



Fundación **mapfre**

# 2026 ECONOMIC AND INDUSTRY OUTLOOK

 **mapfre** Economics



# 2026 Economic and Industry Outlook

 **mapfre**Economics

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# Presentation

This new edition of the *2026 Economic and Industry Outlook* report, prepared by Mapfre Economics and published by Fundación Mapfre, reviews the structural and cyclical trends that will shape global economic performance in 2026 and analyzes their impact on the development of the insurance market. The report's commentary and forecasts will be updated throughout 2026 with two quarterly updates and one midyear update.

The analysis is based on projections for 2026, a year that is emerging as a delicate transition toward global economic recovery. This period will be marked by moderate economic growth and gradual price containment, albeit still constrained by the limited scope of public policies and certain imbalances in consumption. Against this backdrop, the insurance industry can expect a favorable environment for stable growth. Specifically, the Non-Life insurance segment is expected to perform well, supported by lower inflationary pressure and the stabilization of operating costs. At the same time, the Life insurance segment will be driven by both the interest rate environment and the recovery in household purchasing power. Overall, the industry demonstrates notable resilience and remains well positioned to continue expanding, backed by a relatively stable macroeconomic and financial framework.

This Mapfre Economics report has become a benchmark publication for gaining an up-to-date overview of economic and insurance activity at the beginning of each fiscal year and throughout the year. Through this publication, Fundación Mapfre reaffirms its commitment to sharing financial and insurance knowledge, with the aim of strengthening public understanding in these areas. We also believe this report will serve as a valuable resource for professionals, regulators, academics, and anyone interested in anticipating the scenarios that will shape the economy and the insurance industry in the coming years.

**Fundación Mapfre**



# Introduction

This edition of our *Economic and Industry Outlook* report notes that the global economy has moved toward a state of functional resilience, sustained more by the management of systemic risks than by the intrinsic strength of the economic cycle. This scenario confirms that uncertainty is a structural, rather than temporary, feature of the global landscape. Thus, the current dynamic is governed by strategic selectivity, in which security of supply prevails over efficiency, reshaping value chains and effectively “militarizing” economic interdependence. Meanwhile, artificial intelligence is acting as a catalyst for investment in physical and energy infrastructure, although its effects on productivity remain uncertain.

From a macroeconomic perspective, consumption has become increasingly polarized, weakening the transmission mechanism of monetary policy. Faced with limited responsiveness to interest rates among financially constrained agents, central banks have adopted a more macroprudential and defensive stance. Meanwhile, inflation—rather than converging toward a fixed equilibrium—continues to fluctuate within narrow ranges, limiting fiscal and monetary maneuverability. Against this backdrop, the 2026–2027 period is shaping up to be a fragile transition toward potential growth within a narrow corridor. Geopolitics has consolidated its role as the primary axis redefining economic policy reaction functions: triangular competition between powers is fragmenting global governance and turning exchange rates into a barometer of security expectations.

This environment of nominal economic growth and interest rates stabilized at structurally higher levels is favorable for the insurance industry. In the Non-Life segment, moderating inflation is easing pressure on claims costs, while exposure to economic activity and improved financial yields are driving demand. In the Life segment, high interest rates are boosting financial margins and the appeal of savings products, bolstered by a modest recovery in real purchasing power. In conclusion, the industry anticipates solid and sustainable expansion, underpinned by macroeconomic stability that is managed rather than organic.

## Mapfre Economics



# Executive summary

## 2026 Economic and Industry Outlook

### Economic outlook

The global economy concluded 2025 exhibiting functional resilience; that is, a condition sustained more by deliberate risk management than by the intrinsic strength of the economic cycle. This period confirmed that uncertainty is no longer a temporary phenomenon but has become a structural feature of the global economic system. This dynamic was governed by trade and geopolitical policies that evolved toward *strategic selectivity*, where security prevailed over efficiency, reconfiguring supply chains and transforming raw materials into instruments of strategic power. At the same time, artificial intelligence (AI) acted as a catalyst for investment, shifting the focus from digital infrastructure to energy and critical inputs, although its impact on productivity remains uncertain.

Significant polarization was observed in the area of consumption. Demand was concentrated in high-income households, while middle- and low-income segments lost purchasing power due to stagnant real wages and credit constraints. This uneven structure impaired the transmission of monetary policy, reducing its influence, as most households, constrained financially, became less sensitive to changes in interest rates. Consequently, monetary policy ceased to operate as a clearly contractionary mechanism and instead functioned more as a macroprudential and defensive instrument. Inflation did not converge toward a stable point, but rather fluctuated within a narrow range; a sharp reduction would have increased the

real burden of debt and reactivated deflationary risks, while an increase would have compromised consumption and fiscal sustainability.

The year 2026 is shaping up to be a period of fragile transition toward the global economy's potential growth. The environment will be marked by moderate growth and persistent disinflation under policies with limited room for maneuver. Monetary policy will remain essentially macroprudential, with ambiguous communication and tight yield curves, while fiscal policy will face constraints due to high debt levels and strategic spending pressures. The "K-shaped" pattern of consumption will continue to dominate, reinforcing asymmetric monetary transmission.

Globally, a more selective and politicized trade order is expected to take hold, with shorter supply chains and strategic regionalization focused on critical sectors (energy, minerals, and technology). The persistence of geopolitical tensions, rather than their intensity, constitutes the main short-term risk to the economic outlook. Thus, 2026 will not be a mere extension of the previous cycle, but rather a transition phase built on fragile foundations (clean but expensive energy and technologies dependent on physical inputs), where uncertainty is structural and must be managed rather than suppressed.

In the current global economic environment, geopolitics has become the central axis reorganizing the economic cycle and redefining the reaction functions of monetary and fiscal policy. Security has become an explicit part of governments' goals, requiring central banks to manage prices that reflect the fragility of critical chains and exposure to geopolitical shocks. This results in cautious communication,

where the absence of prior commitments gains relevance in the face of incomplete information. Fiscal-monetary coordination becomes indispensable for managing systemic risks, without implying subordination.

Thus, global governance fragments into functional architectures that regulate access to technologies and markets. Interdependence is instrumentalized, turning standards and logistics into points of friction. The scenario is structured around triangular competition: The United States reorients its strategy toward national security, using interdependence (technological/financial standards) as an instrument of power; China seeks “common prosperity” through industrial and technological leadership, securing routes and coordinating with Moscow; and Russia acts as an agent of disruption and a strategic partner in an asymmetrical alliance with China (the war in Europe amplifies its capacity to generate instability). Regions such as Venezuela, Iran, Greenland, and the Sahel illustrate how this competition “militarizes” interdependence, shifting risk from the economic cycle to the management of geopolitical shocks. Thus, the exchange rate comes to encode expectations related to security and credibility.

In this environment, for the 2026–2027 period, the stable economic balance is expected to continue, but within a “narrow corridor.” Disinflation will approach target levels in 2026 and converge more clearly in 2027. Monetary policy will advance toward neutrality: gradual cuts in the United States, a pause in the Eurozone, and gradual normalization in Japan. AI will enter into a diffusion phase focused on infrastructure, with continued uncertainty as to whether it will generate productivity gains.

Regionally, the United States will grow at a moderate pace, supported by technological investment. The Eurozone will continue its gradual recovery, and Spain will maintain robust performance through NGEU projects. Meanwhile, Latin America will tend to balance economic growth with disinflation. Asia will remain a key driver of global dynamism, with India and the ASEAN bloc benefiting from

reshoring trends and structural reforms. China, by contrast, will post limited tactical improvements, structurally constrained by the weakness of its real estate sector, subdued private consumption, and the potential spillover effects on its financial system.

In conclusion, this two-year period will be defined by structural uncertainty that demands prudent policies. If fiscal and monetary policies remain coordinated, moderate growth with converging inflation may take hold. The ultimate challenge will be to manage uncertainty in order to consolidate solid foundations and preserve institutional credibility in a system where stability is a managed state.

### Industry outlook

The projected baseline scenario for the global economy during 2026–2027 defines an environment characterized by moderate growth and progressive disinflation. A determining factor in this cycle is the stabilization of long-term interest rates. While rates have stopped rising, they will remain at levels structurally higher than those recorded in the previous decade. Closing estimates for 2025 point to real global GDP growth of 3.2%, accompanied by a global inflation rate of around 3.3%. This combination of macroeconomic variables results in a nominal economic growth projection around 6.5%. This nominal indicator is expected to trend slightly downward in 2026 and 2027. This pattern is vitally important for the insurance industry, as it serves as the main driver of insurance demand. There is a strong correlation between nominal economic growth, price dynamics, and risk exposure, particularly in the Non-Life segment.

In this environment, the Non-Life segment is expected to see positive nominal growth, characterized by a lower dependence on inflationary components compared to recent years. The normalization of price growth eases pressure on technical premiums in lines sensitive to claims costs (such as Motors, Home, and Health). At the same time, the

exposure component (intrinsically linked to economic activity, business investment, and employment levels) continues to support industry growth. Forecasts therefore indicate that nominal growth in the Non-Life segment will be slightly above that of nominal GDP growth. This performance will be supported by a more favorable financial environment, enabling greater yields in the insurance companies' investment portfolios and helping to offset the impact of previous years' rate increases. Consequently, stable growth is expected, although at a slightly lower rate than the intense growth seen in previous years.

Meanwhile, the impact of the macroeconomic scenario on the Life segment appears even more favorable. The stabilization of sovereign interest rates provides essential support for long-term savings products. These rate levels increase returns on new investments and strengthen insurance companies' financial margins. In addition, the disinflation process improves policyholders' perception of real returns, increasing the appeal of protection and savings accumulation products. A gradual recovery in household purchasing power and the normalization of consumer confidence are acting as catalysts to stabilize demand for protection and hybrid Life products. Projections indicate that nominal growth in this segment will remain strong.

The forecasts considered in the report confirm this positive trend. Accordingly, the balanced trajectory observed in 2025 is expected to be maintained in 2026, with premium growth of 6.05% in the Life segment and 5.37% in Non-Life. For 2027, forecasts place growth in the Life segment at 6.23% and in Non-Life at 5.34%. Considering the projected inflation rates, these figures suggest a real increase in global insurance demand of close to 2% per year, in line with the industry's historical performance and structural resilience.

In short, the 2026–2027 period consolidates a scenario of moderate, sustainable, and less volatile growth in insurance demand. The Non-

Life segment will be supported by robust exposure and the stabilization of claims costs, while the Life segment will capitalize on the interest-rate environment and improving real incomes. This outlook confirms the ability of the insurance market to expand at a solid pace, supported by macroeconomic and financial stability.



# 1. Economic outlook

## 1.1 The global economic outlook

### 1.1.1 2025 review: the institutionalization of uncertainty

The year 2025 closed with a global economy that, contrary to the most pessimistic forecasts, was functionally resilient, albeit underpinned by conflicting forces that reveal structural tensions. Economic growth advanced without visible erosion, inflation remained within manageable ranges, and financial markets retained their capacity to absorb volatility without triggering systemic fractures. However, 2025 was not merely a transitional year. It confirmed that uncertainty has become a *structural feature of the global economic system*. In this context, two factors shaped the dynamics of the year: *trade policy* and *geopolitics*. Far from dissipating, both factors have evolved into more sophisticated forms of contained tension, administered in doses the system appears able to tolerate—and with which the global economy is gradually learning to coexist.<sup>1</sup>

On the trade front, the narrative of relief has been more apparent than real. Although partial agreements emerged and some effective tariff rates were reduced, the architecture of international trade is still governed by a logic of strategic selectivity. In this new order, efficiency gives way to security, and global supply chains are being reconfigured according to geopolitical rather than purely economic criteria. This shift has not been limited to manufactured goods. Raw materials have been explicitly incorporated into spheres of influence, transforming them into instruments of strategic leverage rather than mere inputs for production. As a result, comparative advantages are no longer derived solely from productivity, but from a growing

geopolitical filter that redefines what to produce, what to trade, and with whom, and therefore where profitability is anchored. This process, amplified by conflicts in Europe and the Middle East, is shaping a scenario in which the *Pax Americana*, once a guarantor of stability, is beginning to show signs of strain. The United States' ability to impose a global order is no longer perceived as unquestionable, pushing the international system toward a more diffuse and contested configuration of power.

An emerging factor, *artificial intelligence*, is adding to this dynamic as a cyclical catalyst. So far, investment has effectively “priced in” a positive long-term outcome with remarkable intensity, but the return is still unknown and will only become clearer over time. The investment cycle is gradually shifting from data centers to energy supply and critical raw materials, granting renewed prominence to physical inputs. This transition reinforces the notion that raw materials will remain a key pillar—not only because of their economic value, but also due to their explicit incorporation into spheres of influence where security of supply weighs as heavily as prices. The key question is whether this process will culminate in a sustained positive productivity shock, or, alternatively, result in excess investment that erodes returns over part of the cycle. This is a key question that both labor markets and economic policymakers must address with caution, operating from a position of friction in terms of unemployment, with less room to maneuver and stricter discipline than in the past.

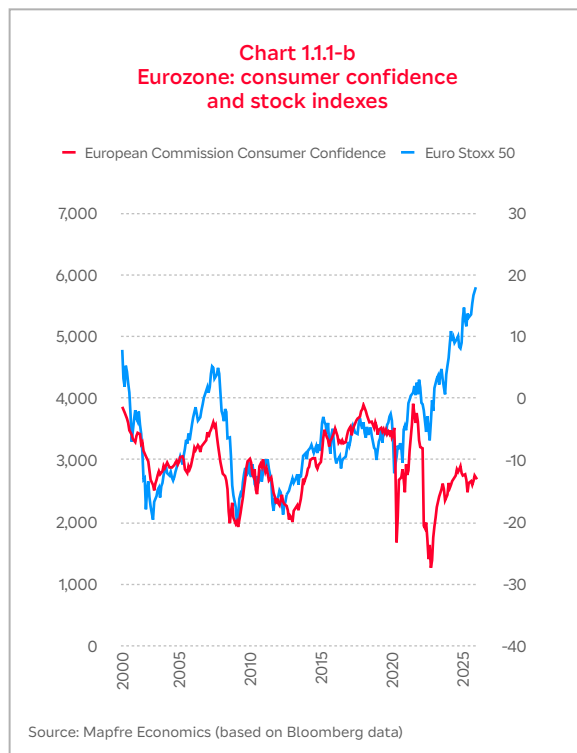
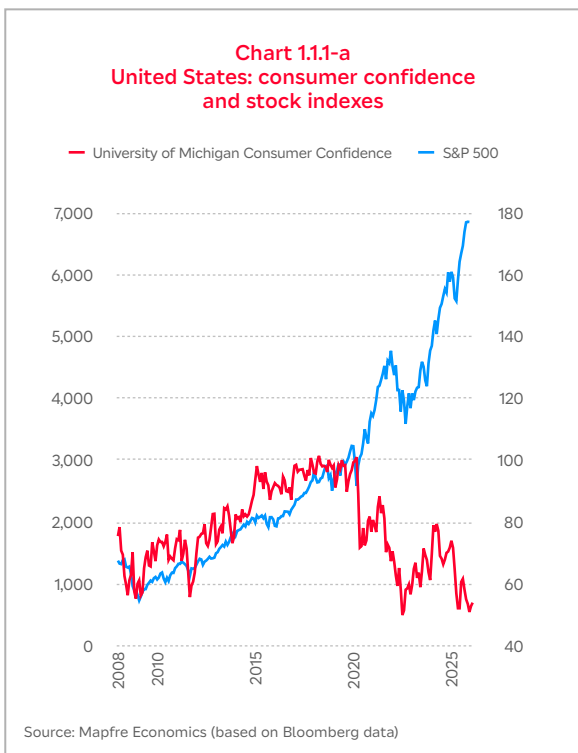
Meanwhile, the “K-shaped” pattern has reappeared as the key to interpreting consumption.<sup>2</sup> Higher-income households continued spending with relative ease, while middle- and lower-income households saw

their purchasing capacity eroded by stagnant real wages and tighter credit conditions. The result is aggregate spending that remains stable, yet increasingly concentrated among those who are least sensitive to changes in interest rates. This has meaningful implications: monetary policy becomes less effective as it acts on an increasingly narrow consumer base, while the lower end of the income distribution becomes trapped in structural rigidity. In this context, even small shocks can produce disproportionate effects, as latent vulnerabilities accumulate beneath the surface of aggregate data (see Charts 1.1.1-a and 1.1.1-b). Ultimately, the apparent strength of consumption rests on a fragile balance: a minority sustains demand, while a broad segment remains vulnerable. This asymmetry not only reflects rising inequality, but also affects the transmission of economic policy, the formation of expectations, and, over the medium term, sustainable growth.

aggressive decline would have increased the real burden of debt and reactivated deflationary risks, with disproportionate effects on consumption and investment. That balance was maintained in 2025 through careful management of expectations and financial conditions. The objective was no longer to steer inflation toward a supposed neutral level, but rather to limit volatility and avoid systemic risks. In practice, monetary policy ceased to be overtly restrictive and began to function as a calibrated, defensive macroprudential tool in a context where transmission mechanisms are progressively weakening. Although short-term interest rates remained consistent with central bank credibility, long-term yields continued to face pressure, reflecting uncertainty and high term premiums. All of this unfolded in an environment where the formal independence of central banks coexisted with de facto fiscal constraints, narrowing the real scope for discretionary monetary policy moves.

Regarding inflation, there was no clear convergence toward a stable equilibrium, but rather persistence within a narrow range. Raising rates too much would have undermined consumption, fiscal sustainability, and the credibility of central banks. Conversely, an

In summary, 2025 came to a close as a year that projected resilience, yet simultaneously exposed the structural tensions underpinning the global system. Economic growth and nominal stability were sustained not by the intrinsic strength of the cycle, but by deliberate



risk management that replaced the idea of *equilibrium* with one of *containment*. Uncertainty ceased to be an exogenous factor and became an endogenous component of the economic order, reshaping decision-making frameworks and shifting policy from stimulus toward preservation. This shift is consequential. It redefines the nature of the system: resilience no longer implies strength, but rather the capacity to manage vulnerabilities without resolving them. Contemporary stability thus appears less as a genuine equilibrium and more as a managed state. Uncertainty, therefore, is not a temporary disruption, but rather an inherent condition of the system, and today it is firmly established as a structural variable that influences every macroeconomic decision. In this context, the global economy enters 2026 not with the certainty of an expansionary cycle, but with the recognition that risk management has become the core of economic policy and the true anchor of international cohesion.

### 1.1.2 Outlook for 2026–2027: an unstable bridge

The year 2026 presents itself as an unstable bridge between the resilience experienced in 2025 and a gradual return to the cycle's potential growth rate, under the premise that uncertainty may have become a permanent condition of the system. This bridge not only divides phases, but also links the secular horizon with the current cycle. Less dynamic demographics, a capital-intensive energy transition, the migration of digitalization to the physical realm, and an increasingly politicized commercial architecture coexist with late-stage disinflation, incomplete monetary normalization, constrained fiscal space, and latent macroeconomic imbalances. As a result, the global economy is not starting from a position of clarity, but from a fragile equilibrium sustained by policies that prioritize containment over expansion, and by a configuration of decisions that redistribute risks rather than eliminate them.

In macroeconomic terms, 2026 is shaping up to be a year of moderate growth and persistent disinflation, but conditioned by restrictions that narrow the effective scope of economic policy.

Inflation is expected to continue converging toward the upper end of central bank targets, not due to a full restoration of monetary neutrality, but because the system has learned to operate within the narrow corridor already evident at the end of 2025. In this environment, monetary policy will remain a precision tool. Adjustments will be more macroprudential than expansionary in nature, short-term interest rates will continue to anchor credibility, communication will remain deliberately ambiguous to preserve optionality, and yield curves will exhibit higher term premiums than those observed in the previous decade, reflecting imperfectly anchored expectations (see Box 1.1.2).

Fiscal policy, meanwhile, will operate within an increasingly narrow margin. Pressure to boost public investment in defense, energy transition, digitization, and critical networks will collide with the need to manage deficits that serve as stabilizers, under market scrutiny intensified by elevated debt and deficit levels (see Charts 1.1.2-a and 1.1.2-b). Any fiscal impulse in 2026 will therefore need to be selective and carefully sequenced to prevent fiscal dominance from becoming latent and explicitly conditioning the monetary response. Furthermore, as noted above, fiscal policy itself could face attempts to address the “K-shaped” divergence at the base of the income distribution. However, overly ambitious or excessive stimulus targeting these segments could put renewed pressure on nominal anchors and trigger a more restrictive monetary response, thereby neutralizing part of the intended effect and amplifying the preexisting imbalance. In fact, this “K-shaped” pattern is expected to retain its explanatory relevance and remain central to interpreting consumption dynamics. Demand continues to rely disproportionately on higher-income households, while the lower end of the distribution remains constrained by subdued real income growth and more selective access to credit. This implies asymmetric monetary transmission: segments less sensitive to interest rates may cushion the slowdown in consumption, while more fragile households exhibit a greater exposure to tail risks. Economic policy thus faces a dual challenge:

### Box 1.1.2 Monetary policy update

#### Federal Reserve

At its first meeting of 2026, the U.S. Federal Reserve decided to leave the policy interest rate unchanged in the 3.50%–3.75% range, in line with market expectations. Regarding the outlook, it maintained a cautious, data-dependent forward guidance, stating that future cuts will only take place if inflation continues to decline toward 2% and risks to employment become more clearly evident. More specifically, the projections show two rate cuts for this year and one additional cut in 2027, consistent with a gradual pace of reductions toward the long-term terminal rate, which remains around 3.0%.

As for the quantitative tightening of the balance sheet, it should be noted that, from the peak reached in mid-2022, when assets totaled 8.9 trillion dollars, the Federal Reserve has unwound almost half of the pandemic-related expansion, reducing its balance sheet by approximately 2.3 trillion dollars (1.6 trillion in Treasury securities and 0.7 trillion in mortgage-backed securities, MBS). With this in mind, following the decision to end the net reduction of the balance sheet as of December 1—thus entering a phase in which the overall size will remain essentially stable for as long as necessary—MBS amortizations will continue at the previous pace, but their cash flows will be used to finance purchases of Treasury bills, while maturing Treasury securities will be fully reinvested at auctions. This approach does not imply a reversal of the normalization process, but rather a transition toward a more technical and precautionary management of liquidity, consistent with an environment in which the restrictive bias of monetary policy is primarily implemented through interest rates.

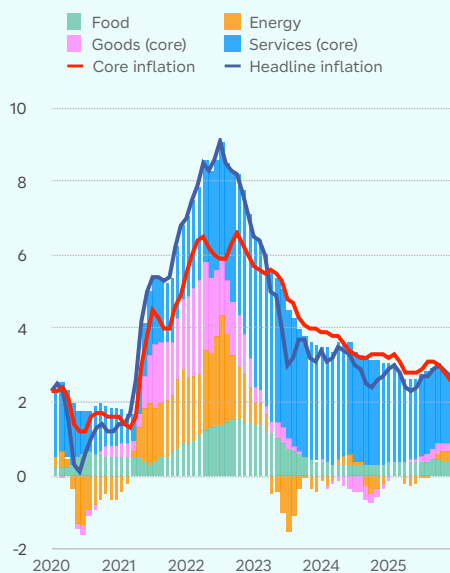
With regard to economic activity, recent data continue to suggest cautious optimism that the economy will continue to expand, albeit at a moderate pace (1.8–2.0% annually). As a result, the unemployment rate is expected to gradually decline toward the long-term level of 4.2%. In terms of inflation, the latest reading for December showed a further slowdown, to 2.7% YoY and 2.6% YoY for core inflation (see Chart A). In this regard, the inflation forecast for 2026 was revised downward (from 2.6% to 2.4%), while the projections for 2027 and 2028 were maintained (2.1% and 2.0%, respectively).

The communication stance remained firm, emphasizing that although inflation has declined, risks remain that could push it higher, particularly if tariffs persist. In addition, concerns about employment have proved to be more temporary than initially anticipated, reflecting a labor market that is gradually cooling without showing abrupt deterioration. Therefore, no reaction is expected in the absence of significant new developments, and the Federal Reserve has opted to wait and see how inflation (especially in services and wages) and unemployment evolve.

#### Assessment

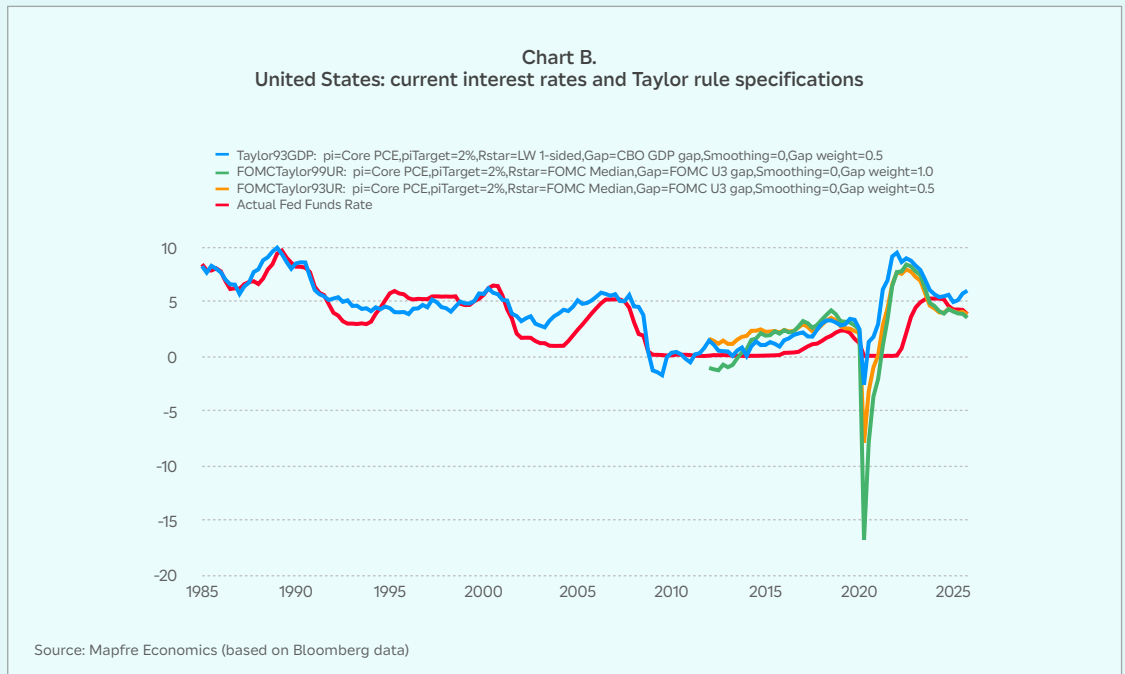
The main takeaway from the Federal Open Market Committee (FOMC) suggests that there is currently no need to resume rate cuts. Recent inflation data remain somewhat unsettling (still above target); employment data, on the other hand, remain steady despite a slight increase in unemployment, which is considered consistent with normalization following a previously tight labor market. At the same time, growth indicators

Chart A.  
United States: inflation by components



Source: Mapfre Economics (based on Bloomberg data)

### Box 1.1.2 (continued) Monetary policy update



show that the economy remains resilient but is not accelerating. In addition, when these and other variables are interpreted through the Taylor rule, they suggest that the current interest-rate range is appropriate and broadly consistent with the current stage of the economic cycle (see Chart B).

It should also be noted that the Federal Reserve's interest rate decision-making process remains flexible and subject to a high degree of uncertainty. Although the effects of the immigration, regulatory, fiscal, and trade policies promoted by the Trump administration have already begun to materialize, their full macroeconomic impact has not yet been internalized. This situation adds complexity to estimating the neutral interest rate and, by extension, the terminal level of the monetary cycle, reinforcing an approach that is increasingly dependent on the continuous evaluation of incoming data.

#### *Point in the cycle*

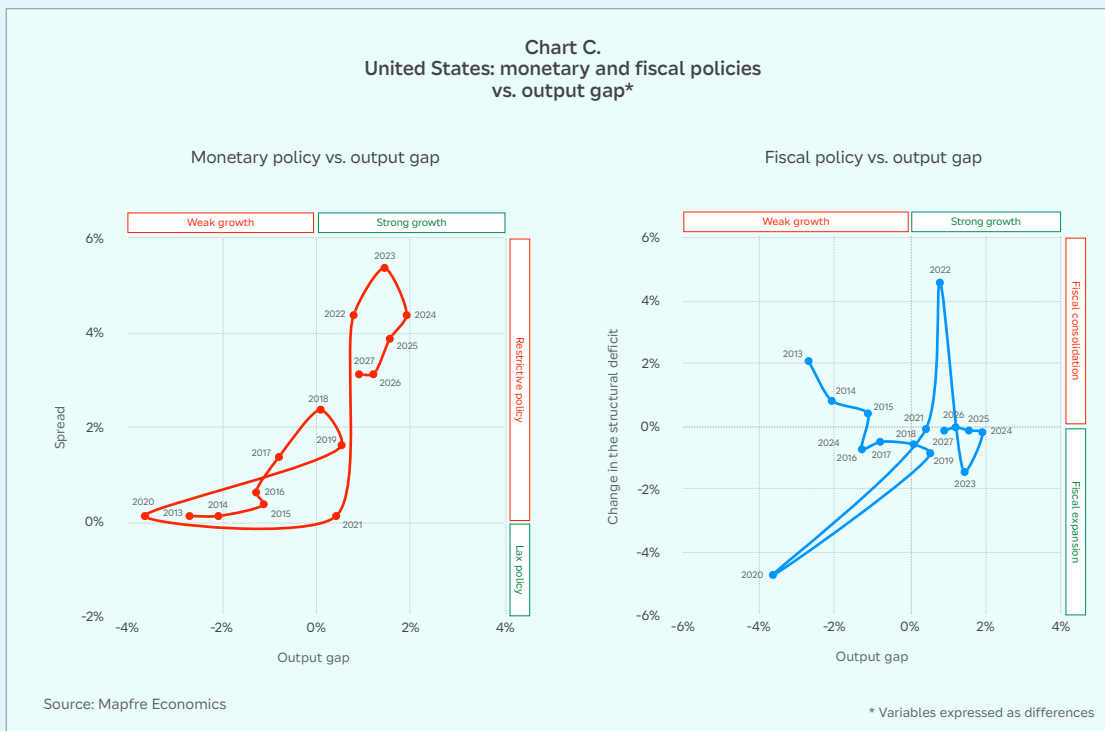
Chart C shows the adjusted monetary policy stance as inflationary pressures grew and the output gap narrowed. The shift in policy stance came in the third quarter of 2024, followed by two 25-basis-point rate cuts in the last two months of 2025, and three of the same magnitude since September 2025. This shift has been supported by

expectations of slightly more contained inflation (2.4% in 2026 and 2.1% in 2027), an output gap of around 1.5%, and the narrowing of the interest rate gap dictated by the Taylor rule since 2023, following a historically accelerated and aggressive monetary cycle.

In terms of fiscal policy, the public deficit is expected to remain high in 2026 (1.7 trillion dollars, representing 5.5% of GDP). This level, which is expected to remain around 6.0%, is due to persistent tax cuts and spending increases without clear offsets. The current outlook points to rising mandatory spending, higher debt-servicing costs, and a revenue strategy that depends on temporary instruments such as tariffs. Thus, fiscal deterioration and sustainability will require more comprehensive and structural adjustments on both the revenue and expenditure sides, developments that will be closely monitored in light of the need for consistency with the current monetary policy stance.

The measures adopted by the Federal Reserve throughout 2025 have therefore resulted in a policy orientation that is perceived as close to neutral. This configuration has provided room to absorb modest fiscal stimulus and macroeconomic tensions arising from tariffs and external pressures, without undermining anti-inflation credibility. Consequently, the Federal Reserve remains patient, awaiting the

### Box 1.1.2 (continued) Monetary policy update



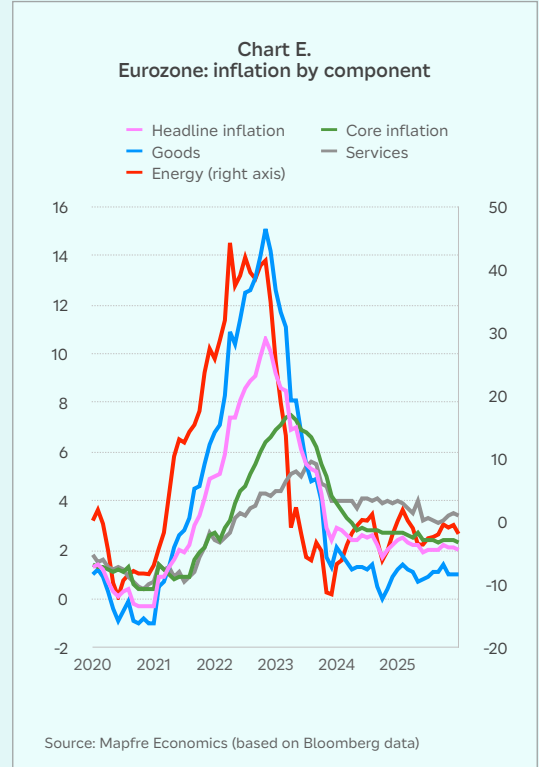
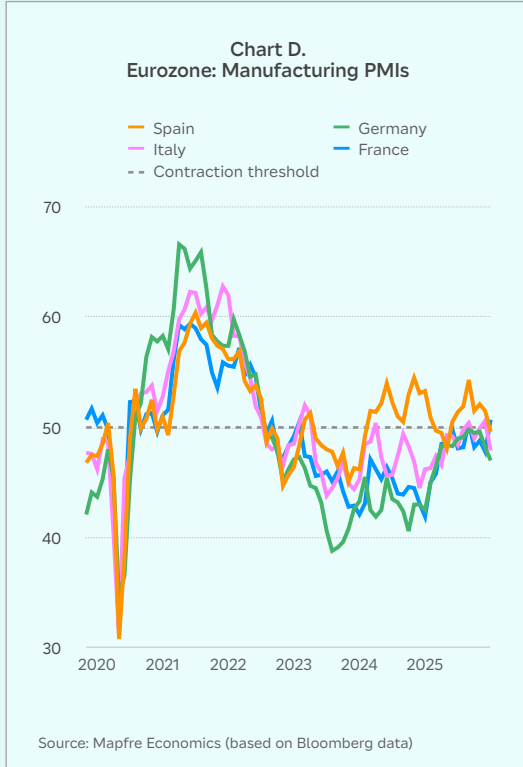
consolidation of the effects of its monetary easing and the evolution of upcoming macroeconomic indicators.

#### European Central Bank

At its December meeting, the European Central Bank (ECB) decided to leave its policy rates unchanged: 2.40% for the marginal lending facility, 2.15% for the main refinancing operations, and 2.00% for the deposit facility. Regarding the balance sheet, the ECB consolidated in 2025 the process of quantitative normalization initiated after the pandemic. With the end of reinvestments under the Pandemic Emergency Purchase Programme (PEPP) and the Asset Purchase Programme (APP), balance sheet adjustment is now primarily determined by the natural amortization of assets. However, excess reserves in the banking system remain high by historical standards. As a result, the interbank rate (€STR) remains anchored to the deposit facility rate (DFR), albeit with greater potential sensitivity to episodes of liquidity stress. In this context, the role of the main refinancing operations (MRO) and, ultimately, the marginal facility (MLF) remains secondary, but is becoming more relevant as a backstop mechanism as balance sheet reduction progresses.

The ECB's Governing Council has qualified the view of economic weakness that prevailed at the beginning of 2025, acknowledging a somewhat more favorable, albeit uneven, evolution of activity across the Eurozone. Leading indicators show a gradual improvement in the manufacturing PMI in core economies such as Germany, France, and Italy, pointing to a stabilization of the industrial cycle, although this dynamic contrasts with the deterioration observed in Spain, highlighting a heterogeneous recovery (see Chart D). In this context, the Governing Council reiterated its commitment to the price stability objective, noting that the disinflation process continues to progress (see Chart E), although a cautious stance remains in light of inflation expectations and uncertainties related to energy prices, wage negotiations, and trade risks. Looking ahead to the coming quarters, the narrative keeps open the possibility of further monetary policy easing, but emphasizes the need to carefully calibrate the pace, particularly in an environment where the gradual reduction of the balance sheet is beginning to interact more visibly with financial conditions. Consensus in decision-making remains broad, although the ECB has indicated that future assessments will increasingly rely on new macroeconomic projections, reflecting the fact that the terminal interest rate remains subject to revision.

**Box 1.1.2 (continued)**  
**Monetary policy update**



**Assessment**

Since the last round of projections and the subsequent pause in the adjustment path, the macroeconomic picture in the Eurozone has only partially improved. Headline inflation has returned to around 2%, but the core component, particularly services, continues to influence the ECB's assessment, and the medium-term outlook is still exposed to energy shocks and a more adverse trading environment. In its December 2025 projections, the ECB sets average inflation at 1.9% for 2026 and 1.8% for 2027, converging at 2.0% in 2028. Economic growth, meanwhile, has improved since September, but the institution avoids drawing structural conclusions and maintains its emphasis on uncertainty.

At the same time, monetary policy is entering a more delicate phase. The debate shifts from “how much to cut” to “where to stop” and “with what risk tolerance.” Christine Lagarde and the Governing Council have reiterated a meeting-by-meeting approach, without a committed path, precisely because the balance between risks of persistent inflation and weak growth has become

less clear-cut. This tends to strain internal consensus as interest rates approach the neutral range, not so much due to an explicit shift in stance, but because the range of plausible scenarios has widened: tariffs and trade fragmentation are no longer tail risks but part of the baseline analytical framework.

In this context, the balance sheet adds an additional layer to policy calibration. The ECB is now fully in passive tightening mode: APP reinvestments were discontinued in July 2023 and PEPP reinvestments were fully halted at the end of 2024, meaning that asset reduction now depends primarily on maturities and amortizations. This reinforces the need to clarify the operational framework and interpretation of the neutral interest rate, because the equilibrium point no longer depends solely on domestic growth and inflation assumptions, but also on more volatile and less controllable imported inflation (energy, trade, supply chains), as well as on a European fiscal-political environment with recurring episodes of friction. This reflects the tension between contained potential growth and domestic disinflation compatible with lower interest rates, on the one

**Box 1.1.2 (continued)**  
**Monetary policy update**

hand, and external shocks and risk premiums that push toward maintaining competitive interest rates for longer, on the other.

*Point in the cycle*

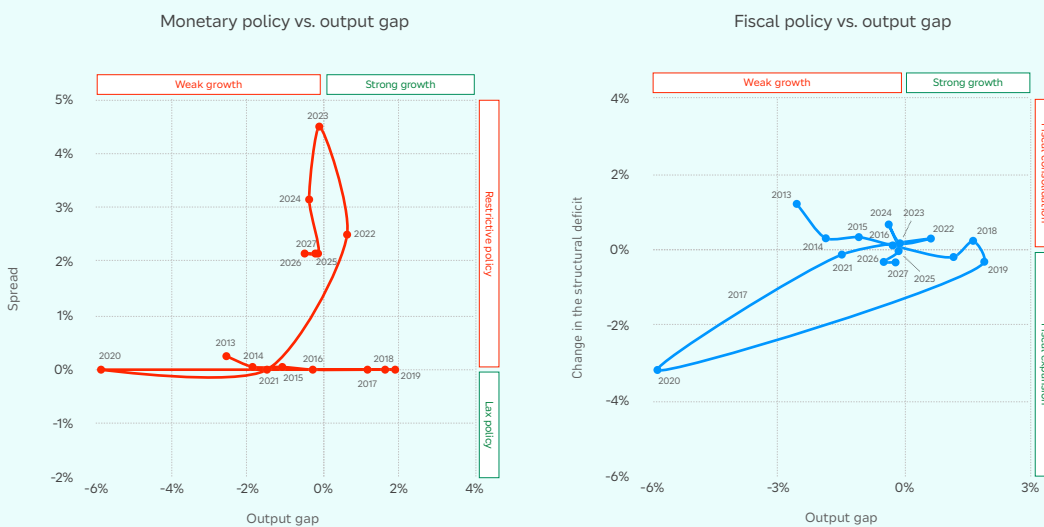
Chart F shows the shift in monetary policy stance in September 2024, justified by the move toward an expansionary policy that will help close the negative output gap. However, caution remains, and therefore the refinancing rate is forecast to remain around 2.0% until at least 2027, weighing internal and external factors affecting the European Union. Meanwhile, the gap relative to the interest rate under the Taylor rule was found to be close to zero at the end of 2024, and is expected to remain low in the coming years.

