Dollar							
Fed funds (lower limit)	3.18	0.54	1.75	4.25	3.50	3.50	3.00
3-month SOFR	3.62	1.01	2.09	4.37	3.71	3.72	3.21
12-month SOFR	3.86	1.48	2.39	4.19	3.48	3.57	2.95
2-year government bonds	3.70	1.04	2.06	4.24	3.51	3.90	3.85
10-year government bonds	4.69	2.57	2.31	4.40	4.14	4.60	4.65
Euro							
ECB depo	2.05	0.20	0.61	3.09	2.00	2.25	2.00
ECB refi	3.05	0.75	1.11	3.24	2.15	2.40	2.15
€STR	–	–0.54	0.52	3.06	1.93	2.18	1.93
1-month Euribor	3.18	0.50	0.57	2.89	1.92	2.25	2.00
3-month Euribor	3.24	0.65	0.70	2.83	2.05	2.28	2.04
6-month Euribor	3.29	0.78	0.87	2.63	2.14	2.37	2.14
12-month Euribor	3.40	0.96	1.04	2.44	2.27	2.47	2.26
Germany							
2-year government bonds	3.41	0.35	0.56	2.02	2.13	2.25	2.07
10-year government bonds	4.30	1.54	0.72	2.22	2.84	2.95	2.90
Spain							
3-year government bonds	3.62	1.69	0.92	2.26	2.39	2.74	2.66
5-year government bonds	3.91	2.19	1.07	2.48	2.64	3.00	2.96
10-year government bonds	4.42	3.17	1.61	2.90	3.28	3.45	3.50
Risk premium	11	164	90	68	45	50	60
Portugal							
3-year government bonds	3.68	3.33	0.76	2.03	2.16	2.33	2.23
5-year government bonds	3.96	3.94	0.98	2.15	2.49	2.72	2.67
10-year government bonds	4.49	4.67	1.52	2.68	3.14	3.40	3.45
Risk premium	19	314	81	46	31	45	55
EXCHANGE RATES							
EUR/USD (dollars per euro)	1.13	1.26	1.12	1.05	1.17	1.11	1.15
EUR/GBP (pounds per euro)	0.66	0.84	0.87	0.83	0.88	0.90	0.90
EUR/GBP (yen per euro)	129.56	126.41	135.43	161.18	182.71	180.00	175.00
OIL PRICE							
Brent (\$/barrel)	42.3	80.1	73.8	73.1	61.6	73.3	70.9
Brent (euros/barrel)	36.1	62.5	67.0	69.8	52.6	66.1	61.6

Forecasts

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

International economy

	Average 2000-2007	Average 2008-2019	Average 2020-2023	2024	2025	2026	2027
GDP GROWTH¹							
Global	4.3	3.3	2.8	3.5	3.5	2.9	3.3
Developed countries	2.7	1.5	1.7	1.9	1.9	1.6	1.7
United States	2.7	1.8	2.4	2.8	2.1	2.3	2.0
Euro area	2.3	0.8	1.1	1.0	1.3	0.5	1.3
Germany	1.6	1.3	0.2	-0.5	0.3	0.6	1.1
France	2.3	1.0	1.0	1.4	0.9	0.4	0.9
Italy	1.5	-0.3	1.5	0.6	0.7	0.5	0.8
Portugal	1.5	0.4	1.9	2.1	1.9	1.8	1.8
Spain	3.6	0.7	1.1	3.5	2.8	2.4	2.0
Japan	1.4	0.4	0.1	-0.2	1.2	0.8	0.6
United Kingdom	2.8	1.3	1.0	1.0	1.3	1.0	0.9
Emerging and developing countries	6.3	4.9	3.5	4.5	4.5	3.8	4.4
China	10.6	8.0	4.9	5.0	5.0	4.5	4.0
India	7.2	6.7	4.6	7.3	7.5	6.6	6.4
Brazil	3.6	1.6	1.9	3.4	2.3	1.8	1.9
Mexico	2.3	1.5	1.1	1.4	0.6	1.1	1.8
Russia	–	1.4	1.5	4.9	1.0	0.8	1.5
Türkiye	5.5	4.5	6.4	3.3	3.8	3.1	3.9
Poland	4.1	3.7	2.6	3.1	3.6	3.1	2.8
INFLATION							
Global	4.1	3.7	5.9	5.8	4.1	4.3	3.7
Developed countries	2.1	1.6	3.9	2.6	2.5	3.1	2.5
United States	2.7	1.8	4.5	3.0	2.6	3.5	2.4
Euro area	2.2	1.4	4.2	2.4	2.1	2.7	2.2
Germany	1.7	1.4	4.6	2.5	2.3	2.7	2.2
France	1.9	1.3	3.5	2.3	0.9	2.0	1.9
Italy	2.4	1.4	4.1	1.1	1.6	2.5	2.0
Portugal	3.1	1.1	3.4	2.4	2.3	2.9	2.3
Spain	3.2	1.3	3.7	2.8	2.7	3.2	2.4
Japan	-0.3	0.4	1.4	2.7	3.2	2.1	2.0
United Kingdom	1.6	2.3	5.0	2.5	3.4	3.1	2.7
Emerging and developing countries	6.9	5.6	7.3	8.0	5.2	5.6	4.8
China	1.7	2.6	1.4	0.2	0.1	1.0	1.5
India	4.6	7.3	6.0	5.0	2.2	4.1	4.0
Brazil	7.3	5.7	6.4	4.4	5.0	4.5	4.0
Mexico	5.2	4.2	5.6	4.7	3.8	4.2	3.9
Russia	14.2	7.9	7.4	8.5	8.7	5.7	4.6
Türkiye	22.6	9.6	39.5	58.5	34.9	30.3	21.5
Poland	3.5	1.9	8.2	3.7	3.4	3.3	2.7

Note: 1. Figures adjusted for seasonality and calendar effects for the euro area, Germany, France, Italy, Portugal, Spain and Poland. Figures adjusted for seasonality for the United States and the United Kingdom.

Forecasts

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

Portuguese economy

	Average 2000-2007	Average 2008-2019	Average 2020-2023	2024	2025	2026	2027
Macroeconomic aggregates							
Household consumption	1.8	0.5	1.5	3.0	3.5	2.0	1.9
Government consumption	2.2	-0.3	1.9	1.5	1.6	1.4	1.0
Gross fixed capital formation	-0.4	-0.7	3.7	3.8	3.7	4.8	1.0
Capital goods	3.3	2.7	6.3	8.4	0.1	–	–
Construction	-1.4	-2.4	3.1	3.0	5.4	–	–
Domestic demand (vs. GDP Δ)	1.3	0.0	2.0	2.9	3.6	2.6	1.4
Exports of goods and services	5.3	4.0	3.8	3.1	0.4	2.5	2.0
Imports of goods and services	3.6	2.7	3.6	4.8	4.4	3.7	1.2
Gross domestic product	1.5	0.4	1.9	2.1	1.9	1.8	1.8
Other variables							
Employment	0.4	-0.4	1.4	1.2	3.2	1.2	1.4
Unemployment rate (% of labour force)	6.1	11.4	6.6	6.4	6.0	5.9	5.9
Consumer price index	3.1	1.1	3.4	2.4	2.3	2.9	2.3
Current account balance (% GDP)	-9.2	-2.8	-0.7	2.2	1.2	0.4	0.6
External funding capacity/needs (% GDP)	-7.7	-1.5	0.6	3.3	2.7	2.8	2.2
Fiscal balance (% GDP)	-4.5	-5.1	-1.9	0.6	0.7	-0.2	-0.4

Forecasts

Spanish economy

	Average 2000-2007	Average 2008-2019	Average 2020-2023	2024	2025	2026	2027
Macroeconomic aggregates							
Household consumption	3.7	0.0	0.4	3.0	3.3	2.6	2.0
Government consumption	4.5	0.9	3.1	2.9	2.4	2.0	2.0
Gross fixed capital formation	5.7	-1.2	1.0	3.6	5.8	4.5	2.4
Capital goods	4.9	0.2	-1.4	1.9	7.4	3.5	2.6
Construction	5.7	-2.6	0.4	4.0	5.2	4.7	2.3
Domestic demand (vs. GDP Δ)	4.4	-0.2	0.9	3.2	3.5	2.7	2.0
Exports of goods and services	4.7	2.9	2.4	3.2	3.6	0.6	1.8
Imports of goods and services	7.0	0.2	1.9	2.9	6.2	1.6	2.1
Gross domestic product	3.6	0.7	1.1	3.5	2.8	2.4	2.0
Other variables							
Employment	3.2	-0.5	2.0	2.8	3.1	2.9	1.9
Unemployment rate (% of labour force)	10.5	19.5	13.9	11.3	10.5	9.8	9.4
Consumer price index	3.2	1.3	3.7	2.8	2.7	3.2	2.4
Unit labour costs	3.1	0.6	4.1	3.3	4.1	3.8	3.2
Current account balance (% GDP)	-5.8	-0.2	1.2	3.2	2.9	2.3	2.5
External funding capacity/needs (% GDP)	-5.2	0.2	2.0	4.2	3.4	3.6	3.9
Fiscal balance (% GDP) ¹	0.3	-6.5	-6.1	-3.2	-2.4	-2.3	-2.3

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

Forecasts

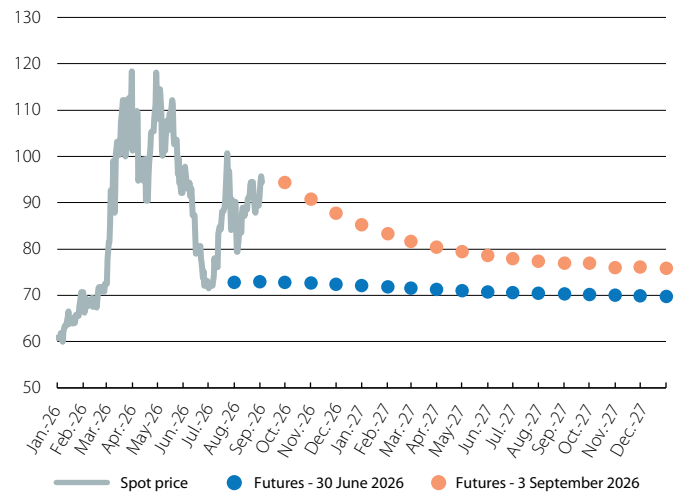
No summer lull for the markets

The Middle East, volatility and uncertainty shape markets in the summer. Financial markets experienced a rather intense and volatile summer, driven by the ongoing conflict in the Middle East and tensions in energy prices, which consequently put pressure on inflation and monetary policy expectations. July and August were marked by a renewed rise in oil and gas prices, a widespread increase in interest rates, and a certain weakness in the US dollar. This occurred amid investors' somewhat cold reaction to Fed Chair Kevin Warsh's lack of clear communication, and the currency and bond market interventions by Treasury Secretary Scott Bessent. Despite this context, the stock markets of the major advanced economies managed to end July and August with gains, thanks to a strong earnings season.

Energy price tensions. The price of Brent crude oil fluctuated within an exceptionally wide range, influenced by the diplomatic shifts in the Middle East conflict. Until early July, Brent crude was fluctuating around 70 dollars per barrel, reflecting hopes for a resolution to the war and a recovery in supply, which moderated its year-on-year decline to 6.3 mb/d. However, the resumption of hostilities, the renewed closure of the Strait of Hormuz, and Houthi threats in the Red Sea (an alternative route for Saudi Arabia's crude exports) pushed it above 100 dollars. At the beginning of September, the price fluctuated between 90 and 95 dollars per barrel, torn between the Iran-Oman negotiations to establish a shipping corridor in Hormuz and new military attacks. The pressure on gas prices was even more intense, with the European benchmark (TTF) surging from around €40/MWh in June to over €70/MWh. This was driven by the interplay between the Middle East conflict, higher electricity demand in Europe (linked to the heatwaves), and relatively low gas reserves (just over 60% of the EU's capacity in August vs. 80% on average in the same month in recent years). On the other hand, July and August also saw widespread price increases among agricultural products and metals, while the Bloomberg Commodity Index rose by around 15%.

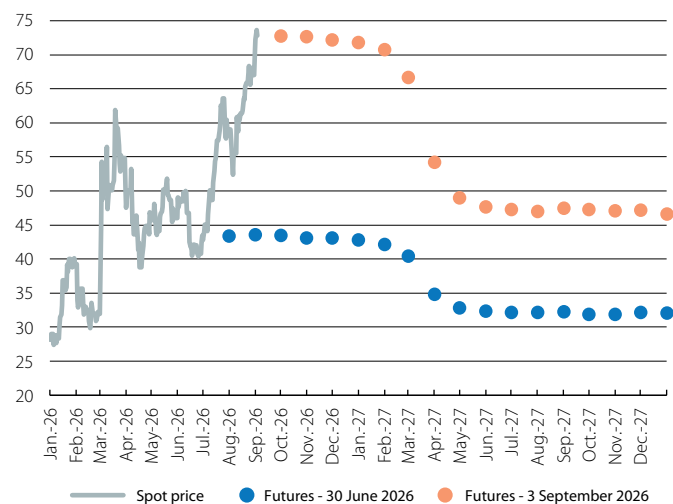
Widespread increase in sovereign interest rates. The rising cost of commodities drove up inflation expectations, with 2-year swaps in the US and euro area climbing to 2.5%-2.8%. Together with the resilience of economic activity (see the International Economy - Economic Outlook section) and the hawkish signals from some central banks, along with the global context of high public debt, these factors led to a widespread increase in sovereign interest rates. For the euro area, the cumulative increase reached around 50 basis points in the 2 and 10-year benchmarks, although peripheral risk premiums remained relatively stable. The US also experienced a rise in rates, but with different nuances (10-year rates rose by around 30 basis points, while short-term rates experienced less movement), in markets influenced by the interventions of Scott Bessent (Treasury) and Kevin Warsh (Fed). Specifically, the US Treasury announced an increase in long-term bond buybacks from September to November, raising the amount from the current 2 billion dollars per operation to 4 billion. Bessent presented the announcement in terms of market

Brent crude oil price
(Dollars per barrel)



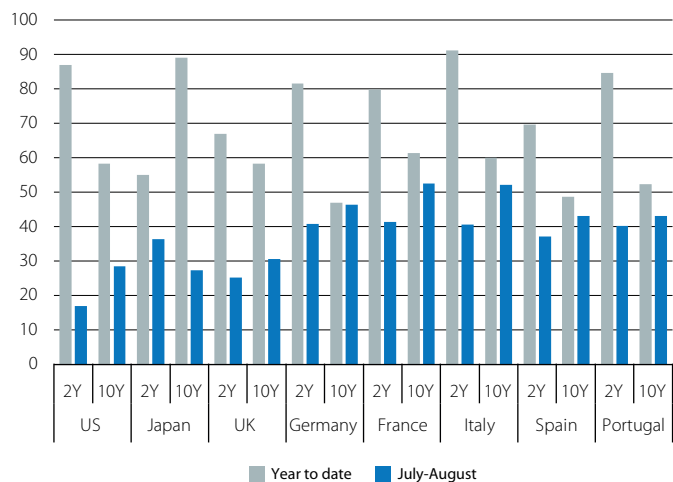
Source: BPI Research, based on data from Bloomberg.

TTF gas price
(Euros per MWh)



Source: BPI Research, based on data from Bloomberg.

Sovereign interest rates
Change (bps)



Note: 2 and 10-year maturities (2Y and 10Y).

Source: BPI Research, based on data from Bloomberg.

