

A photograph of the White House in Washington, D.C., featuring its iconic portico with white columns and a large American flag flying on a tall pole against a blue sky with scattered white clouds. The building's facade is white with classical architectural details like pediments and balustrades. In the foreground, there are green bushes and a lawn.

Fundación **MAPFRE**

2025 ECONOMIC AND
INDUSTRY OUTLOOK

MAPFRE Σeconomics

2025 Economic and Industry Outlook

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Presentation

Fundación MAPFRE is pleased to present the *2025 Economic and Industry Outlook* report, which provides an overview of the main macroeconomic and global financial perspectives for 2025 and their impact on insurance activity. As in previous years, the macroeconomic and insurance forecasts and comments in this report will be revised throughout 2025 through the publication of three quarterly updates.

As the report points out, despite the existing geopolitical uncertainty, economic growth and interest rates will be generally favorable to insurance activity, with good prospects for its profitability as well. It is estimated that the industry's growth globally stood at 5.3% in the Life segment and 4.3% in Non-Life in 2024, in line with overall macroeconomic performance. Looking to 2025, despite an environment characterized by a moderation of inflationary pressures and more accommodative financial conditions, a slight slowdown is expected in the Life segment (4.8%), with a modest increase of 0.2 percentage points in Non-Life, reaching 4.5%.

The insurance industry plays a very important role as a generator of employment and wealth, as well as in providing stability to economic functioning. It has been shown that in countries with more developed insurance activity, the economy tends to prosper. Despite this, significant differences persist in the development of the various markets, which governmental organizations are attempting to solve with public policy measures that promote the growth of the insurance industry. At Fundación MAPFRE, we aim to contribute to the dissemination of financial and insurance knowledge through various activities, including the publication of reports on this subject prepared by MAPFRE Economics. These texts are openly accessible through the documentary database provided by the foundation at its Documentation Center for anyone interested.

Fundación MAPFRE

Introduction

This new edition of our *2025 Economic and Industry Outlook* report presents a review of the economic outlook both at a global level and in the world's major economies, and, based on this, an assessment of the context for the future performance of the insurance industry. In 2024, the global economy showed resilience, staying close to its potential despite geopolitical uncertainties and divergence of growth between developed and emerging economies. Additionally, the inflation control process allowed the central banks to ease their monetary policies, although the risks associated with inflation and fiscal sustainability are still present. Looking to 2025, the second Trump administration in the United States will bring changes in trade, immigration, fiscal, energy, and defense policies, which could create a significant impact on economic outlooks not just in that country, but worldwide.

In this context, for the *baseline scenario* the report forecasts a moderate slowing in global GDP growth, which would stand at 3.1% in 2025 and 3.0% in 2026, with average inflation of 3.5% and 3.0%, respectively. In the *stressed scenario*, meanwhile, growth of the global economy would slow to 2.9% and 2.8% in 2025 and 2026, respectively, with average inflation of 3.7% and 3.5% in each of those years.

At the industry level, monetary easing and the normalization of interest rate curves will benefit global insurance activity. The Life and Non-Life segments will benefit from higher financial yields and a positive term premium. In the Eurozone, the weak economy would affect the industry, except in Spain, where prospects are more favorable. In emerging markets like Brazil and Mexico, the low level of insurance penetration and economic growth will continue driving demand. Other economies, like Argentina and Turkey, show signs of economic recovery, which will strengthen their respective insurance markets.

MAPFRE Economics

Executive summary

2025 Economic and Industry Outlook

Economic outlook

The year 2024 was characterized by a balance in which economic activity remained close to its potential, demonstrating resilience in the face of global uncertainties. Controlling the inflationary process was a constant, allowing central banks to consider less restrictive monetary policies. Although geopolitics were marked by conflicts in Europe and the Middle East, significant escalations that could have increased tensions in the new world order were avoided. Despite this, there was notable divergence in the economic growth of developed and emerging economies, and within these groups, emphasizing the need to focus on macroeconomic fundamentals to understand the variety of cyclical moments. We also observed changes in inflation and central bank policies, presenting risks and obstacles to achieving economic goals.

Looking to 2025, once President Trump's second administration begins in the United States, a complete review is expected of *trade policy* (establishing tariffs as coercion mechanisms and a transactional basis for agreements), *immigration policy* (focused on protecting local jobs and maintaining deportation policies), *fiscal policy* (where the tax cuts from his first term will be maintained, compensating their impact with tariffs on external balances), *energy policy* (where declaring an energy emergency could increase supply and drive exports, although some of those benefits could be reduced by dismantling industrial policies promoted during President Biden's administration), and

defense policy (where he would seek to benefit the local U.S. industry in that area by demanding that NATO allies increase their spending to 5% of GDP).

Meanwhile, since the end of 2024, an increase in bond yields on global debt markets has been observed. This phenomenon reflects the complexity of inflation and growth expectations, in addition to the term premium that incorporates the risk of maintaining the investment over time. The most recent upward break can be explained by greater uncertainty about future economic growth and inflation, skepticism about the sustainability of public finances, and ongoing geopolitical risks, among other factors. These challenges could lead central banks, especially the Federal Reserve, to reconsider interest rate cuts, threatening the secular downward trend in interest rates since the 1980s.

Sustained global economic growth and a slowdown in average inflation are expected by 2025, allowing central banks to better manage their environment, increasing the likelihood of adopting a neutral stance. This central view reflects a normalized global dynamic, but with cyclical and secular divergences, which require adaptation to the uncertainty stemming from a context in which geopolitics and competition between blocs respond to broader interests. The U.S. economy is showing signs of stability with a strong labor market, robust consumption, and a firm investment trend. The Eurozone presents a weaker growth outlook, caused by remaining hurdles and an uncertain trade challenge that may come with President Trump's second administration. In Spain, both private consumption and investment will contribute

positively, maintaining greater momentum than the rest of the Eurozone. Meanwhile, emerging countries face a more complex foreign context which could involve a certain slowdown in the future. In Latin America, positive but mixed growth is expected, with the imposition of tariffs as a limiting factor and a nearshoring process that still has a favorable influence. Asia will experience steady growth, with trade tensions potentially focusing on China (where the assumption of a secular slowdown remains, which could be exacerbated if effective countercyclical measures are not applied), benefiting other countries in the region in terms of both exports and investment.

In the *baseline scenario* considered in this report, global economic activity is expected to be balanced, with a slight decline in growth (3.1% and 3.0% in 2025 and 2026), while in terms of prices, average inflation of 3.5% and 3.0% is anticipated for these years, respectively. The *stressed scenario* (of an alternative and more pessimistic nature) forecasts a slight decline in global economic momentum, which would stand at 2.9% and 2.8% in 2025 and 2026, with average inflation of around 3.7% and 3.5% for each of these years.

Industry outlook

Globally, the impact of less restrictive financing conditions, moderated inflation, and the recovery of credit across most major economies is expected to boost the real economy, which, according to the central scenario, will experience balanced growth. This momentum is likely to extend to the insurance industry as well. Despite the geopolitical uncertainty, economic growth and interest rates will generally favor the development of the insurance industry in both the Life and Non-Life segments. These positive outlooks are also expected in terms of the profitability of the insurance industry, due to the improved financial performance of investment portfolios, which will progressively benefit from movements in the yield curves. These curves are normalizing, with higher levels in the long-

term tranches compared to the short-term tranches, offering a positive term premium and levels that, in general, surpass inflation expectations in those tranches.

In the Eurozone, forecasts point to weak economic growth that mainly affects Germany, but also France and Italy, although with slightly accelerated growth for the next two years. This weakness is expected to affect the insurance activity of their respective markets. However, other Southern European economies, particularly Spain, continue to perform better than the other major economies in the Eurozone, with good prospects for their insurance industry as the European Central Bank moves forward with its monetary easing policy. While a certain economic slowdown is expected in some of the main emerging markets, the economic growth environment continues to paint a favorable picture for insurance activity in countries such as Brazil and Mexico, where, in addition, the low levels of insurance penetration constitute an additional element to boost insurance demand. Likewise, it is expected that financial income will continue to contribute greatly to the profitability of the insurance industry due to high interest rates, which are significantly higher than inflation forecasts. Finally, it should be noted that the economic outlook is also improving in other emerging economies, such as Argentina and Turkey, which will also stimulate the growth of their insurance markets.

1. Economic outlook

1.1 The global economic outlook

1.1.1 A year of mismatched fundamentals

Looking back at the analysis in our 2024 report,¹ the year ended with an outcome that, in general terms, can be described as relatively benign. Economic activity remained close to potential in aggregate terms, dismissing any landing thesis and establishing a resilient trend that overcame global uncertainties. Similarly, disinflation in the last mile has remained a positive constant, and has, to a greater or lesser degree, allowed the main central banks' plans to resume a less restrictive monetary policy to remain intact. Meanwhile, despite the multiple active fronts, geopolitics remained largely unchanged, with the conflicts in Europe and the Middle East not offering a clear exit path, yet avoiding the risks of a more intense escalation that could widen the fractures defining the new multipolar order the world is facing.

Despite this scenario, global economic growth has not been homogeneous, revealing a clear gap between developed and emerging economies, as well as within each of these groups. This underscores the need to focus on macroeconomic fundamentals to interpret a wide range of cyclical moments. This has also raised issues from an inflation perspective, as evidenced by the shifts in the roadmap of the U.S. Federal Reserve and the European Central Bank (ECB), the caution of the Bank of Japan, the easing of the central bank in China, and the policy shift in Brazil. These dynamics further highlight the risks and clear obstacles to achieving the economic goals. As a hallmark of these dynamics, a wide range of political changes took place in 2024, with the electoral super

cycle resulting in a win for alternatives to more traditional politics and the confirmation of a new era in the United States under Donald Trump. This independent variable contributes to navigating an unpredictable landscape and adds an additional layer of uncertainty to a challenging environment of global fragmentation.

For 2025, the most plausible scenario is still one of continuing trends, with a growth rate similar to last year's. This cyclical support for potentially stable growth rates can be justified by the inertia of positive expectations in the final part of 2024, the positive performance of employment and real wages, lower interest rates, and a slightly more restrictive fiscal policy, which will nevertheless continue to run a significant deficit. On the negative side, employment is starting to show certain signs of fatigue in much of the world. While these are still not alarming symptoms, they indicate that once the natural rate of unemployment (NAIRU) is reached and the pre-pandemic equilibrium restored, cyclical fluctuations are frequent and may be influenced by variations in production, changes in the political bias, or the direction of economic policy. Along the same lines, consumer confidence does not yet seem to fully reflect the improvements in purchasing power, diminished both by the continuing uncertainties and by the worsening expectations of inflation, which is still facing the final sprint. Consequently, with this finish line in sight, the main central banks still exhibit a restrictive tone, justifying the need to receive clearer signs to change the focus to greater neutrality.

The uncertainty over U.S. economic policy

One of the main uncertainties stems from the second term of President Donald Trump, which, as reflected in both his campaign and the signing of the first executive orders, involves rewriting trade, immigration, regulatory, energy, and defense policies. The aim is to lay the foundations for a “new golden age” for the U.S. economy and place the interests of the United States before the rest of the world (see Box 1.1.1). Whether by leaving the World Health Organization (WHO), withdrawing from the Paris climate accords or redefining U.S. participation in the North Atlantic Treaty Organization (NATO), the change in tune is starting to become clear under Trump’s baton and his particular world view.

In terms of trade policy, the dominant tool appears to remain the imposition of tariffs as a mechanism of coercion and a transactional basis for agreements. This is not particularly surprising given the background of the previous administration in 2016, but it highlights that the *art of the deal* will be the central focus of relations with the countries that contribute most to the U.S. trade deficit or those with which there is less political alignment. The countries most exposed to this rhetoric include China (which already has an established 10% tariff), Mexico and Canada (with proposed 25% tariffs which are paused until March), and the European Union countries (as yet undefined). Clearly, slower economic growth and less controllable inflation, at least in the aggregate, are among the most evident key risks of this approach to trade.

As for immigration policy, everything points to the goal of defending local labor, maintaining deportation policies, and offsetting the negative effects on productivity due to drivers such as artificial intelligence (AI), the return to local production, investment in key industries, and deregulation. Looking ahead, economic theory suggests that the effects could translate into higher potential growth for the

economy in the short term, but it would also mean higher prices, a combination that would result in a higher neutral interest rate. But with the focus on the short term, and without a clear vision of the time frame or depth of these measures, the most immediate effects would result in a supply-side stimulus to production, an increase in consumption, and additional pressure on prices, which justifies the Federal Reserve’s current cautious stance.

In terms of fiscal policy, there is a general consensus that the tax cuts enacted during his first term will be extended over time, and that their impact would be partially offset by tariffs on foreign trade. However, some of these benefits could end up being spent on imported products again, resulting in ambiguous effects, making it an instrument that may be as changeable as trade policy itself. In this sense, we can once again conclude that the balance of this policy would be a probable combination of greater short-term economic activity and higher prices, with the downside of a fiscal deficit subject to higher interest rates. On the subject of energy policy, declaring an energy emergency to unblock the industry’s expansion plans, increase supply, and boost exports of its surplus would be beneficial in terms of prices. However, some of these benefits could be undone by dismantling Biden-era industrial policies and redirecting investment to a sector that, according to estimates by the International Energy Agency (IEA), could lead to oversupply.²

Finally, the United States’ expansionist defense plans stand out, including the requirement that NATO allies increase their defense spending to 5% of GDP, which would result in an increase in U.S. production, help to correct trade deficits, increase competition with its rivals, and make the other members jointly responsible for security tasks. This instrument would provide a clearly positive boost to the U.S. economy and one that would be difficult for the other partners to avoid, even more so when considering global geopolitical trends.

Box 1.1.1
The new Trump administration and Project 2025

Unlike President Donald Trump's first administration, the economic and social measures that he has been implementing follow a determined roadmap that is very well established with his electoral base. The economic policy, related to the trade war as a tool to achieve tactical victories in a worldview based on bilateral agreements, is underway. The social policy, for its part, aims to ensure internal social support, even in a context where the promised economic reward from its election (investment, growth, lower inflation, etc.) is delayed (or does not materialize). In this sense, the ideological foundation guiding the rapid implementation of measures by the new administration draws from the so-called *Project 2025*.

Project 2025

The Heritage Foundation, created in 1973, is one of the most influential conservative think tanks in the United States. Over the last decades, it has played a key role in formulating policies for Republican administrations, providing ideological frameworks and legislative strategies. In 2023, it launched *Project 2025*, a comprehensive political plan aimed at preparing a future Republican administration to profoundly reform the federal government starting in January 2025.

The document "Mandate for Leadership: The Conservative Promise" presents a series of reforms ranging from the government structure to the economy, education, and foreign policy. The basis of this project coincides with the principles and measures promoted by the new Trump administration, consolidating a political agenda intended to reduce the federal government, strengthen the Executive Branch, and restore conservative values in U.S. society.

The main proposals of this project can be summarized as follows:

Reconstruction of the Federal State and dismantling of the "Administrative State"

Proposes the implementation of the so-called "Schedule F," a designation that allows key federal employees to be fired without traditional restrictions, facilitating the elimination of bureaucrats who are not aligned with the presidential administration. It also outlines curtailing the power of regulatory agencies such as the Environmental Protection Agency (EPA), the Securities and Exchange Commission (SEC), and the Consumer Financial Protection Bureau (CFPB), returning regulatory powers to Congress or the President.

Defense of national sovereignty

It establishes the need to strengthen U.S. borders with physical barriers, advanced surveillance technology, and increased deportations, suggesting a reformulation of the immigration system towards a merit-based model, eliminating family reunification programs. It also proposes withdrawing from international agreements that do not directly benefit the United States (such as the Paris Agreement or the World Health Organization), promoting the "America First" doctrine.

Restoration of the family and conservative values

In this area, the project emphasizes the application of tax incentives to promote marriage and family stability, the protection of parental rights in education, allowing the choice of private or religious schools with public funds, as well as the elimination of progressive ideologies in government policies and the education system, prohibiting terms such as "gender" and "diversity."

Box 1.1.1 (continued)
The new Trump administration and Project 2025

Education policy reforms

It introduces educational vouchers to promote private and religious education, and eliminates progressive theories such as Critical Race Theory from the school curriculum. The project also establishes the reduction of the Department of Education, transferring its authority to the states.

Economy and deregulation

An important part of the project has to do with tax simplification, the reduction of tax rates, and the elimination of subsidies for renewable energies. This heading establishes a commitment to energy independence through the promotion of fracking and the production of fossil fuels. Also proposes privatizing public sectors and reducing regulations to promote free enterprise.

National security and defense

The project establishes a clear call to increase the defense budget, with an emphasis on investment in advanced technology and cybersecurity. It also proposes reducing military commitments abroad, prioritizing competition with China and Russia, as well as a review of international agreements to align the foreign policy with national interests.

Links with recent measures

Since his return to the White House, President Trump has promoted a series of measures that directly reflect the proposals

of *Project 2025*. Although he publicly distanced himself from the document during his campaign, his administration has applied many of its recommendations. Four areas are good examples of this:

- *Dismantling the Department of Education.* The process has begun to transfer educational competencies to the states and eliminate federal regulations.
- *Diversity and inclusion reforms.* Diversity policies have been eliminated in federal agencies, generating an equivalent trend in some large corporations.
- *Immigration control and deportations.* Border security measures have been reinforced, and mass deportations accelerated.
- *Restructuring of the Federal Government.* The implementation of the so-called "Schedule F" has allowed for the discretionary dismissal of government employees, especially those connected to a political agenda of the previous Democratic administration.

The interconnection between *Project 2025* and the actions of the Trump administration seem to confirm that this document is the ideological basis that is guiding this second term. So, through the Heritage Foundation, he has been able to consolidate a political strategy that transcends administrations and seeks to structurally transform the U.S. government in the long-term toward a conservative model.

Warning signs of a changing environment

Since the beginning of 2024, another unknown has been emerging from global debt markets in the form of a notable increase in bond yields that merits some attention. These types of movements tend to respond to a complex nature that, nevertheless, can be summarized

as the decomposition of a payment structure based on future inflation and growth expectations, and a variable known as the "term premium." This premium reflects the risk and uncertainty associated with holding an investment over time, influenced by factors such as anticipated shifts in monetary policy interest rates, default probabilities, and other market dynamics.

Based on these variables, the most recent upward break can be explained by a combination of elements: (i) a less clear vision of future growth and inflation, adjusted for a higher uncertainty premium; (ii) a certain skepticism about the return of long-term debt issues by governments amid concerns about the sustainability of public finances; (iii) the perception of a setback for free trade with the arrival of Donald Trump, and (iv) undeniable geopolitical risks that are still present. All these challenges question how far central banks can go in cutting interest rates, especially in the case of the Federal Reserve, and jeopardize the secular trend of falling interest rates that began in the early 1980s.

Of the factors described above, macroeconomic variables form a classic component of fundamental analysis. However, we can point out that these are currently dominated by the narrative of non-economic terms, both the geopolitical risk premium and the renewed “tariff premium.” This dynamic can also be observed in the currency market, which is starting to factor in the expectation that *competitive devaluation* will be the

primary response against tariffs. This has led to a succession of fluctuations that highlight the complex response central banks will need to formulate in order to absorb the impact and minimize the economic cost (see Charts 1.1.1-a and 1.1.1-b).

Therefore, from a secular perspective, the world is undergoing a period of redefinition of the free trade model, driven by geopolitical forces, making it difficult to assign a clear economic value. The catalysts for accelerating change include advances in productivity along with the undeniable technological change brought about by the use of AI, data centers, cloud computing, and the dominance of narratives through social networks. As a counterbalance to structural changes, historically reliable supply routes and chains, regulated sectors, and the industries that drove the previous industrial and technological revolutions are still grappling with the energy transition and the integration of new trade links. The fundamental role of raw materials in this new model, both energy and non-energy, stands out as a transactional basis, and the new trade dispute revolves around it, as they

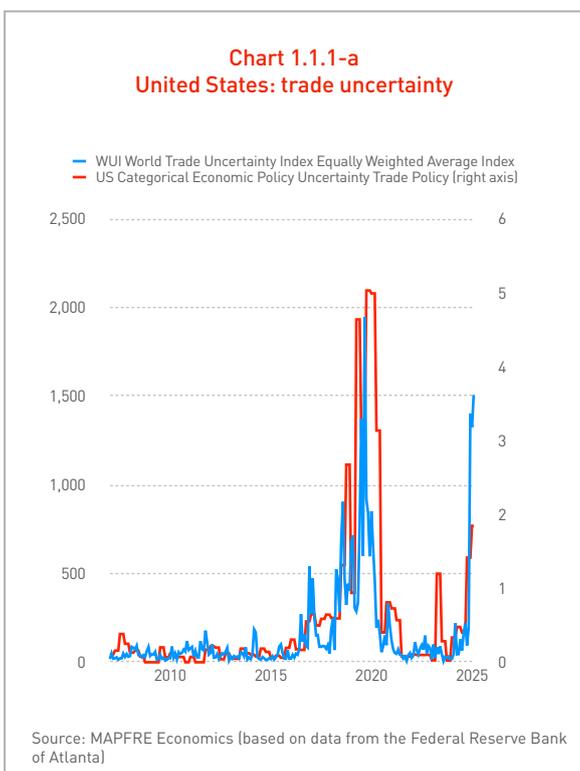
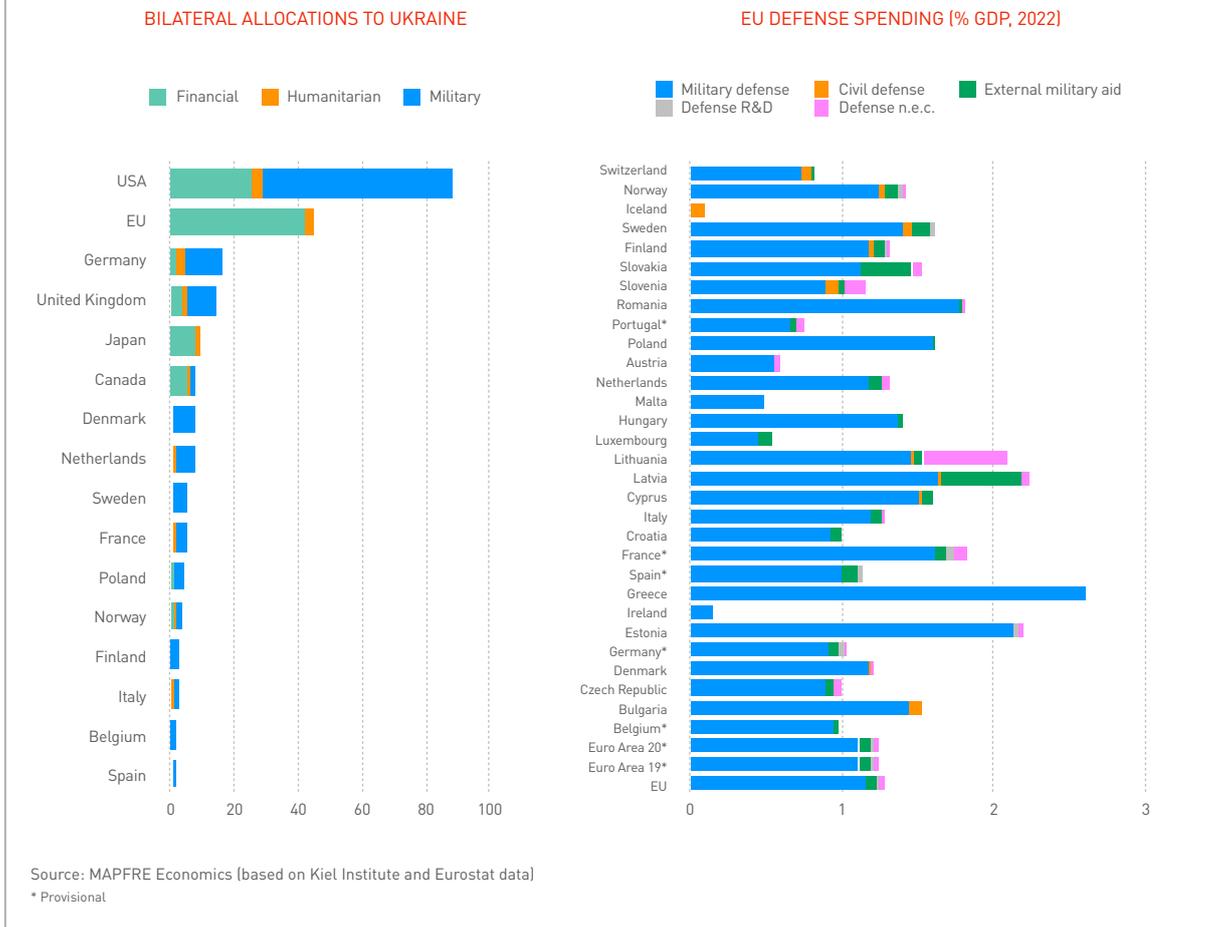


Chart 1.1.1-c
Global: bilateral allocations to Ukraine and EU defense spending



form the central pillar of this cycle. This provides ample reason for certain blocs to seek to secure their spheres of influence, while others emerge with the potential to establish new, fairer terms of trade.

The first driver of change seems to be dominated by the United States, thanks to its consolidated technological dominance, and to a lesser extent by China, with a protectionist stance based on its historical rejection of Western influence. In the second arena, it seems that China has forged ahead, organizing a competitive scheme superior to the rest, a gap that the United States is trying to close by driving a new domestic golden age. Meanwhile, Europe and other developed economies, lacking a clear competitive advantage, have found government intervention to be their primary tool for

navigating this shift. This has taken the form of financing re-industrialization plans or implementing regulatory barriers. However, as reflected in growth differentials and currency performance, their strategy has so far yielded unfavorable results.

This delicate adjustment is unfolding alongside a global increase in defense spending, a trend that suggests a diminished likelihood of resolving ongoing armed conflicts in Ukraine and the Middle East (see Chart 1.1.1-c). While President Trump has promised to end the former quickly, a more plausible scenario appears to be a shift in responsibility, with Europe taking on a greater role in the future. In the case of the Middle East, the narrative suggests that support for Israel will remain steady, and unless there is a major escalation, Israel can

expect the backing of the United States to reconfigure its position in the region. As a nexus, China is expected to continue evaluating the unification of Taiwan as an option to maintain its prospects in semiconductor technology.

1.1.2 Regional perspectives and dynamics

Growth forecasts for the global economy remain positive for 2025, with a continued trend of rates around potential, which would result in a global GDP increase of 3.1% for 2025 and 3.0% for 2026 (See Chart 1.1.2-a). Regarding inflation, it is anticipated that the cycle of price pressures will continue to subside, and unless extreme catalysts occur, a gradual "reaching the finish line" effect is expected. As a result, average inflation would fall to 3.5% in 2025 and 3.0% in 2026. However, emerging markets may experience a delay in this trend due to persistent inflationary pressures in certain economies, resulting in a more gradual deflation pattern (4.5% and 3.8% in 2025-2026). Consequently, the environment for the various central banks would be more manageable, with a higher probability of moving to a more neutral position. This necessary preliminary step aligns with a later secular vision of navigating a prolonged and more stable period at an

optimal point (neither stimulating nor restricting), upon which different roadmaps can be redefined. However, since it is a variable that is not directly observable, it may lead to intensified discussions and dissent.

While this positioning responds to a normalized dynamic of the global outlook, it will most likely continue unfolding in a series of important cyclical and secular divergences. These differences go beyond the classic fundamentals and emphasize the need to learn to coexist with the uncertainty arising from a context in which geopolitics and competition between blocs respond to broader interests. Therefore, the cyclical movement may continue to generate opposing, or at least contrasting, trends in terms of (neo)liberal or (neo)mercantilist vision.

The U.S. economy still shows little sign of slowing down; the labor market remains stable, consumption is robust, and investment is firm. Therefore, it is expected to continue advancing steadily and sustain the divergence relative to its developed peers. This bifurcation will also remain evident on the inflation side, delaying the return to normalcy, with a possible inclination to remain high in response to the complex combination of fiscal, trade, and immigration policies being implemented in this country (see Chart 1.1.2-b). This delayed

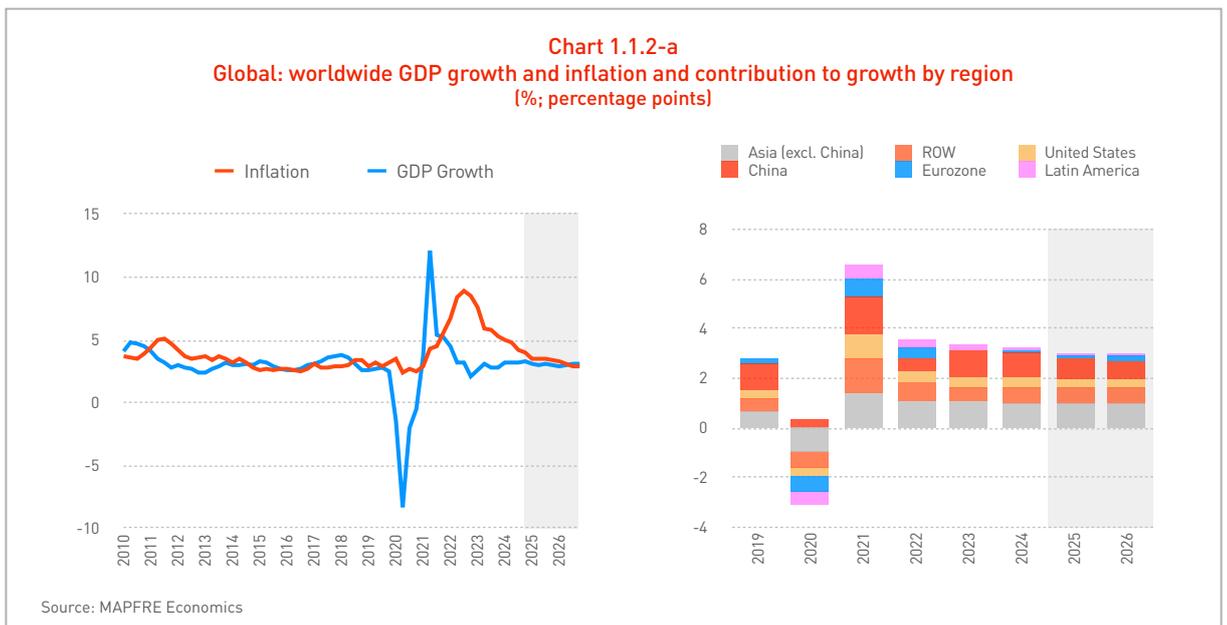
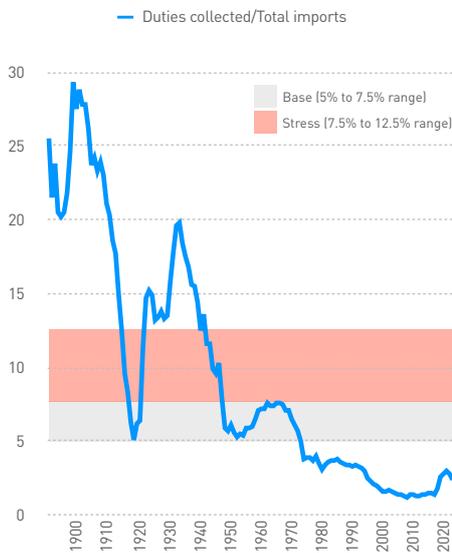


Chart 1.1.2-b
United States: import duty scenarios under the Trump administration



Source: MAPFRE Economics

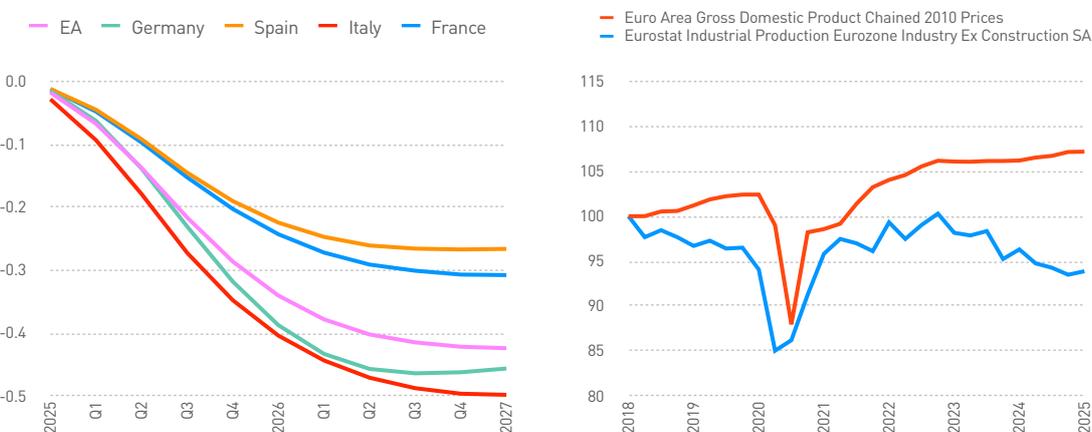
moderation may still be noticeable in the divergence between the short and long ends of the yield curves, indicating that the perceived appetite of the Federal Reserve for interest rate cuts will remain low.

For the Eurozone, the forecast of generally weak performance is maintained, and will continue to be largely determined by

unresolved obstacles and the uncertain trade challenges that may arise from the second Trump administration (see Chart 1.1.2-c). While the burden of some economies, like Germany and France, could be somewhat attenuated and improve their contribution, growth is still expected to be less than brilliant, and will continue to be led by the southern countries. In terms of prices, the disinflation trend is expected to remain on course, but will face some headwinds in reaching the target. This is due to energy price increases, the ripple effect on service prices that may continue to fall short of expectations, and the weakness of the euro. Overall, these upward pressures will remain contained, allowing the European Central Bank (ECB) to maintain a cautious roadmap for further interest rate cuts. However, the room for maneuver will remain limited by the bounds of the neutral interest rate (see Box 1.1.2-a).

The positive inertia in Spain is expected to continue, and it still maintains greater momentum than the rest of the Eurozone. Private consumption and investment will continue to be positive contributors, supported by an unemployment rate that continues to show a gradual decline and a gradual recovery in consumer confidence, within an environment of improving real wages and lower interest rates. As for

Chart 1.1.2-c
Eurozone: potential impact of Trump administration policies
 (percentage points of GDP; index 2018=100)



Source: MAPFRE Economics (based on Haver data)

Box 1.1.2-a Monetary policy update

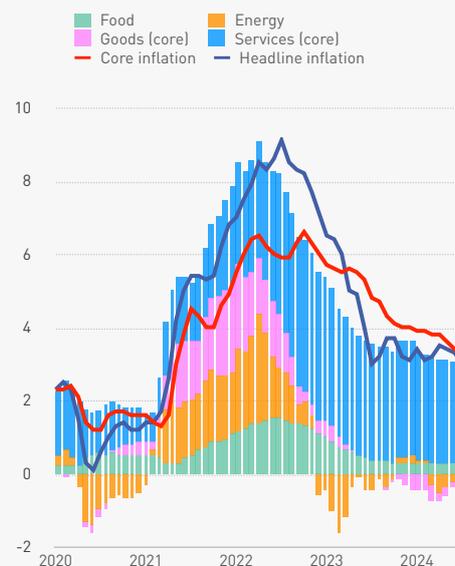
Federal Reserve

At its first meeting of the year, the U.S. Federal Reserve decided to keep official interest rates unchanged, holding the range at 4.25% to 4.50%, in line with market expectations. In terms of future outlook, the Fed maintained a cautious stance, closely resembling the one presented last December, although with an additional wait-and-see bias to gain a clearer picture of the direction ahead. In this sense, two rate cuts of 25 basis points (bps) are projected for this year, with two additional cuts in 2026, aligning with a gradual pace of decline toward the long-term terminal rate, which remains around 3.0%.

Regarding the quantitative adjustment of its balance sheet, the Fed continues its course with no changes indicated, standing at 2020 levels. Notably, to date, the Federal Reserve has reversed nearly half of its pandemic-era expansion, reducing its balance sheet by approximately 2.1 trillion dollars, with 1.5 trillion coming from Treasury bonds and 0.5 trillion from mortgage-backed securities (MBS). There was also no mention of the remaining liquidity lines established to assist banks, which are nearing full depletion.

Regarding activity data, there remains a sense of optimism that the economy will continue expanding sustainably. The manufacturing PMI has returned to expansionary territory, while the services PMI, despite slowing, continue to show positive progress. In terms of inflation, the last reading for December showed a new acceleration to 2.9% YoY and a 3.2% YoY rise in core inflation (which excludes energy and food). Although the increase was broad-based, notable sectors include housing (4.6% YoY), food (2.5% YoY), and monthly accelerations in both used cars (1.2% MoM) and energy (2.6% MoM). While these categories remain negative on a year-over-year basis, they suggest a persistent rigidity in inflation that should be considered (see Chart A).

Chart A.
United States: inflation by components



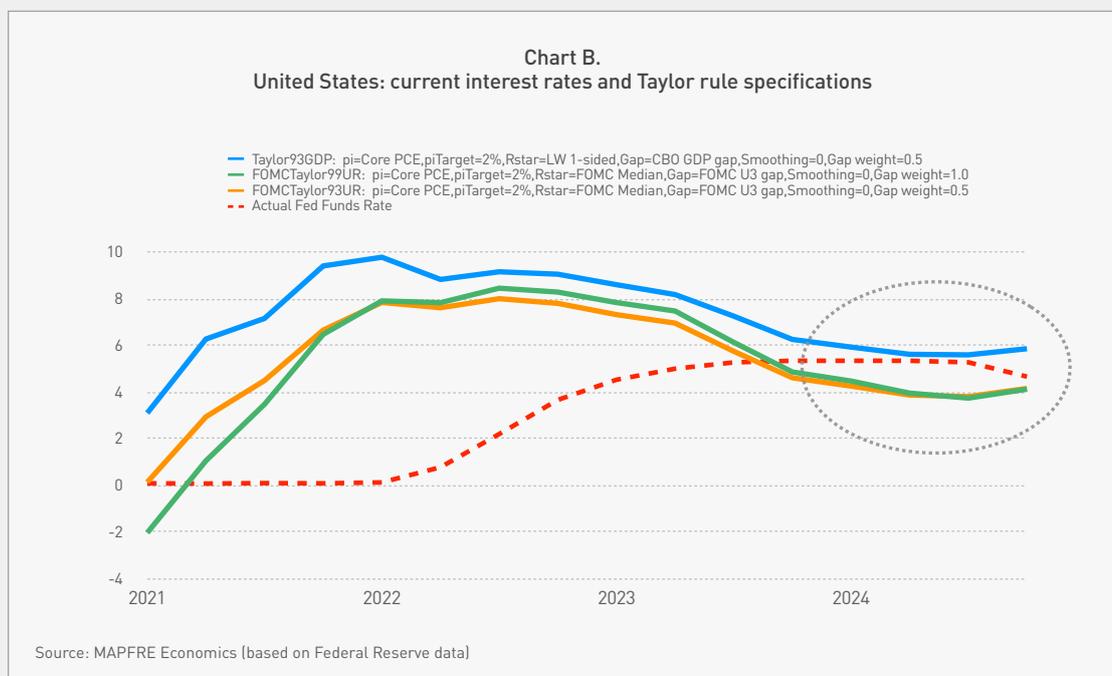
Source: MAPFRE Economics (based on Haver data)

The Fed stayed true to its narrative, providing little additional information and emphasizing that, although inflation has declined, there is still room for improvement. Moreover, its concerns about employment have proven to be more temporary than initially expected, aligning with the strong economic momentum and growth. Given the lack of significant changes, no immediate action is expected, and further interest rate cuts are unnecessary at this time.

Assessment

The main reading by the Federal Open Market Committee (FOMC) suggests that the December message remains in force, so there is no need to resume rate cuts for the time being. The latest evidence on inflation is not entirely reassuring. However, employment-related concerns have eased, while growth metrics suggest that the economy continues to be resilient. Furthermore, when applying the Taylor

Box 1.1.2-a (continued) Monetary policy update



rule to these and other economic variables, the current range of rates seems appropriate and fully consistent with the current phase of the economic cycle (see Chart B).

In addition, it is pertinent to state that the Federal Reserve's interest rate decision-making process is fluid and subject to additional uncertainties. In the short term, these ambiguities stem from the immediate effects of these policies (immigration, regulatory, fiscal, and trade), and in the long term, from the integration of theoretical assumptions into the models used to determine the terminal interest rate. In this sense, and given the recent start of the Trump administration, caution is still warranted until the policy guidelines to be followed and their immediate effects are better outlined.

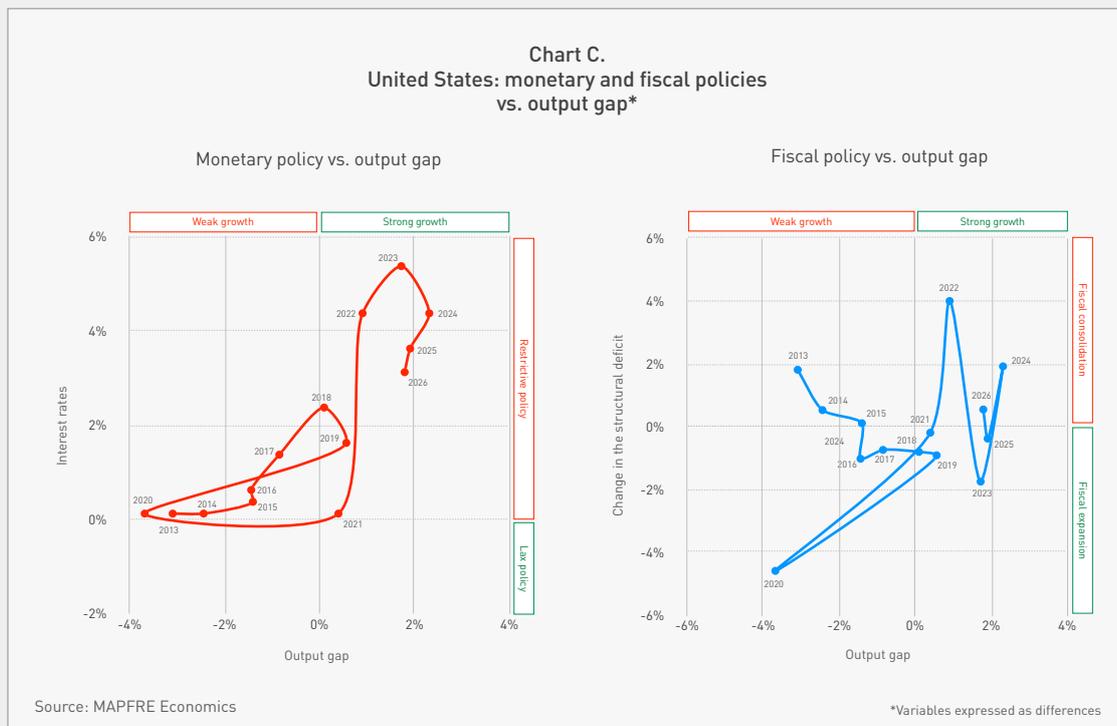
Point in the cycle

Chart B illustrates the monetary bias, which has not readjusted since the pandemic as inflationary pressures grew and the output gap narrowed. The change in bias, in terms

of the direction of the movement, came in the third quarter of 2024 and was followed by two 25-bp cuts in the last two months of the year. The change has been sustained by expectations of more controlled inflation (2.5% in 2025 and 2.0% in 2026), an output gap of around 2.0%, and the narrowing of the interest rate gap dictated by the Taylor rule since 2023 after a historically accelerated and aggressive monetary cycle.

In terms of fiscal policy, an increase in public debt is expected in 2025 compared to 2024. This level of public deficit, while not expected to reach the post-pandemic situation, stems from the Trump administration's intention to cut taxes (and offset them by increasing tariffs on products entering the United States), the latent risk of increased costs associated with public debt, and the limited scope for federal government spending cuts. Close attention will need to be paid to its development, not only for the necessary consistency following the shift in monetary policy but also for its implications on financial markets.