European fiscal policy is entering a more disciplined and, simultaneously, more “tailored” phase following the reform of the fiscal framework enacted in April 2024, which aims to reconcile sustainability and growth through multi-year adjustment paths. Overall, the European Commission already anticipated a

slightly contractionary stance in 2024 and an approximately neutral stance in 2025, with the Eurozone's deficit at around 3% of GDP in 2024 and a gradual improvement in the medium term.

Despite this, the asymmetry among the major economies remains the weak point. France and Italy remain sources of fiscal tension, to the extent that the Council activated excessive deficit procedures against both (among others) in July 2024, signaling that the flexibility of the new framework is not synonymous with concessions. Germany, with relatively contained public debt, is more limited by internal constraints and investment needs, while Spain enters 2025 with a more controlled deficit profile, although public debt remains high, limiting its fiscal space in the face of shocks. At the same time, this fiscal normalization coexists with an ECB that is now operating closer to neutrality and therefore inclined toward caution. The combination of uneven fiscal consolidation, fragile growth, and a more uncertain external environment increases the value of waiting for confirmation in the data before committing to a clear policy path.

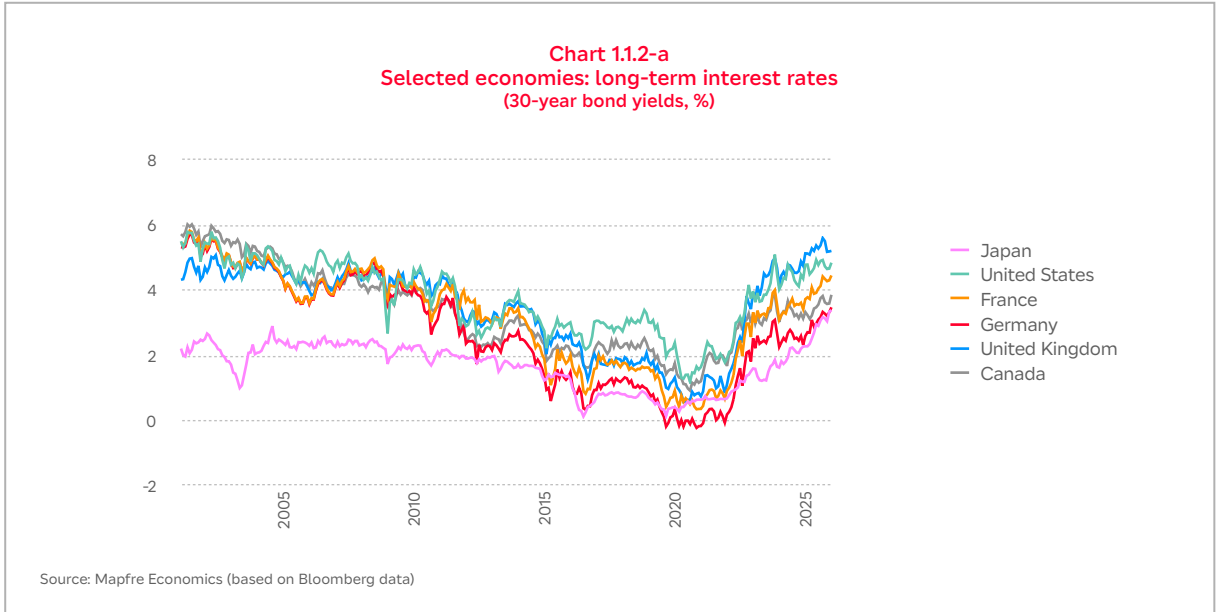
**Chart F.**  
**Eurozone: monetary and fiscal policies vs. output gap\***



Source: Mapfre Economics

\* Variables expressed as differences

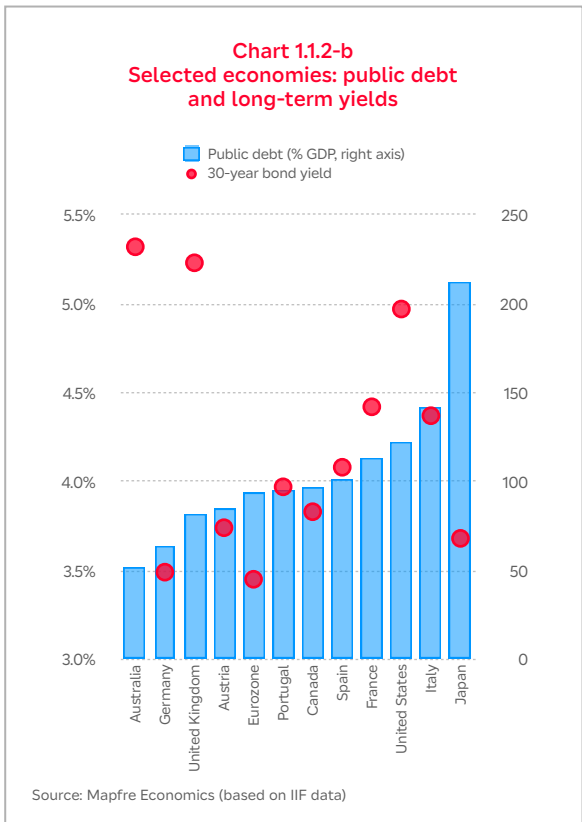
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sustaining disinflation without pushing the lower end of the distribution into a procyclical adjustment, while reinforcing productive investment without reigniting price pressures or weakening nominal anchors.

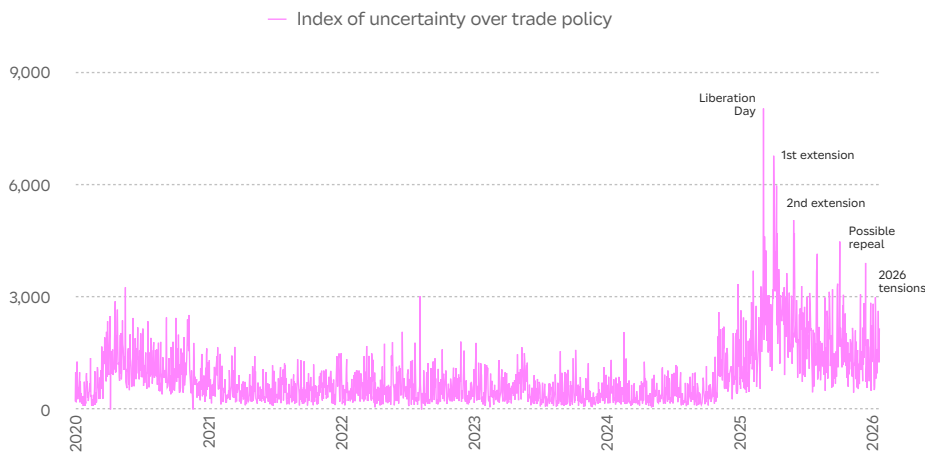
From a trade standpoint, 2026 will not mark a return to linear globalization, but rather the consolidation of a selective order in which

value chains shorten, regionalize, and consolidate around critical nodes. Agreements increasingly function less as instruments of efficiency and more as mechanisms of national security, incorporating clauses that politicize production, trade, and financing. This shift, already visible in 2025, transcends manufacturing and technology and could extend to sectors such as energy, raw materials, and strategic minerals. These sectors are being integrated into spheres of influence as additional levers of power, redefining access dynamics and reinforcing new hierarchies of comparative advantage. In this environment, competition is no longer measured solely by price, but also by resilience, traceability, and secure access to essential inputs (see Charts 1.1.2-c and 1.1.2-d).



Far from dissipating, geopolitical tensions are expected to persist as a gravitational force in the cycle, continuing to add density and uncertainty to the economic landscape. In this context, currently contained conflicts may exert their impact less through intensity than through persistence, radiating uncertainty that translates into risk premiums on logistics, energy, and financing. Accordingly, the security architecture is likely to operate under an increasingly granular and less predictable logic; that is, tactical alliances, reversible commitments, and explicit use of economic instruments as extensions of foreign policy. The

**Chart 1.1.2-c**  
**Global: trade uncertainty**



Source: Mapfre Economics (based on Economic Policy Uncertainty data)

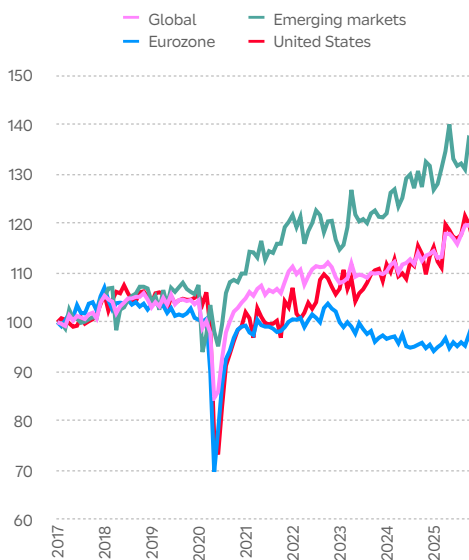
result is a system in which shocks will not necessarily be more frequent, but their propagation could be less linear, requiring economic policy to internalize the strategic dimension as a condition for maintaining stability.

Artificial intelligence may also undergo its first test of macroeconomic maturity. Following the initial push in data, software, and computing,

the investment cycle should shift toward energy and materials, firm power capacity, grids, storage, and extraction and processing. This move from digital to physical gives 2026 a dual reading: it could trigger a positive productivity shock (if technological diffusion outpaces bottlenecks), or alternatively, lead to excess investment with diminishing short-term returns (if execution falls short of expectations). In either case, timing matters. Investment precedes productivity dividends, and although aggregate volumes may show some continuity into 2026, markets are likely to begin demanding evidence of the quality of that capital.

From this perspective, 2026 should not be interpreted as a mere extension of the previous cycle, but rather as a critical transition toward potential growth. The bridge defining this transition is inherently unstable, as it rests on pillars that must be reinforced while progress continues: shorter yet more resilient supply chains; cleaner but capital-intensive energy; more powerful technologies dependent on physical inputs and complex regulatory frameworks; and more disciplined monetary and fiscal policies, strained by unavoidable social demands. This transition requires recognizing that uncertainty is not a temporary disruption, but a structural condition. The objective of economic policy is therefore not to eliminate uncertainty, but rather to govern it, managing

**Chart 1.1.2-d**  
**Global: exports**  
**(CBP Merchandise, Export Volume Index SA)**



Source: Mapfre Economics (based on Bloomberg data)

vulnerabilities without pretending they can be fully removed. In that management, rather than the illusory promise of certainty, lies the possibility that 2026 will fulfill its role—not by ushering in an immediate boom, but by anchoring sustainable growth on foundations less fragile than those inherited, strengthening systemic resilience to nonlinear shocks, and preserving institutional credibility in an environment where stability seems more like a managed state than a genuine equilibrium.

### 1.1.3 Geopolitics as a gravitational axis

The current shift invites us to ask whether geopolitics has become the gravitational axis that shapes the economic cycle and the factor that, in itself, redefines the reaction function of economic policy. When national security is explicitly incorporated into states' objective functions, monetary policy ceases to respond solely to an aggregate price metric; instead, it manages a complex configuration of relative prices that reflects the elasticity of critical supply chains, the substitution costs of strategic inputs, energy vulnerability, and exposure to endogenous geopolitical shocks. Fiscal policy, for its part, moves beyond its traditional role as an inertial stabilizer and begins to internalize the strategic dimension of enabling public investment. Consequently, this shift from orthodoxy toward systemic risk management is expressed through more cautious and deliberately ambiguous communication regimes. “No pre-commitment” (the absence of prior guidance) gains value because strategic information is, by nature, incomplete and discontinuous. This, in turn, normalizes selective tolerance for episodes of “composition inflation,” particularly when industrial policy shields critical nodes at the cost of accepting term premiums that explicitly incorporate geopolitical uncertainty. In practice, short-term interest rates preserve the nominal anchor, while the long end of the curve disciplines the credibility of strategic execution.

Even so, de facto coordination between fiscal policy and monetary policy does not imply subordination, but rather the operational compatibility necessary to manage systemic risks. While the former prioritizes strategic

investment (energy, grids and interconnections, storage, processing, dual-use technologies, and national defense), the latter calibrates the term structure of interest rates so as not to interfere with that trajectory or unanchor expectations. For this reason, economic authorities avoid putting forward strategies that could be interpreted as guaranteed commitments, aware that geopolitical information is, by definition, incomplete and discontinuous. Shocks, therefore, no longer originate primarily in the classical business cycle; instead, they are increasingly tied to the momentum of strategic reordering itself. Hence the deliberate ambiguity surrounding a period in which inflation remains tightly controlled and credibility is preserved through flexibility.

This shift implies that global governance no longer operates on universal principles and is fragmented into functional architectures that regulate access to technologies, critical inputs, and strategic markets. Interdependence, far from receding, becomes instrumentalized and transformed into a vector of power, where the ability to impose standards and shape interoperability replaces the previous rules. In this context, the density of the strategic chessboard intensifies as each node (whether a digital standard, a logistics corridor, or a strategic mineral) becomes a potential point of friction. As a result, predictability is eroded and shocks—without necessarily becoming more frequent—grow less linear, more opaque, and more prone to second-order effects.

Against this backdrop, systemic rivalry takes shape, with competition for hardware, semi-conductors, digital standards, raw materials, and logistical and military capabilities coexisting alongside selective, sector-specific, and regulatory decoupling. Third countries, meanwhile, confront an increasingly costly form of “active non-alignment,” as regulatory and trade pressures from rival poles intensify. In practice, transactional foreign policy gains prominence as a recurring form of economic coercion, while negotiation is used to freeze conflicts on functional terms and prolong friction without crossing formal escalation thresholds.

Under this logic, a global order emerges defined by a triangular geometry that structures the 21st century's systemic rivalry: the United States, China, and Russia. The United States shifts its center of gravity toward national security logic, converting interdependence into a lever of power by safeguarding technological and financial standards, securing critical nodes, strengthening alliances, and exercising selective coercion. China, meanwhile, seeks to accelerate its vision of "common prosperity" through industrial and technological dominance, securing trade, energy, supply, and logistics corridors while consolidating a functional axis with Moscow. Russia, the third vertex of the triangle, despite domestic constraints and external sanctions, operates as a disruption multiplier as the war in Europe persists, exporting instability and positioning itself as a critical supplier in its asymmetric alliance with China.

In this context, the Middle East functions as an ecosystem of simultaneous flare-ups that directly impact energy markets and maritime routes. The Sahel is consolidating security vacuums that export instability, compounded by internal democratic backsliding that acts as a multiplier of external risk. Meanwhile, Latin America is emerging as a secondary but decisive player, due to its importance in minerals, agriculture, ports, and energy. Europe is attempting to translate its strategic autonomy into tangible capabilities and interoperable rules, although this effort remains constrained by internal governance challenges and elevated external dependence. In fact, this framework extends beyond fiscal and monetary policy and industrial architecture; it is also evident in the exchange rate dimension. When geopolitics redefines objective functions, the exchange rate ceases to be merely a trade price and instead begins to encode expectations about security, liquidity, and credibility. Payment and currency governance become forms of strategic infrastructure, and risk premiums increasingly incorporate factors that transcend the business cycle and traditional fundamentals. Accordingly, understanding how currencies adjust the current account and external position requires an integrated approach combining real fundamentals, financial conditions, and systemic risk (see Box 1.1.3-a).

The contours of this rivalry are visible on the ground: Venezuela, as a node of hemispheric influence and energy leverage; Iran, as the pivot of proxy deterrence that densifies friction in the Gulf; Syria, as an ecosystem of overlapping presences and capability testing; Yemen, as a choke point that exposes the vulnerability of maritime routes and insurance; and Greenland, as an Arctic frontier where critical minerals, dual infrastructure, and strategic positioning define a "silent control" over future logistics. These cases illustrate how the triangular rivalry is militarizing interdependence and shifting the center of risk away from the economic cycle toward the management of geopolitical shocks, thereby normalizing economic coercion, shielding dual-use technology, and fragmenting the regulatory order into spheres interoperable only within each coalition (see Box 1.1.3-b).

The result is not a mechanical rule, but rather a multivariable control system in which: (i) prosperity equates to efficiency conditioned by security; (ii) governance matters more than momentum, and (iii) calibrating and sequencing matter more than promises. Therefore, the new rules revolve around preserving corridors of stability while advancing the productivity frontier, rebuilding strategic public and private buffers, and managing transitions where energy and raw materials are integrated into a new value creation paradigm. This geopolitical paradigm not only shapes regional dynamics, but also becomes the variable defining extremes and risk scenarios.

#### 1.1.4 Analysis scenarios

##### Baseline scenario

Accordingly, for the purposes of the macroeconomic analysis and forecasts presented in this report, the *baseline scenario* for 2026 reflects a global economy that has abandoned expectations of linear normalization and is instead operating within a managed equilibrium, where uncertainty has become a structural feature of the system. Economic growth remains resilient, but this resilience is underpinned by conflicting forces: on the

**Box 1.1.3-a**  
**Currencies, the current account, and external adjustment:**  
**an integrated view of the U.S. dollar**

**The exchange rate:**  
**some conceptual foundations**

From a theoretical perspective, under a floating exchange rate regime, the exchange rate should be understood as the price of a financial asset that capitalizes, in present value, expectations regarding relative inflation and real interest rates, the future orientation of monetary and fiscal policy, and the risk premium required by investors. This interpretation allows short-term volatility to be reconciled with long-term adjustments. In other words, currencies move when expectations change, but those expectations are anchored, over different time horizons, in real and financial fundamentals. Thus, in the absence of persistent shocks, purchasing power parity acts as a force driving mean reversion in the real exchange rate, while real interest rate differentials and central bank credibility channel capital flows.

However, from a structural perspective, the real exchange rate is also an intertemporal equilibrium variable that connects savings, investment, and external position. Its ultimate function is to facilitate balance-of-payments adjustment, particularly in the current account balance, in a manner consistent with the economy's external budget constraint. Thus, a current account deficit reflects an absorption of resources greater than production and, therefore, the accumulation of external liabilities. The real exchange rate acts as the relative price that corrects this imbalance by redirecting demand between domestic and foreign goods. Conversely, persistent surpluses tend to coexist with appreciated currencies that redistribute real income toward the rest of the world.

In practice, the real exchange rate is not merely a reflection of relative prices. Structural factors allow for sustained deviations from parity. The Balassa-Samuelson mechanism suggests that economies with high productivity in tradable sectors can sustain structurally appreciated currencies without weakening their current account. A differentiated export basket with pricing power, or a strong net external creditor position, allows countries to maintain higher relative prices without generating external imbalances. These elements interact with the economic cycle. Thus, when the output gap closes and core inflation puts pressure on prices, the market anticipates higher real interest rates and the currency strengthens. Conversely, when economic slack dominates, interest differentials erode and the currency loses support.

To value a currency, it is essential to separate the fundamental “value” component from the *risk premium*. The real exchange rate reflects productivity, terms of trade, net external position, and cyclical momentum, but the market adds a risk compensation linked to liquidity, financial depth, the availability of secure collateral, and the international status of the currency. During episodes of risk aversion, these financial factors may dominate any interpretation based on real fundamentals. Therefore, an interest rate hike does not necessarily guarantee currency appreciation. If the increase responds to fiscal risks or credit deterioration, the risk premium rises and offsets the effect; if it reflects credibility and intertemporal discipline, it strengthens the currency.

*Geopolitics* adds an additional layer to the pricing of risk. Sanctions, conflicts, and geopolitical fragmentation disrupt capital flows, market access, and supply chains, affecting both terms of trade and perceptions of convertibility and capital repatriation. During “risk-off” episodes, demand for safe assets concentrated in a few currencies intensifies, causing them to appreciate for reasons of liquidity and international use, even without changes in real fundamentals. In this context, central banks have acted as market architects, reinforcing the status of their currencies by ensuring liquidity and systemic stability.

**The dollar and other currencies**

Monetary history confirms this interaction between fundamentals, institutions, and global liquidity. The U.S. dollar emerged as an international currency due to the depth of its markets and the role of the Federal Reserve, consolidating its position after the Bretton Woods agreement in 1944 and adapting to the floating exchange rate regime after 1971. Since then, exchange-rate dynamics have been dominated by expectations, interest-rate differentials, and risk premiums, with episodes of credible coordination (such as the Plaza Accord of 1985) and crises that reinforced the value of currencies capable of providing global liquidity.

Within this hierarchical framework, the dollar stands at the top due to its liquidity, its role as safe collateral, and the centrality of its financial infrastructure, which explains its defensive appreciation during global shocks. The euro acts as a second platform, with significant trade and financial weight, but constrained by fiscal fragmentation. The Japanese yen combines financial depth and credibility, although persistently low real interest rates orient it more toward funding and hedging

**Box 1.1.3-a (continued)**  
**Currencies, the current account, and external adjustment:**  
**an integrated view of the U.S. dollar**

(carry trades) than toward safe collateral. The Chinese yuan is gradually advancing through financial infrastructures and bilateral agreements, but its internationalization remains constrained by capital controls and an interventionist bias. Emerging market currencies, meanwhile, combine real fundamentals with high and volatile risk premiums, making them particularly sensitive to the global financial cycle.

This integrated approach helps us understand why simple theoretical relationships, such as automatic currency appreciation following the imposition of tariffs, rarely materialize. Although tariffs can improve terms of trade, in practice monetary policy reacts, trading partners respond, uncertainty raises risk premiums, and real adjustments are slow. In such episodes, the market tends to reprice the trajectory of interest rates and risk sooner than the pure trade channel, meaning exchange-rate movements reflect the balance of financial forces rather than a new external equilibrium.

Ultimately, the value of a currency emerges from the interaction between real fundamentals, financial conditions, expectations, and risk premiums, and its structural role is to close the balance of payments in a manner consistent with the current account and the external position. In the short term, financial and geopolitical factors may dominate; in the long term, fundamentals impose discipline. There are no hard and fast rules: when credibility is high and markets are deep, the currency holds steady; when uncertainty prevails and access to external financing erodes, adjustment comes via relative prices. In short, the exchange rate is not an automatic reflection of trade, but rather the price that reconciles the current account, the financial cycle, and risk with an economy's external sustainability.

#### **The current environment**

At present, for practical purposes, the dollar trades around 1.18 against the euro. Based on fundamentals, it should gradually converge towards the level that the consensus considers consistent with equilibrium in the trade and current accounts with the European Union—around 1.24–1.26. This level, however, has become increasingly uncertain due to the action of two opposing structural forces. On one hand, a possible increase in productivity associated with the technological shock of artificial intelligence (AI), which would favor a stronger dollar. On the other hand, the gradual erosion of its status as a global reserve and exchange currency would reduce demand for

dollar-denominated assets and put downward pressure on the exchange rate by weakening the financing of the U.S. foreign deficit. The coexistence of both forces makes it difficult to determine a clear equilibrium exchange rate.

In the short term, different factors prevail. The activation of tariffs by the United States, averaging 10–15%, should have been beneficial for the dollar by improving terms of trade. However, what has been observed instead has been an initial sharp depreciation followed by a more moderate adjustment, linked to deteriorating expectations regarding fiscal and monetary policy, pressure on the Federal Reserve, and an uncertain political and trade environment. This movement has fueled a consensus anticipating a relatively rapid transition to a weaker dollar, approaching its structural equilibrium around 2027–2028, which would imply sustained depreciation throughout 2026.

However, the adjustment appears to have slowed and even partially reversed, with the dollar stabilizing at around 1.17–1.18 against the euro, below what the consensus expected for year-end and at similar levels against a basket of emerging-market currencies. Thus, it remains unclear whether the future trajectory will be dominated by a loss of credibility and, therefore, depreciation, or by productivity gains and, consequently, appreciation. What is clear is that, in the short term, the exchange rate will continue to be influenced by expectations and the narrative surrounding the U.S. administration's trade, fiscal, and monetary policy decisions. As markets adapt to this environment of uncertainty, it is plausible that the dollar will react less to changes in expectations and that the levels of depreciation currently priced in by consensus may not be reached in the near term.

### Box 1.1.3-b Eleven pillars of global geopolitics

#### 1. Systemic rivalry between the United States and China

The competition between the United States and China has moved beyond trade or technology and has evolved into a *systemic rivalry*, in which every dimension of power (economic, military, institutional, regulatory, and material) operates under a geo-strategic framework. Both countries are competing for control of the world's hardware: semiconductors, artificial intelligence (AI), digital standards, critical materials, military capabilities, and global supply chains. China has developed a power mechanism that the concept of geobureaucracy captures well: an administrative architecture that integrates agencies, state-owned enterprises, and regulatory frameworks, designed to influence the global flow of strategic materials. The lever is not embargoes, but technical bureaucracy: licenses, inspections, environmental requirements, quotas, certifications, and standards that disrupt supply without openly announcing coercion. The United States, for its part, has responded with export controls on advanced chips, restrictions on technology transfers, investment screening, and security alliances (AUKUS, QUAD). However, a structural asymmetry persists: Washington dominates the technological frontier, while Beijing controls the first material mile of production. Decoupling is therefore no longer binary. It has become selective, industry-specific, and regulatory, pushing third countries toward “active non-alignment,” which is becoming increasingly unsustainable due to regulatory and commercial pressure from both sides.

#### 2. Trump Doctrine 2.0 and transactional foreign policy

President Donald Trump's second term has redefined U.S. foreign policy as one based on selective economic and political coercion, with alliances less anchored in historical commitments and more dependent on immediate reciprocity. Tariffs, sanctions, regulatory threats, and conditions on migration and security serve as the main instruments, affecting even the United States' long-standing allies. The defining feature in 2026 is that this *transactional approach* is no longer limited to trade, but is expressed in geography, resources, and sovereignty. The case of Greenland illustrates this clearly. Donald Trump has explicitly revived the idea of “acquiring” Greenland as a strategic asset to block Russian or Chinese influence. The European response has been strongly opposed, with public warnings that any attempt at military takeover would be incompatible with the logic of the North Atlantic Treaty Organization (NATO) and would trigger European obligations to assist a member state

under attack. Thus, the debate positions the Arctic as a new frontier of competition: routes, bases, space surveillance, and access to critical minerals. In this context, the European Union (EU) and Denmark seek to maintain defense under NATO's umbrella while preserving Greenlandic sovereignty, while China has criticized the use of its presence as a geopolitical pretext. The practical outcome is that U.S. predictability can no longer be assumed and instead becomes a risk variable for partners, precisely at a moment when Europe is seeking to strengthen its own strategic capabilities.

#### 3. War in Ukraine and the expansion of Russian hybrid warfare with conditional negotiations

Russia views Ukraine as the decisive arena for redefining the European order. Its objective is not only territorial control but also preventing Ukraine's integration with the West and forcing a broader reconfiguration of continental security. Alongside the conventional military offensive, Russia has deployed a strategy of incremental-cost hybrid warfare, designed to wear down Europe without crossing the thresholds that would trigger a direct response from NATO. These actions include cyberattacks, sabotage, disinformation campaigns, energy pressure, and polarization tactics. In 2025 and early 2026, the conflict has also entered a more visible political phase: high-level contacts and plans for a ceasefire have proliferated, but the core issue remains a clash of objectives. Ukraine and its allies insist on robust and verifiable security guarantees, including the idea of a “coalition of the willing” as a second layer of deterrence, with the United States playing a key role in verification and monitoring following any potential cessation of hostilities. Russia, meanwhile, maintains a punitive stance: it demands territorial concessions and structural limitations from Ukraine, using negotiation as a tool to freeze the conflict on favorable terms and divide European countries. At the same time, the debate over “territory and critical assets,” such as nuclear power plants, appears to be the sticking point in the talks, with Kiev pushing for long-term guarantees, aware that a ceasefire without credible deterrence would merely represent an operational pause for Russia. The strategic reading is simple: the process may produce a temporary freeze, but not a stable peace if Russia does not abandon its political goal of subordinating Ukraine.

**Box 1.1.3-b (continued)**  
**Eleven pillars of global geopolitics**

**4. Rising structural geopolitical stress**

Current geopolitics is no longer a *sequence of crises*, but has transformed into a *structural regime* of elevated risk. The domestic dimension is key: institutional erosion, polarization, inequality, and domestic militarization often precede external aggression and increase vulnerability to foreign interference. The external dimension amplifies the damage: proximity to conflicts, ideological rivalries, and tensions with neighbors. In this context, the international system loses its buffers, and crisis management becomes more expensive and less predictable. Thus, when domestic politics becomes disordered, foreign policy becomes more impulsive, more opportunistic, and prone to shocks.

**5. Global economic fragmentation (with geobureaucracy)**

*Globalization* is not disappearing, but rather mutating into a competitive system where efficiency yields to resilience, control, and security. Tariffs and sanctions represent the visible layer, but the decisive shift lies in regulatory, technological, and material *fragmentation*, *regulatory weaponization*, and control of bottlenecks. China influences supply through technical bureaucracy governing critical materials, while the United States responds with financial sanctions, chip export controls, investment restrictions, and economic security regulations. The European Union seeks to navigate this environment with open strategic autonomy, but its industrial lag and dependence on critical materials limit its scope. In practice, the global economy is reorganizing around shorter, more redundant, and increasingly politicized supply chains, with structurally higher cost and risk premiums.

**6. Crisis of multilateralism**

The institutions created after World War II (1945) are undergoing a functional crisis: the United Nations Security Council is frequently paralyzed by vetoes, the World Trade Organization (WTO) has lost much of its dispute-settlement capacity, and financial institutions (the International Monetary Fund and the World Bank) now compete with alternative mechanisms. Major powers follow rules when convenient and instrumentalize them when they become inconvenient. The result is a mosaic of partial micro-orders, where circumstantial alliances replace general rules, reducing predictability and increasing volatility.

**7. The Middle East after Gaza: Iran as a node of indirect warfare**

The Middle East operates as an ecosystem of simultaneous flashpoints with immediate impact on energy, maritime trade, and financial stability. Iran uses proxy actors to project deterrence without entering into open war and exerts pressure across multiple fronts, including Red Sea shipping routes. The United States maintains a strategy of containment and limited punishment, combining sanctions with targeted military responses against proxy networks and capabilities while avoiding escalation into direct war. The novelty at the beginning of 2026 is the added tension caused by Iran's internal crisis and the debate in Washington about "strong options," while Tehran signals that it is prepared for conflict but open to negotiating under "fair" conditions. This dynamic increases the risk of miscalculation: more operational friction, stronger incentives to demonstrate power, and a higher probability that incidents escalate through reputational dynamics.

**8. The Sahel and West Africa after the French withdrawal**

The Sahel is consolidating a security vacuum that strengthens jihadist insurgencies, military juntas, and patterns of non-Western influence. Instability is exported to Europe via irregular migration, organized crime, and disruptions to supply chains (gold, uranium, and critical minerals). Local governments increasingly exchange geopolitical alignment for rapid security support and access to resources. At the same time, regional institutional architecture is weakening, with spillover effects extending toward the Mediterranean.

**9. Technological militarization and new domains of warfare (with geobureaucracy)**

Contemporary warfare is defined by speed, saturation, and autonomy: cheap drones, loitering munitions, electronic warfare, cyberattacks, and intensive use of data. Yet the structural factor is material: military power depends on access to highly specialized components and materials. Chinese control over part of the refining and certification of critical metals and chemicals introduces a strategic asymmetry. Those who control the raw materials of military power influence the pace at which others can rearm. War therefore begins before combat, in the design of the value chain and in the ability to sustain production.

**Box 1.1.3-b (continued)**  
**Eleven pillars of global geopolitics**

**10. Democratic backsliding and the expansion of authoritarianism**

The global deterioration of democracy is structural and acts as a risk multiplier. Polarization, the erosion of the rule of law, and the weakening of institutional checks and balances undermine strategic coherence and increase vulnerability to external influences. Authoritarian regimes exploit these fractures through disinformation, funding, energy agreements, and military presence. The European Union faces an additional constraint: in practice, its unanimous decision-making turns internal fragmentation into external paralysis.

**11. Latin America as a secondary arena of global rivalry, with EU–Mercosur tensions and a shift in U.S.–Venezuela policy**

Latin America is not a passive playing field, but rather an arena of competition for critical minerals, agriculture, ports, and political influence. China continues to expand its footprint in infrastructure, mining, and energy; the United States combines migration, trade, and security pressure; and Russia and Iran operate in gray zones through energy, technological, and information cooperation. Governments in the region do not seek “active alignment,” but this flexibility creates multiple dependencies and exposure to retaliation.

Within this framework, U.S. policy toward Venezuela has undergone a regime change, shifting from isolation to coercive management with hemispheric objectives. The development at the beginning of 2026 is particularly dramatic: a U.S. operation captured President Nicolás Maduro on January 3, interpreted explicitly as a deterrent signal to China and Russia in the hemisphere. At the same time, the U.S. Treasury has signaled its willingness to lift more sanctions to facilitate oil sales and financial reengagement, using licenses and waivers as instruments to control destinations and financial flows rather than as a political rehabilitation of the regime. On the ground, the episode increases instability and internal risk.

Caracas ordered the pursuit of those involved in the attack, while political and humanitarian developments have emerged, including the release of foreign detainees under U.S. pressure. Operationally, the Colombia–Venezuela border remains a hub for organized crime, with the simultaneous presence of the National Liberation Army (ELN), dissident factions of the Revolutionary Armed Forces of Colombia (FARC), arms-, gold-, and cocaine-trafficking networks, and paramilitary structures. This reinforces Washington's view that drug trafficking and border security are, above all, geopolitical levers.

A parallel geoeconomic development is the progress of the EU–Mercosur agreement. On January 9, 2026, EU member states approved moving forward with its signature, scheduled for January 17 in Asunción, after decades of negotiations and with stricter agricultural safeguards to contain European opposition. The effect in Europe will be asymmetric: the agreement strengthens supply diversification and market access, but it also opens internal political conflict with agricultural sectors and environmental debates, which could become domestic ammunition against Europe's own strategic autonomy. For Mercosur, the agreement improves preferential access to the EU and strengthens its bargaining position vis-à-vis China. However, it also increases pressure to comply with European regulatory and environmental standards and may reinforce commodity dependence unless accompanied by industrial and value-added policies.

In summary, by 2026 the international system is no longer attempting to resolve crises—it is attempting to manage them without collapse. The Trump Doctrine 2.0 accelerates the shift toward transactional sovereignty (Greenland), Russia uses negotiation to freeze the war on terms advantageous to it (Ukraine), and even the EU–Mercosur opening is less about trade and more about defensive strategy in a world defined by bottlenecks.

one hand, the strategic reconfiguration of value chains and an investment cycle in artificial intelligence that is gradually shifting toward physical inputs (energy, power capacity, grids, and critical raw materials); on the other, persistent geopolitical tensions that continue to act as a gravitational force shaping the cycle.

In this environment, global activity advances at a moderate pace. Asia is consolidating its position as the dynamic core of the global economy, thanks to the relocation of manufacturing and the deployment of infrastructure associated with new-generation technologies. Meanwhile, advanced economies are transitioning toward more subdued growth, shaped by tight fiscal

margins, labor markets that are beginning to lose momentum, and a “K-shaped” consumption pattern that continues to limit the elasticity of aggregate demand. In terms of prices, inflation continues to adjust within a narrow range that does not permit expectations to become unanchored or enable full normalization. Therefore, monetary policy operates with a macroprudential bias, prioritizing stability and preserving nominal anchors through prudent short-term interest rates, high premium curves, and deliberately ambiguous communication designed to preserve optionality.

### Stressed scenario

In addition, the alternative scenario (*stressed scenario*) for 2026 is dominated by a geopolitical friction shock amplified by two main vectors: firstly, a significant tariff shift in the United States, with a 10 percentage point (pp) increase in the effective rate on a broad range of goods, and selective retaliatory measures by several trading partners; and, secondly, a persistent energy premium, with the Brent crude oil price standing at levels 10–15% above the baseline and remaining higher in 2027 as well. The combination of trade tensions, intermittent disruptions at key logistics nodes, and less predictable regulatory requirements on strategic inputs due to geopolitics would raise global transaction costs and distort relative prices. The result would be higher inflation in 2026, between 0.1 and 1.0 percentage points, depending on the region, and a pattern of weaker growth, especially in economies with limited supply elasticity. Globally, growth would decline by 0.3 percentage points in 2026 and 0.2 percentage points in 2027, reflecting a moderate but persistent erosion of economic momentum.

Shock transmission would remain non-disruptive but distinctly frictional. Price pressures would stem primarily from energy, insurance, logistics, and tariffs, without completely unanchoring expectations. Central banks would maintain a cautious bias toward tightening, albeit with a reduced emphasis on neutrality, given heightened uncertainty and softer growth dynamics. This would be reflected in slightly lower long-term yields relative to the baseline

scenario, consistent with an environment of lower trend growth and episodic flight-to-quality flows. The impact on financial markets would be limited. Global equity markets would experience moderate corrections (around a 20% decline), well below the severity of past systemic episodes, while credit spreads would widen in a measured manner (in the range of 100–150 basis points). Thus, the central risk would not be systemic breakdown, but rather the persistence of friction; that is, structurally higher costs, reduced regulatory visibility, and more cautious capital allocation, all of which would weigh on short-term potential growth.

Even so, the possibility of greater risk should be acknowledged, with a low but not negligible probability of a deflationary shock triggered by: (i) an abrupt correction in critical relative prices following an unexpectedly rapid normalization of energy and raw material supplies; (ii) a downward recalibration of price expectations, with businesses and households postponing spending and investment in response to stronger signs of disinflation; and (iii) financial amplification effects, including negative revaluations of illiquid assets, higher real debt values, and tighter credit standards. In such an extreme case, demand would cool in a non-linear fashion, investment would shift toward capital preservation, and monetary policy could approach the effective lower bound in a countercyclical response. It must be emphasized that this is not the most probable scenario; however, it represents a relevant tail risk in which the distinction between benign disinflation and a loss of the inflation anchor would become critical.

Therefore, the alternative scenario describes a regime in which geopolitics and trade policy condition global efficiency, elevate the structural risk premium, and shift growth toward a lower range. While the dominant bias points toward higher inflation and weaker growth, the presence of a low-probability deflationary risk introduces asymmetry into the balance of risks and underscores the need for policies that preserve nominal anchors, address supply bottlenecks, and strengthen financial buffers in an environment where friction has become a structural feature of the operating framework.

### 1.1.5 Regional dynamics and outlooks: imbalances in a constrained cycle

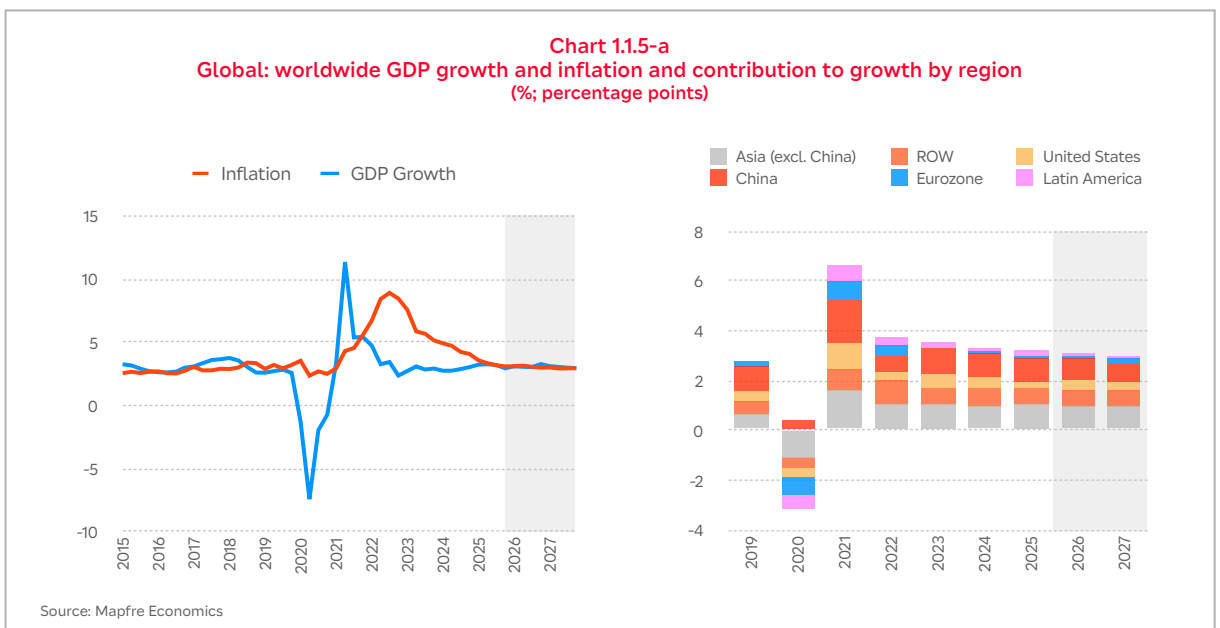
Growth forecasts for 2026 and 2027 suggest continued operational equilibrium, with marginal improvement attributable to less restrictive policies and selective stimulus measures rather than regime change. The world will continue to operate within a narrow corridor in which production, consumption, and price formation are synchronized without requiring generalized price pressures. In other words, disinflation will continue to approach the upper end of central banks' targets in 2026, with clearer convergence in 2027 as lags in services and energy fade. In this context, natural interest rates are returning to neutrality; monetary policy is moving toward a less restrictive role, with gradual cuts in the United States, a prolonged pause in the Eurozone, and upward normalization in Japan, preserving nominal anchors without stifling enabling investment (green transition, digitization, defense, and AI deployment).