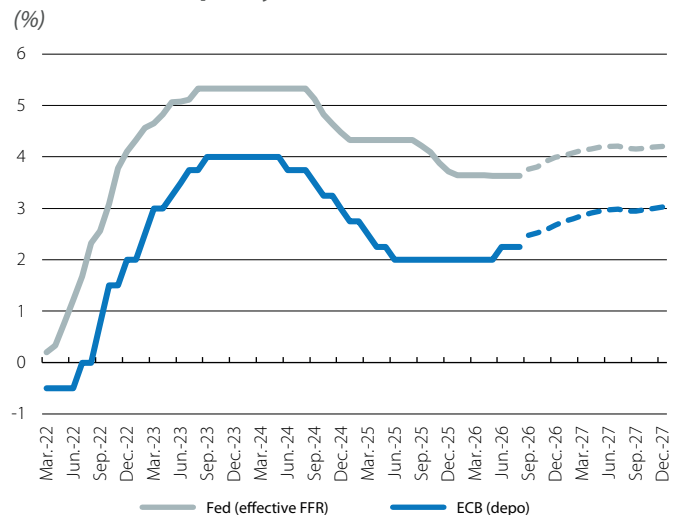
liquidity management, but among investors it was interpreted as a signal of the Trump administration's desire for low rates. Furthermore, this signal clashed with the philosophy of «less market intervention» advocated by Warsh since his arrival at the Fed.

Markets eye Fed and ECB hikes. Despite keeping rates unchanged at their July meetings, the communications from the Fed and the ECB displayed a hawkish tone throughout the summer, highlighting the risks of excessively high inflation amid resilient economic activity. At the annual Jackson Hole symposium, Fed Chair Kevin Warsh talked of strong economic activity, while admitting his concern about some inflation figures and noting that financial conditions are not restrictive. This provided a more explicit assessment than usual and reversed the indecision perceived by investors in July. In response, markets closed August pricing in one Fed rate hike before the end of the year (placing the fed funds rate at 3.75%-4.00%) and another in 2027 (rates at 4.00%-4.25%). In Europe, most ECB members expressed a desire to raise interest rates again in order to prevent the rebound in energy inflation (stemming from the Middle East) from triggering indirect effects and causing headline inflation to exceed 2% for too long, in a context of resilient economic activity. Thus, markets were almost 100% certain that the ECB would raise the depo rate to 2.50% in September and were pricing in one or two more hikes in 2027.

Stocks end a volatile summer on a positive note. In July and August, the main European and US stock indices closed with gains, with the Stoxx EUR 600 and the S&P 500 climbing between 1% and 2%, respectively. This balance was supported by the resilience of economic activity and a strong earnings season on both sides of the Atlantic, with profit growth exceeding consensus forecasts and a technology sector that continued to surpass expectations. However, there were mixed dynamics, with a decline in July (more pronounced among tech firms) and a recovery in August. By sector, energy, the financial sector, and basic resources performed particularly well, while among European countries, the rise of the German stock market (over 3%) contrasted with the difficulties of the French CAC. The Japanese stock market also disappointed, with the Nikkei slipping more than 5% over July and August (further weighed down by the weakness of tech stocks in July and the resumption of hostilities in the Middle East). Among emerging economies, stock markets recorded gains in Latin America and losses in Asia.

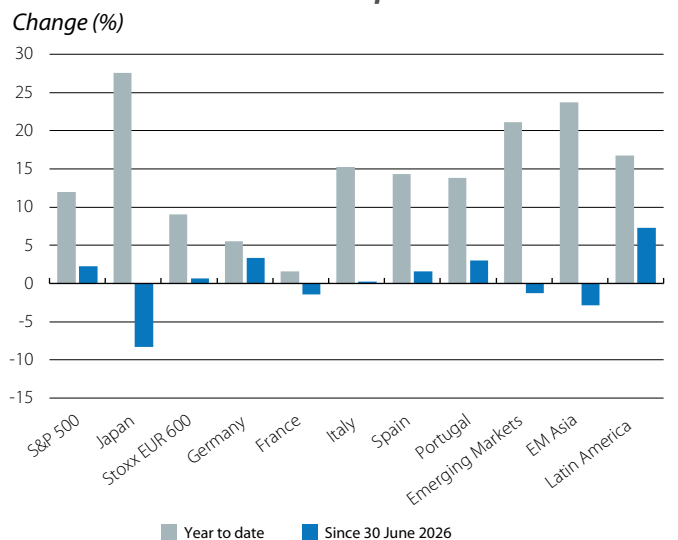
The US dollar weakens. Currency markets saw a moderate but widespread depreciation of the US dollar against its major counterparts. This depreciation occurred in two stages, at the end of July and mid-August. On 30 July, the dollar depreciated by around 3% against the yen following a joint intervention by the US Treasury and Japanese authorities to strengthen the latter currency. On the other hand, the announcements of long-term bond buybacks by the US Treasury in mid-August triggered a new episode of depreciation. Thus, in July and August combined, the dollar lost nearly 2% (DXY index), while the euro recovered to around 1.16 dollars.

Central banks: policy rates



Note: The dashed lines show the implied forward rates for the Fed and the ECB as of 3 September 2026.
Source: BPI Research, based on data from Bloomberg.

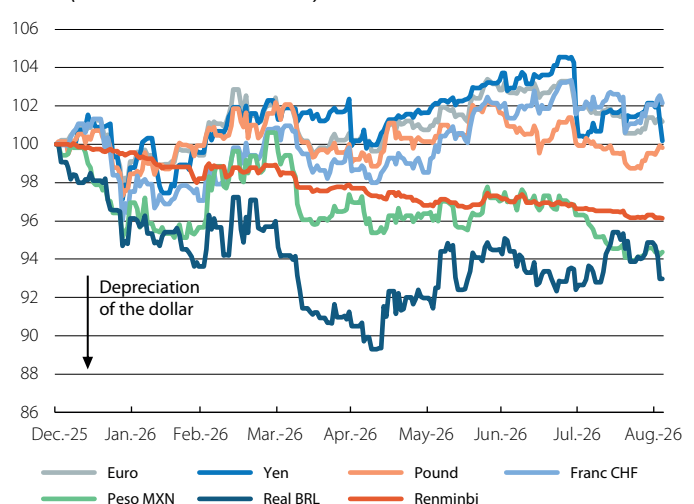
International stock markets: performance in 2026



Source: BPI Research, based on data from Bloomberg.

Currencies: exchange rate against the US dollar

Index (100 = 31 December 2025)



Source: BPI Research, based on data from Bloomberg.

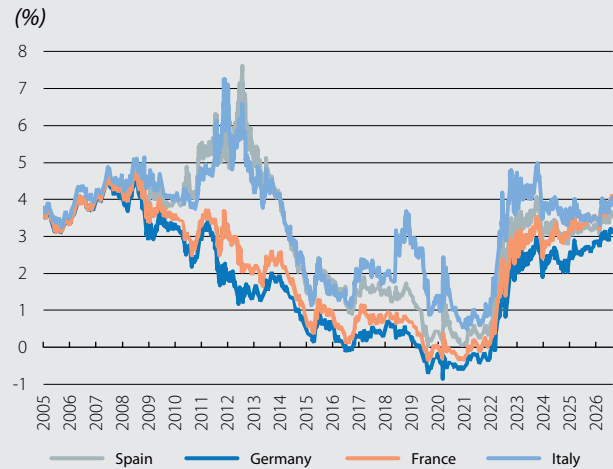
The ECB's path to a new normal

Behind the recent upheavals and volatility, the euro area and the ECB are making progress towards a new normal for the financial environment. In recent years, the ECB has reduced its footprint in the market by returning to conventional monetary policy and withdrawing forward guidance. Thus, today monetary policy is dictated by policy interest rates (essentially the deposit facility – or depo – rate)¹ and the ECB has not committed itself to any particular future path for interest rates; rather, it aims for agile decision-making, meeting by meeting, based on economic and geopolitical data and events.

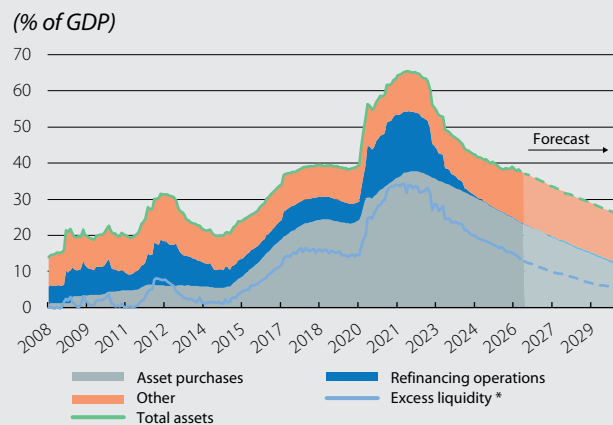
This new normal is clearly visible in interest rates. As the first chart shows, sovereign yields in the major euro area economies are back at their pre- 2008 global financial crisis levels. At the same time, unlike during the pre-crisis period, investors are demonstrating a capacity for discrimination, as reflected in the dispersion of rates between different countries and, consequently, in the price of their respective public debts. In other words, we see positive risk premiums that are consistent with countries' macroeconomic fundamentals,² even after the Middle East energy shock.

The path to the new normal is also apparent in the ECB's balance sheet. In five years, it has shrunk from a peak equivalent to 65% of the euro area's GDP (2021) to fluctuate around 37% (a level comparable to that of 2017). This reduction has been facilitated by the withdrawal of liquidity previously injected by the Eurosystem during times of crisis (the global financial crisis of 2008, the European sovereign debt crisis, and the COVID-19 pandemic), following the end of exceptional loans to the financial sector (TLTROs) and the passive winding down of debt purchased under QE programmes.³ These dynamics will continue in the coming years and, since they are passive and gradual, they will ensure that liquidity remains abundant in the short and medium term. As shown in the second chart,

Euro area: 10-year sovereign yields



ECB balance sheet: total assets



excess liquidity will not fall below 5% of GDP until mid to late 2029.⁴

In fact, the historical comparison shown in the third chart suggests that there is still a considerable way to go before the liquidity withdrawal will begin to create a degree of scarcity and, for example, lead to a widening of money market spreads. However, it is difficult to estimate at what level liquidity will cease to be «excessive». Moreover, there have been changes in the environment suggesting that the point at which this impasse will lie may differ

1. I.e. the interest rate at which overnight deposits held by banks in the Eurosystem are remunerated. These deposits should not be confused with minimum required reserves, which, with a current ratio of 1%, receive no remuneration.

2. See the Focus «Risk premiums and macroeconomics: a robust and cross-cutting relationship» in the MR02/2026.

3. The two major QE programmes were the APP (2014-2023) and the PEPP (2020-2024), through which the ECB purchased debt (both public and corporate; not directly, but in secondary markets) to address the risks of financial fragmentation and to stimulate the economy when policy rates (at 0% and even slightly negative) had no further room to manoeuvre. The ECB halted net purchases under both programmes in 2022, but continued to buy «on a gross basis» by reinvesting in new assets the principal from maturing assets previously acquired. Finally, the ECB began to passively offload this debt by ending reinvestments (completely in July 2023 for the APP and in January 2025 for the PEPP).

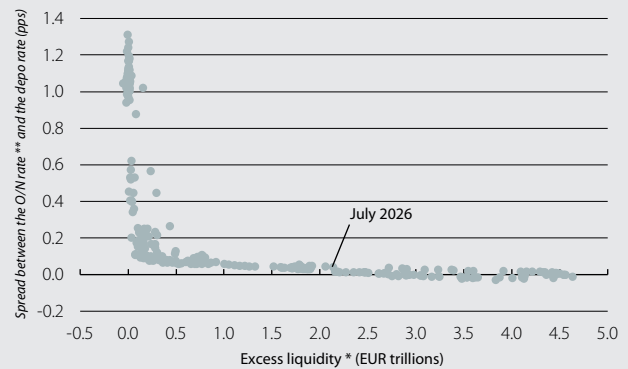
4. The balance sheet projection follows mechanical assumptions: APP and PEPP («asset purchases») passively decrease as assets mature, MROs and LTROs («financing operations») evolve according to the median projection of the ECB's Survey of Monetary Analysts from June 2026, and the rest of the balance sheet grows according to historical trends. Projected excess liquidity, meanwhile, evolves one-to-one with the sum of «asset purchases» and «financing operations».

from the past, and that liquidity shortages may occur at levels previously considered ample. These include reduced risk tolerance, which hinders the redistribution of liquidity within the banking system, tighter financial regulation, and a precautionary desire for larger liquidity buffers.⁵

For this reason, the ECB has paired the return to normality of its monetary tools (essentially the reduction of its balance sheet) with a reform of its operational framework in order to ensure that the liquidity drain does not compromise monetary policy implementation in the future. As we have already analysed,⁶ the ECB wants to shift away from the current environment, marked by abundant liquidity originally injected by the central bank itself, towards a world in which the financial system itself determines how much liquidity it wishes to hold. To implement this, the ECB will make its regular refinancing operations (seven-day MROs and three-month LTROs) the main source of direct liquidity. Additionally, it will introduce two new instruments to supply reserves: long-term credit operations and a structural asset portfolio (these will not be «monetary policy» instruments but structural tools to stabilise the financial system's liquidity needs).

The reform of the operational framework was announced in 2024. In 2026, the ECB is expected to review its deployment and consider whether to recalibrate certain parameters. For now, liquidity remains abundant, so the transition over these past two years has been very gradual, as also illustrated by a very nascent revival in the demand for new liquidity (see last chart). We can expect this gradual approach to continue in the future.

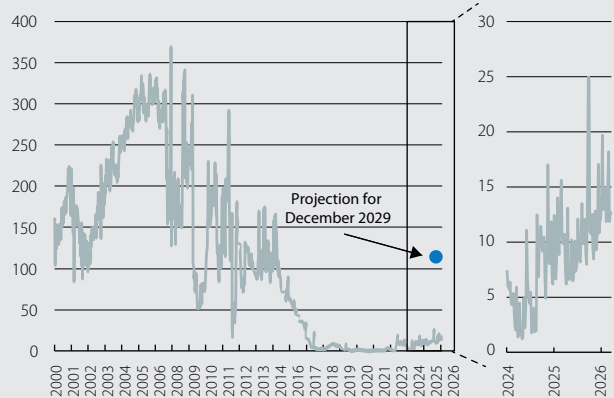
Euro area: interest rate spreads and excess liquidity



Notes: * Deposits in the deposit facility plus excess reserves minus use of the marginal lending facility. ** Corresponds to the Eonia between 2000 and 2019 and to the €STR plus 8.5 bps from 2020 onwards.

Source: BPI Research, based on data from Bloomberg and the ECB.

Use of ECB MRO operations by European banks (EUR billions)



Note: The projection for December 2029 corresponds to the median expectation of the Survey of Monetary Analysts (MROs + 3-month LTROs).

Source: BPI Research, based on data from the ECB.