Box 1.1.2-a (continued)
Monetary policy update



Thus, both the measures to balance the budget and lower interest rates have served to return to a more neutral monetary policy and to provide some leeway to deal with the effects of fiscal expansion. Pending the new economic forecasts at the next meeting in mid-March (which would already include the effects of the first measures of the new Trump administration), the Federal Reserve remains patient and will modify its monetary policy in line with the performance of economic indicators.

European Central Bank

At its January meeting, the European Central Bank (ECB) announced a new 25-basis-point (bps) interest rate cut, bringing the marginal lending rate to 3.15%, the main refinancing rate to 2.90%, and the deposit facility to 2.75%. No further guidance was provided regarding the balance sheet beyond what was presented in December, when reinvestments under the Pandemic Emergency Purchasing

Program (PEPP) were halted and the latest targeted long-term refinancing operations (TLTRO) matured. This drain leaves the system's liquidity role in the hands of the weekly credit facility (main refinancing operations, or MROs) and, ultimately, the marginal lending facility (MLF), previously used as an access corridor. However, the still-excessive reserves continue to push these tools into the background and exert pressure on the interbank rate (€STR), a dynamic that has brought it close to the deposit rate (DFR). This could change soon, either due to the ongoing balance sheet reduction or potential liquidity stress events.

The Governing Council of the ECB declared an extension of last December's outlook, expressing concerns about economic stagnation (with particular emphasis on Germany and France, and the manufacturing PMI still in contraction) and reaffirming its commitment to achieving the primary goal of price stability, although it acknowledged that it

Box 1.1.2-a (continued) Monetary policy update

is on track to do so (see Charts D and E). However, as the rise in inflation expectations shows, we should still remain cautious, at least until the uncertainties regarding energy imports, salary developments, and tariff risks are clarified. Looking ahead, the narrative paves the way for ongoing monetary policy easing in the future, but also highlights downside risks, both from a less favorable economic outlook and the need for continued caution. Support for the decision was unanimous, although the subsequent press conference clarified that the situation will be reassessed in the near future based on new projections, indicating that the terminal interest rate has not yet been determined.

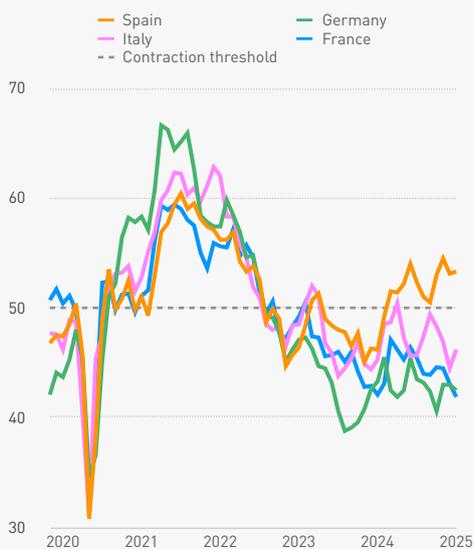
Assessment

Since the last update of macroeconomic forecasts and the resulting rate cuts, growth in the Eurozone has remained sluggish, the

inflation trajectory erratic (once again exposed to the volatility of energy prices), fiscal vulnerability latent (due to both the upcoming elections and the lack of budgets), and the geopolitical environment more complex (tariffs and a new global trade environment are already part of the baseline scenario). As a result, the ECB's position may gradually lose consensus and face certain limits among the members of the Governing Council as they approach the neutral range. In other words, although the roadmap remains on the table, there are fewer convincing signs that it will remain intact in the future.

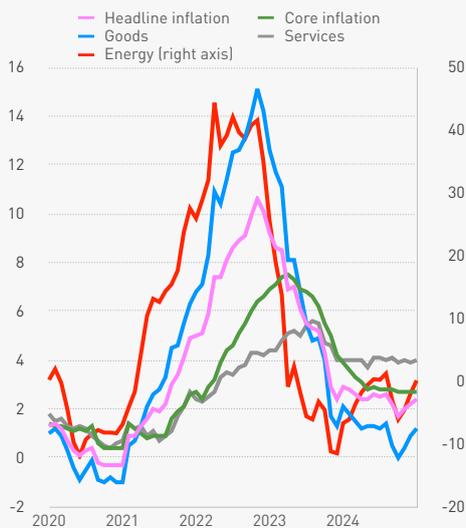
Likewise, uncertainty is high in this environment, providing sufficient reason to maintain active caution while accelerating the internal discussion about the framework on which the neutral interest rate rests. This focus requires analytics less dependent on current

Chart D.
Eurozone: Manufacturing PMIs



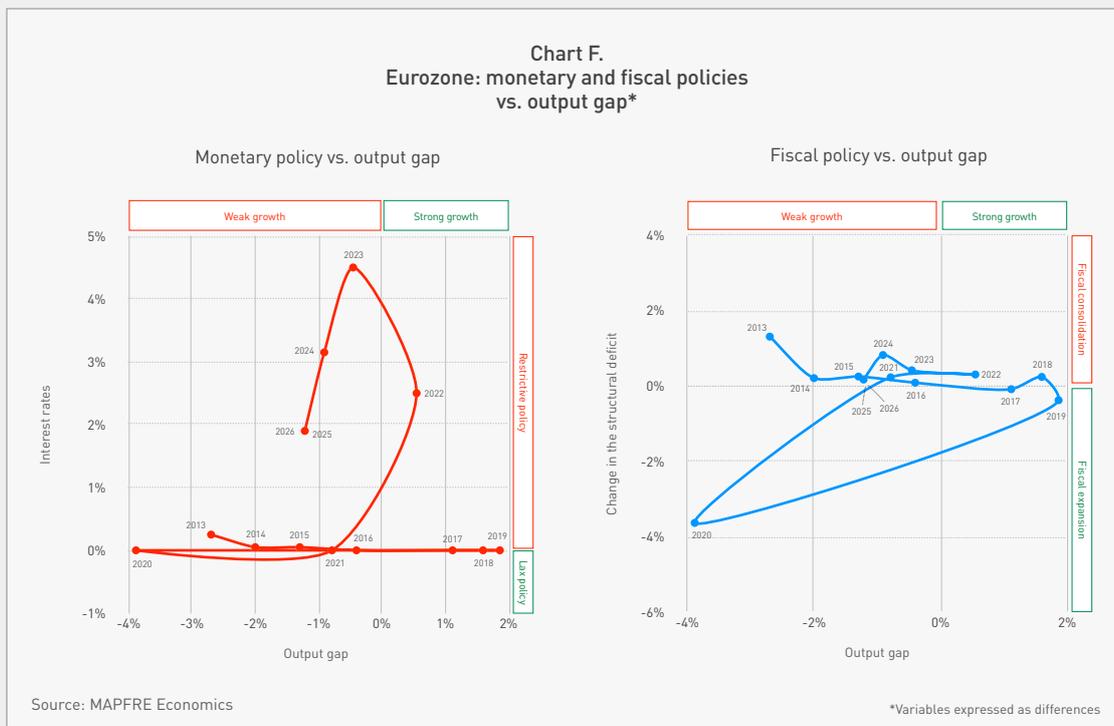
Source: MAPFRE Economics (based on Bloomberg data)

Chart E.
Eurozone: inflation by component



Source: MAPFRE Economics (based on Haver data)

Box 1.1.2-a (continued)
Monetary policy update



data and more based more on the future hypotheses. That is, it involves a modal rate and a long-term balancing point that is high enough not to stimulate inflation, but also not so low as to discourage demand. Thus, as the ECB’s main objective is price stability, caution is likely to remain in place, at least until it is confirmed that the appropriate range has been widely agreed upon.

Within this discussion, a double divergence emerges as a secular determinant for calculating the terminal interest rate. In one regard, potential growth seems to be settling into a lower growth path, in response to the limited competitive capacity at the heart of industry, tipping the debate towards lower interest rates. Moreover, this aligns with and supports the interpretation of structurally weaker domestic inflation, which further justifies the need for lower interest rates. However, this dynamic also responds to global factors that increasingly underpin “competitive” or high rates. Therefore, just

as production faces existential challenges, imported inflation is also linked to exogenous factors that exert pressure. With all this, the long-term outlook continues to show limited potential growth, low domestic inflation, and less controllable external inflation, at least from the central bank’s perspective.

Point in the cycle

Chart F illustrates how the restrictive monetary policy was activated in 2021, due to the inability to maintain the refinancing rate at 0.0% in light of the growing inflation, driven by the energy component and aggravated by the Russian invasion of Ukraine. In this sense, given the change in the monetary bias in September 2024, it is justified by the shift towards an expansionary policy that will help to close the negative output gap. Meanwhile, the gap relative to the interest rate under the Taylor rule was close to zero at the end of 2024 and is expected to remain at that level over the next two years.

Box 1.1.2-a (continued)
Monetary policy update

Moreover, in 2024, European fiscal policy focused on economic recovery and fiscal sustainability, with a specific emphasis on reducing public deficits and debt. The European Union implemented new fiscal rules at the end of 2023 to provide greater flexibility and adaptability to member states, allowing for adjustments based on the specific economic conditions of each country, while maintaining the same ultimate objective: a deficit lower than 3% of GDP and debt lower than 60% of GDP. The budgetary imbalance of Italy and France is concerning (the latter with a forecast fiscal deficit of 6% in 2024, the highest in the European Union), which along with Germany

(whose deficit is less than 3%, but its contraction is due to structural reasons) are the three main economies of the Eurozone.

Faced with this scenario, European monetary policy has also shown a tendency towards neutrality, providing room for maneuver given the obvious limitations of fiscal policy due to indebtedness and the need to comply with fiscal rules. Therefore, in the absence of greater clarity regarding the new external geopolitical environment, the ECB remains cautious until the publication of new economic indicators that take this environment into account.

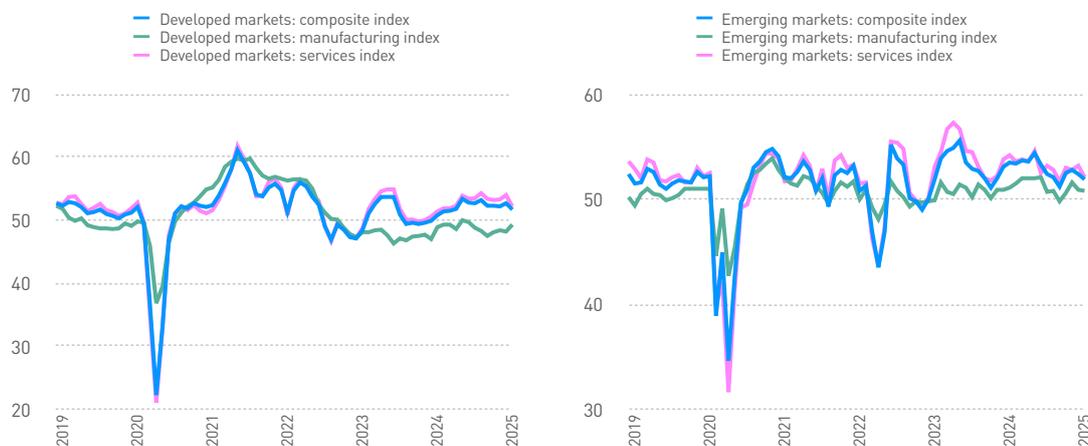
Source: MAPFRE Economics (based on Federal Reserve and ECB data)

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external demand, although there are signs suggesting a slowdown, it will still maintain a robust pace of expansion. It is worth noting that spending under the NextGenerationEU program will continue to have a positive impact and could be enough to offset a moderation in the public deficit.

A cautious approach to emerging markets is being maintained given the uncertain external context, which could well justify a slight slowdown in the future. However, its magnitude would vary and depend on both internal and external factors, as well as how the authorities in each country respond to the challenges on the horizon (see Charts 1.1.2-d,

Chart 1.1.2-d
Global: advanced and emerging market PMIs



Source: MAPFRE Economics (based on Bloomberg data)

Box 1.1.2-b
Emerging exchange rate volatility and ERI

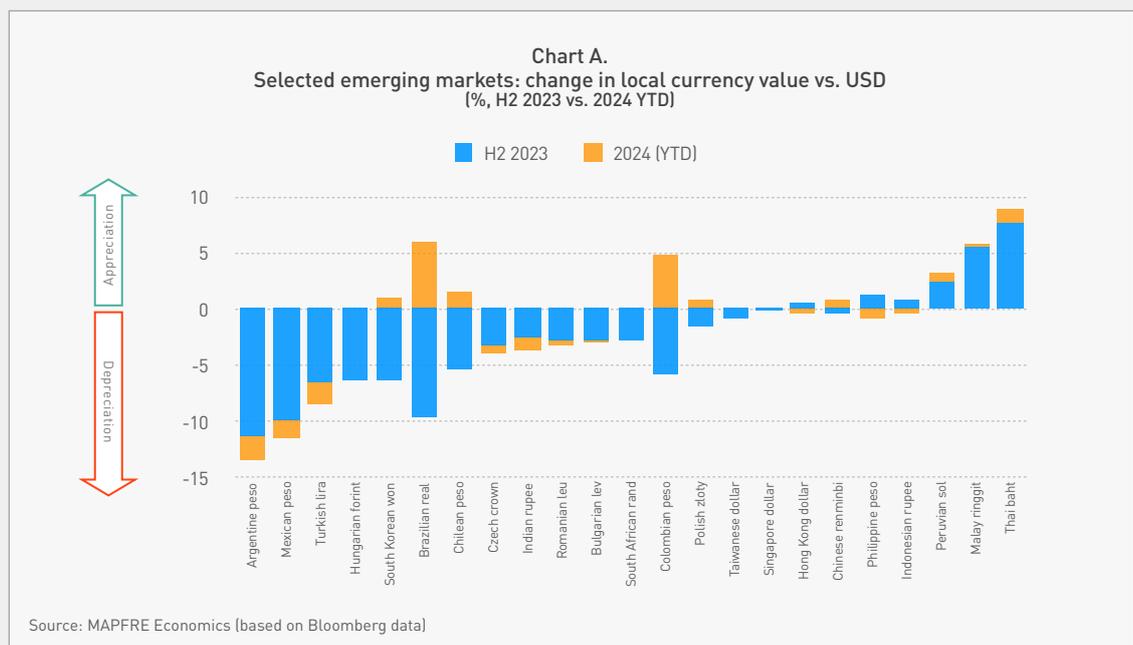
Emerging exchange rate volatility

The weakening of global trade and the strength of the dollar throughout 2024, along with a reduced appetite for risk due to the availability of positive real yields in developed markets, suggest that flows into emerging markets will be more selective in the future. Additionally, the vulnerabilities revealed by previous shocks have increased investor caution regarding these economies. As for monetary policy, although some emerging countries have begun to ease their financial conditions, this transition is still in its early stages and marked by caution, as inflationary risks persist, and developed markets have been reluctant to reduce their short-term interest rates in order to maintain monetary credibility. This limits the central banks' flexibility in several emerging economies, especially in those with less fiscal space.

A glance at Chart A shows how Latin American emerging currencies depreciated in the second half of 2024, with the exception of Peru, which benefited from high copper prices in 2024, accounting for approximately 30% of its exports.

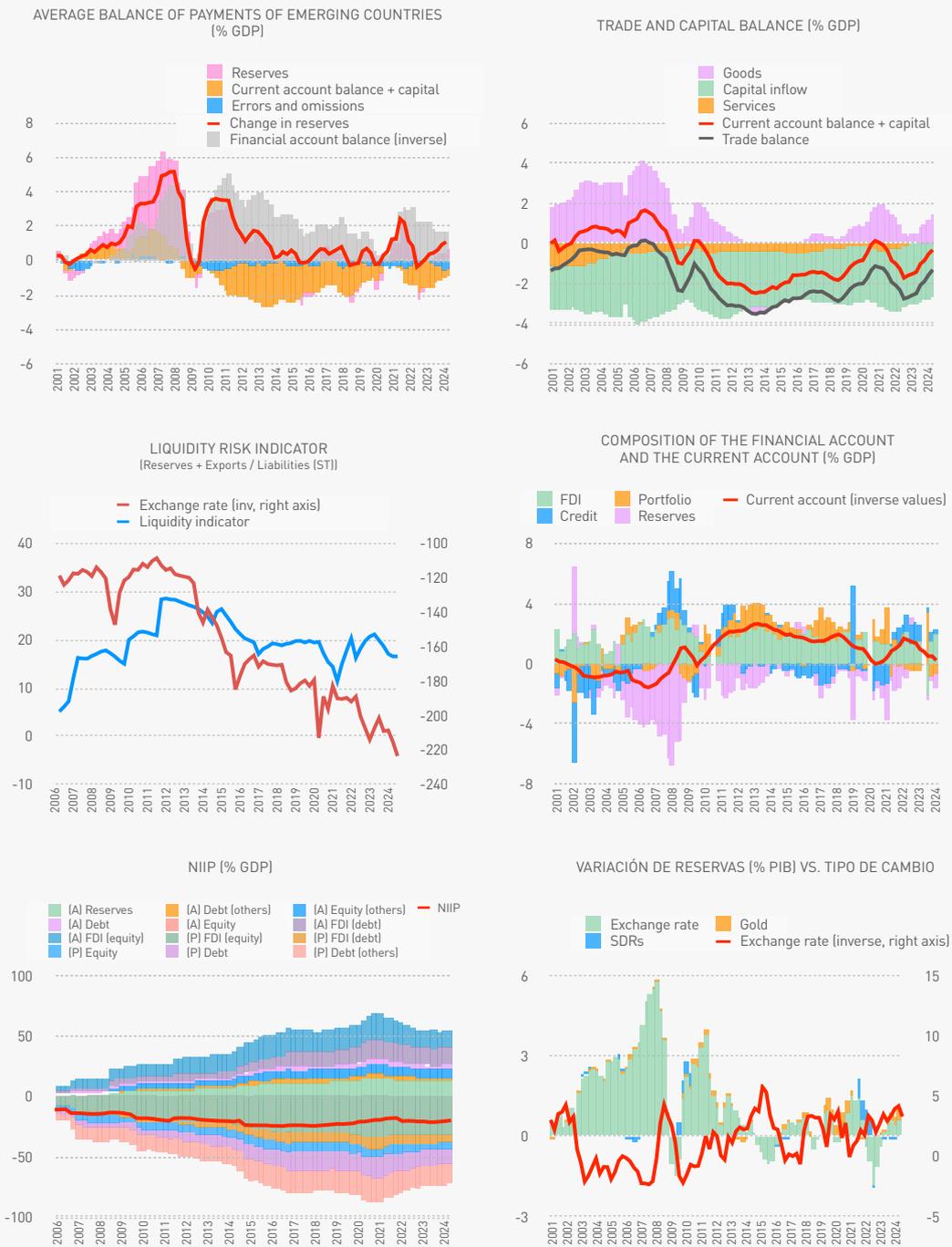
In this respect, the stabilization of the Argentine peso is also noteworthy. Despite continuing to depreciate, it has done so at a much slower rate than in previous semi-annual periods. In the same period, exchange rates for Asian currencies have tended to appreciate or remain stable with hardly any variations, with the exception of South Korea and India. Regarding the economies of Eastern Europe, although the general trend is a slight depreciation, Hungary and Turkey are experiencing more abrupt declines. On one hand, this is due to the poor performance of Hungary's central bank, alongside the lingering geopolitical effects of the Russia-Ukraine conflict. On the other hand, it is attributed to the inefficient fiscal and monetary policies in Turkey, which have struggled to control high inflation.

Generally speaking, the first month of 2025 has not brought about major changes in emerging market currencies, as the effects of the Trump administration, especially the imposition of tariffs, are expected to be felt further down the line. However, the dollar can be expected to appreciate, at least in the short term. On a more specific level, however, the cases of



Box 1.1.2-b (continued)
Emerging exchange rate volatility and ERI

Chart B.
Emerging market average: balance of payments structure indicators



Source: MAPFRE Economics (based on Haver data)

[Click here to access the interactive version of this information](#)

Box 1.1.2-b (continued)
Emerging exchange rate volatility and ERI

Brazil and Colombia stand out. The increased confidence in the performance of Brazil's central bank following the ongoing cycle of rate hikes since May 2024 (with the most recent hike in January 2025), and the maintenance of Colombia's investment grade by Standard & Poor's, respectively reflect this notable appreciation.

Regarding the current account deficit, as shown in Chart B, the average for emerging countries was at zero before the pandemic but rose to 1.6% by the end of 2022. Since then, it has gradually decreased back to the pre-pandemic level in the second quarter of 2024. This has been mainly due to the gradual reduction of the deficit in the primary income account and the stronger trade surplus, which has been driving growth since the first quarter of 2023. On average, emerging markets have accumulated reserves without increasing liabilities since 2023, which has kept liquidity risk contained. Meanwhile, the exchange rate only appreciated until mid-2023 and, since then, it has continued to depreciate to date amid a strengthening dollar, due to signs of a shift in monetary policy (finally realized in September 2024) and increased risk aversion as the dollar is considered a safe asset.

Emerging Risk Index (ERI)

To assess the risk and vulnerability environment of emerging markets, MAPFRE Economics proposed the ERI (Emerging Risk Index) indicator in 2018 to evaluate *ex-ante* and *ex-post* sources of risk (see Table A). This indicator covers various aspects of the economic and financial situation of the markets studied and is intended to serve as an early warning system prior to the EMBI (Emerging Markets Bond Index).

Argentina

In 2023, Argentina faced a severe drought and external stresses that affected its economy, increasing the fiscal deficit and inflation to 211% year-on-year. The new

government implemented austerity measures, such as a devaluation of the exchange rate and a reduction in subsidies, thus achieving a financial surplus of 0.4% of GDP in the first half of 2024. In addition, it reached agreements with the International Monetary Fund (IMF) and improved the trade balance thanks to the agricultural sector and the Vaca Muerta oil extraction site. Despite this, the economy declined by around 2.3% in 2024, and risks associated with debt repayment persist.

Mexico

Mexico's economy grew by 3.3% in 2023, driven by domestic demand and nearshoring, but its momentum has been weakening, with growth in 2024 estimated at around 1.5%. The fiscal deficit and public debt increased, while the exchange rate and remittances played a key role in its stability. Exports have become less attractive due to the appreciation of the peso, and fiscal risks such as those associated with PEMEX and trade ties with the United States pose challenges to long-term sustainability.

Brazil

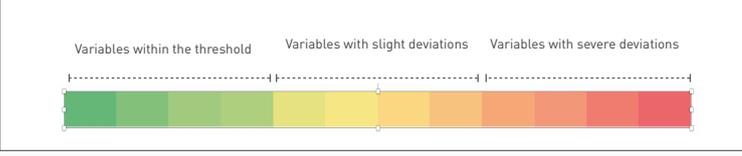
Brazil grew 3.2% in 2023 and 2024, driven by exports and social policies that strengthened domestic consumption. Although inflation declined, the fiscal deficit increased, and sectors such as manufacturing and investment face significant challenges. The ERI improved in 2024, but the greater export momentum, climate change, and inflationary pressures are notable as risk that could weaken its economy.

Colombia

Colombia made progress in reducing its fiscal and current account deficits, while foreign investment and international reserves increased. However, public debt and inflation remain high, requiring cautionary

Box 1.1.2-b (continued)
Emerging exchange rate volatility and ERI

Table A.
Selected markets: Emerging Risk Index (ERI) estimation



	Thresholds		Emerging markets									
	Emerging markets	Developed markets	Argentina	Brazil	China	Colombia	Philippines	Indonesia	Mexico	Peru	Russia*	Turkey
2030 potential GDP growth	3	1.5										
Potential inflation	10	2										
EMBI	8%											
CDS	20%	10%										
CA (% GDP)	1	1										
NIP (% GDP)	-40	-40										
External debt CB ST (% GDP)	4	4										
External debt CB LT (% GDP)	1	1										
External debt governments ST (% GDP)	2	2										
External debt governments LT (% GDP)	34%	34%										
External debt corporate ST (% GDP)	8%	8%										
External debt corporate LT (% GDP)	27%	27%										
External debt banks ST (% GDP)	12%	12%										
External debt banks LT (% GDP)	12%	12%										
Total external debt (% GDP)	30%	30%										
Total external debt ST (% GDP)	6%	6%										
Total external debt LT (% GDP)	24%	24%										
Total lending, non-financial sector	20	90										
Lending to government	20	90										
Lending to households	20	90										
Lending to non-financial corporations	20	90										
Lending to non-financial private sector	20	90										
Leverage	10	8										
GDP growth (nominal local currency)	3	1.5										
NPL	7	7										
CPI	3	1.5										
CB Rate (benchmark interest rate)	6	3										
Money supply/Reserves	3	6										
External debt/Exports	1	3										
ERI 2024			84.64	38.16	60.41	33.03	14.34	19.21	22.41	9.87	26.76	57.77
ERI 2023			85.96	33.75	60.47	40.72	11.11	23.55	24.74	16.16	27.63	61.07
<i>Change vs. 2023</i>			- 1.3	4.4	- 0.1	- 7.7	3.2	- 4.3	- 2.3	- 6.3	- 0.9	- 3.3

Source: MAPFRE Economics (estimates based on data from OEF, Haver, IMF, BIS, Bloomberg, and World Bank)
 * Russia: Equivalent CDS not available.
 Russia: it was excluded from the EMBI index in 2022 by JP Morgan.
 Russia: external debt data to 2023
 Russia: some series have been continued using data from the Central Bank of Russia

Box 1.1.2-b (continued)
Emerging exchange rate volatility

measures. Improvements in key sectors allowed for economic growth of 0.6% and 1.8% in 2023 and 2024, as well as a return to financial stability, although structural challenges remain.

Peru

Peru's economic activity improved after the 2023 recession (-0.4%), with three consecutive quarters of growth in 2024, thanks to domestic demand and declining inflation, bringing estimated growth for the year to around 3.1%. International reserves increased, and the trade balance remained in surplus. However, its dependence on international prices and the growth of the fiscal deficit represent significant challenges to maintaining this path to recovery.

Turkey

Turkey's risk indicators improved thanks to prudent economic policies, although it continues to face macroeconomic imbalances. Inflation and activity have moderated, but high interest rates limit long-term growth, which slowed from 5.1% in 2023 to 2.7% in 2024. In the external sector, the current account deficit improved slightly, supported by tourism and lower energy costs, although vulnerabilities persist due to foreign debt. This improvement permitted an increase in the country's credit rating.

1.1.2-e, and 1.1.2-f). In general, fiscal tolerance will remain constrained by the strength of the dollar, the more moderate tone of the Federal Reserve's monetary policy, a cycle of more stagnant moderation of inflation, and a reflexively more prudent monetary policy that is more sensitive to movements in currencies and capital flows (see Box 1.1.2-b).

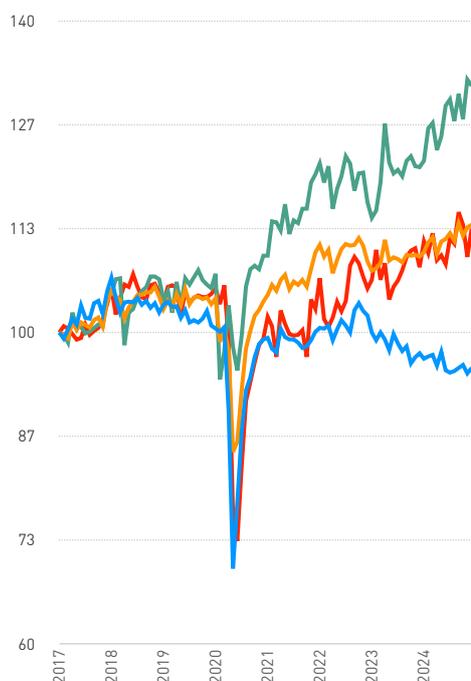
In the coming years, Latin America faces a series of key issues, particularly in its relationship with the United States, which may increase the vulnerability of the region as a whole and of those economies most integrated into the U.S. economy, such as Mexico. The assumption of positive but mixed performance remains the baseline scenario, with the imposition of tariffs playing a limited role and the nearshoring process maintaining a certain degree of favorable influence. However, this scenario will be subject to high volatility, as it may be significantly affected by decisions on external accounts, risk-off events, or more subjective discrepancies related to ideological positioning that could conflict with the rhetoric of the new U.S. administration. The widespread weakness of

Latin American exchange rates since the end of last year, more specifically since the outcome of the U.S. elections, may be an additional factor making inflation more rigid, thus supporting a more conservative monetary policy.

The pace of growth in Asia is expected to remain constant. Additionally, the headwinds due to trade tensions will probably still be concentrated on China, which could lead to export and investment gains for other countries in the region. Many countries in the region continue to benefit from more balanced inflation rates, allowing central banks to keep reducing interest rates and support domestic consumption, which continues to expand at healthy rates. In China, on the other hand, the main uncertainties remain unresolved. Internally, the economy continues to be immersed in a process of deceleration and deflationary pressures, which have yet to receive a decisive response from the authorities. Although the Chinese government has launched multiple stimulus packages, they may not be enough to meet medium- and long-term goals, or to justify a change in trend

Chart 1.1.2-e
Global: international trade indicators
(2016 index=100)

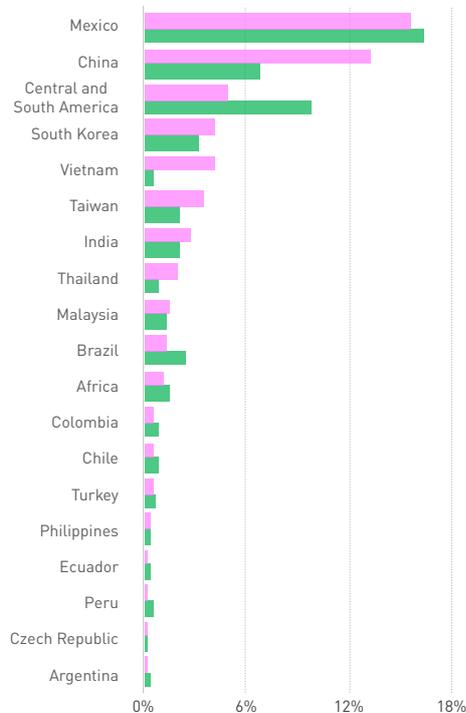
— CPB Merchandise: Euro Area Export Volume Index SA
— CBP Merchandise: World Export Volume Index SA
— CPB Merchandise: Emerging Economies Export Volume Index SA
— CPB Merchandise: Emerging Economies Export Volume Index SA



Source: MAPFRE Economics (based on Haver data)

Chart 1.1.2-f
Emerging markets: trade with
the United States, 2024
(% of the total)

■ Exports ■ Imports



Source: MAPFRE Economics (based on The United Census Bureau data)

in both consumer confidence and in the real estate market. The second key challenge comes from future tariff issues and the consequent response to them, concerns that are expected to take shape as the year progresses. Therefore, the hypothesis of a secular slowdown is maintained, but it could become more precarious if no convincing countercyclical measures are taken or if trade tensions escalate.

To summarize, the baseline scenario for 2025 is one of balanced growth and inflation dynamics that will continue to show signs of improvement, supporting the perception that interest rates will continue to fall towards neutrality in much of the world. However, it cannot be overlooked that the world is also going through a period of changing economic conditions and extremely high uncertainty, an

environment that could imply the possibility of a regime shift in which the new elements may not necessarily align with historical trends.

1.1.3 Scenarios and forecasts

Baseline scenario

In the *baseline scenario* envisaged in this report, global economic growth is expected to improve by one-tenth in 2025 and 2026, with growth rates of 3.1% and 3.0%, respectively, showing that the return to the potential growth rate is still incomplete. This slight improvement rests on marginally more positive contributions from certain developed economies, such as the Eurozone, although the main thrust is still provided by the expansion of emerging economies, more specifically in Asia, which maintains its

leading contribution despite China's manifest weakness. Inflation is expected to maintain its downward momentum in 2025, but will continue to exceed the proposed short-term targets, averaging 3.5%. For 2026, a more controlled inflationary environment is anticipated at a rate of 3.0%. This, along with a stronger economic performance, suggests a less stagflationary outlook compared to previous years. Monetary policy is expected to move towards neutral policies in a majority and progressive manner, although somewhat less orderly than in the past, when synchronized cycles allowed for this and coordination was an obvious factor.

Stressed scenario

Meanwhile, the *stressed scenario* (alternative scenario) is still dominated by geopolitical risk premiums, which are transmitted through various channels to inflation. Specifically, the source of the shock remains in energy commodities, with oil reaching 100 U.S. dollars/barrel for two consecutive quarters and remaining stable in the 90 U.S. dollars/barrel range throughout 2025. In this scenario, the effect on global prices rises by almost half a percentage point throughout 2025 and 2026, while the erosion of economic activity in 2025 and 2026 would result in two-tenths less growth compared to the baseline scenario (2.9% and 2.8%, respectively). A broader decline of half a percentage point is expected globally by 2026, reflecting some of the delayed effects of a more restrictive monetary policy. Financial conditions contain increased stress limited to 1.5 standard deviations and a response from risk assets similar to previous years, with an average correction of 15% for global equities and a widening of spreads by 150 basis points, triggering a flight to quality that favors safer and more stable assets. A 5-percentage-point increase in the overall effective U.S. tariff rate is projected in 2025, raising average tariffs from 2-3% to 7-8%. This increase is expected to reflect a 10-15% increase in U.S. tariffs on China, as well as a response to "non-reciprocity" in tariff levels, i.e. products for which a given country

charges a higher tariff than the U.S. Other ad hoc tariffs on goods and trading partners are also being considered.

1.1.4 Balance of short-term risks

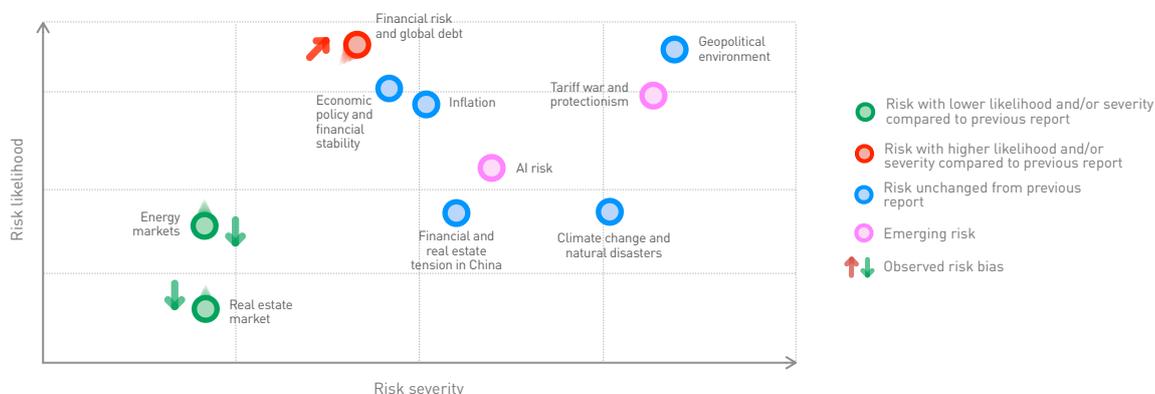
With regard to the balance of short-term risks, the aspects that could affect the performance of the global economy for the rest of 2025 are presented below, as illustrated in the risk map shown in Chart 1.1.4.

Financial risk and global debt

High levels of public and private debt are still one of the main risks to global financial stability. Currently, global debt exceeds 256% of global GDP, increasing in both advanced economies and emerging markets. This situation is aggravated by the recent increase in long-term government bond yields, which has led to higher debt servicing costs for many countries.

In the United States, the 10-year bond yield recently exceeded 4.5%, a level not seen in over a decade. This means the government will have to refinance part of its existing debt at higher interest rates, significantly increasing annual debt servicing costs. This scenario puts additional pressure on the fiscal deficit, which is already around 7% of GDP. Although this deficit level is alarming, the new administration has made it clear it does not plan to raise direct taxes on taxpayers. Instead, it has proposed generating additional income through the imposition of tariffs on imports. In Europe, while the average public debt has fallen somewhat from the levels reached during the pandemic, the rise in yields is also affecting the financing costs for governments. Countries with high debt levels, like Italy and Greece, face an increasing risk of fiscal tensions, especially if the markets start to demand higher risk premiums for purchasing their sovereign debt. On the other hand, emerging markets are facing additional difficulties, as much of their debt is denominated in U.S. dollars. The combination of a strong dollar and

Chart 1.1.4
Short-term risk balance: vulnerabilities and global risks



Source: MAPFRE Economics

higher global interest rates is increasing debt servicing costs, particularly in countries like Turkey and Argentina, which are already facing structural problems in their public finances.

In summary, the rise in long-term government bond yields is placing pressure on both advanced and emerging economies. The need for fiscal consolidation and more robust debt management strategies will be key to mitigating the risks. According to the International Monetary Fund (IMF), global public debt is set to exceed 100 trillion dollars in 2024 and will continue rising in the medium term. To stabilize debt, much larger fiscal adjustments than those currently foreseen will be required. The IMF considers that now is the time to replenish fiscal reserves, as any delay will be costly. Replenishing fiscal reserves in a way that supports growth and strengthening fiscal governance are crucial actions to ensure the sustainability of public finances and financial stability.

Tariff war and protectionism

The United States' implementation of a new protectionist policy could trigger a tariff war of significant proportions. By imposing tariffs on imports, this policy seeks to protect national industries from foreign

competition. However, countries impacted by these tariffs will likely respond with similar measures, which would result in an escalation of trade tensions. In the short term, such a tariff war would cause the prices of many products to increase, as the tariffs would be transferred to consumers. In addition, the availability of certain goods could be seriously impacted, creating a shortage in some sectors. This closure of economies into themselves would interrupt global supply chains and restrict access to essential imported products.

While the intention behind these policies is to revitalize national industries, the mobilization of these industries comes at a high cost and does not produce immediate results. The processes of globalization and deindustrialization in North America and Europe have unfolded over decades, and reversing them is not a simple or fast task. It is materially impossible to restore the industrial base in four years without facing numerous challenges.

Inflation

Significant progress has been made in reducing global inflation, with most advanced economies showing sustained declines in price indexes during 2024. However, the 2% goal set by many central banks is turning out

to be more difficult to achieve than anticipated. Recent data indicate a slight rebound in inflation in some regions, which creates concerns about the persistence of inflationary pressures. This rebound is largely explained by the resilience of labor markets, which remain strong with unemployment rates close to historical lows. Furthermore, this strength is giving workers greater bargaining power over wages, leading to second-round effects, such as increased labor costs for companies. Without a significant recession to cool economic activity, the salary and price momentum is still difficult to contain.

In this environment, the central banks face the challenge of maintaining restrictive monetary policies without stifling economic growth, while carefully assessing the risks of prolonging these conditions. This context highlights the complexity of current economic conditions, where inflation appears to have become entrenched in certain sectors, complicating the path to long-term price stability.

Monetary policy and financial stability

Central banks in G7 countries have initiated a cycle of interest rate cuts, driven by the progress made in moderating inflation. However, looking to 2025, the pace of these drops will probably slow due to the strength of the labor markets and the risk of rebounding inflation. More persistent inflation, along with rising yields on government bonds, increases the risk that both governments and the private sector will have to refinance their debts at higher interest rates, which could lead to financial stability issues. Similarly, the rise in government bond yields is causing unrealized losses in many portfolios throughout the financial system, which could pose a risk to financial stability. It should be noted that this phenomenon is not limited to the United States and Japan, but rather extends to other bond markets.

Geopolitical environment

The global geopolitical landscape has shown some progress, though it remains in a state of latent uncertainty. In the Israel-Gaza conflict, a ceasefire has been achieved. This agreement provides some relief for the region, although peace remains fragile due to mutual distrust and underlying structural challenges. In the conflict in Ukraine, the new U.S. administration has intensified pressure on both parties, urging both Ukraine and Russia to sit down at the negotiation table. This strategy reflects a shift in U.S. policy, seeking to balance its support for Ukraine with the need to reduce geopolitical and economic risks. The United States is also using its influence over Saudi Arabia to increase oil production, with the goal of reducing crude prices. This measure seeks to alleviate global inflationary pressures and stimulate economic growth, especially in a context in which advanced and emerging economies are grappling with the side-effects of restrictive monetary policies.

Real estate-financial risk in China

The Chinese real estate sector is still facing significant challenges. New home sales have decreased, and property prices continue to fall. Some market observers expect sales to drop 12% in 2025, with a notable decrease in housing prices. The difficulties in the Chinese real estate sector could affect both domestic economic growth and, to some degree, global financial stability. These pressures on the real estate market increase the risk of debt defaults among developers, which could impact the banking system due to the financial institutions' significant exposure to the sector. The economic slowdown in China is further aggravated by the decrease in exports to the U.S., influenced by tariff policies and weakened external demand. This combination of factors could limit China's economic growth and increase internal financial tensions. In summary, the interconnection between the weakening real estate sector and reduced exports poses

considerable risks for China's economic and financial stability, with potential global implications.

Energy markets

Global energy markets have experienced volatility in recent months. After reaching record-high prices in 2022, the cost of fossil fuels has dropped, although significant tensions and fluctuations persist. Although the immediate pressures of the global energy crisis have decreased, the markets remain fragile, and the risk of further disruption remains latent. Geopolitical factors, such as the prolonged conflict in the Ukraine and tensions in the Middle East, add uncertainty to the energy supply.

Significant growth is being observed in renewable energies. Investment in clean energy has increased 40% since 2020, driven by photovoltaic solar energy and electric vehicles. The recent volatility in gas prices in Europe, hovering around 46.7 euros/MWh, reflects an international competition to ensure the supply with winter coming. This situation could create new inflationary pressures and challenges for the central banks.

Real estate market

In the developed markets, the residential sector has been resilient, with notable increases in housing prices. In Spain, provinces like Malaga experienced a YoY increase of 13.3% in 2024, driven by sustained demand and limited supply. However, the commercial real estate and offices sector faces significant challenges in both the United States and Europe. The pandemic accelerated trends toward remote work, reducing the demand for office space and increasing vacancy rates. Additionally, the rise in government bond yields has raised the costs of real estate financing, which could negatively affect property valuations and increase the risk of financial instability. This environment poses risks to financial stability, as the depreciation of real estate assets could affect

financial institutions exposed to the sector. Thus, it will be essential for investors and regulators to closely monitor these dynamics to mitigate possible impacts on the global financial system.

AI risks

Artificial intelligence (AI) represents a tool with enormous potential for global economic growth, but also introduces significant risks to financial and social stability. On the one hand, its capacity to optimize processes, improve productivity, and reduce costs in multiple sectors could generate a substantial positive impact on economic growth. Technologies like machine learning are already transforming areas like logistics, healthcare, and trade, while facilitating advances in the transition to more sustainable economies. However, the risks associated with the use of AI cannot be ignored. In the financial markets, the use of automatic trading algorithms has created concern about their ability to amplify volatility in times of stress. These algorithms, designed to execute transactions in fractions of a second, could trigger chain reactions that aggravate market drops, as occurred in events like the "flash crash" of 2010. Thus, the lack of oversight and transparency in programming these algorithms could intensify these risks, especially if they interact with other factors of economic instability.

Another key challenge is the concentration of AI power in a few leading technology companies, which could limit competition and increase the risk of market abuse. AI also poses ethical dilemmas, such as bias in algorithms, job loss due to automation, and possible malicious use in cyberattacks. Finally, the lack of a clear and coherent regulatory framework for AI increases the uncertainty about future impacts. Although regulators are working on new legislation, the accelerated pace of technological development is exceeding their current oversight capacity, leaving financial and social systems exposed to unforeseen risks. In this context, it is crucial to find a balance between exploiting the opportunities of AI

mitigating its risks, with a focus on robust governance, greater transparency, and preventive measures against its misuse.

Climate and natural disaster risks

In 2024, global economic losses caused by natural disasters reached 368 billion dollars, surpassing the 21st-century average by 14%. This impact was primarily driven by tropical cyclones, severe convective storms, and flooding. The most devastating event was Hurricane Helene, with damages estimated at 75 billion dollars, emphasizing the risk of coastal and inland floods. Against this backdrop, insured losses worldwide totaled 145 billion dollars, marking the sixth costliest year in history for the insurance industry, with 78% of these losses concentrated in the United States. However, the protection gap remains significant, with 60% of total damages not covered by insurance, which affects the ability of many regions to recover.