The key takeaway is that trade shifts and geopolitics do not translate clearly and consistently into global aggregates, meaning that their impact is granular, industry-specific, and more compositional than directional. Thus, the outlook remains one of cyclical continuity for 2026–2027, compatible with growth close to potential (around 3.1% globally

in 2026 and 3.0% in 2027), and with declining inflation that coexists with specific episodes of “composition inflation” in energy, food, and critical minerals, without disrupting expectations (see Chart 1.1.5-a). The “K-shaped” pattern continues to underpin consumption dynamics, although with less intensity as the base of the distribution improves due to more favorable real wages and a gradual normalization of credit, while the high-income deciles maintain high spending levels, albeit with less momentum due to the financial wealth effect. Artificial intelligence, meanwhile, is expected to enter a phase of selective diffusion. The focus will shift from software to physical infrastructure (electricity capacity, networks, permits), allowing the first productivity dividends to start materializing unevenly throughout 2026 and gain momentum in 2027 as implementation progresses. AI now faces its first macroeconomic test after an intense capex cycle.

#### United States

The central scenario for 2026 points to moderate growth (around 2.2%), with more balanced consumption following the pull-forward of purchases at the start of 2025, fiscal stimulus, and sustained investment in automation, digitization, and energy/infrastructure, including investment in AI (data centers, electrification, and equipment).



Meanwhile, the outlook for 2026 shows signs of expansion, suggesting potential productivity improvements and slower hiring growth, although unemployment rates will remain low. Inflation is expected to decline, driven by normalization in housing and services, although some pressure will persist in goods, reflecting price adjustments associated with the new tariff structure. Monetary policy preserves optionality, with gradual cuts toward a level close to neutrality (around 3.00–3.25%), while long-term yields maintain a positive term premium. In short, the macroprudential approach will prevail over any expansionary impulse, preventing balance-sheet tensions from escalating. By 2027, the scenario points to continued cyclical momentum, with stable growth rates, declining inflation, and a monetary policy focused on financial stability and preserving nominal anchors rather than aggressive stimulus. Growth would therefore stand at around 1.9%, with a somewhat more balanced composition than in 2026.

## Eurozone

In 2026, the Eurozone is set to experience a contained recovery, backed by near-neutral interest rates, selective fiscal stimulus, and improved terms of trade thanks to more competitive imports (1.1% growth). As a counterweight, supply constraints (energy, regulation, financial fragmentation) will persist, moderating the slope of the cycle. Year-end surveys (PMIs) reflect a somewhat firmer tone in services, but hard data points to a gradual transition, supported by cautious consumption and still-high savings rates. In 2027, growth could gain some additional traction (up to 1.4%) if execution capacity improves in areas such as capital markets integration, regulatory streamlining, and prioritizing capital spending in sectors with high fiscal multipliers. Inflation will remain within a narrow range, around 2.0%, with an appreciated euro acting as a buffer and reducing the likelihood of second-round effects. The European Central Bank will remain on hold throughout 2026, and any upward movement would be pushed back beyond 2027 under still-residual probabilities.

## Spain

The Spanish economy will continue its strong relative performance in 2026 and 2027, sustained by the prolonged momentum associated with the NGEU funds. Although investment levels will be somewhat lower than in previous years, strategic projects currently underway will continue to provide significant support to economic activity. The productive structure remains remarkably resilient, with a bias toward high-value-added services (consulting, technology, health) and technology-intensive manufacturing, which benefit from both the partial relocation of supply chains and European demand in specialized segments. All of this helps to sustain private investment, even in a context of monetary normalization. Economic growth will be around 2.2% in 2026 and 1.9% in 2027, above the Eurozone average. However, this relative strength will be tempered by the external slowdown and the moderation of global trade. Limited exposure to tariffs reduces direct risks, although it does not eliminate the vulnerability associated with weaker European demand. Inflation will continue to gradually converge toward the 2.0% target, although pressures in services and rents will prolong the convergence process compared to the rest of the Eurozone. On the fiscal front, Spain will continue to operate under restrictions derived from the budget extension and EU recommendations on spending, which will limit its ability to implement new discretionary expansions.

## Latin America

The region enters 2026–2027 with upward revisions in several economies, within a framework of moderate but more balanced growth. In Mexico, a gradual improvement in economic growth is anticipated, while Brazil would find some support in faster-than-expected disinflation and the recovery of room for interest rate cuts, which would in turn bolster domestic investment and credit. Argentina is making progress in its macro-economic normalization process, reducing imbalances and regaining access to markets,

which could return it to growth rates close to its potential. Meanwhile, Chile and Peru are showing a more moderate slowdown than expected, supported by the resilience of mining investment and sustained demand for lithium and copper in global energy-transition supply chains. With inflation approaching central banks' target ranges and interest rates still restrictive, there is room for gradual easing and countercyclical policies focused on infrastructure and export sectors. The appeal of the carry trade could continue to support the region's currencies, although this will depend on fiscal credibility and the absence of geopolitical shocks. In addition, improved terms of trade and stable capital flows at least partially mitigate external vulnerabilities.

**Asia**

The Asian region, especially emerging Asia, will remain one of the main drivers of global growth in 2026 and 2027, driven by manufacturing relocation and a sustained cycle of public-private investment in logistics, energy, and digitalization. India maintains a positive economic growth differential, backed by structural reforms and the increasingly tangible expectation of trade agreements that will reduce tariff barriers and facilitate manufacturing expansion. The ASEAN bloc

could capitalize on its role as a critical node in technology supply chains, with Vietnam, Indonesia, and Malaysia benefiting from the deployment of infrastructure linked to AI and semiconductors. In addition, relatively low inflation and less-appreciated currencies allow for some monetary and fiscal policy leeway, reinforcing macroeconomic stability in the region.

**China**

Meanwhile, the Chinese economy is showing tactical improvements driven by more targeted stimulus measures aimed at advanced manufacturing and the energy transition. These dynamics are unfolding against a backdrop of persistent deflation and lower tariff pressures, following the recent easing of trade tensions with the United States. However, its secular trend remains slower, with high sensitivity to renewed technological tensions and the prolonged correction in the real estate sector. China, and the entire Asian region, could benefit from the breadth of the AI supply chain (chips, servers, memory chips), which boosts exports and sustains the industrial cycle. However, risks of compensatory adjustments persist after the front-loading of imports observed in 2025. In short, this region combines structural momentum with monetary and fiscal slack,

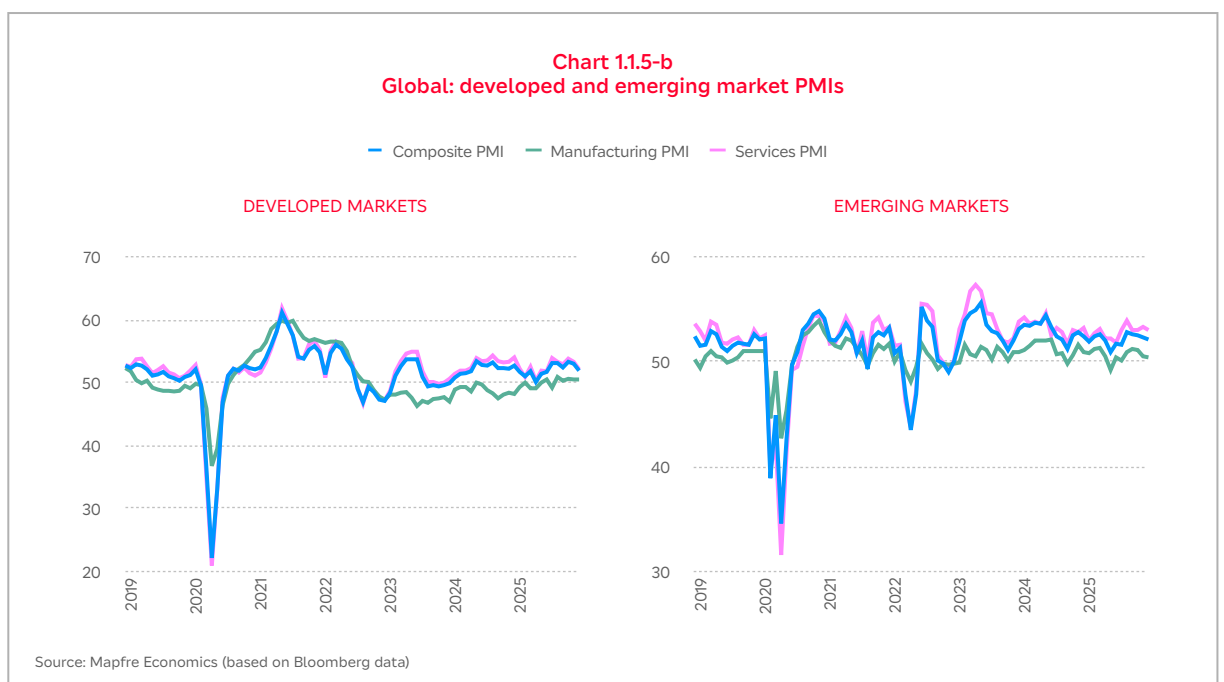


Chart 1.1.5-c  
Selected economies: manufacturing PMIs

	2024												2025											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Australia	43.0	43.0	42.2	43.5	46.3	45.6	43.1	44.4	43.8	42.0	44.5	43.3	45.7	46.7	46.9	46.6	48.4	47.0	48.2	49.1	47.6	48.8	50.4	49.3
Brazil	52.8	54.1	53.6	55.9	52.1	52.5	54.0	53.2	52.9	52.9	52.3	50.4	50.7	53.0	51.8	50.3	49.4	48.3	48.2	47.7	46.5	48.2	48.8	47.6
Canada	48.3	49.7	48.8	48.4	48.3	47.8	49.5	50.4	51.1	52.0	52.2	51.6	47.8	46.3	45.3	46.1	45.6	46.1	48.3	47.7	49.6	48.4	48.6	
China	50.8	50.9	51.1	51.4	51.7	51.8	49.8	50.4	49.3	50.3	51.5	50.5	50.1	50.8	51.2	50.4	48.3	50.4	48.5	50.5	51.2	50.6	48.9	50.1
Czech Republic	43.0	44.3	46.2	44.7	46.1	45.3	43.8	46.7	46.0	47.2	46.0	44.8	46.6	47.7	48.3	48.9	48.0	50.2	49.7	48.4	49.2	47.2	48.0	50.4
Developed markets	48.9	49.3	48.3	48.6	50.0	49.7	48.8	48.3	47.5	48.1	48.4	48.2	49.3	50.8	49.1	50.0	50.5	49.2	50.9	50.3	50.6	50.5	50.5	50.5
Emerging markets	51.1	51.5	52.0	52.0	52.0	52.1	50.7	50.8	49.8	50.6	51.6	50.9	50.8	51.2	51.3	50.5	49.2	50.4	50.1	50.9	51.2	51.1	50.5	50.4
European Union	46.6	46.5	46.3	45.8	47.3	45.8	45.9	46.0	45.3	46.3	45.5	45.3	46.7	47.8	48.6	49.1	49.2	49.2	49.2	48.6	50.4	48.7	48.5	48.8
Eurozone	46.6	46.5	46.1	45.7	47.3	45.8	45.8	45.8	45.0	46.0	45.2	45.1	46.6	47.6	48.6	49.0	49.4	49.5	49.8	50.7	49.8	50.0	49.6	48.8
France	43.1	47.1	46.2	45.3	46.4	45.4	44.0	43.9	44.6	44.5	43.1	41.9	45.0	45.8	48.5	48.7	49.8	48.1	48.2	50.4	48.2	48.8	47.8	50.7
Germany	45.5	42.5	41.9	42.5	45.4	43.5	43.2	43.4	40.6	43.0	43.0	43.0	42.5	45.0	44.5	48.3	48.4	48.3	49.0	49.1	49.8	49.5	49.6	47.0
Greece	54.7	55.7	54.9	55.2	54.9	54.0	53.2	52.9	50.3	51.2	50.9	51.2	52.8	52.6	55.0	53.2	53.2	53.1	51.7	54.5	52.0	53.5	52.7	52.9
India	56.5	56.9	59.1	58.9	57.5	58.4	58.1	57.5	56.5	57.5	56.5	56.4	57.7	56.3	58.1	58.2	57.6	58.4	59.1	59.3	57.7	59.2	56.6	55.0
Indonesia	52.9	52.7	54.2	52.9	52.1	50.7	49.3	48.9	49.2	49.2	49.6	51.2	51.9	52.6	52.4	46.7	47.4	46.9	49.2	51.5	50.4	51.2	53.3	51.2
Ireland	49.5	52.2	48.6	47.6	49.8	47.4	50.1	50.4	49.4	51.5	49.9	49.1	51.3	51.9	51.6	53.0	52.6	53.7	53.2	51.6	51.8	50.9	52.8	52.2
Italy	48.5	48.7	50.4	47.3	45.6	45.7	47.4	49.4	48.3	46.9	44.5	46.2	46.3	47.4	46.6	49.3	49.2	48.4	48.4	48.8	50.4	49.0	49.9	50.9
Japan	48.0	47.2	48.2	49.6	50.4	50.1	48.1	49.9	49.7	49.2	49.0	49.6	48.7	49.0	48.4	48.7	49.4	50.1	49.0	48.7	48.5	48.2	48.7	50.0
Mexico	50.2	53.3	52.2	51.0	51.2	51.1	49.6	48.5	47.3	48.4	49.9	49.8	49.1	47.6	46.5	44.8	46.7	46.3	49.1	50.2	49.6	49.5	47.3	46.1
Netherlands	48.9	49.3	49.7	51.3	52.5	50.7	49.2	47.7	48.2	47.0	46.6	48.6	48.4	50.8	49.6	49.2	49.0	51.2	51.9	51.9	53.7	51.8	51.8	51.1
Poland	47.1	47.9	48.0	45.9	45.0	45.0	47.3	47.8	48.6	49.2	48.9	48.2	48.8	50.6	50.7	50.2	47.1	44.8	45.9	46.6	48.0	48.8	49.1	48.5
Russia	52.4	54.7	55.7	54.3	54.4	54.9	53.6	52.1	49.5	50.6	51.3	50.8	53.1	50.2	48.2	49.3	50.2	47.5	47.0	48.7	48.2	48.0	48.3	48.1
South Korea	51.2	50.7	49.8	49.4	51.6	52.0	51.4	51.9	48.3	48.3	50.6	49.0	50.3	49.9	49.1	47.5	47.7	48.7	48.0	48.3	50.7	49.4	49.4	50.1
Spain	49.2	51.5	51.4	52.2	54.0	52.3	51.0	50.5	53.0	54.5	53.1	53.3	50.9	49.7	49.5	48.1	50.5	51.4	51.9	54.3	51.5	52.1	51.5	49.6
Taiwan	48.8	48.6	48.3	50.2	50.9	53.2	52.9	51.5	50.8	50.2	51.5	52.7	51.1	51.5	49.8	47.8	48.6	47.2	46.2	47.4	46.8	47.7	48.8	50.9
Turkey	49.2	50.2	50.0	49.3	48.4	47.9	47.2	47.8	44.3	45.8	48.3	49.1	48.0	48.3	47.3	47.2	46.7	45.9	47.3	46.7	46.5	48.0	48.9	48.9
United Kingdom	47.0	47.5	50.3	49.1	51.2	50.9	52.1	52.5	51.5	49.9	48.0	47.0	48.3	46.9	44.9	45.4	46.4	47.7	48.0	47.0	46.2	49.7	50.2	50.6
United States	50.7	52.2	51.9	50.0	51.3	51.6	49.6	47.9	47.3	48.5	49.7	49.4	51.2	52.7	50.2	50.2	52.0	52.9	49.8	53.0	52.0	52.5	51.8	51.8
Vietnam	50.3	50.4	48.9	50.3	50.3	54.7	54.7	52.4	47.3	51.2	50.8	49.8	48.9	49.2	50.5	45.6	49.8	48.9	52.4	50.4	54.5	53.8	53.8	53.0
Global	50.0	50.3	50.6	50.3	51.0	50.9	49.7	49.6	48.7	49.4	50.1	49.6	50.1	50.6	50.3	49.8	49.5	50.4	49.7	50.9	50.7	50.9	50.5	50.4

Source: Mapfre Economics (based on Bloomberg data)

enabling it to absorb external shocks and maintain a growth differential compared with the major developed and emerging economies.

In conclusion, looking ahead to 2026–2027, the global economy faces not the promise of certainty, but the realization that uncertainty has become a structural component of the system. The central view does not anticipate widespread impulses capable of reactivating the cycle, but rather calibrated management that seeks to preserve stability as the economy advances toward its potential in an environment of structural uncertainty (see Charts 1.1.5-b and 1.1.5-c).

Thus, monetary policy will move toward a neutral role with a marked macroprudential bias, maintaining some room for gradual cuts conditional on data and accompanied by communication that will avoid committing to overly defined trajectories or roadmaps. Fiscal policy, meanwhile, will redirect spending toward investments with measurable supply effects and a high fiscal multiplier, preserving simple but credible rules that prevent episodes of fiscal dominance. If this operational compatibility is maintained, the 2026–2027 period could consolidate a regime of moderate economic growth and converging inflation. In this context, resilience would cease to be synonymous with mere containment and would

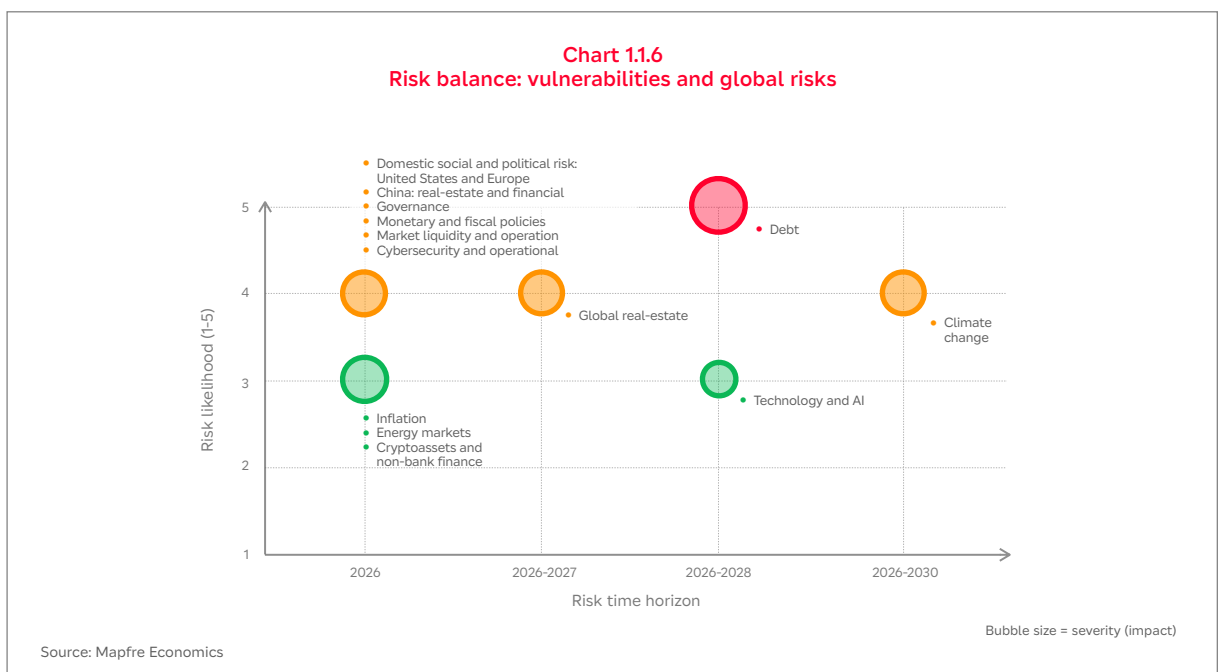
instead be measured by the ability to carry out investments that raise the productivity frontier without undermining nominal anchors; however, it would still be perceived as an unstable bridge. As Frank H. Knight argued, uncertainty is not an anomaly but an inherent feature of the economic system; the challenge lies in making it manageable.

### 1.1.6 Risk assessment

The aspects of the global risk balance that could affect the performance of the global economy in 2026 are presented below, as illustrated in the risk map shown in Chart 1.1.6.

#### Governance

Global governance risk remains high due to the persistence of protectionist measures, the use of tariffs as a negotiating tool, and the possibility of coordinated retaliation. The European Union, Canada, and Mexico have already been targeted by announcements of generalized or sector-specific tariffs by the U.S. government, with threats of increases if deficits are not rebalanced or specific concessions are not made. This undermines regulatory predictability and legal certainty across global value chains, increases cross-border costs, and can erode investment, particularly in complex manufacturing



(automotive, machinery, aerospace). At the same time, 2026 could bring changes to the voting balance of the U.S. Federal Reserve's Federal Open Market Committee (FOMC) due to rotations and reappointments, with an impact on monetary policy bias and the perception of central bank independence. The combination of trade fragmentation and potential institutional change increases the volatility of interest rates, currencies, and risk premiums, and influences capital expenditure decisions and the nearshoring process.

### Debt

The U.S. structural deficit has widened with the “One Big Beautiful Bill,” which extends tax cuts and increases spending on priority items, front-loading stimulus and postponing adjustments. The U.S. Treasury has emphasized financing through bond issuance and hinted that it is considering future coupon increases; the market is already pricing in a steeper yield curve as a sign of concern about fiscal excesses and a more volatile term premium. There is a twofold risk for 2026–2027: (i) greater sensitivity of debt costs to any uptick in inflation, and (ii) crowding out of private credit and duration in insurers’ and asset managers’ portfolios, with potential adverse mark-to-market effects. A “debt scare” could trigger more aggressive auctions, pressure on the 10- to 30-year segments, and Treasury buybacks with a bias toward tacit yield-curve control. Fiscal discipline appears to be a prerequisite for anchoring expectations.

### Monetary and fiscal policies

Convergence to “neutral” interest rates is not assured. The European Central Bank (ECB) has projected lower inflation through 2026 and has continued to cut interest rates, while some of the debate suggests that central banks could prioritize fiscal sustainability over a strict price target, especially if large global debt maturities approach. The ECB's guidance points to an uncertain environment, with alternative scenarios in light of trade tensions. In the United States, interest rate cuts and potential changes in the voting composition of the Federal Reserve's FOMC would increase the likelihood of a more accommodative

stance in 2026. The risk to portfolios is an imbalance: if demand cools due to tariffs and weak capital spending, stimulus could stabilize the cycle; if combined with high deficits, it could reignite the term premium and trigger “fiscal deflation.” Yield-curve scenarios and hedging strategies will be critical.

### Inflation

Energy disinflation and base effects lead the ECB to place the harmonized price index for 2026 at around 1.6%, but the overall picture is heterogeneous. The United States could face inflationary pressures from tariffs and reshoring (tradable goods), while wages and services would take longer to ease. The key will be the tug-of-war between an energy market showing signs of oversupply, which anchors goods prices, and cost shocks due to tariffs, logistics, and regulations. Headline and core volatility may return if new rounds of tariffs materialize or if the dollar weakens excessively, raising commodity prices in local currency terms. For portfolios and public budgets, adjustment clauses, partial indexation, and selective inflation hedging should be maintained, given the bimodal bias in the distribution.

### China: real-estate and financial sector

The Chinese real estate sector has undergone six years of adjustment: the liquidation of Evergrande, weak sales and prices, and marginal official support (mortgage subsidies, use of housing funds) that stabilizes rather than revives the market. The recovery in the housing sector is expected to extend into the second half of 2026; the main risk is weak domestic demand, which could lead to mild deflation abroad and reduce commodity imports. The financial system could absorb episodes of stress (NPLs, developers), but the fiscal cost of a broad bailout seems politically undesirable; “surgical” measures would be favored. For Asia and Latin America, the slowdown impacts trade, metals, and midstream margins. A more serious event (e.g., systemic default of a major developer or local banks) would trigger a global risk-off episode.

## Climate change

The intensification of climate events is increasing insured losses and prompting the withdrawal of coverage in high-risk areas (e.g., in the United States: California, Florida, the Carolinas), which is putting pressure on mortgages and residential valuations and shifting risks to local banks and agencies. The risk for 2026 is one of declining insurability: higher premiums, lower limits, and greater reinsurance/ILS volatility after years of catastrophic losses. For companies with critical physical assets, the cost of capital could rise if credible resilience and hardening plans are not in place. Parametric solutions and public-private co-financing are gaining traction, but the protection gap is widening. This front interacts with the energy sector (transition, security) and with debt (more capital expenditure today to avoid future losses), with implications for margins in 2026–2028.

## Global real estate

CRE (commercial real estate) remains a source of structural risk. Demand for office space has been reconfigured; vacancy rates and falling rents are putting pressure on the DSCR (Debt Service Coverage Ratio) and the LTV (Loan-to-Value). Delinquencies in office and floating-rate CMBS (Commercial Mortgage-Backed Securities) remain high, with defaults on flagship assets and severe revaluations putting pressure on the portfolios of regional banks, insurance companies, and private lenders. “Extend-and-pretend” defers losses, but maturities are concentrated in 2026–2027. Even with interest rates moderating, recovery requires actual absorption of office space and capital expenditure on conversion; urban planning regulations may slow this process. For global parent companies, contagion may come through market channels (spreads, real estate CLOs) rather than systemic solvency, but the obstacle to regional growth is tangible.

## Energy markets

For 2026, the consensus gathered from surveys points to excess supply: average WTI (West Texas Intermediate) of 53–59 dollars

and Brent around 62 dollars, high inventories, and OPEC+ recovering market share. At these price levels, U.S. shale would tend to stagnate or decline unless prices rebound, suggesting a rebalancing in 2027. This environment reduces short-term inflationary pressures, but increases the dispersion of tax revenues among producers and raises the risk of insufficient investment (outside OPEC) over the medium term. For importers, it lowers costs and improves terms of trade, although geopolitical volatility may place a floor under prices. Energy-intensive companies should renew hedging strategies with safety margins and flexible volume clauses.

## Liquidity risk and market functioning

The U.S. Treasury's increased reliance on bond financing and signs of future coupon increases, coupled with periods of global steepening, raise the risk of liquidity strains in the long end of the yield curve and volatile basis in repos/T-bills, especially if buy-and-hold demand does not absorb the flow. Changes in the composition of QRA (Quarterly Refunding Announcements) and surprises in auction calendars could trigger VaR shocks. In terms of exchange rates, a more stable-to-weaker dollar driven by monetary easing and large deficits could revive flows toward emerging markets, but in risk-off episodes the reversal would likely be rapid. By 2026, the sequence will be key: if the slowdown requires more net issuance and less implicit monetary expansion (QE) (for example, through indirect purchases or buybacks), the 10- to 30-year segments could come under pressure, affecting global asset pricing.

## Technology and AI

The productivity thesis linked to artificial intelligence (AI) coexists with risks of slower monetization, concentration of profits among a few firms, and energy and semiconductor bottlenecks. If hyperscalers' capital expenditure slows down after the 2025 boom, earnings elasticity at high multiples could increase equity volatility. On the real-economy side, the availability of electrical power and delays in specialized

chip supply chains are limiting the expansion of data centers. An orderly adjustment—supported by lower energy prices and efficiency gains—would mitigate these risks; the opposite would imply more expensive capital expenditure and delays in deployment, with repercussions for suppliers and for regions anchoring these clusters. The sensitivity of sentiment and financial wealth adds an additional transmission channel to consumption.

### **Cryptoassets and non-bank finance**

Shadow finance segments (private real estate funds) and crypto assets have grown as risk and liquidity channels. ZeroHedge has highlighted the potential of stablecoin cryptocurrencies to function as money-like instruments, with run risk if regulatory or market-making conditions change. In private credit, opacity of covenants and sectoral concentration could amplify shocks in CRE or consumption if unemployment rises. Thus, 2026 will be a challenging year for vehicles with mismatched liquidity windows and less liquid assets; forced discounts could transfer stress to banks and insurance companies through counterparty exposures. Supervision and standardization of reporting will be key to limiting contagion.

### **Cybersecurity and operational resilience**

Digitization and concentration in public clouds increase cross-dependency between critical sectors (finance, energy, healthcare). A major cyber incident or systemic failure of a cloud provider could have a macro impact (payments, markets) and severe reputational/regulatory costs. Exposure through cyber-risk policies—characterized by fat tails and silent accumulations—is a growing concern for the insurance industry (limits, exclusions, war clauses). By 2026, the attack surface will expand with industrial IoT (Internet of Things) and edge computing for AI. Mitigation involves segregation, zero-trust architectures, crisis exercises with legal playbooks, and continuity testing (cloud region failures) with metrics enforceable by supervisors.

### **Social and political risk: United States and Europe**

The use of tariffs as an industrial revenue policy, debates over the debt ceiling and government shutdowns, and pressure to rearm Europe could increase polarization and the risk of legislative paralysis. In the United States, shutdown episodes have already had an impact on official data, spending, and confidence; in Europe, the shift toward defense and infrastructure spending, with fiscal rules under review, would strain governing coalitions. For 2026, elections and negotiations over fiscal packages will be key risk events. The tail risk would be a confidence shock triggering sell-offs in long-dated bonds or stocks, activating pro-cyclical tightening.

## **1.2 Outlook and risk assessment in selected economies**

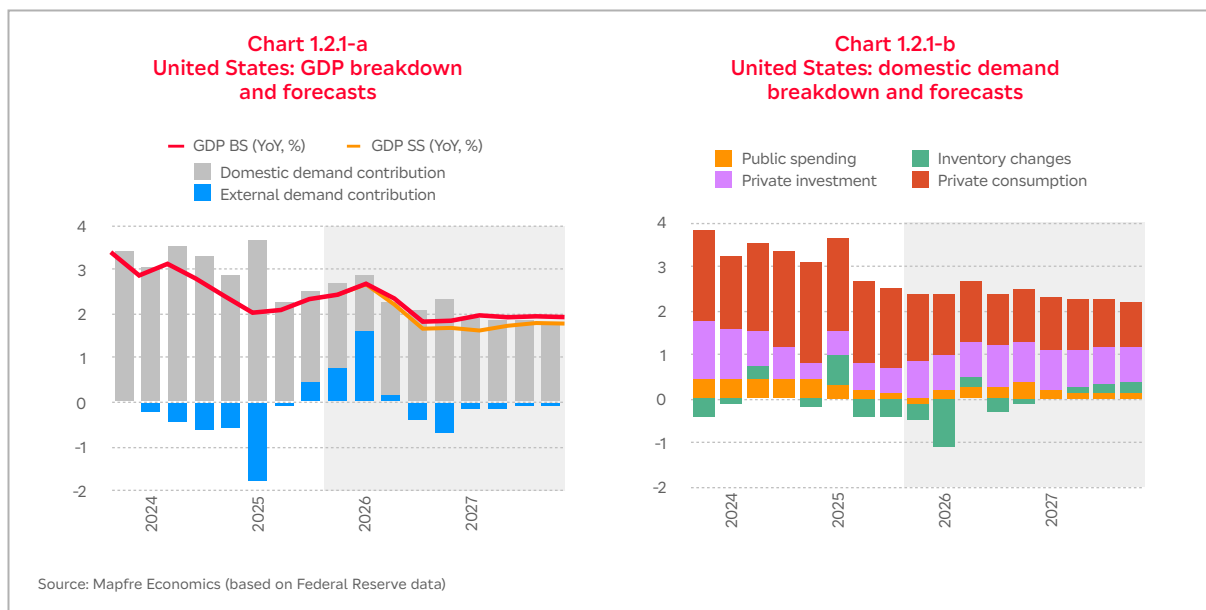
### **1.2.1 United States**

#### **Various risks and uncertainties, although the economy remains on course for now.**

The U.S. economy grew by 2.3% YoY (1.1% QoQ) in the third quarter of 2025. Private consumption grew 3.5%, federal government consumption 2.2%, and non-residential investment 2.8%, while residential fell 5.1%. Exports increased 8.8% and imports dropped 4.7%. The composite PMI (purchasing managers' index) stood at 52.7 points in December, signaling expansion in the private sector, while the manufacturing PMI reached 51.8 and the services PMI 52.5 points. Similarly, the University of Michigan's consumer sentiment indicator for January stood at 54.0, while retail sales rose 3.3% and industrial

#### **United States**

- Geopolitical and internal tensions persist.
- The Federal Reserve injects short-term liquidity, but avoids the idea of quantitative easing.
- Deficit correction and debt stabilization: challenges for the coming years.
- The U.S. economy is projected to grow by 2.2% in 2026 and 1.9% in 2027.



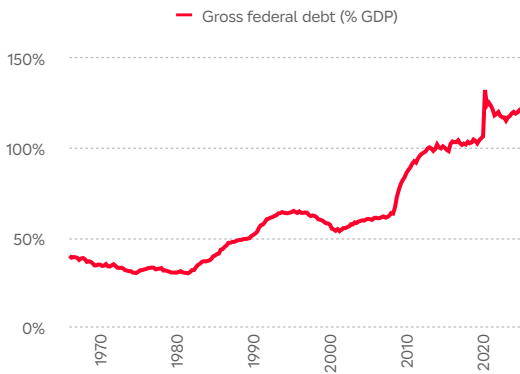
**Table 1.2.1**  
United States: main macroeconomic aggregates

	2021	2022	2023	2024	2025 <sup>(e)</sup>	Baseline (BS)		Stressed (SS)	
						2026 <sup>(f)</sup>	2027 <sup>(f)</sup>	2026 <sup>(f)</sup>	2027 <sup>(f)</sup>
GDP (% YoY)	6.2	2.5	2.9	2.8	2.1	2.2	1.9	2.0	1.7
Domestic demand contribution	7.4	2.9	2.5	3.2	2.5	2.0	1.9	1.9	1.8
External demand contribution	-1.3	-0.5	0.4	-0.5	-0.2	0.2	-0.1	0.1	-0.2
Private consumption contribution	5.9	2.1	1.8	2.0	1.8	1.3	1.1	1.2	1.0
Total investment contribution	1.2	0.4	0.8	0.8	0.7	0.9	0.8	0.8	0.9
Public spending contribution	0.1	-0.2	0.4	0.4	0.1	0.3	0.1	0.3	0.1
Private consumption (% YoY)	8.8	3.0	2.6	2.9	2.6	2.4	2.2	1.8	2.0
Public spending (% YoY)	0.5	-1.3	3.0	3.3	0.8	2.0	1.0	2.0	1.0
Total investment (% YoY)	5.6	1.9	3.8	3.5	3.0	3.9	3.8	3.4	3.9
Exports (% YoY)	6.5	7.6	2.8	3.6	1.8	2.2	2.2	1.6	1.4
Imports (% YoY)	14.6	8.5	-0.9	5.8	2.4	-2.0	3.7	-4.5	2.4
<b>Unemployment rate (% , last quarter)</b>	4.2	3.6	3.8	4.1	4.5	4.3	4.2	4.4	4.3
<b>Inflation (% YoY, average)</b>	4.7	8.0	4.1	3.0	2.7	2.5	2.3	2.7	2.5
<b>Inflation (% YoY, last quarter)</b>	6.8	7.1	3.2	2.7	2.8	2.3	2.3	2.7	2.6
<b>Fiscal balance (% of GDP)</b>	-11.8	-4.0	-7.5	-7.5	-7.3	-8.1	-7.8	-7.7	-7.4
<b>Primary fiscal balance (% of GDP)</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Current account balance (% of GDP)</b>	-3.6	-3.8	-3.3	-4.0	-3.6	-2.9	-3.0	-2.6	-2.5
<b>Official interest rate (end of period)</b>	0.25	4.50	5.50	4.50	3.75	3.00	3.00	3.25	3.25
<b>3-month interest rate (end of period)</b>	0.09	4.59	5.33	4.31	3.65	3.08	3.08	3.41	3.22
<b>10-year interest rate (end of period)</b>	1.52	3.88	3.88	4.58	4.18	4.21	4.20	4.26	4.26
<b>Exchange rate vs. USD (end of period)</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Exchange rate vs. EUR (end of period)</b>	1.13	1.07	1.11	1.04	1.18	1.16	1.16	1.18	1.19
<b>Private lending (% YoY, average)</b>	15.6	-1.6	5.5	9.9	1.7	6.5	5.7	6.8	6.1
<b>Household lending (% YoY, average)</b>	8.0	8.1	3.6	2.5	2.1	5.9	5.8	5.7	5.9
<b>P.S. non-financial lending (% YoY, average)</b>	4.4	9.7	3.0	1.9	2.7	5.0	4.2	5.0	4.2
<b>P.S. financial lending (% YoY, average)</b>	4.9	9.8	5.5	0.3	3.8	2.1	1.9	2.1	1.9
<b>Savings rate (% pers. disp. income, avg.)</b>	11.4	3.3	5.6	5.5	4.7	4.3	4.8	4.3	5.0

Source: Mapfre Economics (based on Federal Reserve data)  
Forecast end date: January 30, 2026.

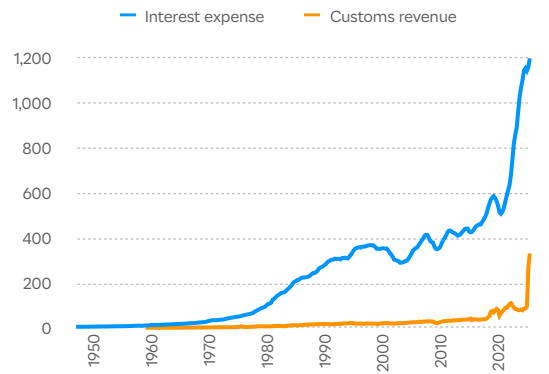
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**Chart 1.21-c**  
United States: gross federal debt  
(% of GDP)



Source: Mapfre Economics (based on data from the Federal Reserve Bank of St. Louis)

**Chart 1.21-d**  
United States: federal debt interest  
expenditures and customs revenue  
(billions of USD)



Source: Mapfre Economics (based on data from the Federal Reserve Bank of St. Louis)

production 2.0% in December. Inflation stood at 2.7% in December, with core inflation at 2.6%. Against this backdrop, U.S. GDP growth is expected to reach 2.2% in 2026 and 1.9% in 2027 (see Table 1.2.1 and Charts 1.2.1-a and 1.2.1-b).

At its December meeting, the U.S. Federal Reserve lowered the benchmark interest rate by 25 basis points (bps), placing it within a target range of 3.50%–3.75%. The Federal Open Market Committee (FOMC) also decided that purchases of short-term Treasury securities would begin as needed to maintain an adequate supply of reserves on an ongoing basis. However, it emphasized that this is not a new QE (Quantitative Easing) program, but rather a targeted short-term purchase operation. The Committee's assessments consider a wide range of information, including readings on labor market conditions, inflationary pressures, and inflation expectations, as well as financial and international developments.

Main short-term risks to the U.S. economy include the deterioration of the fiscal trajectory and its potential impact on funding costs. The federal deficit closed 2024 at around 6.9% of GDP; it is estimated to stand at 6.5% in 2025 and could remain high in 2026, at around 6.3%, according to official projections, reflecting a path that is clearly unsustainable over the medium term. The Federal Reserve, the Congressional Budget Office, the International

Monetary Fund (IMF), and major rating agencies have all recognized this situation as problematic. The persistent increase in financing needs, against a backdrop of high interest rates and the reduction of the Federal Reserve's balance sheet, is behind the recent rise in U.S. Treasury yields and the growing debate about the structural appetite for U.S. bonds, especially among foreign investors.