5. Isabel Schnabel, *Towards a new Eurosystem balance sheet*, 6 November 2025.

6. See the Focus «What is behind the ECB's interest rates» in the MR09/2025.

Interest rates (%)

	31-August	31-July	Monthly change (bp)	Year-to-date (bp)	Year-on-year change (bp)
Euro area					
ECB Refi	2.40	2.40	0	25	25
3-month Euribor	2.59	2.48	11	57	53
1-year Euribor	3.00	2.96	4	76	88
1-year government bonds (Germany)	2.68	2.62	6	67	78
2-year government bonds (Germany)	2.94	2.82	12	82	100
10-year government bonds (Germany)	3.32	3.21	12	47	60
10-year government bonds (Spain)	3.78	3.65	12	49	45
10-year government bonds (Portugal)	3.67	3.55	13	52	49
US					
Fed funds (lower limit)	3.50	3.50	0	0	-75
3-month SOFR	3.76	3.75	1	11	-41
1-year government bonds	4.14	4.03	11	67	31
2-year government bonds	4.34	4.29	5	87	72
10-year government bonds	4.75	4.73	2	58	52

Spreads corporate bonds (bps)

	31-August	31-July	Monthly change (bp)	Year-to-date (bp)	Year-on-year change (bp)
Itraxx Corporate	51	54	-3	0.5	-4.2
Itraxx Financials Senior	54	56	-2	-0.5	-5.6
Itraxx Subordinated Financials	87	89	-2	-5.5	-13.4

Exchange rates

	31-August	31-July	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
EUR/USD (dollars per euro)	1.162	1.153	0.8	-1.1	-0.6
EUR/JPY (yen per euro)	185.590	181.430	2.3	0.9	8.0
EUR/GBP (pounds per euro)	0.857	0.855	0.3	-1.6	-0.9
USD/JPY (yen per dollar)	159.740	157.400	1.5	1.9	8.6

Commodities

	31-August	31-July	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
Bloomberg Commodity Index	141.4	132.1	7.1	28.9	37.5
Brent (\$/barrel)	90.5	90.1	0.4	48.7	32.8
Gold (\$/ounce)	4,437.4	4,046.2	9.7	2.7	28.7

Equity

	31-August	31-July	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
S&P 500 (USA)	7,686.1	7,489.7	2.6	12.3	19.0
Eurostoxx 50 (euro area)	6,420.2	6,358.0	1.0	10.9	20.0
Ibex 35 (Spain)	19,974.1	19,782.9	1.0	15.4	33.7
PSI 20 (Portugal)	9,437.2	9,116.0	3.5	14.2	21.6
Nikkei 225 (Japan)	66,311.9	64,362.0	3.0	31.7	55.2
MSCI Emerging	1,719.3	1,665.9	3.2	22.4	36.6

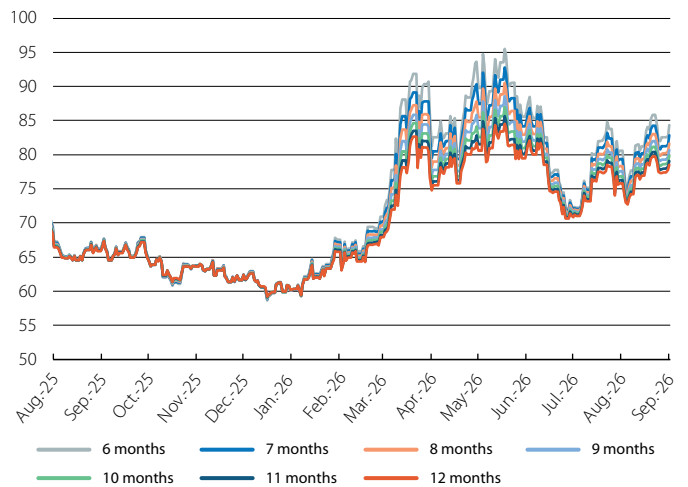
The global economy holds firm, but challenges persist

Geopolitical developments continue to loom over the global economy, with the focus remaining on the Middle East. The summer began with negotiations between Iran and the US and expectations of a gradual normalisation of transit through the Strait of Hormuz, which helped ease oil market tensions in June. However, the resumption of hostilities prompted a new price surge. Brent crude remained volatile during August, averaging around 90 dollars per barrel, while futures for 6-12 months fluctuated around 80 dollars per barrel. Underlying concerns about potential supply disruptions and historically low global inventories continue to weigh on the energy market. Furthermore, uncertainty persists regarding the actual volume of crude oil shipments due to the growing opacity of available information. Liquefied natural gas prices also surged in August, with supply being more limited than expected coupled with significant electricity consumption due to the high temperatures recorded in Europe during the summer. The TTF, Europe's main benchmark, exceeded €60/MWh for deliveries through the winter. Overall, the global economy remains at the mercy of geopolitical tensions. An easing of these tensions could alleviate pressure on energy prices and economic activity, but significant risks remain.

Global activity continued to hold up in Q2, despite a global energy shock. In the euro area, GDP grew by 0.6% quarter-on-quarter (0.3% excluding Ireland), exceeding expectations due to a better-than-expected performance from economies such as Germany (+0.3%), Italy (+0.2%), and Spain (+0.7%), while France stagnated (0.0%, following -0.2% in Q1). In the US, the economy maintained solid quarter-on-quarter growth of 0.4% in Q2, supported by strong domestic demand, particularly household spending and non-residential investment. The economies of the United Kingdom and Japan also performed well, with GDP growth of 0.4% and 0.3% quarter-on-quarter, respectively. In the case of the UK, this growth was driven by domestic demand, while in Japan the external sector and support from fiscal policy were the main contributors.

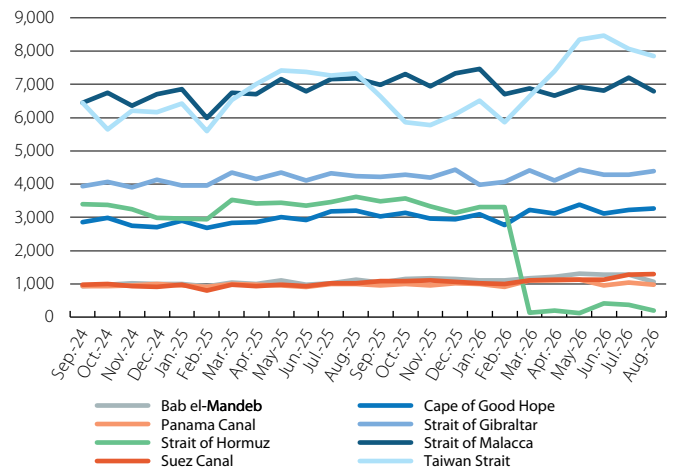
Activity remained robust in Q3, albeit with exceptions and the return of tariffs. In the euro area, the available indicators point to strong economic momentum in July and August, with the PMIs at expansionary levels. Manufacturing PMIs reached 52.7 points in August (vs. 51.9 in July), the highest in over two years, while the services PMIs stood at 51.6 points (vs. 51.7 previously). In the US, business indicators remain strong, although signs of moderation are beginning to emerge in private consumption and the labour market. On the other hand, following the breakdown of negotiations between the US and Canada, the US administration imposed an additional 50% tariff on Canadian imports worth 20 billion dollars at the end of August and plans to raise tariffs on Canada's automotive sector to 50% in 2027. Canada's government announced that

Brent: futures prices
(Dollars per barrel)



Source: BPI Research, based on data from Bloomberg.

Global: maritime transit through major chokepoints
Total number of ships

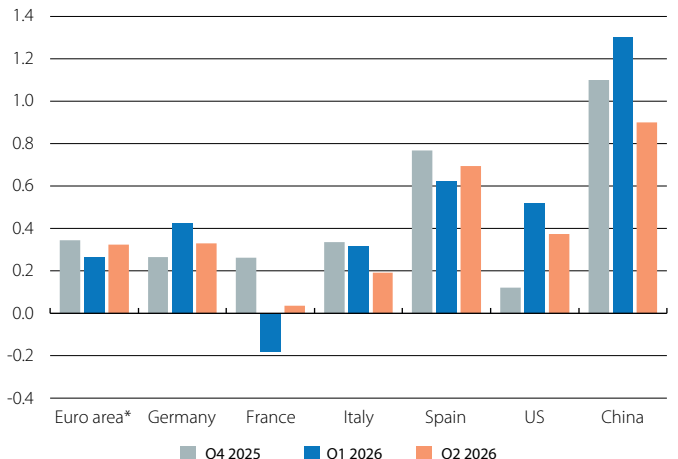


Note: Includes bulk carriers, chemical tankers, container ships, general cargo ships, oil tankers and gas carriers (LNG and LPG).

Source: BPI Research, based on data from Bloomberg.

Global: GDP

Quarter-on-quarter change (%)



Note: * Euro area excluding Ireland.

Source: BPI Research, based on data from Eurostat, BEA and the National Bureau of Statistics of China.

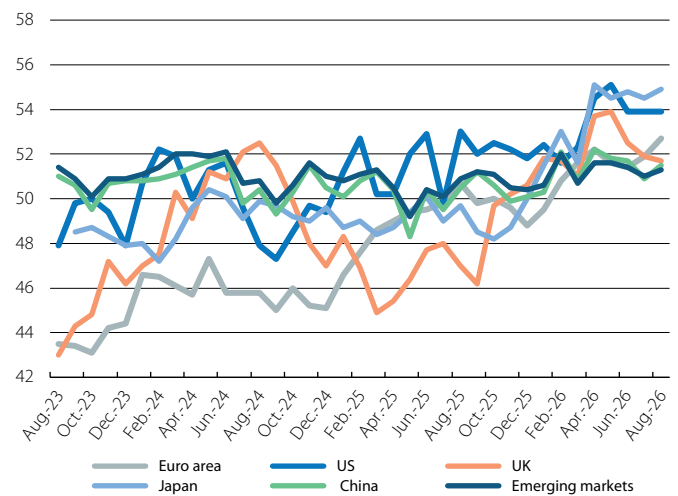
it will respond with equivalent measures, which are expected to impact North American activity over the coming months. In China, the economy showed a loss of momentum over the summer. Retail sales and industrial production slowed in July, reflecting weak domestic demand, further compounded by extreme weather events. Despite a slight recovery in August (the RatingDog Composite PMI stood at 52.1 points, compared to 50.8 in July), the industrial upturn is driven by external demand, while construction and services remain weak. In this context, the authorities have reiterated their intention to accelerate public spending in the second half of the year, although no new stimulus measures have been announced.

The energy shock continues to drive prices upwards. Euro area inflation rose to 3.3% in August (vs. 2.9% in July), driven mainly by rising energy costs, while core inflation eased slightly to 2.4% (vs. 2.5% in July). The increase was widespread among the major economies, with Spain recording the largest uptick (see the Spanish Economy - Economic Outlook section). The data was in line with expectations and reinforces the likelihood of another ECB rate hike in September. In the medium term, the key question remains whether the energy price shock will spread to other prices. In the US, both headline and core inflation fell by 0.1 pp in July (to 3.4% and 2.5%, respectively), but inflationary pressures persist. In this context, and given the rise in US sovereign rates in recent months, the new Fed Chair Kevin Warsh conveyed an optimistic view of US economic activity in Jackson Hole while expressing greater concern about inflation. The latest data indicate that the disinflation process is progressing more slowly than desired, which has reinforced market expectations that the Fed will tighten its monetary policy before the end of the year (see the Financial Markets - Economic Outlook section).

Emerging economies demonstrated remarkable resilience to the energy shock, but remain in a relatively more fragile position. Although rising energy costs impacted consumption in oil-importing countries, much of Asia maintained solid growth due to price regulation and energy subsidies, as well as strong domestic demand. Additionally, the AI investment boom boosted technological exports from economies such as Vietnam, Malaysia, Taiwan and Korea. India continues to exceed expectations, recording a year-on-year growth rate of 7.8% in Q2 (vs. 8.6% in Q1), supported by strong domestic demand and exports. Furthermore, the negative impact of the conflict has been contained and economic activity is expected to regain some momentum over the coming months. On the other hand, stronger inflationary pressures and the rise in global sovereign rates could bring new challenges, especially in countries with significant initial macroeconomic and fiscal imbalances.

Global: manufacturing PMI

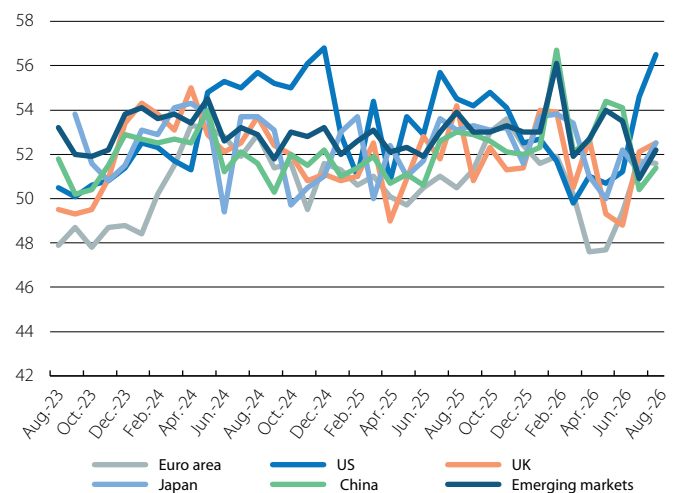
Level



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

Global: services PMI

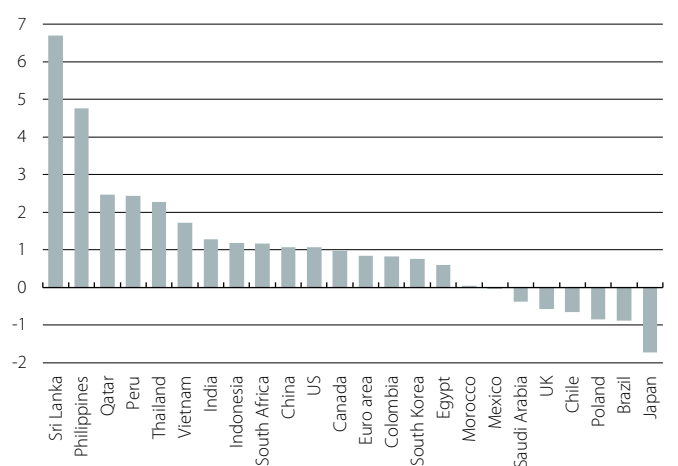
Level



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

Global: CPI

Inflation differential (pps)*



Note: * Average for the period March-August 2026 vs. 2025.

Source: BPI Research, based on data from Bloomberg.

The new US tariff landscape (2026 back-to-school edition)

Few economic topics have experienced as many twists and turns in such a short time as the tariff saga of Trump 2.0. In just 18 months, analysts (not to mention firms involved in international trade) have experienced a true roller-coaster: the iconic Liberation Day; the unprecedented escalation with China, with tariffs exceeding 100%; and the Greenland episode, amidst the usual threats to the EU. In contrast to these maximalist positions, the agreements reached with key trading partners moderated the previously announced tariffs, while the reconfiguration of imports reduced their effective impact. In 2026, this de-escalation took a further step when the Supreme Court ruled against the general tariffs implemented through the use of emergency economic legislation. With the temporary tariff that replaced them now expired, the new measures outlined in section 301 of the Trade Act and the various sectoral tariffs create a scenario that alters the nature of the instruments more than it does the average duty.

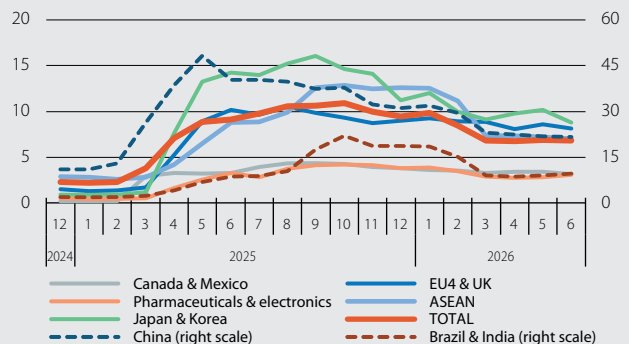
Effective tariffs: stability after de-escalation

The executive orders adopted between February and April 2025 entailed a complete overhaul of the tariff regime that the US applies to its imports.¹ According to customs and import revenue data, the average effective tariff rose from just over 2% at the beginning of 2025 to around 7% in April, reaching a peak close to 11% in October. By then, the measures were already fully in place, the anticipation effect that had driven imports of products that were initially exempt, such as pharmaceuticals and electronics, had dissipated, and some of the tariffs announced on Liberation Day had been revised upwards, especially those imposed on Brazil and India (see first chart).