Climate change continues to amplify the severity of extreme weather events. In 2024, global temperatures reached an unprecedented increase of 1.55 °C above pre-industrial levels, making it the warmest year on record. This increase has intensified phenomena such as heat waves, cyclones, and floods, confirming the urgent need to strengthen adaptation measures.

1.2 Forecasts and risk assessment in selected economies

1.2.1 United States

Economy with positive inertia; fiscal deficit and debt call for moderation in public spending.

The U.S. economy grew by 2.5% (YoY) (or 2.3% QoQ annualized) in Q4 2024. This growth was driven mainly by increased consumer spending (3.2% YoY), investment (1.7%), exports (2.9% YoY) and federal government spending (3.1% YoY). The composite purchasing managers' index (PMI) climbed 52.4 points in January, signaling robust expansion in the private sector; the manufacturing PMI, meanwhile, stood at 51.2 points, returning to expansion, while services increased to 52.8 points. The Confidence Board's consumer confidence index dropped 8 points to 104.7 in December, while industrial production has been in mild contraction for a few months (-0.9% in November). Against this backdrop, we estimate U.S. GDP growth of 2.5% in 2025 and 2.0% in 2026 (see Table 1.2.1 and Charts 1.2.1-c and 1.2.1-d).

Headline inflation, meanwhile, stood at 2.9% in December, accelerating again in January to 3%. Core inflation stood at 3.3%, leaving

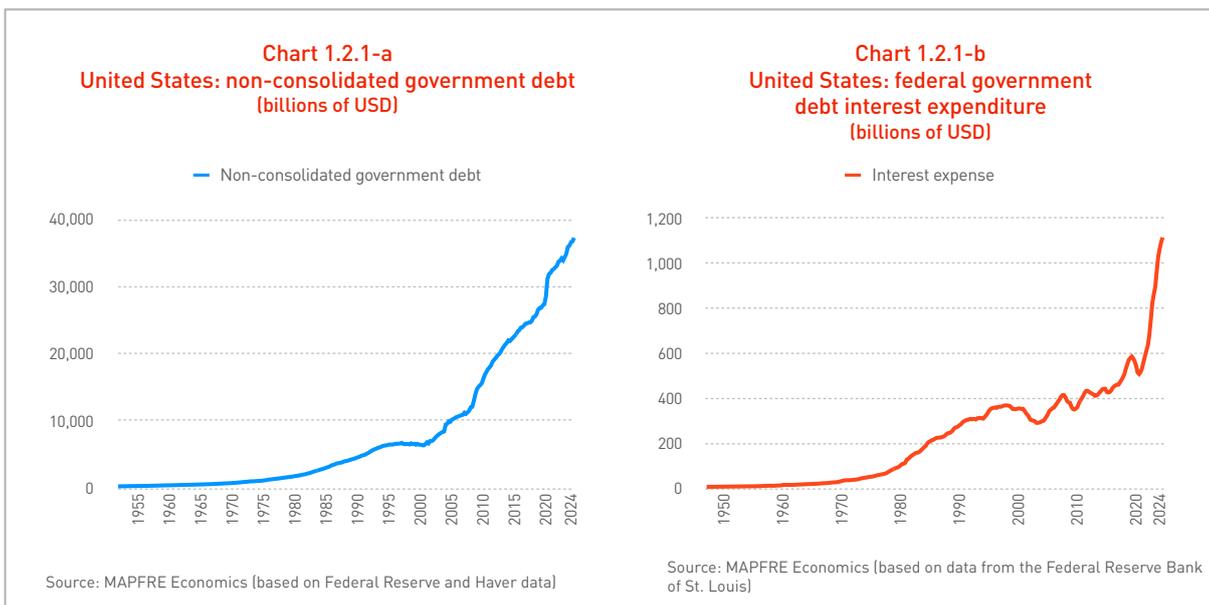
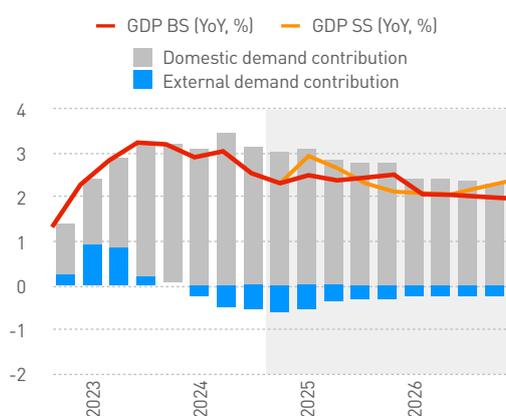
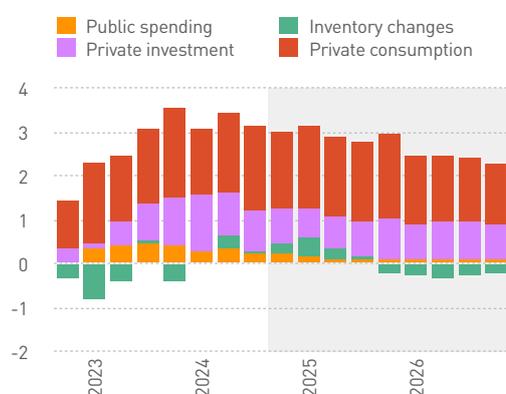


Chart 1.2.1-c
United States: GDP breakdown
and forecasts



Source: MAPFRE Economics (based on Federal Reserve data)

Chart 1.2.1-d
United States: domestic demand breakdown
and forecasts



Source: MAPFRE Economics (based on Federal Reserve data)

Table 1.2.1
United States: main macroeconomic aggregates

	2020	2021	2022	2023	2024(e)	Baseline (BS)		Stressed (SS)	
						2025(f)	2026(f)	2025(f)	2026(f)
GDP (% YoY)	-2.2	6.1	2.5	2.9	2.8	2.5	2.0	2.5	2.2
Domestic demand contribution	-2.0	7.3	2.9	2.4	3.2	3.0	2.4	2.8	2.2
External demand contribution	-0.2	-1.3	-0.5	0.5	-0.5	-0.4	-0.3	-0.2	0.1
Private consumption contribution	-1.7	5.9	2.1	1.7	1.9	1.7	1.5	1.6	1.3
Total investment contribution	-0.2	1.2	0.4	0.7	1.0	0.8	0.8	0.7	0.9
Public spending contribution	0.4	0.1	-0.1	0.4	0.3	0.2	0.2	0.2	0.2
Private consumption (% YoY)	-2.5	8.8	3.0	2.5	2.7	2.5	2.6	2.3	1.9
Public spending (% YoY)	3.0	0.4	-1.1	2.9	2.4	1.4	1.1	1.4	1.1
Total investment (% YoY)	-0.8	5.4	2.0	3.2	4.5	3.5	4.5	3.4	3.9
Exports (% YoY)	-13.1	6.5	7.5	2.8	3.4	3.7	2.5	3.5	1.4
Imports (% YoY)	-9.0	14.7	8.6	-1.2	5.5	5.6	3.7	5.5	2.5
Unemployment rate (% , last quarter)	6.7	4.2	3.6	3.7	4.3	4.2	4.2	4.3	4.2
Inflation (% YoY, average)	1.2	4.7	8.0	4.1	3.0	2.9	2.6	3.0	3.2
Inflation (% YoY, last quarter)	1.2	6.8	7.1	3.2	2.5	3.0	2.6	2.9	3.3
Fiscal balance (% of GDP)	-14.9	-11.8	-4.0	-7.5	-7.4	-7.5	-7.8	-7.5	-7.9
Primary fiscal balance (% of GDP)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Current account balance (% of GDP)	-2.8	-3.7	-3.9	-3.3	-3.8	-3.6	-3.5	-3.5	-3.3
Official interest rate (end of period)	0.25	0.25	4.50	5.50	4.50	3.50	2.75	3.50	3.50
3-month interest rate (end of period)	0.24	0.21	4.77	5.59	4.57	3.69	3.00	4.07	4.08
10-year interest rate (end of period)	0.93	1.52	3.88	3.88	3.78	3.72	3.71	5.52	5.43
Exchange rate vs. USD (end of period)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Exchange rate vs. EUR (end of period)	1.23	1.13	1.07	1.11	1.10	1.12	1.12	1.04	1.05
Private lending (% YoY, average)	6.4	15.5	-1.8	5.3	8.7	6.7	6.5	6.6	4.9
Household lending (% YoY, average)	3.4	8.0	7.5	3.7	3.2	6.0	6.7	5.5	6.0
P.S. non-financial lending (% YoY, average)	8.5	4.3	10.6	3.1	3.0	4.8	4.5	5.1	4.7
P.S. financial lending (% YoY, average)	6.7	4.9	9.8	5.5	-0.2	1.4	1.6	2.6	2.8
Savings rate (% pers. disp. income, avg.)	15.1	11.1	3.0	4.7	5.2	5.1	5.3	4.4	5.4

Source: MAPFRE Economics (based on Federal Reserve data)
Forecast end date: February 12, 2025.

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United States

- **Economic activity is growing at a surprising pace, driven by a fiscal deficit of 7%.**
- **Expansionary fiscal policy has kept the economy strong.**
- **Addressing the deficit and the trajectory of debt are the challenges for the coming years.**
- **Economic growth is projected to be 2.5% in 2025 and 2.0% in 2026.**

markets uneasy with the expectation of fewer interest rate cuts from the Federal Reserve. Likewise, inflation measured by the Personal Consumption Expenditures Price Index (PCE) in December stood at 2.6%. In the Federal Reserve’s January meeting, the Federal Open Market Committee decided not to touch the benchmark interest rate, placing it at a target range of 4.25%-4.50%. The Federal Reserve has also continued to reduce its balance sheet, decreasing its Treasury bond and mortgage-backed securities holdings. It also kept liquidity lines active, such as the Bank Term Funding Program (BTFP), to ensure the stability of the financial system.

The main risks that could negatively affect the U.S. economy in the short term include a rebound of inflation that leads to higher interest rates and the cost of government financing. The fiscal deficit closed 2024 at

6.9% of GDP, and in 2025, it is expected to remain at 6.5%, according to the Congressional Budget Office. The seemingly unsustainable fiscal trajectory may be behind recent rallies in bond yields, even though the Federal Reserve is lowering policy rates. Meanwhile, the new U.S. government administration has announced it will move forward with imposing tariffs on Mexico, Canada, and China, which could drive a trade war or result in concessions by the affected countries. From an internal perspective, although tariffs are negative for medium- and long-term economic efficiency, they could encourage policies that boost short-term economic growth, along with other policies proposed by the new administration, such as the revitalization of investment in oil and gas, corporate tax cuts, and the reduction of regulations.

1.2.2 Eurozone

Low growth in the region reflects the sluggishness of its major economies.

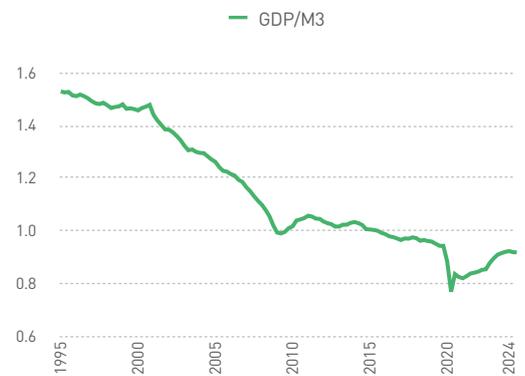
The Eurozone economy experienced growth of 0.9% YoY and 0.1% QoQ in the last quarter of 2024, based on preliminary data that will be subject to review. This confirms the weakness in aggregate growth of the Eurozone, with Germany, France, and Italy showing little momentum. As for the

Chart 1.2.2-a
Eurozone: money supply (M3)
(billions of euros)



Source: MAPFRE Economics (with ECB and Haver data)

Chart 1.2.2-b
Eurozone: velocity of money
(GDP/M3)



Source: MAPFRE Economics (with ECB and Haver data)

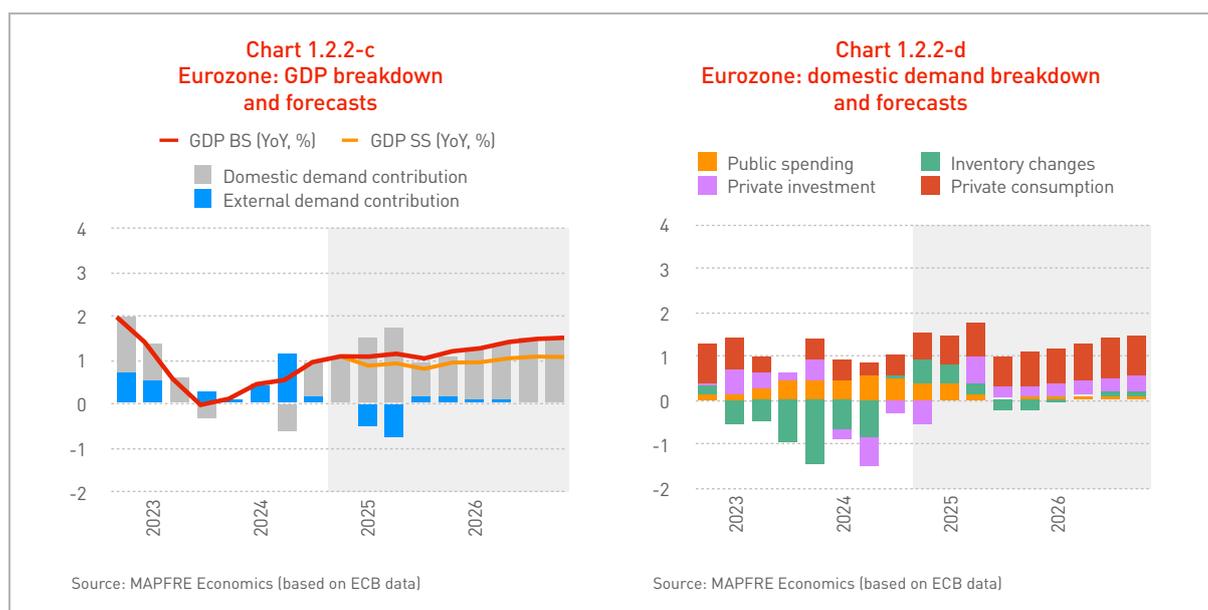


Table 1.2.2
Eurozone: main macroeconomic aggregates

	2020	2021	2022	2023	2024 ^(e)	Baseline (BS)		Stressed (SS)	
						2025 ^(f)	2026 ^(f)	2025 ^(f)	2026 ^(f)
GDP (% YoY)	-6.2	6.3	3.6	0.5	0.8	1.1	1.4	0.9	1.0
Domestic demand contribution	-5.5	4.9	3.7	0.3	0.3	1.2	1.3	1.2	1.1
External demand contribution	-0.6	1.4	-0.1	0.2	0.4	-0.2	0.1	-0.2	0.0
Private consumption contribution	-4.2	2.4	2.5	0.4	0.5	0.7	0.9	0.7	0.7
Total investment contribution	-1.3	0.8	0.5	0.4	-0.4	0.3	0.3	0.3	0.3
Public spending contribution	0.3	1.0	0.2	0.3	0.5	0.2	0.1	0.2	0.1
Private consumption (% YoY)	-7.9	4.7	4.9	0.7	0.9	1.4	1.7	1.4	1.6
Public spending (% YoY)	1.2	4.3	1.1	1.6	2.2	0.7	0.4	0.7	0.4
Total investment (% YoY)	-6.0	3.7	2.2	1.8	-2.0	1.4	1.6	1.4	1.2
Exports (% YoY)	-9.1	11.4	7.5	-0.5	0.9	0.7	1.8	0.7	1.6
Imports (% YoY)	-8.5	8.9	8.5	-1.2	-0.1	1.3	1.9	1.3	1.7
Unemployment rate (% , last quarter)	8.3	7.1	6.7	6.5	6.3	6.4	6.4	6.4	6.4
Inflation (% YoY, average)	0.3	2.6	8.4	5.4	2.4	2.3	1.7	2.5	2.0
Inflation (% YoY, last quarter)	-0.3	4.6	10.0	2.7	2.2	2.3	1.7	2.5	2.0
Fiscal balance (% of GDP)	-7.0	-5.1	-3.5	-3.6	-3.0	-3.0	-2.5	-3.0	-2.6
Primary fiscal balance (% of GDP)	-5.5	-3.7	-1.8	-1.8	-1.2	-1.0	-0.5	-1.0	-0.5
Current account balance (% of GDP)	1.8	2.5	0.0	1.7	2.8	2.3	2.5	2.3	2.4
Official interest rate (end of period)	0.00	0.00	2.50	4.50	3.25	2.00	1.75	2.00	2.00
3-month interest rate (end of period)	-0.55	-0.57	2.13	3.91	2.71	1.77	1.81	1.77	1.77
10-year interest rate (end of period)	-0.19	0.32	3.39	2.79	3.00	3.30	3.27	3.19	3.17
Exchange rate vs. USD (end of period)	1.23	1.13	1.07	1.11	1.04	1.05	1.06	1.04	1.05
Exchange rate vs. EUR (end of period)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Private lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Household lending (% YoY, average)	2.5	4.0	4.4	1.4	0.9	3.7	4.7	3.8	4.6
P.S. non-financial lending (% YoY, average)	5.1	4.1	6.3	2.5	1.5	3.6	3.5	3.6	3.4
P.S. financial lending (% YoY, average)	-4.0	0.8	9.1	1.0	3.9	1.4	1.9	1.3	1.9
Savings rate (% pers. disp. income, avg.)	19.4	17.3	13.6	14.1	15.5	15.3	14.8	15.3	14.8

Source: MAPFRE Economics (based on ECB data)
Forecast end date: February 12, 2025

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Eurozone

- **The transmission of restrictive financial conditions has been strong, slowing down demand.**
- **The Recovery and Resilience Plan has been key to avoiding further deterioration.**
- **Inflation has moderated, but the final stretch to reach the ECB's target remains uncertain.**
- **GDP in the Eurozone is expected to grow by around 1.1% in 2025 and 1.4% in 2026.**

components, with data as of the third quarter of 2024, consumption grew by 1.0% YoY, exports by 1.4% YoY, and public consumption by 2.5% YoY, while imports increased by 1.2% YoY. The composite PMI rose to 50.2 points in January, the manufacturing PMI stood at 46.6, indicating continued contraction in the industrial sector, while the services PMI stabilized at 51.4 points. Consumer confidence, as measured by the European Commission, stood at -14.2 in January, while retail sales rose by 1.2%, and industrial production dropped 1.9% in November. Against this backdrop, the Eurozone economy is expected to grow 1.1% in 2025 and accelerate to 1.4% in 2026 (see Table 1.2.2 and Charts 1.2.2-c and 1.2.2-d).

In terms of inflation, the Consumer Price Index (CPI) increased by 2.5% in January, rising by one tenth of a percent and showing that the final stretch of convergence towards 2% may be more difficult than initially expected. Meanwhile, core inflation, which excludes volatile food and energy prices, was up 2.7% annually. In the last meeting, the European Central Bank (ECB) decided to lower interest rates 25 basis points, placing the deposit rate at 2.75% and the main financial operations rate at 2.90%. The APP and PEPP asset purchase programs will continue to decline at a measured and predictable pace, as they have stopped reinvesting the principal of maturing securities.

The Eurozone economy faces several risks in the short term: industrial slowdown, higher energy costs, and the relocation of companies

outside the European Union due to tax or labor cost reasons. In addition, the concern for sovereign debt levels in the countries of the Eurozone has increased, as reflected in the recent rise in bond yields. According to the ECB's financial stability report, financial market vulnerabilities, such as high valuations and risk concentration, remain significant, making episodes of volatility more likely.

To address these challenges, the Draghi report, *The Future of European Competitiveness* suggests three main areas of action to revive growth: closing the innovation gap, implementing a joint decarbonization plan, and competitiveness. The lack of coordination in industrial policies and the fragmentation of the single market are barriers that prevent Europe from making the most of its strengths. In addition, the tariffs that the new U.S. administration intends to introduce could lead to renegotiation of trade agreements between the European Union and the United States, adding an additional layer of uncertainty and risk for the European economy.

1.2.3 Spain

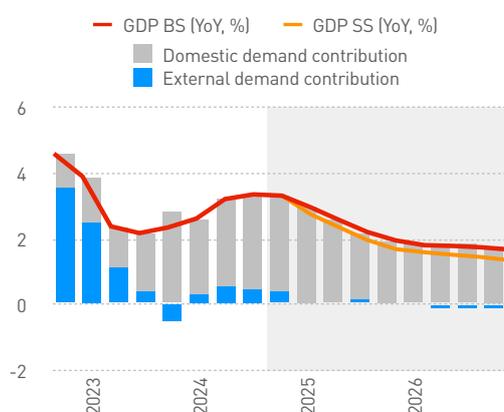
The Spanish economy still stands out in the context of the Eurozone.

In the fourth quarter of 2024, the Spanish economy grew 3.5% YoY, 0.8% QoQ, showing a strength that contrasts with the major Eurozone countries, which present a lack of economic momentum. Private consumption grew by 3.7%, while public consumption grew by 4.9%, and investment by 3.6%. Meanwhile, exports grew by 3.0% and imports increased 3.4%. The latest

Spain

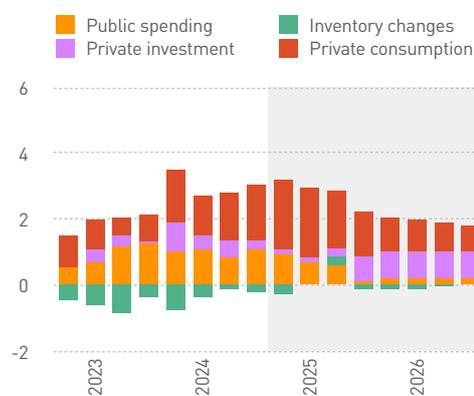
- **Robust private consumption and exports.**
- **Economic activity has withstood the period of financial tightening well.**
- **Inflation is starting to show some resistance to come down further.**
- **The Spanish economy's growth forecast stands at 2.4% for 2025 and 1.7% for 2026.**

Chart 1.2.3-a
Spain: GDP breakdown
and forecasts



Source: MAPFRE Economics (based on INE data)

Chart 1.2.3-b
Spain: domestic demand breakdown
and forecasts



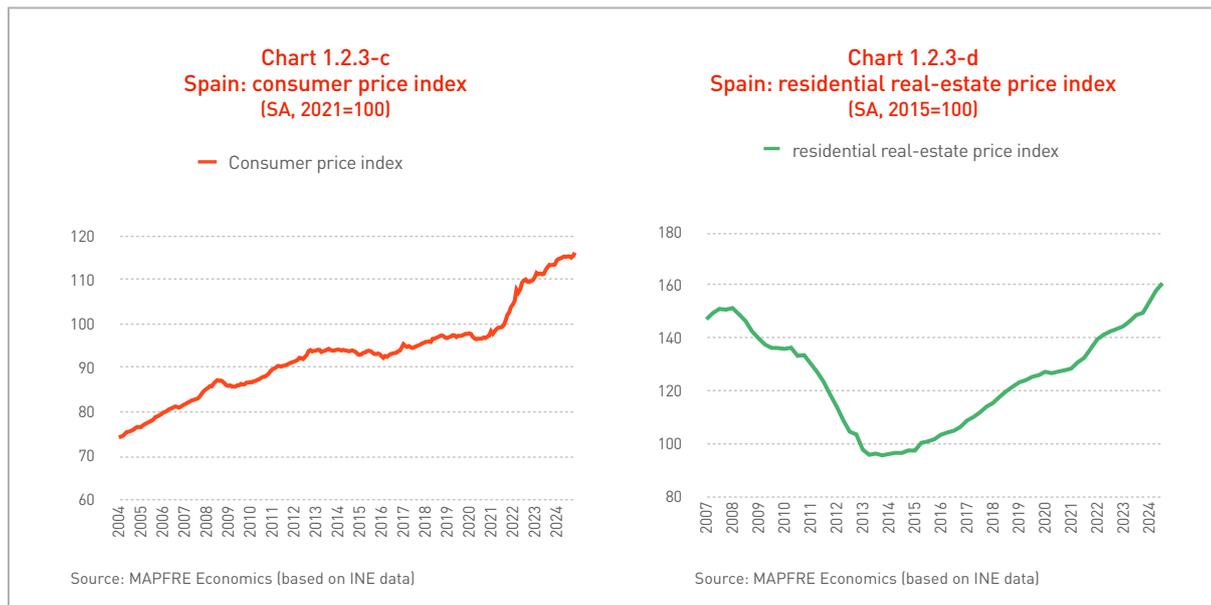
Source: MAPFRE Economics (based on INE data)

Table 1.2.3
Spain: main macroeconomic aggregates

	2020	2021	2022	2023	2024 ^(e)	Baseline (BS)		Stressed (SS)	
						2025 ^(f)	2026 ^(f)	2025 ^(f)	2026 ^(f)
GDP (% YoY)	-10.9	6.7	6.2	2.7	3.1	2.4	1.7	2.2	1.5
Domestic demand contribution	-8.7	6.9	4.0	1.8	2.7	2.4	1.8	2.2	1.6
External demand contribution	-2.2	-0.3	2.2	0.9	0.4	0.0	-0.1	0.0	-0.1
Private consumption contribution	-6.9	4.0	2.7	1.0	1.6	1.6	0.9	1.4	0.8
Total investment contribution	-1.8	0.5	0.6	0.4	0.3	0.5	0.8	0.5	0.7
Public spending contribution	0.7	0.8	0.1	1.0	1.0	0.4	0.2	0.4	0.2
Private consumption (% YoY)	-12.1	7.1	4.8	1.8	2.9	2.9	1.6	2.9	1.4
Public spending (% YoY)	3.5	3.6	0.6	5.2	4.7	1.9	0.8	1.9	0.8
Total investment (% YoY)	-8.9	2.6	3.3	2.1	1.7	2.4	4.3	2.4	3.9
Exports (% YoY)	-20.1	13.4	14.3	2.8	2.8	1.9	1.9	1.9	1.7
Imports (% YoY)	-15.2	15.0	7.7	0.3	1.8	2.1	2.4	2.1	2.2
Unemployment rate (% , last quarter)	16.1	13.4	13.0	11.8	11.3	11.2	11.1	11.2	11.2
Inflation (% YoY, average)	-0.3	3.1	8.4	3.5	2.8	2.5	1.9	2.6	2.1
Inflation (% YoY, last quarter)	-0.7	5.8	6.6	3.3	2.3	2.7	1.9	2.9	2.1
Fiscal balance (% of GDP)	-9.9	-6.7	-4.6	-3.5	-3.3	-3.2	-3.1	-3.2	-3.1
Primary fiscal balance (% of GDP)	-7.6	-4.4	-2.2	-1.1	-0.9	-0.6	-0.5	-0.7	-0.6
Current account balance (% of GDP)	0.8	0.8	0.3	2.7	3.4	3.0	2.9	3.0	2.8
Official interest rate (end of period)	0.00	0.00	2.50	4.50	3.25	2.00	1.75	2.00	2.00
3-month interest rate (end of period)	-0.55	-0.57	2.13	3.91	2.71	1.77	1.81	1.77	1.77
10-year interest rate (end of period)	0.06	0.60	3.66	3.00	3.07	3.51	3.55	3.41	3.46
Exchange rate vs. USD (end of period)	1.23	1.13	1.07	1.11	1.04	1.05	1.06	1.04	1.05
Exchange rate vs. EUR (end of period)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Private lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Household lending (% YoY, average)	-1.0	0.1	0.6	-2.1	-1.4	3.1	3.2	3.1	3.2
P.S. non-financial lending (% YoY, average)	1.8	3.9	1.9	-3.5	1.2	4.1	4.1	4.0	3.7
P.S. financial lending (% YoY, average)	11.0	-0.1	-11.9	-3.2	-1.6	2.6	3.4	2.5	3.3
Savings rate (% pers. disp. income, avg.)	17.8	14.3	9.0	12.0	13.8	12.6	10.8	12.6	10.7

Source: MAPFRE Economics (based on INE data)
Forecast end date: February 12, 2025

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composite PMI for January stood at 54.0 points, the manufacturing PMI at 50.9, and services at 54.9. Retail sales increased 4.0% in December, while industrial production dropped 3.4% YoY in November. Consumer confidence improved by 1 percentage point in November, on a path of recovery since 2022, but remains in negative territory at 80.6 points. Accordingly, the Spanish economy is expected to grow around 2.4% in 2025 and 1.7% in 2026 [see Table 1.2.3 and Charts 1.2.3-a and 1.2.3-b].

Meanwhile, in January 2025, inflation was 3.0% YoY in Spain, with core inflation at 2.4%. By component (in December), food, transportation, and energy increased 1.8%, 0.6%, and 14.6%, respectively. The Spanish economy has shown remarkable resilience in the face of the European slowdown, high energy costs, and financial conditions that, until a few months ago, were tight. The strong performance of service exports (arrival of 93.8 million tourists in 2024, a 10.1% increase) and consumption (solid compared to other countries of the European Union) have been the main drivers of recent growth. Notably, consumer credit grew at an annual rate of 6.9% in 2024. Economic performance and labor market strength, together with debt reduction, have helped the private sector cushion the impact of rising interest rates, although some vulnerabilities

remain. Uncertainty surrounding the outlook remains moderate, with downside risks to growth (due to contagion from other European countries in exports) and upside risks to inflation (due to higher housing costs, credit growth, and wage indexation).

1.2.4 Germany

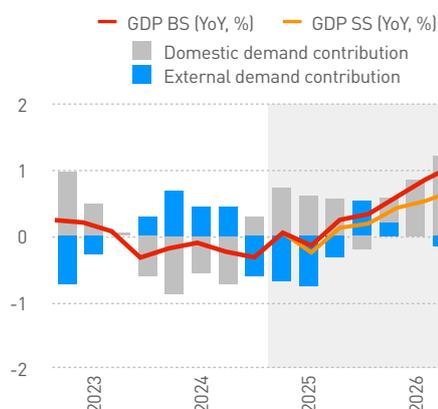
The German economy experiences six quarters of contraction.

The German economy contracted by 0.2% (YoY) and 0.2% (QoQ) in the fourth quarter of 2024, marking six quarters of negative year-on-year growth. The breakdown for the last quarter of the year is not yet available, but in the third quarter, private consumption rose 0.3% (YoY), government consumption grew 0.4%, investment declined by 0.1%, exports

Germany

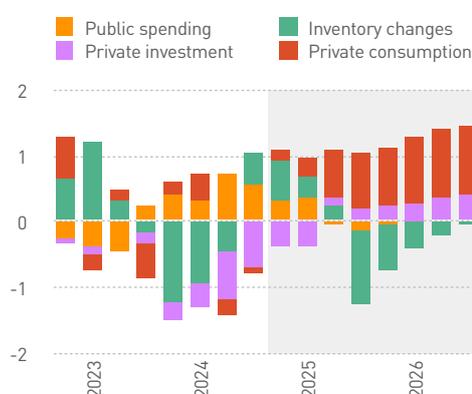
- Industrial production in Germany has been in decline since 2017.
- Tariffs imposed by the United States are cause for uncertainty in 2025.
- The German economy is expected to grow only 0.3% in 2025, but gain momentum in 2026 with 1.1% growth.

Chart 1.2.4-a
Germany: GDP breakdown
and forecasts



Source: MAPFRE Economics (based on DESTATIS data)

Chart 1.2.4-b
Germany: domestic demand breakdown
and forecasts



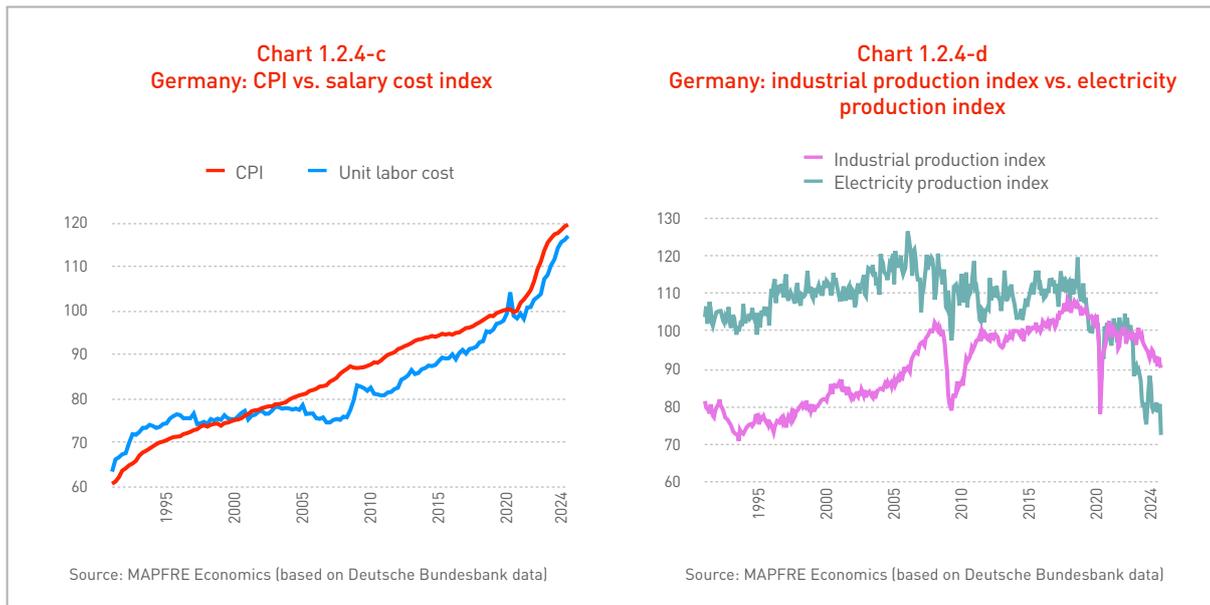
Source: MAPFRE Economics (based on DESTATIS data)

Table 1.2.4
Germany: main macroeconomic aggregates

	2020	2021	2022	2023	2024 ^(e)	Baseline (BS)		Stressed (SS)	
						2025 ^(f)	2026 ^(f)	2025 ^(f)	2026 ^(f)
GDP (% YoY)	-4.5	3.6	1.4	-0.1	-0.2	0.3	1.1	0.1	0.7
Domestic demand contribution	-3.3	2.8	2.7	-0.2	-0.1	0.3	1.2	0.3	0.9
External demand contribution	-1.2	0.8	-1.2	0.2	-0.1	-0.1	-0.2	-0.1	-0.2
Private consumption contribution	-3.7	1.1	2.8	-0.1	0.1	0.7	1.0	0.7	0.8
Total investment contribution	-0.8	0.1	0.0	-0.1	-0.5	0.1	0.3	0.1	0.3
Public spending contribution	1.0	0.8	0.0	0.0	0.5	0.0	0.0	0.0	0.0
Private consumption (% YoY)	-7.0	2.3	5.6	-0.2	0.1	1.3	2.0	1.3	1.9
Public spending (% YoY)	4.9	3.4	0.1	-0.1	2.1	0.1	0.2	0.1	0.2
Total investment (% YoY)	-3.8	0.5	-0.1	-0.7	-2.6	0.3	1.7	0.3	1.3
Exports (% YoY)	-10.3	9.8	3.2	0.2	-0.4	0.3	1.1	0.3	0.9
Imports (% YoY)	-8.7	8.9	7.1	-0.3	-0.3	0.6	1.6	0.6	1.5
Unemployment rate (% , last quarter)	6.1	5.2	5.5	5.8	6.1	6.1	5.5	6.1	5.5
Inflation (% YoY, average)	0.5	3.1	6.9	5.9	2.3	2.2	1.8	2.2	1.9
Inflation (% YoY, last quarter)	-0.1	4.7	8.6	3.5	2.3	1.8	2.0	1.9	2.1
Fiscal balance (% of GDP)	-4.4	-3.2	-2.2	-2.6	-2.5	-1.7	-0.9	-1.7	-1.0
Primary fiscal balance (% of GDP)	-3.7	-2.6	-1.4	-1.7	-1.4	-0.5	0.2	-0.6	0.2
Current account balance (% of GDP)	6.3	7.0	4.4	5.8	6.1	6.0	6.0	6.0	5.9
Official interest rate (end of period)	0.00	0.00	2.50	4.50	3.25	2.00	1.75	2.00	2.00
3-month interest rate (end of period)	-0.55	-0.57	2.13	3.91	2.71	1.77	1.81	1.77	1.77
10-year interest rate (end of period)	-0.58	-0.18	2.57	2.03	2.36	2.68	2.62	2.57	2.52
Exchange rate vs. USD (end of period)	1.23	1.13	1.07	1.11	1.04	1.05	1.06	1.04	1.05
Exchange rate vs. EUR (end of period)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Private lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Household lending (% YoY, average)	3.7	5.2	5.0	1.9	0.6	3.7	5.9	3.7	5.9
P.S. non-financial lending (% YoY, average)	5.1	4.6	8.9	6.2	4.1	4.8	4.7	4.8	4.6
P.S. financial lending (% YoY, average)	10.1	8.7	10.6	5.7	11.6	3.0	3.5	3.0	3.5
Savings rate (% pers. disp. income, avg.)	16.1	14.3	10.4	10.4	11.6	11.6	11.2	11.6	11.1

Source: MAPFRE Economics (based on DESTATIS data)
Forecast end date: February 12, 2025

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fell 1.9%, and imports rose 0.2%. The latest PMI data for January show the composite indicator at 50.1 points, with the manufacturing index improving to 45.0 (still in contraction territory), while services rose to 52.5 points. Retail sales increased 1.1% in December 2024, while industrial production decreased 2.8% YoY in November, down from 2017. Consumer confidence, as measured by the GfK index, stood at -22.4, showing only a slight recovery from the 2022 low of -42.8. Against this backdrop, German GDP will grow only 0.3% in 2025, with recovery around 1.1% in 2026 (see Table 1.2.4 and Charts 1.2.4-a and 1.2.4-b). Meanwhile, inflation in Germany stood at 2.3% in January, and 2.8% excluding the effect of energy prices. Component data for January is not yet available, however in December, food, transportation and energy grew 2.6%, 1.5%, and -0.5%, respectively.

The German economy remains stagnant, which has contributed to political tensions and the decision to hold early general elections on February 23. There is uncertainty as to whether economic recovery will come soon, hence the European Commission's string of reports with investment recommendations. With wage growth outpacing inflation, private consumption is expected to keep the economy afloat. The risks to growth have increased recently in the face of uncertainty over the

application of U.S. tariffs on the European Union, as Germany is a major exporter of automobiles, chemicals, and pharmaceuticals, among other products. Fiscal policy is tight, putting the debt-to-GDP ratio on a downward trajectory, but the flip side of the coin is that public investment is also relatively low, preventing it from acting as a catalyst for growth.

1.2.5 Italy

The Italian economy shows weakness, despite the stimulus of recovery funds.

The Italian economy grew by 0.5% YoY in 2024, although there was no growth compared to the previous quarter. The breakdown by components is not yet available, but in the third quarter, private and public consumption both grew 0.4% YoY,

Italy

- Weakness is observed in all components of economic activity.
- Low inflation is also a symptom of lower demand-side pressures.
- The PMIs point to continued weakness in the short term.
- The Italian economy's growth forecast stands at 0.7% for 2025 and 0.9% for 2026.

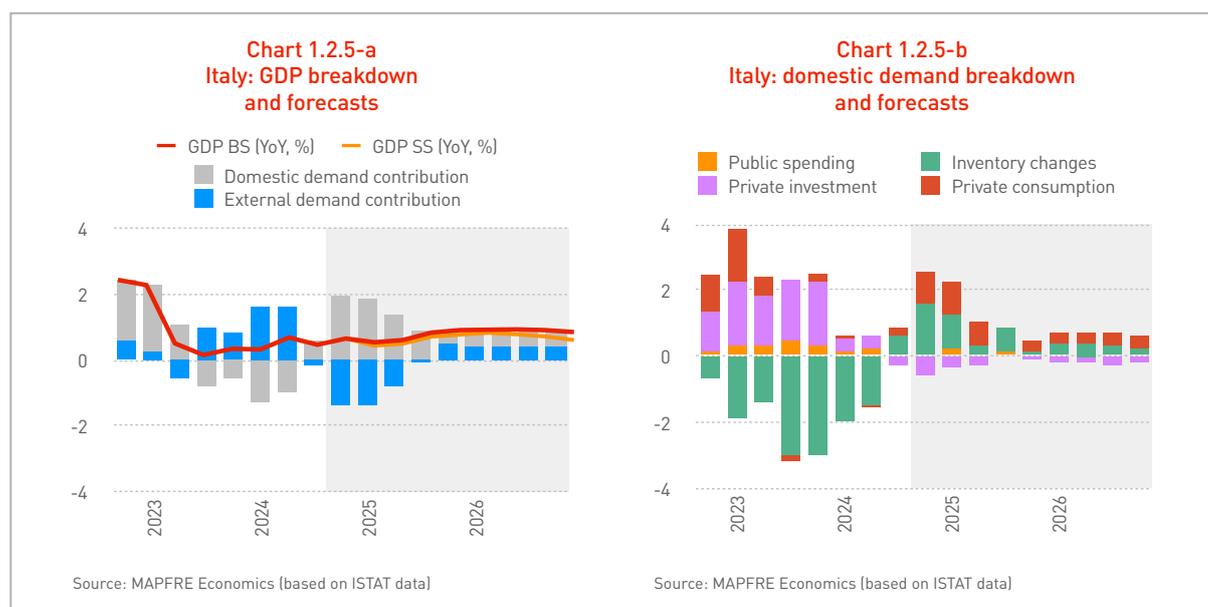
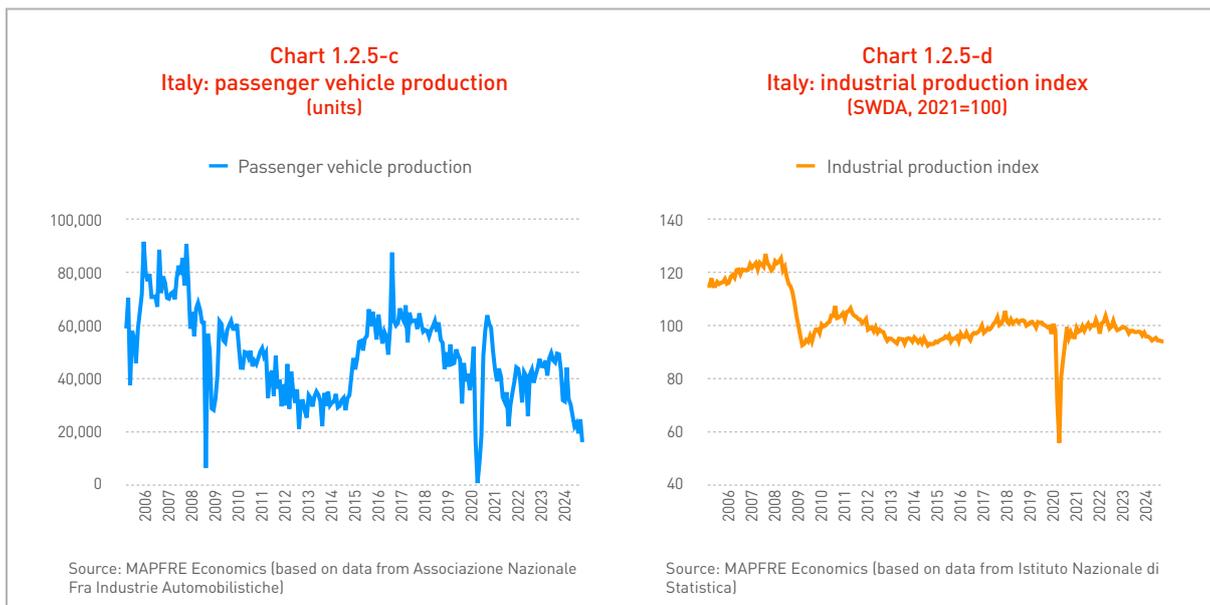


Table 1.2.5
Italy: main macroeconomic aggregates

	2020	2021	2022	2023	2024 ^(e)	Baseline (BS)		Stressed (SS)	
						2025 ^(f)	2026 ^(f)	2025 ^(f)	2026 ^(f)
GDP (% YoY)	-9.0	8.8	4.8	0.8	0.5	0.7	0.9	0.6	0.7
Domestic demand contribution	-8.0	8.8	5.4	0.4	0.1	1.1	0.5	1.1	0.3
External demand contribution	-1.0	0.0	-0.6	0.4	0.4	-0.4	0.4	-0.4	0.4
Private consumption contribution	-6.2	3.4	2.8	0.6	0.3	0.5	0.4	0.5	0.3
Total investment contribution	-1.3	3.9	1.6	1.8	0.0	-0.2	-0.2	-0.2	-0.3
Public spending contribution	0.1	0.5	0.1	0.4	0.1	0.1	0.0	0.1	0.0
Private consumption (% YoY)	-10.6	5.8	5.0	1.0	0.5	0.9	0.6	0.9	0.6
Public spending (% YoY)	0.3	2.3	0.6	1.9	0.6	0.6	0.0	0.6	0.0
Total investment (% YoY)	-7.3	21.5	7.9	8.7	0.0	-0.8	-0.9	-0.8	-1.3
Exports (% YoY)	-14.4	14.2	10.5	1.1	-0.3	0.5	2.0	0.5	1.7
Imports (% YoY)	-13.0	16.0	13.8	0.0	-1.9	2.1	0.8	2.1	0.6
Unemployment rate (% , last quarter)	9.8	9.0	7.9	7.5	6.1	6.7	7.1	6.7	7.1
Inflation (% YoY, average)	-0.1	1.9	8.2	5.6	1.0	1.9	1.7	2.0	1.9
Inflation (% YoY, last quarter)	-0.2	3.5	11.7	1.0	1.2	2.0	1.4	2.2	1.6
Fiscal balance (% of GDP)	-9.4	-8.9	-8.1	-7.2	-3.6	-3.5	-2.9	-3.5	-3.0
Primary fiscal balance (% of GDP)	-6.0	-5.5	-4.0	-3.5	0.3	0.5	1.2	0.5	1.1
Current account balance (% of GDP)	3.8	2.1	-1.7	-0.1	1.1	0.7	1.6	0.7	1.4
Official interest rate (end of period)	0.00	0.00	2.50	4.50	3.25	2.00	1.75	2.00	2.00
3-month interest rate (end of period)	-0.55	-0.57	2.13	3.91	2.71	1.77	1.81	1.77	1.77
10-year interest rate (end of period)	0.52	1.19	4.72	3.69	3.52	4.12	4.29	4.02	4.19
Exchange rate vs. USD (end of period)	1.23	1.13	1.07	1.11	1.04	1.05	1.06	1.04	1.05
Exchange rate vs. EUR (end of period)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Private lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Household lending (% YoY, average)	1.2	3.0	3.4	0.2	-0.5	1.6	2.2	1.7	2.2
P.S. non-financial lending (% YoY, average)	3.8	1.1	2.9	-2.2	-1.9	1.7	3.1	1.6	2.7
P.S. financial lending (% YoY, average)	-10.3	22.7	19.6	3.5	0.6	1.0	0.6	1.0	0.4
Savings rate (% pers. disp. income, avg.)	17.5	15.6	11.2	10.3	11.9	11.4	11.3	11.4	11.3

Source: MAPFRE Economics (based on ISTAT data)
Forecast end date: February 12, 2025

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and investment fell 1.0%, exports 1.0%, and imports 0.6%. The composite PMI in January stood at 49.7 points, manufacturing reached 46.3, and services 50.4 points. Retail sales increased 1.4% in December, while industrial production dropped -1.5% YoY in November. Consumer confidence has been recovering for two years, standing at 98.2. In this general environment, the Italian economy is expected to grow around 0.7% in 2025 and 0.9% in 2026 (see Table 1.2.5 and Charts 1.2.5-a and 1.2.5-b). Meanwhile, in January 2025, inflation was 1.5% YoY in with core inflation at 1.8%. By component, food, transportation and energy increased 2.3%, 1.0% and -0.7%, respectively.