The fiscal package approved in July, known as "One Big Beautiful Bill," reinforces these risks, as it includes tax deductions for overtime pay, tips, and Social Security contributions, together with a significant increase in spending on defense and immigration enforcement, while eliminating incentives for the purchase of electric vehicles and phasing out other tax credits linked to the Inflation Reduction Act (IRA); cuts to Medicaid are also anticipated. The Congressional Budget Office estimates that the package could add between 2.4 trillion and 3 trillion dollars to the deficit and debt over the next decade, while the government argues that stronger growth will offset this through additional revenue, a hypothesis widely questioned by analysts.

On the external front, risks have notably increased. The United States announced the imposition of 10% tariffs with immediate effect on imports from Denmark, Norway, Sweden, Finland, Germany, France, the United Kingdom, and the Netherlands, warning that tariffs could

rise by an additional 25% from June 1 if no political agreement were reached regarding Greenland. These measures come amid tensions with several NATO partners, which have damaged trust among transatlantic allies. In response, the European Union threatened to activate large-scale trade countermeasures and, more concerning, a debate has emerged (still in its early stages, but nonetheless significant) over a possible reduction in purchases of U.S. bonds or an accelerated diversification of reserves. Given the United States' high dependence on external savings to finance its deficit, this combination of persistent fiscal imbalances, financial tightening, and geopolitical escalation represents a significant risk not only for the U.S. economy but also for the stability of the global economic system.

### 1.2.2 Eurozone

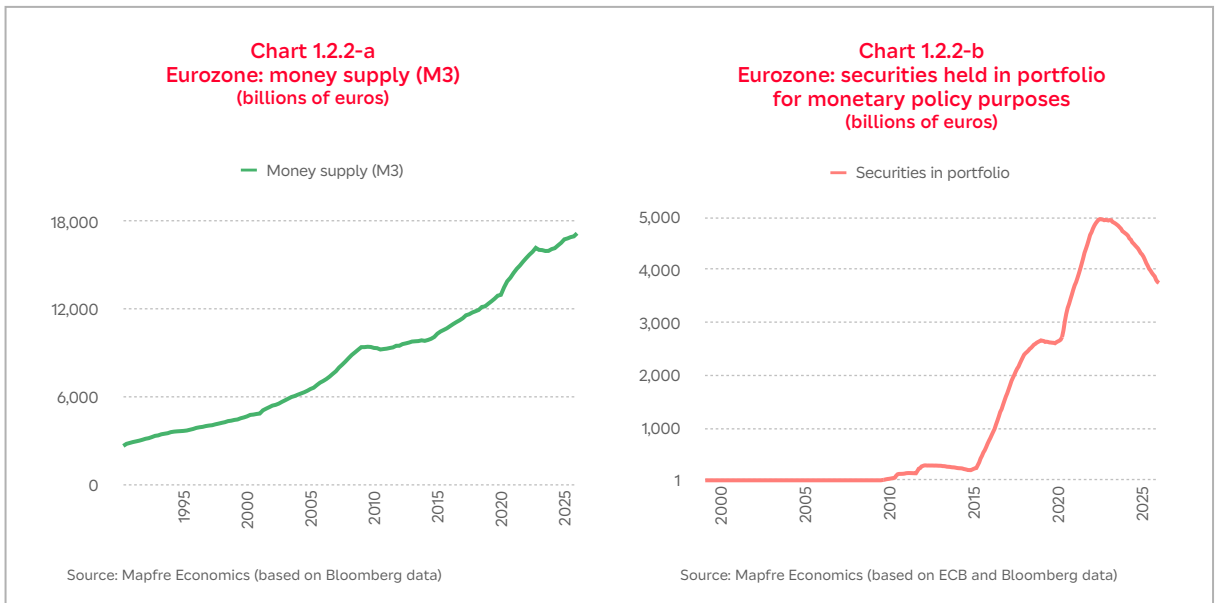
#### Betting on investment as a way out of stagnation.

The Eurozone economy grew 1.5% for the whole of 2025, and 1.3% YoY in the fourth quarter. In terms of forward-looking activity indicators, the December composite PMI stood at 51.5 points, with manufacturing at 48.8 (in contraction territory), services at 52.4, and construction at 47.4. Consumer confidence fell to -13.1, still below 2019 levels. Retail sales in November increased 2.3%, and industrial production climbed 2.5%.

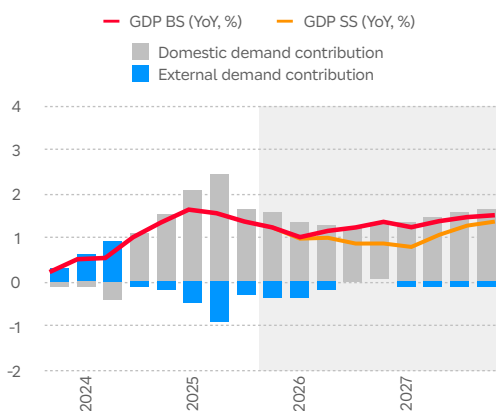
**Eurozone**

- Investment in defense, infrastructure, and energy transition: key aspects.
- The increase in bond yields requires greater fiscal consolidation efforts.
- Low productivity and population aging are issues to watch.
- Eurozone GDP is projected to grow by 1.2% and 1.4% in 2026 and 2027.

The Eurozone economy continues to post moderate but stable growth. This marginal rebound is mainly explained by stronger public spending, especially in Germany (defense and infrastructure spending), and by the relatively solid performance of economies such as Spain and Ireland. However, growth remains low in historical terms and is still limited by unresolved structural factors, such as low productivity, demographic aging, and subdued private investment. Unlike other regions, the Eurozone has benefited less from the recent surge in investment linked to digital technologies and artificial intelligence, which reduces its potential for convergence in the medium term. Accordingly, the Eurozone economy is expected to grow around 1.2% in 2026 and 1.4% in 2027 (see Table 1.2.2 and Charts 1.2.2-c and 1.2.2-d).

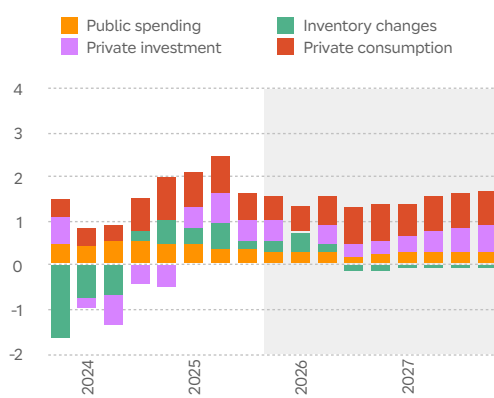


**Chart 1.2.2-c**  
Eurozone: GDP breakdown and forecasts



Source: Mapfre Economics (based on ECB data)

**Chart 1.2.2-d**  
Eurozone: domestic demand breakdown and forecasts



Source: Mapfre Economics (based on ECB data)

**Table 1.2.2**  
Eurozone: main macroeconomic aggregates

	2021	2022	2023	2024	2025(e)	Baseline (BS)		Stressed (SS)	
						2026(f)	2027(f)	2026(f)	2027(f)
GDP (% YoY)	6.4	3.7	0.6	0.8	1.5	1.2	1.4	1.0	1.2
Domestic demand contribution	4.9	3.8	0.3	0.5	1.9	1.3	1.5	1.2	1.3
External demand contribution	1.4	-0.1	0.3	0.3	-0.4	-0.1	-0.1	-0.3	-0.1
Private consumption contribution	2.4	2.7	0.3	0.6	0.7	0.7	0.8	0.7	0.7
Total investment contribution	0.8	0.5	0.6	-0.4	0.5	0.3	0.5	0.1	0.4
Public spending contribution	1.0	0.3	0.3	0.5	0.4	0.3	0.3	0.3	0.3
Private consumption (% YoY)	4.6	5.3	0.6	1.2	1.3	1.4	1.8	1.3	1.6
Public spending (% YoY)	4.3	1.3	1.5	2.2	1.6	1.2	1.3	1.2	1.3
Total investment (% YoY)	3.7	2.2	2.7	-2.1	2.6	1.2	2.5	0.5	1.7
Exports (% YoY)	11.4	7.5	-1.0	0.5	2.0	0.3	1.4	-0.4	0.6
Imports (% YoY)	8.9	8.5	-1.8	-0.1	3.4	1.0	1.8	0.6	1.0
Unemployment rate (% , last quarter)	7.2	6.7	6.6	6.2	6.4	6.3	6.2	6.5	6.4
Inflation (% YoY, average)	2.6	8.4	5.4	2.4	2.1	1.8	2.0	2.0	2.1
Inflation (% YoY, last quarter)	4.6	10.0	2.7	2.2	2.1	1.8	2.1	2.0	2.1
Fiscal balance (% of GDP)	-5.1	-3.4	-3.5	-3.1	-2.9	-3.1	-3.0	-3.2	-3.3
Primary fiscal balance (% of GDP)	-3.7	-1.7	-1.8	-1.2	-1.0	-1.0	-0.9	-1.2	-1.2
Current account balance (% of GDP)	2.7	-0.2	1.6	2.6	2.1	2.3	2.2	2.1	2.0
Official interest rate (end of period)	0.00	2.50	4.50	3.25	2.00	2.00	2.00	1.75	1.75
3-month interest rate (end of period)	-0.57	2.13	3.91	2.71	2.03	2.07	2.10	1.75	1.70
10-year interest rate (end of period)	0.32	3.39	2.79	3.00	3.32	3.25	3.30	3.20	3.22
Exchange rate vs. USD (end of period)	1.13	1.07	1.11	1.04	1.18	1.16	1.16	1.18	1.19
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)	4.0	4.4	1.3	0.5	2.4	3.4	3.4	3.4	3.5
P.S. non-financial lending (% YoY, average)	4.0	6.2	2.5	1.3	1.5	2.5	3.6	2.3	3.4
P.S. financial lending (% YoY, average)	2.1	9.4	-0.2	1.2	0.5	1.0	1.1	1.0	1.2
Savings rate (% pers. disp. income, avg.)	17.3	13.5	14.2	15.2	15.2	14.9	14.5	14.9	14.5

Source: Mapfre Economics (based on ECB data)  
Forecast end date: January 30, 2026.

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Meanwhile, inflation stood at 1.9% in December, up 0.2 percentage points. Core inflation, which excludes food and energy prices, rose to 2.3%. At its December meeting, the European Central Bank (ECB) decided to hold interest rates at 2.00% and the main refinancing operations rate at 2.15%. The Asset Purchase Programme (APP) and the Pandemic Emergency Purchase Programme (PEPP) will continue to decline at a measured and predictable pace, as reinvestment of the principal from maturing securities has ceased. The Governing Council's decisions on interest rates will be based on its assessment of inflation prospects and the risks surrounding them, taking into account incoming economic and financial data, the dynamics of core inflation, and the strength of monetary policy transmission. Thus, the Governing Council does not commit in advance to any specific interest-rate path.

The economic outlook for the Eurozone is still affected by persistent structural weaknesses. The manufacturing sector remains under pressure due to the cumulative impact of rising energy costs following the breakdown of trade relations with Russia, which has eroded the competitiveness of energy-intensive industries. In addition, the euro has appreciated in real terms against the currencies of competing countries, reducing export capacity in key sectors. Although the projected increase in defense spending could support economic activity in the region, its impact will be gradual and limited in the short term, as commitments to meet these targets extend until 2035. Moreover, the fragmentation among countries in terms of fiscal capacity and economic dynamism amplifies internal divergences within the union.

From a macroeconomic perspective, short-term risks are skewed to the downside. A prolonged tightening of financial conditions, persistent geopolitical tensions, and a more severe slowdown in global trade could further dampen investment and growth. In addition, high public debt in several countries limits fiscal space in the event of adverse shocks, while the need for fiscal consolidation could

become more pressing if growth disappoints. Although the financial system has shown resilience, the combination of low economic growth and high financing costs increases the vulnerability of companies and governments, reinforcing the risk of prolonged economic stagnation in the Eurozone.

### 1.2.3 Spain

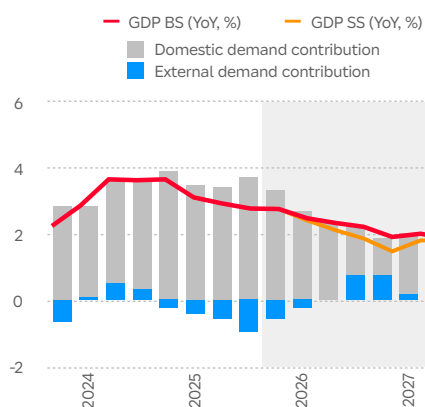
#### **The momentum of the Spanish economy continues to stand out in the European context.**

The Spanish economy grew by 2.8% in 2025 (2.6% in the fourth quarter), ranking among the strongest growth rates in the Eurozone. Private consumption increased by 3.3%, public consumption by 1.7%, and investment by 6.5%. Meanwhile, exports grew by 3.5% and imports increased 6.9%. Retail sales rose 6.1% in November, while the industrial production index showed an excellent recovery in 2025, reaching 109.75 points. The latest PMI data appear to confirm the outlook for this dynamic: the composite index for December stood at 55.6, manufacturing at 49.6, and services at 57.1 points. The leading indicators index of the Organisation for Economic Co-operation and Development (OECD) also points to favorable prospects, and consumer confidence continues to recover, although it has not yet returned to 2019 levels. Inflation in December stood at 2.9% YoY (0.3% MoM), with core inflation at 2.6%. By component, food prices rose by 3.0%, housing and energy prices by 5.7%, hotels and restaurants by 4.6%, and transportation by 1.8%.

#### **Spain**

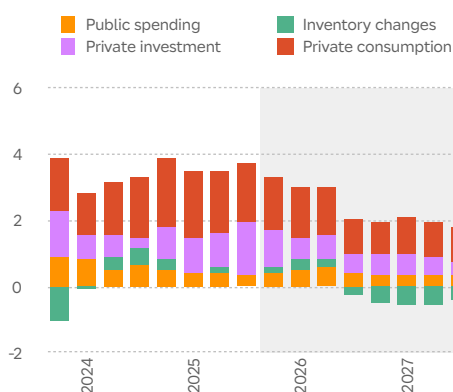
- Private consumption and investment remain strong.
- Inflation continues to be driven by the cost of housing, food, hotels, and restaurants.
- The economy shows notable resilience, with risks primarily stemming from the external environment.
- The Spanish economy is expected to grow by 2.2% in 2026 and 1.9% in 2027.

**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



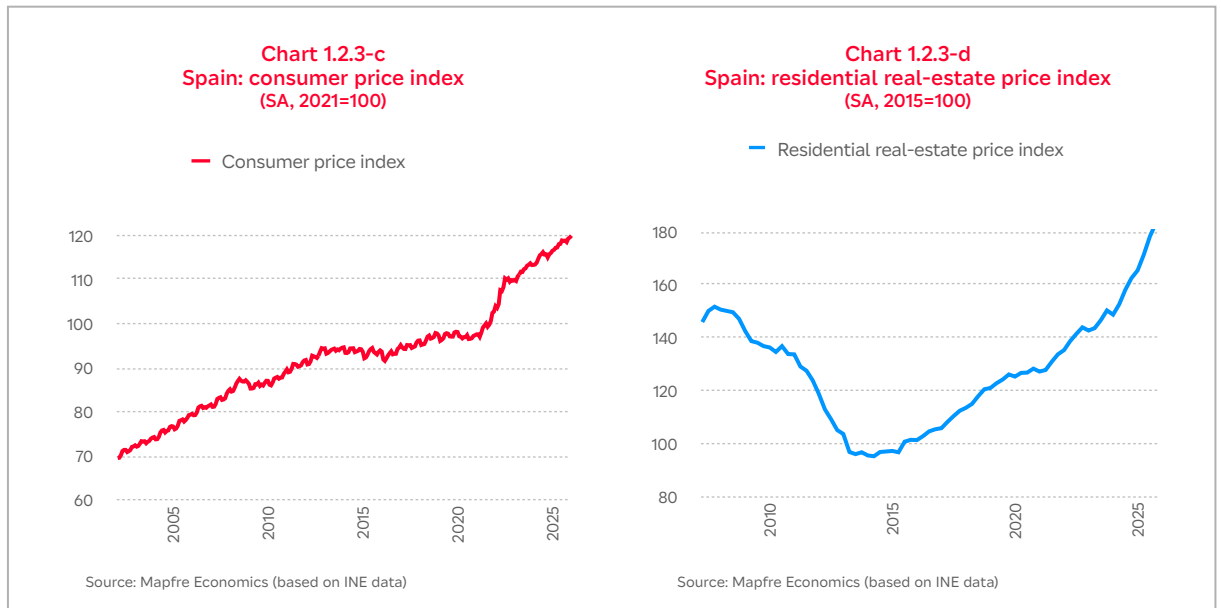
Source: Mapfre Economics (based on INE data)

**Table 1.2.3**  
Spain: main macroeconomic aggregates

	2021	2022	2023	2024	2025(e)	Baseline (BS)		Stressed (SS)	
						2026(f)	2027(f)	2026(f)	2027(f)
GDP (% YoY)	6.7	6.4	2.5	3.5	2.8	2.2	1.9	2.0	1.8
Domestic demand contribution	6.9	4.2	1.7	3.3	3.5	1.9	1.7	1.7	1.5
External demand contribution	-0.3	2.2	0.8	0.2	-0.7	0.3	0.2	0.3	0.2
Private consumption contribution	4.0	2.8	1.0	1.7	1.8	1.2	1.1	1.1	0.9
Total investment contribution	0.5	0.8	1.1	0.7	1.2	0.7	0.5	0.6	0.4
Public spending contribution	0.8	0.2	0.9	0.6	0.4	0.4	0.3	0.4	0.3
Private consumption (% YoY)	7.1	4.9	1.8	3.1	3.3	2.6	1.9	2.4	1.7
Public spending (% YoY)	3.6	0.8	4.5	2.9	1.7	2.2	1.4	2.2	1.4
Total investment (% YoY)	2.6	4.2	5.9	3.6	6.5	5.2	3.8	4.7	3.3
Exports (% YoY)	13.4	14.2	2.2	3.2	3.5	1.5	1.5	1.0	0.8
Imports (% YoY)	15.0	7.7	0.0	2.9	6.9	2.2	0.8	1.9	0.0
Unemployment rate (% last quarter)	13.4	13.0	11.8	10.6	10.3	9.9	9.8	10.1	10.1
Inflation (% YoY, average)	3.1	8.4	3.5	2.8	2.7	2.1	2.0	2.3	2.2
Inflation (% YoY, last quarter)	5.8	6.6	3.3	2.4	3.0	1.8	2.0	1.9	2.1
Fiscal balance (% of GDP)	-6.7	-4.6	-3.3	-3.2	-2.5	-2.3	-2.3	-2.4	-2.5
Primary fiscal balance (% of GDP)	-4.4	-2.2	-1.0	-0.8	-0.1	0.2	0.2	0.1	0.0
Current account balance (% of GDP)	0.8	0.4	2.7	3.2	3.0	2.8	2.8	2.6	2.6
Official interest rate (end of period)	0.00	2.50	4.50	3.25	2.00	2.00	2.00	1.75	1.75
3-month interest rate (end of period)	-0.57	2.13	3.91	2.71	2.03	2.07	2.10	1.75	1.70
10-year interest rate (end of period)	0.60	3.66	3.00	3.07	3.29	3.33	3.43	3.27	3.35
Exchange rate vs. USD (end of period)	1.13	1.07	1.11	1.04	1.18	1.16	1.16	1.18	1.19
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)	0.1	0.8	-1.9	-0.6	3.3	2.3	2.1	2.3	2.2
P.S. non-financial lending (% YoY, average)	2.4	0.7	-0.1	0.7	0.8	4.0	5.3	3.4	4.5
P.S. financial lending (% YoY, average)	6.2	0.6	2.2	-1.1	-2.6	-0.1	2.8	-0.1	3.1
Savings rate (% pers. disp. income, avg.)	14.3	9.0	11.7	12.7	12.1	11.4	10.8	11.3	10.7

Source: Mapfre Economics (based on INE data)  
Forecast end date: January 30, 2026.

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Spain maintains relatively favorable growth prospects in the European context, with rates forecast at around 2.2% in 2026 and moderating to 1.9% in 2027, although it is not free from significant risks (see Table 1.2.3 and Charts 1.2.3-a and 1.2.3-b). Domestic political fragmentation remains a key source of uncertainty, as it may hinder fiscal consolidation and delay the implementation of necessary structural reforms. Likewise, demographic aging will gradually reduce the working population, limiting medium-term potential growth. Moreover, the high dependence on domestic demand and tourism exposes the economy to external shocks and episodes of global volatility. Although the deficit and public debt are following a downward trajectory, they remain sensitive to a rise in financing costs. Finally, incomplete implementation of European funds and a more restrictive international trade environment could weigh on investment and future growth.

## 1.2.4 Germany

**The German economy is expected to finally emerge from stagnation in 2026.**

In the fourth quarter of 2025, the German economy remained largely stagnant, with a growth rate of 0.3% (YoY), leaving annual growth also at 0.3%. Forward-looking activity indicators (PMIs) from December place the

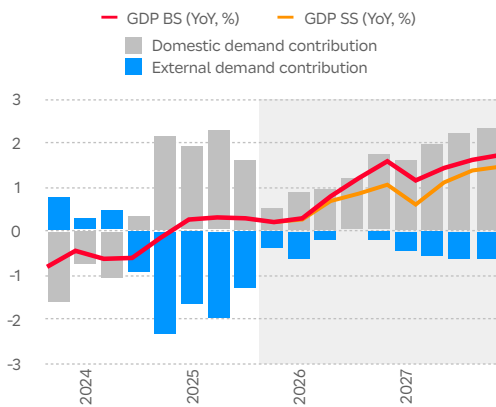
composite at 51.3, manufacturing at 47.0 (still in contraction territory), and services at 52.7 points. Furthermore, retail sales dropped 1.4% in November, and industrial production was up 0.8% in October. Consumer confidence, measured by the GfK index, stood at -26.9, still well below 2019 levels.

Germany faces significant macroeconomic risks, reflecting deep structural tension in its economic model, traditionally based on manufacturing industry. The economy has shown weak growth, advancing by only around 0.2% in 2025, following two years of contraction. Recovery is being slowed by an adverse external environment and intensifying competition. Against this backdrop, German GDP growth is projected at 1.0% in 2026 and 1.5% in 2027 (see Table 1.2.4 and Charts 1.2.4-a and 1.2.4-b).

### Germany

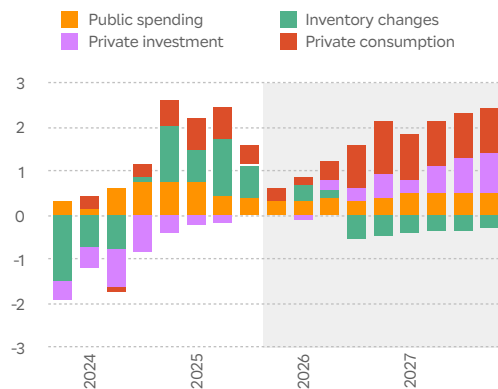
- Industrial production has been declining since 2017.
- Potential U.S. tariff increases pose a risk to Germany's economic performance.
- Investment in infrastructure and defense will be key to recovery.
- German GDP is expected to grow by 1.0% in 2026 and 1.5% in 2027.

**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



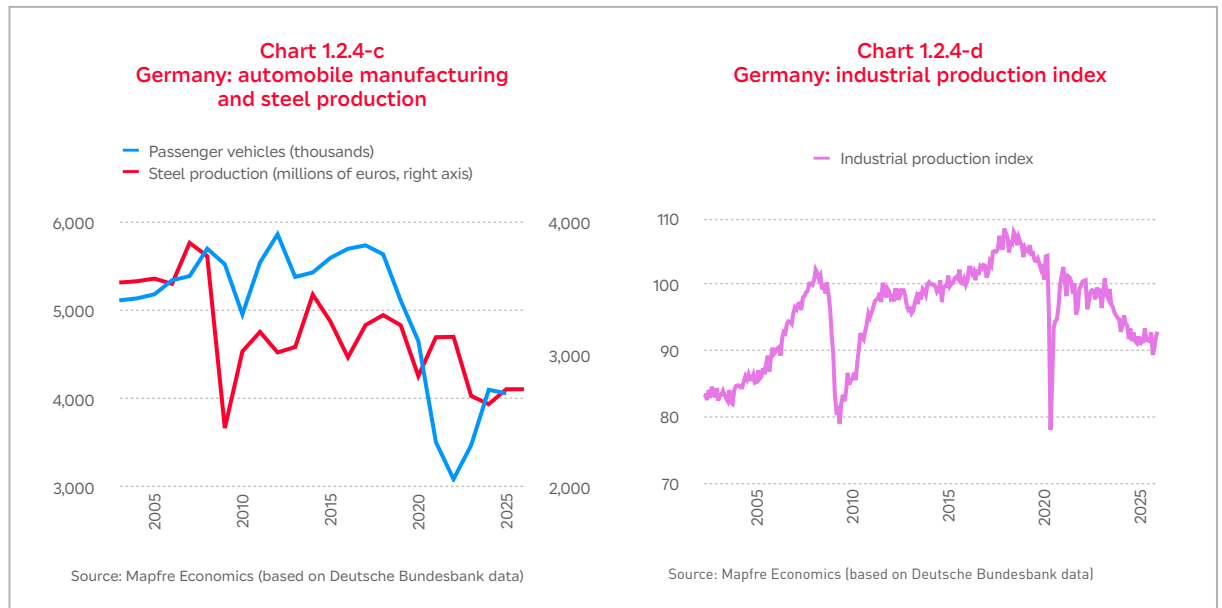
Source: Mapfre Economics (based on DESTATIS data)

**Table 1.2.4**  
Germany: main macroeconomic aggregates

	2021	2022	2023	2024	2025 <sup>(e)</sup>	Baseline (BS)		Stressed (SS)	
						2026 <sup>(f)</sup>	2027 <sup>(f)</sup>	2026 <sup>(f)</sup>	2027 <sup>(f)</sup>
GDP (% YoY)	3.9	1.9	-0.7	-0.5	0.3	1.0	1.5	0.7	1.3
Domestic demand contribution	3.1	3.0	-0.7	0.2	1.6	1.2	2.0	1.0	1.9
External demand contribution	0.8	-1.1	0.0	-0.6	-1.3	-0.2	-0.6	-0.3	-0.6
Private consumption contribution	1.0	3.3	-0.2	0.3	0.5	0.7	1.0	0.6	0.9
Total investment contribution	0.1	0.0	-0.3	-0.6	-0.1	0.3	0.6	0.1	0.5
Public spending contribution	0.7	0.1	0.0	0.6	0.5	0.3	0.5	0.3	0.5
Private consumption (% YoY)	1.9	6.5	-0.5	0.5	1.0	1.3	2.5	1.2	2.3
Public spending (% YoY)	3.1	0.6	-0.2	2.6	2.1	1.5	2.2	1.5	2.2
Total investment (% YoY)	0.6	0.0	-1.6	-3.2	-0.6	1.3	5.9	0.6	5.0
Exports (% YoY)	10.0	4.0	-0.9	-1.9	-0.1	-0.4	0.6	-1.1	-0.3
Imports (% YoY)	9.2	7.7	-1.0	-0.4	3.5	0.7	2.1	0.3	1.2
Unemployment rate (% , last quarter)	5.2	5.5	5.8	6.1	6.3	5.9	5.4	6.1	5.6
Inflation (% YoY, average)	3.1	6.9	5.9	2.3	2.2	1.9	2.0	2.1	2.2
Inflation (% YoY, last quarter)	4.7	8.6	3.5	2.4	2.1	1.8	2.2	2.0	2.4
Fiscal balance (% of GDP)	-3.2	-1.9	-2.5	-2.7	-2.4	-2.7	-2.9	-2.9	-3.3
Primary fiscal balance (% of GDP)	-2.6	-1.2	-1.6	-1.6	-1.3	-1.5	-1.7	-1.7	-2.0
Current account balance (% of GDP)	7.0	3.9	5.5	5.7	4.9	4.8	4.2	4.6	4.0
Official interest rate (end of period)	0.00	2.50	4.50	3.25	2.00	2.00	2.00	1.75	1.75
3-month interest rate (end of period)	-0.57	2.13	3.91	2.71	2.03	2.07	2.10	1.75	1.70
10-year interest rate (end of period)	-0.18	2.57	2.03	2.36	2.86	2.82	2.81	2.73	2.67
Exchange rate vs. USD (end of period)	1.13	1.07	1.11	1.04	1.18	1.16	1.16	1.18	1.19
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)	5.2	5.0	1.9	0.5	1.4	3.2	4.0	3.2	4.1
P.S. non-financial lending (% YoY, average)	5.2	9.3	4.4	2.1	2.8	4.5	4.8	4.5	4.7
P.S. financial lending (% YoY, average)	10.0	12.7	6.3	9.2	2.8	2.9	2.9	2.9	3.0
Savings rate (% pers. disp. income, avg.)	14.4	10.4	10.4	11.2	10.4	10.9	10.2	10.9	10.2

Source: Mapfre Economics (based on DESTATIS data)  
Forecast end date: January 30, 2026.

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Meanwhile, inflation stood at 1.8% in December, while inflation excluding energy reached 2.2%. By component, food, transport, and energy prices increased 0.8%, 2.3%, and -1.7%, respectively. It should be noted that the decline in household energy and fuel prices is helping to ease headline inflation.

One of the key short-term risks for the German economy is the crisis in electricity- and energy-intensive industries, which have lost their appeal compared to locations with lower energy costs, encouraging the relocation of production to countries with a competitive cost advantage. This phenomenon, together with a complex external environment and the gradual phase-out of nuclear energy, is driving up industrial production costs and eroding Germany's competitive advantage. It is also worth noting that the automotive sector, a pillar of Germany's industrial base, faces fierce competition from Chinese manufacturers, especially in electric vehicles and key markets such as the United States, where potential tariffs and trade tensions could exacerbate the decline in exports and loss of market share. The combination of stagnant growth, external competitive pressures, high structural costs, and the possible expansion of trade barriers represents significant risks for the future of the German economy if far-reaching reforms aimed at improving its industrial competitiveness are not implemented.

## 1.2.5 Italy

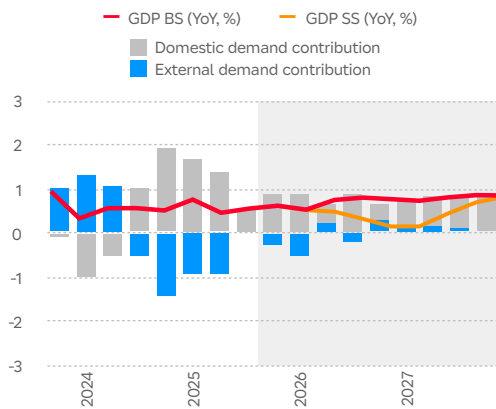
**Private and public consumption remain stagnant, limiting the economy's momentum.**

The Italian economy grew 0.8% in the last quarter of the year, bringing full-year growth in 2025 to 0.7%. Meanwhile, forward-looking activity indicators (PMIs) for December place the composite index at 50.3 points. By sector, manufacturing declined to 47.9 points, services stood at 51.5 points, and construction fell to 47.9 points. Retail sales, meanwhile, grew by 1.6% in November, and industrial production increased by 1.4%, although the industry survey shows a decline in export orders. Against this backdrop, the Italian economy is projected to grow by 0.7% in 2026 and 0.8% in 2027 (see Table 1.2.5 and Charts 1.2.5-a and 1.2.5-b).

### Italy

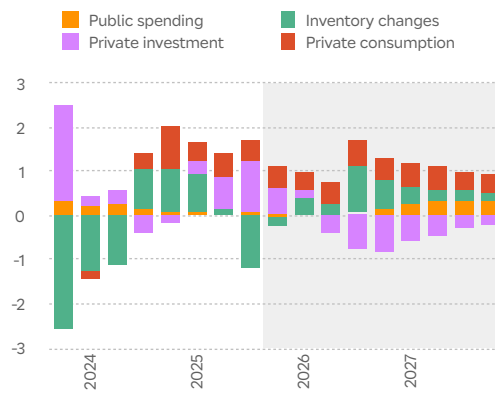
- EU Recovery and Resilience funds are key to sustaining Italy's economic growth.
- Exports have been the main driver, although industrial order books are weakening.
- High debt levels pose a risk, although the deficit has improved significantly.
- Economic growth is projected at 0.7% in 2026 and 0.8% in 2027.

**Chart 1.2.5-a**  
Italy: GDP breakdown  
and forecasts



Source: Mapfre Economics (based on ISTAT data)

**Chart 1.2.5-b**  
Italy: domestic demand breakdown  
and forecasts



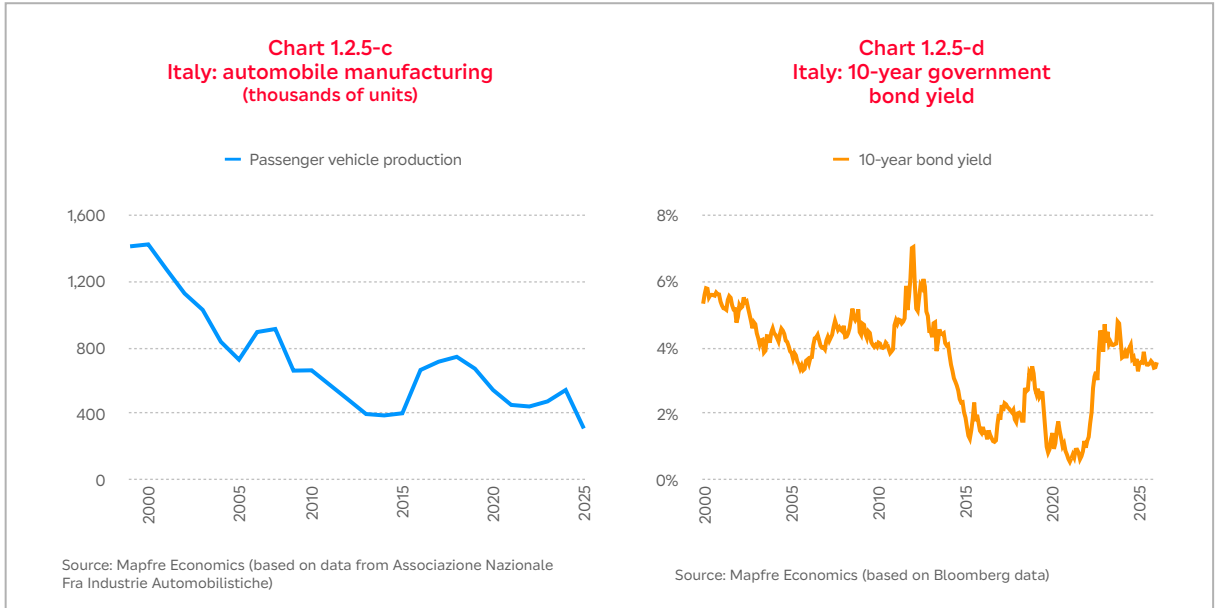
Source: Mapfre Economics (based on ISTAT data)

**Table 1.2.5**  
Italy: main macroeconomic aggregates

	2021	2022	2023	2024	2025 <sup>(e)</sup>	Baseline (BS)		Stressed (SS)	
						2026 <sup>(f)</sup>	2027 <sup>(f)</sup>	2026 <sup>(f)</sup>	2027 <sup>(f)</sup>
GDP (% YoY)	8.8	5.0	1.1	0.5	0.7	0.7	0.8	0.4	0.5
Domestic demand contribution	8.8	5.4	0.6	0.4	1.1	0.7	0.7	0.5	0.4
External demand contribution	0.0	-0.5	0.5	0.1	-0.4	0.0	0.1	-0.1	0.1
Private consumption contribution	3.4	3.0	0.3	0.3	0.5	0.5	0.5	0.5	0.4
Total investment contribution	3.9	1.6	2.1	0.0	0.7	-0.4	-0.4	-0.6	-0.5
Public spending contribution	0.5	0.2	0.2	0.2	0.0	0.1	0.3	0.1	0.3
Private consumption (% YoY)	5.8	5.3	0.6	0.6	0.9	0.9	0.9	0.7	0.5
Public spending (% YoY)	2.3	0.8	1.1	1.0	0.3	0.4	1.7	0.4	1.7
Total investment (% YoY)	21.5	7.7	10.3	0.0	3.1	-1.9	-1.7	-2.7	-2.6
Exports (% YoY)	14.2	10.6	0.1	-0.6	1.0	0.5	1.6	-0.4	0.6
Imports (% YoY)	16.0	13.6	-1.6	-1.1	3.0	1.1	1.3	0.5	0.1
Unemployment rate (% , last quarter)	9.0	7.9	7.5	6.2	6.0	6.2	6.6	6.4	6.8
Inflation (% YoY, average)	1.9	8.2	5.6	1.0	1.5	1.5	1.8	1.6	1.9
Inflation (% YoY, last quarter)	3.5	11.7	1.0	1.2	1.2	1.9	1.8	2.0	1.8
Fiscal balance (% of GDP)	-8.9	-8.1	-7.2	-3.4	-3.1	-2.8	-2.9	-3.0	-3.3
Primary fiscal balance (% of GDP)	-5.5	-4.0	-3.6	0.5	0.8	1.3	1.3	1.1	1.0
Current account balance (% of GDP)	2.0	-1.8	0.2	1.1	1.5	1.7	1.5	1.5	1.4
Official interest rate (end of period)	0.00	2.50	4.50	3.25	2.00	2.00	2.00	1.75	1.75
3-month interest rate (end of period)	-0.57	2.13	3.91	2.71	2.03	2.07	2.10	1.75	1.70
10-year interest rate (end of period)	1.19	4.72	3.69	3.52	3.51	3.57	3.68	3.53	3.65
Exchange rate vs. USD (end of period)	1.13	1.07	1.11	1.04	1.18	1.16	1.16	1.18	1.19
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)	3.0	3.4	0.2	-0.6	1.6	1.9	1.8	1.8	1.7
P.S. non-financial lending (% YoY, average)	1.1	3.3	-1.6	-2.7	-0.2	2.9	3.3	1.8	2.0
P.S. financial lending (% YoY, average)	22.7	19.6	5.3	-4.0	-4.6	4.6	5.5	4.0	5.0
Savings rate (% pers. disp. income, avg.)	15.5	11.0	11.0	11.6	12.8	12.6	12.4	12.6	12.6

Source: Mapfre Economics (based on ISTAT data)  
Forecast end date: January 30, 2026.

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Inflation in December stood at 1.2% YoY (0.2% MoM). By component, food prices rose by 2.6%, hotels and restaurants rose by 3.0%, and miscellaneous goods and services by 3.4%. Likewise, insurance prices increased by 4.2% and vehicle prices by 4.6%.

Italy's economy faces profound macro-economic risks that cast doubt on the sustainability of its public finances in the medium term. Despite a significant reduction in the deficit from 7.2% of GDP in 2023 to approximately 3.4% in 2024, and projections close to 3.0% in 2025, public debt remains extremely high, hovering around 136–138% of GDP, and is expected to decline only very slowly in the absence of additional structural reforms. This enormous debt burden, coupled with moderate economic growth (projected at around 0.6% in 2025), severely limits the fiscal space to respond to potential shocks and requires a prolonged adjustment. In addition, population aging and persistently weak productivity exacerbate this outlook, as pension and health care expenditures increase, while the taxpayer base and labor force shrink, further dampening potential growth. Without more ambitious fiscal policies and reforms to boost productivity and labor participation, Italy risks falling into prolonged stagnation and seeing confidence in its public finances deteriorate.

### 1.2.6 France

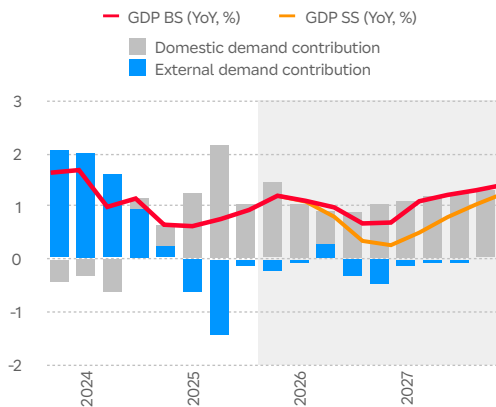
#### French bond yields reflect concerns about public finances.