Since then, we have witnessed a gradual de-escalation, driven by three factors of a very different nature and scope: bilateral trade negotiations, the reconfiguration of US imports and the Supreme Court ruling. Firstly, the agreements reached last year resulted in significantly lower tariffs than those introduced on Liberation Day. This was particularly the case for Southeast Asian countries, but also for China following the truce in November 2025, as well as for the EU compared to previous protectionist threats.² Secondly, changes in the relative level of tariffs by product and trading partner have led to major changes in the composition of imports, with some purchases from China shifting to other Asian suppliers, such as Vietnam for certain labour-intensive manufactures, and Taiwan for technological products.³ Mexico has also gained market share in the US, aided by the increase in the proportion of imports that comply with the rules of origin under the United States-Mexico-Canada Agreement (USMCA),

1. See the Focus «US tariffs: where do we stand and what comes next?» in the MR06/2025.
2. See the Brief Note «Acuerdo comercial entre EE. UU. y la Unión Europea» of 29 July 2025.
3. See the Focus «The new map of US goods imports» in the MR01/2026.

Average effective tariff on US imports: main trading partner groups (%)



Notes: EU4 = Germany, France, Italy and Spain. ASEAN = Cambodia, Philippines, Indonesia, Malaysia, Thailand and Vietnam. Pharmaceuticals and electronics (producers) = Belgium, Ireland, Netherlands, Switzerland, Singapore and Taiwan. Weighted according to the composition of trade flows in 2025.

Source: BPI Research, based on data from Bloomberg.

which has also cushioned part of the tariff increase.⁴ This has been compounded by the strong demand for electronic products in the US, linked to the AI investment cycle.

Thirdly, the Supreme Court ruling on 20 February 2026 determined that invoking the International Emergency Economic Powers Act (IEEPA) was not the appropriate legal avenue for establishing general tariffs and that, being a tax measure, it required Congressional authorisation.⁵ Thus, tariffs that accounted for some two-thirds of the increase in the average levy since early 2025 were rendered invalid, paving the way for the amounts previously collected from importing companies to be refunded.⁶ On the same day as the ruling, a presidential proclamation activated section 122 of the Trade Act – intended to address fundamental balance of payments issues – and established a temporary general tariff of 10% for 150 days.

This set of factors has decisively contributed to reducing the average effective tariff by 4 pps, and since March 2026 it has stood slightly below 7%, its lowest level since last spring.

Announced policies: everything changes so that tariffs can stay as they are

The expiration of the temporary tariff under section 122 on 24 July has not marked a return to the pre-Trump 2.0 scenario. On the same day, the new tariffs approved under

4. E. Martínez-García and R. Mau (2026), «How USMCA compliance cushioned the 2025 tariff shock».
5. See the Focus «10 questions on the US Supreme Court's tariff ruling» in the MR03/2026.
6. According to information from US Customs and Border Protection cited by The Conference Board, as of 31 July, refunds had been completed amounting to approximately 100 billion dollars (including interest); the applications accepted for processing totalled 128.7 billion, compared to a total of around 166 billion collected under the IEEPA.

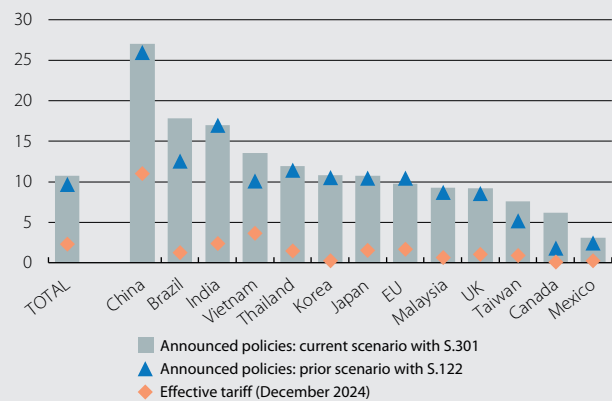
section 301 came into effect, following investigations opened in March regarding the bans adopted by the US main trading partners on the import of goods produced wholly or partly using forced labour and their effective enforcement.

The measures affect 60 economies, which account for almost all US imports. Canada, Mexico, the United Kingdom and India are subject to a general additional surcharge of 10%, which rises to 12.5% in the case of China. For other trading partners, the new levy complements the most-favoured-nation (MFN) tariff applied to each product when it falls below a threshold: up to a total rate of 10% for the EU and Taiwan, and 12.5% for Japan, South Korea, and Switzerland. All of these rates lie below the 15% set in the trade agreements reached since the summer of 2025. Exemptions also remain in place for certain products, including goods from Canada and Mexico that comply with USMCA requirements and those already subject to sectoral measures under section 232 of the Trade Expansion Act. The new regime also exempts certain raw materials and critical inputs in cases where imposing tariffs on them could cause supply issues, such as critical minerals and fertilisers. Moreover, it gives preferential treatment to Central American and Dominican textiles that meet the conditions of the CAFTA-DR agreement, while also planning future quotas for imports of these products from certain Asian partners, linked to the purchase of US cotton and textile goods.

Sectoral measures make up the second major pillar of the new framework. Section 232 allows tariffs to be imposed for national security reasons and already covers steel, aluminium and motor vehicles, among others. In the pharmaceutical sector, the US administration implemented in April the measure announced in September 2025: a tariff of up to 100% on certain patented medicines and their ingredients. The scheme includes lower rates or exemptions depending on the country of origin, as well as corporate commitments to investment and production in the US, while generic medicines are exempt, for now. In commercial aviation, a negotiation period began in July, lasting until the end of the year, before a decision will be made on possible additional measures.

Considering this overlap of instruments and making reasonable assumptions about the scope of the current exemptions, we estimate that the average tariff implied by the policies announced would be around 11%, just 1 percentage point higher than the previous estimate under the temporary section 122 tariffs. The ranking of the US main trading partners does not change substantially either (see second chart). Mexico and Canada remain among the partners with the lowest tariff burden thanks to exemptions under the USMCA, while the EU remains slightly below average. In contrast, China, Brazil and India are at the upper end of the distribution, with a particularly significant leap in Brazil's case due to the imposition of an additional 25% levy resulting from another bilateral investigation under section 301, this time concerning a wide range of trade practices. For several Asian partners, the new scheme replaces the

Average US tariff according to announced policies: main trading partners (%)



Note: The estimate is weighted according to the structure of US imports in 2025.

Source: BPI Research, based on data from Bloomberg, COMTRADE and the White House.

general rates agreed bilaterally in 2025 with surcharges that are added on top of the MFN tariff, with differing outcomes depending on the composition of their exports.

The final chapter of the saga?

In the end, everything changes... so that (most) things can stay as they are: similar levels of protection, but supported by a more specific and procedural legal framework. This does not shield it from further legal claims, nor does it prevent tariffs from continuing to be used for a wide range of objectives. This includes their use as a tool for applying commercial pressure, as demonstrated by the additional 50% levies in force since August on a wide range of Canadian products and the threat of their extension to cars and components in 2027, to which Canada has already responded with equivalent measures. It also includes their use as a geopolitical and regulatory lever, with the recent initiation of an investigation against the EU following the multi-million dollar fine on Google. They also continue to serve national security and industrial policy purposes, as in the case of the new tariffs on drones and their components. For the coming months, the key uncertainties are concentrated along several fronts. The ongoing investigations under section 301 into structural manufacturing overcapacity in 16 economies could lead to new tariff measures, as could the growing crackdown on the illegal transshipment of goods through third countries.⁷ Moreover, the US decision not to extend the USMCA under its current terms paves the way for a process of annual reviews and prolongs the uncertainty about its future configuration. There is also ongoing concern about the stability of the truce with China, which rests on a fragile balance of dependencies in semiconductors, advanced technology, and critical minerals, against the backdrop of the AI race.⁸

7. White House (2026), «The great transshipment scam».

8. See the Dossier «The present and futures of the new Alconomy» in the MR05/2026.

Ireland, the country that skews Europe's statistics

When Eurostat publishes GDP growth for the euro area, Germany, France, Italy and Spain are the main drivers of the final result. However, in recent years, Ireland has been responsible for the largest revisions and distortions of the euro area's figures, both upwards and downwards. How can a country with just 5 million inhabitants have the capacity to alter the statistics of a region with over 350 million people?

The answer does not lie in the size of the country, but rather in how a significant portion of global economic activity is recorded within its borders. Ireland has become a global operations hub for some of the world's largest multinationals, particularly in pharmaceuticals, technology, intellectual property and aircraft leasing. In other words, a small number of firms conducting high-volume operations cause the national accounting data to behave differently from those of a typical economy.

Ireland's fiscal and legal framework has been a magnet for multinationals

Ireland was already an attractive European platform for multinationals before 2015, thanks to a combination of a low corporate tax rate, a favourable legal environment, and a particularly appealing regime for the location of intangible assets (patents, software, trademarks or exploitation rights). However, 2015 marked a turning point.

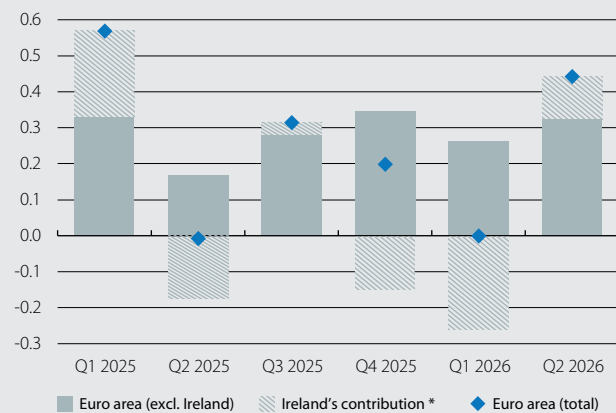
On one hand, the tightening of the international framework against certain «tax engineering» strategies led many multinationals to reorganise the location of their intangible assets and some of their corporate operations. On the other hand, the Irish tax regime allowed for the fiscal amortisation of intangible assets under particularly favourable conditions. The result was that Ireland emerged bolstered as a destination for intangible assets and certain functions of many companies, particularly in the technology and pharmaceutical sectors, as it offered a stable institutional environment, legal certainty and full access to Europe's single market. And therein lies the key to Ireland's uniqueness: in a small economy, the relocation of high-value assets can significantly alter its investment, export, value-added and GDP statistics.

Ireland's GDP may present a distorted picture of its economic development

The initial effect of this transfer of intangible assets may come as a surprise. When a multinational decides to transfer the ownership of a patent, software, or a trademark to Ireland, it is treated as being equivalent to the country acquiring an asset, which is recorded

Euro area: GDP

Quarter-on-quarter change (%)

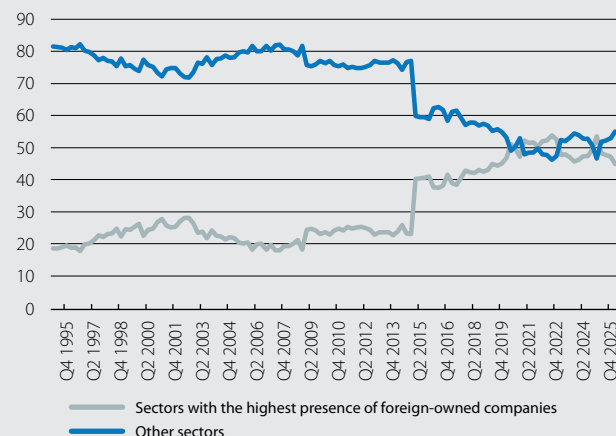


Note: * Ireland's contribution to the euro area's quarter-on-quarter growth in percentage points.

Source: BPI Research, based on Eurostat data as of 14 August 2026.

GVA: foreign companies vs. others

Total GVA (%)



Source: BPI Research, based on data from the Central Statistics Office.

as an investment. However, as this asset (a patent, for example) is located abroad, it must simultaneously be accounted for as an import of services (R&D or intellectual property).¹ Therefore, in the quarter in which the transaction is carried out, the impact on GDP is practically neutral. However, once these intangibles are integrated into the economy's capital stock, they begin to generate service export flows, for instance in the form of licences, thus persistently contributing to GDP growth in subsequent years.²

These practices explain the significant fluctuations in Ireland's gross fixed capital formation (GFCF), exports and value added. They also explain the significant role of intangible assets within Irish investment: in recent

1. Demand-side GDP = private consumption + public spending + investment + exports – imports.

2. See ECB. «Intangible Assets of Multinational Enterprises in Ireland and their Impact on Euro Area Activity», Occasional Paper Series, n° 350.

years, it accounts for over 50% of all GFCF in Ireland, more than double the level in the main euro area economies. Ireland's overexposure to these assets is confirmed by the fact that, since 2015, Ireland's share of euro area GDP has been less than 4.0% on average, yet it accounts for more than 10% of the region's investment in intangible assets. The contribution of other major economies to the euro area's investment in intangible assets is much more consistent with the size of their economies.

As a result, it is possible for Ireland's GDP to grow significantly based on decisions made by a handful of multinationals whose actual business is conducted outside its borders, even in a context of weak household consumption, public spending, or investment related to the domestic economy. Conversely, Ireland's GDP can fall sharply even if its domestic growth remains strong.

For this reason, the Central Statistics Office of Ireland is developing indicators that aim to separate domestic activity from the more volatile items associated with multinationals. These include modified final domestic demand (MFDD), which provides a better approximation of the country's domestic economic activity by including household and general government consumption and investment in activities linked to the national economy. This measure excludes purchases of intellectual property, aircraft intended for leasing, and other components more closely linked to decisions of multinationals, which are counted within GDP.³ The data confirm this stability of MFDD compared to GDP. For example, in Q3 2024, GDP grew by 7.6% quarter-on-quarter, but MFDD recorded an increase of 1.1%. In contrast, in Q1 2026, GDP fell by 7.6% quarter-on-quarter, but MFDD recorded a modest increase of 0.3%. Furthermore, MFDD has grown by more than 25% since Q4 2019, compared to an increase of just over 6.0% recorded by the euro area excluding Ireland.

Ireland is proof that size isn't always what matters

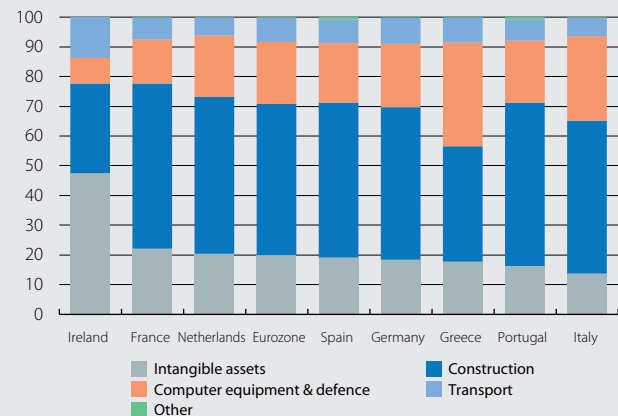
The influence of multinationals and intangible assets has made Ireland a significant player in the euro area's aggregate statistics. So much so that, in some quarters, we must ask ourselves which part of the euro area's economic performance is due to the cyclical behaviour of the major economies and which part reflects the impact of operations concentrated in Ireland. This distinction is significant enough for the ECB itself to include in its forecast table a calculation of euro area GDP based on Ireland's GDP and another based on MFDD.