The Italian economy has recovered well from the energy price shock and continues to grow with support from the European Union's recovery funds, while employment has risen alongside real economic activity. Financial conditions have eased slightly but remain tight. Investment is expected to continue to grow under the EU-funded National Recovery and Resilience Plan (NRRP), which largely offsets the drop in residential investment. Italy still needs structural adjustments to moderate the risks of high public debt and make room for increased public investment. To increase productivity, full and timely implementation of the NRRP is needed, with a monitoring

plan for critical public investments in infrastructure, education reform, and improving the business climate.

1.2.6 France

French bond yields reflect concerns over fiscal policy.

In the fourth quarter of 2024, the French economy grew by 0.7% year-on-year (YoY) and decreased marginally by 0.1% quarter-on-quarter. Private consumption grew by 1.1% (YoY), while public consumption grew by 2.1% YoY. Investment also fell by 1.4% (YoY), and exports and imports barely grew, both by 0.4% (YoY). The composite PMI in January stood at 47.6 points, manufacturing climbed to 45.0, and services dropped to 48.2 points. Retail sales fell by 0.8% in December, while industrial production decreased by 1.7% YoY in December, and consumer confidence is recovering with its

France

- The momentum of the French economy shows signs of weakness.
- France maintains a structural fiscal deficit and requires reforms.
- The French economy is expected to grow 0.7% in 2025 and 1.2% in 2026.

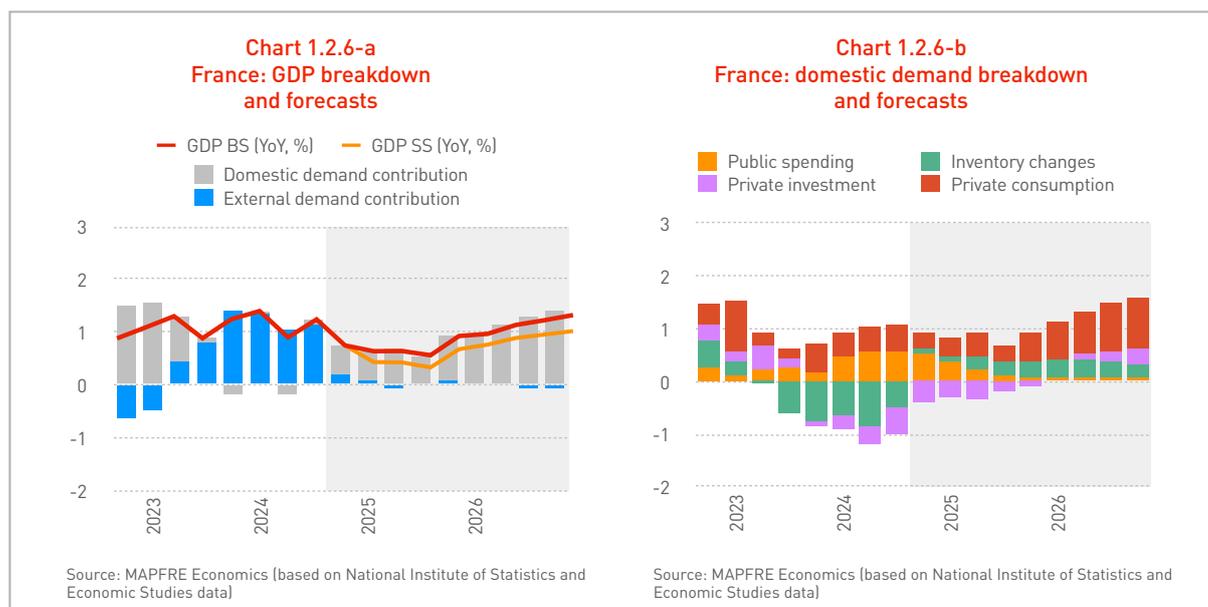
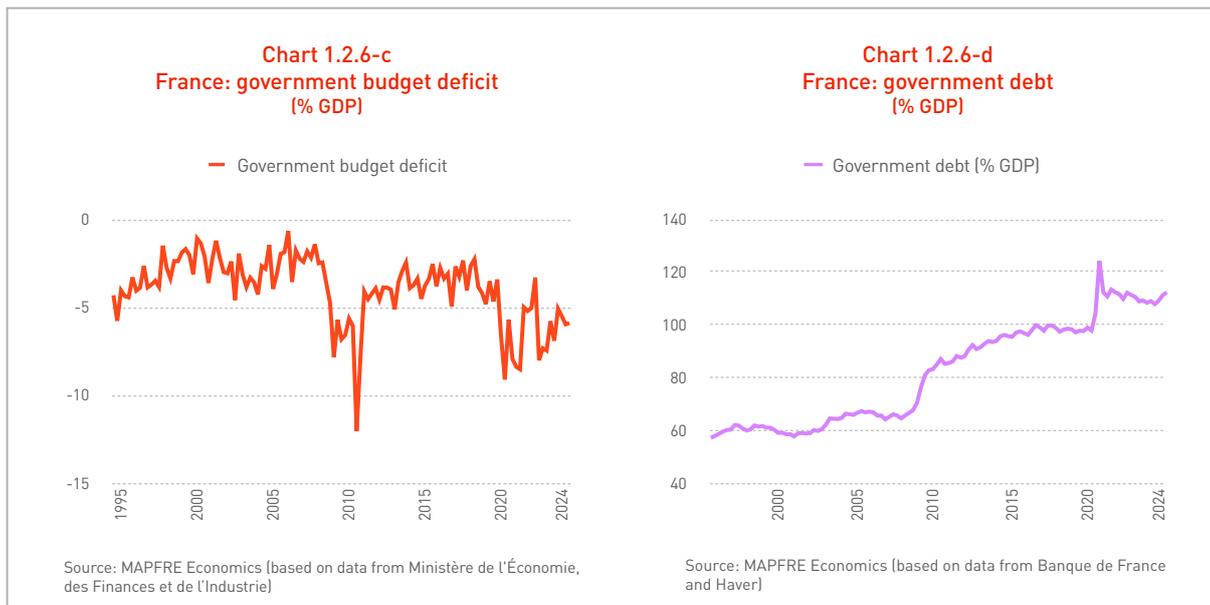


Table 1.2.6
France: main macroeconomic aggregates

	2020	2021	2022	2023	2024 ^(e)	Baseline (BS)		Stressed (SS)	
						2025 ^(f)	2026 ^(f)	2025 ^(f)	2026 ^(f)
GDP (% YoY)	-7.6	6.8	2.6	1.1	1.1	0.7	1.2	0.5	0.9
Domestic demand contribution	-6.3	6.1	2.9	0.6	0.1	0.6	1.2	0.4	0.9
External demand contribution	-1.3	0.7	-0.3	0.5	0.9	0.0	0.0	0.0	0.0
Private consumption contribution	-3.5	2.8	1.7	0.5	0.5	0.4	0.8	0.3	0.5
Total investment contribution	-1.4	2.2	0.0	0.2	-0.4	-0.2	0.2	-0.2	0.1
Public spending contribution	-1.1	1.7	0.7	0.2	0.5	0.2	0.1	0.2	0.1
Private consumption (% YoY)	-6.5	5.3	3.2	0.9	0.9	0.8	1.6	0.8	1.5
Public spending (% YoY)	-4.4	6.6	2.6	0.8	2.1	0.8	0.3	0.8	0.3
Total investment (% YoY)	-6.2	9.6	0.1	0.7	-1.7	-1.0	0.8	-1.0	0.5
Exports (% YoY)	-16.8	11.1	8.4	2.5	1.5	0.5	1.7	0.5	1.5
Imports (% YoY)	-12.6	8.0	9.1	0.7	-1.4	0.4	1.8	0.4	1.7
Unemployment rate (% , last quarter)	7.8	7.2	6.9	7.3	7.3	7.5	7.5	7.6	7.6
Inflation (% YoY, average)	0.5	1.6	5.2	4.9	2.0	1.7	1.8	1.9	2.0
Inflation (% YoY, last quarter)	0.1	2.7	6.1	3.7	1.3	2.2	1.8	2.5	2.0
Fiscal balance (% of GDP)	-8.9	-6.6	-4.7	-5.5	-6.1	-5.9	-5.2	-5.9	-5.2
Primary fiscal balance (% of GDP)	-7.7	-5.2	-2.8	-3.6	-4.0	-3.6	-2.8	-3.6	-2.9
Current account balance (% of GDP)	-2.0	0.3	-1.1	-1.0	-0.2	0.1	0.2	0.0	0.0
Official interest rate (end of period)	0.00	0.00	2.50	4.50	3.25	2.00	1.75	2.00	2.00
3-month interest rate (end of period)	-0.55	-0.57	2.13	3.91	2.71	1.77	1.81	1.77	1.77
10-year interest rate (end of period)	-0.33	0.10	3.02	2.54	3.21	3.58	3.43	3.48	3.34
Exchange rate vs. USD (end of period)	1.23	1.13	1.07	1.11	1.04	1.05	1.06	1.04	1.05
Exchange rate vs. EUR (end of period)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Private lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Household lending (% YoY, average)	4.9	5.4	5.5	2.6	0.5	3.2	3.3	3.2	3.3
P.S. non-financial lending (% YoY, average)	7.5	3.6	7.4	4.5	2.3	5.8	4.1	5.8	4.0
P.S. financial lending (% YoY, average)	9.0	17.0	16.7	2.9	12.3	2.4	3.4	2.4	3.4
Savings rate (% pers. disp. income, avg.)	16.7	15.2	12.8	12.8	13.9	13.8	13.1	13.8	13.0

Source: MAPFRE Economics (based on National Institute of Statistics and Economic Studies data)
Forecast end date: February 12, 2025

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fluctuations from the low point of 2022. Against this backdrop, French GDP growth is expected to be around 0.7% in 2025 and 1.2% in 2026 (see Table 1.2.6 and Charts 1.2.6-a and 1.2.6-b). Meanwhile, in January, inflation was 1.4% YoY, with core inflation at 2.0%. By component (in December), food, transportation and energy increased 0.0%, 1.0% and 1.2%, respectively.

From a short-term risk standpoint, given the uncertainty about France's fiscal trajectory (the budget deficit reached 6.1% of GDP in 2024), an increase in market tensions on sovereign bonds remains a significant risk. If this episode is driven by concerns about France's fiscal position, the ECB is likely to be reluctant to calm such tensions through the TPI (Transmission Protection Instrument). The impact of tightening financial conditions on economic growth could therefore be quite severe. Additionally, France is navigating a complex political phase. The government has managed to progress toward budget approval and avoid an immediate crisis. However, significant challenges, such as pension reform and immigration policies, remain on the government's agenda.

1.2.7 Portugal

A soft landing remains the central scenario for the Portuguese economy.

Portugal's GDP grew by 2.7% YoY and 1.5% QoQ in the fourth quarter of 2024. A breakdown by components (as of Q3) shows that household consumption grew 2.5% and government consumption by 1.0%. Exports rose 5.3%, and imports increased 7.0%. The current account balance remains positive, reflecting stability in international transactions. Portugal's January Economic Sentiment Survey (INE) indicates an improvement from Q3, likely linked to easing financial conditions. Consumer confidence remains negative (-15.2), but has improved from the 2022 low point. Industrial production is

Portugal

- Economic growth should improve as financial conditions ease.
- Inflation should continue to slow down, but the problem is that real wages need to recover their purchasing power.
- Long-term risks include population aging and low levels of investment.
- Portugal's economy is expected to grow by 1.8% in 2025 and 2.1% in 2026.

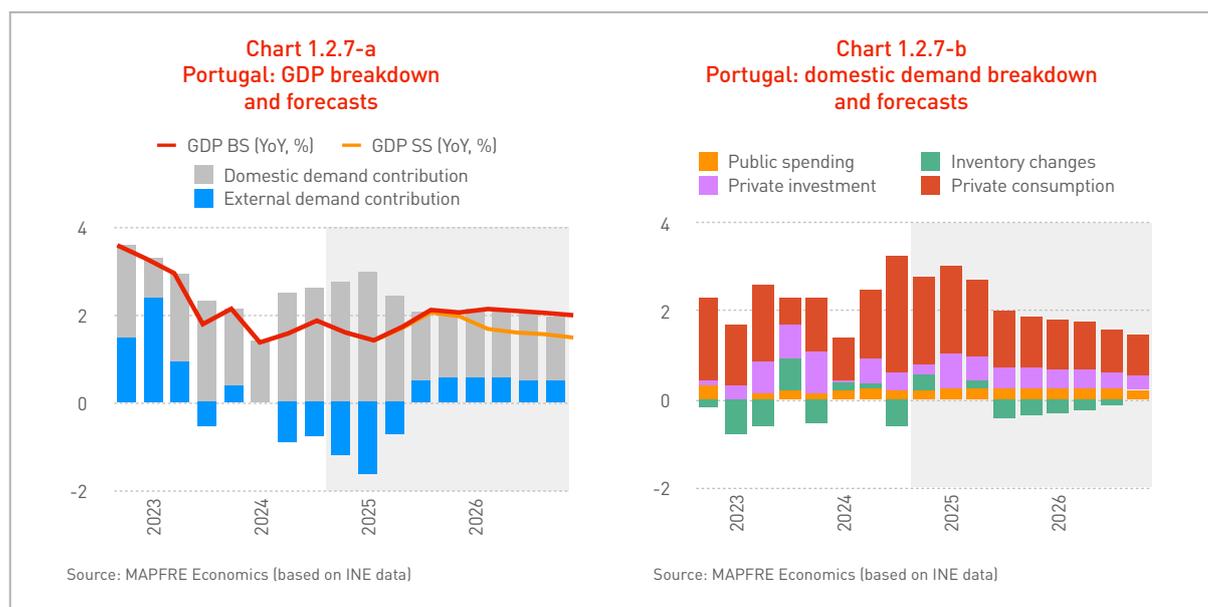


Table 1.2.7
Portugal: main macroeconomic aggregates

	2020	2021	2022	2023	2024 ^(e)	Baseline (BS)		Stressed (SS)	
						2025 ^(f)	2026 ^(f)	2025 ^(f)	2026 ^(f)
GDP (% YoY)	-8.2	5.6	7.0	2.5	1.6	1.8	2.1	1.8	1.6
Domestic demand contribution	-5.2	6.0	4.9	1.7	2.3	2.1	1.5	2.1	1.3
External demand contribution	-3.1	-0.4	2.1	0.8	-0.7	-0.3	0.5	-0.3	0.3
Private consumption contribution	-4.2	3.1	3.5	1.2	1.8	1.5	1.0	1.5	0.9
Total investment contribution	-0.4	1.6	0.7	0.7	0.3	0.6	0.4	0.6	0.3
Public spending contribution	0.1	0.7	0.3	0.1	0.2	0.2	0.2	0.2	0.2
Private consumption (% YoY)	-6.8	4.9	5.6	2.0	2.9	2.4	1.6	2.4	1.5
Public spending (% YoY)	0.4	3.8	1.7	0.6	1.1	1.4	1.3	1.4	1.3
Total investment (% YoY)	-2.3	7.8	3.3	3.6	1.6	2.8	2.0	2.8	1.6
Exports (% YoY)	-18.3	12.0	17.2	3.5	3.5	1.7	1.9	1.6	1.7
Imports (% YoY)	-11.6	12.3	11.3	1.7	5.1	2.3	0.7	2.3	0.5
Unemployment rate (% , last quarter)	7.3	6.3	6.5	6.5	6.4	6.5	6.5	6.5	6.5
Inflation (% YoY, average)	0.0	1.3	7.8	4.3	2.4	2.1	1.9	1.9	1.8
Inflation (% YoY, last quarter)	-0.1	2.4	9.9	1.7	2.6	2.1	1.8	1.9	1.7
Fiscal balance (% of GDP)	-5.8	-2.8	-0.3	1.2	1.7	0.7	0.1	0.7	-0.1
Primary fiscal balance (% of GDP)	-2.9	-0.5	1.6	3.3	3.9	3.0	2.3	3.0	2.1
Current account balance (% of GDP)	-0.7	-0.7	-1.9	0.5	2.3	0.9	1.0	0.9	0.8
Official interest rate (end of period)	0.00	0.00	2.50	4.50	3.25	2.00	1.75	2.00	2.00
3-month interest rate (end of period)	-0.55	-0.57	2.13	3.91	2.71	1.77	1.81	1.77	1.77
10-year interest rate (end of period)	0.06	0.49	3.59	2.80	2.85	3.26	3.24	3.16	3.15
Exchange rate vs. USD (end of period)	1.23	1.13	1.07	1.11	1.04	1.05	1.06	1.04	1.05
Exchange rate vs. EUR (end of period)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Private lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Household lending (% YoY, average)	1.8	3.1	4.0	0.0	1.7	6.3	6.3	6.3	6.2
P.S. non-financial lending (% YoY, average)	0.2	1.3	0.8	-1.9	0.2	4.2	4.6	4.1	4.2
P.S. financial lending (% YoY, average)	-13.0	-1.9	5.3	-4.8	22.7	11.2	9.7	11.1	9.3
Savings rate (% pers. disp. income, avg.)	12.1	11.0	7.3	8.0	11.6	11.9	11.8	11.9	11.8

Source: MAPFRE Economics (based on INE data)
Forecast end date: February 12, 2025

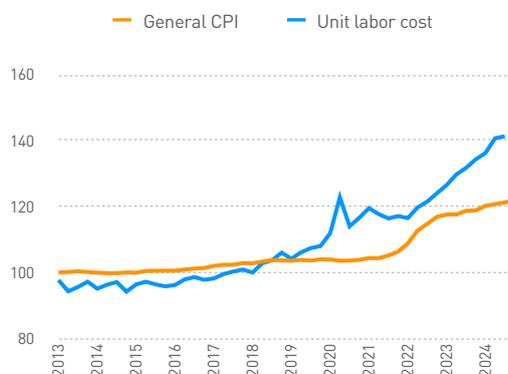
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Chart 1.2.7-c
Portugal: residential real-estate price index



Source: MAPFRE Economics (based on data from National Statistics Institute and Haver)

Chart 1.2.7-d
Portugal: general CPI vs unit labor cost



Source: MAPFRE Economics (based on data from National Statistics Institute and Haver)

down (-4.9%), and retail sales suggest that the Portuguese economy should remain resilient in the coming quarters. Based on these trends, Portuguese GDP is expected to grow around 1.8% in 2025 and 2.1% in 2026 (see Table 1.2.7 and Charts 1.2.7-a and 1.2.7-b). In January, inflation stood at 2.5%, down from 3.0% the previous month; core inflation, which excludes food and energy prices, stood at 2.6% (down from 2.8% in December).

Portugal faces long-term structural challenges, including an aging population and low investment levels, which have constrained productivity growth. A new government was formed in April 2024 following early elections, but its lack of a parliamentary majority could hinder policymaking and increase uncertainty. Meanwhile, upside risks to inflation may come from more-persistent-than expected core inflation, especially if wage growth continues to outpace productivity growth. Slow implementation of the Recovery and Resilience Plan (RRP) could lead to lower growth in the medium term. Conversely, a faster-than-expected easing of financial conditions, with inflation declining more rapidly toward target, could boost private consumption and investment. Labor market resilience and tourism momentum are also mitigating downside risks.

1.2.8 United Kingdom

The economy had limited growth due to a still-restrictive monetary policy.

With data through the third quarter of 2024, the UK economy grew by 0.9% year-on-year and 0.0% quarter-on-quarter. Private consumption grew by 1.5% (YoY), while public consumption grew by 0.9%, and fixed investment improved by 3.9%. Meanwhile, exports dropped by 1.0%, while imports increased 2.8%. The latest composite PMI in January stood at 50.6 points, manufacturing at 48.3, and services at 50.8 points, with a slight decline. Retail sales increased 3.6% in December, while industrial production dropped 1.8% YoY in November. Consumer confidence turned downward again in January (-22). In this context, the UK GDP is

United Kingdom

- Retail sales contracted 3.6% in December.
- The Bank of England has cut interest rates 25 basis points to 4.50%.
- Inflation has rebounded to 2.5% since the low point of 1.7% in September.
- The economic growth forecast for the UK stands at 1.4% for 2025 and 1.3% for 2026.

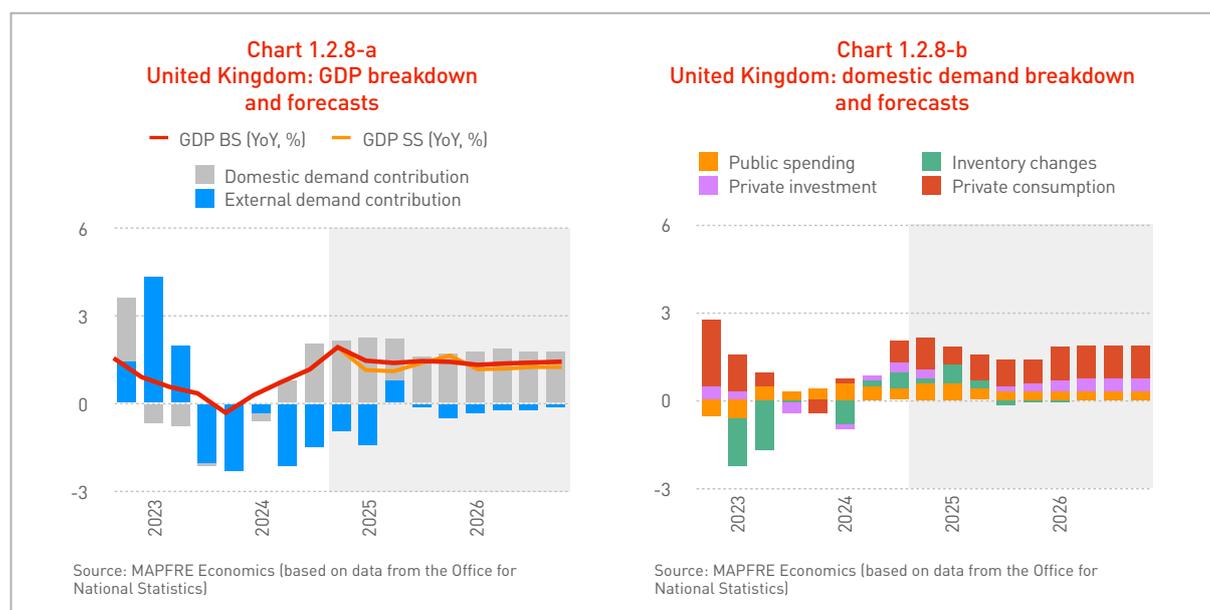
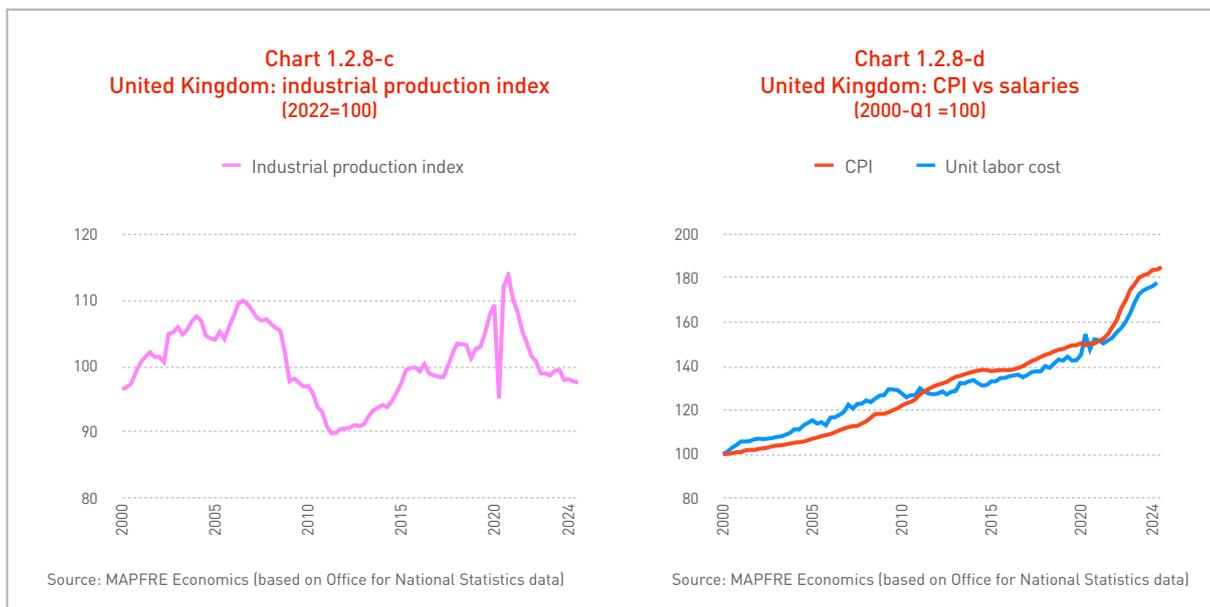


Table 1.2.8
United Kingdom: main macroeconomic aggregates

	2020	2021	2022	2023	2024 ^(e)	Baseline (BS)		Stressed (SS)	
						2025 ^(f)	2026 ^(f)	2025 ^(f)	2026 ^(f)
GDP (% YoY)	-10.3	8.6	4.8	0.4	0.8	1.4	1.3	1.3	1.2
Domestic demand contribution	-11.1	8.5	6.1	-0.4	1.1	1.8	1.6	1.6	1.2
External demand contribution	1.8	-0.9	-0.3	0.5	-1.2	-0.3	-0.1	-0.2	-0.1
Private consumption contribution	-8.1	4.2	4.3	0.3	0.6	0.8	0.8	0.7	0.6
Total investment contribution	-1.7	1.4	0.9	0.1	0.2	0.1	0.6	0.0	0.4
Public spending contribution	-1.3	2.9	0.1	0.2	0.4	0.5	0.3	0.5	0.3
Private consumption (% YoY)	-13.0	7.0	7.3	0.4	1.0	1.2	1.3	1.2	1.2
Public spending (% YoY)	-6.8	14.3	0.6	1.0	2.1	2.6	1.6	2.6	1.6
Total investment (% YoY)	-9.7	7.6	5.1	0.3	1.1	0.0	3.1	0.0	2.8
Exports (% YoY)	-11.8	3.2	12.6	-3.2	-2.2	0.0	1.3	-0.1	1.2
Imports (% YoY)	-15.9	5.8	13.0	-4.5	1.3	1.5	1.5	1.4	1.3
Unemployment rate (% , last quarter)	5.3	4.2	3.9	3.8	4.4	4.3	4.0	4.4	4.4
Inflation (% YoY, average)	0.9	2.6	9.1	7.3	2.6	2.6	2.3	2.7	2.6
Inflation (% YoY, last quarter)	0.6	4.9	10.8	4.2	2.3	2.7	2.1	2.9	2.2
Fiscal balance (% of GDP)	-13.0	-7.8	-4.6	-6.0	-5.5	-3.3	-2.7	-3.3	-2.7
Primary fiscal balance (% of GDP)	-11.0	-5.0	0.3	-1.3	-1.2	1.1	1.4	1.1	1.4
Current account balance (% of GDP)	-3.0	-0.4	-2.3	-2.2	-2.6	-2.9	-2.8	-2.9	-2.9
Official interest rate (end of period)	0.00	0.25	3.50	5.25	4.75	3.75	3.25	3.75	3.50
3-month interest rate (end of period)	0.03	0.26	3.87	5.32	4.68	3.72	2.76	3.74	3.12
10-year interest rate (end of period)	0.20	0.97	3.67	3.54	3.92	3.70	3.26	4.38	4.00
Exchange rate vs. USD (end of period)	1.36	1.35	1.20	1.27	1.31	1.32	1.32	1.24	1.25
Exchange rate vs. EUR (end of period)	1.11	1.19	1.13	1.15	1.19	1.18	1.18	1.19	1.19
Private lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Household lending (% YoY, average)	2.5	3.2	3.0	2.5	2.3	3.4	3.8	3.5	3.6
P.S. non-financial lending (% YoY, average)	10.2	0.5	1.1	3.3	0.4	3.5	3.8	2.6	3.8
P.S. financial lending (% YoY, average)	11.7	-1.5	10.6	3.6	4.8	3.1	4.2	4.7	4.5
Savings rate (% pers. disp. income, avg.)	16.8	12.8	6.1	7.3	9.2	8.9	8.6	8.9	8.4

Source: MAPFRE Economics (based on data from the Office for National Statistics)
Forecast end date: February 12, 2025

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expected to grow 1.4% in 2025 and around 1.3% in 2026 (see Table 1.2.8 and Charts 1.2.8-a and 1.2.8-b).

Meanwhile, inflation was 2.5% in December, with core inflation at 3.2%. By component, food, transportation and energy increased 2.0%, -0.6% and -6.8 respectively. At its last meeting in February, the Bank of England decided to lower the interest rate by 25 basis points to 4.50%. The bank said the rise in inflation is mainly due to higher-than-expected energy prices, as well as the increase in public transportation.

The UK economy could be stagnating, following a mild technical recession in 2023. Inflation has fallen rapidly from double-digit levels in 2023, in a context of declining energy prices and tight policies. Assuming that wage and service inflation continues to moderate from its current high levels, headline inflation is expected to return to target in a sustained manner in 2025.

1.2.9 Japan

Weak growth and exchange rate under pressure.

In the third quarter of 2024, the Japanese economy grew 0.5% YoY (not seasonally adjusted) and 0.3% QoQ (adjusted). Private

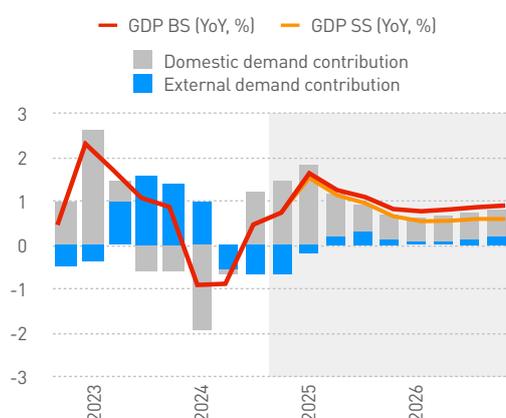
consumption grew by 1.4% YoY, driven by healthy household consumption, while public consumption grew by 1.2% YoY. Investment was up 2.6%, mainly in infrastructure and technology projects, and residential investment dropped 2.0%, while exports increased 1.2% YoY, benefiting from the weak yen. In January, the composite PMI stood at 51.1 points, the manufacturing PMI dropped to 48.7, and services rose to 53.0. Other indicators, such as retail sales (in December), grew 3.5% YoY, while industrial production dropped 2.8% YoY. In this general environment, Japan's economy is expected to grow 1.2% in 2025 and around 0.8% in 2026 (see Table 1.2.9 and Charts 1.2.9-a and 1.2.9-b).

The latest inflation figures for January (for the city of Tokyo) stood at 3.4% YoY, and at 3.6% nationally (December). The components that contributed most to the increase were

Japan

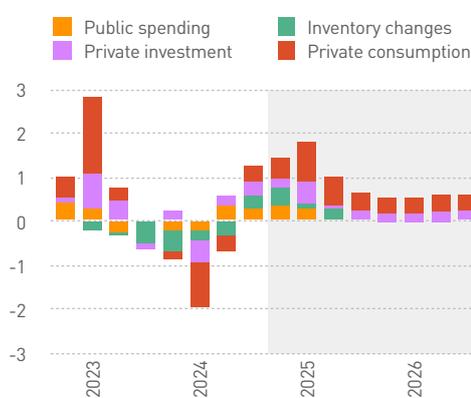
- The weakness of the yen is a cause for concern due to the effects it may have on inflation; however, this benefits exports and tourism.
- The Bank of Japan has intervened three times to defend exchange rate stability.
- Japan's GDP is expected to grow by around 1.2% in 2025 and 0.8% in 2026.

Chart 1.2.9-a
Japan: GDP breakdown
and forecasts



Source: MAPFRE Economics (based on Statistics Bureau data)

Chart 1.2.9-b
Japan: domestic demand breakdown
and forecasts



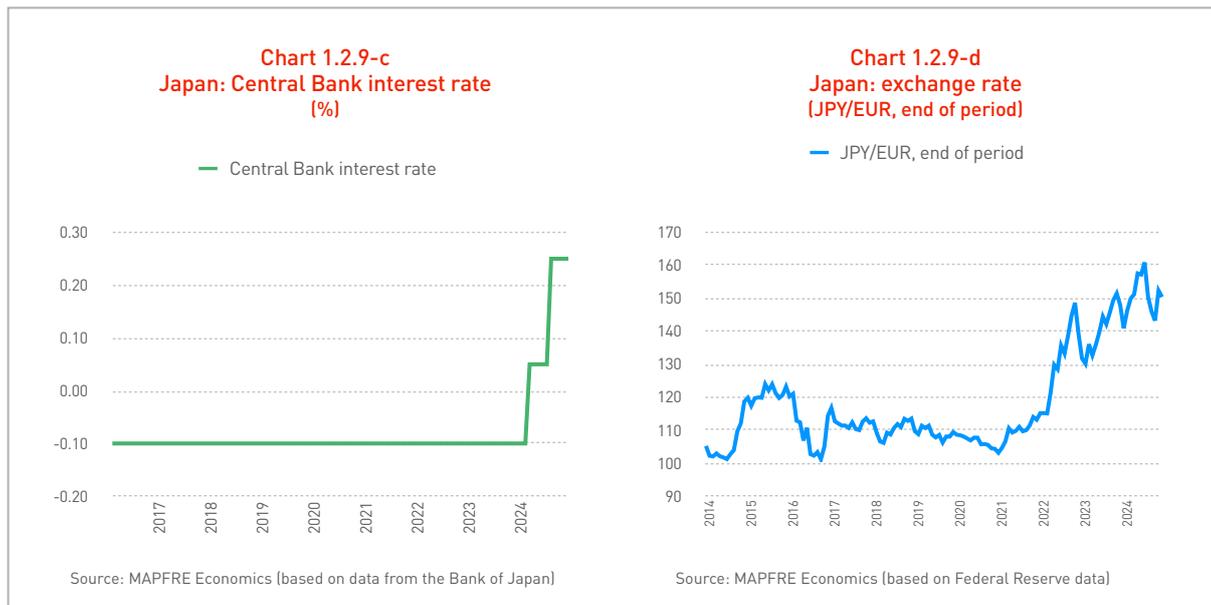
Source: MAPFRE Economics (based on Statistics Bureau data)

Table 1.2.9
Japan: main macroeconomic aggregates

	2020	2021	2022	2023	2024 ^(e)	Baseline (BS)		Stressed (SS)	
						2025 ^(f)	2026 ^(f)	2025 ^(f)	2026 ^(f)
GDP (% YoY)	-4.2	2.8	0.9	1.5	-0.2	1.2	0.8	1.1	0.6
Domestic demand contribution	-3.3	1.8	1.4	0.5	0.2	1.0	0.6	1.0	0.5
External demand contribution	-0.9	1.1	-0.5	0.9	-0.2	0.1	0.1	0.1	0.1
Private consumption contribution	-2.4	0.4	1.1	0.5	-0.1	0.6	0.4	0.6	0.3
Total investment contribution	-0.9	0.2	-0.1	0.3	0.1	0.2	0.2	0.2	0.1
Public spending contribution	0.5	0.7	0.3	-0.1	0.2	0.1	0.0	0.1	0.0
Private consumption (% YoY)	-4.5	0.8	2.0	0.8	-0.3	1.1	0.7	1.1	0.6
Public spending (% YoY)	2.4	3.4	1.4	-0.3	0.9	0.4	0.0	0.4	0.0
Total investment (% YoY)	-3.7	0.6	-0.5	1.4	0.3	0.8	0.8	0.8	0.5
Exports (% YoY)	-11.8	12.1	5.6	3.0	0.7	1.6	0.7	1.6	0.3
Imports (% YoY)	-6.8	5.2	8.3	-1.5	1.8	1.1	0.2	1.1	-0.1
Unemployment rate (% , last quarter)	3.1	2.7	2.5	2.5	2.3	2.2	2.3	2.2	2.3
Inflation (% YoY, average)	0.0	-0.2	2.5	3.3	2.6	2.0	1.8	2.0	1.9
Inflation (% YoY, last quarter)	-0.9	0.5	3.9	2.9	2.5	1.9	1.8	2.0	2.0
Fiscal balance (% of GDP)	-9.1	-6.2	-4.2	-4.0	-3.7	-3.5	-3.4	-3.5	-3.3
Primary fiscal balance (% of GDP)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Current account balance (% of GDP)	2.9	3.8	1.9	3.8	4.6	4.4	4.2	4.4	4.1
Official interest rate (end of period)	0.00	0.00	0.00	0.00	0.25	0.75	1.00	0.75	1.00
3-month interest rate (end of period)	0.08	0.07	0.06	0.08	0.62	0.82	1.06	0.82	0.78
10-year interest rate (end of period)	0.04	0.09	0.45	0.65	1.11	1.66	1.66	1.58	1.53
Exchange rate vs. USD (end of period)	103.54	115.00	132.65	141.91	156.65	153.95	147.23	156.10	149.15
Exchange rate vs. EUR (end of period)	127.05	130.25	141.48	156.81	162.74	161.65	155.52	162.10	156.43
Private lending (% YoY, average)	5.5	3.6	2.8	4.4	3.7	0.0	0.4	0.0	0.4
Household lending (% YoY, average)	3.1	3.7	1.8	2.1	2.4	-0.3	-0.6	-0.3	-0.5
P.S. non-financial lending (% YoY, average)	8.2	3.6	2.8	3.4	2.3	-1.8	-0.8	-1.8	-0.8
P.S. financial lending (% YoY, average)	16.7	7.1	7.7	5.2	8.8	-2.8	-1.9	-2.8	-1.9
Savings rate (% pers. disp. income, avg.)	11.3	7.2	4.0	3.3	2.7	2.2	2.1	2.1	2.0

Source: MAPFRE Economics (based on Statistics Bureau data)
Forecast end date: February 12, 2025

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electricity (4.0%), gas (3.5%), and food (3.5%) prices. Meanwhile, core inflation stood at 2.3% YoY, mainly influenced by the prices of services and housing costs. At its January meeting, the Bank of Japan decided to raise interest rates by 0.25 percentage points to 0.50%, citing the need to support economic growth while controlling inflation. Interest rates, with inflation above 3.0%, remain deeply negative in real terms. With recent rate hikes and the intention to raise rates further, there is a risk to global investment flows as the appeal of the carry trade is partly eroded. Similarly, the Japanese government has implemented measures to defend the exchange rate, such as intervening in the currency market, carrying out three interventions in 2024 totaling 35 billion dollars.

Short-term risks to Japan's economic growth include a slowdown in the global economy and deeper geo-economic fragmentation. Domestically, the main downside risks are weak consumption linked to the negative growth of real wages, as well as a more acute labor shortage that could limit activity and hinder a return to a lower inflation environment. The Japanese financial system has withstood a series of shocks, but faces several challenges. The main risks to macro-financial stability in the current context stem from three key

vulnerabilities: the significant holdings of securities by financial institutions, notable foreign currency exposures of some banks, and signs of overheating in segments of the real estate market.

1.2.10 Turkey

Economic growth is moderating due to monetary tightening.

In the third quarter of 2024, the Turkish economy grew 2.1% YoY and contracted 0.2% QoQ. Private consumption increased 3.5% YoY, while public consumption remained stable with 2.0% YoY growth. Investment was up 5.0% YoY, driven by the construction sector and recovery of the tourism sector, while exports increased 1.5% YoY, benefiting from the weakness of the Turkish lira. In

Turkey

- Tighter financial conditions are weighing on domestic demand.
- Inflation has moderated to below 45%.
- The Central Bank of Turkey lowered interest rates by 250 basis points to 45%.
- The Turkish economy's growth forecast stands at 2.6% for 2025 and 3.3% for 2026.