The French economy grew by 0.9% in 2025 (0.2% in the fourth quarter). Private consumption increased by 0.4% over the year, while public consumption grew by 1.7%. Meanwhile, investment grew by only 0.2%. Exports increased by 1.4%, while imports rose by 2.9%. Regarding the outlook for the French economy, December's PMIs placed the composite index at 50.0, manufacturing at 50.7, and services at 50.1 points. The construction sector stood at 43.4 points. Retail sales, meanwhile, are very stagnant, with several months of declines over the past year. Industrial production rose 2.1% YoY in November, while consumer confidence stands at 90 points, remaining below 100 since 2021. Against this backdrop, French

**France**

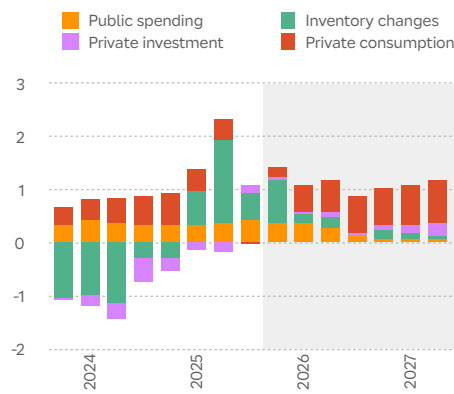
- France maintains a structural fiscal deficit and needs reforms.
- High levels of social spending and taxes leave little room for fiscal policy maneuver.
- The French economy is expected to grow by 0.9% in 2026 and 1.2% in 2027.

**Chart 1.2.6-a**  
France: GDP breakdown  
and forecasts



Source: Mapfre Economics (based on National Institute of Statistics and Economic Studies data)

**Chart 1.2.6-b**  
France: domestic demand breakdown  
and forecasts



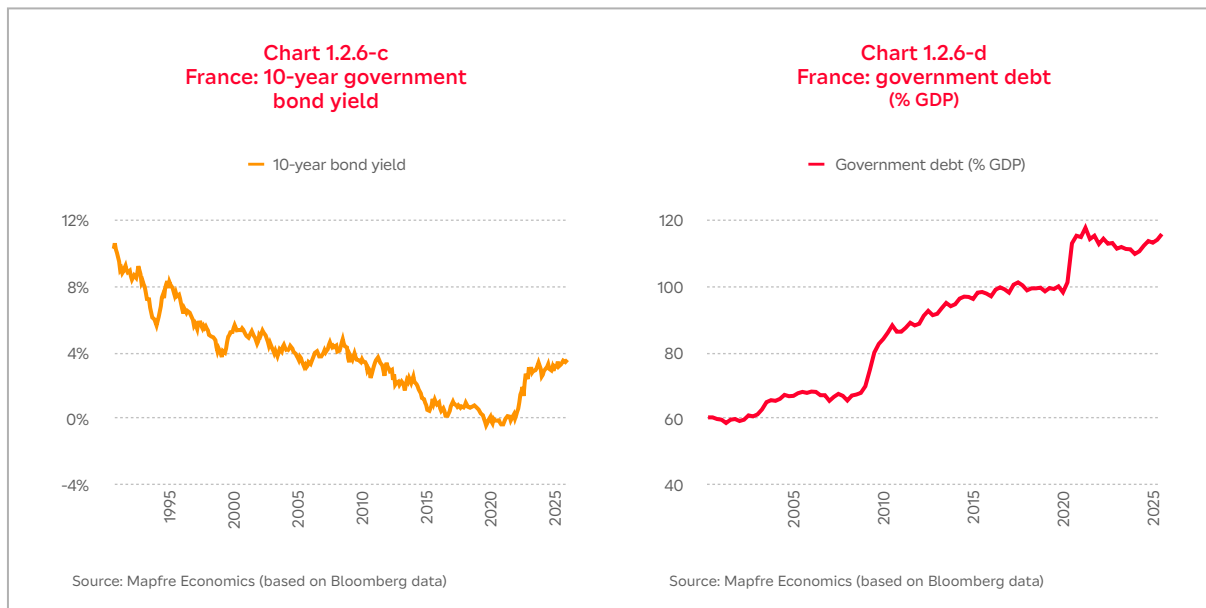
Source: Mapfre Economics (based on National Institute of Statistics and Economic Studies data)

**Table 1.2.6**  
France: main macroeconomic aggregates

	2021	2022	2023	2024	2025(e)	Baseline (BS)		Stressed (SS)	
						2026(f)	2027(f)	2026(f)	2027(f)
GDP (% YoY)	6.8	2.8	1.6	1.1	0.9	0.9	1.2	0.6	0.9
Domestic demand contribution	6.1	2.9	0.7	-0.1	1.5	0.9	1.2	0.7	1.0
External demand contribution	0.7	-0.1	0.9	1.2	-0.6	-0.1	-0.1	-0.2	-0.1
Private consumption contribution	2.8	1.7	0.4	0.5	0.2	0.6	0.8	0.5	0.7
Total investment contribution	2.2	-0.1	0.2	-0.3	0.0	0.1	0.3	0.0	0.1
Public spending contribution	1.7	0.7	0.4	0.4	0.4	0.2	0.1	0.2	0.1
Private consumption (% YoY)	5.3	3.3	0.8	1.0	0.4	1.2	1.5	1.0	1.4
Public spending (% YoY)	6.6	2.7	1.5	1.4	1.7	0.8	0.4	0.8	0.4
Total investment (% YoY)	9.6	-0.2	0.7	-1.3	0.2	0.4	1.2	-0.2	0.6
Exports (% YoY)	11.0	9.3	2.8	2.4	1.4	1.9	1.1	1.3	0.4
Imports (% YoY)	8.0	9.3	0.1	-1.3	2.9	2.4	1.3	2.0	0.6
Unemployment rate (% , last quarter)	7.2	6.9	7.3	7.1	7.6	7.8	7.6	7.9	7.7
Inflation (% YoY, average)	1.6	5.2	4.9	2.0	0.9	1.4	1.6	1.5	1.7
Inflation (% YoY, last quarter)	2.7	6.1	3.7	1.3	0.9	1.7	1.9	1.8	2.0
Fiscal balance (% of GDP)	-6.6	-4.8	-5.4	-5.8	-5.4	-5.5	-5.4	-5.6	-5.6
Primary fiscal balance (% of GDP)	-5.2	-2.8	-3.5	-3.7	-3.2	-3.1	-2.7	-3.2	-2.9
Current account balance (% of GDP)	0.3	-1.4	-1.1	0.1	-0.5	-0.1	0.0	-0.3	-0.3
Official interest rate (end of period)	0.00	2.50	4.50	3.25	2.00	2.00	2.00	1.75	1.75
3-month interest rate (end of period)	-0.57	2.13	3.91	2.71	2.03	2.07	2.10	1.75	1.70
10-year interest rate (end of period)	0.10	3.02	2.54	3.21	3.56	3.61	3.72	3.56	3.65
Exchange rate vs. USD (end of period)	1.13	1.07	1.11	1.04	1.18	1.16	1.16	1.18	1.19
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)	5.4	5.5	2.6	0.0	1.1	3.1	2.8	3.1	2.9
P.S. non-financial lending (% YoY, average)	3.3	7.2	4.8	2.4	4.2	4.8	4.9	4.8	4.9
P.S. financial lending (% YoY, average)	17.0	16.7	2.9	12.3	2.3	3.2	3.1	3.3	3.3
Savings rate (% pers. disp. income, avg.)	15.2	12.8	13.0	14.3	14.5	14.2	13.7	14.1	13.6

Source: Mapfre Economics (based on National Institute of Statistics and Economic Studies data)  
Forecast end date: January 30, 2026.

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GDP is projected to grow by around 0.9% in 2026, accelerating slightly in 2027 to 1.2% (see Table 1.2.6 and Charts 1.2.6-a and 1.2.6-b). Meanwhile, inflation stood at 0.8% in December, driven by some negative components, such as regulated electricity prices (-14.2%). In other categories, food prices rose by 1.8%, miscellaneous goods and services by 3.9%, and insurance by 4.3%.

France faces fiscal and debt sustainability risks that pose serious threats to its macroeconomic stability if decisive action is not taken. The general budget deficit is estimated to reach around 5.4% of GDP in 2025, well above the 3.0% limit set by European Union fiscal rules, although the country has committed to reducing it to below 3.0% by 2029. Under the current scenario, and without additional measures, the deficit could remain close to 6.0% of GDP in the medium term, while public debt continues to rise, potentially exceeding 130% of GDP in the early 2030s if fiscal policy is not adjusted. Gross debt already exceeds 113% of GDP, reflecting increased vulnerability to external shocks and higher interest rates.

This deteriorating situation is exacerbated by internal political fragmentation and the inability to implement structural reforms and agreed spending adjustments, which

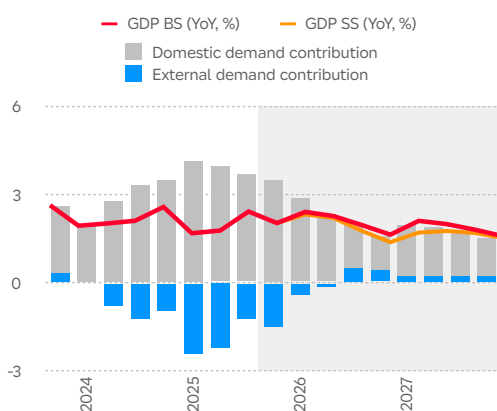
undermines the credibility of fiscal consolidation plans. Maintaining a very generous public spending system without profound fiscal reforms not only compromises deficit reduction, but could also trigger a forced adjustment with contractionary effects on economic activity and investor confidence. Several rating agencies have already warned that, without a package of clear, balanced, and socially acceptable measures, France risks continued deterioration of its public finances and, consequently, greater economic uncertainty.

## 1.2.7 Portugal

### Robust growth sustained by domestic consumption.

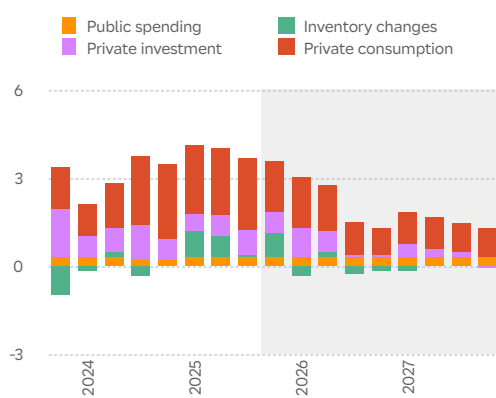
Portugal's GDP grew by 1.9% in 2025 as a whole, with 1.9% growth in the fourth quarter of the year, reflecting an acceleration in private consumption and investment. The December economic sentiment survey by the National Statistics Institute (INE) shows improving sentiment (3.1). Likewise, consumer confidence (as measured by the INE) is stable but negative (-15.0). Industrial production also remains stable (with 0.3% growth), while retail sales (with 1.7% growth) suggest that the Portuguese economy should remain resilient in the coming quarters. Meanwhile, inflation stood at 2.2% in December, with

**Chart 1.2.7-a**  
Portugal: GDP breakdown and forecasts



Source: Mapfre Economics (based on INE data)

**Chart 1.2.7-b**  
Portugal: domestic demand breakdown and forecasts



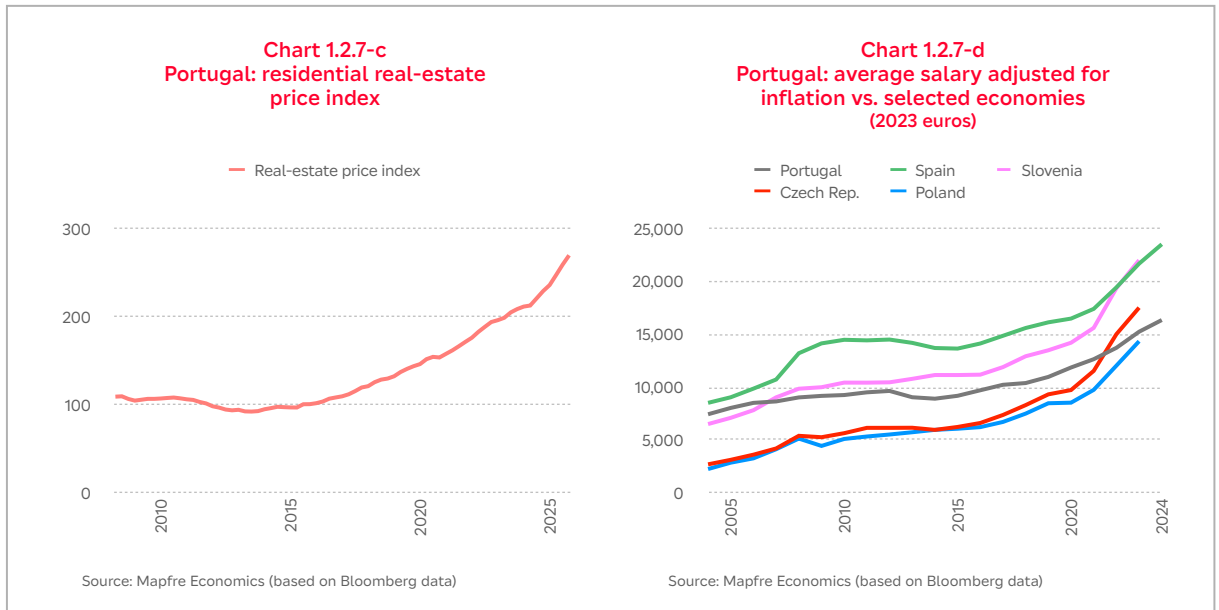
Source: Mapfre Economics (based on INE data)

**Table 1.2.7**  
Portugal: main macroeconomic aggregates

	2021	2022	2023	2024	2025(e)	Baseline (BS)		Stressed (SS)	
						2026(r)	2027(r)	2026(r)	2027(r)
GDP (% YoY)	5.6	7.0	3.1	2.1	1.9	2.0	1.8	1.9	1.6
Domestic demand contribution	6.0	4.9	2.2	2.9	3.8	2.0	1.5	1.9	1.3
External demand contribution	-0.4	2.1	0.9	-0.7	-1.9	0.1	0.3	0.0	0.2
Private consumption contribution	3.1	3.5	1.5	1.8	2.2	1.3	1.0	1.2	0.9
Total investment contribution	1.6	0.7	1.2	0.9	0.7	0.5	0.2	0.4	0.1
Public spending contribution	0.7	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Private consumption (% YoY)	4.9	5.6	2.4	3.0	3.5	2.0	1.6	1.9	1.5
Public spending (% YoY)	3.8	1.7	1.8	1.5	1.7	1.7	1.5	1.7	1.5
Total investment (% YoY)	7.8	3.3	6.0	4.2	3.4	4.7	1.0	4.1	0.6
Exports (% YoY)	12.0	17.2	4.3	3.1	1.0	1.9	1.7	1.3	1.0
Imports (% YoY)	12.3	11.3	2.3	4.8	5.0	1.6	1.1	1.3	0.4
Unemployment rate (% , last quarter)	6.3	6.5	6.5	6.5	5.7	5.8	5.9	5.9	6.0
Inflation (% YoY, average)	1.3	7.8	4.3	2.4	2.3	2.0	2.0	2.1	2.1
Inflation (% YoY, last quarter)	2.4	9.9	1.7	2.6	2.3	2.0	2.0	2.1	2.0
Fiscal balance (% of GDP)	-2.8	-0.3	1.3	0.5	0.3	0.0	-0.5	-0.2	-0.8
Primary fiscal balance (% of GDP)	-0.5	1.6	3.3	2.6	2.2	1.9	1.4	1.7	1.2
Current account balance (% of GDP)	-0.7	-2.0	0.5	2.1	1.0	1.2	1.2	0.9	0.8
Official interest rate (end of period)	0.00	2.50	4.50	3.25	2.00	2.00	2.00	1.75	1.75
3-month interest rate (end of period)	-0.57	2.13	3.91	2.71	2.03	2.07	2.10	1.75	1.70
10-year interest rate (end of period)	0.49	3.59	2.80	2.85	3.16	3.20	3.25	3.14	3.18
Exchange rate vs. USD (end of period)	1.13	1.07	1.11	1.04	1.18	1.16	1.16	1.18	1.19
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)	3.1	4.0	0.0	1.7	7.3	8.2	6.0	8.2	6.1
P.S. non-financial lending (% YoY, average)	1.3	0.8	-2.0	-2.1	0.6	3.6	3.5	3.1	2.9
P.S. financial lending (% YoY, average)	-1.9	5.3	-5.3	-2.9	8.9	11.9	10.6	11.4	10.2
Savings rate (% pers. disp. income, avg.)	11.0	7.3	8.9	12.5	12.2	11.3	10.9	11.2	10.8

Source: Mapfre Economics (based on INE data)  
Forecast end date: January 30, 2026.

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greater pressure on hotel and restaurant prices, which rose by 5.3%, food prices, by 3.5%, and healthcare costs, by 2.9%. Housing prices continue to rise, with the latest data for the third quarter showing growth of 17.7% YoY. Based on these factors, the Portuguese economy is expected to grow by 2.0% in 2026 and 1.8% in 2027 (see Table 1.2.7 and Charts 1.2.7-a and 1.2.7-b).

Portugal has achieved a solid recovery and a significant reduction in its public debt, although it still faces several risks that could affect medium-term stability. Potential growth remains limited by moderate productivity and subdued investment, which restricts income growth and convergence with the Eurozone. Demographic aging and low labor force participation also constitute persistent structural challenges. At the fiscal level,

although the debt trajectory is declining, the transition toward a projected small deficit and rising spending associated with public companies and public-private partnerships may put pressure on public finances. On the financial front, the economy remains sensitive to external shocks, such as a weakening of global demand or increased geopolitical tensions affecting trade flows and asset volatility. Taken together, these vulnerabilities could limit the country's ability to fully capitalize on growth and respond to new economic shocks.

### 1.2.8 United Kingdom

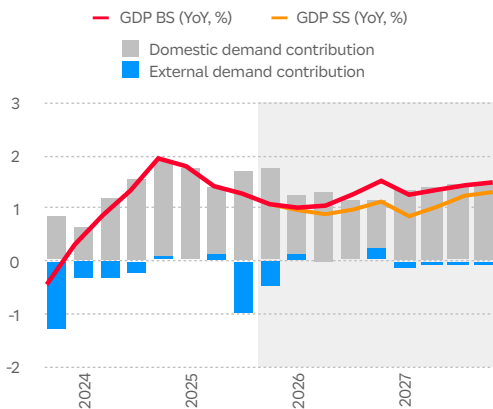
**The central bank has continued to cut interest rates as the economy struggles to gain momentum.**

In the third quarter of 2025, the UK economy grew by 1.3% YoY (0.1% QoQ). Private consumption grew by 0.7% (YoY), while public consumption rose by 1.6%. Fixed investment increased by 2.9%, exports rose by 2.3%, driven by services (6.1%), while goods exports declined (-2.5%). Imports increased by 5.0%. Regarding the outlook for the UK economy, December's PMIs placed the composite index at 51.4, manufacturing at 50.6, and services at 51.4 points. Retail sales increased 0.6% in November, while industrial production was down 0.8% YoY in October. Consumer

**Portugal**

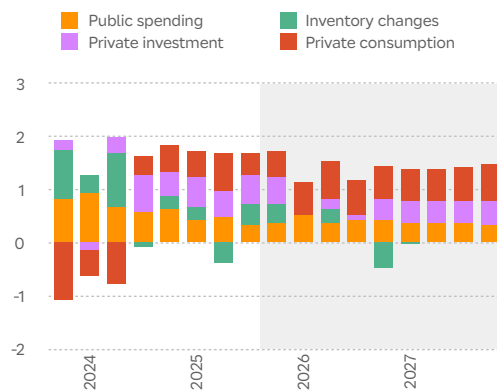
- Economic growth is strong thanks to full employment, immigration, and foreign investment.
- Inflation remains contained at 2.2% in December.
- Housing prices continue to rise, up 17.7% YoY in the third quarter of 2025.
- The Portuguese economy is expected to grow by 2.0% in 2026 and 1.8% in 2027.

**Chart 1.2.8-a**  
United Kingdom: GDP breakdown  
and forecasts



Source: Mapfre Economics (based on data from the Office for National Statistics)

**Chart 1.2.8-b**  
United Kingdom: domestic demand  
breakdown and forecasts



Source: Mapfre Economics (based on data from the Office for National Statistics)

**Table 1.2.8**  
United Kingdom: main macroeconomic aggregates

	2021	2022	2023	2024	2025(e)	Baseline (BS)		Stressed (SS)	
						2026(f)	2027(f)	2026(f)	2027(f)
GDP (% YoY)	8.5	5.1	0.3	1.1	1.4	1.2	1.4	1.0	1.1
Domestic demand contribution	8.6	5.9	0.2	1.0	1.7	1.1	1.4	1.0	1.2
External demand contribution	-0.8	0.2	-0.2	-0.5	-0.6	0.1	-0.1	0.0	-0.1
Private consumption contribution	4.2	4.4	-0.2	-0.1	0.5	0.6	0.6	0.6	0.5
Total investment contribution	1.7	1.3	0.1	0.3	0.6	0.2	0.4	0.1	0.3
Public spending contribution	2.7	0.0	0.4	0.6	0.4	0.4	0.4	0.4	0.4
Private consumption (% YoY)	7.0	7.5	-0.3	-0.1	0.9	1.1	1.1	1.0	0.9
Public spending (% YoY)	13.0	0.1	2.1	2.9	1.8	2.1	1.7	2.1	1.7
Total investment (% YoY)	9.3	6.8	0.5	1.7	3.2	0.9	2.1	0.6	1.6
Exports (% YoY)	2.9	15.2	-2.3	1.4	2.3	0.6	1.0	0.1	0.4
Imports (% YoY)	5.3	13.9	-1.6	2.7	4.0	0.2	1.2	0.1	0.7
Unemployment rate (% , last quarter)	4.2	3.9	3.9	4.4	5.2	5.2	4.9	5.3	5.1
Inflation (% YoY, average)	2.6	9.1	7.3	2.5	3.3	2.5	2.3	2.6	2.5
Inflation (% YoY, last quarter)	4.9	10.8	4.2	2.5	3.5	2.3	2.3	2.5	2.4
Fiscal balance (% of GDP)	-6.9	-4.2	-5.2	-5.3	-5.0	-3.8	-3.3	-3.9	-3.5
Primary fiscal balance (% of GDP)	-5.0	0.0	-1.4	-1.8	-0.7	0.0	0.7	0.0	0.5
Current account balance (% of GDP)	-0.8	-2.1	-3.6	-3.0	-2.6	-2.6	-2.5	-2.8	-2.7
Official interest rate (end of period)	0.25	3.50	5.25	4.75	3.75	3.25	3.25	3.00	3.00
3-month interest rate (end of period)	0.34	3.75	5.21	4.62	3.72	3.14	2.83	3.13	2.76
10-year interest rate (end of period)	0.97	3.67	3.54	4.57	4.47	4.40	3.90	4.37	3.85
Exchange rate vs. USD (end of period)	1.35	1.20	1.27	1.25	1.35	1.29	1.29	1.32	1.33
Exchange rate vs. EUR (end of period)	1.19	1.13	1.15	1.21	1.15	1.11	1.11	1.12	1.11
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)	3.3	3.3	2.8	2.4	3.1	4.0	3.8	4.0	3.7
P.S. non-financial lending (% YoY, average)	3.3	5.7	-3.7	1.8	-3.2	5.4	4.5	5.4	4.4
P.S. financial lending (% YoY, average)	-2.5	9.1	0.8	5.8	3.0	5.2	4.5	5.2	4.5
Savings rate (% pers. disp. income, avg.)	12.8	5.5	6.5	10.0	10.1	10.1	9.7	10.0	9.6

Source: Mapfre Economics (based on data from the Office for National Statistics)  
Forecast end date: January 30, 2026.

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confidence stood at -17 in December, and the unemployment rate has been worsening for three years, reaching 5.1% in October. Against this backdrop, UK GDP is projected to grow by 1.2% in 2026 and 1.4% in 2027 (see Table 1.2.8 and Charts 1.2.8-a and 1.2.8-b).

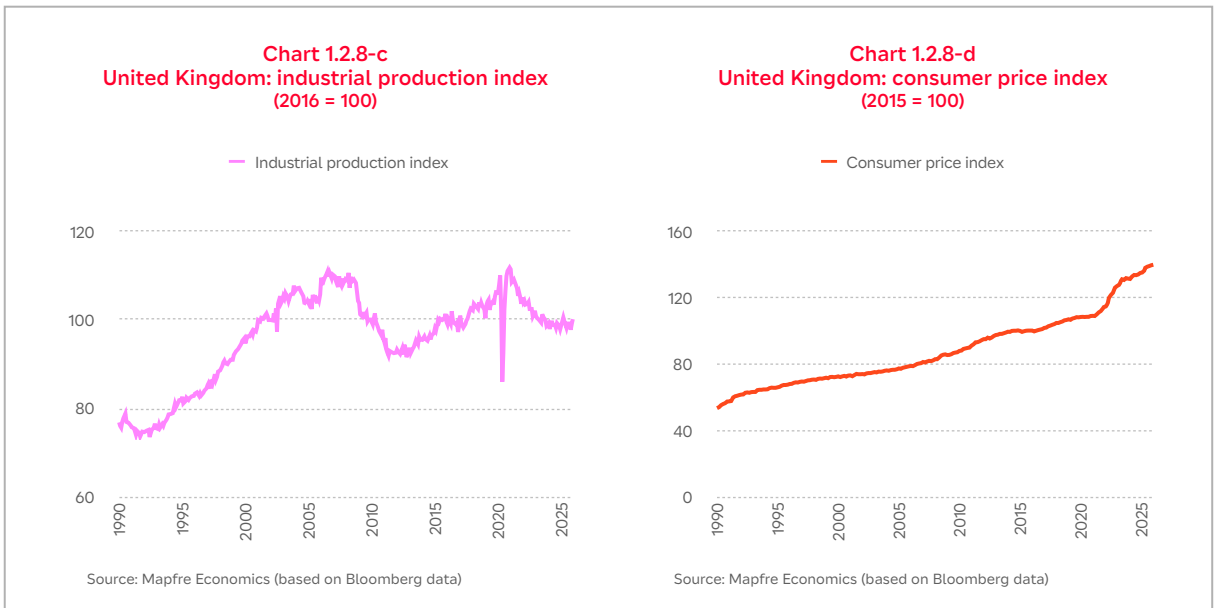
Meanwhile, inflation was 3.4% in December, with core inflation at 3.2%. By component, food prices rose by 4.7%, energy (in aggregate) by 2.4%, and services by 4.5%. At its December meeting, the Bank of England cut interest rates by 25 basis points to 3.75%. The institution noted that inflation has continued to decline but remains above the 2% target. Reflecting the restrictive monetary policy stance, and in line with signs of moderate economic growth and increasing weakness in the labor market, wage growth and services price inflation have continued to moderate. Based on current data, the bank rate is likely to continue on a gradual downward path. However, decisions regarding further monetary policy easing are likely to become more difficult.

The United Kingdom faces a number of significant short-term economic and financial risks as it attempts to consolidate its recovery and anchor inflation toward its target. At the macroeconomic level, growth remains moderate, and a more pronounced slowdown in external demand or tighter global financial

**United Kingdom**

- The Bank of England has lowered interest rates to 3.75%.
- Inflation is stabilizing above the 2% target.
- The labor market shows signs of weakening.
- UK GDP is expected to grow by 1.2% in 2026 and 1.4% in 2027.

conditions could weigh on investment and private spending. Although inflation has declined, it remains above the medium-term target, and labor markets are showing signs of cooling, increasing uncertainty about the outlook for consumption and employment. High public debt is also a vulnerability, as fiscal constraints could limit the scope for countercyclical policies. On the financial front, the growing complexity of the non-bank financial sector and potential weaknesses in credit standards represent potential systemic risks; credit expansion in less regulated segments could amplify tensions in the event of economic stress. In addition, persistent global tensions and geopolitical risks may intensify market and asset price volatility, thereby affecting confidence and overall financial stability.



## 1.2.9 Japan

### Japanese bond yields are rising at a concerning pace.

Japan's economy grew by 0.6% YoY (-0.6% QoQ) in the third quarter of 2025. Private consumption fell by 1.6%, while public consumption remained stable (0.0%). Meanwhile, investment declined by 7.5%, and exports by 4.9% YoY due to tariffs imposed by the United States. Regarding the outlook for the Japanese economy, in December, the composite PMI stood at 51.1 points, manufacturing at 50.0, and services at 51.6. Retail sales declined by 1.2% in November, while industrial production increased by 0.7%. Accordingly, Japan's economy is expected to grow by around 0.7% in 2026 and 2027 (see Table 1.2.9 and Charts 1.2.9-c and 1.2.9-d).

At its December meeting, the Bank of Japan decided to raise interest rates by 25 basis points to 0.75%. With average inflation in 2025 at around 3.2%, this interest rate remains negative in real terms. The central bank announced that it will continue to raise rates if activity and price expectations evolve in line with its latest projections. However, with recent increases and plans to raise rates further, there is a risk for global investment flows, as the appeal of the carry trade

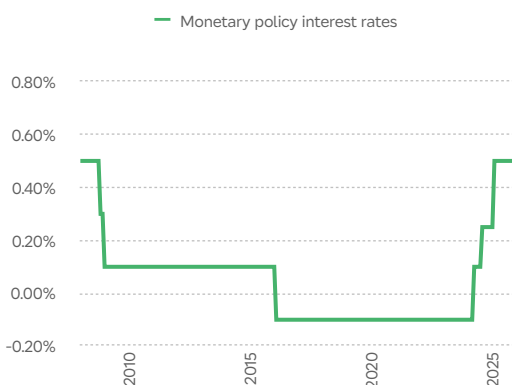
### Japan

- High bond yields are causing losses in investment portfolios.
- Higher public financing costs are affecting private financing conditions, equity markets, and the broader economy.
- Inflation, at around 3%, is no longer negligible, and the central bank is expected to continue raising interest rates.
- The Japanese economy is expected to grow by around 0.7% in 2026 and 2027.

(borrowing in yen to invest elsewhere) is partly eroded. The yen has again depreciated against the U.S. dollar since April, with the latest figure at the beginning of January standing at 157 JPY/USD.

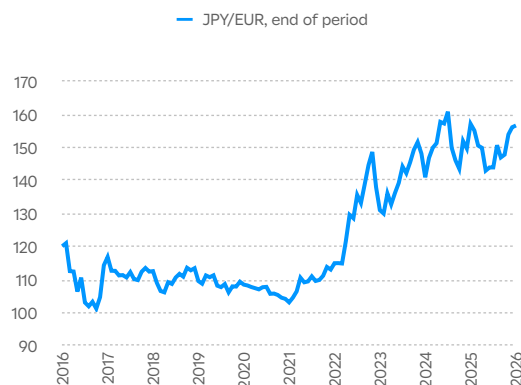
Japan's economy faces a number of significant macroeconomic risks in a context of economic policy transition. After decades of very low inflation, the recent upturn in prices and wage growth has opened the door to a gradual normalization of monetary policy. In this scenario, the main risk lies in the fact that a faster-than-expected monetary tightening by the Bank of Japan could affect economic growth and financial stability. One particularly sensitive issue is the impact of an interest rate hike on public finances. With public debt exceeding 250% of GDP, even moderate increases in yields could signifi-

**Chart 1.2.9-a**  
Japan: monetary policy interest rates (%)

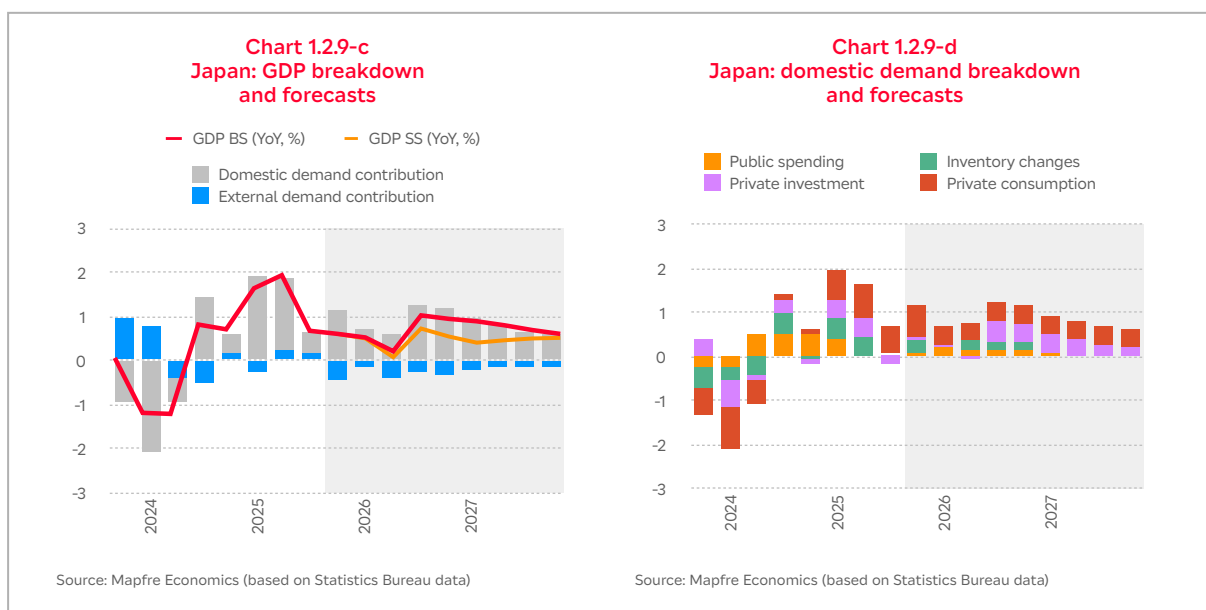


Source: Mapfre Economics (based on Bloomberg data)

**Chart 1.2.9-b**  
Japan: exchange rate (JPY/EUR, end of period)



Source: Mapfre Economics (based on Bloomberg data)



**Table 1.2.9**  
Japan: main macroeconomic aggregates

	2021	2022	2023	2024	2025 <sup>(e)</sup>	Baseline (BS)		Stressed (SS)	
						2026 <sup>(f)</sup>	2027 <sup>(f)</sup>	2026 <sup>(f)</sup>	2027 <sup>(f)</sup>
GDP (% YoY)	3.7	1.3	0.7	-0.2	1.2	0.7	0.7	0.5	0.5
Domestic demand contribution	2.6	1.8	0.0	-0.2	1.3	0.9	0.8	0.8	0.5
External demand contribution	1.1	-0.4	0.6	0.0	-0.1	-0.3	-0.1	-0.3	-0.1
Private consumption contribution	1.0	1.2	0.1	-0.3	0.7	0.4	0.4	0.3	0.3
Total investment contribution	0.3	0.1	0.5	-0.1	0.2	0.2	0.3	0.1	0.1
Public spending contribution	0.8	0.3	0.0	0.3	0.1	0.2	0.0	0.2	0.0
Private consumption (% YoY)	1.9	2.3	0.1	-0.6	1.3	0.8	0.8	0.7	0.5
Public spending (% YoY)	3.7	1.6	-0.2	1.6	0.6	0.7	0.1	0.7	0.1
Total investment (% YoY)	1.2	0.5	1.8	-0.5	0.7	0.9	1.2	0.3	0.5
Exports (% YoY)	12.0	5.4	3.1	0.9	3.1	-1.5	0.1	-2.1	-0.7
Imports (% YoY)	4.7	8.0	-0.5	0.9	3.8	0.0	1.0	-0.5	-0.1
Unemployment rate (% last quarter)	2.7	2.5	2.6	2.5	2.5	2.4	2.3	2.5	2.4
Inflation (% YoY, average)	-0.2	2.5	3.3	2.7	3.2	1.8	1.8	2.0	2.0
Inflation (% YoY, last quarter)	0.5	3.9	2.9	2.9	2.5	1.7	1.8	2.0	2.0
Fiscal balance (% of GDP)	-5.9	-4.0	-2.2	-1.6	-1.9	-2.9	-3.1	-2.9	-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)	3.7	1.9	3.6	4.5	4.8	4.5	4.0	4.3	3.8
Official interest rate (end of period)	0.00	0.00	0.00	0.25	0.75	1.00	1.00	0.75	0.75
3-month interest rate (end of period)	0.07	0.06	0.08	0.62	1.07	1.32	1.32	1.14	1.19
10-year interest rate (end of period)	0.09	0.45	0.65	1.11	2.07	2.14	2.26	2.08	2.20
Exchange rate vs. USD (end of period)	115.00	132.65	141.91	156.65	156.43	148.24	142.27	149.51	142.39
Exchange rate vs. EUR (end of period)	130.25	141.48	156.81	162.74	183.81	172.12	165.29	176.19	169.80
Private lending (% YoY, average)	3.6	2.0	4.0	3.7	2.6	1.5	1.0	1.3	0.9
Household lending (% YoY, average)	3.8	1.7	1.8	2.2	2.4	0.0	0.0	0.1	0.1
P.S. non-financial lending (% YoY, average)	3.6	2.9	3.5	3.5	2.6	-4.0	-2.4	-4.0	-2.4
P.S. financial lending (% YoY, average)	7.1	7.7	5.3	9.8	-3.1	-2.9	-1.6	-2.9	-1.7
Savings rate (% pers. disp. income, avg.)	7.3	4.1	0.9	3.3	1.4	1.8	1.8	1.7	1.9

Source: Mapfre Economics (based on Statistics Bureau data)  
Forecast end date: January 30, 2026.

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cantly raise government interest expenditures, putting pressure on the budget over the medium term. Although the long average maturity of government bonds mitigates this effect, sustained normalization would gradually increase the cost of debt servicing in the short term. This is compounded by external risks, such as a global slowdown that could affect exports, as well as structural risks linked to demographic aging, which reduce potential growth and increase social spending. Maintaining a delicate balance between supporting recovery, anchoring inflation expectations, and preserving fiscal sustainability will be key to Japan's macroeconomic stability in the future.

### 1.2.10 Turkey

#### Strong consumption and accelerating investment.

In the third quarter of 2025, the Turkish economy grew by 3.4% YoY (1.1% QoQ). Private consumption increased by 4.8% YoY, showing strong momentum, while public consumption rose by only 0.8%. Meanwhile, investment grew by 11.7%, reflecting an acceleration. Exports contracted slightly (-0.7%), while imports grew by 4.3%. In December, the manufacturing PMI (purchasing managers' index) stood at 48.9 points, marking the second consecutive month of recovery.

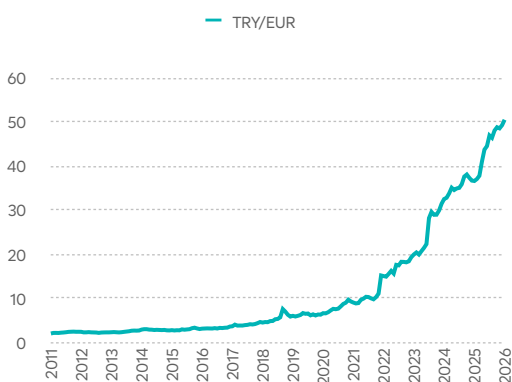
#### Turkey

- Inflation continues to moderate and stands at 31%.
- The Turkish central bank lowered interest rates to 38%.
- Investment has surprised on the upside, growing 11.7%.
- Turkish GDP is expected to grow by 3.1% in 2026, accelerating to 3.5% in 2027.

Similarly, retail sales and industrial production, figures that are released with a certain delay, grew by 15.0% YoY and 2.3% YoY, respectively, in October. Consumer confidence remains broadly stable, standing at 84 points. Against this backdrop, the Turkish economy is projected to grow by 3.1% in 2026, accelerating in 2027 to 3.5% (see Table 1.2.10 and Charts 1.2.10-c and 1.2.10-d).