Ireland does not distort the statistics because it has a major share of the euro area economy; it distorts them

3. See: <https://www.cso.ie/en/interactivezone/statisticsexplained/nationalaccountsexplained/modifiedgini/>.

GFCF by asset class

(% of the total in each country) *

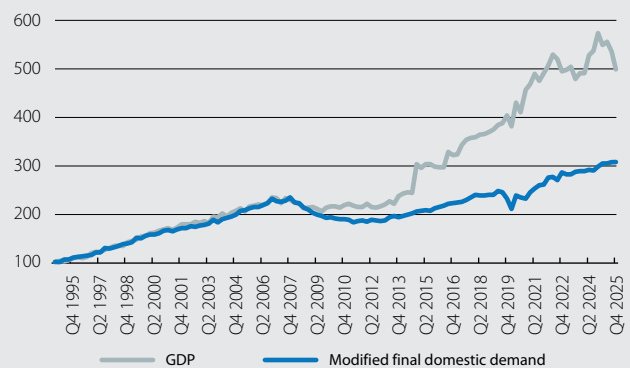


Note: * Average for the period 2021-2025.

Source: BPI Research, based on data from Eurostat.

GDP vs. modified final domestic demand *

Index (100 = Q1 1995)



Note: * Modified final domestic demand provides a better gauge of Ireland's domestic economic activity by focusing on consumption and investment linked to domestic activity and excluding operations of multinationals – such as intellectual property or aircraft leasing – which can distort GDP.

Source: BPI Research, based on data from the Central Statistical Office

because it is the country in which a significant portion of the global intangible economy is recorded. GDP remains an essential variable for analysing an economy, but the case of Ireland reminds us that sometimes we need to look beyond the headline in order to understand this economy's progress, as well as to gauge that of the euro area more reliably.

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

UNITED STATES

	2024	2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	06/26	07/26	08/26
Activity									
Real GDP	2.8	2.1	2.3	2.0	2.7	2.1	–	–	–
Retail sales (excluding cars and petrol)	3.4	4.5	4.6	3.9	4.6	5.6	5.7	4.8	...
Consumer confidence (<i>value</i>)	104.5	96.1	97.4	94.2	90.7	92.2	92.2	90.2	89.4
Industrial production	–0.7	1.1	1.7	1.6	0.8	1.4	1.3	1.1	...
Manufacturing activity index (ISM) (<i>value</i>)	48.2	48.9	48.7	48.2	52.6	53.3	53.3	55.6	54.6
Housing starts (<i>thousands, monthly average</i>)	1,370	1,356	1,347	1,323	1,418	1,337	1,415	1,239	...
Case-Shiller home price index (<i>index</i>)	330	339	338	341	343	343	344	...	...
Unemployment rate (% <i>lab. force</i>)	4.0	4.3	4.3	4.5	4.3	4.3	4.2	4.1	...
Employment-population ratio (% <i>pop. > 16 years</i>)	60.1	59.8	59.6	59.7	59.3	59.1	59.0	58.9	...
Trade balance ¹ (% <i>GDP</i>)	–2.8	–3.3	–3.4	–3.1	–2.5	–2.3	–2.3	–2.3	...
Prices									
Headline inflation	3.0	2.7	2.9	2.7	2.7	3.9	3.5	3.4	...
Core inflation	3.4	2.9	3.1	2.6	2.5	2.7	2.6	2.5	...

JAPAN

	2024	2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	06/26	07/26	08/26
Activity									
Real GDP	0.1	1.2	0.6	0.4	0.5	0.7	–	–	–
Consumer confidence (<i>value</i>)	37.2	34.7	34.8	36.7	36.9	33.2	33.8	34.9	35.5
Industrial production	–3.0	0.1	–1.1	–1.3	1.2	1.9	3.1	4.2	...
Business activity index (Tankan) (<i>value</i>)	12.8	13.5	14.0	15.0	17.0	22.0	–	–	–
Unemployment rate (% <i>lab. force</i>)	2.5	2.5	2.5	2.6	2.7	2.5	2.5	2.4	...
Trade balance ¹ (% <i>GDP</i>)	–1.0	–0.6	–0.5	–0.4	–0.3	–0.2	–0.2	–0.3	...
Prices									
Headline inflation	2.7	3.2	3.0	2.5	1.4	1.5	1.7	1.9	...
Core inflation	2.5	3.0	3.2	3.0	2.5	1.8	1.7	1.9	...

CHINA

	2024	2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	06/26	07/26	08/26
Activity									
Real GDP	5.0	5.0	4.8	4.5	5.0	4.3	–	–	–
Retail sales	3.3	3.8	2.4	0.7	2.4	0.2	1.0	0.6	...
Industrial production	5.6	5.9	5.8	5.0	6.0	4.6	5.3	4.5	...
PMI manufacturing (<i>value</i>)	49.8	49.6	49.5	49.4	49.6	50.2	50.3	49.2	49.8
Foreign sector									
Trade balance ^{1,2}	997	1,186	1,174	1,186	1,174	1,176	1,176	1,190	...
Exports	4.6	5.5	6.5	3.8	14.5	20.0	26.8	23.6	...
Imports	1.0	0.3	4.7	3.7	23.5	29.4	35.8	27.6	...
Prices									
Headline inflation	0.2	0.1	–0.2	0.6	0.8	1.1	1.0	0.5	...
Official interest rate ³	3.1	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Renminbi per dollar	7.2	7.2	7.2	7.1	6.9	6.8	6.8	6.8	6.7

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

	2024	2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	06/26	07/26	08/26
Retail sales (year-on-year change)	1.3	2.4	1.9	2.3	2.0	1.2	0.7	...	...
Industrial production (year-on-year change)	-2.9	1.6	1.5	1.9	-1.6	0.1	0.1	...	...
Consumer confidence	-12.6	-13.4	-13.7	-13.0	-13.7	-19.0	-17.6	-15.9	-15.5
Economic sentiment	95.9	95.9	95.8	97.0	98.1	94.5	95.6	97.1	98.4
Manufacturing PMI	45.9	49.1	50.1	49.5	50.6	51.7	51.4	51.9	52.7
Services PMI	51.5	51.3	50.9	53.0	51.2	48.2	49.4	51.7	51.6
Labour market									
Employment (people) (year-on-year change)	1.0	0.7	0.7	0.7	0.5	...	-	-	-
Unemployment rate (% labour force)	6.4	6.3	6.3	6.3	6.4	6.4	6.4	6.4	...
Germany (% labour force)	3.4	3.7	3.8	3.9	3.9	3.9	4.0	4.0	...
France (% labour force)	7.4	7.7	7.8	8.0	8.2	8.3	8.3	8.3	...
Italy (% labour force)	6.6	6.0	5.9	5.7	5.5	5.6	5.8	5.8	...
Real GDP (year-on-year change)	1.0	1.3	1.2	1.1	0.5	1.0	-	-	-
Germany (year-on-year change)	0.0	0.3	0.3	0.3	0.7	1.0	-	-	-
France (year-on-year change)	1.4	0.9	0.8	1.1	0.7	0.5	-	-	-
Italy (year-on-year change)	0.6	0.7	0.7	0.9	0.8	1.0	-	-	-

Prices

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

	2024	2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	06/26	07/26	08/26
General	2.4	2.1	2.1	2.1	2.0	3.0	2.8	2.9	3.3
Core	2.8	2.4	2.3	2.4	2.3	2.4	2.4	2.5	2.4

Foreign sector

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

	2024	2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	06/26	07/26	08/26
Current balance	3.0	2.0	2.2	2.0	2.1	2.1	2.1	...	...
Germany	5.8	4.5	4.6	4.5	4.3	4.4	4.4	...	...
France	-0.3	-0.4	-0.5	-0.4	-0.3	-0.5	-0.5	...	...
Italy	1.1	1.1	1.1	1.1	1.4	1.3	1.3	...	...
Nominal effective exchange rate¹ (value)	94.2	96.1	97.8	97.5	97.2	96.7	96.1	96.1	96.9

Credit and deposits of non-financial sectors

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

	2024	2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	06/26	07/26	08/26
Private sector financing									
Credit to non-financial firms ²	0.8	2.7	2.9	3.0	3.0	3.8	4.0	4.4	...
Credit to households ^{2,3}	0.5	2.2	2.5	2.9	3.0	3.0	3.0	3.1	...
Interest rate on loans to non-financial firms ⁴ (%)	4.9	3.4	3.2	3.3	3.3	3.4	3.6	3.6	...
Interest rate on loans to households for house purchases ⁵ (%)	4.6	3.7	3.6	3.5	3.5	3.6	3.7	3.7	...
Deposits									
On demand deposits	-3.9	5.0	5.6	5.4	5.2	3.9	3.6	3.3	...
Other short-term deposits	12.4	-0.1	-1.5	-1.0	-0.2	1.7	2.8	3.8	...
Marketable instruments	20.0	7.7	4.4	0.9	0.8	2.8	4.4	4.2	...
Interest rate on deposits up to 1 year from households (%)	3.0	1.9	1.7	1.8	1.8	1.9	2.0	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.

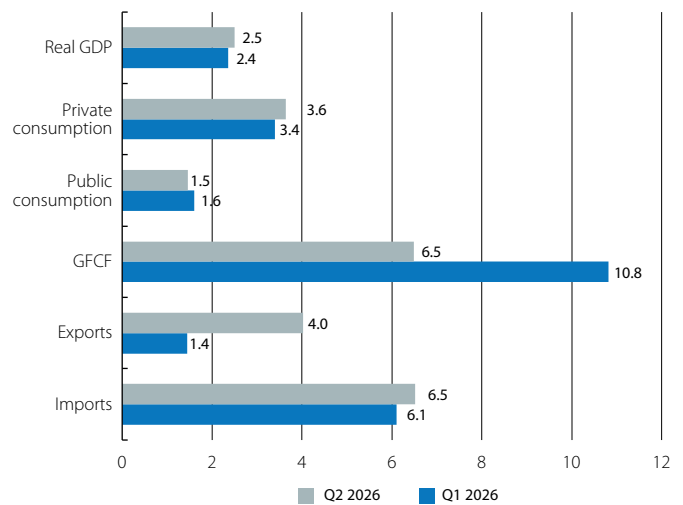
The economy surprises on the upside in Q2

GDP exceeds expectations in Q2 2026, growing 0.8% quarter-on-quarter and 2.5% year-on-year. This performance results from the improved contribution of net external demand and the less positive contribution of domestic demand (which remains robust). Domestic demand contributed 3.8 pp to year-on-year growth, 0.8 pp less than in Q1 2026, reflecting the correction in the contribution of gross fixed capital formation (GFCF), which had recorded abnormally high growth in Q1. Consumption maintained a robust performance with a 3.6% increase. The contribution of external demand became less negative year-on-year, falling to -1.3 pp, as a result of more significant growth in exports (4.0%). The increase in exports is mainly due to the services component (4.6%), but also to goods, which grew by 3.7%. Imports remain robust, with the services component increasing by 16.0%, 8.8 pp more than in Q1 2026, while imported goods slowed to 4.4% (5.9% in Q1). The behaviour in this quarter places upward risks on our 2026 GDP forecast (1.8%), given that some factors supporting activity remain in place, namely domestic demand, both through consumption (supported by the labour market) and investment (supported by the implementation of the PRR). Therefore, even taking into account external risks and a more restrictive financial environment, it seems likely to us that growth in 2026 will be around 2% (1.9% in 2025).

Inflation accelerated in August. The overall CPI reached 3.3%, above the 3.0% recorded in July, thus placing average inflation over the last 12 months at 2.7%. According to INE's (National Institute of Statistics) flash estimate, this increase was explained almost entirely by the rise in fuel prices, reflecting a worsening of the energy component of inflation (energy CPI of 12.2% compared to 8.7% in July). Conversely, prices for unprocessed food products showed a more favourable trend, slowing to 3.4%, compared to 3.7% in July. The underlying component showed a more contained evolution (2.7%, up 0.1 pp compared to July). It is thus apparent that, for the time being, there is no visible spillover to other categories of goods and services as a result of the pressure on energy prices.

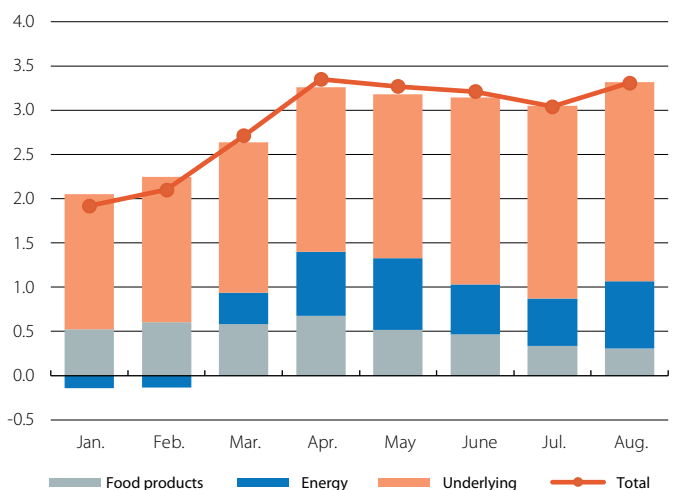
The unemployment rate remained at 5.7% in July, but the number of unemployed decreased to 320,000 people, down 0.8% compared to June and -1.1% compared to July 2025. In turn, the employed population also decreased compared to June, while maintaining a growth trend compared to 2025. In July the number of people in employment thus stood at 5,347,000, 0.1% lower than in June, but 1.5% higher than in July 2025. This was the first monthly figure for Q3, suggesting that the labour market remains robust, although with signs of stabilisation in the employment level around 5.3 million individuals. In other words, employment is very close to its historical high, continuing to represent an important factor supporting the economy.

Real GDP growth (%)



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

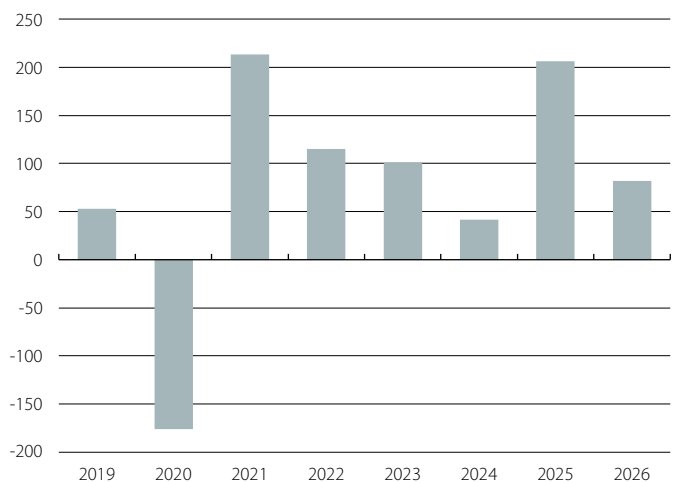
CPI: contributions for year-on-year variation (%)



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

Employed population

Year-on-year change in July of each year (thousands of people)



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

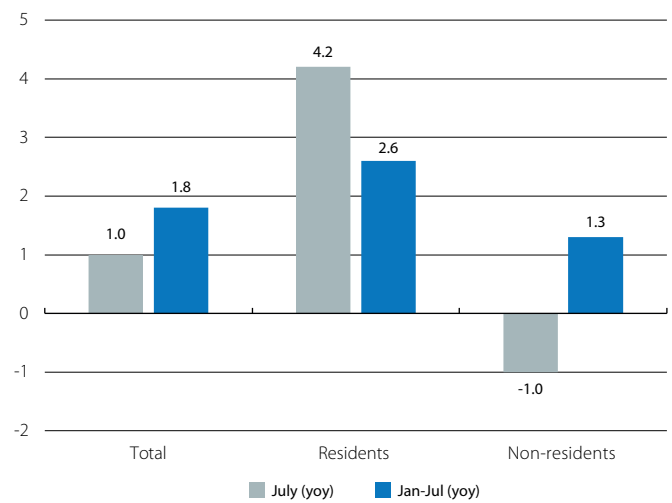
Tourism grows moderately. In July 2026, tourism activity in Portugal maintained a positive trajectory, albeit with moderate growth rates. Tourist accommodation establishments recorded 3.4 million guests (+1.0% year-on-year) and 9.6 million overnight stays (+2.1% year-on-year). This puts the growth in tourists and overnight stays so far this year at 1.8% and 1.5%, respectively. The dynamics of resident tourism have provided the most significant boost to these figures, while non-resident tourism shows a more modest performance. Meanwhile, total revenue for the month increased by 4.9% year-on-year, with a notable increase in the Alentejo region (+19.8%).