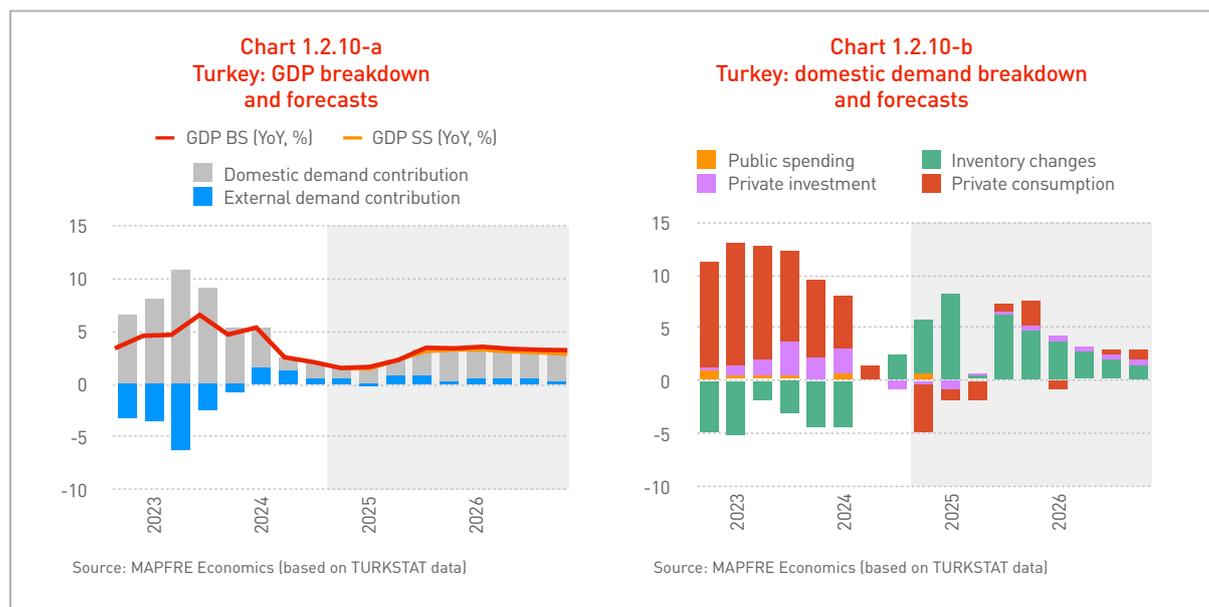
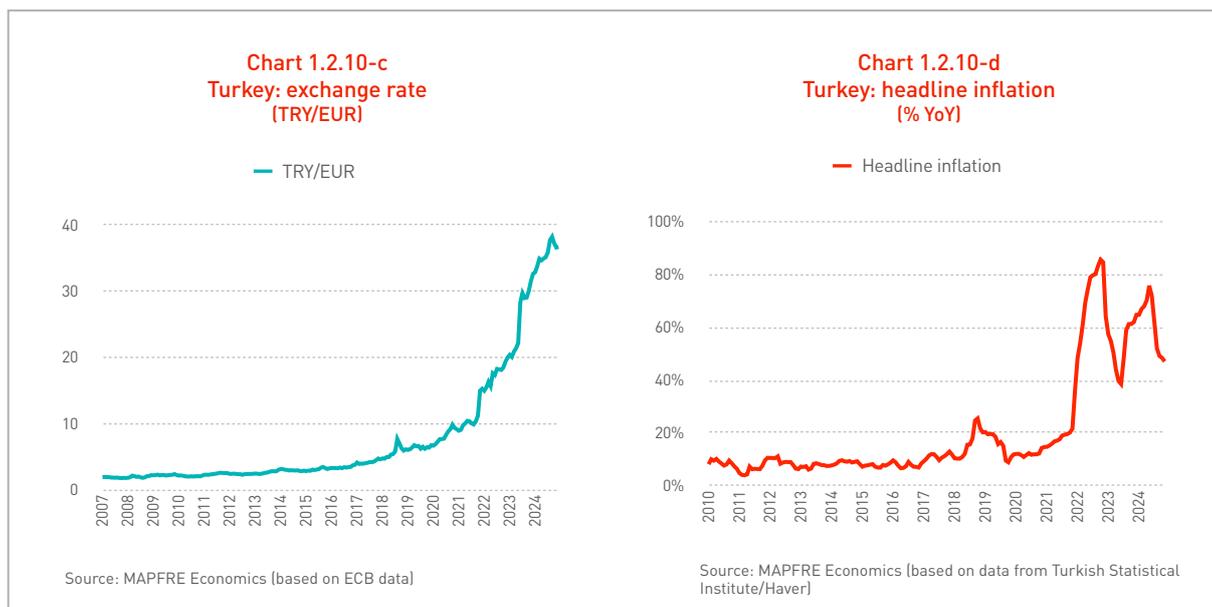


Table 1.2.10
Turkey: main macroeconomic aggregates

	2020	2021	2022	2023	2024 ^(e)	Baseline (BS)		Stressed (SS)	
						2025 ^(f)	2026 ^(f)	2025 ^(f)	2026 ^(f)
GDP (% YoY)	1.9	11.4	5.5	5.1	2.7	2.6	3.3	2.5	3.0
Domestic demand contribution	7.0	6.4	4.8	8.2	0.8	2.3	2.9	1.7	2.1
External demand contribution	-5.2	5.0	0.7	-3.1	1.8	0.3	0.4	0.8	0.9
Private consumption contribution	1.9	9.2	11.7	9.5	1.6	0.1	0.2	-1.3	0.3
Total investment contribution	1.8	1.9	0.3	2.0	0.6	0.1	0.2	0.1	0.1
Public spending contribution	0.3	0.4	0.6	0.3	0.2	0.2	0.2	0.2	0.2
Private consumption (% YoY)	3.2	15.4	18.9	13.6	2.2	-5.4	-2.0	-5.4	-2.3
Public spending (% YoY)	2.2	3.0	4.2	2.4	1.2	1.5	1.8	1.5	1.8
Total investment (% YoY)	7.3	7.2	1.3	8.4	2.3	0.4	0.8	0.4	0.3
Exports (% YoY)	-14.6	25.1	9.9	-2.8	2.6	2.2	2.5	2.2	2.6
Imports (% YoY)	6.8	1.7	8.6	11.8	-5.7	2.8	3.3	2.8	2.8
Unemployment rate (% , last quarter)	12.9	11.0	10.1	8.6	9.6	9.7	9.6	9.8	9.8
Inflation (% YoY, average)	12.3	19.6	72.3	53.9	58.5	31.8	18.8	35.0	20.0
Inflation (% YoY, last quarter)	13.5	25.8	77.4	62.7	45.6	21.6	13.8	29.7	17.0
Fiscal balance (% of GDP)	-3.5	-2.8	-0.9	-5.2	-3.9	-2.7	-2.1	-2.7	-2.0
Primary fiscal balance (% of GDP)	-0.9	-0.3	1.1	-2.7	-0.8	-0.2	-0.4	-0.2	-0.4
Current account balance (% of GDP)	-4.3	-0.8	-5.2	-3.7	-0.8	-1.8	-1.3	-1.8	-1.3
Official interest rate (end of period)	17.00	14.00	9.00	42.50	50.00	27.50	19.00	30.00	22.00
3-month interest rate (end of period)	17.25	16.32	10.35	44.97	51.50	30.33	19.50	30.66	19.62
10-year interest rate (end of period)	12.51	22.99	9.50	23.65	24.40	18.56	14.01	21.14	16.00
Exchange rate vs. USD (end of period)	7.44	13.32	18.69	29.48	36.00	38.72	41.24	41.52	45.27
Exchange rate vs. EUR (end of period)	9.11	15.23	19.96	32.65	39.60	43.21	46.30	43.12	47.48
Private lending (% YoY, average)	30.1	23.9	54.8	57.6	41.0	16.2	10.7	17.6	11.2
Household lending (% YoY, average)	41.8	20.3	28.8	50.1	25.4	12.9	10.7	19.9	10.5
P.S. non-financial lending (% YoY, average)	29.0	23.2	56.3	55.6	113.3	86.6	16.3	138.3	16.8
P.S. financial lending (% YoY, average)	21.1	31.6	105.5	77.0	66.3	21.4	15.8	24.7	19.0
Savings rate (% pers. disp. income, avg.)	20.5	22.2	10.0	20.7	30.9	24.3	21.0	26.2	23.0

Source: MAPFRE Economics (based on TURKSTAT data)
Forecast end date: February 12, 2025

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January, the manufacturing PMI stood at 48.0 points, indicating a contraction in the sector's activity, while retail sales grew 16% YoY, and industrial production grew 0.8% YoY. Consumer confidence remains stable at around 81 points. Against this backdrop, the forecast for the Turkish economy stands at 2.6% for 2025 and 3.3% for 2026 (see Table 1.2.10 and Charts 1.2.10-a and 1.2.10-b).

The latest inflation data for January shows moderating, but still high, inflation of 44.1% YoY. Meanwhile, core inflation, which excludes the price of fresh food and fuel, stood at 42.6%, influenced mainly by the price of services and the cost of living. At its January meeting, the Central Bank of Turkey lowered interest rates by 250 basis points to 45%. The central bank reiterated that it would set the official interest rate to maintain the necessary restrictive posture for the expected path of disinflation, keeping in mind both real and expected inflation.

From the perspective of short-term risks to the Turkish economy, the significant tightening of monetary policy since mid-2023 has substantially reduced the risks of a crisis. Despite this, tighter financial conditions are weighing on domestic demand, but inflation has come down. Tax and spending measures have partially cushioned an expansionary

fiscal impulse and the commitment to stronger revenue policies has strengthened credibility. Overall, market sentiment has improved, with investors shifting to the Turkish lira, while lower commodity prices, buoyant exports and reduced gold imports have strengthened the current account and boosted international reserves. Turkey's sovereign ratings have been upgraded and the country's risk premiums have been halved. However, the risks around the baseline scenario are significant and tilted to the downside. They include stronger than expected price and wage inertia, a reversal of capital flows, higher global energy prices and rising geopolitical tensions.

1.2.11 Mexico

Uncertainty regarding U.S. trade policy.

In the third quarter of 2024, the Mexican economy grew 0.6% YoY and contracted -0.6% QoQ. The January manufacturing PMI came in at 49.1 points, below the indicator's contraction threshold. Retail sales declined by -2.2% in November, and industrial production declined by -1.4%. To summarize these figures, the INEGI index of leading indicators shows an economy in the process of slowdown. In this context, Mexico's economy is estimated to grow by around 1.1% in 2025 and 1.5% in 2026,

Mexico

- The tariffs imposed by the U.S. have been paused, but this does not rule out a resumption of discussions on this issue, as occurred with the recent general tariffs on steel and aluminum.
- The central bank lowered interest rates by 50 basis points to 9.50%.
- The Mexican economy is expected to grow by around 1.1% in 2025 and 1.5% in 2026.

although the forecast is highly dependent on the trade decisions of the new U.S. administration [see Table 1.2.11 and Charts 1.2.11-c and 1.2.11-d).

Headline inflation in December 2024 was 4.2%. By components, food, transportation, and energy increased 4.5%, 4.9%, and 5.7%, respectively. At its February meeting, the Bank of Mexico decided to lower the monetary policy interest rate by 50 basis points to 9.50%. The central bank's Governing Board considered that significant progress had been made in resolving the inflationary episode, and that efforts to combat inflation would continue, aiming to bring it closer to the 3.0% target. It also considers a lower benchmark interest rate to be consistent with the current stage of the inflation control process. Looking ahead,

the Governing Board indicated that it could continue adjusting monetary policy, potentially reducing rates by another 50 basis points, provided that inflationary conditions allow for further cuts while maintaining a restrictive stance.

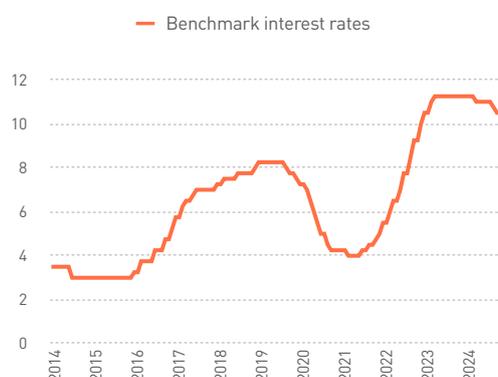
Short-term risks for the Mexican economy are mainly related to possible changes in the economic policy of the new U.S. administration, particularly with regard to potential tariffs on exports to the United States. The initially announced tariff rates have been suspended until early March, but there is a possibility that they will be reinstated in the medium term. This is similar to the U.S. decision to impose 25% tariffs on steel and aluminum imports from around the world, including Mexico and Canada, despite the terms of the USMCA trade agreement. North American supply chains are highly integrated, so a disruptive policy would not be expected, although tariff announcements could be used as a negotiating tool.

Chart 1.2.11-a
Mexico: exchange rate
(MXN/USD)



Source: MAPFRE Economics (based on Bank of Mexico data)

Chart 1.2.11-b
Mexico: benchmark interest rates
(%)



Source: MAPFRE Economics (based on Bank of Mexico data)

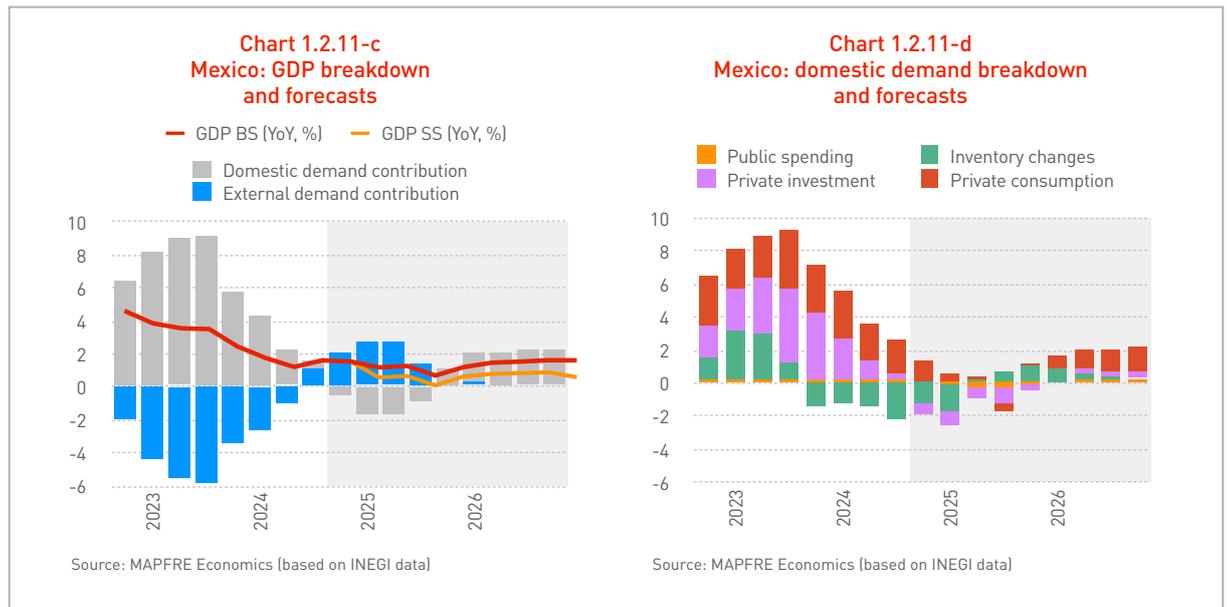


Table 1.2.11
Mexico: main macroeconomic aggregates

	2020	2021	2022	2023	2024 ^(e)	Baseline (BS)		Stressed (SS)		
						2025 ^(f)	2026 ^(f)	2025 ^(f)	2026 ^(f)	
GDP (% YoY)	-8.5	6.3	3.7	3.3	1.5	1.1	1.5	0.5	0.7	
Domestic demand contribution	-10.7	9.7	3.5	8.0	1.6	-0.8	1.4	-1.1	0.8	
External demand contribution	2.1	-3.4	0.2	-4.8	-0.1	1.8	0.1	1.6	0.1	
Private consumption contribution	-6.8	5.8	3.3	2.9	2.2	0.1	1.2	0.1	0.3	
Total investment contribution	-3.8	2.1	1.5	3.6	0.8	-0.6	0.2	-0.8	0.1	
Public spending contribution	-0.1	-0.1	0.2	0.2	0.2	-0.2	0.2	-0.2	0.2	
Private consumption (% YoY)	-10.0	8.6	4.8	4.2	3.1	0.2	1.7	0.2	1.5	
Public spending (% YoY)	-0.7	-0.5	2.0	1.8	1.4	-2.0	1.9	-2.0	1.9	
Total investment (% YoY)	-17.3	10.5	7.4	16.6	3.4	-3.4	1.0	-3.4	0.5	
Exports (% YoY)	-7.2	7.3	9.6	-7.2	1.9	9.5	3.4	9.4	3.0	
Imports (% YoY)	-12.3	16.2	8.6	3.7	1.8	2.2	2.8	2.1	2.2	
Unemployment rate (% , last quarter)	4.5	3.7	3.0	2.7	3.2	3.8	3.9	3.8	4.0	
Inflation (% YoY, average)	3.4	5.7	7.9	5.5	4.7	3.9	3.7	3.8	3.7	
Inflation (% YoY, last quarter)	3.5	7.0	8.0	4.4	4.5	3.9	3.6	3.9	3.8	
Fiscal balance (% of GDP)	-2.7	-2.9	-3.2	-3.4	-4.6	-3.0	-2.9	-3.0	-2.6	
Primary fiscal balance (% of GDP)	0.1	-0.3	-0.4	-0.1	-1.0	0.6	0.8	0.6	1.0	
Current account balance (% of GDP)	2.4	-0.3	-1.2	-0.3	-0.9	-0.2	-0.3	-0.2	-0.5	
Official interest rate (end of period)	4.25	5.50	10.50	11.25	10.00	8.75	8.00	8.75	8.00	
3-month interest rate (end of period)	4.47	5.86	10.97	11.48	10.63	8.50	7.18	8.45	7.26	
10-year interest rate (end of period)	5.23	7.57	9.02	8.99	10.46	8.35	8.02	8.31	8.02	
Exchange rate vs. USD (end of period)	19.88	20.50	19.49	16.97	20.83	20.42	20.72	21.16	21.86	
Exchange rate vs. EUR (end of period)	24.40	23.22	20.79	18.75	21.64	21.45	21.88	21.97	22.93	
Private lending (% YoY, average)	5.1	-1.3	7.5	5.8	6.6	7.0	6.0	7.0	5.9	
Household lending (% YoY, average)	1.6	4.4	9.2	10.1	8.2	5.2	8.8	5.2	8.8	
P.S. non-financial lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
P.S. financial lending (% YoY, average)	3.7	18.3	8.7	-2.6	6.4	13.7	14.7	13.8	14.7	
Savings rate (% pers. disp. income, avg.)	17.1	18.2	18.8	23.9	25.8	24.9	24.7	24.9	24.6	

Source: MAPFRE Economics (based on INEGI data)
Forecast end date: February 12, 2025

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1.2.12 Brazil

The currency has appreciated, but it is still considerably weaker compared to its levels in 2023.

In the third quarter of 2024, the Brazilian economy grew 0.9% QoQ and 4.0% YoY. The components of GDP showed the following year-on-year growth: private consumption increased by 5.5%, public consumption grew by 1.3%, investment (measured by gross fixed capital formation) increased by 10.8%, exports of goods and services rose by 2.1%, while imports grew by 17.7%. The composite PMI stood at 48.2 points, in contraction territory, manufacturing at 47.6, and services at 50.7 points. Retail sales increased 4.7% in November, and industrial production grew 1.6%. Consumer confidence, as measured by Fundación Getulio Vargas (FGV), fell sharply to 86.2 in January. Against this backdrop, Brazilian economic growth in 2025 is expected to be around 2.0% and 1.8% by 2026 (see Table 1.2.12 and Charts 1.2.12-c and 1.2.12-d).

Meanwhile, inflation was 4.5% in January, moderating 20 basis points. By component, food, transportation, and automotive fuel increased 7.7%, 3.3%, and 10.0%, respectively. Thus, average inflation for 2024 stood at 4.4%. The Central Bank of Brazil is on a monetary

Brazil

- The Brazilian real has recovered 6% after falling by 21% in 2024.
- Brazil is once again in a cycle of monetary tightening.
- An economic slowdown is expected due to the monetary restriction.
- Brazilian GDP is expected to grow by around 2.0% in 2025 and 1.8% in 2026.

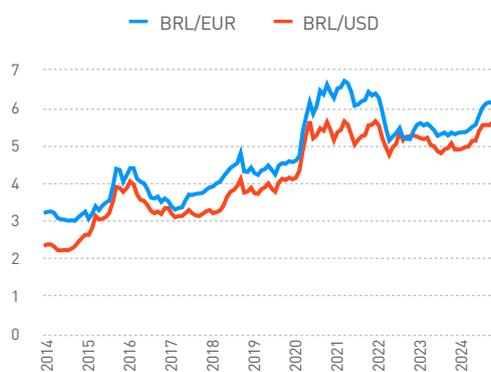
cycle contrary to that of most countries, raising interest rates by 100 basis points to 13.25% at its January meeting. An upward asymmetry persists in the balance of risks for the forward-looking inflation scenarios. The latest scenario is characterized by a greater disconnect between expectations, an increase in forecasts, the resilience of economic activity, and pressures in the labor market, which calls for a more restrictive monetary policy. The central bank believes this decision is compatible with the strategy of inflation converging towards the target within the time frame considered. Without prejudice to its fundamental objective of ensuring price stability, this decision also implies smoothing fluctuations in the level of economic activity and promoting full employment.

Chart 1.2.12-a
Brazil: Central Bank interest rates
and 10-year bond
(%)



Source: MAPFRE Economics (based on Central Bank of Brazil data)

Chart 1.2.12-b
Brazil: exchange rate vs. dollar and euro
(BRL/USD and BRL/EUR)



Source: MAPFRE Economics (based on Central Bank of Brazil data)

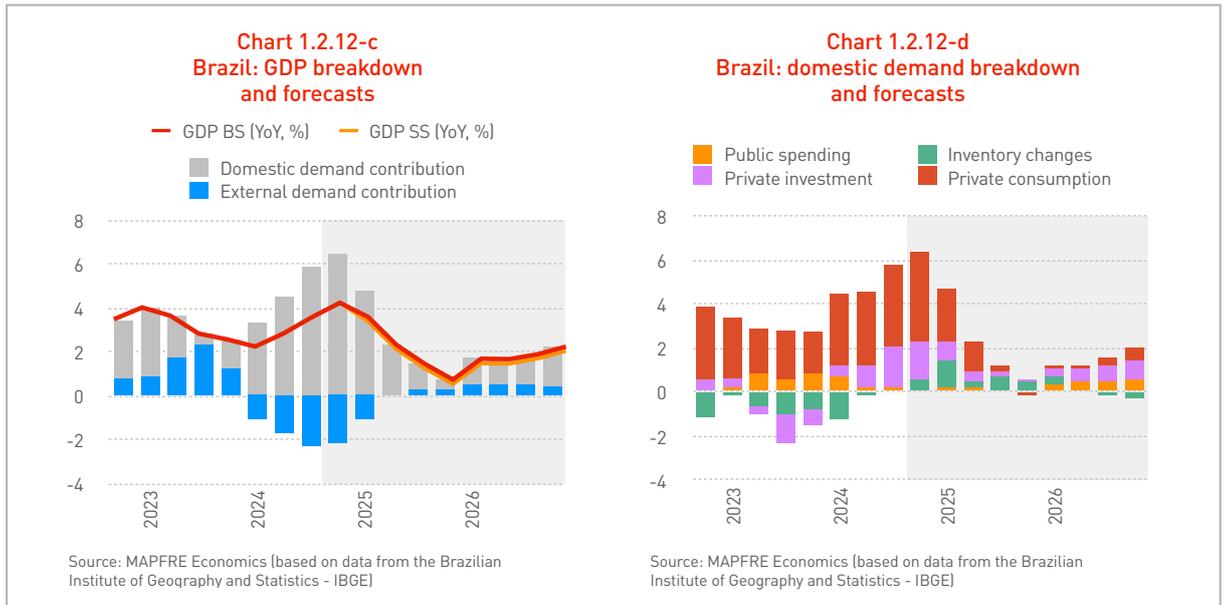


Table 1.2.12
Brazil: main macroeconomic aggregates

	2020	2021	2022	2023	2024 ^(e)	Baseline (BS)		Stressed (SS)	
						2025 ^(f)	2026 ^(f)	2025 ^(f)	2026 ^(f)
GDP (% YoY)	-3.6	5.1	3.1	3.2	3.2	2.0	1.8	1.8	1.6
Domestic demand contribution	-4.9	6.8	2.5	1.7	5.0	2.2	1.4	2.2	1.1
External demand contribution	1.4	-1.7	0.6	1.5	-1.8	-0.2	0.5	-0.3	0.5
Private consumption contribution	-3.2	2.1	2.8	2.2	3.7	1.0	0.3	1.0	0.4
Total investment contribution	-0.3	2.3	0.2	-0.5	1.3	0.4	0.6	0.4	0.6
Public spending contribution	-0.6	0.7	0.4	0.6	0.3	0.1	0.5	0.1	0.2
Private consumption (% YoY)	-4.6	3.0	4.1	3.3	5.3	1.4	0.0	1.4	0.0
Public spending (% YoY)	-3.7	4.2	2.1	3.8	1.8	0.8	1.1	0.8	1.1
Total investment (% YoY)	-1.7	13.0	1.0	-2.9	7.2	2.3	2.4	2.3	2.4
Exports (% YoY)	-2.7	4.9	6.2	8.9	2.7	-0.9	0.8	-0.9	0.7
Imports (% YoY)	-9.8	14.4	1.5	-1.1	13.2	1.7	0.9	1.7	0.6
Unemployment rate (% , last quarter)	14.9	11.7	8.3	7.8	6.3	7.0	7.7	7.0	7.7
Inflation (% YoY, average)	3.2	8.3	9.3	4.6	4.4	4.9	4.2	5.1	4.4
Inflation (% YoY, last quarter)	4.3	10.5	6.1	4.7	4.8	4.8	3.3	5.1	3.6
Fiscal balance (% of GDP)	-13.5	-4.1	-4.4	-8.2	-7.2	-7.8	-7.2	-7.8	-7.1
Primary fiscal balance (% of GDP)	-9.3	0.7	1.2	-2.3	-0.6	-0.7	-0.3	-0.6	-0.2
Current account balance (% of GDP)	-1.7	-2.4	-2.1	-1.1	-2.5	-2.8	-2.8	-2.8	-2.8
Official interest rate (end of period)	2.00	9.25	13.75	11.75	12.25	14.00	11.00	15.00	12.00
3-month interest rate (end of period)	1.90	9.15	13.65	11.65	12.15	13.82	10.98	13.87	11.58
10-year interest rate (end of period)	6.98	10.31	12.76	10.35	15.15	12.31	10.97	12.32	11.15
Exchange rate vs. USD (end of period)	5.20	5.58	5.22	4.84	6.19	5.74	5.70	5.90	5.89
Exchange rate vs. EUR (end of period)	6.38	6.32	5.56	5.35	6.43	6.02	6.02	6.12	6.18
Private lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Household lending (% YoY, average)	10.1	17.6	20.3	13.1	11.5	10.5	8.9	10.5	9.0
P.S. non-financial lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
P.S. financial lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Savings rate (% pers. disp. income, avg.)	19.1	21.9	20.0	19.2	18.7	18.4	18.4	18.4	18.3

Source: MAPFRE Economics (based on data from the Brazilian Institute of Geography and Statistics - IBGE)
Forecast end date: February 12, 2025

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The risks of worse-than-expected economic performance include a potential global slowdown affecting Brazilian exports, as well as a devaluation of the real. Meanwhile, factors that could lead to positive surprises include an improvement in the labor market, government economic stimulus policies, lower interest rates, and an increase in foreign direct investment.

1.2.13 Argentina

Significant progress in controlling inflation.

In the third quarter of 2024, the economy of Argentina contracted 2.0% YoY, although it was up 3.9% QoQ. The components of GDP showed the following year-on-year growth: private consumption decreased 3.4%, public consumption fell 4.1%, investment was down 18.6%, exports rose by 19.7%, while imports decreased 12.1%. As for the most recent economic indicators, retail sales showed moderation, with a 7.6% drop in supermarkets and a 1.0% increase in shopping centers. Industrial production rose 5.7% in December, while consumer confidence, as measured by the Torcuato Di Tella University, is visibly rising, reaching 47.4 in January. In this environment, after an estimated drop of

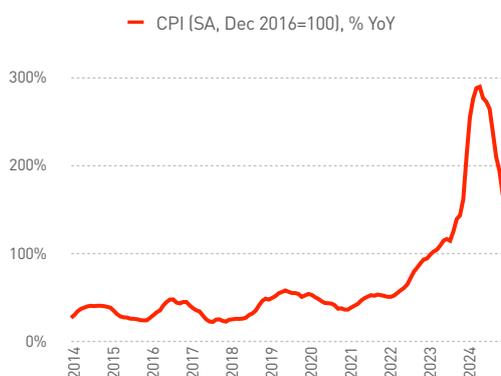
Argentina

- The Argentine economy remained in contraction in 2024, driven by public spending adjustments.
- Inflation has dropped MoM from 25.5% in December 2023 to 2.70% in December 2024.
- The stabilization of the exchange rate is still a complicated challenge.
- Argentina's economy is expected to grow by 3.4% in 2025 and 3.1% in 2026.

around 2.3% in 2024, the Argentine economy is expected to grow 3.4% in 2025 and 3.1% in 2026 (see Table 1.2.13 and Charts 1.2.13-c and 1.2.13-d).

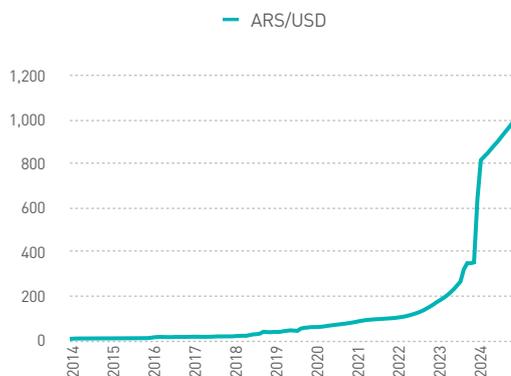
Meanwhile, inflation in Argentina continued to moderate in December, reaching 117%, down from 166% in November, although month-on-month it has risen by 2.7% (from 2.4%). By component, food, transportation, electricity, and gas increased 97.4%, 137%, and 248%, respectively. Thus, average inflation for 2024 stood at 219.8%. At its January meeting, the Central Bank of the Argentine Republic decided to lower the benchmark interest rate (Leliq) by 300 basis points to 29%. This decision is supported by the consolidation of expectations of lower inflation, as well as

Chart 1.2.13-a
Argentina: year-on-year inflation (%)



Source: MAPFRE Economics (based on data from National Institute of Statistics and Census of Argentina)

Chart 1.2.13-b
Argentina: exchange rate (ARS/USD)



Source: MAPFRE Economics (based on data from the Central Bank of the Argentine Republic)

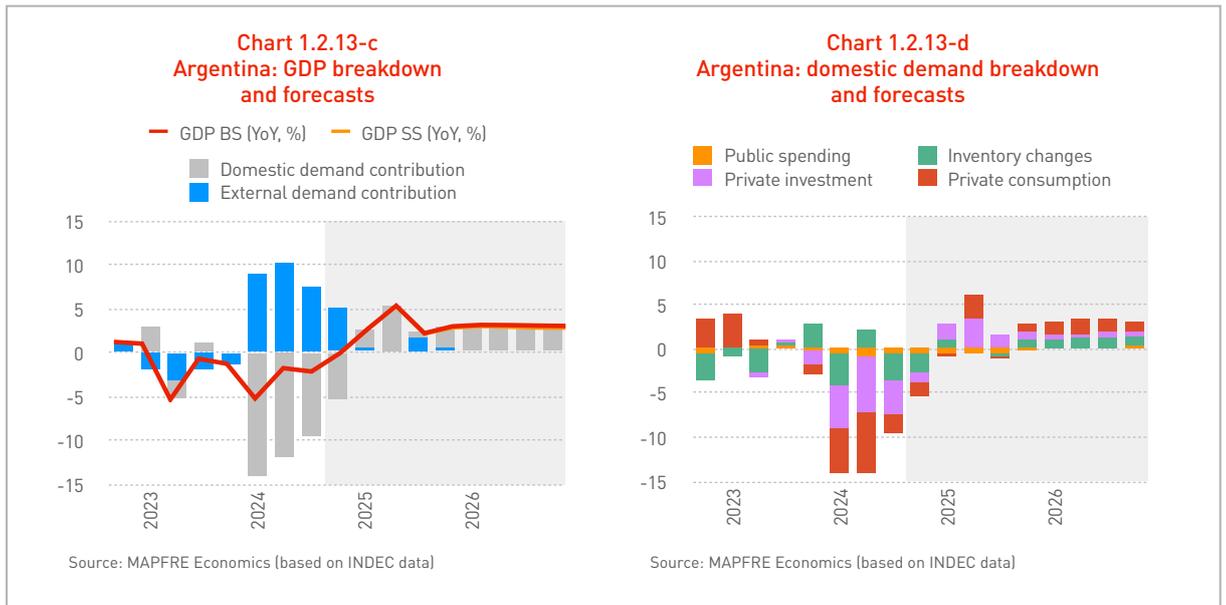


Table 1.2.13
Argentina: main macroeconomic aggregates

	2020	2021	2022	2023	2024 ^(e)	Baseline [BS]		Stressed [SS]	
						2025 ^(f)	2026 ^(f)	2025 ^(f)	2026 ^(f)
GDP (% YoY)	-9.9	10.4	5.3	-1.6	-2.3	3.4	3.1	3.3	2.9
Domestic demand contribution	-10.0	12.8	8.6	0.4	-10.2	2.6	3.3	2.5	2.9
External demand contribution	0.1	-2.3	-3.3	-2.0	8.0	0.8	-0.2	0.8	-0.1
Private consumption contribution	-8.7	6.6	6.4	0.7	-4.0	0.7	1.5	0.6	1.2
Total investment contribution	-2.2	5.6	2.2	-0.4	-4.0	2.0	0.5	1.9	0.4
Public spending contribution	-0.3	1.0	0.4	0.2	-0.6	-0.4	0.2	-0.4	0.2
Private consumption (% YoY)	-12.2	9.5	9.4	1.0	-5.4	0.9	2.1	0.9	1.7
Public spending (% YoY)	-2.0	7.1	3.0	1.5	-4.5	-3.2	1.7	-3.2	1.7
Total investment (% YoY)	-13.1	34.0	11.2	-2.0	-19.1	11.3	2.7	11.1	2.0
Exports (% YoY)	-17.4	8.5	4.6	-7.5	19.7	0.3	0.0	0.3	-0.2
Imports (% YoY)	-17.2	18.6	17.8	1.7	-14.9	-2.9	0.6	-2.9	0.2
Unemployment rate (% last quarter)	11.0	7.0	6.3	5.7	6.6	6.8	6.8	6.8	6.9
Inflation (% YoY, average)	42.0	48.4	72.4	133.5	219.8	46.7	26.0	52.0	31.0
Inflation (% YoY, last quarter)	36.4	51.4	91.8	172.8	154.2	43.9	16.5	47.8	21.6
Fiscal balance (% of GDP)	-8.4	-3.6	-3.8	-5.9	-0.3	-0.5	-1.3	-0.5	-1.3
Primary fiscal balance (% of GDP)	-6.4	-2.1	-2.0	-2.7	1.7	1.1	0.7	1.1	0.8
Current account balance (% of GDP)	0.7	1.4	-0.6	-3.2	0.9	1.1	0.9	1.1	0.9
Official interest rate (end of period)	38.00	38.00	75.00	100.00	32.00	25.00	20.00	32.00	28.00
3-month interest rate (end of period)	29.55	31.49	67.61	93.72	37.69	28.10	44.17	29.82	43.65
10-year interest rate (end of period)	14.74	18.65	26.69	23.69	15.01	20.75	19.59	21.28	20.43
Exchange rate vs. USD (end of period)	84.00	103.00	177.00	808.00	1032.00	1446.00	2330.00	1489.00	2419.00
Exchange rate vs. EUR (end of period)	103.00	116.00	189.00	893.00	1072.00	1518.00	2461.00	1547.00	2537.00
Private lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Household lending (% YoY, average)	22.9	34.6	60.4	108.6	207.2	93.2	71.7	93.1	71.0
P.S. non-financial lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
P.S. financial lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Savings rate (% pers. disp. income, avg.)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: MAPFRE Economics (based on INDEC data)
Forecast end date: February 12, 2025

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further gains in January, when the annual change was 84.5%, below 100% for the first time in two years.

Javier Milei's government has implemented several economic policy measures to correct public accounts and promote growth. The fiscal deficit reduction is notable, achieving a primary surplus for eleven consecutive months, and the slowdown in MoM inflation, which went from 25.5% in December 2023 to 2.7% in December 2024. In addition, several federal taxes have been eliminated, and tax competition between regions has been promoted to attract investment. Future plans include continuing to reduce public spending, encouraging foreign direct investment and further deregulating the economy to gain competitiveness. Factors that could improve economic performance include greater political stability, success in implementing structural reforms, and a favorable global environment for exports.

1.2.14 Colombia

The economy has stabilized, but challenges persist.

In the third quarter of 2024, the Colombian economy grew 2.0% YoY and 0.2% QoQ. Private consumption grew 1.9%, while public

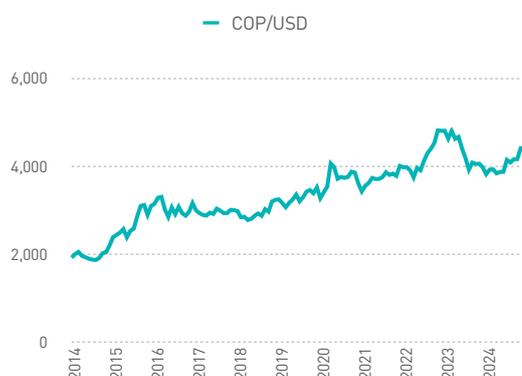
Colombia

- Industrial production fell again, and inflation is stagnant at levels around 5%.
- Except for the year of the pandemic, the 6.8% fiscal deficit in 2024 is the largest imbalance in 20 years.
- The Colombian GDP growth forecast stands at 2.5% for 2025 and 3.0% for 2026.

consumption fell 5.1%. Investment increased 4.1%, as exports increased 3.8%, and imports were up 11.4%. In terms of leading indicators, the manufacturing PMI stood at 53.4 points in January, reflecting an improvement in manufacturing prospects. Retail sales were up 10.3% in November, although industrial production was down 0.8%. In this environment, Colombia's economy is expected to grow 2.5% in 2025 and 3.0% in 2026 (see Table 1.2.14 and Charts 1.2.14-c and 1.2.14-d).

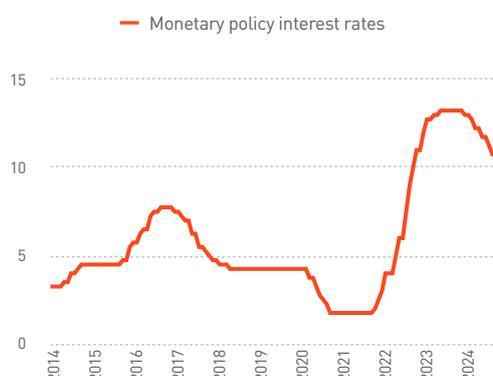
Meanwhile, inflation reached 5.2% in January, with food, transportation, housing, and supplies rising 4.5%, 4.9%, and 6.5%, respectively. The Bank of the Republic of Colombia held interest rates at 9.50% at its January meeting. The central bank believes new elements have arisen on both domestic

Chart 1.2.14-a
Colombia: exchange rate
(COP/USD)



Source: MAPFRE Economics (based on data from the Central Bank of Colombia)

Chart 1.2.14-b
Colombia: monetary policy interest rates
(%)



Source: MAPFRE Economics (based on data from the Central Bank of Colombia)

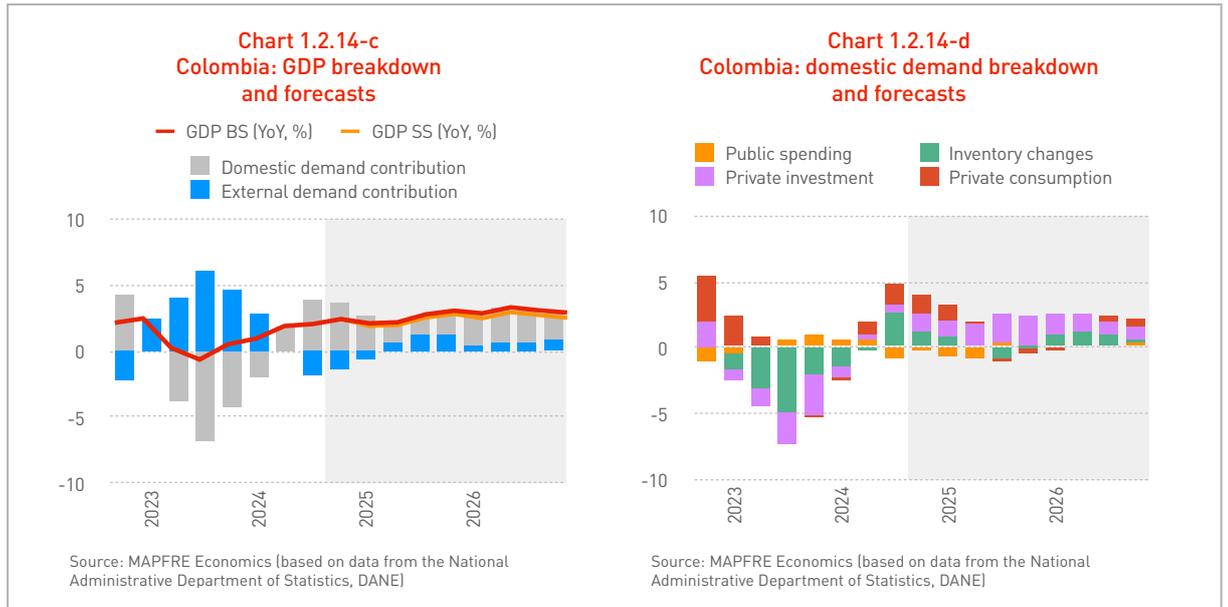


Table 1.2.14
Colombia: main macroeconomic aggregates

	2020	2021	2022	2023	2024 ^(e)	Baseline (BS)		Stressed (SS)	
						2025 ^(f)	2026 ^(f)	2025 ^(f)	2026 ^(f)
GDP (% YoY)	-7.2	10.8	7.3	0.6	1.8	2.5	3.0	2.3	2.6
Domestic demand contribution	-8.4	14.2	11.0	-3.8	1.9	1.9	2.4	1.8	2.0
External demand contribution	1.2	-3.4	-3.7	4.4	-0.1	0.6	0.6	0.4	0.6
Private consumption contribution	-3.5	10.5	7.9	0.6	0.9	0.1	0.2	0.1	0.1
Total investment contribution	-5.2	3.0	2.2	-1.9	0.4	1.8	1.3	1.8	0.9
Public spending contribution	-0.1	1.7	0.1	0.3	0.0	-0.2	0.2	-0.2	0.3
Private consumption (% YoY)	-5.0	14.7	10.7	0.8	1.2	0.2	0.3	0.1	0.1
Public spending (% YoY)	-0.8	9.8	0.8	1.6	-0.1	-1.5	1.4	-1.4	1.8
Total investment (% YoY)	-23.6	16.7	11.5	-9.5	2.4	10.0	8.2	9.9	8.0
Exports (% YoY)	-22.5	14.6	12.3	3.4	3.3	1.3	1.8	1.3	1.8
Imports (% YoY)	-20.1	26.7	23.6	-15.0	2.4	-0.3	-1.7	-0.3	-1.8
Unemployment rate (% , last quarter)	15.5	12.6	10.8	10.4	10.0	9.8	9.9	9.9	10.0
Inflation (% YoY, average)	2.5	3.5	10.2	11.7	6.6	4.5	3.5	4.9	3.8
Inflation (% YoY, last quarter)	1.6	5.2	12.6	10.0	5.2	4.5	3.1	5.0	3.5
Fiscal balance (% of GDP)	-7.8	-7.0	-5.3	-4.3	-5.5	-4.9	-3.8	-4.9	-3.6
Primary fiscal balance (% of GDP)	-5.0	-3.6	-1.0	-0.3	-1.3	-0.8	-0.9	-0.8	-0.7
Current account balance (% of GDP)	-3.4	-5.6	-6.1	-2.4	-2.0	-3.2	-3.2	-3.2	-3.2
Official interest rate (end of period)	1.75	3.00	12.00	13.00	9.50	7.50	6.25	8.00	6.75
3-month interest rate (end of period)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10-year interest rate (end of period)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Exchange rate vs. USD (end of period)	3,433	3,981	4,810	3,822	4,409	4,319	4,371	4,453	4,565
Exchange rate vs. EUR (end of period)	4,212	4,509	5,131	4,223	4,850	4,820	4,907	4,623	4,788
Private lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Household lending (% YoY, average)	-25.8	82.1	5.0	-32.9	10.5	8.7	6.3	8.6	6.3
P.S. non-financial lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
P.S. financial lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Savings rate (% pers. disp. income, avg.)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: MAPFRE Economics (based on data from the National Administrative Department of Statistics, DANE)
Forecast end date: February 12, 2025

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and external fronts that intensify the challenge of continuing progress in converging inflation toward the target. Therefore, in order to avoid jeopardizing what has been achieved so far, recent inflationary pressures must be monitored and evaluated, and monetary policy decisions must be cautious.