Inflation eased marginally to 30.9% in December, with food prices (28.3%) and housing costs (49.5%) rising more slowly, although they remain at relatively high levels. Core inflation, which excludes fresh food and fuel prices, stood at 31.0%. At its December meeting, the Central Bank of Turkey lowered interest rates again by 150 basis points, to 38.00%. Restrictive monetary policy, which will be maintained until price stability is attained, should anchor expectations. The

Chart 1.2.10-a  
Turkey: exchange rate  
(TRY/EUR)

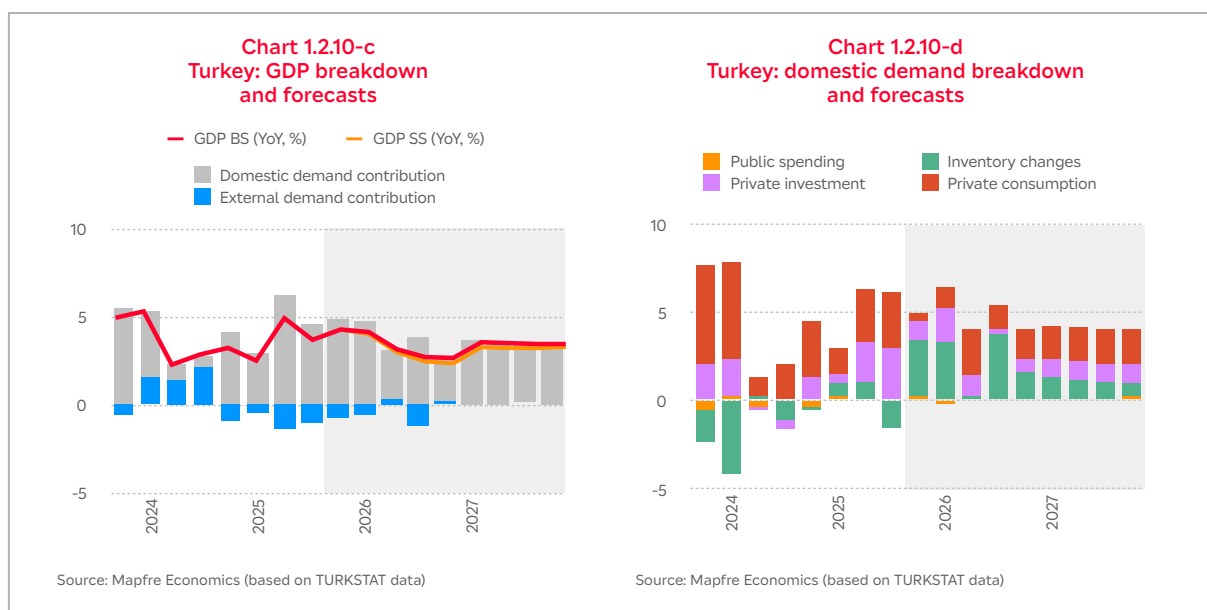


Source: Mapfre Economics (based on Bloomberg data)

Chart 1.2.10-b  
Turkey: headline inflation  
(% YoY)



Source: Mapfre Economics (based on Bloomberg data)



**Table 1.2.10**  
Turkey: main macroeconomic aggregates

	2021	2022	2023	2024	2025 <sup>(e)</sup>	Baseline (BS)		Stressed (SS)	
						2026 <sup>(f)</sup>	2027 <sup>(f)</sup>	2026 <sup>(f)</sup>	2027 <sup>(f)</sup>
GDP (% YoY)	11.8	5.4	5.0	3.3	3.7	3.1	3.5	2.9	3.2
Domestic demand contribution	6.8	4.5	8.1	2.4	4.7	3.4	3.5	3.3	3.3
External demand contribution	5.0	0.9	-3.0	1.0	-0.9	-0.3	0.0	-0.3	-0.1
Private consumption contribution	8.9	9.5	6.8	2.9	2.0	1.7	1.9	1.6	1.8
Total investment contribution	1.9	1.1	1.8	0.7	1.7	1.0	1.1	0.9	1.0
Public spending contribution	0.6	0.6	0.3	-0.1	0.1	0.0	0.2	0.0	0.2
Private consumption (% YoY)	15.6	16.2	10.5	4.3	2.9	1.6	1.6	1.5	1.4
Public spending (% YoY)	4.2	4.5	2.3	-0.8	1.0	0.1	1.6	0.1	1.6
Total investment (% YoY)	7.2	4.4	7.3	2.7	6.7	2.1	1.6	1.8	1.1
Exports (% YoY)	25.1	10.5	-2.3	0.1	1.0	1.0	2.0	0.7	1.4
Imports (% YoY)	2.1	8.3	12.1	-4.4	5.4	5.5	2.8	5.3	2.2
Unemployment rate (% , last quarter)	11.0	10.1	8.6	8.5	8.5	9.5	9.7	9.6	9.9
Inflation (% YoY, average)	19.6	72.3	53.9	58.5	35.2	24.8	20.5	28.0	26.0
Inflation (% YoY, last quarter)	25.8	77.4	62.7	46.6	31.6	21.4	18.2	24.5	23.5
Fiscal balance (% of GDP)	-2.8	-0.9	-5.1	-5.1	-3.4	-2.7	-1.5	-2.6	-1.5
Primary fiscal balance (% of GDP)	-0.3	1.1	-2.6	-2.2	-0.1	0.0	0.7	0.0	0.7
Current account balance (% of GDP)	-0.7	-5.1	-3.7	-0.8	-1.4	-1.4	-1.5	-1.5	-1.6
Official interest rate (end of period)	14.00	9.00	42.50	48.25	38.00	27.00	22.00	30.00	26.00
3-month interest rate (end of period)	16.32	10.35	44.97	49.50	37.95	27.00	18.36	26.64	17.76
10-year interest rate (end of period)	22.99	9.50	23.65	27.15	27.10	20.45	14.40	20.19	14.15
Exchange rate vs. USD (end of period)	13.32	18.69	29.48	35.35	42.96	50.13	54.07	49.44	52.75
Exchange rate vs. EUR (end of period)	15.23	19.96	32.65	36.74	50.48	58.20	62.82	58.26	62.90
Private lending (% YoY, average)	23.9	54.8	57.6	43.3	39.7	18.1	9.6	17.8	9.3
Household lending (% YoY, average)	20.3	28.8	50.1	28.5	38.4	17.0	9.7	17.1	10.0
P.S. non-financial lending (% YoY, average)	23.2	56.3	55.6	43.9	226.8	24.0	14.4	23.7	13.8
P.S. financial lending (% YoY, average)	32.8	104.8	76.9	68.3	41.5	26.9	14.0	26.7	13.7
Savings rate (% pers. disp. income, avg.)	24.9	14.5	26.3	36.0	34.4	30.9	27.0	30.8	26.9

Source: Mapfre Economics (based on TURKSTAT data)  
Forecast end date: January 30, 2026.

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central bank indicated that it will set the policy rate taking into account actual and expected inflation, as well as its underlying trend. Likewise, monetary policy will be tightened if any of these variables deviates significantly from intermediate targets.

Turkey faces significant macroeconomic risks despite progress in deficit reduction and in moderating inflation. The slow pace of disinflation prolongs vulnerability to external shocks and keeps inflation expectations insufficiently anchored, which could trigger additional pressures on prices and the exchange rate. At the same time, persistently high double-digit inflation decouples economic growth from productivity and could discourage private investment. In addition, risks of volatility in capital flows, adverse corrections in energy prices, and dependence on external demand remain factors that could exacerbate financial tensions. In addition, high dollarization and rising corporate debt in foreign currency are vulnerabilities that could amplify external and confidence shocks.

### 1.2.11 Mexico

#### Slowing exports and declining investment.

The Mexican economy grew by 1.6% in the fourth quarter of 2025, bringing annual growth to 0.7% (seasonally adjusted figures), in a context marked by declining investment. Regarding forward-looking activity indicators, the manufacturing PMI for December stood at 46.1, down from 47.3 points previously. Meanwhile, retail sales increased by 3.5% in October, but showed a contraction in some essential components such as food (-2.3%) and beverages (-3.5%), while health spending increased by 14.4%. Industrial production is contracting, but with a tendency to stabilize, according to October data. Against this backdrop, Mexico's economy is expected to grow by 1.4% in 2026 and around 2.0% in 2027 (see Table 1.2.11 and Charts 1.2.11-a and 1.2.11-b).

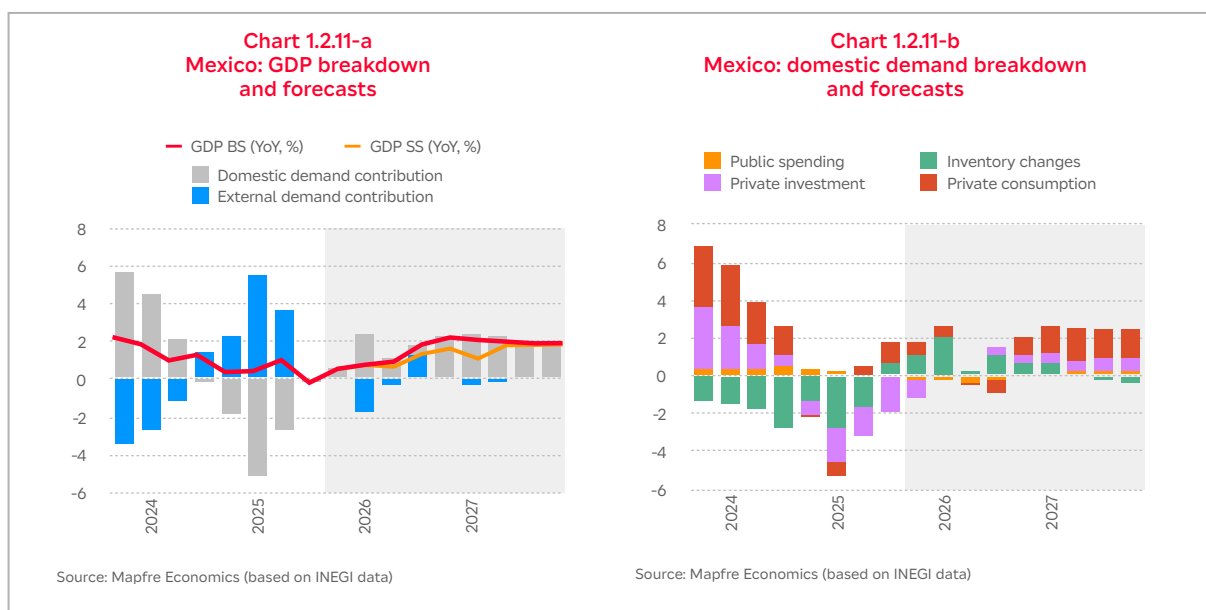
Meanwhile, inflation stood at 3.69% in December, with core inflation at 4.33%. The price components for food, services, and

energy rose by 5.2%, 4.4%, and 0.2%, respectively, while government-administered prices rose by 5.9%. At its December monetary policy meeting, the Bank of Mexico decided to lower the interest rate by 25 basis points to 7.00%. It should be noted that the central bank revised its forecasts for headline and core inflation upward for the fourth quarter of 2025 and the following two quarters. The Governing Board deemed it appropriate to continue the cycle of benchmark interest rate cuts, which, in its opinion, is consistent with its assessment of the inflation outlook. In particular, the Governing Board emphasized the need for prudence in light of exchange rate behavior, the weakness of economic activity, and the possible impacts of changes in global trade policies.

The Mexican economy faces significant risks that could affect its macroeconomic performance in the short and medium term. Externally, a more pronounced slowdown in the United States would have a direct impact on exports, investment, and remittances. Likewise, tighter global financial conditions could increase financing costs and put pressure on capital flows. Domestically, fiscal risks have increased due to greater spending pressures, particularly related to state-owned companies in the energy sector and priority investment projects, which could weaken the fiscal position if not accompanied by compensatory measures. Likewise, high regulatory uncertainty and institutional challenges may affect investor confidence

#### Mexico

- Uncertainty remains due to tariff threats and pending revisions to the trade agreement with the United States and Canada.
- Declining investment is the main constraint on economic growth.
- The Bank of Mexico cut interest rates to 7.00% at its December meeting.
- Economic growth for Mexico is estimated at around 1.4% in 2026 and 2.0% in 2027.



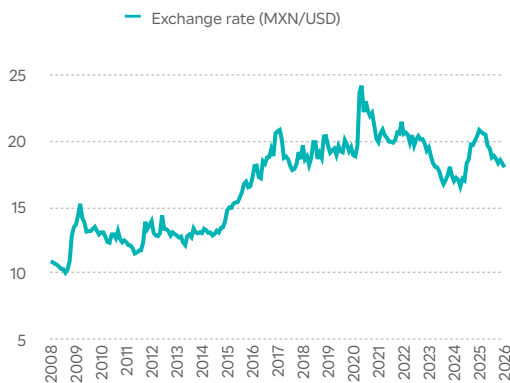
**Table 1.2.11**  
Mexico: main macroeconomic aggregates

	2021	2022	2023	2024	2025(e)	Baseline (BS)		Stressed (SS)	
						2026(r)	2027(r)	2026(r)	2027(r)
GDP (% YoY)	6.3	3.7	3.1	1.1	0.7	1.4	2.0	1.2	1.8
Domestic demand contribution	9.7	3.5	7.8	1.2	-1.8	1.5	2.1	1.3	1.9
External demand contribution	-3.4	0.2	-4.7	0.0	2.5	-0.1	-0.1	-0.2	-0.1
Private consumption contribution	5.8	3.3	2.9	1.7	0.3	0.2	1.5	-0.3	1.3
Total investment contribution	2.1	1.5	3.0	0.9	-1.6	0.2	0.7	-0.4	0.5
Public spending contribution	-0.1	0.2	0.3	0.4	0.1	-0.2	0.2	-0.2	0.2
Private consumption (% YoY)	8.6	4.8	4.2	2.4	0.5	0.2	2.1	-0.4	1.8
Public spending (% YoY)	-0.5	2.0	2.4	3.7	0.6	-1.8	1.6	-1.8	1.6
Total investment (% YoY)	10.4	7.4	13.8	3.6	-6.5	0.9	3.0	-1.7	2.2
Exports (% YoY)	7.3	9.6	-7.1	3.0	6.6	-3.3	1.9	-6.5	0.3
Imports (% YoY)	16.2	8.6	3.7	2.7	0.7	-2.8	2.1	-5.5	-0.1
Unemployment rate (% last quarter)	3.7	3.0	2.7	2.6	3.0	3.5	3.8	3.9	4.1
Inflation (% YoY, average)	5.7	7.9	5.5	4.7	3.8	3.7	3.6	3.8	3.7
Inflation (% YoY, last quarter)	7.0	8.0	4.4	4.5	3.7	3.7	3.5	3.8	3.6
Fiscal balance (% of GDP)	-2.9	-3.2	-3.4	-5.0	-3.9	-3.5	-3.1	-3.9	-3.5
Primary fiscal balance (% of GDP)	-0.3	-0.4	-0.1	-1.5	-0.1	0.2	0.8	-0.1	0.5
Current account balance (% of GDP)	-0.3	-1.3	-0.7	-0.9	-0.2	0.0	-0.5	-0.2	-0.6
Official interest rate (end of period)	5.50	10.50	11.25	10.00	7.00	6.50	6.25	6.50	6.50
3-month interest rate (end of period)	5.86	10.97	11.48	10.63	7.39	6.50	6.50	5.93	5.22
10-year interest rate (end of period)	7.57	9.02	8.99	10.46	9.11	8.06	7.85	7.84	7.45
Exchange rate vs. USD (end of period)	20.50	19.49	16.97	20.83	18.01	20.11	20.56	20.48	20.83
Exchange rate vs. EUR (end of period)	23.22	20.79	18.75	21.64	21.16	23.34	23.89	24.14	24.84
Private lending (% YoY, average)	-1.3	7.5	5.8	7.8	9.8	7.3	5.4	6.1	5.7
Household lending (% YoY, average)	4.4	9.2	10.1	9.5	7.9	7.1	8.6	7.0	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)	18.3	8.7	-2.6	6.2	7.0	11.7	8.7	10.2	8.2
Savings rate (% pers. disp. income, avg.)	18.7	19.3	24.3	27.3	28.8	28.6	28.3	28.3	28.1

Source: Mapfre Economics (based on INEGI data)  
Forecast end date: January 30, 2026.

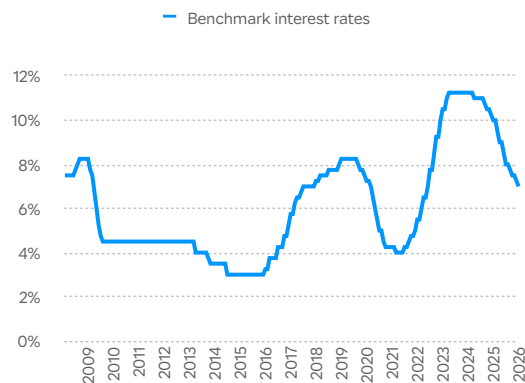
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**Chart 1.2.11-c**  
Mexico: exchange rate  
(MXN/USD)



Source: Mapfre Economics (based on Bloomberg data)

**Chart 1.2.11-d**  
Mexico: monetary policy  
interest rates  
(%)



Source: Mapfre Economics (based on Bloomberg data)

and limit potential growth. Risks related to security and the rule of law also persist, negatively affecting productivity, investment, and the business climate.

## 1.2.12 Brazil

### Economy slowing down and still-elevated inflation.

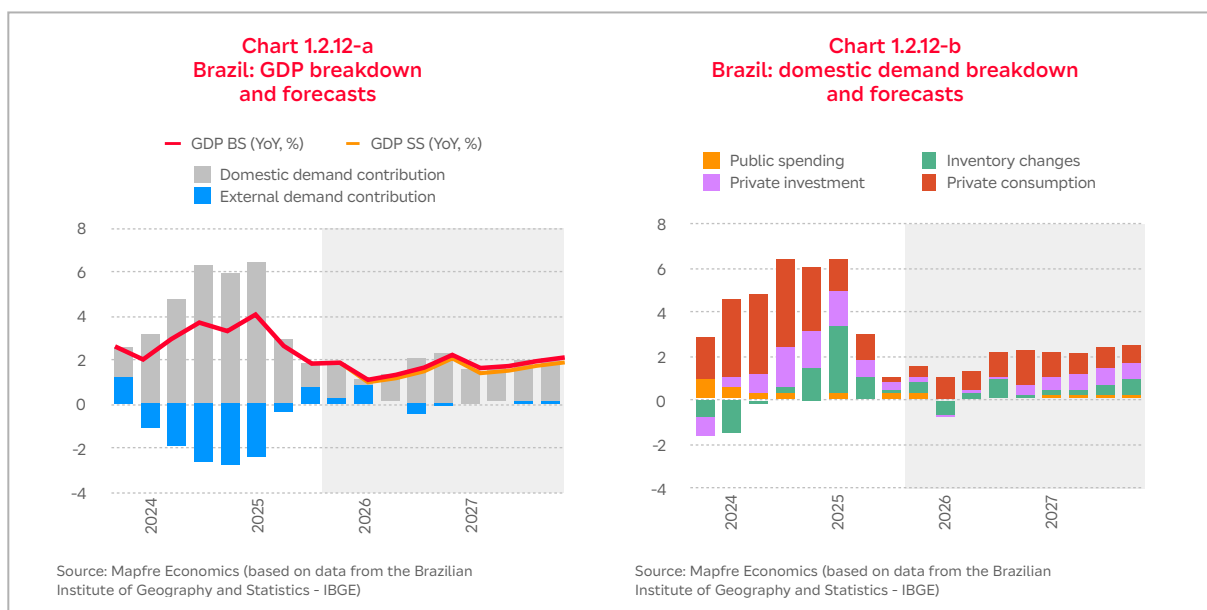
In the third quarter of 2025, Brazil's economy grew by 1.8% YoY (0.1% QoQ). By component, private consumption increased by 0.4%, public consumption by 1.8%, investment by 2.3%, exports by 7.2%, and imports by 2.2%. In terms of leading economic indicators, the December composite PMI stood at 52.1 points, with manufacturing at 47.1 (in contraction territory) and services at 53.7. Retail sales increased by 1.0% in October, and industrial production declined by 1.2%. Similarly, consumer confidence, as measured by Fundação Getulio Vargas (FGV), rose to 90.2 in December, with expectations increasing to 95.2. In this environment, Brazil's GDP is expected to grow by 1.6% in 2026 and 1.8% in 2027 (see Table 1.2.12 and Charts 1.2.12-a and 1.2.12-b).

Inflation stood at 4.5% in November. By component, food, transportation, and automotive fuel prices increased by 3.9%, 3.0%, and 2.6%, respectively. Personal expenses (6.1%) and

housing (6.5%) saw the highest increases, due to an 11.0% rise in electricity prices. At its December meeting, the Central Bank of Brazil's monetary policy committee decided to maintain the policy rate at 15.00%, considering that this decision is consistent with the strategy of bringing inflation toward its target. According to the central bank, notwithstanding its primary objective of ensuring price stability, this decision also aims to smooth fluctuations in the level of economic activity and promote full employment. The current scenario, marked by considerable uncertainty, requires caution in the management of monetary policy. The committee believes that the current strategy—maintaining interest rates at their present level for a longer period—is appropriate to ensure that inflation converges toward the target. The committee also emphasizes that it will remain vigilant,

#### Brazil

- Economic activity in Brazil remains moderate, but consumer confidence is on the rise.
- The contribution of investment to growth is slowing down.
- The currency weakened at year-end amid weaker economic data.
- Brazilian GDP is expected to grow by 1.6% in 2026 and 1.8% in 2027.



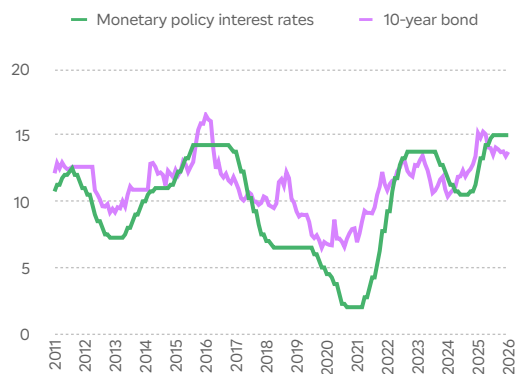
**Table 1.2.12**  
Brazil: main macroeconomic aggregates

	2021	2022	2023	2024	2025(e)	Baseline (BS)		Stressed (SS)	
						2026(f)	2027(f)	2026(f)	2027(f)
GDP (% YoY)	5.1	3.1	3.3	3.0	2.2	1.6	1.8	1.4	1.6
Domestic demand contribution	6.8	2.5	1.7	5.1	3.0	1.5	1.7	1.4	1.6
External demand contribution	-1.7	0.7	1.5	-2.1	-0.4	0.1	0.1	0.1	0.0
Private consumption contribution	2.1	2.8	2.2	3.5	0.9	1.1	1.0	1.1	0.9
Total investment contribution	2.3	0.2	-0.5	1.2	0.7	0.1	0.7	0.1	0.7
Public spending contribution	0.7	0.4	0.6	0.3	0.3	0.1	0.2	0.1	0.2
Private consumption (% YoY)	3.0	4.1	3.3	5.1	1.3	1.6	1.4	1.6	1.3
Public spending (% YoY)	4.2	2.1	3.8	2.0	1.7	0.5	1.3	0.5	1.3
Total investment (% YoY)	13.0	1.0	-2.9	6.8	4.0	0.7	3.9	0.5	3.8
Exports (% YoY)	4.9	6.2	8.9	2.0	5.0	-1.2	0.0	-1.5	-0.3
Imports (% YoY)	14.4	1.4	-1.1	14.1	6.4	-1.5	0.5	-1.9	0.0
Unemployment rate (% , last quarter)	11.7	8.3	7.7	6.4	5.9	7.2	7.5	7.2	7.5
Inflation (% YoY, average)	8.3	9.3	4.6	4.4	5.0	4.2	3.8	4.4	4.0
Inflation (% YoY, last quarter)	10.5	6.1	4.7	4.8	4.5	4.0	3.8	4.3	4.0
Fiscal balance (% of GDP)	-4.1	-4.4	-8.2	-6.6	-8.5	-10.2	-8.8	-10.2	-8.7
Primary fiscal balance (% of GDP)	0.7	1.2	-2.3	-0.3	-0.6	-0.5	0.5	-0.5	0.6
Current account balance (% of GDP)	-2.4	-2.1	-1.2	-3.0	-3.3	-2.8	-2.6	-2.7	-2.5
Official interest rate (end of period)	9.25	13.75	11.75	12.25	15.00	12.25	10.50	13.00	11.50
3-month interest rate (end of period)	9.15	13.65	11.65	12.15	14.90	12.40	10.40	12.79	11.06
10-year interest rate (end of period)	10.31	12.76	10.35	15.15	13.86	12.34	11.61	12.40	11.88
Exchange rate vs. USD (end of period)	5.58	5.22	4.84	6.19	5.50	5.50	5.53	5.43	5.40
Exchange rate vs. EUR (end of period)	6.32	5.56	5.35	6.43	6.46	6.39	6.43	6.39	6.44
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)	17.6	20.3	13.1	11.8	11.4	6.9	8.9	6.9	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.)	18.7	17.6	18.2	15.2	16.1	17.8	18.9	17.7	18.8

Source: Mapfre Economics (based on data from the Brazilian Institute of Geography and Statistics - IBGE)  
Forecast end date: January 30, 2026.

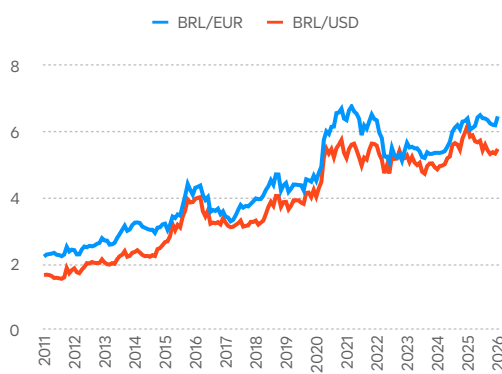
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**Chart 1.2.12-c**  
Brazil: monetary policy interest rates and 10-year bond (%)



Source: Mapfre Economics (based on Bloomberg data)

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



Source: Mapfre Economics (based on Bloomberg data)

that future monetary policy measures may be adjusted, and that, as usual, it will not hesitate to resume the adjustment cycle if deemed appropriate.

Brazil's economy faces several macroeconomic risks. The short-term balance of risks is tilted to the upside and includes the possibility that faster implementation of structural reforms could boost productivity, although downside risks remain more prominent. An external slowdown linked to trade tensions and global uncertainty could weaken projected growth. In turn, a smaller-than-expected fiscal adjustment could increase policy uncertainty and raise financing costs. In addition, high public debt and spending constraints continue to limit fiscal space for priority investments and progress in fiscal consolidation.

### 1.2.13 Argentina

#### Consumption and investment support growth that appears to be consolidating.

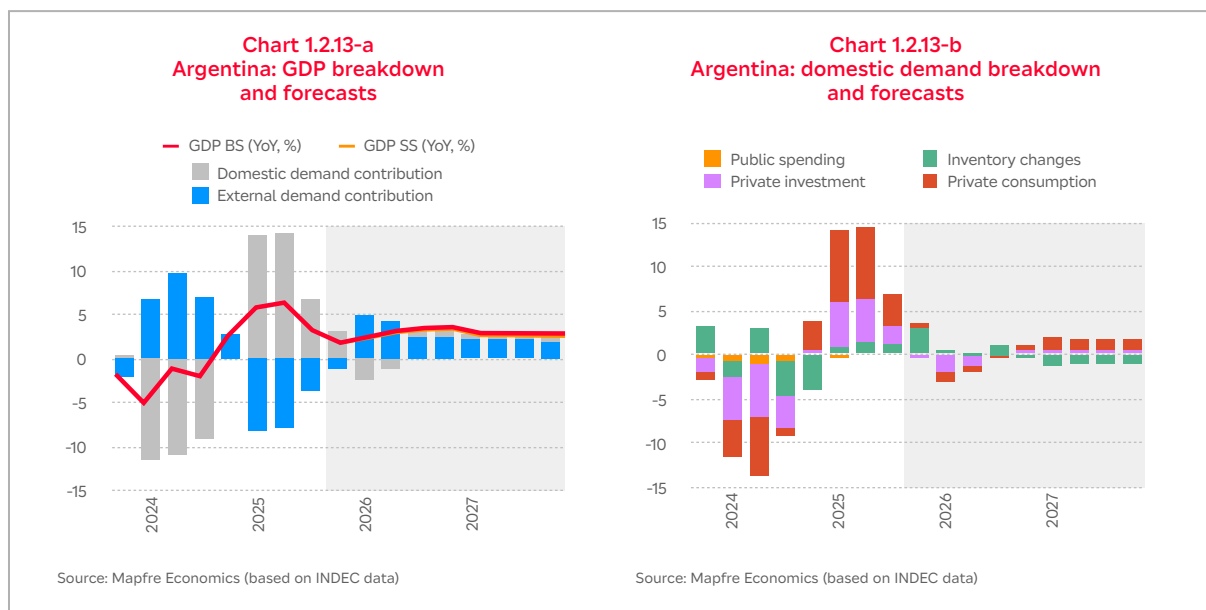
Argentina's economy grew by 3.3% YoY (0.3% QoQ) in the third quarter of 2025. Private consumption increased by 5.3% and public consumption remained moderate with 1.7% growth. Likewise, investment increased by 10.3%, exports rose by 10.2%, and imports were up 23.7%. Regarding forward-looking activity indicators, retail sales rose by 2.7% in

supermarkets and fell by 4.3% in shopping centers. Industrial production contracted by 5.9% in December, while consumer confidence, as measured by the Universidad Torcuato Di Tella, dropped to 45.5 in December. Against this backdrop, the Argentine economy is projected to grow by 3.2% in 2026 and 2.9% in 2027 (see Table 1.2.13 and Charts 1.2.13-a and 1.2.13-b).

Meanwhile, inflation in Argentina appears to have stabilized, standing at 31.5% in December (2.8% MoM). By component, food, transport, and electricity and gas increased 32.2%, 32%, and 41.6%, respectively. The Central Bank of Argentina has set the benchmark interest rate (Leliq) at 29.0% and has kept it at that level since January 2025 to avoid additional pressure on an already vulnerable financial

#### Argentina

- Argentina's economy remained dynamic, growing by 3.3% in the third quarter of 2025.
- Inflation stands at 2.8% MoM and 31.5% YoY.
- The exchange rate remains volatile and continues to depreciate against the dollar and the euro.
- Argentina's economic growth is forecast at 3.2% in 2026 and 2.9% in 2027.



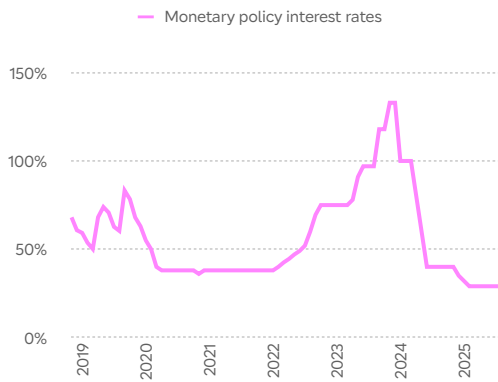
**Table 1.2.13**  
Argentina: main macroeconomic aggregates

	2021	2022	2023	2024	2025 <sup>(e)</sup>	Baseline (BS)		Stressed (SS)	
						2026 <sup>(f)</sup>	2027 <sup>(f)</sup>	2026 <sup>(f)</sup>	2027 <sup>(f)</sup>
GDP (% YoY)	10.4	6.0	-1.9	-1.3	4.3	3.2	2.9	3.0	2.7
Domestic demand contribution	12.8	9.2	0.6	-7.9	9.5	-0.4	0.8	-0.6	0.7
External demand contribution	-2.3	-3.2	-2.5	6.6	-5.2	3.6	2.1	3.5	2.0
Private consumption contribution	6.6	6.5	0.7	-2.1	5.1	-0.4	1.3	-0.5	1.1
Total investment contribution	5.6	2.1	-0.4	-3.6	2.9	-0.6	0.4	-0.7	0.4
Public spending contribution	1.0	0.4	0.3	-0.5	0.1	0.1	0.2	0.1	0.2
Private consumption (% YoY)	9.5	9.5	1.0	-2.9	7.1	-0.5	1.7	-0.7	1.6
Public spending (% YoY)	7.1	2.8	2.1	-3.8	0.6	1.1	1.5	1.1	1.5
Total investment (% YoY)	34.0	10.5	-2.0	-17.2	16.4	-3.2	2.3	-3.5	2.2
Exports (% YoY)	8.5	4.6	-9.5	19.8	5.0	0.5	1.3	0.2	0.8
Imports (% YoY)	18.6	17.5	1.9	-10.2	25.4	-9.6	-4.8	-9.9	-5.3
<b>Unemployment rate (% , last quarter)</b>	7.0	6.3	5.7	6.4	6.5	6.5	6.6	6.5	6.7
<b>Inflation (% YoY, average)</b>	48.4	72.4	133.5	219.9	44.5	29.0	21.0	26.0	20.0
<b>Inflation (% YoY, last quarter)</b>	51.4	91.8	172.8	154.4	30.5	28.7	18.8	26.0	17.7
<b>Fiscal balance (% of GDP)</b>	-3.6	-3.8	-4.4	0.3	0.1	0.0	-0.6	0.0	-0.6
<b>Primary fiscal balance (% of GDP)</b>	-2.1	-2.0	-2.7	1.8	1.2	1.8	1.1	1.8	1.2
<b>Current account balance (% of GDP)</b>	1.4	-0.6	-3.2	0.9	-1.7	0.5	1.3	0.5	1.4
<b>Official interest rate (end of period)</b>	38.00	75.00	100.00	32.00	29.00	20.00	18.00	22.00	20.00
<b>3-month interest rate (end of period)</b>	31.49	67.61	93.72	37.69	61.31	48.35	39.76	48.36	39.79
<b>10-year interest rate (end of period)</b>	18.65	26.69	24.36	10.91	9.93	10.31	10.55	10.22	10.57
<b>Exchange rate vs. USD (end of period)</b>	103	177	808	1,032	1,456	1,996	2,536	2,006	2,535
<b>Exchange rate vs. EUR (end of period)</b>	116	189	893	1,072	1,710	2,317	2,946	2,365	3,023
<b>Private lending (% YoY, average)</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Household lending (% YoY, average)</b>	34.6	60.4	108.6	217.4	151.8	45.7	63.6	45.7	63.8
<b>P.S. non-financial lending (% YoY, average)</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>P.S. financial lending (% YoY, average)</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Savings rate (% pers. disp. income, avg.)</b>	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: January 30, 2026.

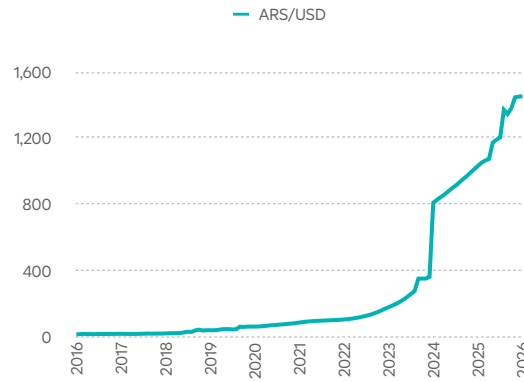
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**Chart 1.2.13-c**  
Argentina: monetary policy interest rates (%)



Source: Mapfre Economics (based on Bloomberg data)

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



Source: Mapfre Economics (based on Bloomberg data)

market, sustain high returns in pesos that retain deposits, and limit dollarization, in a context of high inflation and tight international reserves. In addition, the stability of the benchmark interest rate seeks to reduce exchange rate volatility and provide signs of predictability, while monitoring price developments and changes in monetary aggregates.

Argentina faces high risks stemming from a fragile macroeconomic outlook, with inflation still very high, limited international reserves, and persistent fiscal and external vulnerability. Fiscal consolidation could clash with social and political tensions, making it difficult to implement sustained adjustments. Exchange rate instability and lack of confidence in local financial instruments increase the risk of further episodes of volatility. Thus, declining export prices or a global tightening of financial conditions could exacerbate pressures on exchange rates, inflation, and debt levels.

## 1.2.14 Colombia

### The economy regained momentum in the latter part of 2025.

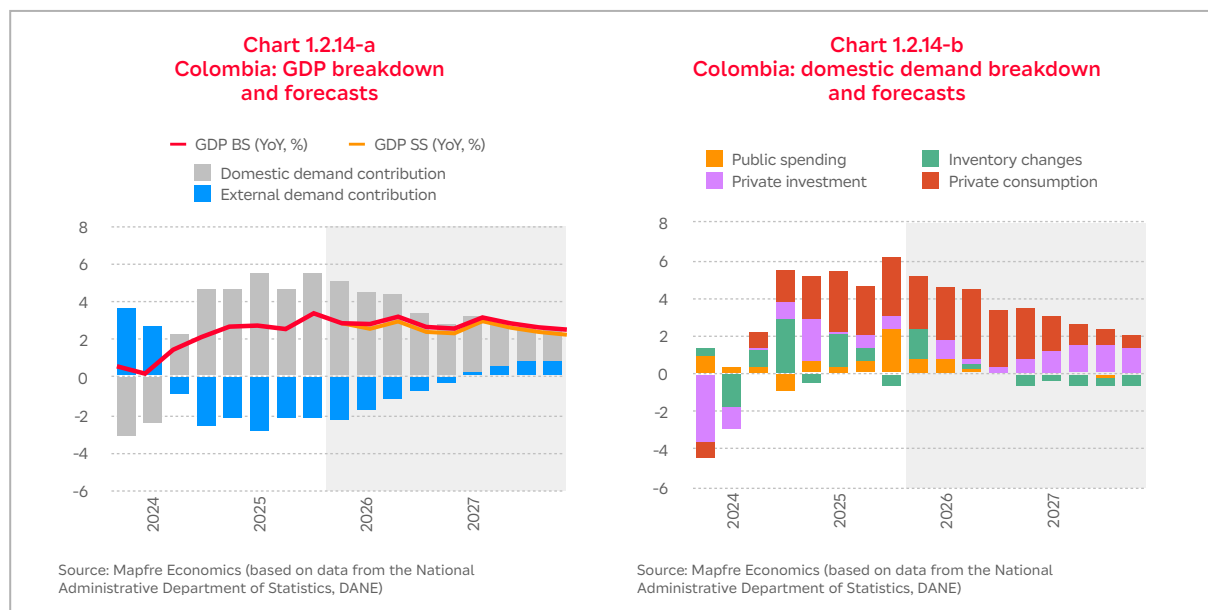
In the third quarter of 2025, Colombia's economy grew by 3.6% YoY (1.2% QoQ). Private consumption increased by 4.2%, while public consumption grew by 14.2%. Investment rose by 4.8%, exports increased by 2.2%, and

imports grew by 10.0%. Regarding forward-looking indicators, the manufacturing PMI stood at 52.6 points in December, reflecting improved prospects. Meanwhile, in October, retail sales grew by 10.0% and industrial production by 1.9%. Based on these developments, Colombia's GDP is projected to grow by around 2.8% in 2026 and 2027 (see Table 1.2.14 and Charts 1.2.14-a and 1.2.14-b).

Inflation reached 5.1% in December, with food, transport, and housing and utilities rising by 5.1%, 5.4%, and 4.7%, respectively. At its final meeting of 2025, the central bank kept its monetary policy rate at 9.25%, as inflation continues to moderate, although it remains above its 3% target, justifying a cautious stance. Economic activity shows a gradual recovery, although there are differences between industries. Thus, the policy interest rate seeks to ensure an orderly convergence

### Colombia

- Inflation remains stable but elevated at 5.1%.
- The manufacturing PMI indicates a likely expansion in economic activity.
- In terms of vulnerabilities, the fiscal deficit (around 7% of GDP) remains significant.
- Colombia's GDP is expected to grow 2.8% in 2026 and 2027.