External accounts register the worst result for a first semester since 2022. In year-to-date figures up to June, the combined current and capital account balance stood at 1.201 billion euros (–1.013 billion euros compared with the same period last year), driven by a deterioration in the current account balance of 2.338 billion euros, which was partially offset by an increase in the capital account surplus of 1.325 billion euros. The negative current account balance is attributable to a worsening of the goods account by 2.508 billion euros (78% of which was due to the non-energy component), as a result of an increase in imports (+9.1% year-over-year) that more than offset the increase in exports (+5.9% year-over-year). Similarly, the cumulative balance of the services account increased by only 34 million euros (+0.2% year-over-year), as a result of a 364 million euro increase (+3.9%) in the tourism balance, driven by higher exports, which more than offset the decline in the surplus of the non-tourism services account (–330 million euros). Finally, the increase in the capital account balance of +1.325 billion euros (+77.4%) was driven by reinsurance indemnities received from abroad following the storms and by the higher volume of European funds allocated to final beneficiaries, particularly from the PRR.

In July, deposits maintained a consistent trend. The stock of deposits in the non-financial private sector increased by 6.3% year-over-year, with both segments (non-financial corporations and households) posting positive growth (11.3% and 4.5% year-over-year, respectively). For government retail products, net subscriptions totaled 677 million euros in July (the highest monthly figure since May 2023), with subscriptions for Savings Certificates reaching 708 million euros, accompanied by a significant decrease in redemptions of Treasury Certificates (which stood at –28 million euros), the least negative monthly figure since late 2021. This trend was driven by the launch of Series 5, as the appeal of this type of product has increased. In addition, the loan portfolio for the non-financial private sector is picking up pace again, with year-over-year growth of 8.4% in July, momentum which was evident across all segments. Nevertheless, the main highlight is the mortgage loan portfolio, which grew 10.8% year-over-year and accounts for about 64% of the year-over-year increase in the private loan portfolio. Also noteworthy is the credit portfolio to non-financial corporations (+5.2%), supported by post-storm support credit lines.

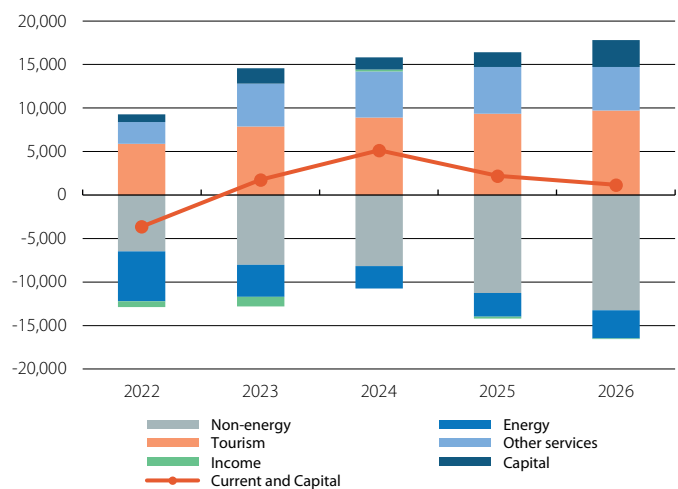
Guests

Annual variation (%)



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

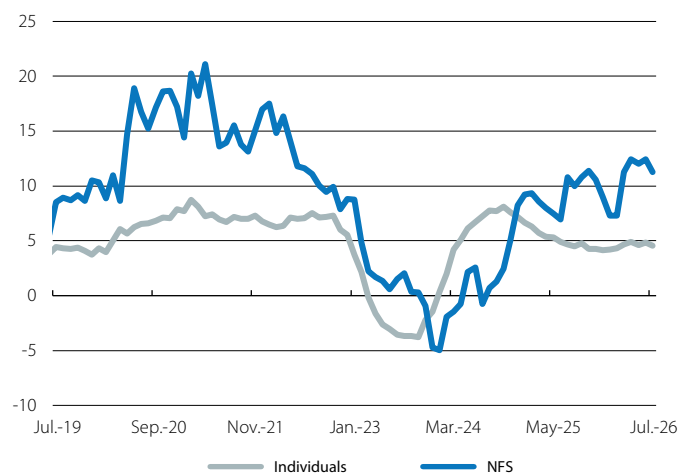
Portugal: current and capital balance (year-to-date, millions of euros)



Source: BPI Research, based on data from Datastream.

Portfolio of deposits from the non-financial private sector

Annual rate of change (%)



Source: BPI Research, based on data from BdP.

The macroeconomic impact of climate risks and regional asymmetries in Portuguese exposure

The debate surrounding climate and its externalities on populations and the economy began in the last century and went through several initiatives, culminating in the Paris Agreement (2015), which established concrete goals to achieve carbon neutrality by 2050 and limit global warming to below 1.5°C compared to pre-industrial levels. In this article we analyse the long-term macroeconomic impacts of climate change in Portugal compared to the EU and the asymmetries in regional exposure.

Europe leads in sustainability, but it is significantly vulnerable

The EU has taken a leading role in combating climate change through a rigorous regulatory framework that promotes a sustainable transition, including the *Green Deal*, the European Climate Law, the Taxonomy and various ESG disclosure requirements for companies and participants in financial markets, such as the *Sustainable Finance Disclosure Regulation* and the *Corporate Sustainability Reporting Directive*.

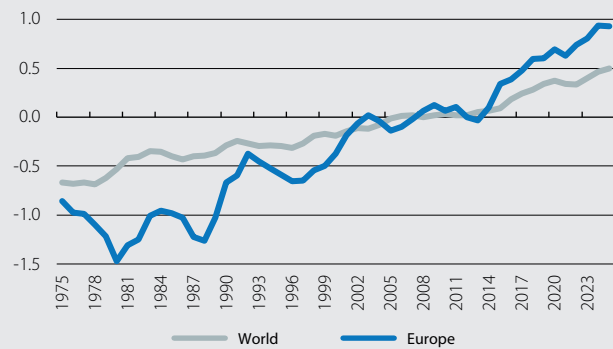
On the other hand, despite progress in quantifying climate impacts, and although there is a consensus that emerging economies are more adversely affected,¹ Europe continues to show a high aggregate exposure to climate risks compared to the global total, as evidenced by the average temperature anomaly (see first graph). The European Commission anticipates that cumulative economic losses due to increased temperature anomalies could reach €2.5 trillion by 2050, with south-eastern Europe being more vulnerable to extreme events and productivity losses.²

Portuguese exposure to climate risks

Uncertainty about climate change breaks down into physical risk, which includes more frequent or intense (acute) weather phenomena, such as floods and droughts, as well as more chronic ones (sea level rise, etc.); and transition risk, linked to the move to a low-carbon economy, depending on the ambition and effectiveness of policies, technological development, consumer preferences and the degree of international cooperation. The NGFS³ developed theoretical and forward-looking scenarios that make it possible to understand the

Anomaly in average temperature

5-year moving average of the deviation from the average surface temperature recorded in the period 1991-2020 (°C)

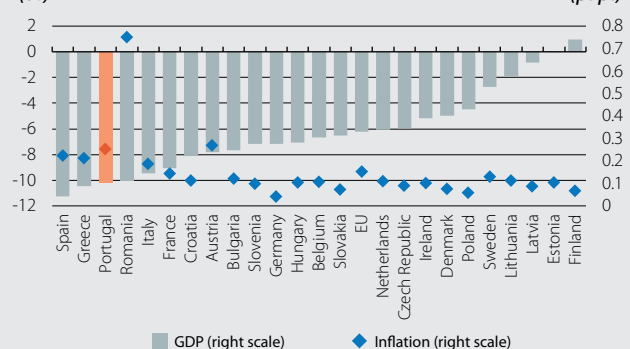


Note: Anomalies calculated using the meteorological reanalysis methodology (ERA5), developed by the European Centre for Medium-Range Weather Forecasts by combining physical model estimates with historical observations.

Source: BPI Research, based on data from the European Commission and Copernicus.

Estimated average impact of climate risks on GDP and inflation in 2050

Difference relative to GDP in PPP (\$, 2017) or to the inflation rate projected in the NGFS baseline scenario for 2050 (%)



Note: The differentials follow the NiGEM NGFS v1.24.2 [REMIND-MagPIE 3.3-4.8] model and relate to the cumulative impact of climate change on GDP and inflation by 2050. A medium impact was assumed, assigning for the sake of simplicity the same probability to each of the available long-term scenarios ("below 2°C"; "delayed transition"; "fragmented world"; "NDCs" and "net zero" 2050). No data are available for Cyprus, Luxembourg or Malta.

Source: BPI Research, based on NGFS projections.

expected effect of these risks on long-term economic growth.⁴

According to the latest NGFS estimates, Portugal is among the European economies most exposed to climate risks, being the third to present the most negative impact on GDP (and the greatest increase in inflation) in 2050 resulting from the materialisation of an interpolated scenario that corresponds to the simple average of five

1. Faccia, D., Parker, M., and Stracca, L. (2021), «Feeling the Heat: Extreme Temperatures and Price Stability», ECB Working Paper No. 2626 (Frankfurt: European Central Bank).

2. Mongelli, I., Avila-Urbe, A., Maes, J., Durán, J., Feyen, L. and Ciscar, J. C. (2025), «Regional economic climate risks in Europe – Early insights from a spatial growth model», Publications Office of the European Union. Available at: <https://publications.jrc.ec.europa.eu/repository/handle/JRC143093>

3. *Network for Greening the Financial System*: an international institution that brings together banks and supervisors with the goal of sharing best practices and strengthening the incorporation of environmental risks in the financial sector.

4. These scenarios result from an international collaboration between leading academic institutions that combine *state of the art* climate models to capture the interactions between transition, physical and macro-financial risks. For more details, see the NGFS scenarios portal: <https://www.ngfs.net/ngfs-scenarios-portal/explore>

scenarios on physical and transition risks⁵ (see second chart). Portugal's GDP is projected to be on average 10.17% lower and inflation 0.25 percentage points higher in 2050 compared to the baseline scenario.⁶ In contrast, most countries in Central and Northern Europe experience a much smaller impact.

This discussion is therefore particularly important, given the worsening of extreme weather events in our country, rising temperatures, the concentration of certain vulnerable sectors of activity,⁷ and the obstacles posed by the obsolescence of infrastructure and fixed assets, despite progress in the use of renewable energy and the reduction of external dependence. Energy poverty also remains significant among many families.⁸ Furthermore, the Portuguese banking sector, essential for financing economic agents, is exposed through the housing and corporate credit channel, especially when properties are located in critical areas or companies belong to vulnerable sectors, such as agriculture and carbon-intensive industries.

The European Environment Agency sees some positive aspects in Portugal's transition, such as energy, improved air quality and investment in climate adaptation (partly resulting from the Recovery and Resilience Plan), but highlights that Portugal faces challenges in terms of vulnerabilities to extreme events and consumption and production patterns that are still insufficiently sustainable. These challenges are evident, for example, in the systematic inability to effectively manage forestry (excessive occurrences of fires in the summer) and in the significant economic losses resulting from the «train of storms» at the beginning of 2026.

Regional heterogeneity in Portugal's exposure to climate risks

The materialisation of climate risks and the mitigation of their implications will influence the trajectory of economic growth, price levels, and financial conditions over the next few decades, which is why we decided to assess regional asymmetries in Portugal.

According to IPMA estimates, mainland Portugal's exposure to climate change, particularly to extreme weather events (i.e. physical risk), is asymmetrical between regions. The North, Central and Alentejo regions are relatively more exposed to future temperature increases and, consequently, to heat waves. In the Alentejo and Algarve regions, this situation is especially worrying, given the already high historical average and the consequences

5. The five NGFS scenarios mentioned in the notes to the second graph are the only ones that provide data for Portugal. The simple average of these scenarios reflects a relevant, but not overly pronounced, materialisation of both physical and transition risks.

6. This average should be interpreted as an illustrative exercise of aggregate climate exposure and not as a probabilistic forecast, given that the NGFS scenarios do not assign specific probabilities to the trajectories analysed.

7. For example, those that are linked to tourism.

8. See the focus article «The energy market in Portugal is on a solid and adaptive trajectory, but energy poverty persists» in IM02 2026.

Meteorological indicators in mainland Portugal

Indicator	NUTS II	Simulated historical average (1971-2000)	Estimated anomaly compared to the historical average (2026-2100) according to a moderate weakening scenario
Temperature maximum average (°C)	Mainland	18.42	1.63
	North	15.72	1.68
	Centre	17.46	1.63
	Algarve	20.68	1.5
	AM Lisbon	19.73	1.44
	Alentejo	20.58	1.64
Proportion of days with precipitation > 50mm (%)	Mainland	1.08	0.56
	North	7.45	2.06
	Centre	3.53	1.59
	Algarve	4.56	1.1
	AM Lisbon	3.18	1.55
	Alentejo	1.24	0.92
Drought index* (deviations from the meteorological normal)	Mainland	0	-0.12
	North	0	1.65
	Centre	0	0.3
	Algarve	0	-2.08
	AM Lisbon	0	-1.36
	Alentejo	0	-1.77
High fire risk index (number of days with high risk)	Mainland	60.1	9.09
	North	25.41	12.25
	Centre	45.95	10.63
	Algarve	71.63	7.3
	AM Lisbon	66.81	9.03
	Alentejo	67.43	5.1

Notes: The estimated anomalies correspond to the difference between the prospective average of the IPMA's forecasts for the period 2011–2100 under the RCP4.5 scenario (characterised by moderate vulnerability to adverse meteorological developments and a limited increase in GHG emissions, which rise until the mid-21st century and then stabilise) and the historical average for the period 1971–2000. There is also the RCP8.5 scenario, which is more severe and unlikely considering the efforts to achieve carbon neutrality. Both were developed by institutions and scientific research teams studying the effects of climate change, such as the International Institute for Applied Systems Analysis (IIASA). Data is not available for the autonomous regions. * Negative (positive) values indicate drought (abnormally wetter conditions).

Source: BPI Research based on data from IPMA.

for agriculture. Several studies indicate that rising temperatures negatively affect investment, production, food prices, and productivity.⁹

Exposure to flooding¹⁰ is historically higher in coastal and more northerly regions, namely the North (Mediterranean climate with oceanic influences). Looking to the future, the Central region and the Lisbon Metropolitan Area are also vulnerable, with anomalies considerably above the continental average.

Water stress is traditionally relevant in regions with a drier Mediterranean climate (Algarve and Alentejo), which exhibit the most pronounced anomalies and a high risk of prolonged droughts during the summer period, something that has been partially mitigated by the construction of dams, such as the Alqueva dam, which in recent decades has contributed to revitalising agricultural production through irrigated crops. In contrast, the North and Central regions are more vulnerable to the worsening of fires due to their naturally dense forests.