Although the risks to the economic outlook remain high and are worsening, Colombia's very solid economic fundamentals, policies, and policy frameworks support its resilience. On the external front, risks stem from still-tight global financial conditions and disruptions in supply chains, which could negatively affect growth and inflation. Domestically, weaker private demand, inadequate policy calibration, or reform uncertainties could hamper economic activity or lead to higher inflation.

1.2.15 Chile

Economic activity recovers momentum.

In the third quarter of 2024, Chile's economy grew 2.3%, and was up 0.7% QoQ. Private consumption grew 1.0% YoY, while public consumption was up 5.3%. Investment dropped 0.2% YoY, and exports were up 6.4%. In terms of leading activity indicators, retail sales increased 6.4% and

Chile

- The Chilean economy accelerated its pace in the third quarter of 2024, with 2.3% growth.
- Year-on-year inflation stood at 4.9% in January and monetary policy interest rates were lowered to 5.00%.
- Chile's GDP is expected to grow by around 2.2% in 2025 and 2.4% in 2026.

industrial production increased 8.8% in December, while consumer confidence stood at 36.8 points in January. In this context, the Chilean economy is expected to expand around 2.2% in 2025 and 2.4% in 2026 (see Table 1.2.15 and Charts 1.2.15-c and 1.2.15-d).

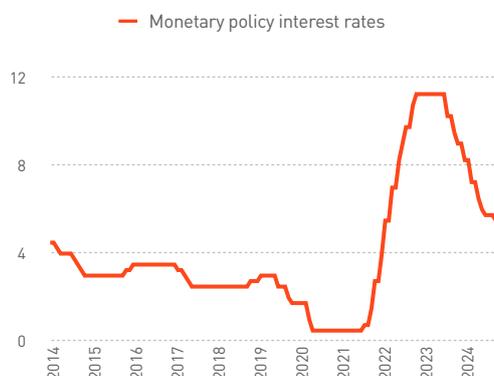
Meanwhile, inflation reached 4.9%, with food prices up 3.0% and transportation costs up 3.1%, although electricity, gas, and other fuels have risen 29.7%. At its last meeting, the Central Bank of Chile decided to keep the benchmark interest rate at 5.00%. Inflation risks have increased, reinforcing the need for prudence. The central bank will assess future moves in light of the evolving macroeconomic scenario and its implications for the convergence of 3% inflation over the two-year horizon.

Chart 1.2.15-a
Chile: exchange rate
(CHL/USD)



Source: MAPFRE Economics (based on data from the Central Bank of Chile)

Chart 1.2.15-b
Chile: monetary policy interest rates
(%)



Source: MAPFRE Economics (based on data from the Central Bank of Chile)

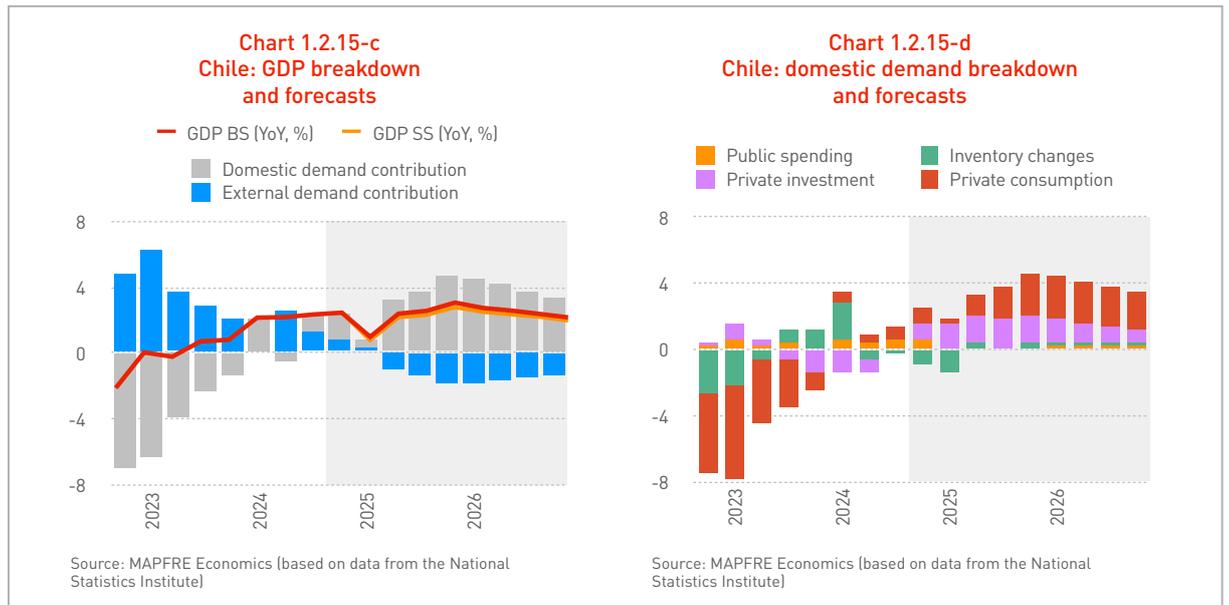


Table 1.2.15
Chile: main macroeconomic aggregates

	2020	2021	2022	2023	2024 ^(e)	Baseline [BS]		Stressed [SS]	
						2025 ^(f)	2026 ^(f)	2025 ^(f)	2026 ^(f)
GDP (% YoY)	-6.4	11.6	2.1	0.3	2.2	2.2	2.4	2.0	2.2
Domestic demand contribution	-9.7	20.5	2.5	-3.4	1.1	3.0	3.9	2.9	3.5
External demand contribution	3.3	-9.0	-0.4	3.7	1.2	-0.9	-1.5	-0.9	-1.2
Private consumption contribution	-4.7	13.0	1.1	-3.4	0.7	1.5	2.5	1.5	2.3
Total investment contribution	-2.7	3.6	1.0	-0.2	-0.3	1.6	1.0	1.6	0.9
Public spending contribution	-0.5	2.0	1.1	0.4	0.5	0.0	0.2	0.0	0.2
Private consumption (% YoY)	-7.6	21.2	1.6	-5.2	1.1	2.5	4.8	2.4	4.6
Public spending (% YoY)	-3.5	13.2	7.1	2.2	3.3	0.2	1.3	0.2	1.3
Total investment (% YoY)	-11.1	15.9	4.2	-0.7	-1.3	7.1	4.1	7.0	3.8
Exports (% YoY)	-1.3	-1.4	1.0	0.2	5.7	3.2	1.0	3.2	0.8
Imports (% YoY)	-12.6	31.7	2.0	-11.6	1.0	6.3	6.2	6.2	5.6
Unemployment rate (% , last quarter)	10.9	7.6	8.3	8.9	8.9	7.6	6.6	7.6	6.7
Inflation (% YoY, average)	3.0	4.5	11.6	7.3	3.9	4.2	3.2	4.5	3.8
Inflation (% YoY, last quarter)	2.9	6.6	13.0	4.0	4.5	3.7	2.9	4.2	3.5
Fiscal balance (% of GDP)	-7.3	-7.7	1.1	-2.4	-3.3	-1.1	-0.8	-1.1	-0.7
Primary fiscal balance (% of GDP)	-6.3	-6.9	2.1	-1.3	-2.1	0.1	0.3	0.1	0.4
Current account balance (% of GDP)	-1.9	-7.3	-8.6	-3.5	-1.8	-2.4	-3.2	-2.7	-3.9
Official interest rate (end of period)	0.50	4.00	11.25	8.25	5.00	4.50	4.25	4.75	4.50
3-month interest rate (end of period)	-0.32	4.04	9.54	7.99	4.93	4.14	3.95	4.17	3.93
10-year interest rate (end of period)	2.65	5.65	5.32	5.30	5.95	5.66	5.32	5.56	5.32
Exchange rate vs. USD (end of period)	711	850	860	885	992	950	915	977	951
Exchange rate vs. EUR (end of period)	873	963	917	977	1,031	997	967	1,014	997
Private lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Household lending (% YoY, average)	4.9	6.3	13.2	9.1	5.7	5.3	8.8	5.3	8.8
P.S. non-financial lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
P.S. financial lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Savings rate (% pers. disp. income, avg.)	12.3	7.8	-1.2	7.6	8.2	5.0	9.1	5.0	9.0

Source: MAPFRE Economics (based on data from the National Statistics Institute)
Forecast end date: February 12, 2025

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The macroeconomic imbalances accumulated during the economic shutdown of 2020-2021 as a result of the pandemic have largely been resolved, although weak investment and low potential growth are limiting income convergence with advanced economies. Policy priorities have shifted towards trying to build economic momentum, but the government is struggling to pass reforms through a fragmented parliament. Also, the December referendum that rejected the draft constitution appears to have reduced lingering uncertainty.

1.2.16 Peru

The economy appears to recover high growth rates.

In the third quarter of 2024, the Peruvian economy grew 3.8%. Private consumption increased 3.5%, while public consumption grew 4.1%. Investment increased 6.6%, as exports grew 10.4%, and imports were up 8.0%. Surveys on the economic situation show an indicator at 55.8 points, while the outlook for the next three months stands at 52.6 points. Industrial production increased 3.9% in November, while the leading economic index stood at 0.27 in November, marking a year of improvements. In this environment, Peru's GDP is expected to grow 2.8% in 2025 and 2.9% in 2026 (see Table 1.2.16 and Charts 1.2.16-c and 1.2.16-d).

Peru

- The GDP grew by 3.8% during the third quarter 2024.
- Inflation dropped 1.9% is within the central bank's target.
- Strong gold and copper prices are benefiting Peruvian exports.
- The Peruvian economy's growth forecast stands at 2.8% for 2025 and 2.9% for 2026.

Inflation in Peru in January was 1.9%, down from 2% in the previous month. Thus, on average, inflation in 2024 was 2.4%. The Central Reserve Bank of Peru has reduced the benchmark interest rate by 25 basis points to 4.75%, bringing the interest rate closer to the estimated neutral level. Future adjustments to the benchmark rate will depend on new information about inflation and its determining factors.

The main short-term risks to Peru's economy include political uncertainty and volatile raw material prices. Externally, risks include weak growth in trading partners and a sharp tightening of global financial conditions. Peru's proven macroeconomic resilience is bolstered by very strong buffers that include relatively low public debt, abundant international

Chart 1.2.16-a
Peru: exchange rate
(PEN/USD)



Source: MAPFRE Economics (based on data from the Central Reserve Bank of Peru)

Chart 1.2.16-b
Peru: monetary policy interest rates
(%)



Source: MAPFRE Economics (based on data from the Central Reserve Bank of Peru)

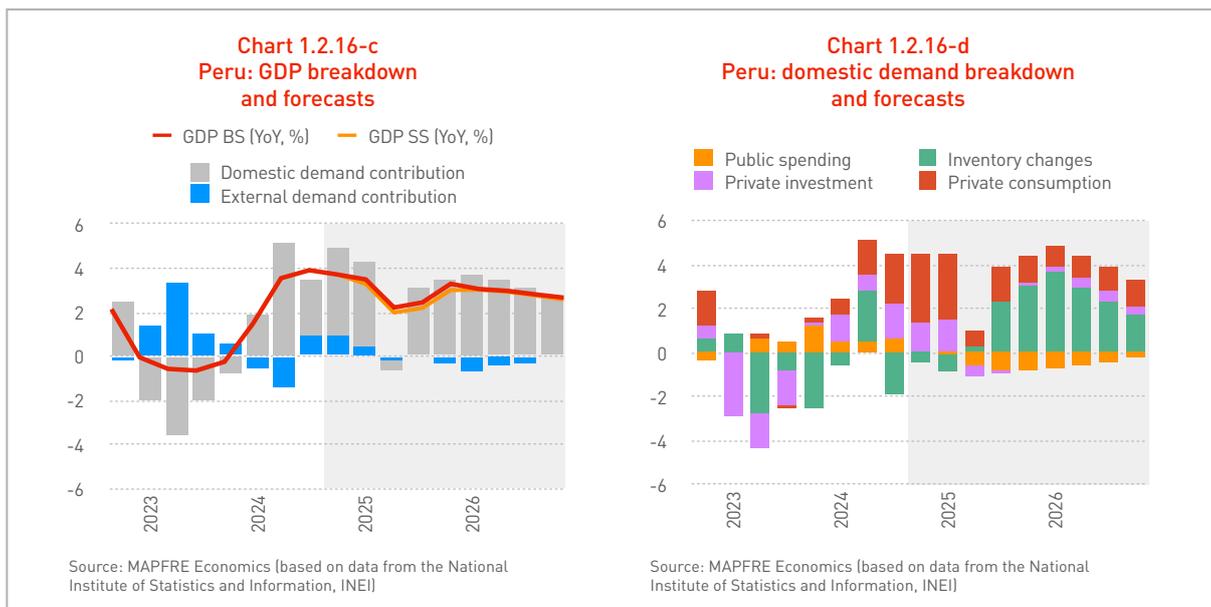


Table 1.2.16
Peru: main macroeconomic aggregates

	2020	2021	2022	2023	2024 ^(e)	Baseline (BS)		Stressed (SS)	
						2025 ^(f)	2026 ^(f)	2025 ^(f)	2026 ^(f)
GDP (% YoY)	-10.9	13.4	2.8	-0.4	3.1	2.8	2.9	2.6	2.8
Domestic demand contribution	-9.9	15.0	2.5	-2.1	3.4	2.5	3.2	2.4	3.0
External demand contribution	-1.6	-0.9	0.4	1.6	0.0	0.0	-0.4	0.1	-0.2
Private consumption contribution	-6.3	8.1	2.3	0.1	1.9	1.6	1.1	1.6	1.4
Total investment contribution	-4.2	8.1	0.1	-1.5	1.2	0.2	0.3	0.2	0.3
Public spending contribution	0.9	0.8	0.0	0.6	0.4	-0.6	-0.5	-0.6	0.2
Private consumption (% YoY)	-9.7	12.3	3.6	0.1	2.9	2.5	1.7	2.5	1.5
Public spending (% YoY)	7.2	5.4	-0.1	4.3	3.1	-4.1	-3.5	-4.1	-3.5
Total investment (% YoY)	-18.2	38.3	0.6	-5.9	5.1	1.0	1.4	0.9	1.2
Exports (% YoY)	-20.0	13.8	5.4	5.0	4.4	3.1	3.9	3.1	3.7
Imports (% YoY)	-15.4	18.0	3.9	-1.5	4.7	3.4	5.6	3.3	5.3
Unemployment rate (% , last quarter)	13.9	7.9	7.1	6.4	6.6	6.6	6.6	6.6	6.7
Inflation (% YoY, average)	1.8	4.0	7.9	6.3	2.4	2.1	2.4	2.6	2.5
Inflation (% YoY, last quarter)	1.9	6.0	8.4	3.7	2.1	2.7	2.7	3.3	2.8
Fiscal balance (% of GDP)	-8.9	-2.5	-1.7	-2.8	-3.3	-2.0	-0.8	-2.0	-0.7
Primary fiscal balance (% of GDP)	-7.3	-1.0	-0.1	-1.1	-1.3	0.2	1.3	0.2	1.4
Current account balance (% of GDP)	0.9	-2.1	-4.0	0.8	1.2	-0.4	-1.2	-0.5	-1.3
Official interest rate (end of period)	0.25	2.50	7.50	6.75	5.00	4.25	4.25	4.50	4.50
3-month interest rate (end of period)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10-year interest rate (end of period)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Exchange rate vs. USD (end of period)	3.60	4.02	3.89	3.78	3.76	3.85	3.88	3.95	4.02
Exchange rate vs. EUR (end of period)	4.42	4.56	4.15	4.18	4.13	4.30	4.36	4.10	4.22
Private lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Household lending (% YoY, average)	2.4	1.3	14.9	9.9	1.9	5.5	8.3	N/A	N/A
P.S. non-financial lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
P.S. financial lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Savings rate (% pers. disp. income, avg.)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: MAPFRE Economics (based on data from the National Institute of Statistics and Information, INEI)
Forecast end date: February 12, 2025

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reserves, and access to international capital markets on favorable terms, but the outlook remains uncertain.

1.2.17 China

There are signs of weakness and potential risks to financial stability.

In the third quarter of 2024, the Chinese economy grew 5.4% YoY and 1.6% QoQ. It is estimated that private consumption increased 4.8%, public consumption was up 9.6%, and investment decreased 3.8%. Meanwhile, it is estimated that exports increased 11.9%, while imports increased 1.1%. China's composite PMI stood at 51.1 points in January, with manufacturing at 50.1, and services reaching 51.0 points, all of which were more moderate than in previous months, indicating some slowdown in economic activity. Other indicators, such as retail sales, grew 3.7%, while industrial production increased 6.2% and consumer confidence remained stable at 86.4 points. In this context, the Chinese economy is expected to grow around 4.3% in 2025 and 4.0% in 2026 (see Table 1.2.17 and Charts 1.2.17-c and 1.2.17-d).

Meanwhile, inflation was low, standing at 0.5%, reflecting a certain slowdown in demand, while core inflation stood at 0.62%.

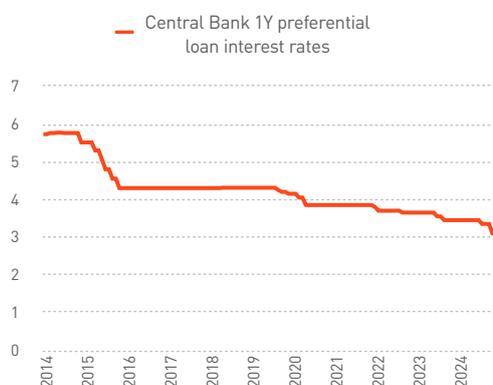
China

- The government will activate aid to alleviate problems in the real estate sector.
- The goal is to support economic growth and protect the financial sector from contagion from the real estate sector.
- The effects of tariffs on exports to and from the United States will have to be evaluated.
- Chinese GDP growth is estimated at 4.3% in 2025 and 4.0% in 2026.

Monetary policy in China is controlled mainly through the reserves required from banks, which stand at 9.50%. In terms of equivalent rates to those seen in the West, the deposit rate stands at 1.50% and the 7-day repo rate is 1.80%. The government has also implemented stimulus measures to stabilize the housing market and regional finances and to prevent a possible contagion to banks and markets. These measures include reducing mortgage rates, increasing financing for financial institutions, and supporting local state-owned enterprises to acquire unsold commercial properties.

China's economy has remained resilient despite continued weakness in the real estate sector. The authorities have taken measures to support this sector and avoid potential contagion to the financial sector, but a

Chart 1.2.17-a
China: Central Bank 1Y preferential loan interest rates



Source: MAPFRE Economics (based on data from the People's Bank of China)

Chart 1.2.17-b
China: exchange rate (USD/CNY, end of period)



Source: MAPFRE Economics (based on data from the State Administration of Foreign Exchange)

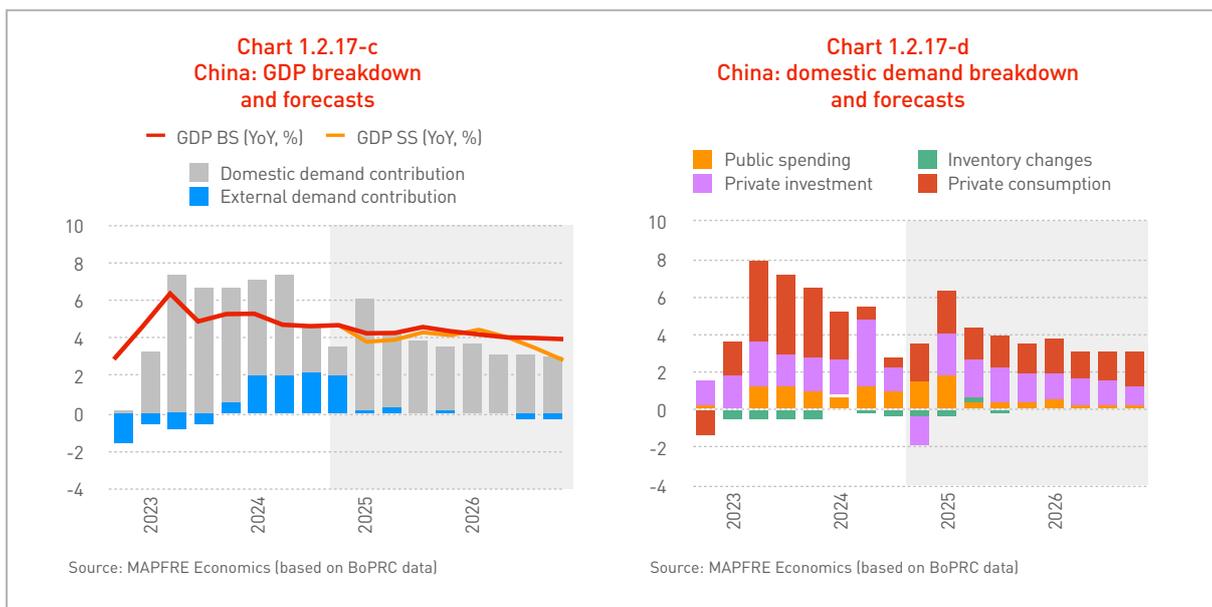


Table 1.2.17
China: main macroeconomic aggregates

	2020	2021	2022	2023	2024 ^(e)	Baseline (BS)		Stressed (SS)	
						2025 ^(f)	2026 ^(f)	2025 ^(f)	2026 ^(f)
GDP (% YoY)	2.2	8.5	3.0	5.2	4.8	4.3	4.0	4.0	3.6
Domestic demand contribution	1.6	6.6	2.6	5.9	3.5	4.2	3.2	3.9	2.8
External demand contribution	0.7	2.3	0.7	-0.3	2.0	0.2	-0.2	0.2	-0.1
Private consumption contribution	-1.0	4.6	0.3	3.5	1.4	1.8	1.6	1.6	1.5
Total investment contribution	1.3	1.3	1.3	1.9	1.2	1.9	1.3	1.7	0.9
Public spending contribution	0.8	0.3	0.9	0.9	1.1	0.7	0.3	0.7	0.3
Private consumption (% YoY)	-2.4	12.1	0.9	9.2	3.4	4.5	4.1	4.5	3.9
Public spending (% YoY)	4.6	1.6	5.6	5.4	6.7	4.3	1.9	4.3	1.9
Total investment (% YoY)	3.1	3.2	3.1	4.7	3.1	4.7	3.2	5.1	2.4
Exports (% YoY)	1.9	18.9	-0.5	2.3	12.5	2.7	1.5	2.9	1.4
Imports (% YoY)	-1.9	7.8	-5.2	5.1	2.5	2.7	3.4	2.7	3.0
Unemployment rate (% , last quarter)	3.5	3.2	3.5	3.4	3.3	3.3	3.5	3.3	3.6
Inflation (% YoY, average)	2.5	0.9	2.0	0.2	0.2	0.7	1.3	0.9	1.9
Inflation (% YoY, last quarter)	0.1	1.8	1.8	-0.3	0.2	1.0	1.5	1.3	2.3
Fiscal balance (% of GDP)	-8.6	-5.2	-7.4	-7.0	-8.4	-9.6	-10.4	-9.5	-10.3
Primary fiscal balance (% of GDP)	-7.6	-4.3	-6.5	-6.1	-7.5	-8.6	-9.4	-8.6	-9.3
Current account balance (% of GDP)	1.7	2.0	2.5	1.4	1.9	2.6	2.2	2.6	2.4
Official interest rate (end of period)	3.00	3.00	2.75	2.50	2.00	1.50	1.25	1.25	1.25
3-month interest rate (end of period)	2.76	2.50	2.42	2.53	1.69	1.48	1.41	1.43	1.30
10-year interest rate (end of period)	3.14	2.78	2.84	2.56	1.68	1.59	1.80	1.46	1.80
Exchange rate vs. USD (end of period)	6.52	6.35	6.90	7.10	7.30	7.42	7.41	7.68	7.80
Exchange rate vs. EUR (end of period)	8.00	7.19	7.36	7.84	7.58	7.79	7.83	7.97	8.18
Private lending (% YoY, average)	13.1	12.3	11.1	11.4	8.6	7.7	7.5	8.2	7.2
Household lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
P.S. non-financial lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
P.S. financial lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Savings rate (% pers. disp. income, avg.)	32.9	30.2	31.4	28.4	30.1	31.1	32.1	31.1	32.0

Source: MAPFRE Economics (based on BoPRC data)
Forecast end date: February 12, 2025

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comprehensive and balanced approach is needed to manage the challenges facing the Chinese economy. Inflation has been low in recent quarters and is expected to rise gradually as the output gap closes and the negative impact of lower raw material prices fades. The immediate priorities are to facilitate a more efficient and less costly adjustment of the real estate sector and to provide adequate macroeconomic support amid continued weakness and elevated downside risks. Addressing excessive debt, preventing the accumulation of new risks, and promoting high-quality and sustainable growth requires comprehensive structural reforms. The imposition of tariffs on exports to the United States will be a sensitive issue for the industrial fabric and the economy in general.

1.2.18 Indonesia

Economic momentum with controlled inflation.

In the fourth quarter of 2024, the Indonesian economy grew 5.0% YoY, but contracted 0.5% QoQ. Private consumption increased 4.9%, while public consumption dropped 4.2%. Investment increased 5.0%, while exports were up 7.6% and imports 10.3%, reflecting robust internal demand. The manufacturing PMI stood at 51.9 points, indicating strength, while the PMI

Indonesia

- The Indonesian economy maintains dynamic growth, with investment growing on optimism for the future.
- Inflation, at 0.8%, is clearly slowing down.
- The growth of Indonesia's economy is forecast at 4.9% in 2025 and 5.0% in 2026.

compiled by the Bank of Indonesia is above 50 points in all components except employment, which is improving and approaching that number. Other indicators, such as retail sales, were up 1.0% in December. In this context, the Indonesian economy is expected to grow around 4.9% in 2025 and 5.0% in 2026 (see Table 1.2.18 and Charts 1.2.18-c and 1.2.18-d).

In January, inflation dropped to 0.8%, from 1.6%. This reduction was due to administered prices, which decreased by 6.4%, and expenses related to lodging and supplies, which decreased by 8.8%. Likewise, core inflation stood at 2.4%. The latest interest rate decision by the Central Bank of Indonesia was to lower rates (7-day reverse repo) by 25 basis points to 5.75%. This decision is consistent with the expected reduction in inflation for 2025 and 2026,

Chart 1.2.18-a
Indonesia: exchange rate
(USD/IDR)



Source: MAPFRE Economics (based on data from Bank Sentral Republik Indonesia)

Chart 1.2.18-b
Indonesia: monetary policy interest rates
(%)



Source: MAPFRE Economics (based on data from Bank Sentral Republik Indonesia)

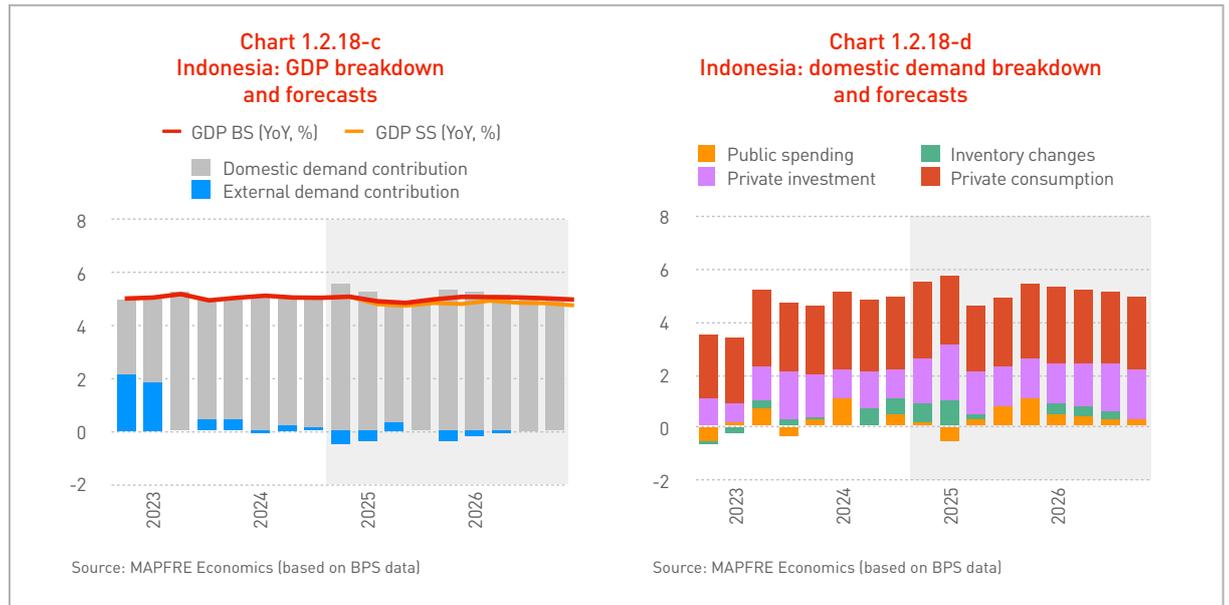


Table 1.2.18
Indonesia: main macroeconomic aggregates

	2020	2021	2022	2023	2024 ^(e)	Baseline (BS)		Stressed (SS)	
						2025 ^(f)	2026 ^(f)	2025 ^(f)	2026 ^(f)
GDP (% YoY)	-2.1	3.7	5.3	5.0	5.0	4.9	5.0	4.8	4.8
Domestic demand contribution	-3.6	4.1	4.6	4.4	5.1	4.6	4.4	4.5	4.1
External demand contribution	1.5	-0.4	0.8	0.7	0.0	0.3	0.6	0.3	0.6
Private consumption contribution	-1.5	1.1	2.7	2.7	2.8	2.8	2.7	2.7	2.6
Total investment contribution	-1.6	1.2	1.2	1.4	1.4	1.5	1.6	1.5	1.5
Public spending contribution	0.2	0.3	-0.4	0.2	0.4	0.4	0.3	0.4	0.3
Private consumption (% YoY)	-2.7	2.0	5.0	4.9	5.2	5.1	5.1	5.1	4.8
Public spending (% YoY)	2.1	4.3	-4.5	2.9	5.9	5.2	4.4	5.2	4.5
Total investment (% YoY)	-5.0	3.8	3.9	4.4	4.6	4.8	5.2	4.7	4.8
Exports (% YoY)	-8.4	18.0	16.2	1.3	5.0	5.3	5.3	5.3	5.1
Imports (% YoY)	-17.6	24.9	15.0	-1.6	6.2	4.6	3.5	4.6	3.1
Unemployment rate (% , last quarter)	6.7	6.2	5.7	5.1	5.0	4.9	4.8	4.9	5.0
Inflation (% YoY, average)	2.0	1.6	4.1	3.7	2.3	2.4	2.5	2.6	2.8
Inflation (% YoY, last quarter)	1.6	1.8	5.5	2.8	1.9	2.7	2.5	3.2	2.8
Fiscal balance (% of GDP)	-6.2	-4.6	-2.4	-1.7	-2.8	-2.6	-2.1	-2.6	-2.1
Primary fiscal balance (% of GDP)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Current account balance (% of GDP)	-0.4	0.3	1.0	-0.2	-0.7	-1.1	-1.1	-1.1	-1.2
Official interest rate (end of period)	3.75	3.50	5.50	6.00	5.50	5.25	5.25	5.50	5.50
3-month interest rate (end of period)	4.06	3.75	6.62	6.95	6.42	5.43	5.24	6.08	5.62
10-year interest rate (end of period)	6.10	6.38	6.93	6.49	6.35	6.14	6.06	6.37	6.26
Exchange rate vs. USD (end of period)	14,050	14,253	15,568	15,389	15,277	15,280	15,283	16,572	16,787
Exchange rate vs. EUR (end of period)	17,241	16,143	16,605	17,005	16,805	17,052	17,156	17,208	17,607
Private lending (% YoY, average)	1.4	1.0	9.6	9.2	9.5	7.0	9.8	6.6	10.3
Household lending (% YoY, average)	2.1	2.2	7.8	9.1	9.1	5.1	6.5	5.6	5.6
P.S. non-financial lending (% YoY, average)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
P.S. financial lending (% YoY, average)	-9.0	-12.6	15.3	29.8	16.4	6.6	6.3	5.0	6.7
Savings rate (% pers. disp. income, avg.)	21.4	25.7	29.2	27.4	25.3	24.5	24.2	24.3	23.7

Source: MAPFRE Economics (based on BPS data)
Forecast end date: February 12, 2025

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placing it within the target range of $2.5\pm 1\%$, maintaining the rupiah exchange rate in line with the economic fundamentals to control inflation within the target range, and the need to boost economic growth.

Indonesia's economic growth remains strong despite external headwinds. Inflation is in the target range, and the financial sector is

resilient. The authorities have been pursuing an ambitious growth agenda to achieve high-income country status by 2045. This includes public spending, institutional reforms, and industrial policy. The main downside risks include persistent volatility in raw material prices due to geopolitical shocks and an abrupt slowdown in the economies of major trading partners.

2. Industry outlook

2.1 The economic environment and its impact on insurance demand

2.1.1 Global markets

Globally, the moderation of inflation and easing of monetary policies towards less restrictive levels in the world's major economies maintain balanced global economic growth prospects of 3.1% in 2025 (3.2% in 2024), which would fall only slightly in 2026 to 3.0%. The impact of less stringent financing conditions, inflation moderation, and credit recovery in most major global economies will drive the real economy and, in turn, boost the insurance industry. However, the risks affecting this central scenario have increased due to geopolitical uncertainty and the risk of a trade war. The new tariffs announced by the new federal administration in the United States may affect private consumption, investment, exchange rates and inflation, among other factors, with potential disruptions in global supply chains and energy prices.

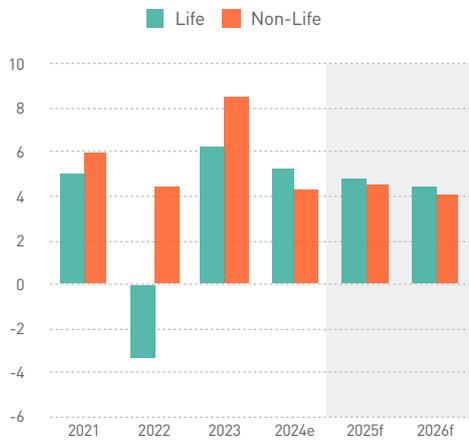
Despite the uncertainty, economic growth and interest rate levels are expected to favor the development of the insurance industry worldwide, with good prospects for profitability due to the improved financial performance of its investment portfolios. These portfolios will gradually benefit from movements in the interest rate curves, which are normalizing with higher levels in the long-term tranches than in the short-term tranches, offering a positive term premium. This is also supported by the good performance of the equity markets, the greater technical balance of the business, adjustments to insurance premiums to adapt them to the sharp rise in inflation experienced in the last two years, and more

moderate growth in the costs of insurance companies in recent quarters.

Thus, during the last few years, and considering the economic context, the insurance industry has been adjusting its rates to inflation and to the increase in the claims level in certain lines of business. Likewise, while the persistence of high interest rates has favored Life and savings products, boosting the demand for annuities and investment insurance, the Non-Life segment, more linked to the economic cycle, showed growth more in line with the specific activity of each country. The macroeconomic outlook in 2024 showed some slowdown in global growth. By 2025, given the current uncertain geopolitical situation and the economic policy decisions being made by the U.S. administration, with consequent reactions in the rest of the world, reduced consumption is likely. In addition, in this environment, central banks could delay the progress of interest rate easing while awaiting developments, influencing the decisions of individuals and companies, with the consequent effect on the insurance market.

As illustrated in Chart 2.1.1-a, a performance analysis of the global insurance industry shows differing dynamics between the Life and Non-Life segments. For 2024, we estimate that the Life segment grew by 5.3%, and the Non-Life segment by 4.3%, in line with the aggregate macroeconomic performance in that year (see also Table B-1 in the Appendix of this report). Looking to 2025, despite an environment characterized by a moderation of inflationary pressures and more accommodative financial conditions, a slight slowdown is expected in the sector, with expansion rates of 4.8% in Life and 4.5% in Non-Life. This adjustment responds to the persistent geopolitical uncertainty and the

Chart 2.1.1-a
Global: premium growth forecasts
(annual nominal growth in USD, %)



Source: MAPFRE Economics

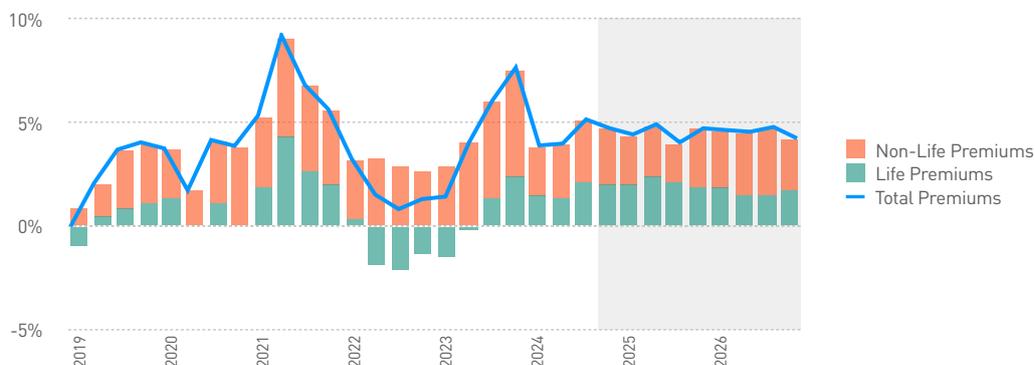
evolution of economic policies in the main economies, which are determining factors in the confidence of economic agents and the dynamics of taking out insurance.

The analysis of the quarterly performance of the insurance market presented in Chart 2.1.1-b reveals that the sector maintained a positive contribution in the last periods of 2024, registering average growth of 1.7% in the Life segment and 2.6% in Non-Life. According to projections for the 2025-2026 period, both lines of business are expected

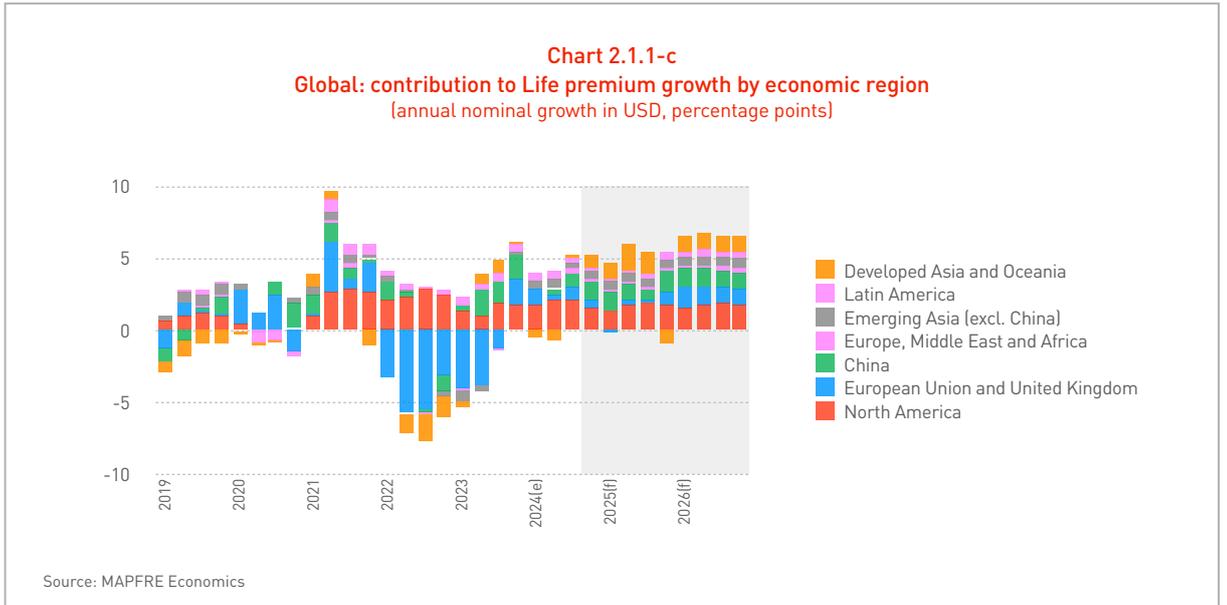
to follow a path of moderate but sustained expansion, with an average growth rate of 1.9% in Life and 2.7% in Non-Life, which would drive a compound increase of 4.6% in the total volume of premiums globally. This growth dynamic is underpinned by the expansion of the policyholder base, the diversification and development of new products, as well as the sector's capacity to adapt to structural changes in demand.

Meanwhile, an analysis of the contribution of the various economic regions to the growth of the global Life insurance market (see Chart 2.1.1-c and Table B-1 in the Appendix of this report) reveals that North America will be the primary driver of sector expansion in the 2025-2026 period, with an estimated contribution of 1.7 percentage points (pp), consolidating its position as the key engine of growth. It will be followed by China, with a contribution of 1.1 pp, and developed Asia together with Oceania, with a contribution of 1 pp. The European Union and the United Kingdom will contribute 0.8 pp to the sector's growth, while Emerging Asia (excluding China) will contribute 0.5 pp, followed by Latin America with 0.4 pp. Meanwhile, the rest of the regions will have a marginal impact on market momentum, with a combined contribution of just 0.1 pp.