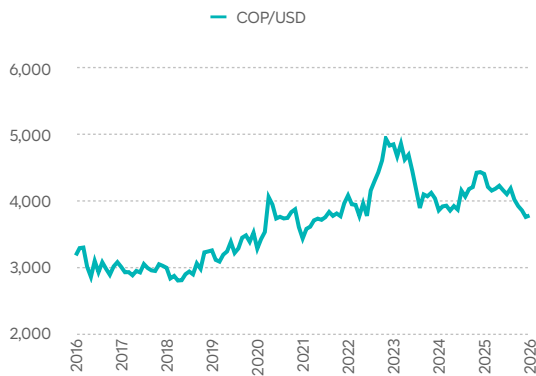
**Table 1.2.14**  
Colombia: main macroeconomic aggregates

	2021	2022	2023	2024	2025(e)	Baseline (BS)		Stressed (SS)	
						2026(f)	2027(f)	2026(f)	2027(f)
GDP (% YoY)	10.8	7.3	0.7	1.6	2.7	2.8	2.8	2.5	2.5
Domestic demand contribution	14.2	11.1	-2.3	2.3	5.2	3.8	2.2	3.6	1.9
External demand contribution	-3.4	-3.8	3.0	-0.7	-2.3	-0.9	0.6	-1.0	0.6
Private consumption contribution	10.5	8.0	0.3	1.2	3.0	3.0	1.1	2.8	1.1
Total investment contribution	3.0	2.2	-2.5	0.5	0.3	0.6	1.4	0.6	1.4
Public spending contribution	1.7	0.2	0.3	0.1	1.0	0.2	-0.1	0.2	-0.1
Private consumption (% YoY)	14.7	10.8	0.4	1.6	3.9	4.8	0.9	4.7	0.9
Public spending (% YoY)	9.8	1.0	1.6	0.7	6.5	1.4	-0.7	1.9	-0.3
Total investment (% YoY)	16.7	11.5	-12.7	3.2	2.0	3.7	8.2	3.7	8.2
Exports (% YoY)	14.6	12.5	3.1	2.5	1.0	0.2	1.1	-0.5	0.6
Imports (% YoY)	26.7	24.0	-9.9	4.4	10.2	3.6	-2.0	3.5	-2.0
Unemployment rate (% , last quarter)	12.5	10.7	10.3	9.6	8.8	8.5	9.0	8.6	9.0
Inflation (% YoY, average)	3.5	10.2	11.7	6.6	5.1	4.3	3.9	4.5	4.1
Inflation (% YoY, last quarter)	5.2	12.6	10.0	5.3	5.3	4.7	3.3	5.0	3.4
Fiscal balance (% of GDP)	-7.0	-5.3	-4.2	-6.7	-6.2	-7.1	-4.7	-7.1	-4.6
Primary fiscal balance (% of GDP)	-4.0	-1.0	-0.3	-2.4	-2.5	-2.3	-0.2	-2.2	-0.1
Current account balance (% of GDP)	-5.6	-6.0	-2.3	-1.6	-2.4	-3.0	-3.1	-3.1	-3.2
Official interest rate (end of period)	3.00	12.00	13.00	9.50	9.25	8.75	8.25	9.00	8.50
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)	3,981	4,810	3,822	4,409	3,757	4,207	4,445	4,215	4,421
Exchange rate vs. EUR (end of period)	4,509	5,131	4,223	4,581	4,415	4,885	5,164	4,968	5,272
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)	82.1	5.0	-32.9	14.2	32.6	26.1	18.1	26.1	18.3
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: January 30, 2026.

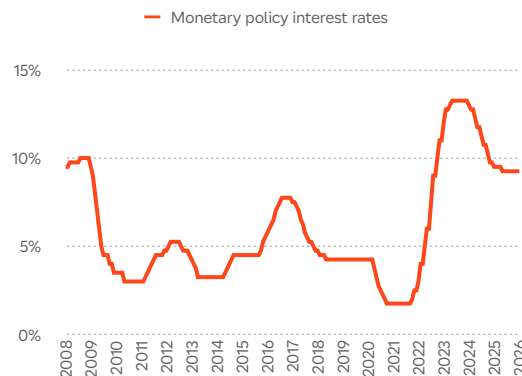
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**Chart 1.2.14-c**  
Colombia: exchange rate  
(COP/USD)



Source: Mapfre Economics (based on Bloomberg data)

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



Source: Mapfre Economics (based on Bloomberg data)

of inflation toward the medium-term target without compromising economic recovery. However, persistent external uncertainty, including commodity price volatility and global risks, increases caution regarding the future path of inflation and activity.

In terms of risks, Colombia faces vulnerabilities stemming from a still-elevated fiscal deficit (estimated at around 6% of GDP in 2025) and a debt trajectory that, although stabilizing, remains sensitive to external shocks. Limited progress in fiscal consolidation increases the country's exposure to episodes of financial volatility, especially in a context of tighter and more selective global conditions. The slowdown in potential growth and weak private investment also restrict the capacity to generate future revenues, raising the risk of pressure on public financing. This is compounded by the possibility of lower oil and coal prices, which could deteriorate both external and fiscal revenues. Taken together, these factors have kept sovereign spreads wide and may amplify market reactions to adverse developments.

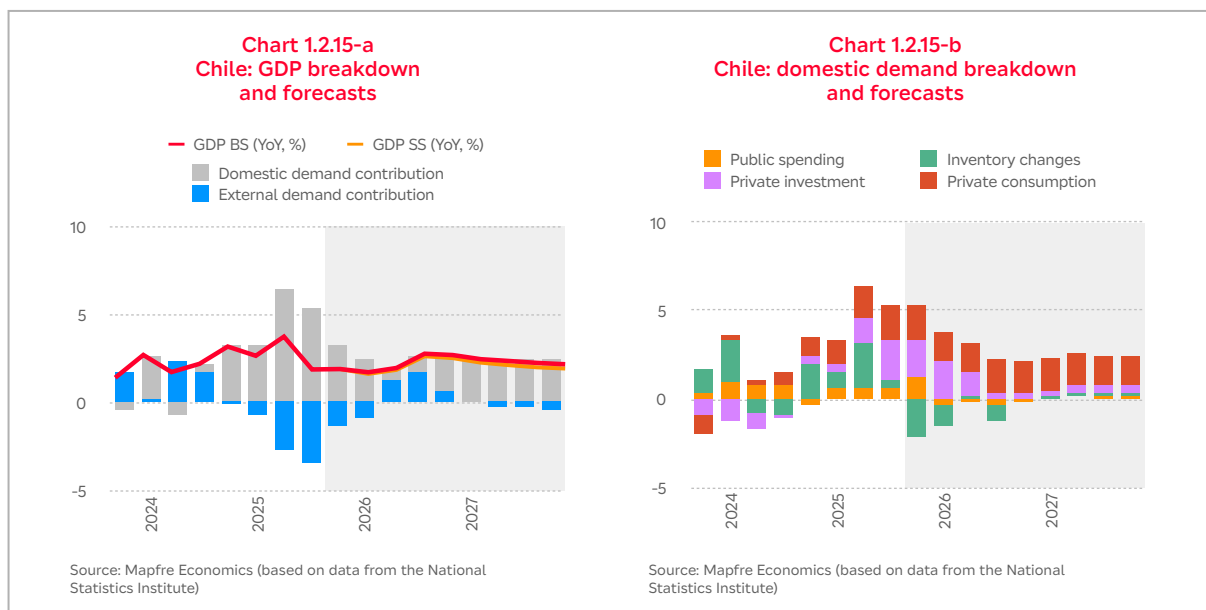
### 1.2.15 Chile

**Growth supported by strong investment, although mining exports are contracting.**

The Chilean economy grew by 1.6% YoY (-0.1% QoQ) in the third quarter of 2025, affected by mining (down 4.6% YoY) and electricity, gas, and water (down 4.5%). Domestic demand was the main driver (+5.8%), with private consumption growing by 2.9%, public consumption by 1.8%, and investment by 16.1%. However, exports remained flat (0.0%) due to a contraction in copper shipments, while imports rose by 12.8%. Regarding forward-looking indicators of economic activity, Chile shows mixed but generally positive signs. Retail sales have regained momentum, with annual growth of around 3%, while industrial production is increasing by around 2%, supported by stronger manufacturing activity.

#### Chile

- The Chilean economy grew 1.6% in the third quarter of 2025.
- Inflation stood at 3.4% YoY in October.
- Interest rates remain at 4.75%.
- The Chilean economy is expected to grow by around 2.3% in 2026 and 2027.



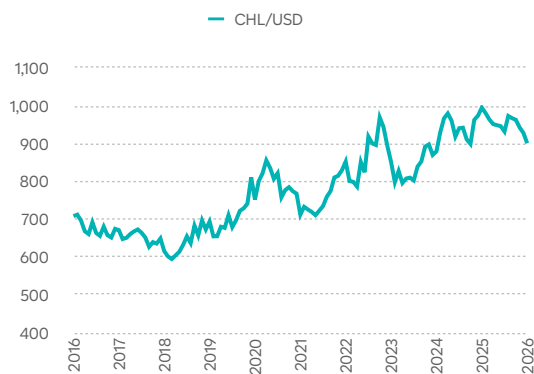
**Table 1.2.15**  
Chile: main macroeconomic aggregates

	2021	2022	2023	2024	2025 <sup>(e)</sup>	Baseline (BS)		Stressed (SS)	
						2026 <sup>(f)</sup>	2027 <sup>(f)</sup>	2026 <sup>(f)</sup>	2027 <sup>(f)</sup>
GDP (% YoY)	11.5	2.2	0.6	2.4	2.3	2.3	2.3	2.1	2.1
Domestic demand contribution	20.5	2.6	-2.8	1.4	4.5	1.5	2.4	1.3	2.3
External demand contribution	-8.9	-0.4	3.5	1.1	-2.0	0.7	-0.2	0.8	-0.2
Private consumption contribution	12.9	1.0	-3.2	0.6	1.8	1.8	1.7	1.6	1.6
Total investment contribution	3.6	1.1	0.1	-0.4	1.6	1.0	0.4	0.9	0.4
Public spending contribution	2.0	1.0	0.4	0.5	0.7	-0.2	0.1	-0.2	0.1
Private consumption (% YoY)	21.0	1.6	-4.8	0.9	2.9	2.9	2.8	2.7	2.6
Public spending (% YoY)	13.0	6.7	2.4	3.2	4.5	-1.4	0.8	-1.4	0.8
Total investment (% YoY)	15.9	4.9	0.3	-1.8	6.8	4.0	1.6	3.8	1.5
Exports (% YoY)	-1.3	0.9	0.4	6.3	3.3	-1.3	1.1	-1.4	0.5
Imports (% YoY)	31.6	1.9	-10.6	1.9	10.3	-3.4	1.8	-3.7	1.3
Unemployment rate (% , last quarter)	7.6	8.3	8.9	8.5	8.3	8.1	7.7	8.1	7.8
Inflation (% YoY, average)	4.5	11.6	7.3	3.9	4.2	3.0	2.9	3.2	3.1
Inflation (% YoY, last quarter)	6.6	13.0	4.0	4.5	3.4	3.1	2.9	3.4	3.1
Fiscal balance (% of GDP)	-7.7	1.1	-2.4	-2.8	-2.4	-1.0	-1.6	-0.9	-1.5
Primary fiscal balance (% of GDP)	-6.9	2.1	-1.3	-1.6	-1.1	0.4	-0.3	0.5	-0.2
Current account balance (% of GDP)	-7.3	-8.8	-3.1	-1.5	-1.8	-1.2	0.2	-1.3	0.2
Official interest rate (end of period)	4.00	11.25	8.25	5.00	4.50	4.25	4.25	4.50	4.50
3-month interest rate (end of period)	4.04	9.54	7.99	4.93	4.50	4.00	4.00	4.05	3.87
10-year interest rate (end of period)	5.65	5.32	5.30	5.95	5.41	5.38	5.37	5.30	5.31
Exchange rate vs. USD (end of period)	850	860	885	992	911	935	954	933	950
Exchange rate vs. EUR (end of period)	963	917	977	1,031	1,071	1,086	1,109	1,099	1,132
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)	6.3	13.2	9.1	5.7	5.0	6.4	10.0	6.3	10.1
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.)	7.7	-0.9	8.3	9.3	8.5	9.1	10.6	9.0	10.4

Source: Mapfre Economics (based on data from the National Statistics Institute)  
Forecast end date: January 30, 2026.

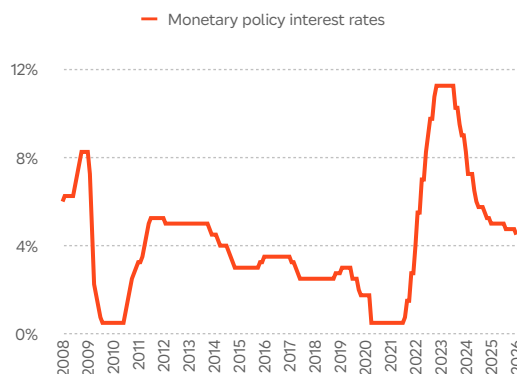
[Click here to access the interactive version of this information](#)

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



Source: Mapfre Economics (based on Bloomberg data)

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



Source: Mapfre Economics (based on Bloomberg data)

The Monthly Index of Economic Activity, one of the main leading indicators, recorded year-over-year growth of more than 2% in its latest reading, confirming a gradual recovery. While consumer confidence remains low, it has shown sustained improvement in recent years, reflecting a less pessimistic view of the economic environment. In this context, Chile's economic growth is projected at around 2.3% in both 2026 and 2027 (see Table 1.2.15 and Charts 1.2.15-a and 1.2.15-b).

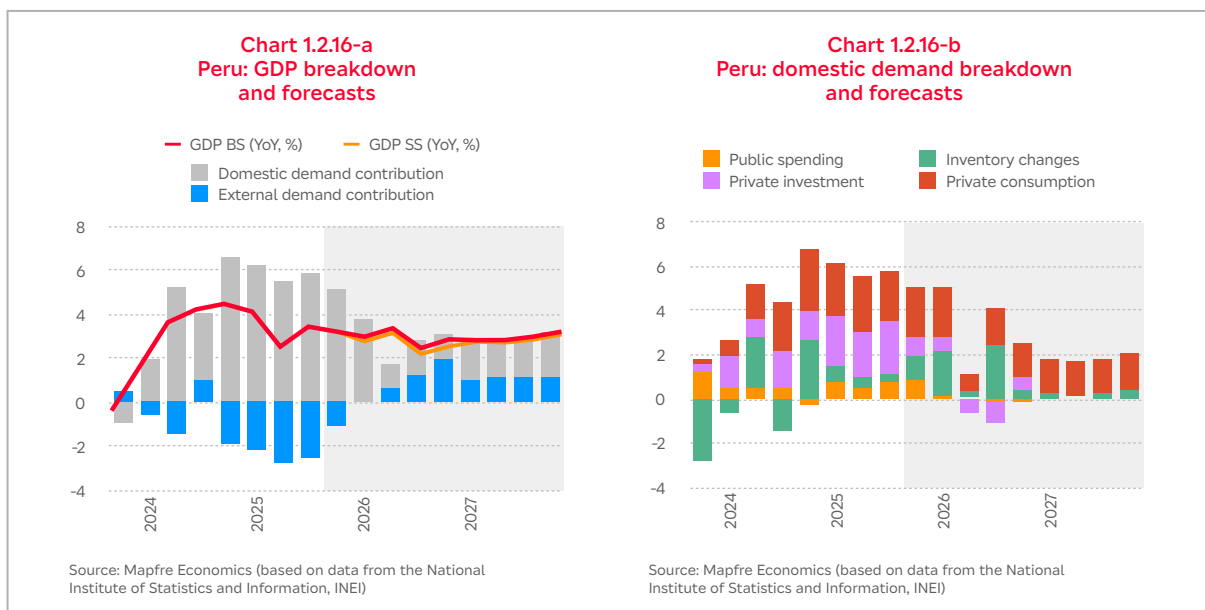
Meanwhile, inflation in Chile stood at 3.5% YoY in December. The largest increases came from higher housing and electricity prices, as well as food and non-alcoholic beverages, while categories such as clothing and footwear recorded declines. At its most recent monetary policy meeting, the central bank cut the policy interest rate by 25 basis points to 4.50%. The decision reflects the fact that the external environment, marked by moderate international recovery and adjustments in major economies, and the recent inflation trend, which still requires vigilance, do not justify further cuts at this time. The central bank emphasizes that future decisions will depend on the evolution of core inflation, the performance of domestic economic activity, and global conditions, maintaining its commitment to bring inflation down to its 3% target.

The Chilean economy faces several significant macroeconomic risks. Moderate potential growth limits the country's ability to improve welfare and meet fiscal and social needs. Externally, a potential global slowdown, lower demand for raw materials, and fluctuations in copper and lithium prices could affect exports and reduce revenues. These factors could also increase pressure on fiscal consolidation, which becomes more difficult to sustain in a context of volatile revenues and rising social demands.

## 1.2.16 Peru

### The economy is growing solidly thanks to investment and exports

In the third quarter of 2025, Peru's economy grew by 3.4%, a high rate compared with other Latin American countries. Private consumption increased by 3.2%, while public consumption grew by 4.7%. Moreover, investment increased by 12.9%, while exports grew by 1.2% and imports by 11.6%. Regarding forward-looking indicators of economic activity, economic sentiment surveys show a current conditions index of 58 (>50 indicating a positive situation) and three-month expectations at 55.3. In light of the above factors, Peru's GDP is expected to grow by 2.9% in 2026 and 3.0% in 2027 (see Table 1.2.16 and Charts 1.2.16-a and 1.2.16-b).



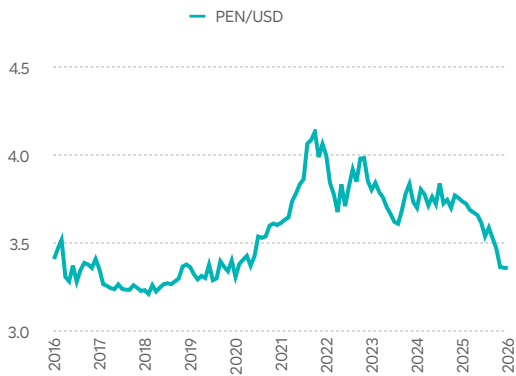
**Table 1.2.16**  
Peru: main macroeconomic aggregates

	2021	2022	2023	2024	2025 <sup>(e)</sup>	Baseline (BS)		Stressed (SS)	
						2026 <sup>(f)</sup>	2027 <sup>(f)</sup>	2026 <sup>(f)</sup>	2027 <sup>(f)</sup>
GDP (% YoY)	13.5	2.8	-0.3	3.5	3.2	2.9	3.0	2.7	2.8
Domestic demand contribution	14.8	2.4	-1.2	4.2	5.7	1.8	1.8	1.7	1.7
External demand contribution	-0.7	0.4	0.7	-0.7	-2.1	1.0	1.1	1.0	1.1
Private consumption contribution	8.2	2.3	0.0	1.8	2.4	1.6	1.6	1.6	1.6
Total investment contribution	7.9	0.2	-1.3	1.3	1.9	-0.1	0.0	-0.1	-0.1
Public spending contribution	0.8	0.0	0.6	0.3	0.7	0.0	0.0	0.0	0.0
Private consumption (% YoY)	12.4	3.6	0.0	2.7	3.7	2.2	2.4	2.2	2.3
Public spending (% YoY)	5.4	-0.1	4.7	2.3	4.8	0.0	0.0	0.0	0.0
Total investment (% YoY)	36.7	0.9	-5.0	5.4	7.7	-4.2	0.0	-4.3	-0.3
Exports (% YoY)	13.2	5.7	4.1	5.8	3.8	-1.6	2.5	-1.6	1.9
Imports (% YoY)	15.0	3.6	1.2	8.3	11.1	-1.1	-1.7	-1.2	-2.0
Unemployment rate (% , last quarter)	7.9	7.1	6.4	5.5	6.0	6.1	6.2	6.2	6.3
Inflation (% YoY, average)	4.0	7.9	6.3	2.4	1.5	2.1	2.4	2.3	2.6
Inflation (% YoY, last quarter)	6.0	8.4	3.7	2.1	1.4	2.5	2.4	2.8	2.5
Fiscal balance (% of GDP)	-2.5	-1.7	-2.7	-3.5	-2.3	-1.9	-1.6	-1.8	-1.4
Primary fiscal balance (% of GDP)	-1.0	-0.1	-1.1	-1.8	-0.5	-0.1	0.3	0.0	0.5
Current account balance (% of GDP)	-2.2	-4.0	0.3	2.2	2.2	1.6	-0.2	1.5	-0.4
Official interest rate (end of period)	2.50	7.50	6.75	5.00	4.25	4.00	4.00	4.25	4.25
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)	4.02	3.89	3.78	3.76	3.38	3.52	3.59	3.54	3.58
Exchange rate vs. EUR (end of period)	4.56	4.15	4.18	3.90	3.98	4.09	4.17	4.17	4.27
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)	1.3	14.9	9.9	2.1	4.9	10.0	8.0	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: January 30, 2026.

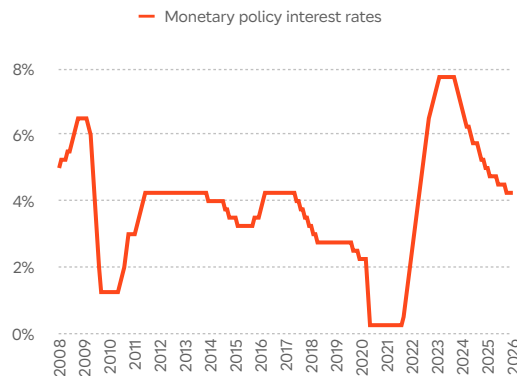
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**Chart 1.2.16-c**  
Peru: exchange rate  
(PEN/USD)



Source: Mapfre Economics (based on Bloomberg data)

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



Source: Mapfre Economics (based on Bloomberg data)

The Central Reserve Bank of Peru maintained its benchmark interest rate at 4.25% in January. This decision is based on recent headline inflation figures showing a monthly rate of 0.24% in December and an annual rate of 1.5%. In addition, economic activity is close to its potential level, which gives the central bank a neutral stance on monetary policy. The bank also indicated that future adjustments will depend on the evolution of inflation and its determinants. It will also be monitoring economic activity, credit, and other indicators of domestic demand to assess whether monetary policy should be tightened or relaxed.

Peru's economy faces significant risks associated with persistent political uncertainty, lower private investment, and volatile mineral prices, factors that could strain fiscal accounts and delay strategic projects. External factors,

such as slower growth among its main trading partners and a prolonged tightening of international financial conditions, could limit access to capital and raise financing costs. However, the Peruvian economy remains remarkably resilient, supported by moderate public debt, high international reserves, and a robust financial system capable of absorbing shocks and preserving macroeconomic stability.

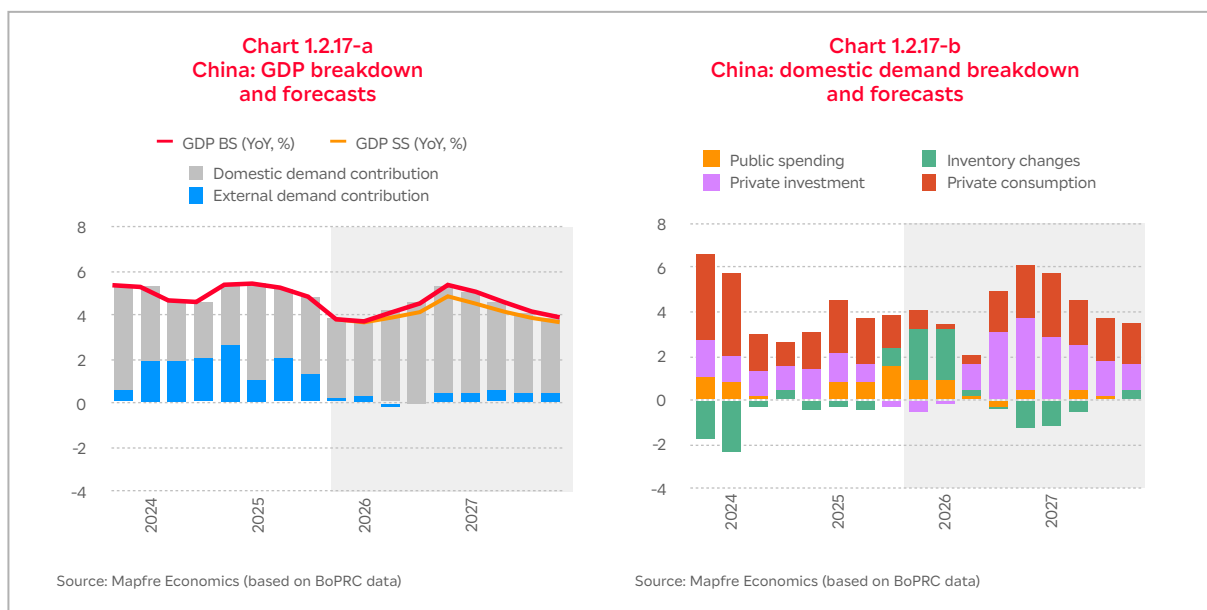
## 1.2.17 China

### Industrial production shows signs of moderation.

In the fourth quarter of 2025, China's economy grew by 4.5% YoY (1.2% QoQ). Private consumption is estimated to have increased by 3.4% in the quarter, public consumption by 9.5%, while investment declined by 0.7%. Meanwhile, exports grew by 9.2%, while imports increased by 6.7%. The manufacturing PMI stood at 50.1 points in December, the composite at 51.3, and services reached 52.0. Retail sales increased by 0.9% in December, although excluding vehicles, they grew by 1.7%, while industrial production rose by 5.2%. In this context, the Chinese economy is expected to remain dynamic and grow by 4.5% in 2026 and 4.4% in 2027 (see Table 1.2.17 and Charts 1.2.17-a and 1.2.17-b).

### Peru

- Peruvian GDP grew 3.4% during the third quarter of 2025.
- Inflation stood at 1.5%, remaining within the central bank's target.
- Investment is rebounding strongly, stimulating economic activity.
- Peru's GDP is expected to grow by 2.9% in 2026 and 3.0% in 2027.



**Table 1.2.17**  
China: main macroeconomic aggregates

	2021	2022	2023	2024	2025 <sup>(e)</sup>	Baseline (BS)		Stressed (SS)	
						2026 <sup>(f)</sup>	2027 <sup>(f)</sup>	2026 <sup>(f)</sup>	2027 <sup>(f)</sup>
GDP (% YoY)	8.6	3.1	5.4	5.0	5.0	4.5	4.4	4.2	4.1
Domestic demand contribution	6.4	2.4	5.7	2.8	3.6	4.3	3.9	4.3	3.7
External demand contribution	2.2	0.7	-0.3	2.2	1.4	0.2	0.5	-0.1	0.4
Private consumption contribution	5.0	0.6	3.8	2.0	1.6	1.3	2.1	1.3	2.0
Total investment contribution	1.0	1.3	1.7	1.2	0.3	2.0	1.9	1.9	1.6
Public spending contribution	0.2	0.9	1.0	0.2	1.0	0.3	0.2	0.3	0.2
Private consumption (% YoY)	13.0	1.5	9.6	4.9	3.9	3.1	5.4	3.1	5.2
Public spending (% YoY)	1.3	5.7	5.8	1.4	6.1	1.8	1.1	6.9	1.1
Total investment (% YoY)	2.5	3.3	4.4	3.0	0.8	5.4	5.1	5.9	4.2
Exports (% YoY)	18.9	-0.5	2.3	13.7	8.0	3.8	4.1	3.0	3.4
Imports (% YoY)	7.8	-5.2	5.0	2.8	3.2	4.3	2.5	5.9	2.2
Unemployment rate (% , last quarter)	3.2	3.5	3.4	3.3	3.5	3.3	3.5	3.2	3.5
Inflation (% YoY, average)	0.9	2.0	0.2	0.2	0.1	0.8	1.1	0.9	1.2
Inflation (% YoY, last quarter)	1.8	1.8	-0.3	0.2	0.3	1.2	1.2	1.4	1.2
Fiscal balance (% of GDP)	-5.1	-7.3	-6.8	-7.7	-9.5	-11.0	-10.5	-11.6	-11.3
Primary fiscal balance (% of GDP)	-4.2	-6.3	-5.9	-6.8	-8.5	-9.9	-9.3	-10.5	-10.0
Current account balance (% of GDP)	1.9	2.4	1.4	2.3	3.3	2.6	2.6	2.1	2.0
Official interest rate (end of period)	2.25	2.00	1.75	1.50	1.40	1.30	1.30	1.40	1.40
3-month interest rate (end of period)	2.50	2.42	2.53	1.69	1.60	1.47	1.47	1.80	1.61
10-year interest rate (end of period)	2.78	2.84	2.56	1.68	1.85	1.91	1.91	1.97	2.04
Exchange rate vs. USD (end of period)	6.35	6.90	7.10	7.30	6.99	6.91	6.90	6.90	6.89
Exchange rate vs. EUR (end of period)	7.19	7.36	7.84	7.58	8.22	8.02	8.01	8.14	8.21
Private lending (% YoY, average)	12.3	11.1	11.4	8.1	6.4	3.7	6.4	3.9	6.3
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.)	29.6	32.2	29.4	29.5	30.0	30.9	29.6	30.9	29.6

Source: Mapfre Economics (based on BoPRC data)  
Forecast end date: January 30, 2026.

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## China

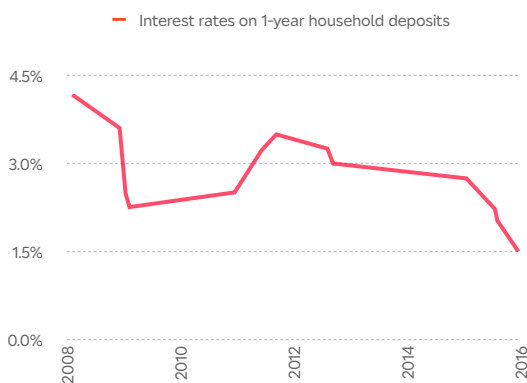
- Tariffs imposed by the United States have stabilized pending China's fulfillment of its commitments.
- Industrial production growth is beginning to show the first signs of moderation (4.9%), but from a high starting point (6.4%).
- The manufacturing PMI has marginally entered contraction territory.
- The economic growth forecast for China stands at 4.5% for 2026 and 4.4% for 2027.

In December, inflation stood at 0.8%, with core inflation at 1.2%. Inflation remains very close to zero, a symptom of the quasi-deflationary conditions that have persisted since 2023 and continue to cast doubt on the strength of domestic demand. Monetary policy in China is primarily managed through banks' required reserve ratios, which stand at 9.00%. The central bank has kept them unchanged since the May 2025 meeting. In terms of policy rates comparable to those seen in the West, the deposit rate stands at 1.50% and the seven-day repo rate at 1.49%. 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.

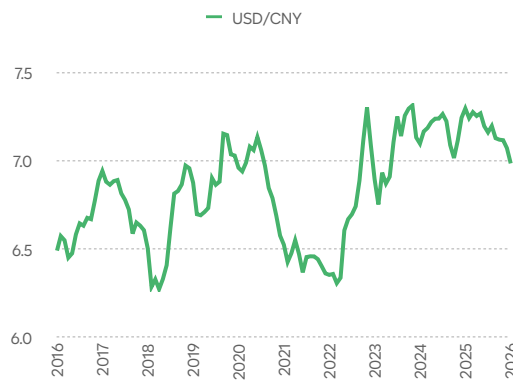
China's economy has shown remarkable resilience, despite the prolonged fragility of the real estate market. The government has stepped up support measures to contain problems in the real estate sector and prevent them from spreading to the financial system. The short-term priority is to achieve a more orderly and less costly adjustment in the real estate sector, while providing sufficient macroeconomic support to offset cyclical weakness and downside risks. There is also a crucial need to make progress in reducing excessive debt, prevent further accumulation of vulnerabilities, and rebalance the growth pattern toward domestic consumption, thereby reducing dependence on exports. Regarding the tariff front with the United States, the two sides appear to have agreed not to further escalate the trade war for the time being, pending compliance with existing commitments, although previously imposed tariffs remain in place. Their impact is starting to be felt in industrial production, which has shown signs of cooling in recent output data and manufacturing PMI readings, confirming a loss of momentum.

**Chart 1.2.17-c**  
China: household deposit interest rates



Source: Mapfre Economics (based on Bloomberg data)

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



Source: Mapfre Economics (based on Bloomberg data)

### 1.2.18 Indonesia

#### Strong growth with stable inflation.

Indonesia's economy grew by 5.0% YoY (1.4% QoQ) in the third quarter of 2025. Strength is evident across all components of aggregate demand. Private consumption increased by 4.9%, while public consumption grew by 5.5%. Investment is robust, up 5.0%, while exports grew by 9.9% and imports by 1.1%. These figures suggest that the year will close with stronger growth than previously anticipated.

Regarding purchasing managers' indices, the manufacturing PMI stood at 52.1 points in December, a significant improvement from the weak readings recorded in April, May, and June. Likewise, retail sales, a barometer of consumer activity, grew by 4.4% in December. Consequently, Indonesia's GDP is expected to remain dynamic and grow at around 5.1% in 2026 and 2027 (see Table 1.2.18 and Charts 1.2.18-c and 1.2.18-d).

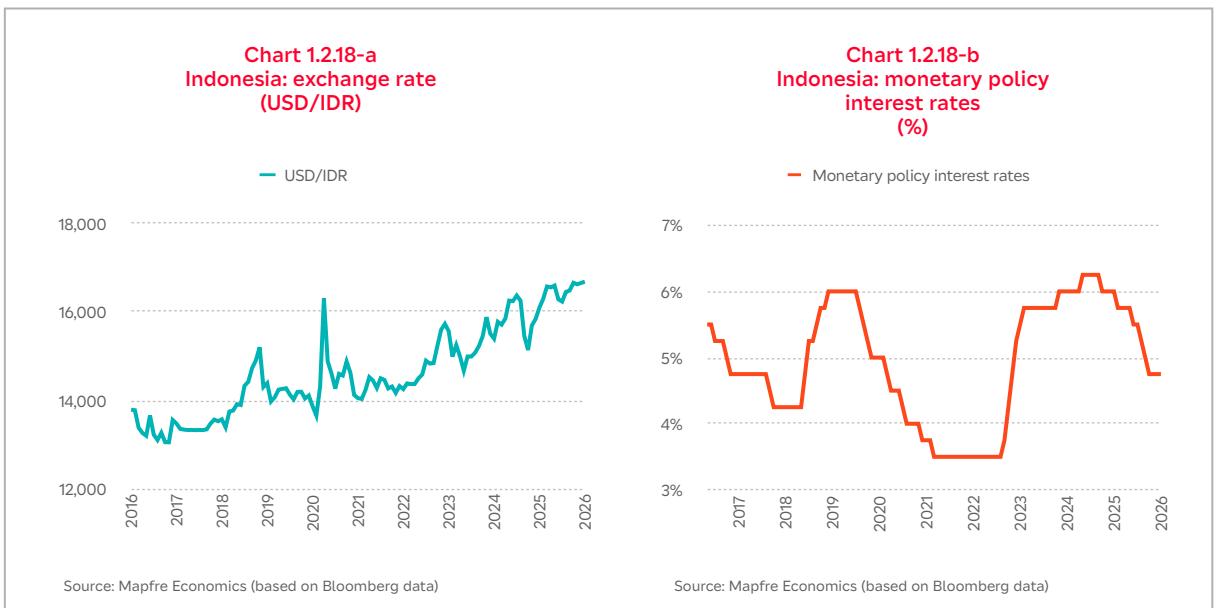
Meanwhile, inflation rose slightly again to 2.9% in December (0.6% MoM), with core inflation standing at 2.4%. The Central Bank of Indonesia kept interest rates unchanged at its December meeting (7-day reverse repo) at 4.75%. The decision is consistent with the low inflation projected for 2025 and 2026, which remains within the target band of 3.0±1%. Maintaining the rupiah exchange rate is also

**Indonesia**

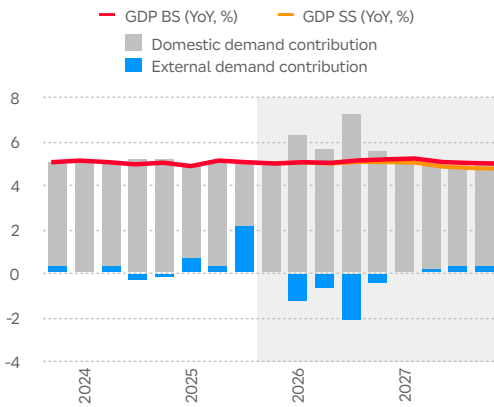
- The Indonesian economy remained dynamic, growing by 5.0% in the third quarter of 2025.
- Inflation (at 2.7%) has rebounded from 0% in February 2025.
- Exports remain strong, growing to 9.9%.
- Indonesia is expected to see economic growth of 5.1% in 2026 and 2027.

aligned with economic fundamentals, helping to keep inflation within the target range while supporting economic growth.

Indonesia's economic momentum remains strong, at around 5% per year, and projections indicate that this strength will continue in 2026–2027. Inflation is contained and the financial system shows remarkable capacity to absorb shocks. The government continues to promote a long-term development strategy to position the country among high-income economies by 2045, relying on increased public spending, institutional modernization, and an industrial policy designed to increase domestic value added. This strategy is complemented by a growing emphasis on energy transition and the development of value chains linked to critical minerals. Although the risks are considered

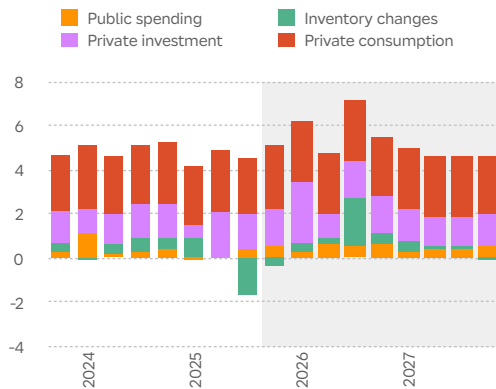


**Chart 1.218-c**  
Indonesia: GDP breakdown  
and forecasts



Source: Mapfre Economics (based on BPS data)

**Chart 1.218-d**  
Indonesia: domestic demand breakdown  
and forecasts



Source: Mapfre Economics (based on BPS data)

**Table 1.218**  
Indonesia: main macroeconomic aggregates

	2021	2022	2023	2024	2025(e)	Baseline (BS)		Stressed (SS)	
						2026(r)	2027(r)	2026(r)	2027(r)
GDP (% YoY)	3.7	5.3	5.0	5.0	5.0	5.1	5.1	5.0	4.8
Domestic demand contribution	4.1	4.6	4.4	5.0	4.2	6.2	4.7	6.1	4.5
External demand contribution	-0.4	0.8	0.7	0.0	0.8	-1.1	0.3	-1.1	0.2
Private consumption contribution	1.1	2.7	2.7	2.8	2.7	2.8	2.8	2.7	2.6
Total investment contribution	1.2	1.2	1.2	1.4	1.5	1.8	1.4	1.8	1.3
Public spending contribution	0.3	-0.4	0.2	0.5	0.2	0.5	0.4	0.5	0.4
Private consumption (% YoY)	2.0	5.0	4.9	5.1	5.1	5.1	5.1	5.1	4.9
Public spending (% YoY)	4.3	-4.4	3.0	6.6	2.7	7.1	5.6	7.2	5.8
Total investment (% YoY)	3.8	3.9	3.8	4.6	4.9	5.8	4.5	5.7	4.2
Exports (% YoY)	18.0	16.2	1.3	6.5	7.4	1.0	3.4	0.8	2.9
Imports (% YoY)	24.9	15.0	-1.6	7.9	4.7	6.6	2.7	6.4	2.1
Unemployment rate (% , last quarter)	6.2	5.7	5.1	4.8	4.9	4.9	4.8	4.9	4.9
Inflation (% YoY, average)	1.6	4.1	3.7	2.3	1.9	2.8	2.7	3.0	3.0
Inflation (% YoY, last quarter)	1.8	5.5	2.8	1.6	2.8	2.4	2.6	2.8	2.9
Fiscal balance (% of GDP)	-4.6	-2.4	-1.7	-2.3	-2.8	-2.9	-2.7	-2.8	-2.7
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)	0.3	1.0	-0.1	-0.6	0.0	-0.7	-0.6	-0.9	-0.9
Official interest rate (end of period)	3.50	5.50	6.00	6.00	4.75	4.25	4.25	4.50	4.50
3-month interest rate (end of period)	3.75	6.62	6.95	6.92	5.46	5.15	5.15	5.34	5.29
10-year interest rate (end of period)	6.38	6.93	6.49	7.03	6.12	6.18	6.14	6.16	6.23
Exchange rate vs. USD (end of period)	14,253	15,568	15,389	16,267	16,694	16,600	16,519	16,654	16,497
Exchange rate vs. EUR (end of period)	16,143	16,605	17,005	16,900	19,615	19,273	19,191	19,626	19,673
Private lending (% YoY, average)	1.0	9.6	9.2	10.8	7.5	7.9	9.6	8.0	9.6
Household lending (% YoY, average)	2.2	7.8	9.1	10.4	7.7	4.6	5.0	4.5	4.9
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)	-12.6	15.3	29.8	17.7	6.6	7.3	7.1	7.2	7.0
Savings rate (% pers. disp. income, avg.)	25.7	29.2	27.4	26.1	25.8	23.8	23.2	23.8	23.1

Source: Mapfre Economics (based on BPS data)  
Forecast end date: January 30, 2026.