Tiago Miguel Pereira

9. For example, see the report «Too hot to grow: The economic costs of extreme heat» (2026) by Allianz, available at: https://www.allianz.com/en/economic_research/insights/publications/specials_fmo/260528-heat-economics.html

10. Proportion of days in the year in which rainfall exceeds 50 mm.

Inflation (HICP): X-ray after the the Middle East energy shock

The conflict in the Middle East renewed pressure on energy prices and contributed to raising Portuguese inflation to around 3%.¹ The main issue is not the direct impact of increased energy costs, but rather the ripple effect on other prices in the economy due to higher production costs. Is the energy shock extending beyond energy prices and translating into broader inflationary pressures in Portugal?

Direct effects of energy

In early 2023, a year after the Russian invasion of Ukraine and the ensuing energy shock,² headline inflation fell much more rapidly than underlying inflation, and the disinflationary effect of energy was quite evident (as we can see in the first graph). In 2026, the direct effect of energy on inflation re-emerged, driven by the conflict in the Middle East. Energy inflation in Portugal reached a year-on-year high of 14.5% in May, contributing almost 0.9 percentage points to headline inflation. However, it is worth noting that inflation in the services sector continues to make a comparatively significant contribution, and not just energy. This is evident from the fact that headline inflation in Portugal peaked at 3.3% in April 2026, a figure that indicates much lower pressures than those observed during the energy crisis of 2022, when headline inflation peaked at 10.6% in October. Currently, persistent services inflation continues to be one of the main sources of price increases – in the months following the start of the Middle East conflict, energy accounts for an average of 21% of total HICP and services 52%.

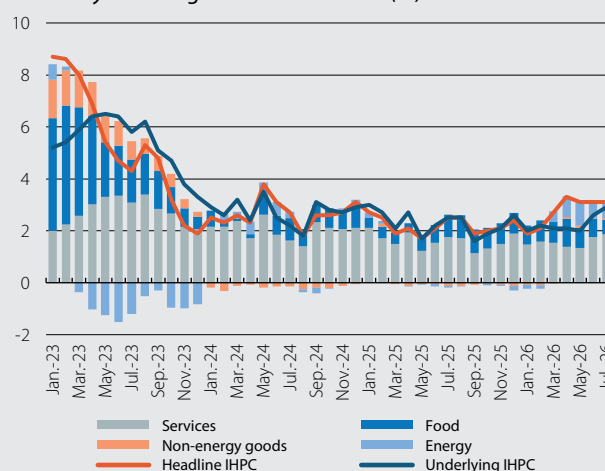
This is also evident from the fact that the trends in headline inflation and core inflation remained very close throughout the 2024–25 period, with a divergence only becoming apparent recently, reflecting the contribution of energy to the rise in headline inflation. The new differential between the lines in the months immediately following the start of the conflict in the Middle East suggests that the magnitude of the shock is sufficient to generate ripple effects through higher *input* costs. The central question, therefore, is whether the renewed contribution of energy is beginning to spread beyond headline inflation, reaching the energy-sensitive components of the underlying basket.

Indirect impact

The table shows the 15 categories of the Portuguese HICP that recorded the greatest acceleration in year-on-year inflation between February and June 2026. As expected, energy-related products make up a significant portion of the list, with liquid fuels, diesel, gasoline and liquefied

Portugal: HICP

Year-on-year change and contributions (%)



Source: BPI Research, based on data from Eurostat.

Portugal: top 15 categories with the highest increase in inflation

HICP category	Weight (%) 2026	Inflation yoy (π) in June 2026 (%)	Δπ between February and June 2026 (pp)
Liquid fuels	0.05	20.3	25.5
Accessories for personal transport equipment	0.03	19.3	23.0
Diesel	1.96	12.8	17.6
Gasoline	1.24	10.9	17.6
Other food products, n.e.c.	0.17	12.0	16.3
Liquefied hydrocarbons	0.34	10.8	13.6
Peripheral equipment and consumables	0.02	16.0	12.8
Fresh wild berries	0.30	10.1	12.0
Fish-based preparations	0.32	7.2	8.6
Parts for personal transportation equipment	0.27	3.7	6.4
Domestic passenger air transport	0.15	12.4	5.8
Pasta, <i>noodles</i> , couscous and similar pasta-based products	0.12	1.8	5.7
Small appliances for cooking and preparing food	0.05	4.0	5.7
Small appliances for preparing drinks	0.02	0.9	4.5
Spirits and liqueurs	0.08	2.1	3.7

Note: Details according to the four-digit ECOICOP2 code.

Source: BPI Research based on data from Eurostat.

1. In this article, inflation refers to the HICP, the harmonised index calculated in accordance with Eurostat's methodology.

2. This shock raised the HICP above 10% and the Energy HICP above 30%.

hydrocarbons registering very significant increases. However, the table also includes several items from food and beverage categories (5). Thus, most of the acceleration of inflation is occurring in non-core components, although some spillover is already noticeable to goods and services whose production is relatively energy-intensive, such as air transport.

Another way to assess the indirect effects of the energy shock is to construct an inflation indicator that aggregates all non-energy goods and services most susceptible to the transmission of energy costs. Based on the energy intensity of each productive sector, which can be inferred from the input-output tables, we classify all non-energy goods and services that make up the HICP into categories «sensitive» and «not sensitive» to energy, representing approximately 30% and 70% of the underlying basket, respectively.³

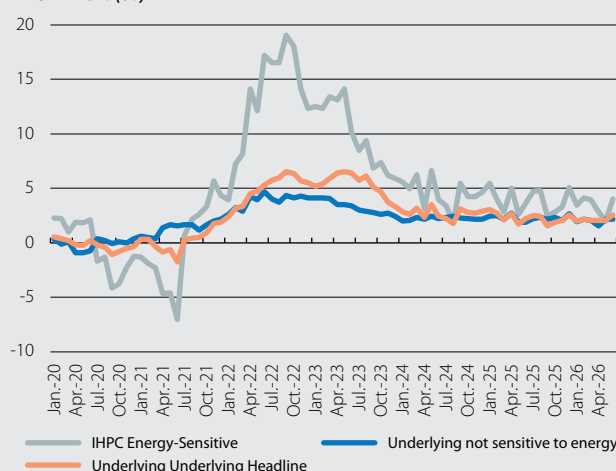
As the graph shows, during the inflationary crisis of 2022–2023, the «sensitive to energy» indicator anticipated both the intensification and the easing of pressures on the remaining underlying prices. In 2022, the energy-sensitive component of underlying inflation peaked at around 17%, while non-energy-sensitive inflation peaked at around 4–5%, with total underlying inflation remaining between the two series, peaking at around 7%. In other words, the difference between the two indicators («sensitive» and «non-sensitive») was substantially wide, indicating that Portugal was highly exposed to direct energy shocks, but experienced a more contained transmission across all sectors. Currently, the observed movements are much smaller than those recorded at that time and do not yet allow us to draw conclusions about the possibility of a more significant spread to the underlying basket.

There are other indicators, besides the component analysis of HICP, that make the risk of indirect effects more visible. These are mainly indicators based on business surveys, such as the PMIs or the European Commission's sentiment indicators. Looking at price expectations across the various sectors, we can see that manufacturing was the sector where expectations of price rises have increased most significantly since the last energy crisis, reaching a net figure of 30% for extreme responses, though this is still far from the levels seen at the time of the crisis following the outbreak of the war in Ukraine (when it exceeded 40%). It is also worth noting that, following this widespread increase across the three sectors – which peaked in April and May – the curves began to fall again, and price expectations in the services sector are now actually below the level recorded prior to the shock.

3. We reproduced the methodology of Fagandini et al. (2024), «Decomposing HICPX inflation into energy-sensitive and wage-sensitive items», ECB Economic Bulletin 3/2024, using a 4-digit breakdown and the most recent weights (2026). A good or service is considered to be «energy-sensitive» when its energy intensity (intermediate energy consumption as a percentage of total production) is higher than the average observed for all goods and services.

Underlying IHPC

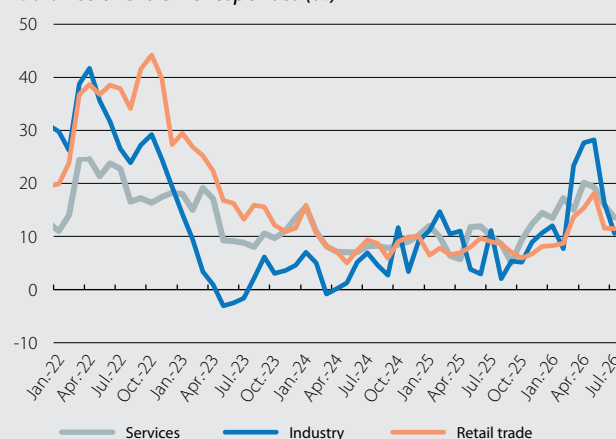
Y-o-Y Var. (%)



Source: BPI Research, based on data from Eurostat.

Business & Consumer Survey: price expectations in the next 3 months

Balance of extreme responses (%)



Source: BPI Research, based on data from the European Commission (seasonally adjusted).

Finally, during the shock of 2022, the retail sector responded with a surge similar to that seen in the manufacturing sector and remained at a high level for a longer period, contributing to more prolonged pressure on the underlying component of inflation. In our view, this was due to the environment of loose monetary policy and the (forced) savings accumulated by households during the pandemic, which provided a strong stimulus to sustain the momentum of demand. In other words, passing on cost increases to consumer prices was easier than it is today – the ECB's key interest rates are in neutral/slightly restrictive territory and the market is pricing in the possibility of further rises.

Future outlook: geopolitical events and uncertainty in energy markets

Current evidence therefore points to a more contained spillover of the energy shock to the entire shopping basket, compared to previous periods. However, it is important to

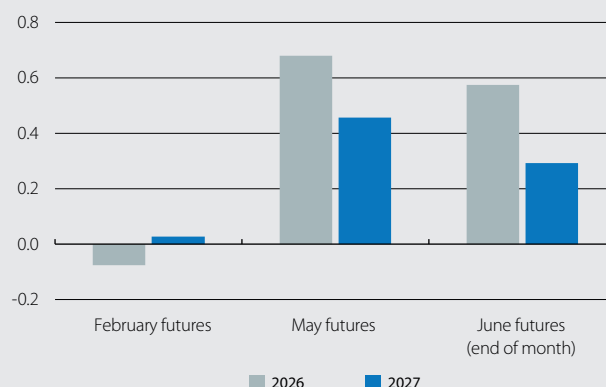
have some visibility into how the energy shock may continue to affect consumer prices. To do this, we analysed the Brent and Gas (TTF) futures market at three different points in time: in February (pre-conflict in the Middle East), in May (post-conflict) and at the end of June (after the signing of the memorandum that resulted in a context of truce).

We integrated futures data into our models, which serve to support the estimation of energy inflation, in order to draw conclusions, that is, to understand the hypothetical contribution of energy inflation to the overall HICP (last graph). As can be seen, before the conflict we estimated that the energy component would contribute to disinflation in 2026, supporting the return of the HICP to values close to the 2% target. With the emergence of conflict in the Middle East and the consequent disruptions in energy markets, the *stand alone* effect of energy adds a perspective of a worsened HICP of approximately +0.7 pp. Finally, the easing of tensions tempers this more pessimistic outlook, but brings with it higher inflation than anticipated at the start of the year; if this persists over time (the impact in 2027 also appears to be significant), it increases the likelihood of an impact on the core component of the basket, which ties in with our current narrative regarding the inflation outlook – a return to average inflation in line with the 2% target is not expected until 2028.

Tiago Belejo Correia and Sophie Maria Johnson

Portugal: Expected contribution of energy inflation to the HICP according to Brent and Gas futures

(p. p.)



Note: The expected contribution incorporates the HICP data known at each point in time.

Source: BPI Research, based on data from the European Commission (seasonally adjusted).

Activity and employment indicators

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

	2024	2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	06/26	07/26	08/26
Coincident economic activity index	2.0	2.0	2.0	2.3	2.2	2.1	2.2	2.4	...
Industry									
Industrial production index	0.8	0.7	3.3	0.6	0.4	-0.7	-1.1	-1.4	...
Confidence indicator in industry (<i>value</i>)	-6.2	-4.0	-3.2	-2.9	-2.1	-3.6	-4.4	-4.3	-4.4
Construction									
Building permits - new housing (number of homes)	6.5	21.4	9.1	16.9	-3.1	5.6	6.3	...	...
House sales	14.5	15.5	3.8	-4.7	-8.7	...	-	-	-
House prices (<i>euro / m² - valuation</i>)	8.5	17.4	18.2	18.4	17.5	16.7	16.6	15.2	...
Services									
Foreign tourists (<i>cumulative over 12 months</i>)	6.3	1.9	2.5	1.7	2.1	...	1.5	1.0	...
Confidence indicator in services (<i>value</i>)	5.5	10.1	11.6	7.7	6.0	8.2	8.5	8.4	8.4
Consumption									
Retail sales	3.3	5.3	5.8	5.3	4.4	3.6	2.7	3.0	...
Coincident indicator for private consumption	2.8	3.4	3.2	3.4	3.3	2.9	2.8	2.8	...
Consumer confidence index (<i>value</i>)	-18.0	-16.2	-16.2	-15.2	-16.2	-25.6	-25.9	-22.6	-20.5
Labour market									
Employment	1.2	3.2	3.7	3.7	2.3	2.9	2.2	1.6	...
Unemployment rate (% <i>labour force</i>)	6.4	6.0	5.8	5.8	6.1	5.3	5.7	5.7	...
GDP	2.2	1.9	2.2	1.9	2.4	2.5	-	-	-

Prices

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

	2024	2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	06/26	07/26	08/26
General	2.4	2.3	2.6	2.2	2.2	3.3	3.2	3.0	3.3
Core	2.5	2.2	2.3	2.1	1.9	2.3	2.5	2.6	2.7

Foreign sector

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

	2024	2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	06/26	07/26	08/26
Trade of goods									
Exports (<i>year-on-year change, cumulative over 12 months</i>)	2.0	0.6	1.6	0.1	-3.2	0.0	0.0	...	...
Imports (<i>year-on-year change, cumulative over 12 months</i>)	2.0	4.1	6.9	4.5	3.7	4.2	4.2	...	...
Current balance	6.5	3.8	3.4	3.6	2.3	1.2	1.2	...	...
Goods and services	6.4	3.7	3.2	3.0	1.7	0.5	0.5	...	...
Primary and secondary income	0.1	0.1	0.2	0.6	0.6	0.7	0.7	...	...
Net lending (+) / borrowing (-) capacity	9.6	8.3	7.6	8.3	7.7	7.3	7.3	...	...

Credit and deposits in non-financial sectors

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

	2024	2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	06/26	07/26	08/26
Deposits¹									
Household and company deposits	7.5	5.4	6.3	5.4	6.4	6.9	6.9	6.3	...
Sight and savings	-0.3	8.1	8.6	8.1	7.9	7.3	7.3	7.1	...
Term and notice	15.3	3.1	4.3	3.1	5.1	6.5	6.5	5.6	...
General government deposits	26.7	28.7	-0.5	28.7	20.4	9.2	9.2	19.9	...
TOTAL	7.9	6.0	6.1	6.0	6.9	7.0	7.0	6.8	...
Outstanding balance of credit¹									
Private sector	1.9	6.6	5.8	6.6	7.7	8.2	8.2	8.4	...
Non-financial firms	-1.0	2.6	2.2	2.6	4.3	4.8	4.8	5.2	...
Households - housing	3.0	9.3	8.0	9.3	9.8	10.6	10.6	10.8	...
Households - other purposes	5.4	7.0	6.9	7.0	8.4	8.2	8.2	8.2	...
General government	0.6	6.4	4.8	6.4	3.2	3.2	3.2	5.8	...
TOTAL	1.9	6.6	5.7	6.6	7.5	8.0	8.0	8.4	...
NPL ratio (%)²	2.4	2.1	2.3	2.1	2.1	2.1	-	-	-

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.