Chart 2.1.1-b
Global: quarterly premium growth forecast
(annual nominal growth in USD, %)



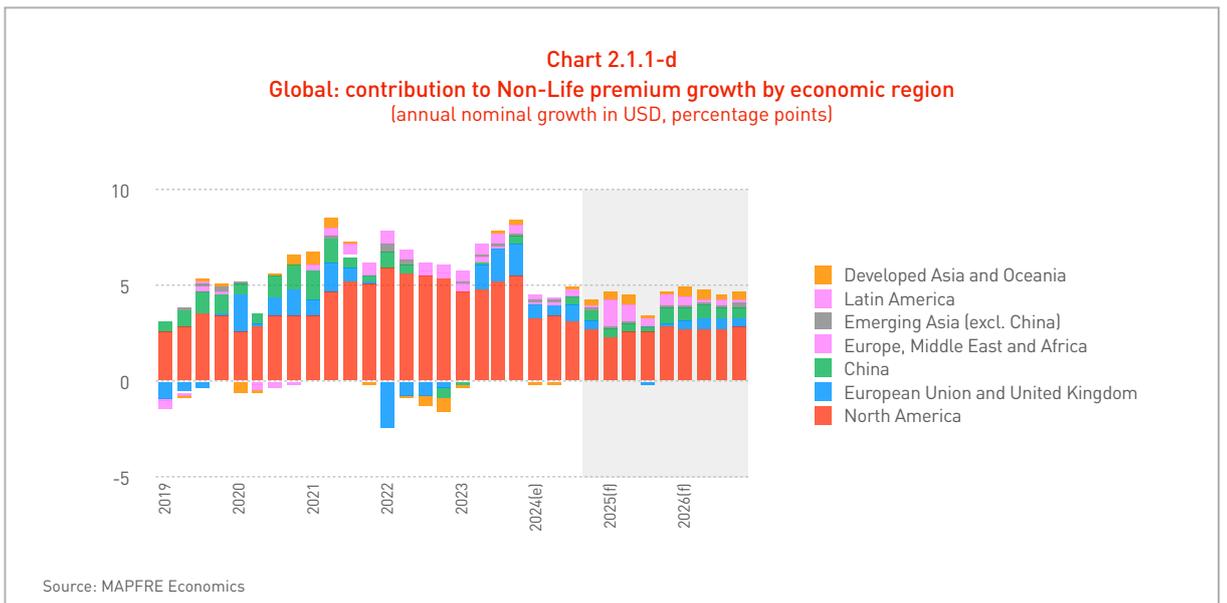
Source: MAPFRE Economics



In the Non-Life insurance segment (see Chart 2.1.1-d and Table B-1 in the Appendix of this report), projections for the 2025-2026 period confirm North America as the main driver of insurance growth, with an estimated contribution of 2.7 pp, although in a context of a slight slowdown compared to 2024, when its contribution reached 3.3 pp. Meanwhile, China will increase its contribution to sectoral growth from 0.2 pp in 2024 to 0.6 pp in 2025, while Europe and the United Kingdom will reduce their share from 0.9 pp to 0.4 pp towards the end of 2025. As for emerging economies, their impact on the expansion of Non-Life premiums remains moderate.

Developed Asia and Oceania will contribute 0.4 pp, Latin America 0.3 pp, while Europe (ex-European Union), the Middle East and Africa will have a marginal share of just 0.1 pp each.

The insurance premium projections by country, presented in Table B-1 of the Appendix to this report, confirm the consistency of the contributions of selected economies to the growth of the different insurance segments in their respective regions and, by extension, to the global market. An illustration of this is the case of the United States and China, which are consolidating their position as the main



drivers of insurance worldwide. According to the forecasts presented in the first part of this report, U.S. GDP will grow by 2.5% in 2025 and 2.0% in 2026, while China is expected to grow by 4.3% and 4.0% for those years, respectively. These rates of economic expansion would support a year-on-year growth in insurance premiums in line with the evolution of activity in each market. In the Life segment, premiums in the United States are expected to increase by 5.5% in 2025, while in China the estimated growth amounts to 7.4% over the same period. In Non-Life, premium growth forecasts also reflect the dynamics of the insurance industry in each country: in the United States, rates of 4.4% are projected for 2025 and 2026, while in China, growth is expected to reach 5.6% in 2025 and 4.8% in 2026. These results reinforce the correlation between economic expansion and the performance of the insurance market, confirming the relevance of both countries in the industry's global performance.

2.1.2 Eurozone

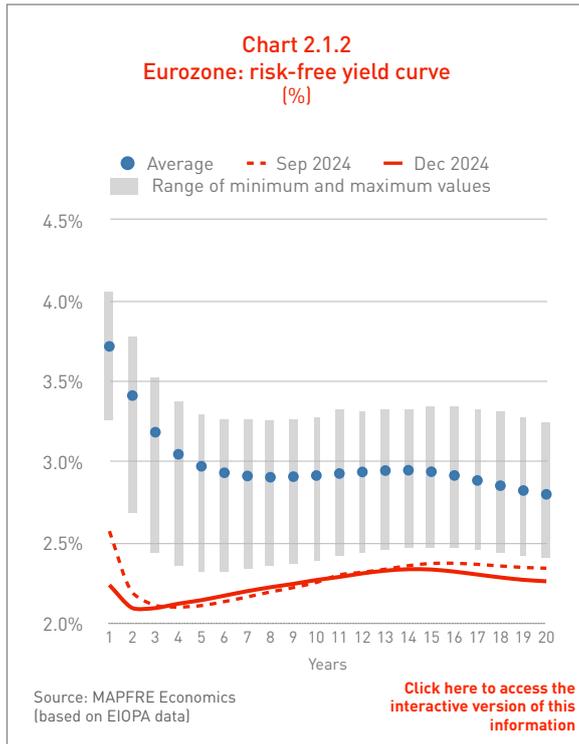
In the Eurozone, forecasts point to weak economic growth of 1.1% in 2025 (0.8% in 2024), which implies a slight acceleration in growth that would be somewhat higher in 2026, at 1.4%, as the effects of the anticipated interest rate cuts over the next two years filter into the real economy, alongside moderating inflation. This economic weakness mainly affects Germany, but also France and Italy, which will be passed on to the insurance business in their respective markets. However, some Southern European economies, particularly Spain, continue to perform better than the other major economies in the Eurozone, with good prospects for their insurance industry as the European Central Bank (ECB) moves forward with its monetary easing policy and credit to the private sector is reactivated, in a central scenario of less restrictive financing conditions.

Inflation data rebounded in the last quarter of the year, reaching 2.4% in December (compared to a low of 1.7% in September).

Thus, average inflation in 2024 stood at 2.4%, compared to 5.4% in 2023 (8.4% in 2022). In January 2025, it rebounded slightly to 2.5% YoY (above the ECB's target of 2% for the Eurozone as a whole). Despite these slight price increases, the ECB decided to cut monetary policy interest rates at its January 2025 meeting by 25 basis points (bps), marking the fifth consecutive cut since its June 2024 meeting. This brought the deposit facility rate to 2.75%, the main refinancing operations rate to 2.9%, and the marginal lending facility rate to 3.15%, thus moving towards less restrictive levels (after maintaining the highest levels in over two decades from October 2023 to May 2024). Additionally, the ECB decided to continue its path of progressively reducing the size of its balance sheet at a predictable pace under the Asset Purchase Program (APP) and the Pandemic Emergency Purchase Program (PEPP), no longer reinvesting the full principal amount of maturing bonds held by the ECB in the latter program since January 2025. This means that, in practice, the ECB has ceased acquiring sovereign bonds from Eurozone countries, which, except for the odd spike, has not led to an increase in risk premiums, which have even eased, particularly for the peripheral countries of the Eurozone.

Thus, the market risk-free yield curves at the end of December produced by the European Insurance and Occupational Pensions Authority (EIOPA) reflect a significant drop across all segments of the curve, remaining below the previous year's lows (reached at the end of the year). The curve has lost much of the negative slope it displayed in the first half of 2024, now only affecting maturities of up to two years. This reflects a scenario where risk-free market interest rates suggest that rates may continue to decrease in the coming quarters, albeit at a slower pace than originally anticipated at midyear (see Chart 2.1.2).³

The forecasts for improved economic growth in the Eurozone and the interest rate environment, which already offers a positive term premium, with levels above inflation expectations in the longer tranches of the

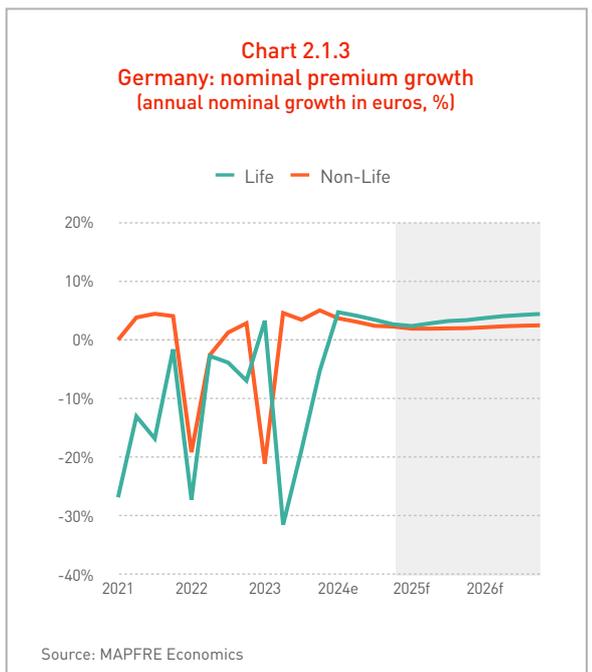


curve, are still suitable for the marketing of Life savings insurance products with longer guaranteed rates given the expectations that the ECB will continue on its path of reducing monetary policy interest rates during the year. Meanwhile, the Eurostoxx underperformed the U.S. indexes, although it did perform positively, with a revaluation in 2024 of 8.5% (23.8% in 2023). This strong performance has continued thus far in 2025, adding a revaluation of 8.8% through the first week of February, which could drive the performance of Life insurance products in which the policyholder assumes the investment risk, which may also benefit from the high interest rates in fixed income, although more moderate, and the expectation of new drops throughout the year. However, there is still some uncertainty due to the difference in expectations regarding the timing of monetary policy easing by the ECB and the Federal Reserve, which is putting pressure on the currency markets and, in particular, on the euro, which has depreciated significantly in recent months. This could put upward pressure on energy prices in the Eurozone, a region that is a net importer of energy. However, the signing of an eventual peace agreement in Ukraine could act in the opposite direction.

2.1.3 Germany

Economic forecasts for Germany point to a slight improvement in the environment of weak economic growth of 0.3% in 2025 (-0.2% in 2024), a situation that could improve in 2026, when GDP growth close to 1.1% is expected. Inflation in January 2025 has receded slightly to 2.3% after the moderate rebound since the summer with 2.2% and 2.6% YoY in November and December, respectively, compared to an average inflation rate of 2.3% in 2024. In this context, premium growth in the Non-Life insurance segment in 2025 could be around 2.0%, accelerating its growth in 2026, as the economic outlook improves, to 2.5% (see Chart 2.1.3). Moderated inflation and the performance of insurers' investment portfolios, bolstered by strong financial market performance, could enhance their profitability.

In terms of Life insurance activity, the yield on German sovereign bonds remains volatile, with occasional upward spikes in its profitability, especially since the beginning of the year, and a positive slope in the curve across various maturities, except for short-term interest rates up to one year, where it remains inverted. This interest rate situation remains a favorable environment for savings-



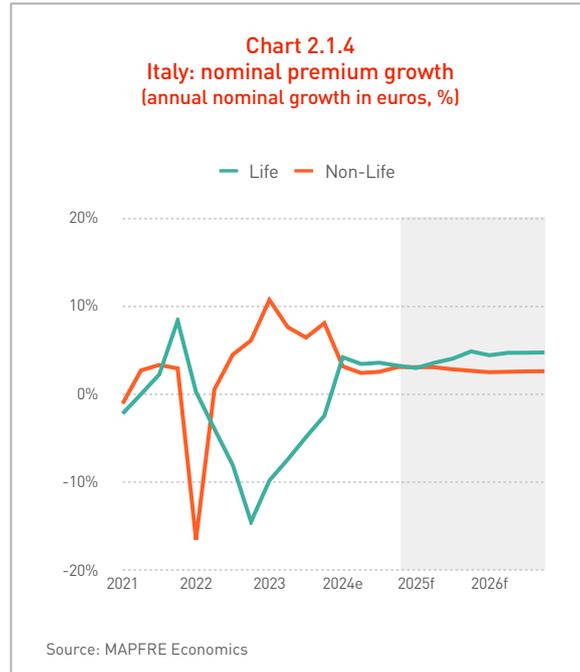
linked Life insurance, as it allows interest rate guarantees to be offered above inflation, with a positive term premium for longer maturities. Thus, the growth of Life Insurance industry premiums in 2025 could be around 3.4% and could accelerate to 4.5% in 2026.

Meanwhile, the main global indexes continued to experience notable growth during the year. The German DAX appreciated by 18.7% in 2024 (19.7% in 2023), and has continued its upward trend in 2025, with a 9.4% increase as of the first week of February. This has benefited the development of Life insurance products in which the policyholder assumes the investment risk. These products can also capitalize on the interest rate environment by expanding the composition of reference assets toward a higher weight of fixed income for policyholders with a higher risk aversion. This is also based on the fact that the main equity indexes, particularly those in the United States and the DAX, continue near all-time highs, and the forecasts that the ECB will continue to gradually lower interest rates in the coming months.

2.1.4 Italy

Forecasts continue to point to weak economic growth of 0.7% for the Italian economy in 2025 (0.5% in 2024), with growth expected to reach 0.9% in 2026. In this economic environment, insurance activity is expected to slow down slightly, with growth in Non-Life insurance premiums estimated at 2.6% and 2.5% in 2025 and 2026, respectively (see Chart 2.1.4). Meanwhile, inflation has been picking up since September, but it is one of the weakest in the Eurozone at 1.5% YoY in January 2025 (compared to average inflation of 1.0% in 2024), which, together with the financial returns on investment portfolios, may have a positive impact on the profitability of the insurance industry.

Regarding the interest rate environment for Life insurance, the short end of the Italian sovereign debt curve is still inverted in its



short-term segment with maturities of up to one year, while showing a positive slope in the longer maturities. This allows for slightly higher returns in long-term products compared to short-term rates (positive term premium), significantly above inflation. This provides an appropriate environment for traditional Life savings and annuity products with longer durations. Meanwhile, the main Italian equity index (FTSE MIB) rose by 12.0% in the year (after rising 27.2% in 2023), and has continued its upward trend in 2025, with growth of 8.4% so far this year through the first week of February. The performance of equities, together with the high yields offered by fixed income, continues to support the development of Life insurance products in which the policyholder assumes the investment risk, which are widespread in the Italian market. In this context, Life Insurance premiums are expected to grow around 4.8% and 4.7% in 2025 and 2026, respectively.

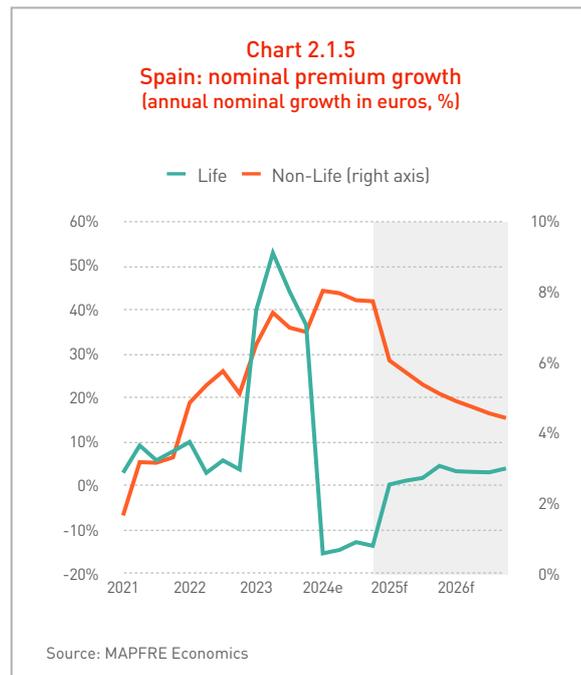
2.1.5 Spain

The Spanish economy is expected to continue growing above the Eurozone average, reaching 2.4% in 2025. This represents a slight slowdown compared to the previous year's growth (3.1% in 2024), with a further deceleration forecast for

2026, with expected growth of 1.7%. The strong economic performance, supported by private consumption, the strength of the labor market, and the recovery of lending to the private sector, in an environment of falling interest rates, will be further reflected in the volume of insurance premiums in the Non-Life segment. This area performed strongly in 2024, with growth outpacing inflation, and forecasts point to further growth of up to 5.1% in 2025 (7.8% in 2024), followed by a slight slowdown in 2026 to 4.4% (see Chart 2.1.5).

These estimated premium growth rates in the Non-Life segment are above the average inflation forecast in Spain in 2025 and 2026, of 2.5% and 1.9% respectively, which implies positive real growth. Meanwhile, the moderation in price growth will help improve the profitability of the Spanish insurance industry, as occurred in 2024 (with YOY improvement of 1.6 pp through Q3, reaching 10.4% of industry premiums⁴), with the additional help of improved returns on investment portfolios. This is contingent on the fulfillment of average inflation forecasts for the year, which has seen a slight upward trend in recent months, with a figure that reached 3.0% in January 2025, following moderate rebounds of 2.4% and 2.8% in November and December 2024, respectively.

Regarding interest rates, as previously mentioned, the ECB, in its latest January meeting, further reduced rates to 2.9% for main financing operations (well below the peak of 4.25% in June 2024, when the ECB began its rate-cutting cycle) and 2.75% for the deposit facility (4.5% in June 2024). The ECB may continue lowering rates at future meetings, depending on inflation data, until they reach more neutral territory from the current level, which it still considers restrictive. Meanwhile, as of the date of this report, the Spanish sovereign yield curve has regained a positive slope across all maturities except those under one year, offering yields above inflation forecasts for 2025 and 2026 for maturities of over five years.



This interest rate environment is suitable for longer-term collateralized products, which already offer a significant positive term premium, aided by expectations that interest rates may continue to fall. However, the Spanish insurance industry structurally faces strong competition from other financial institutions that can compete with their own savings management products, such as investment fund managers and banks. This, together with the significant baseline effect from the growth experienced in the Life insurance segment in 2023 (36.5%), led to a decline in Life insurance premiums in the Spanish insurance industry in 2024, which fell 13.7%, with estimated growth of around 3.6% in 2025 (3.3% in 2026). However, in terms of managed savings, the figures at year end show a slight increase for Life insurance activity in Spain of 3.2%, reaching 210.4 billion euros.⁵

2.1.6 Portugal

The outlook for the Portuguese economy forecasts a slight acceleration in activity to 1.8% in 2025 (1.6% in 2024), which would continue in 2026, reaching 2.1%, with the help of ECB interest rate cuts. This strong performance of the Portuguese economy

will be transferred to the activity of its insurance industry, which will continue to grow in the Non-Life line above inflation (see Chart 2.1.6), with growth of 4.5% and 5.3% in 2025 and 2026, respectively. Inflation, which had been picking up since August 2024, reaching 3% YoY in December, fell back to 2.5% YoY in January. Forecasts indicate that it will continue to fall, with average inflation in 2025 and 2026 of 2.1% and 1.9%, respectively. Along with an improvement in the yield of insurance companies' investment portfolios due to the favorable interest rate environment, this will have a positive impact on the profitability of the country's insurance industry.

In terms of Life insurance, the yield curve of Portuguese sovereign debt has followed a similar trend to that of Spanish sovereign bonds and those of other Eurozone countries, regaining a positive slope across all maturities except for those under one year. This environment of European sovereign debt interest rates, which offers yields above expected inflation for longer-term maturities, combined with expectations that the ECB may continue to lower monetary policy interest rates, is favorable for the development of savings-linked

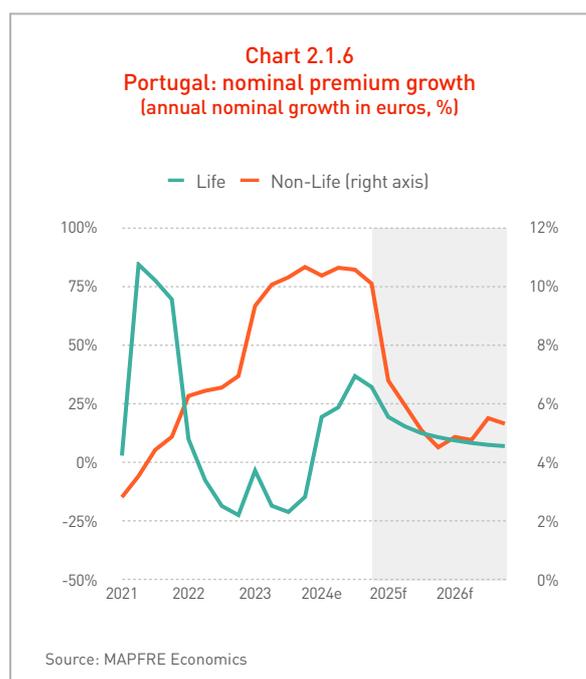
insurance activity, with Life insurance premiums estimated to grow by around 10.8% and 7.0% in 2025 and 2026, respectively.

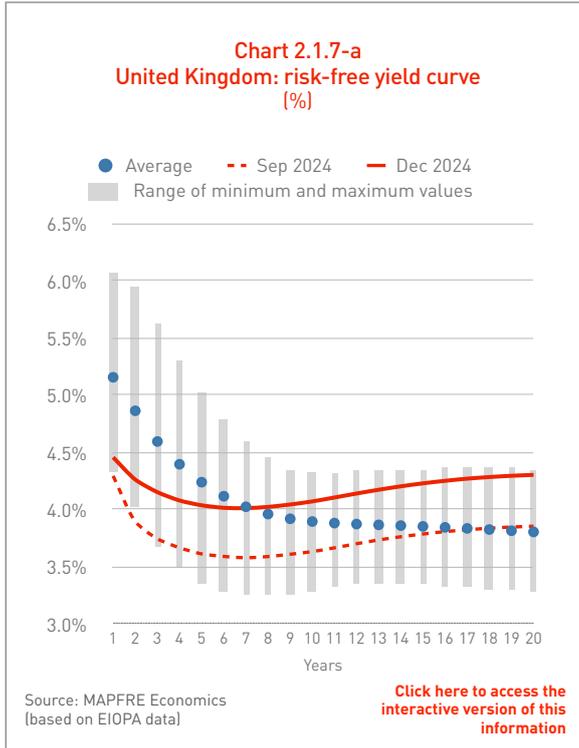
2.1.7 United Kingdom

The macroeconomic forecasts outlined in this report point to a slight acceleration for the UK economy as the Bank of England progresses in easing its still-restrictive monetary policy. Economic growth is estimated at 1.4% in 2025 (0.8% in 2024) and 1.3% in 2026. Meanwhile, inflation has experienced a moderate rebound since the summer at 2.6% and 2.5% YoY in November and December, respectively, compared to an average inflation rate of 2.6% in 2024. This improved economic context suggests higher growth in premiums in the Non-Life segment of 4.2% in 2025 and 4.4% in 2026. High interest rate levels could also lead to improved profitability margins for the sector.

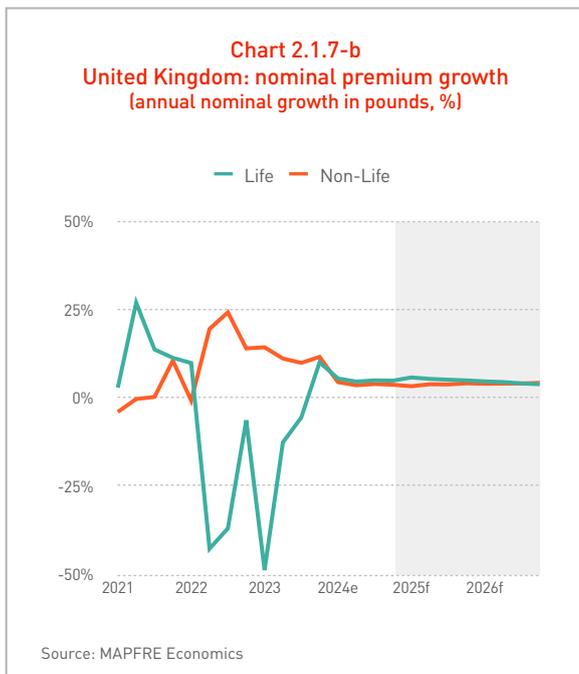
At its January meeting, the Bank of England decided to reduce monetary policy interest rates by 25 bps, to 4.5%, following the two cuts in August and November 2024 of 25 bps each, despite the slight upturn in inflation data in recent months. EIOPA's risk-free yield curve at the end of December (see Chart 2.1.7-a) shows a rebound in market interest rates, and a slightly negative slope continues for maturities of up to seven years. In terms of equities, the FTSE 100 posted moderate growth of 5.8% in 2024 (3.8% in 2023), below the major international indexes, although it has improved in 2025 with growth of 6.5% through the first week of February.

High interest rates at the shorter end of the curve and the yield curve inversion create a favorable environment for savings-linked Life insurance products with short-term guarantees and rate reviews at each renewal. Longer-term guaranteed products are also becoming more attractive amid expectations that interest rates may fall further. As a result,





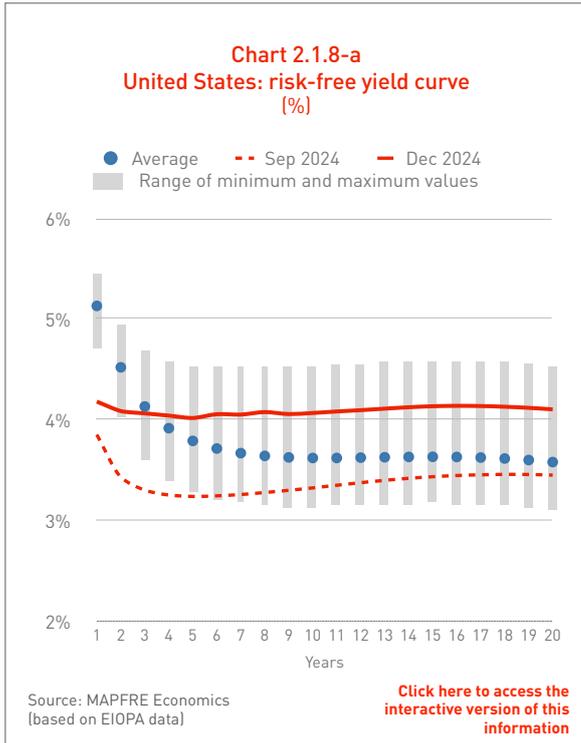
Life insurance premiums are expected to grow by around 5.1% and 4.0% in 2025 and 2026, respectively (see Chart 2.1.7-b).



2.1.8 United States

In the United States, forecasts continue to reflect a dynamic economy, albeit one that is slowing slightly, with estimated economic growth of 2.5% in 2025 (2.8% in 2024) and 2.0% in 2026. Inflation has picked up in recent months to 3% YoY in January, following 2.7% and 2.9% in November and December, leaving average annual inflation at 3.0% in 2024. The strong performance of the U.S. economy continues to paint a picture of healthy growth for insurance activity. Non-Life insurance premiums are expected to grow by 4.4% in 2025, a rate similar to that projected for 2026. Profitability prospects also remain positive, supported by financial income from the high interest rate environment, particularly in the longer segments of the U.S. sovereign debt curve.

This upturn in inflation, in an economy that shows no signs of weakness, led the Federal Reserve to keep monetary policy interest rates unchanged at its January meeting (after the 25 bps cut in December, and the two cuts of 25 and 50 bps in November and September, respectively), leaving them in a range between 4.25% and 4.5%. In the risk-free yield curve for December, produced by EIOPA (see Chart 2.1.8-a), a rise is observed across all segments of the curve, with a slight negative slope in the first sections with maturities of up to five years. This reflects the expectation that the Federal Reserve may delay interest rate cuts in the coming quarters, if the trajectory of inflation data allows it, returning to its monetary policy objective. In this regard, longer-term interest rates, particularly the yield on the 10-year Treasury bond, remain significantly above inflation, reflecting the uncertainty introduced by the new administration's tariff policies into price levels, offering positive real interest rates across the entire curve.



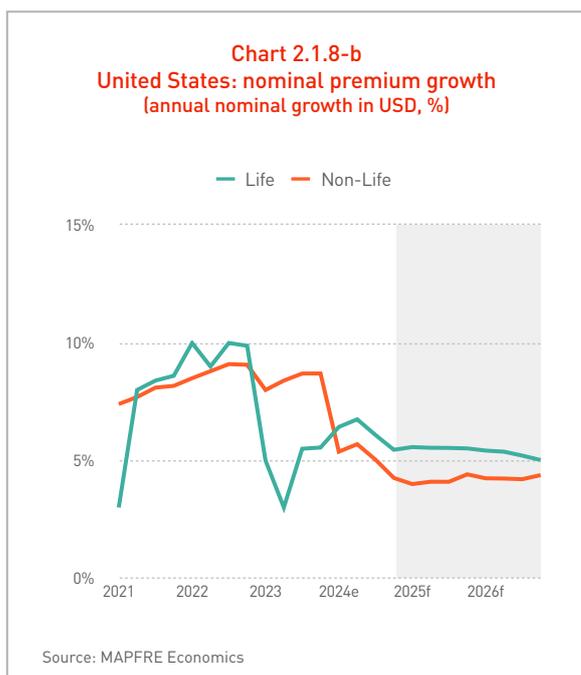
strong performance in 2024, posting a 30.8% gain (42.1% in 2023) and hitting all-time highs. The S&P500 performed similarly, although with lower growth than the Nasdaq, rising 24.0% in 2024 (23.8% in 2023). Both indexes have continued this trend so far in 2025, with gains of 1.1% and 2.5% through the first week of February. This continues to support the development of Life insurance products in which the policyholder assumes the investment risk, which can also benefit from the high fixed income interest rates, especially those with a longer duration such as the ten-year U.S. Treasury bond, for policyholders with a more conservative profile. In this context, Life Insurance premiums in the United States could grow by 5.5% in 2025 (5.5% in 2024) and 5.0% in 2026 (see Chart 2.1.8-b).

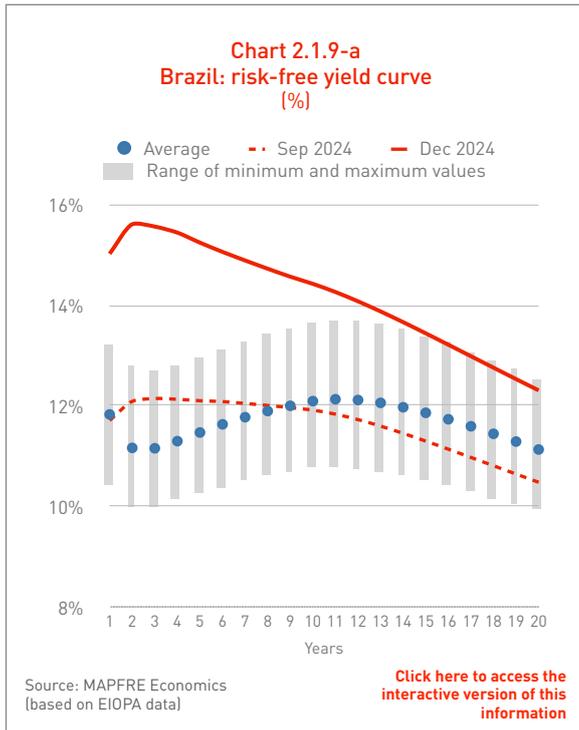
2.1.9 Brazil

Forecasts for the Brazilian economy point to an economic slowdown in 2025, to 2.0%, after strong performance in 2024, when it grew by 3.2%. This slowdown comes in the context of tighter financing conditions due to the shift in the Brazilian central bank's monetary policy since September, a trend that would continue in 2026, when economic growth of 1.8% is expected. In this economic context, Non-Life premiums are expected to grow 8.1% in 2025, with a slight deceleration expected in 2026 to 7.3%. These growth rates, however, are above the average inflation forecasts for those years, which are 4.9% and 4.2%, respectively.

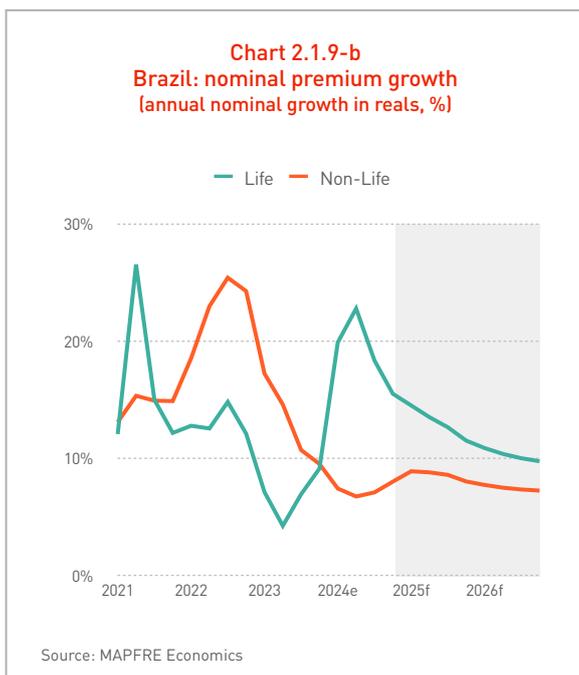
Meanwhile, higher financial revenues due to high interest rates will continue to positively impact the profitability of the insurance industry, offsetting inflation rising to 4.87% and 4.83% in November and December. This increase prompted the Central Bank of Brazil to react with a new 100 bps hike in the monetary policy benchmark rate (Selic), bringing it up to 13.25%. The EIOPA risk-free yield curves for the end of December (see Chart 2.1.9-a) show a further rise across all segments of

This environment of positive real interest rates continues to create favorable conditions for the sale of Life savings insurance products with guaranteed rates for shorter durations and rate adjustments at each renewal, as well as products with guaranteed rates for longer durations, which continue to gain appeal. Meanwhile, the Nasdaq Composite index continued its





the market risk-free rate curve, which has become notably steeper, creating a marked negative slope, except in the shortest segment with maturities up to two years. This interest rate environment favors the development of Life savings products (such as VGBL and PGBL) and annuities, which can continue to offer returns significantly higher than the latest inflation data, taking

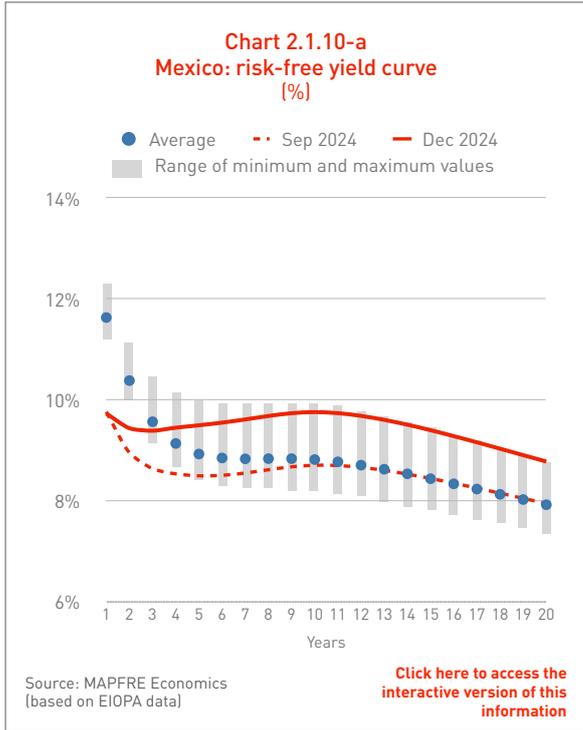


advantage of the high level of short-term rates. Thus, Life insurance premiums in the Brazilian market are expected to grow by 11.6% in 2025 (15.6% in 2024); in 2026, the expected growth would reach 9.8% (see Chart 2.1.9-b).

2.1.10 Mexico

In Mexico, macroeconomic forecasts point to a slight deceleration in economic growth, to 1.1% in 2025 (down from 1.5% in 2024), with a recovery expected in 2026, projecting a growth of 1.5%. However, uncertainty remains high due to the country's dependence on tariff decisions from the U.S. federal government. This environment of economic growth, accompanied by falling interest rates, continues to present a favorable outlook for insurance activity, with Non-Life premiums expected to grow by 8.5% in 2025, and slightly more in 2026, by 9.0%. These growth rates are above the average inflation forecast for these two years, which are 3.9% and 3.7%, respectively. Meanwhile, financial income is expected to continue contributing to the profitability of the insurance industry, based on the high levels of interest rates that are still significantly higher than inflation forecasts.

The inflation rate, which had been rising in the first half of the previous year, began to ease in the second half, leaving average inflation in 2024 at 4.7%. This downward trend has continued into 2025, with 3.59% YoY in January, within the central bank's target range (between 2% and 4%). This has allowed the Bank of Mexico to approve an additional 50 bps reduction in the monetary policy interest rate at its February meeting, bringing it down to 9.5%. This marks the sixth rate cut since the shift towards a less restrictive monetary policy (beginning in March 2024), which influences the environment for savings-linked Life insurance. EIOPA's market risk-free yield curves (see Chart 2.1.10-a) show that the expectations for reductions in monetary policy interest rates have not been reflected

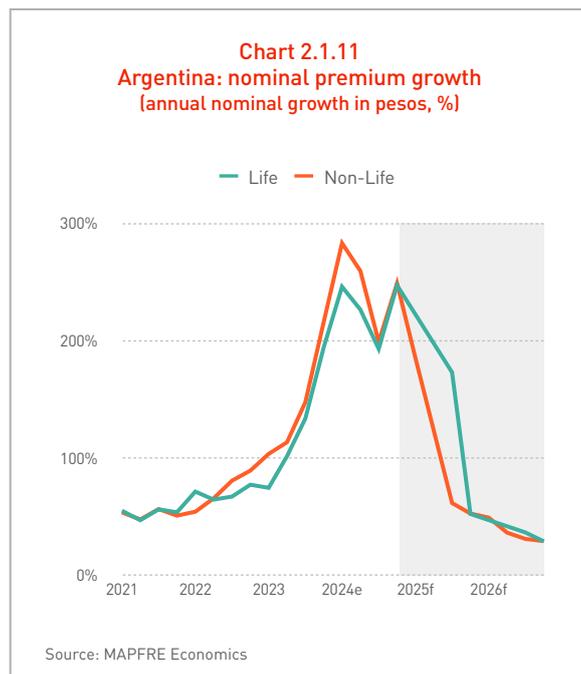
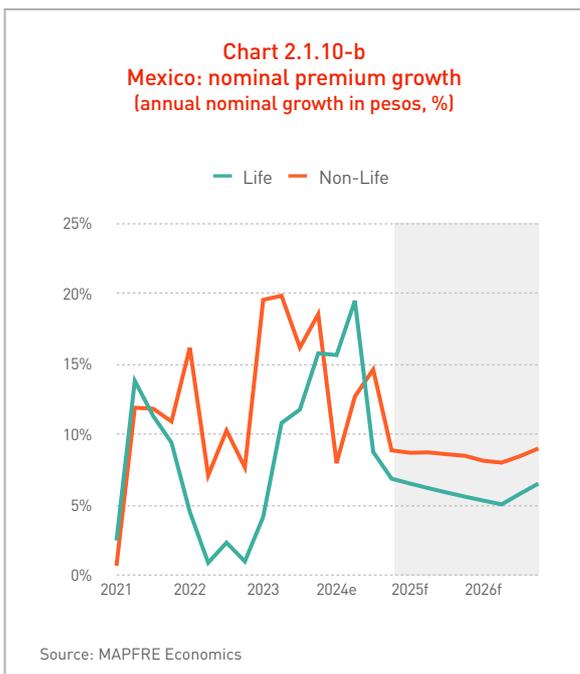


in the longer maturities of the market curve, which has experienced a slight increase across all segments, except for the shortest one. As a result, the yield curve is normalizing, losing its negative slope in the main part of the curve (with maturities up to ten years).

Thus, real interest rates remain positive across the curve, significantly above the expected average inflation (3.9% in 2025). Therefore, savings-linked Life insurance and annuity products can continue offering attractive returns for savers, with guaranteed rates, both short-term and longer-term, as the curve offers a positive term premium. Thus, it is estimated that premiums in the Life insurance segment in Mexico could grow by around 5.6% in 2025 and 6.5% in 2026 (see Chart 2.1.10-b).

2.1.11 Argentina

In general terms, the economic outlook for Argentina is improving after last year's severe recession (-2.3% in 2024), with estimated real economic growth of 3.4% in 2025 and 3.1% in 2026, aided by a change in the inflation trend. The measures adopted by the new government to control the public deficit have successfully reduced the year-on-year inflation rates of 292.2% and 276.4% in April and May, respectively, bringing them down to 166% and 117.8% YoY in November and December. As a result, the average annual inflation for 2024 stands at 219.8%. It is expected that this context of emerging from the recession, controlling inflation, and returning to economic growth will support the insurance industry, with an



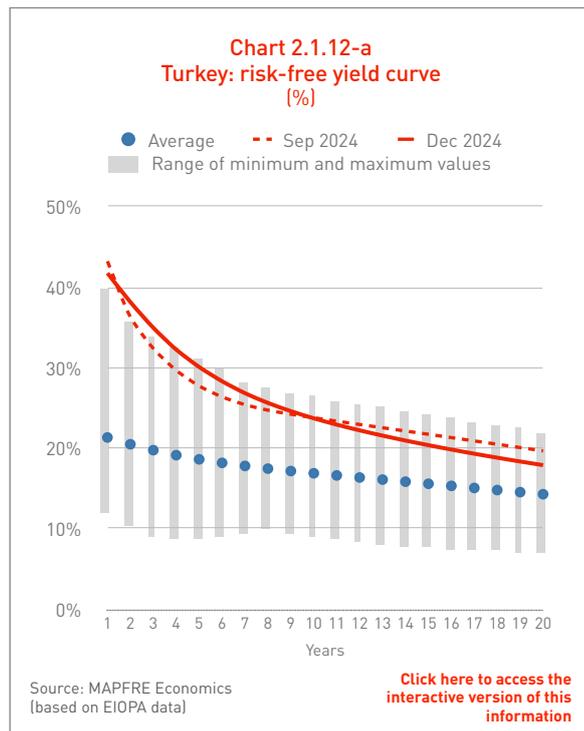
estimated nominal growth of 52.9% for Non-Life insurance premiums in 2025. Growth is expected to slow down in 2026 to 29.4%, following the projected decline in inflation (46.7% and 26.0% average inflation expected for 2025 and 2026, respectively).

Against this backdrop, the government's policy of containing public spending has allowed the Central Bank of the Argentine Republic to relax its monetary policy, reducing the benchmark rate by 300 bps to 29% at its January meeting. This, however, leaves a still-complex interest rate context for savings-linked Life insurance, as it remains in negative territory and cannot offer returns that compensate for high inflation. Thus, the nominal growth of Life premiums in the insurance industry in 2025 and 2026 could be 52.5% and 29.2%, respectively (see Chart 2.1.11).

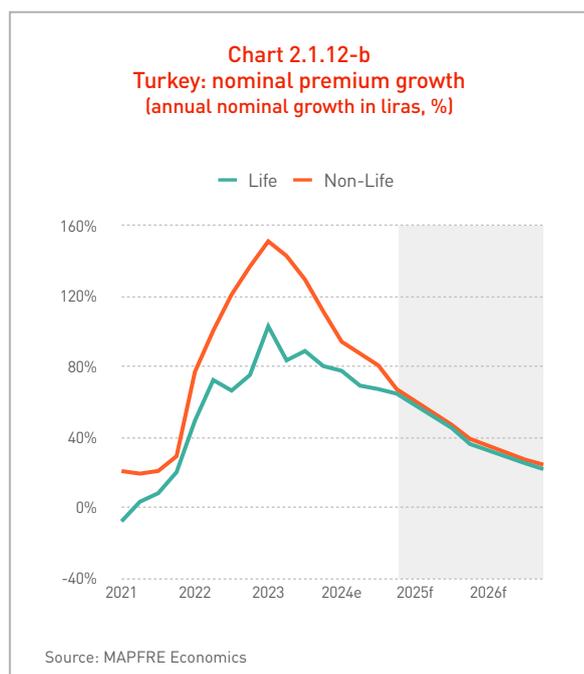
2.1.12 Turkey

In Turkey, forecasts point to economic growth of 2.6% in 2025 (2.7% in 2024) and an acceleration of the economy in 2026 to 3.3%. Meanwhile, inflation remains high, but significantly lower than the levels reached in the middle of last year (75.4% in May), and continues on a markedly downward path, reaching 42.1% YoY in January 2025 (compared to an average inflation rate of 58.5% in 2024). This environment of economic growth and declining inflation favors the development of insurance activity, pointing to estimated growth in Non-Life insurance premiums of 39.2% and 24.6% in 2025 and 2026, respectively. This implies real growth in line with economic growth, considering the average inflation forecast of 31.8% and 18.8% for 2025 and 2026, respectively. This improvement in inflation forecasts and the high financial returns on investment portfolios in a context of high interest rates also suggest improvements in terms of the profitability of the Turkish insurance industry.