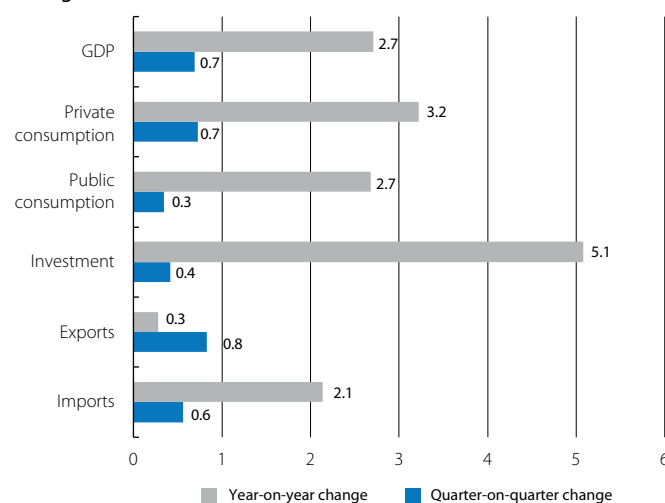
The Spanish economy holds firm amid the energy onslaught

Spain's economy continues to grow at a considerable rate, although the escalating conflict between the US and Iran is once again generating tensions. Despite the challenges in the international environment, the Spanish economy once again demonstrated its resilience by recording GDP growth of 0.7% quarter-on-quarter in Q2 2026: 0.1 pp more than in the previous quarter and 0.2 pps above our forecast. The composition was also favourable, with strong growth in both private consumption and investment. Service exports also performed well. The data, which reaffirmed the economy's resilience, introduces an upward bias to our growth forecast of 2.4% for 2026. However, the resumption of hostilities between the US and Iran since July and the difficulties in normalising transit through the Strait of Hormuz have once again driven up oil and gas prices. This rise in energy costs is already affecting inflation and necessitates caution. Nevertheless, the economy is facing this new challenge from a position of strength.

The initial indicators available for Q3 suggest that economic activity remains robust, albeit it with mixed signals. In July and August, the services PMI surged, reaching an average of 58.1 points compared to the previous quarter's average of 50.7 points. This is a considerable level, indicating substantial growth in the sector. The manufacturing PMI has moderated slightly, averaging 49.9 points in July and August, compared to 50.9 points in Q2, suggesting that growth in the sector so far this quarter may have stalled. The signals from consumption were less favourable: retail sales, in real and seasonally adjusted terms, fell by 0.3% year-on-year in July, compared to growth of 0.8% recorded in Q2. Overall, the strength of the services sector and the buoyancy of tourism, which we will discuss later, suggest that the economy continues to grow dynamically at the start of the third quarter. Nevertheless, the rebound in inflation could gradually moderate household spending.

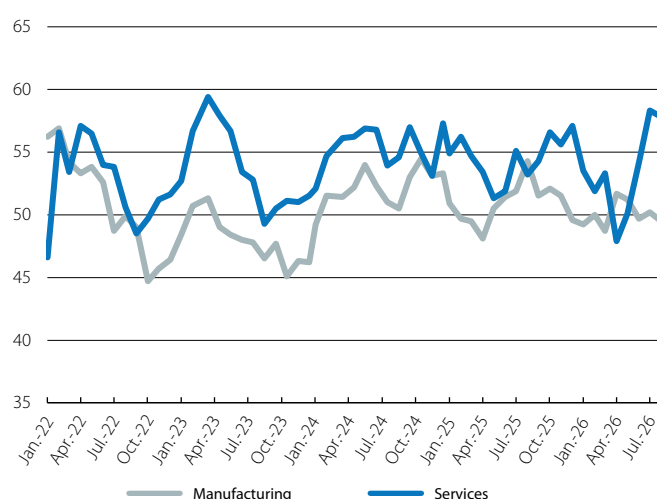
The labour market remains strong, but the regularisation of migrant workers makes understanding the underlying dynamics more challenging. The number of registered workers fell by 162,840 people in August, a smaller decline than usual for this month (around 193,000 people on average in the months of August from 2023 to 2025). In seasonally adjusted terms, the figure increased by some 84,000 registered workers – a substantial advance which exceeds, for example, the average increase in the first quarter of 2026 (of around 50,000 members). However, this pattern is largely explained by the inclusion of workers from the exceptional regularisation process. In August, the number of foreign registered workers rose by around 40,000 people, far surpassing the usual decline experienced in this month of the year. In contrast, the trend in national registered workers

Spain: GDP growth and its components in Q2 2026
Change (%)



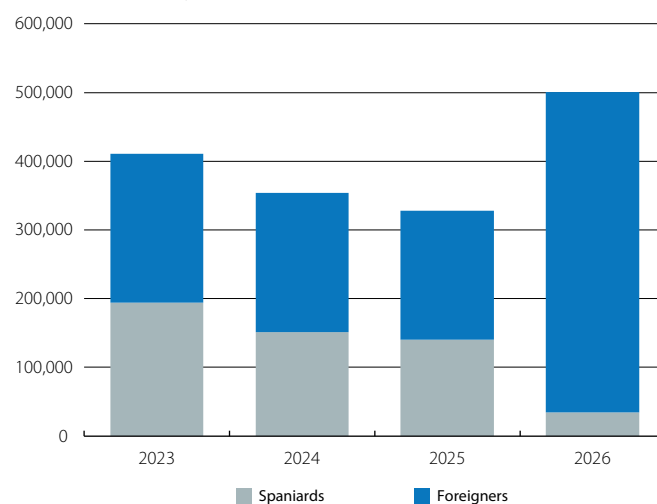
Source: BPI Research, based on data from the National Statistics Institute.

Spain: PMI
Level



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

Spain: Social Security affiliation in August
Year-to-date change (thousands)



Source: BPI Research, based on Social Security data.

sends a different message, as it fell by some 200,000 people, compared to an average decline of 172,000 recorded between 2023 and 2025.

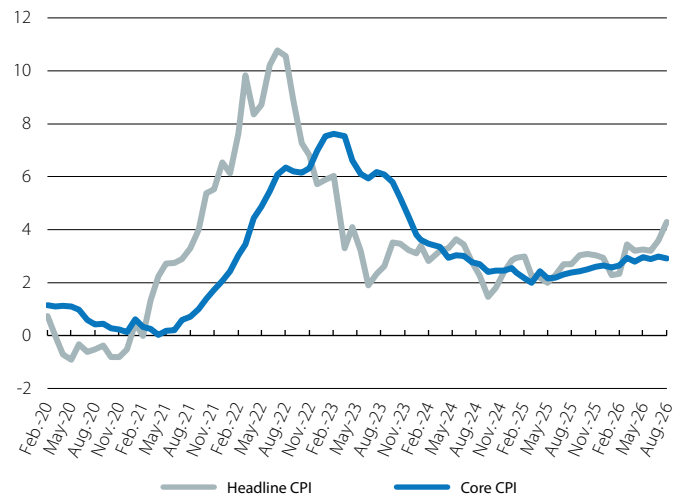
The rise in fuel prices pushes inflation above 4% and skews forecasts upwards. Headline inflation rose by 0.7 pps in August to 4.3%, while core inflation fell by 0.1 pp to 2.9%. The increase was mainly concentrated in energy, with prices rising by 17% year-on-year, driven by higher oil prices and the partial reduction of fuel subsidies. Between 1 and 27 August, the price of petrol climbed 7.6% month-on-month and that of diesel by 12.4%. The moderation of core inflation, in contrast, suggests that the shock remains confined to the energy sector for now. The exception is the services component, where inflation remains relatively high at 3.8%, influenced by the price trends of tourism-related services. The entrenchment of the conflict in the Persian Gulf has kept market expectations for energy prices above those used in our scenario, introducing upward risks to our forecast of an average inflation rate of 3.2% for 2026.

Tourism confirms a solid high season and continues to act as a buffer against the shock. In July, nearly 11.5 million international tourists arrived in Spain, spending just over 18.2 billion euros. That is 4.6% and 10.9% more than the previous year, respectively. These figures are significantly higher than those experienced by the sector in July 2025, when arrivals and spending increased by 1.6% and 5.9%, respectively. These results are consistent with the redirection of some international tourist flows towards Spain due to the conflict in the Middle East and confirm the sector's strong traction. However, rising transport costs and the loss of purchasing power in source markets could gradually limit this momentum if energy tensions persist.

Residential activity picks up slightly in June, but the underlying trend remains one of moderation. Property sales increased by 1.6% year-on-year in June, following several months of declines, with the accumulated volume over the past 12 months reaching 704,000 transactions. This is a historically high level, suggesting that the moderation should be interpreted as a normalisation rather than a change of cycle. However, the sharp rise in prices is gradually eroding households' purchasing power. Financial conditions have also tightened: in January 2026, the 12-month Euribor stood at around 2.2%, whereas by August it had reached close to 3%. Residential activity is thus expected to continue losing some momentum in the coming months.

Spain: CPI

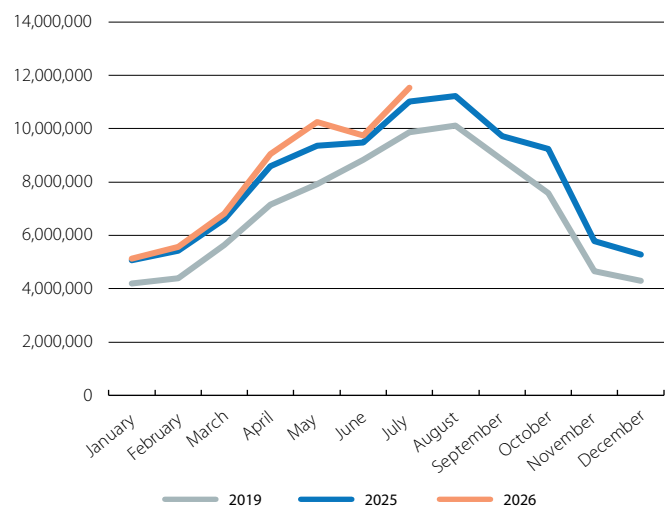
Year-on-year change (%)



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

Spain: foreign tourists

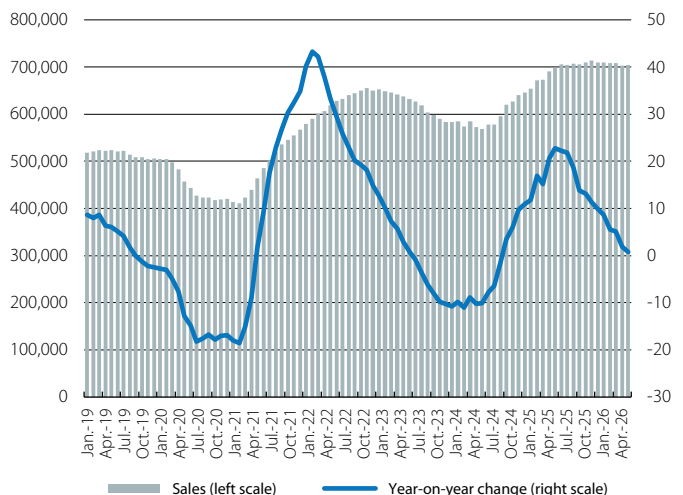
Number



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

Spain: residential property sales

12-month cumulative data



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

Activity and employment indicators

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

	2024	2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	06/26	07/26	08/26
Industry									
Industrial production index	0.4	1.3	2.4	1.8	0.5	2.1	1.1	...	...
Indicator of confidence in industry (value)	-4.9	-4.8	-5.0	-3.9	-3.1	-4.0	-3.1	-2.5	-3.7
Manufacturing PMI (value)	52.2	50.9	52.6	51.1	49.3	50.9	49.7	50.2	49.5
Construction									
Building permits (cumulative over 12 months)	16.7	8.8	7.9	8.8	...	...	...	...	...
House sales (cumulative over 12 months)	9.7	11.4	18.6	11.4	5.5	0.8	0.8	...	...
House prices	8.4	12.7	12.8	12.9	12.9	...	...	...	...
Services									
Foreign tourists (cumulative over 12 months)	10.1	3.2	4.3	3.2	2.7	3.2	3.2	3.5	...
Services PMI (value)	55.3	54.5	54.2	56.4	52.9	50.7	54.2	58.3	57.8
Consumption									
Retail sales ¹	1.7	4.3	4.5	4.1	3.3	0.8	0.6	-0.3	...
Car registrations	7.2	12.9	16.9	8.0	7.6	5.0	7.8	3.7	11.8
Economic sentiment indicator (value)	103.1	103.1	102.7	104.3	105.2	102.9	103.4	104.3	102.1
Labour market									
Employment ²	2.2	2.6	2.6	2.8	2.4	2.3	...	...	...
Unemployment rate (% labour force)	11.3	10.5	10.5	9.9	10.8	9.9	...	...	...
Registered as employed with Social Security ³	2.4	2.3	2.3	2.4	2.3	2.6	2.8	2.9	3.1
GDP	3.5	2.8	2.7	2.7	2.7	2.7	...	...	...

Prices

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

	2024	2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	06/26	07/26	08/26
General	2.8	2.7	2.8	3.0	2.7	3.2	3.2	3.6	4.3
Core	2.9	2.3	2.4	2.6	2.7	2.9	2.9	3.0	2.9

Foreign sector

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

	2024	2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	06/26	07/26	08/26
Trade of goods									
Exports (year-on-year change, cumulative over 12 months)	0.2	0.7	0.8	0.7	0.2	1.2	1.2	...	...
Imports (year-on-year change, cumulative over 12 months)	0.1	4.6	4.6	4.6	1.7	4.5	4.5	...	...
Current balance	50.7	49.5	48.2	49.5	48.6	40.5	40.5	...	...
Goods and services	66.3	64.7	62.5	64.7	67.1	62.2	62.2	...	...
Primary and secondary income	-15.7	-15.1	-14.3	-15.1	-18.6	-21.6	-21.6	...	...
Net lending (+) / borrowing (-) capacity	68.7	66.9	66.6	66.9	65.8	57.6	57.6	...	...

Credit and deposits in non-financial sectors⁴

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

	2024	2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	06/26	07/26	08/26
Deposits									
Household and company deposits	5.1	4.8	4.9	4.8	5.5	5.0	5.0	4.8	...
Demand and notice deposits	2.0	6.7	7.2	6.7	7.1	5.0	5.0	4.2	...
Time and repo deposits	23.5	-4.7	-6.6	-4.7	-2.2	5.4	5.4	8.0	...
General government deposits ⁵	23.1	4.9	7.2	4.9	5.0	8.5	8.5	4.6	...
TOTAL	6.3	4.8	5.1	4.8	5.5	5.3	5.3	4.8	...
Outstanding balance of credit									
Private sector	0.7	3.5	2.8	3.5	3.8	2.0	2.0	3.3	...
Non-financial firms	0.4	2.9	2.3	2.9	3.7	3.8	3.8	4.5	...
Households - housing	0.3	3.5	2.9	3.5	3.7	3.7	3.7	3.8	...
Households - other purposes	2.3	4.6	3.7	4.6	4.3	-6.8	-6.8	-0.9	...
General government	-2.6	10.7	12.9	10.7	8.1	8.3	8.3	2.5	...
TOTAL	0.5	3.9	3.4	3.9	4.1	2.4	2.4	3.3	...
NPL ratio (%)⁶	3.3	2.7	2.9	2.7	2.6	2.5	2.5	...	...

Notes: 1. Deflated, excluding service stations. 2. LFS. 3. Average monthly figures. 4. Aggregate figures for the Spanish banking sector and residents in Spain. 5. Public-sector deposits, excluding repos. 6. Data at the period end.

Sources: 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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