The improved inflation figures allowed the Turkish central bank to lower the monetary policy benchmark interest rate for the



second time by 250 bps at its January 2025 meeting, leaving it at 45%, following a previous cycle of accelerated tightening of its monetary policy. In the EIOPA curves, stabilization can be observed in the market risk-free interest rates with a curve presenting a markedly negative slope, with levels in the shorter-term periods that already exceed the last inflation reading (see Chart 2.1.12-a).



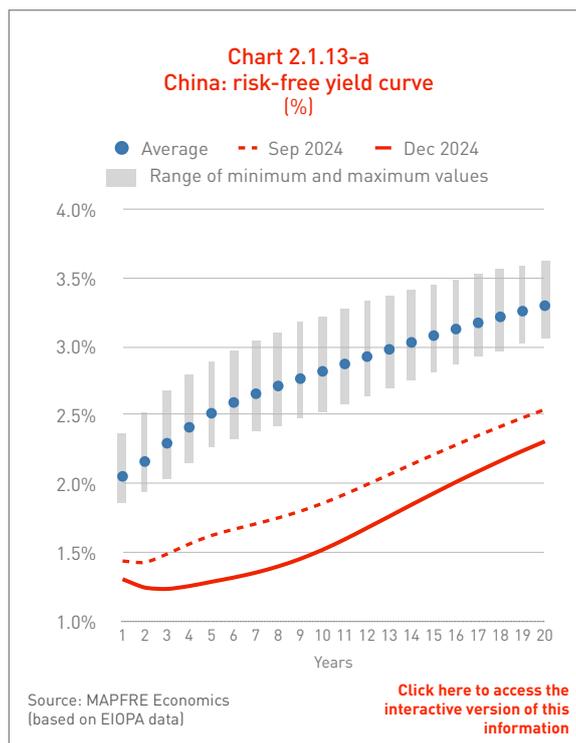
Thus, the interest rate environment continues to improve for the development of the Life savings insurance activity in the Turkish market, more suitable for products that offer guaranteed short-term interest rates that can already exceed inflation (as both indicators are evolving) and the revision of the guaranteed rate at each maturity. In this context, also taking into account the possible development of Life Protection insurance, nominal Life insurance premiums in Turkey are expected to grow by around 36.3% and 22.0% in 2025 and 2026, respectively (see Chart 2.1.12-b).

2.1.13 China

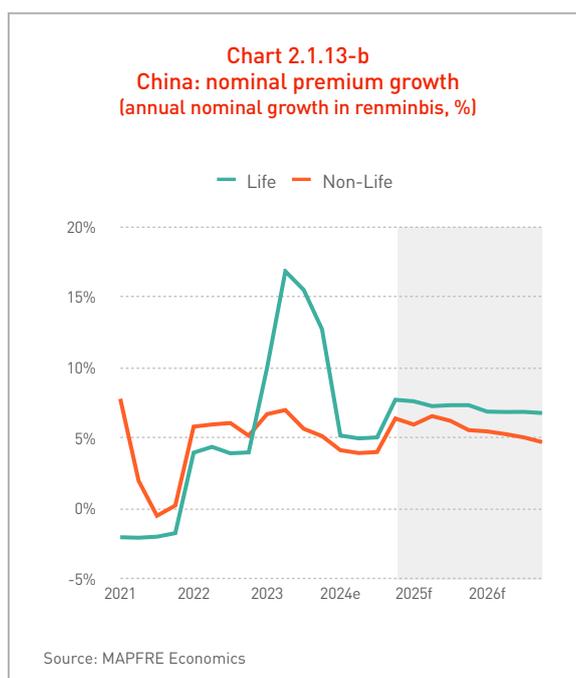
The macroeconomic forecasts set out in this report point to a slight slowdown in the Chinese economy in 2025, to 4.3% (4.8% in 2024) and 4.0% in 2026, with growth driven by domestic consumption that remains substantial, although weaker than what has been customary for the Chinese economy. In any case, this is a favorable economic environment for insurance activity, with Non-Life insurance premiums expected to grow by 5.6% in 2025 and 4.8% in 2026, in line with the expected economic slowdown.

Meanwhile, inflation in China remains weak, standing at 0.5% YoY in January, slightly higher than the 2024 average of 0.2%. In this environment, the central bank has decided to continue its accommodative monetary policy, keeping its two benchmark monetary policy interest rates at its January meeting at 3.1% for the one-year rate and 3.6% for the five-year rate (the usual benchmark for mortgage lending). The EIOPA curves (see Chart 2.1.13-a) show that market risk-free interest rates in December fell again across the entire curve, reflecting expectations of continued accommodative monetary measures.

Thus, long-term rates remain significantly above short-term rates, offering a positive term premium and a return higher than the inflation rate, creating a favorable environment for the Life insurance, savings



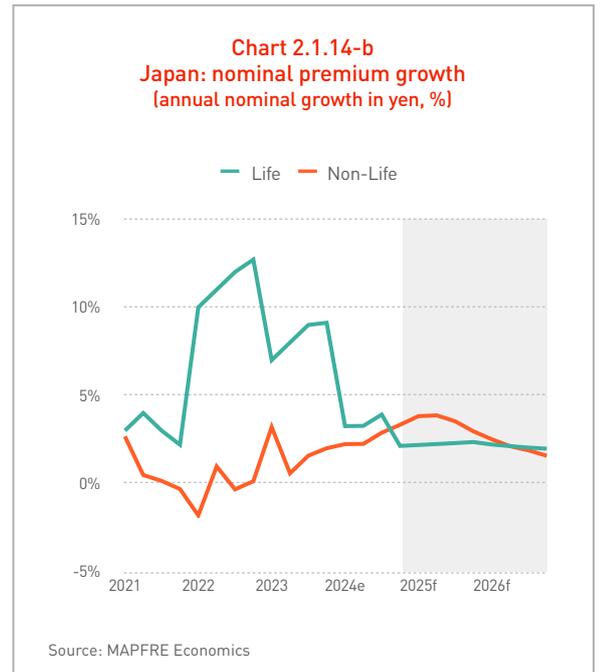
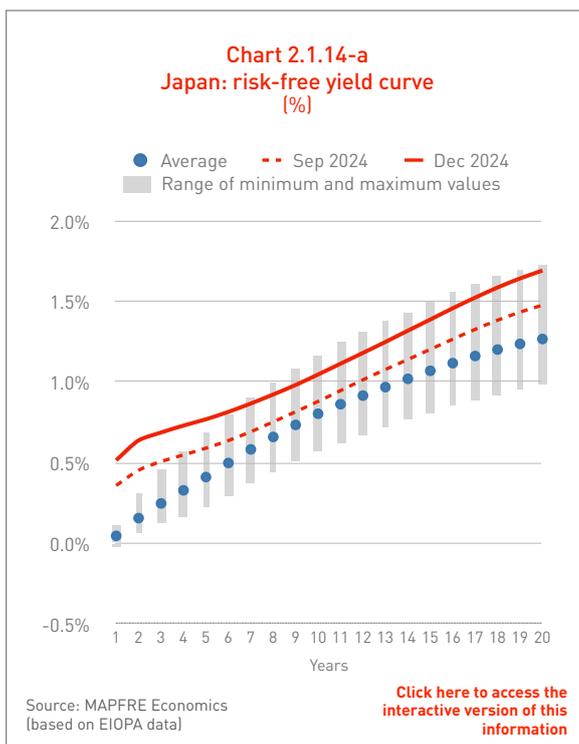
and annuity business, although the lower interest rate environment could slow down this business. Thus, insurance premiums in the Life segment are expected to grow by 7.4% in 2025 and 6.8% in 2026, below the growth of the last two years (see Chart 2.1.13-b).



2.1.14 Japan

In the case of the Japanese economy, economic growth expectations improve in 2025 to 1.2% [-0.2% in 2024], followed by a slight slowdown in 2026, to 0.8%. Meanwhile, inflation continues to pick up, reaching 3.6% YoY in December, a rate not seen in the Japanese economy for decades, compared to an average inflation rate of 2.6% for 2024. This environment of economic growth and rising inflation is expected to result in growth in Non-Life insurance premiums of around 3.0% by 2025, and 1.6% in 2026, in line with the economic slowdown forecast for that period. The profitability of insurance companies may be affected by the rise in inflation, although it is expected that this indicator will continue its trend toward moderation over the next two years. Additionally, the improvement in the financial profitability of the investment portfolios of Japanese insurance companies may offset the negative effect of the price increase.

In view of the new inflation data for January 2025, the Bank of Japan decided to implement the third consecutive interest rate hike, raising short-term rates by 25 bps to



0.5%. This move takes rates further away from negative territory and the control of the ten-year sovereign bond yield, which had been in place until March 2024. This context continues to improve the interest rate environment for the development of the Life insurance segment. In the risk-free yield curves produced by EIOPA at the end of June 2024 (see Chart 2.1.14-a), a new increase can be seen in all sections of the market curve, with positive values in all sections, although at levels below the latest inflation data, which leaves real interest rates in negative territory. The interest rate curve has a positive slope, which allows for a positive premium to be offered for longer-term interest rate guarantees and, therefore, presents a suitable environment for the development of Life savings insurance and annuities, with Life insurance premiums estimated to grow by 2.4% and 2.0% in 2025 and 2026, respectively (see Chart 2.1.14-b).

2.1.15 Reinsurance

According to estimates by the Swiss Re Institute⁶ and Munich Re,⁷ insured losses from natural catastrophes will be between 135 and 140 billion dollars in 2024, exceeding 100 billion dollars for the fifth consecutive year. Climate change played an important

role in the increase in economic losses in 2024, which will exceed 300 billion dollars, by favoring the conditions that gave rise to many of the year's catastrophes (hurricanes, severe convective storms, and floods).

North America reported the highest proportion of losses from natural disasters worldwide and a higher-than-usual proportion in the region. Hurricanes Helene and Milton made landfall on the Florida coast on September 27 and October 9, respectively, and were the most destructive disasters of 2024. Helene's damage extended from Northwest Florida to Tennessee, Georgia, and North Carolina, where widespread, severe, and unprecedented flooding occurred, resulting in hundreds of fatalities and billions of dollars in property damage. Hurricane Milton had a significant impact on the eastern and central parts of Florida, including a series of tornadoes and hurricane-force winds. Torrential rain fell on the north side of Milton, causing localized flooding and rising rivers and streams in the area. Insured losses from both hurricanes are expected to total around 50 billion dollars.

Europe suffered severe flooding in 2024, causing the second largest insured flood losses in the region. The most severe were the extraordinary floods that occurred in Spain, caused by a high-impact rainfall event affecting the eastern and southern parts of the mainland and the Balearic Islands from October 26 to November 4. This resulted in extensive damage due to flooding and an atypical cyclonic storm. In particular, in the tragic floods in Valencia and Albacete on October 29, more than 200 people lost their lives. By the beginning of 2025, the Spanish Insurance Compensation Consortium had paid out 1.5 billion euros (121,652 compensation payments) and maintains its initial estimate that total insured damages will amount to some 3.5 billion euros. Almost 36 million euros paid out by Agroseguero to farmers affected by the storm must be added to this figure. In Europe, the floods in June in Germany and neighboring countries, and those in Central and Eastern Europe in

September (storm Boris), also caused substantial insured damage.

A magnitude 7.6 earthquake struck the Noto Peninsula in Ishikawa Prefecture, Japan, on January 1, 2024, in the Asia-Pacific region. It was considered the third most costly natural disaster of the year, with total losses amounting to 15 billion dollars, and insured losses reaching approximately 2.5 billion dollars. The extreme floods experienced in April in the United Arab Emirates, which severely affected the metropolis of Dubai, caused estimated insured damages of 2.8 billion dollars.

Meanwhile, in January 2025, a series of wildfires broke out in Los Angeles causing substantial economic and personal damage, and it is still too early to quantify the total losses caused and which of them are insured. Insured losses from the Los Angeles wildfires could range from 20 billion to 30 billion dollars, including the private insurance market and California's FAIR Plan, which provides basic property insurance to California residents and businesses that cannot obtain insurance through a regular insurance company.⁸

It is estimated⁹ that, following recent years' corrections to reinsurance terms and conditions, the reinsurance sector enters 2025 in a solid financial position (with exceptions in some regions affected by high-frequency losses), thanks to increased primary market prices, accompanied by higher reinsurance prices and stricter underwriting terms and conditions, which helped reinsurers protect themselves against catastrophe losses in 2024. In addition to strong operational performance, there has been a strong return on investment that has strengthened the capital position of the reinsurance sector. Thanks to the sufficient capacity, prices and conditions are expected to improve in the 2025 reinsurance renewals, depending on how the year evolves and whether or not significant catastrophic events occur.

2.2 Regulatory and supervisory trends

2.2.1 Solvency II Reform

On January 8, 2025,¹⁰ Directive (EU) 2025/2 of November 27, 2024, of the European Parliament and of the Council, amending the Solvency II Directive and the new rules on the recovery and resolution of insurance companies (IRR) was published in the Official Journal of the European Union. In general terms, this new regulation introduces reforms affecting proportionality, the quality of supervision, the reporting of information, long-term guarantee measures, macro-prudential instruments, sustainability risks, and group and cross-border supervision. Its deadline for transposition into the legal systems of the different Member States is January 29, 2027. Furthermore, the published Directive envisages the need to prepare new additional supplementary rules with delegated acts of the European Commission, in addition to the necessary transposition of the Directive by the Member States.

2.2.2 EIOPA Financial Stability Report 2024

On December 12, 2024, the European Insurance and Occupational Pensions Authority (EIOPA) published its Financial Stability Report,¹¹ which highlights the main risks for the insurance industry and pension funds.

Macroeconomic outlook and geopolitical context

In its report, EIOPA highlights that geopolitical tensions, such as the war in Ukraine and global political instability, are creating pressures that, while not triggering major stock market crashes, are increasing underlying risks, particularly through energy prices. Despite the recent drop in inflation, the bottlenecks that could occur and economic uncertainties are likely to alter current macroeconomic conditions. Meanwhile, growth rates in the Eurozone are showing

signs of slowing down. Although the labor market remains strong, there are signs of cooling, which could amplify the economic impact if conditions worsen further.

Real estate investments

The report highlights the importance of real estate investments by insurers and pension funds, noting that they represent approximately 10% of their total portfolios. It emphasizes that commercial and residential real estate prices have experienced significant declines in some markets since 2022 due to high interest rates and the uncertain economic environment. However, the report emphasizes that the risk associated with these investments is limited at the sector level. That said, some individual companies may face significant challenges if further shocks occur in the market, particularly in countries with larger price declines, such as those in Scandinavia and Germany, compared to moderate growth in Greece and Croatia driven by foreign investment. In this context, insurance companies have maintained a “buy and hold” approach, avoiding massive sales during the downturn, which has helped stabilize the market in the meantime.

Asset-intensive reinsurance

The report explores the potential risks arising from the growing global trend observed in so-called asset-intensive reinsurance (which involves the transfer of both investment and underwriting risks, usually associated with certain long-term Life insurance liabilities), placing the trends within the context of the European insurance industry. Currently, less than 1% of the Life segment is reinsured with counterparties domiciled outside the European Union and the European Economic Area (the United Kingdom and Bermuda being the most important jurisdictions).

Financial stability issues seem limited for the time being, given that currently only a small number of European (re)insurance companies, in a few Member States, are

doing business using this instrument. However, the concentration of this business among a few reinsurers, often with alternative business models and in specific offshore jurisdictions, warrants supervision. In fact, data compiled by EIOPA shows that the use of this type of reinsurance is associated with a greater allocation to alternative assets, such as private credit. The report warns that these transactions, often motivated by capital optimization and investment flexibility, can generate systemic risks in the event of reinsurer defaults. Furthermore, it highlights the need for stricter supervision and mitigation measures to manage the risks associated with this type of reinsurance.

Climate change

Climate change remains a critical issue, with events such as droughts, forest fires, and extreme weather events increasingly affecting the insurance industry. These events not only increase economic losses, but also exacerbate protection gaps against extreme weather events due to uninsured losses. The report suggests that schemes such as public-private partnerships could help reduce these gaps and ensure adequate coverage.

Digitalization

In the area of digitization, cyber risks have increased significantly, in part due to the possibility of state-sponsored attacks and the rapid adoption of technologies like artificial intelligence. EIOPA highlights the need to implement the Digital Operational Resilience Act (DORA) to strengthen the digital resilience of the financial sector and protect it against technological disruptions.

Resilience of the insurance and pension sector

The report also highlights that, although the sector is facing cost pressures and greater uncertainty, its focus on diversified and long-term investments puts it in a prime position to support financial stability in Europe. It highlights that the European insurance

industry manages assets worth 9.5 trillion euros, while pension funds manage 2.7 trillion, serving more than 71 million people. These sectors have shown remarkable resilience amid recent challenges, such as the COVID-19 pandemic and rising interest rates, thanks to robust regulation under the Solvency II and IORP II frameworks. Nevertheless, the importance of continuing to monitor emerging risks, such as those associated with alternative assets and exposure to the real estate market, is emphasized.

2.2.3 2024 Stress Test of the European Insurance Industry

The 2024 stress test exercise conducted by EIOPA and published last December¹² assessed the resilience of the European insurance industry to the uncertainties arising from the economic consequences of escalating geopolitical tensions and the disruptions this could cause to supply chains, leading to lower economic growth and a renewed rise in inflation. This scenario, while severe, is considered plausible and was developed in cooperation with the European Systemic Risk Board (ESRB). It would be accompanied by second-round effects, stemming from a price and wage spiral, which would lead to a re-evaluation of market expectations about interest rates across various time frames and currencies. The resulting tightening of financing conditions would increase government bond rates unevenly, affecting corporate profitability, widening lending spreads, and having a negative impact on other asset classes and economic growth.

This sixth EU-wide exercise covers a representative sample of 48 participants from 20 countries,¹³ encompassing around 75% of the European Economic Area (EEA) market and includes both a capital and a liquidity component. The results show that the European insurance industry is generally well-capitalized. This strong initial position provides sufficient capital to withstand the materialization of the events in the stress test scenario.

Post-stress solvency ratio

As a result of the test, the aggregate solvency ratio fell by 98.5 percentage points (pp), from 221.8% to 123.3% post-stress, with a total capital decline—before applying management actions—exceeding 270 billion euros. Both eligible own funds (EOF) and the solvency capital requirement (SCR) contributed to the reduction of the aggregate solvency ratio, with the former down 40.3% and the latter up 7.4%. These effects are somewhat more severe compared to the 2021 stress test (38.2% and 7.1%, respectively), albeit with a different scenario, scope, and basis.

Reactive management actions

However, the drop in the post-stress ratio would be less, standing at 139.9%, if reactive management actions by insurance companies (for example, the sale of assets) are taken into account. The application of these types of reactive management actions is a methodological improvement that considers the participants' risk management frameworks and not just compliance with the regulatory solvency ratio. Twenty-six participants apply reactive management actions, many of them more than one, resulting in a total of 95 actions. In addition to the aggregate result, it is noteworthy that eight participants would have a solvency ratio below 100% in the post-stress scenario, if they did not apply reactive management actions. However, for these and the other participants, the assets would still be sufficient to cover the obligations to policyholders. The eight participants show their ability to restore their positions above 100% by applying reactive management actions.

The results also show that the sector holds adequate liquid assets, despite the adverse scenario creating material liquidity needs. These were primarily driven by the need to make payments for policy surrenders, resulting in net sales of assets amounting to 206.7 billion euros under the consideration of a “fixed balance sheet” (that is, without applying reactive management actions). Net

sales increase to 305.6 billion euros when reactive management actions are allowed, which represents approximately 4.0% of the quarterly average bond trading volumes in the European Economic Area.

EIOPA will assess the need to issue recommendations on the relevant aspects where risks have been identified. The outcome of the exercise will inform the supervisory processes at European and national levels.

2.2.4 Regulatory framework on digital operational resilience in the European Union's financial sector (DORA)

On January 17, 2025, the new comprehensive regulatory framework for digital operational resilience of the financial sector in the European Union¹⁴ went into effect. This followed the publication in the Official Journal of a series of directly applicable EU regulations that complement Regulation (EU) 2022/2554 of the European Parliament and of the Council of December 14, 2022,¹⁵ on digital operational resilience in the financial sector. This regulation aims to harmonize the requirements for ensuring digital operational resilience in the European Union's financial sector, including insurance companies. It seeks to ensure a company's ability to maintain service continuity, even in the face of disruptions, by identifying, protecting against, detecting, responding to, and recovering from Information and Communication Technology (ICT) risks. It also establishes the obligation to inform the competent authorities about serious ICT-related incidents, to carry out resilience tests, and to control risks related to external ICT service providers.

2.2.5 Regulations on artificial intelligence

On July 12, 2024, the so-called Artificial Intelligence Regulation (EU) 2024/1689 was published in the Official Journal of the European Union, establishing harmonized rules for AI.¹⁶ The European Union continued to advance the development of this regulation, which seeks to

guarantee safe and ethical use of AI, affecting all industries, including insurance companies. It aims to mitigate risks associated with AI, imposing transparency and safety obligations in the use of AI technologies.¹⁷

Classification and risk management

The regulation introduces a classification of AI systems according to the level of risk they represent, considering four categories: unacceptable, high, limited, and minimal. AI systems considered “unacceptable risk” are prohibited, while those considered “high risk” are subject to strict compliance requirements. This classification seeks to protect the fundamental rights and security of citizens by preventing AI applications that can have serious impacts on society, such as mass surveillance or manipulation. Categorization allows for proportional regulation, where less risky technologies are subject to fewer restrictions, while encouraging innovation in areas where risk is lower.

High risk AI requirements

AI systems classified as high risk, such as those used in critical infrastructure, education, employment, workforce management, access to essential services, and maintaining public safety, must comply with strict obligations. These include transparency in their operations, traceability of their decisions, and constant human supervision to avoid automatic decisions that may negatively affect people’s fundamental rights. These requirements ensure that high-risk systems not only function properly, but are also auditable and explainable. Traceability is crucial, as it allows AI decisions to be reconstructed, ensuring that they are reviewable and correctable in case of error. Human oversight is another key pillar, guaranteeing that machines do not make critical decisions without human intervention.

Prohibitions

The regulation expressly prohibits certain AI applications that are considered excessively dangerous. These include AI systems

designed to manipulate human behavior in ways that could result in significant physical or psychological harm, mass and continuous surveillance of people in public spaces, and the use of AI for social scoring similar to the system used in some countries. These bans reflect a precautionary approach by the European Union to avoid potential abuses of AI technology. The ban on social scoring, for example, responds to the risk that AI systems may discriminate against individuals based on behavioral data, unfairly affecting their access to services or their rights in general.

Data protection and fundamental rights

The regulation emphasizes the importance of protecting personal data and fundamental rights in the development and use of AI systems. A clear relationship is established between AI regulations and existing data protection laws, such as the General Data Protection Regulation (GDPR). Any AI system that handles personal data must strictly comply with these regulations, thus ensuring data privacy and security. The regulation also addresses concerns about possible bias and discrimination in AI systems, stating that developers must implement measures to avoid these situations. This includes evaluating the data used to train AI systems and ensuring that it is representative and non-discriminatory. Protecting fundamental rights is at the heart of the regulatory framework, making sure that technology is not developed at the expense of fundamental values of European society.

Fostering innovation

The regulation also includes specific measures to encourage innovation in the field of AI. Recognizing that AI has great potential to drive economic growth and solve societal challenges, “controlled test spaces” are promoted where innovations can be developed and tested in a controlled environment without being subject to the strictest regulations. Special attention is also paid to small and medium-sized companies

and startups, providing support and guidance so that they can compete on equal terms with large technology companies. This includes the possibility of receiving funding, technical assistance, and access to research infrastructures. The goal is to create a dynamic European ecosystem in which AI innovation can thrive without compromising security and citizens' rights.

The regulation took effect 20 days after its publication in the Official Journal of the European Union and applies as of August 2, 2026, with the exception of certain provisions that will apply as of August 2, 2025, and others on a delayed basis as of August 2, 2027.

2.2.6 IAIS Global Insurance Market Report (GIMAR 2024)

In December 2024, the International Association of Insurance Supervisors (IAIS) published its *Global Insurance Market Report 2024* (GIMAR 2024),¹⁸ with which regulators and supervisors assess the key risks and trends in the insurance industry, and the possible accumulation of potential systemic risks. On this occasion, this exercise was based on data collected from 59 of the largest international insurance groups, as well as aggregated data from industry-wide monitoring by supervisors around the world, covering more than 90% of premiums written globally.

The outlook for the insurance industry in 2025 remains stable, albeit amid an uncertain macroeconomic and geopolitical landscape. Life insurance companies are expected to maintain or improve their solvency ratios through solid capital reserves and effective risk management, despite challenges including interest rate volatility and longevity risk. Proactive asset and liability management (ALM) and stress testing are aimed at keeping liquidity risk within acceptable limits despite market volatility. Non-Life insurance companies are expected to maintain stable solvency

ratios, backed by solid underwriting and robust investment income.

Profitability is expected to remain stable or improve, supported by investment returns. The main areas on which insurance companies will focus their efforts include growth through new business underwriting, strategic acquisitions, asset repositioning, the use of digital tools and AI-based analysis to improve efficiency and customer loyalty. In this regard, the risk associated with digitalization is considered moderate, but is increasing as insurers adopt new technologies.

2.2.7 IAIS harmonized framework for solvency supervision

The IAIS, as the international body responsible for setting standards for the regulation and supervision of insurance activities and contributing to financial stability, has developed harmonized frameworks for the solvency supervision of internationally active insurance groups (Internationally Active Insurance Groups, IAIGs). As a result of this work, on December 5, 2024, the first comprehensive global capital standard for insurance supervision, the Insurance Capital Standard (ICS), was adopted after a decade of development, six years of field testing, and five years of monitoring. This standard establishes a quantitative, risk-based capital measure for internationally active insurance groups (IAIGs), providing a common language for cross-border supervisory discussions on the solvency of insurance groups. This is particularly significant given the complexity of these groups, which operate across multiple jurisdictions and regions, further underscoring the importance of having a common language for solvency supervision.

The details of the ICS have been adopted in the Level 1 text, which establishes the general principles and concepts of the ICS, and the Level 2 text, which provides detailed specifications. The IAIS has also published

additional supporting documents, including the ICS calibration document, which explains the calculation of different capital charges for each risk category within the ICS and their aggregation. Detailed information is also provided for all modules within insurance, market, credit, and operational risks, as well as the correlation matrices used to aggregate capital risk weights.¹⁹

Following approval of the standard, an implementation process has been initiated for 2025 for subsequent evaluation, with a methodology currently being developed by the IAIS itself. Thus, in 2026, this association of supervisors will coordinate a

self-assessment by its members regarding progress on the implementation of the ICS (including the Aggregation Method, AM, developed by the United States) and, in 2027, the IAIS will initiate specific jurisdictional assessments. It should be noted that this standard applies to IAIGs that meet minimum international activity volume requirements, based on three criteria: (i) they have at least 50 billion dollars in assets or 10 billion dollars in premiums, (ii) they operate in at least three jurisdictions, and (iii) at least 10% of premiums are underwritten outside the original jurisdiction.

Appendix A: macroeconomic forecasts

Table A-1
Baseline and stressed scenarios: gross domestic product (GDP)
(annual growth, %)

	Baseline Scenario (BS)					
	2021	2022	2023	2024(e)	2025(f)	2026(f)
United States	6.1	2.5	2.9	2.8	2.5	2.0
Eurozone	6.3	3.6	0.5	0.8	1.1	1.4
Germany	3.6	1.4	-0.1	-0.2	0.3	1.1
France	6.8	2.6	1.1	1.1	0.7	1.2
Italy	8.8	4.8	0.8	0.5	0.7	0.9
Spain	6.7	6.2	2.7	3.1	2.4	1.7
Portugal	5.6	7.0	2.5	1.6	1.8	2.1
United Kingdom	8.6	4.8	0.4	0.8	1.4	1.3
Japan	2.8	0.9	1.5	-0.2	1.2	0.8
Emerging markets	7.0	4.0	4.4	4.0	3.3	3.2
Latin America	7.4	4.2	2.2	1.8	1.6	1.7
Mexico	6.3	3.7	3.3	1.5	1.1	1.5
Brazil	5.1	3.1	3.2	3.2	2.0	1.8
Argentina	10.4	5.3	-1.6	-2.3	3.4	3.1
Colombia	10.8	7.3	0.6	1.8	2.5	3.0
Chile	11.6	2.1	0.3	2.2	2.2	2.4
Peru	13.4	2.8	-0.4	3.1	2.8	2.9
Emerging markets, Europe¹	7.1	0.6	3.3	3.2	2.2	2.5
Turkey	11.4	5.5	5.1	2.7	2.6	3.3
Asia Pacific	7.7	4.4	5.7	4.8	4.4	4.1
China	8.5	3.0	5.2	4.8	4.3	4.0
Indonesia	3.7	5.3	5.0	5.0	4.9	5.0
Global	6.6	3.6	3.3	3.2	3.1	3.0

	Stressed Scenario (SS)					
	2021	2022	2023	2024(e)	2025(f)	2026(f)
United States	6.1	2.5	2.9	2.8	2.5	2.2
Eurozone	6.3	3.6	0.5	0.8	0.9	1.0
Germany	3.6	1.4	-0.1	-0.2	0.1	0.7
France	6.8	2.6	1.1	1.1	0.5	0.9
Italy	8.8	4.8	0.8	0.5	0.6	0.7
Spain	6.7	6.2	2.7	3.1	2.2	1.5
Portugal	5.6	7.0	2.5	1.6	1.8	1.6
United Kingdom	8.6	4.8	0.4	0.8	1.3	1.2
Japan	2.8	0.9	1.5	-0.2	1.1	0.6
Emerging markets	7.0	4.0	4.4	4.0	3.0	2.8
Latin America	7.4	4.2	2.2	1.8	1.3	1.3
Mexico	6.3	3.7	3.3	1.5	0.5	0.7
Brazil	5.1	3.1	3.2	3.2	1.8	1.6
Argentina	10.4	5.3	-1.6	-2.3	3.3	2.9
Colombia	10.8	7.3	0.6	1.8	2.3	2.6
Chile	11.6	2.1	0.3	2.2	2.0	2.2
Peru	13.4	2.8	-0.4	3.1	2.6	2.8
Emerging markets, Europe¹	7.1	0.6	3.3	3.2	2.2	2.5
Turkey	11.4	5.5	5.1	2.7	2.5	3.0
Asia Pacific	7.7	4.4	5.7	4.8	4.1	3.8
China	8.5	3.0	5.2	4.8	4.0	3.6
Indonesia	3.7	5.3	5.0	5.0	4.8	4.8
Global	6.6	3.6	3.3	3.2	2.9	2.8

Source: MAPFRE Economics (using data from national statistical centers and IMF)

¹Eastern Europe
Forecast end date: February 12, 2025

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Table A-2
Baseline and stressed scenarios: inflation
 [% YoY, average]

	Baseline Scenario (BS)					
	2021	2022	2023	2024 ^(e)	2025 ^(f)	2026 ^(f)
United States	4.7	8.0	4.1	3.0	2.9	2.6
Eurozone	2.6	8.4	5.4	2.4	2.3	1.7
Germany	3.1	6.9	5.9	2.3	2.2	1.8
France	1.6	5.2	4.9	2.0	1.7	1.8
Italy	1.9	8.2	5.6	1.0	1.9	1.7
Spain	3.1	8.4	3.5	2.8	2.5	1.9
Portugal	1.3	7.8	4.3	2.4	2.1	1.9
United Kingdom	2.6	9.1	7.3	2.6	2.6	2.3
Japan	-0.2	2.5	3.3	2.6	2.0	1.8
Emerging markets²	5.8	9.6	8.1	5.9	4.5	3.8
Latin America²	9.9	14.2	14.8	9.0	8.6	8.0
Mexico	5.7	7.9	5.5	4.7	3.9	3.7
Brazil	8.3	9.3	4.6	4.4	4.9	4.2
Argentina	48.4	72.4	133.5	219.8	46.7	26.0
Colombia	3.5	10.2	11.7	6.6	4.5	3.5
Chile	4.5	11.6	7.3	3.9	4.2	3.2
Peru	4.0	7.9	6.3	2.4	2.1	2.4
Emerging markets, Europe¹	9.0	25.2	17.1	16.9	11.1	7.3
Turkey	19.6	72.3	53.9	58.5	31.8	18.8
Asia Pacific	2.3	3.9	2.4	0.5	0.9	1.4
China	0.9	2.0	0.2	0.2	0.7	1.3
Indonesia	1.6	4.1	3.7	2.3	2.4	2.5
Global²	3.3	4.7	8.6	4.2	3.5	3.0

	Stressed Scenario (SS)					
	2021	2022	2023	2024 ^(e)	2025 ^(f)	2026 ^(f)
United States	4.7	8.0	4.1	3.0	3.0	3.2
Eurozone	2.6	8.4	5.4	2.4	2.5	2.0
Germany	3.1	6.9	5.9	2.3	2.2	1.9
France	1.6	5.2	4.9	2.0	1.9	2.0
Italy	1.9	8.2	5.6	1.0	2.0	1.9
Spain	3.1	8.4	3.5	2.8	2.6	2.1
Portugal	1.3	7.8	4.3	2.4	1.9	1.8
United Kingdom	2.6	9.1	7.3	2.6	2.7	2.6
Japan	-0.2	2.5	3.3	2.6	2.0	1.9
Emerging markets²	5.8	9.6	8.1	5.9	4.8	4.3
Latin America²	9.9	14.2	14.8	9.0	8.8	8.1
Mexico	5.7	7.9	5.5	4.7	3.8	3.7
Brazil	8.3	9.3	4.6	4.4	5.1	4.4
Argentina	48.4	72.4	133.5	219.8	52.0	31.0
Colombia	3.5	10.2	11.7	6.6	4.9	3.8
Chile	4.5	11.6	7.3	3.9	4.5	3.8
Peru	4.0	7.9	6.3	2.4	2.6	2.5
Emerging markets, Europe¹	9.0	25.2	17.1	16.9	11.1	7.3
Turkey	19.6	72.3	53.9	58.5	35.0	20.0
Asia Pacific	2.3	3.9	2.4	0.5	1.0	2.0
China	0.9	2.0	0.2	0.2	0.9	1.9
Indonesia	1.6	4.1	3.7	2.3	2.6	2.8
Global²	3.3	4.7	8.6	4.2	3.7	3.5

Source: MAPFRE Economics (using data from national statistical centers and IMF)

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¹Eastern Europe ²Excl. Argentina
 Forecast end date: February 12, 2025.

Table A-3
Baseline and stressed scenarios: 10-year government bond yield
(end of period, %)

	Baseline Scenario (BS)					
	2021	2022	2023	2024 ^(e)	2025 ^(f)	2026 ^(f)
United States	1.52	3.88	3.88	3.78	3.72	3.71
Eurozone	0.32	3.39	2.79	3.00	3.30	3.27

	Stressed scenario (SS)					
	2021	2022	2023	2024 ^(e)	2025 ^(f)	2026 ^(f)
United States	1.52	3.88	3.88	3.78	5.52	5.43
Eurozone	0.32	3.39	2.79	3.00	3.19	3.17

Source: MAPFRE Economics (using data from national statistical centers and IMF)
Forecast end date: February 12, 2025.

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Table A-4
Baseline and stressed scenarios: exchange rates
(end of period, %)

	Baseline Scenario (BS)					
	2021	2022	2023	2024 ^(e)	2025 ^(f)	2026 ^(f)
USD-EUR	0.88	0.94	0.90	0.96	0.95	0.95
EUR-USD	1.13	1.07	1.11	1.04	1.05	1.06
GBP-USD	1.35	1.20	1.27	1.31	1.32	1.32
USD-JPY	115.00	132.65	141.91	156.65	153.95	147.23
USD-CNY	6.35	6.90	7.10	7.30	7.42	7.41

	Stressed Scenario (SS)					
	2021	2022	2023	2024 ^(e)	2025 ^(f)	2026 ^(f)
USD-EUR	0.88	0.94	0.90	0.96	0.96	0.95
EUR-USD	1.13	1.07	1.11	1.04	1.04	1.05
GBP-USD	1.35	1.20	1.27	1.31	1.24	1.25
USD-JPY	115.00	132.65	141.91	156.65	156.10	149.15
USD-CNY	6.35	6.90	7.10	7.30	7.68	7.80

Source: MAPFRE Economics (using data from national statistical centers and IMF)
Forecast end date: February 12, 2025.

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Table A-5
Baseline and stressed scenarios: official benchmark interest rate
(end of period, %)

	Baseline Scenario (BS)					
	2021	2022	2023	2024 ^(e)	2025 ^(f)	2026 ^(f)
United States	0.25	4.50	5.50	4.50	3.50	2.75
Eurozone	0.00	2.50	4.50	3.25	2.00	1.75
China	3.00	2.75	2.50	2.00	1.50	1.25

	Stressed Scenario (SS)					
	2021	2022	2023	2024 ^(e)	2025 ^(f)	2026 ^(f)
United States	0.25	4.50	5.50	4.50	3.50	3.50
Eurozone	0.00	2.50	4.50	3.25	2.00	2.00
China	3.00	2.75	2.50	2.00	1.25	1.25

Source: MAPFRE Economics (using data from national statistical centers and IMF)
Forecast end date: February 12, 2025.

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Appendix B: premium growth forecasts

Table B-1
Baseline scenarios: insurance premiums
(nominal annual growth in local currency, %)

	Life					
	2021	2022	2023	2024(e)	2025(f)	2026(f)
United States	8.6	9.9	5.6	5.5	5.5	5.0
Eurozone						
Germany	-1.6	-6.9	-5.2	2.7	3.4	4.5
France	27.6	-3.5	6.0	3.3	4.4	5.6
Italy	8.3	-14.5	-2.5	3.2	4.8	4.7
Spain	7.9	3.7	36.5	-13.7	3.6	3.3
Portugal	69.5	-22.3	-14.6	32.2	10.8	7.0
United Kingdom	11.5	-6.3	10.2	5.0	5.1	4.0
Latin America						
Mexico	9.4	1.0	15.8	6.9	5.6	6.5
Brazil	12.2	12.2	9.2	15.6	11.6	9.8
Argentina	53.9	77.4	194.2	247.2	52.5	29.2
Colombia	16.1	67.0	-5.0	8.4	9.4	9.7
Chile	7.8	39.3	23.9	7.1	7.8	8.8
Peru	40.4	4.2	7.2	14.9	10.5	10.8
Emerging markets, Europe						
Turkey	20.3	75.4	80.5	64.8	36.3	22.0
Asia Pacific emerging markets						
China	-1.7	4.0	12.8	7.8	7.4	6.8
Indonesia	10.1	-9.4	-7.4	7.8	10.1	10.5
Japan	2.2	12.7	9.1	2.1	2.4	2.0
Global¹	5.0	-3.3	6.2	5.3	4.8	4.4

	Non-Life					
	2021	2022	2023	2024(e)	2025(f)	2026(f)
United States	8.2	9.1	8.7	4.3	4.4	4.4
Eurozone						
Germany	4.1	2.9	5.1	2.3	2.0	2.5
France	5.3	4.0	7.0	3.1	2.9	3.3
Italy	2.9	6.1	8.0	3.0	2.6	2.5
Spain	3.3	5.1	6.9	7.8	5.1	4.4
Portugal	4.9	6.9	10.7	10.1	4.5	5.3
United Kingdom	10.7	14.1	11.7	3.8	4.2	4.4
Latin America						
Mexico	10.9	7.7	18.5	8.9	8.5	9.0
Brazil	14.9	24.3	9.6	8.1	8.1	7.3
Argentina	51.1	89.4	215.8	248.8	52.9	29.4
Colombia	15.9	19.4	14.5	8.1	8.5	7.0
Chile	14.2	23.3	9.7	7.8	7.9	8.1
Peru	15.3	7.6	5.9	8.3	7.1	7.2
Emerging markets, Europe						
Turkey	29.4	137.0	111.5	67.4	39.2	24.6
Asia Pacific emerging markets						
China	0.2	5.2	5.2	6.4	5.6	4.8
Indonesia	8.5	15.4	16.4	6.2	5.8	5.6
Japan	-0.3	0.1	2.0	3.3	3.0	1.6
Global¹	6.0	4.4	8.5	4.3	4.5	4.1

Source: MAPFRE Economics

¹Annual nominal growth forecasts in USD
Forecast end date: February 12, 2025

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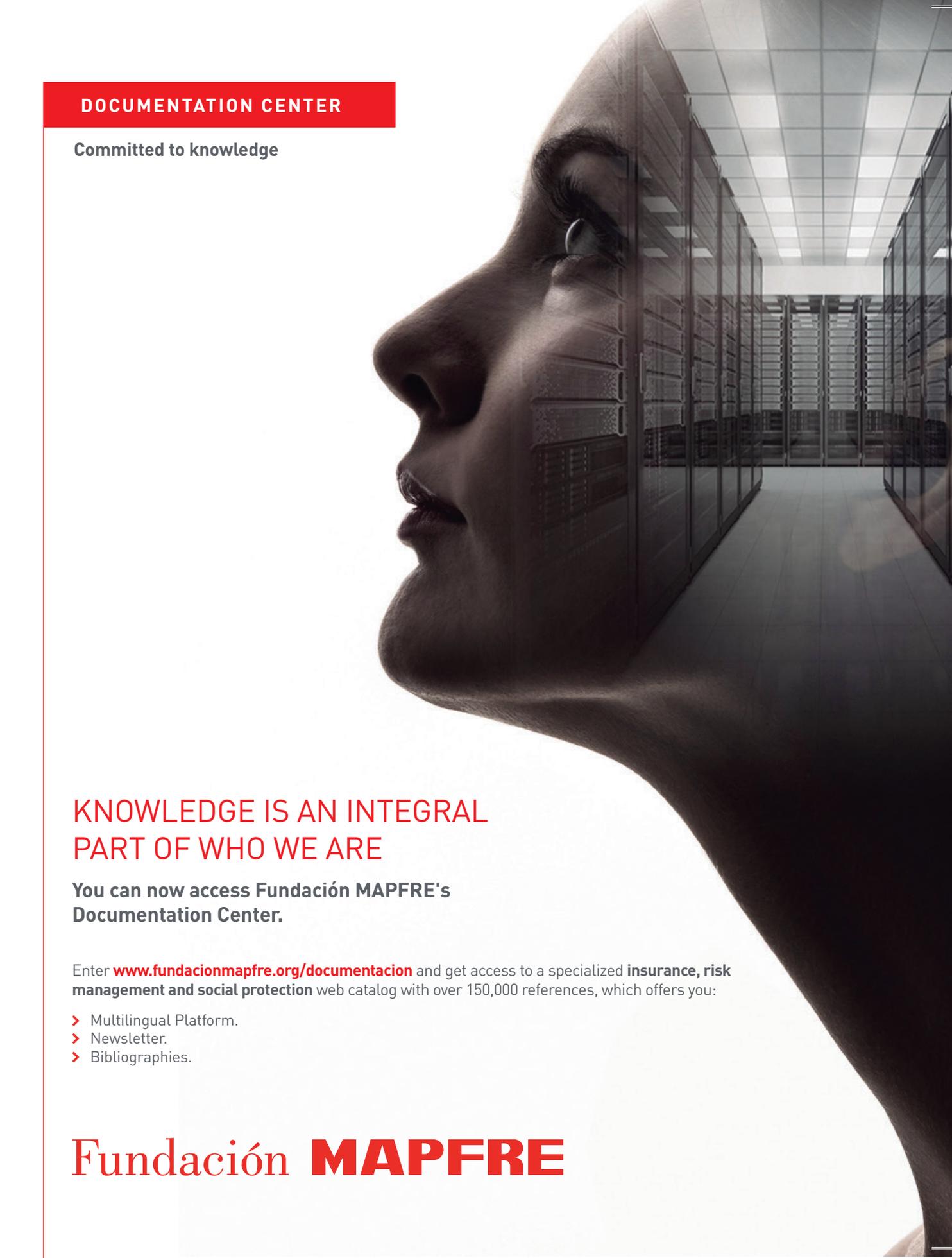
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