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relatively balanced, there are still factors to watch out for, such as possible instability in raw material markets due to geopolitical tensions and a potential slowdown among Indonesia's key trading partners.



## 2. Industry outlook

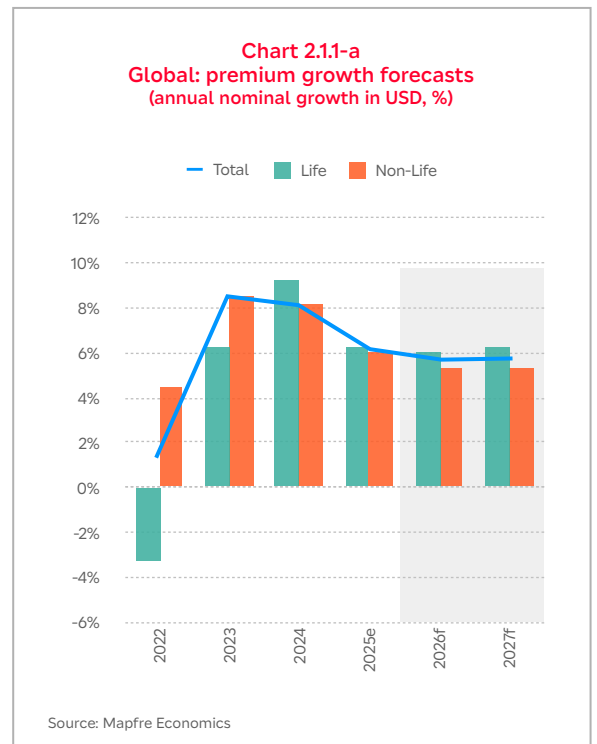
### 2.1 The economic environment and its impact on insurance demand

#### 2.1.1 Global markets

The global economic outlook for the 2025–2027 period points to moderate growth, accompanied by gradual disinflation and long-term interest rates that, although stabilizing, remain higher than those observed during the previous decade. In 2025, the global economy is estimated to have recorded real GDP growth of 3.2% and inflation of around 3.3%, implying nominal economic growth of close to 6.5%, which is expected to show a slightly downward trend toward 2026 and 2027. This macroeconomic pattern is relevant because it serves as an approximate guide for the growth of insurance demand, especially in the Non-Life segment, where exposure is strongly correlated with nominal economic growth and price dynamics.

In this global environment, the Non-Life insurance segment is expected to experience positive nominal growth, but with less dependence on inflation than in recent years. The normalization of price growth reduces pressure on technical premiums, particularly in cost-sensitive lines (Motors, Home, and Health), while the exposure component, linked to economic activity, investment, and employment, continues to support demand. Thus, nominal demand growth is expected to remain slightly above nominal GDP growth, supported by a more favorable financial environment, which will improve the profitability of insurance companies' investment portfolios and help absorb part of the rate increases seen in previous years. Overall, the outlook points toward stable growth in insurance premiums, but at a rate that is moderately lower than the intense growth rates observed in 2023–2024.

The impact is even more favorable for the Life insurance segment. The stabilization of 10-year sovereign yields, at around 4.2% in the United States and 3.3% in the Eurozone, continues to provide essential support for long-term savings products, increasing the returns on new investments and strengthening financial margins. In addition, disinflation improves perceptions of real returns, increasing the appeal of these products for households seeking protection and long-term savings accumulation in a less uncertain environment. Improved purchasing power and normalized consumer confidence could also help stabilize demand for Life Protection and hybrid Life products. All of this suggests a nominal growth rate in the Life segment that, although more balanced than in 2024, remains firmly in the range of around 6% annually.



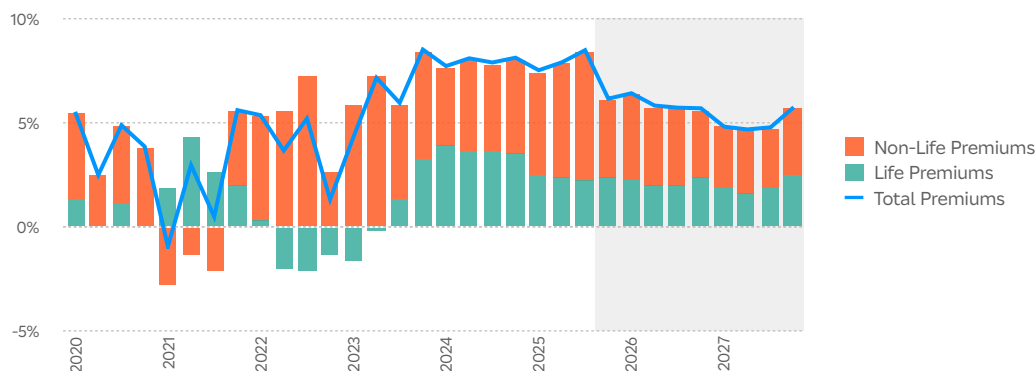
In summary, the global context in 2026–2027 is expected to support moderate, sustainable, and less volatile growth in insurance demand, with the Non-Life segment supported by robust exposure and the Life segment benefiting from the interest rate and disinflation scenario, consolidating an expansion pattern consistent with the historical performance of the sector. Chart 2.1.1-a shows the recent evolution of nominal premium growth globally, as well as forecasts for the coming years.<sup>3</sup> After a challenging year in 2022, with a 3.3% decline in Life premiums and moderate growth of 4.4% in Non-Life premiums, the insurance market began a significant recovery in 2023. That year, Life premiums rebounded strongly to 6.2%, while Non-Life premiums grew by 8.5%, reflecting strong demand and the gradual normalization of global economic activity. The recovery gained further momentum in 2024, when the Life insurance segment achieved 9.2% growth and the Non-Life segment grew by 8.2%. This synchronized behavior suggests that, despite persistent macroeconomic uncertainties, the industry's fundamentals remained solid and benefited from price adjustments, resilient consumption, and more dynamic investment.

For 2025, growth is expected to moderate slightly by year-end, although the overall tone remains positive. Life premium growth is expected to reach 6.21%, while Non-Life

premiums are projected to grow 6.04%. These figures reflect more stable financial conditions and lower inflation, factors that help sustain both insurance activity and demand for protection and savings products. Forecasts for 2026 maintain this balanced trajectory. According to our projections, Life premium growth would reach 6.05%, while Non-Life premiums would grow 5.37%, still pointing to positive real growth in an environment of moderate inflation. By 2027, Life premiums are projected to grow 6.23%, while Non-Life premiums would expand 5.34%, consolidating a rate of expansion that remains consistently above 5% in both segments. Overall, this growth pattern suggests that the global insurance market will continue to expand at a solid pace in the coming years. Considering the inflation forecast for the period, these growth rates imply a real increase in global demand for insurance of close to 2% per year, in line with the sector's historical performance and with an underlying trend that confirms its structural resilience.

Quarterly developments in the global insurance market show a shift toward a more stable and synchronized growth pattern between the Life and Non-Life segments (see Chart 2.1.1-b). Following episodes of high volatility between 2020 and 2022, with occasional contractions in

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



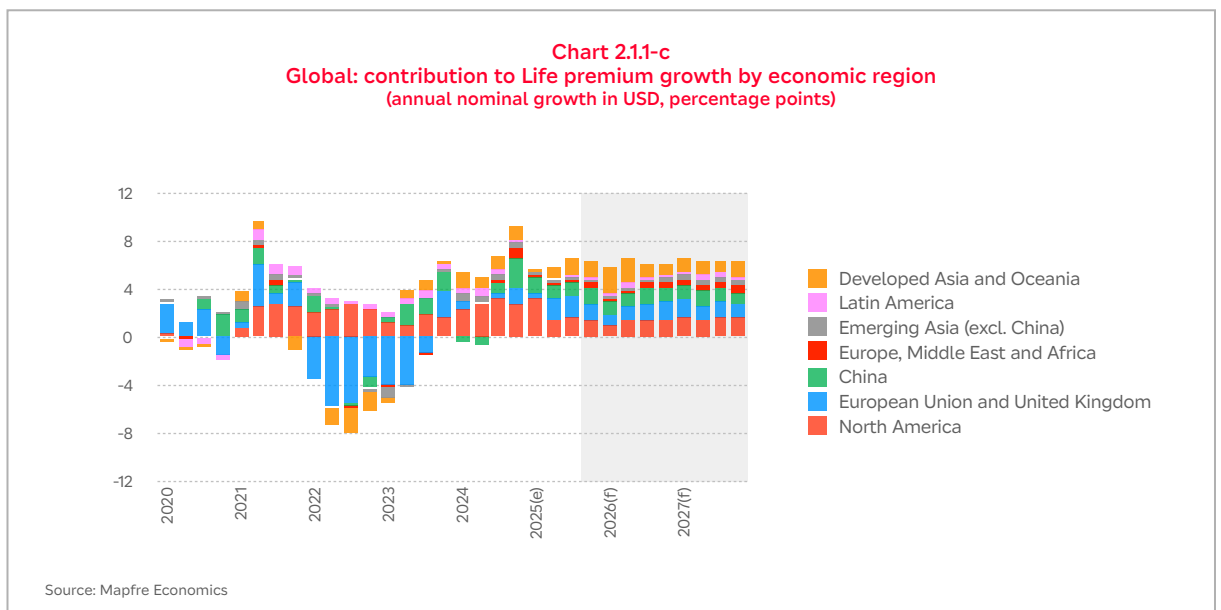
Source: Mapfre Economics

Life and sharp fluctuations in Non-Life, 2023 marked the beginning of a phase in which both segments once again contributed positively to total premium growth. Starting in 2024, forecasts point to more balanced performance; Life insurance premiums remain clearly positive on a quarterly basis, supported by a more stable financial environment and a gradual improvement in purchasing power. Meanwhile, the Non-Life segment continues to grow at a steady pace in nominal terms, driven by a normalization of claims costs and a more favorable financial component. As a result, overall growth in the insurance market follows a more stable trajectory, without significant contraction episodes. Total premiums remain consistently within a 5%–6% annual range, reflecting a more balanced contribution from the Life and Non-Life segments. This behavior suggests that, if the projected trend continues, the global market will continue to expand at a solid but moderate pace, supported by macroeconomic and financial stability.

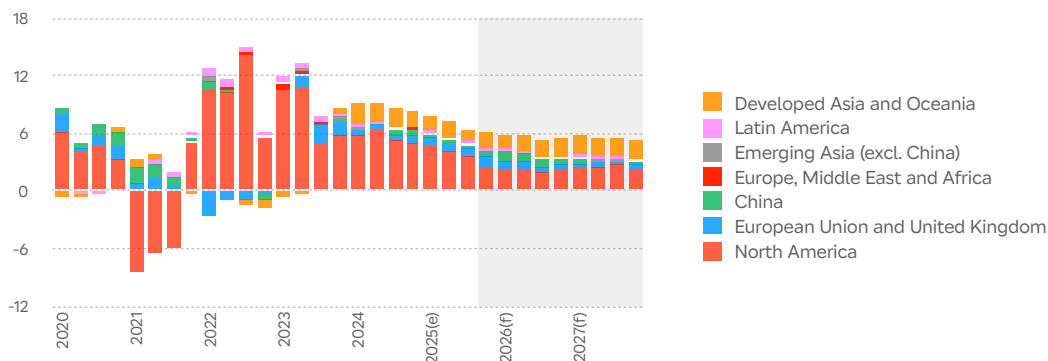
Moreover, when examining the projected evolution of the regional contribution to global growth in Life insurance premiums for the 2024–2025 period, we observe a more balanced distribution across economic regions, although with a clear lead by advanced economies (see Chart 2.1.1-c). During this period, North America once

again emerges as the main driver of global growth, contributing on average around 2.3 percentage points (pp). It is followed by Developed Asia and Oceania, together with the European Union and the United Kingdom, whose contribution remains stable at around 1.0 pp, reflecting moderate but sustained momentum. Meanwhile, China remains an important contributor, generating approximately 0.9 percentage points of growth. Within the emerging economies bloc, the Emerging Asia region (excluding China) adds around 0.4 pp, while Latin America and Europe, the Middle East, and Africa each contribute around 0.3 pp. These figures indicate that although growth is relatively diversified globally, the largest economies will continue to play a dominant role in the global expansion of the Life segment over the coming years.

When examining the regional contribution to global Non-Life premium growth for the 2024–2025 period, we can see that market momentum remains concentrated in a limited number of economies, although with a more even distribution than in recent years (see Chart 2.1.1-d). North America remains the main driver of global expansion in this segment, contributing an average of around 4.6 pp, with a relatively stable profile throughout the forecast period. Developed Asia and Oceania rank second, contributing around 1.6 pp. The European Union and the United Kingdom



**Chart 2.11-d**  
**Global: contribution to Non-Life premium growth by economic region**  
 (annual nominal growth in USD, percentage points)



Source: Mapfre Economics

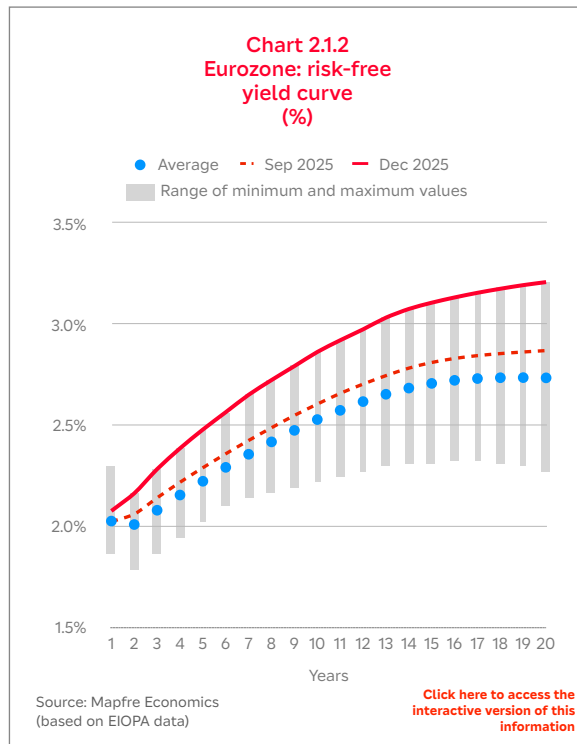
provide a more moderate contribution, around 0.8 pp, maintaining steady growth without major fluctuations. Among the regions with a smaller relative weight is China, with 0.5 pp by the end of 2025. Other regions make smaller contributions: Latin America, with 0.2 pp, and Emerging Asia (excluding China) and the Europe (excluding the EU), Middle East, and Africa (EMEA) region, with contributions of around 0.1 pp. All these figures describe a scenario in which North America has held a dominant position in the growth of the Non-Life segment, well above the rest of the regions.

In summary, the 2026–2027 period presents a scenario of sustained insurance growth, supported by relative global macroeconomic normalization and progressive convergence toward inflation rates compatible with the sector's technical stability. The Life insurance segment will benefit from improved real income and interest rates which, although moderating, will continue to support the profitability of savings products. In the Non-Life insurance segment, North America is losing ground, while Developed Asia and Oceania are gaining prominence. In short, the expansion of insurance activity will continue to be driven by the resilience of economic activity in emerging markets and the stabilization of claims costs. Overall, the economic environment appears to be reinforcing the structural recovery of the global insurance market.

## 2.1.2 Eurozone

In the Eurozone, despite the overall environment of low economic growth affecting its largest economies (Germany, France, and Italy), the outlook is improving slightly for 2026 and more noticeably for 2027. Germany and France are accelerating, leading to aggregate economic growth of 1.2% in 2026 (1.3% in 2025) and 1.4% in 2027, in a context of monetary policy neutrality, with inflation under control and fiscal stimulus derived from increased spending on infrastructure and defense. This environment will continue to support insurance activity at the regional level.

Inflation stood at 1.9% in December, leaving average inflation for 2025 at 2.1%. This has led the European Central Bank (ECB) to keep monetary policy rates unchanged since June 2025, after eight cuts since June of the previous year. As a result, the deposit facility stands at 2.00%, the main refinancing operations rate at 2.15%, and the marginal lending facility at 2.40%. However, the risk-free market interest rate curves<sup>4</sup> at the end of December, produced by the European Insurance and Occupational Pensions Authority (EIOPA), show higher interest rates across all maturities, with a greater increase for longer maturities. This trend is consistent with the signs of fiscal expansion in the main



economies, which have announced increased spending on infrastructure and defense (see Chart 2.1.2). This has raised medium- and long-term financing costs, considering that, except in Germany, debt-to-GDP ratios and fiscal deficits are high in most Eurozone economies, particularly in France. As a result, the positive slope across all segments of the yield curve has increased, with higher market risk-free rates at longer maturities, above inflation expectations, reaching annual highs at the close of 2025 across all maturities except for the short end of the interest rate curve.

This economic climate of higher growth and a risk-free interest rate curve offering a positive term premium—with levels above inflation expectations in the longer segments of the curve—will continue to support insurance activity in both Non-Life insurance and Life savings insurance with guaranteed rates at longer maturities, benefiting from that positive term premium. As a result, the profitability outlook for the insurance industry remains favorable, supported by the financial returns on insurers' investment portfolios. Meanwhile, the Euro Stoxx 50 performed well, in line

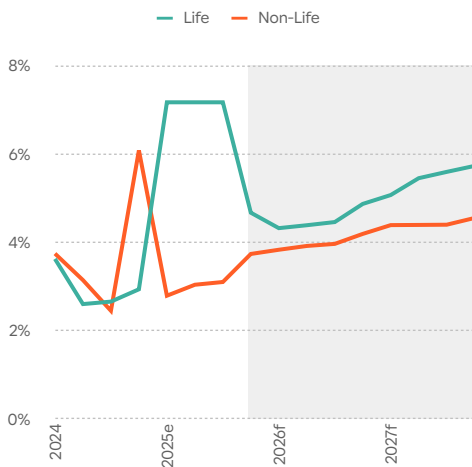
with the main U.S. indices, posting gains of 17.9% in 2025 (8.5% in 2024). This could continue to stimulate Life insurance activity in products where the policyholder assumes the investment risk, particularly among policyholders with lower risk aversion, who may also benefit from fixed-income interest rates at the longer end of the curve that remain above inflation expectations.

### 2.1.3 Germany

Macroeconomic forecasts for Germany over the next two years improve as fiscal stimulus from increased infrastructure and defense spending begins to materialize. Economic growth is therefore expected to accelerate to 1.0% in 2026 (0.3% in 2025) and in 2027, when GDP growth is estimated to reach 1.5%. Inflation declined throughout the first half of the year, reaching 1.8% YoY in December 2025 (bringing average annual inflation to 2.2%, compared to 2.3% in 2024). This economic context will support the development of insurance activity, with growth forecasts for Non-Life insurance premiums in 2026 being revised upwards and potentially reaching 4.2%, and slightly higher in 2027—reaching 4.5%—in line with the economic acceleration (see Chart 2.1.3). Profitability prospects also remain favorable, supported by moderate inflation and the performance of investment portfolios.

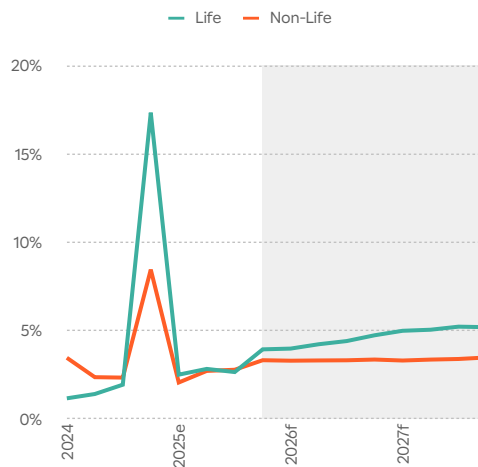
In terms of Life insurance activity, in addition to the economic acceleration forecasts, the interest rate environment will continue to stimulate this business. The German sovereign bond yield curve shows a positive slope, offering a term premium that allows interest rate guarantees above inflation to be incorporated at the longer end of the curve. Meanwhile, the German DAX index performed strongly, posting gains of 22.3% in 2025 (18.7% in 2024). This remains a favorable environment for the development of savings and investment-linked Life insurance products—the latter particularly for policyholders with lower risk aversion. This translates into better growth forecasts for Life insurance premiums in the German

**Chart 2.1.3**  
Germany: nominal premium growth  
(annual nominal growth in euros, %)



Source: Mapfre Economics

**Chart 2.1.4**  
Italy: nominal premium growth  
(annual nominal growth in euros, %)



Source: Mapfre Economics

insurance industry, reaching 4.9% in 2026 and 5.7% in 2027, with favorable prospects in terms of profitability, aided by financial returns on investment portfolios.

## 2.1.4 Italy

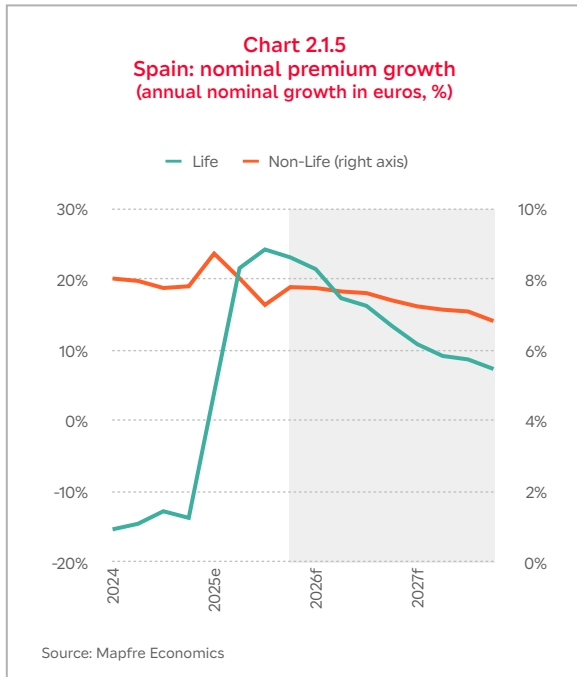
The forecast for Italy continues to point to low economic growth of 0.7% in 2026 (0.7% in 2025) and 0.8% in 2027, representing only a marginal acceleration. Inflation remains substantially below the ECB's target for the Eurozone as a whole (2%), standing at 1.2% YoY in December, with average inflation at 1.5% for 2025. In this environment of low economic growth and inflation, forecasts point to moderate growth of 3.3% in 2026 and 3.4% in 2027, respectively, for Non-Life insurance premiums (see Chart 2.1.4).

Meanwhile, in terms of interest rates for Life insurance, the Italian sovereign yield curve shows a positive slope across all maturities. This allows medium- and long-term Life savings products to offer returns above short-term rates (positive term premium), significantly above inflation, favoring Life savings insurance and traditional annuities with longer maturities. Meanwhile, the main Italian equity index (FTSE MIB) posted strong gains in 2025, rising by 30.7% (12.0% in 2024). This

equity market performance, together with the high returns offered by sovereign fixed income, also stimulates the development of Life insurance products in which the policyholder assumes the investment risk, particularly among policyholders with lower risk aversion, who are common in this market. In this context, Life insurance premium estimates improve, with growth expected to reach 4.7% in 2026 and 5.2% in 2027.

## 2.1.5 Spain

Forecasts for Spain predict growth of 2.2% in 2026 (2.8% in 2025) and 1.9% in 2027. This represents a smaller slowdown than previously estimated, largely due to slightly less dynamic private consumption, while GDP growth nonetheless continues to exceed the average forecasts for the Eurozone. In this context, estimated growth in Non-Life insurance premiums in the Spanish market has been revised upwards to 7.4% in 2026 (7.8% in 2025), with slightly lower growth in 2027, at 6.8%. In both cases, this remains above the expected inflation rates of 2.1% and 2.0%, respectively, with good prospects for profitability due to moderate inflation and the support of financial returns on investment portfolios (see Chart 2.1.5).



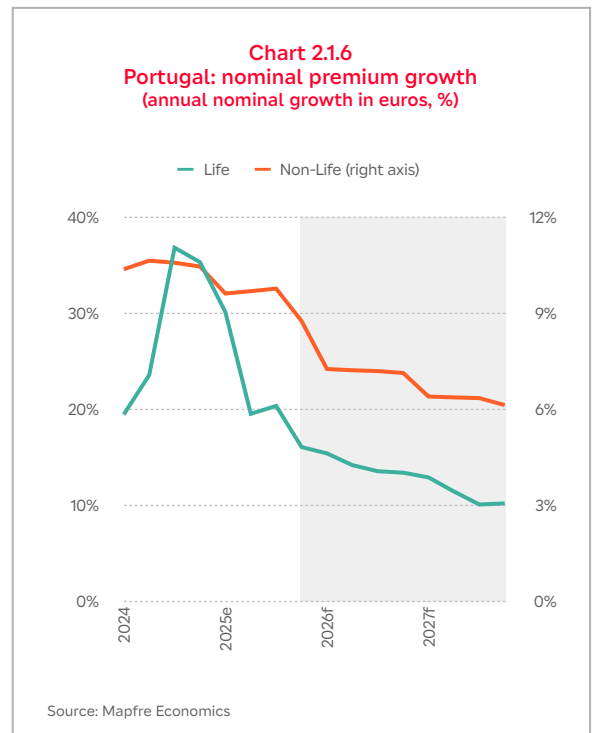
In terms of interest rates, the Spanish sovereign yield curve is positive across all maturities, offering returns above inflation forecasts across most of the curve, except for the shortest maturities. This, combined with higher yields offered by other European government bonds such as French and Italian sovereign debt, which currently reflect greater perceived risk than those of countries such as Spain or Portugal, will continue to stimulate Life insurance activity, particularly savings products. These have performed exceptionally well in 2025, growing by 26.76% (-17.0% in 2024), especially those with longer maturities. Together with growth in Life Protection insurance of 7.45% (4.8% in 2024), this resulted in aggregate Life insurance growth of 23.17% in 2025, above expectations. As a result, forecasts have been revised upwards for 2026, to 13.5%, followed by more moderate growth of 7.4% in 2027.

### 2.1.6 Portugal

In Portugal, macroeconomic forecasts have been revised slightly, pointing to GDP growth of 2.0% in 2026 (1.9% in the previous year) and a slight slowdown to 1.8% in 2027. This growth is moderate, but higher than

that of the major economies in the Eurozone. In this context, insurance activity is expected to continue performing well, with Non-Life insurance premiums forecast to grow by 7.1% in 2026 and slow slightly in 2027 to 6.1% (see Chart 2.1.6). Inflation, meanwhile, stood at 2.2% YoY in December, bringing the annual average for 2025 to 2.3%, above the ECB's target, although forecasts suggest that it will continue to moderate, with average inflation projected at 2.0% in 2026 and 2027.

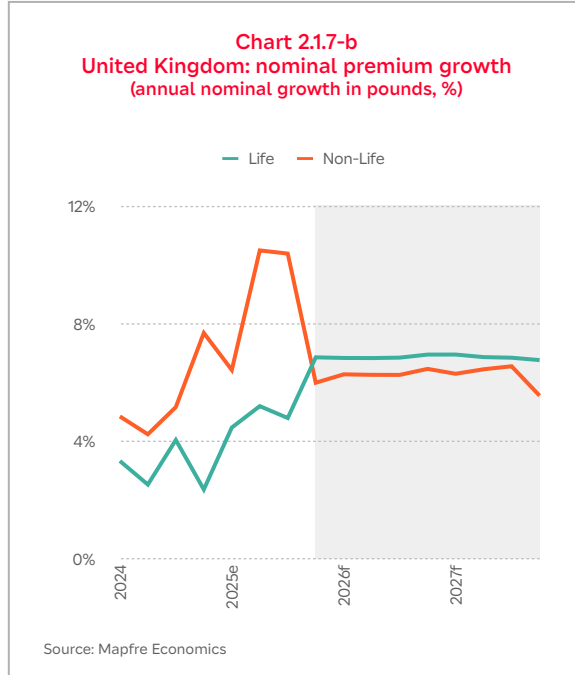
As for Life insurance, the Portuguese sovereign yield curve continues to show behavior similar to that of Spanish sovereign bonds, with a positive slope across all maturities and medium- and long-term rates above inflation (positive term premium). This, together with the higher yields offered by French and Italian sovereign debt, continues to create an environment that is particularly conducive to the development of savings-related insurance activity, with Life insurance premiums estimated to grow by around 13.4% in 2026 and 10.2% in 2027



### 2.1.7 United Kingdom

In the United Kingdom, economic growth forecasts remain at 1.2% in 2026, compared to 1.4% in 2025 (above expectations), with a slight acceleration estimated for 2027 to 1.4%. Meanwhile, inflation has not yet subsided, standing at 3.4% YoY in December. It is expected to continue on a moderate path over the next two years, reaching 2.5% and 2.3% on average in 2026 and 2027, respectively (compared to an average inflation rate of 3.3% in 2025). This environment of stronger economic growth has led to upward revisions in forecasts for Non-Life insurance premiums, to 6.5% in 2026 and 5.5% in 2027. The more moderate inflation environment prompted the Bank of England to reduce its policy interest rate to 3.75% at its December 2025 meeting, still in restrictive territory. The risk-free yield curve produced by EIOPA at the end of June (see Chart 2.1.7-a) shows a further easing of market interest rates across all segments of the curve, which has a steep positive slope except at the very short end.

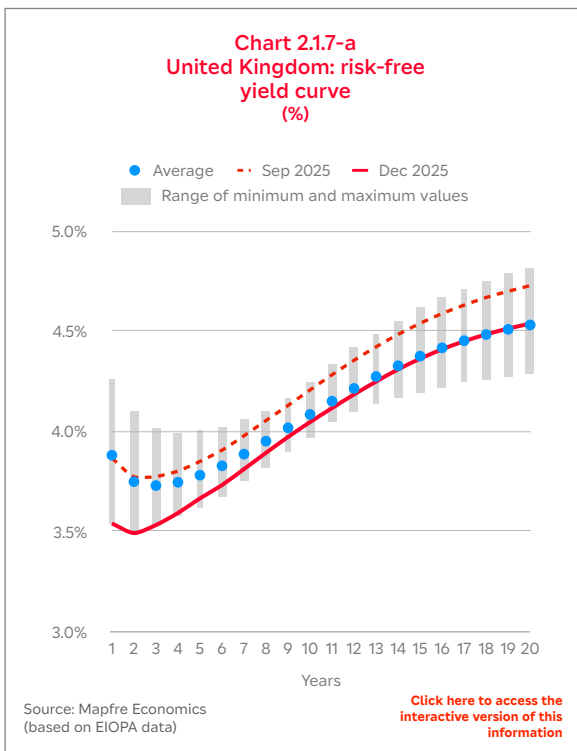
Meanwhile, the United Kingdom's main equity index (the FTSE 100 in London) grew by 20.2% in 2025 (5.8% in 2024). This growth

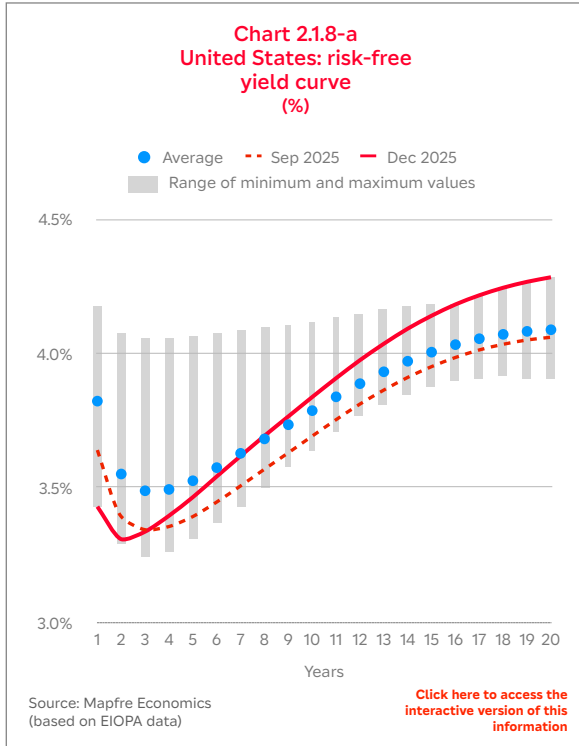


in equities, also seen across other international indices, together with the high yields offered by longer-dated sovereign bonds, is also stimulating the development of Life insurance products in which the policyholder assumes the investment risk, particularly among policyholders with lower risk aversion, which are very widespread in this market. As a result, estimated growth in Life insurance premiums for 2026 has been revised upward to 6.9%, with similarly favorable conditions expected to persist in 2027, when growth is projected at 6.8% (see Chart 2.1.7-b).

### 2.1.8 United States

In the United States, estimates indicate that the economy continues to withstand the geoeconomic uncertainty generated by its tariff policy and the broader geopolitical environment, with GDP growth forecast at 2.2% in 2026 (2.1% in 2025), figures that have been revised upward, and a slight slowdown in 2027 to 1.9%. Inflation is expected to continue moderating, although it will likely remain above the Federal Reserve's target, with average inflation estimated at 2.5% in 2026 (2.7% in 2025). Domestic demand (consumption and investment) will remain the main driver of growth, which will continue to support the

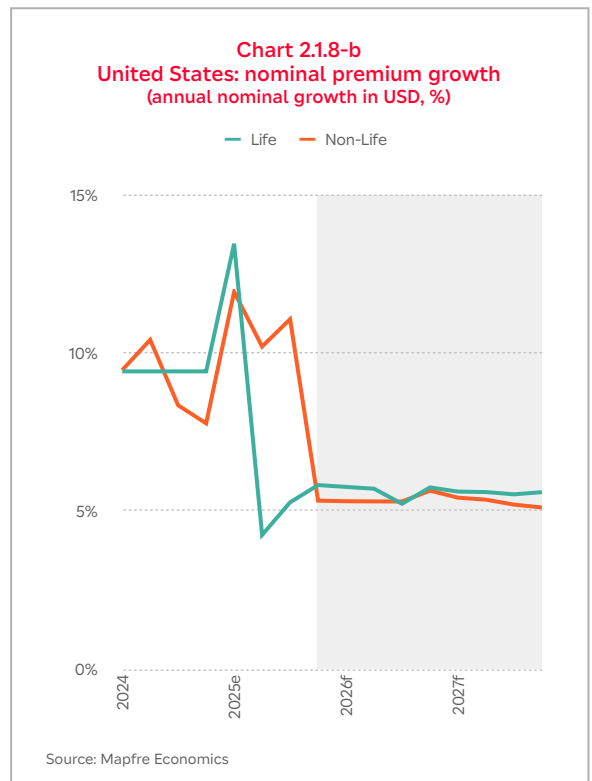




development of insurance activity. Thus, insurance premiums are estimated to grow by 5.6% in 2026 for the Non-Life segment, revised upwards, and by 5.1% in 2027, in line with the expected economic slowdown. However, the outlook for profitability remains positive, aided by controlled inflation and the financial returns on insurance companies' investment portfolios.

Moderating inflation and some signs of slower growth in the labor market led the Federal Reserve to cut policy interest rates three times starting in September 2025, bringing them to a range between 3.5% and 3.75% (from 4.25%–4.5%) at the end of the year, levels that are still in restrictive territory. However, EIOPA's market risk-free interest rate curve for December (see Chart 2.1.8-a) shows a significant upturn in interest rates across most maturities, except for the shortest segments of the curve (with a negative slope on maturities of up to two years). This reflects greater pressure on interest rates payable on U.S. debt, increasing as maturities lengthen, given expectations of high fiscal deficits and planned tax cuts, together with high relative debt levels compared to GDP.

An environment of positive real interest rates (interest rates above observed inflation), particularly at the longer end of the curve, remains favorable for Life savings insurance with guaranteed rates at longer maturities. As for higher-risk assets, the main U.S. equity indices saw significant gains once again, with the Nasdaq Composite index up 20.2% in 2025 (30.8% in 2024), while the S&P 500 increased 16.6% in 2025 (24.0% in 2024). These percentages are similar to those of the major European equity indices, such as the Euro Stoxx 50 (17.9% in 2025) and the German DAX (22.3% in 2025). This economic and financial context continues to stimulate the development of Life insurance products in which the policyholder assumes the investment risk, particularly among policyholders with lower risk aversion, who can also benefit from high interest rates on fixed income, especially at longer maturities, such as U.S. Treasury bonds. In this context, Life insurance premiums in the U.S. market are estimated to grow by 5.7% in 2026 and 5.6% in 2027 (see Chart 2.1.8-b).

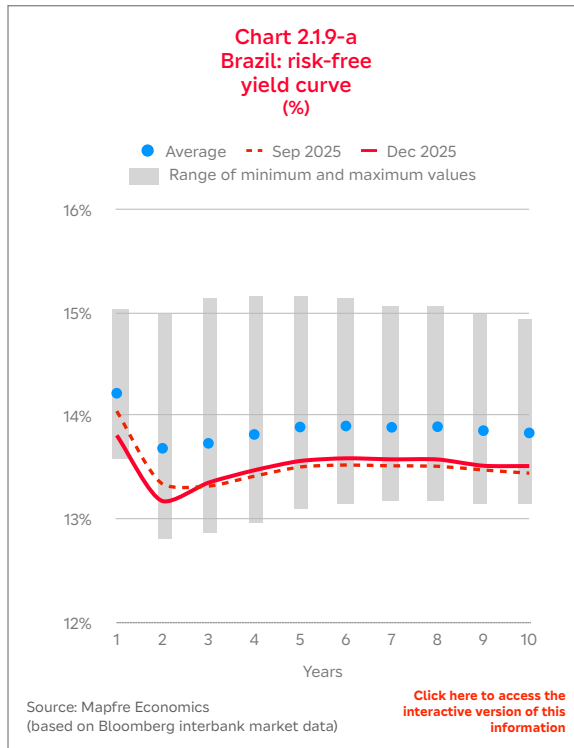


### 2.1.9 Brazil

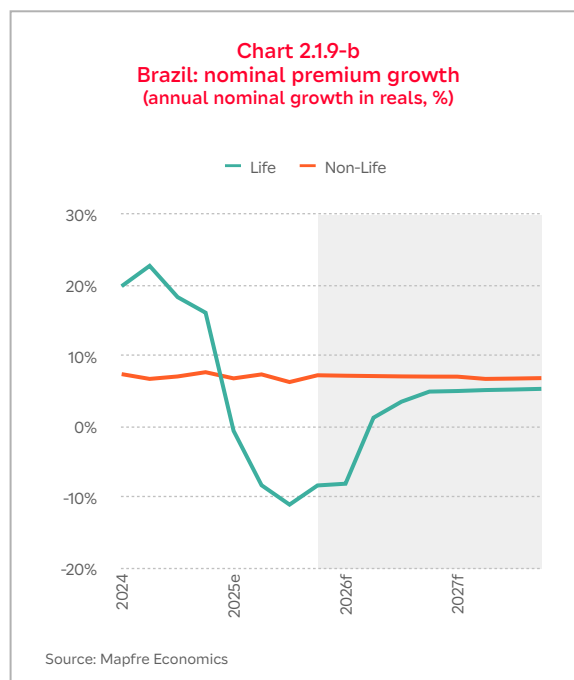
In general, forecasts for the Brazilian economy remain unchanged, with GDP growth of 1.6% in 2026 (2.2% in 2025), representing an economic slowdown that is expected to improve slightly towards 2027, with forecast growth of 1.8%. The economic environment is shaped by a highly restrictive monetary policy implemented by the Central Bank of Brazil to control inflation, in a context of fiscal policies characterized by large budget deficits that operate in the opposite direction. In this economic environment, insurance activity is estimated to grow by 7.1% in 2026 for Non-Life insurance premiums, reflecting a slight downward revision, and a mild slowdown is expected in 2027 to 6.9%. In both cases, this remains above the average inflation forecasts of 4.2% and 3.8%, respectively. Meanwhile, more moderate inflation and high financial returns on investment portfolios will continue to have a positive impact on the profitability of the country's insurance sector.

The restrictive monetary policy of the Central Bank of Brazil has led to moderating inflation in recent months, reaching 4.26% YoY in December 2025 (still below the monetary policy target of 4.5%). This is likely to lead the institution to reduce the benchmark interest rate, which has been held at 15% since June 2025. Estimates point to inflation remaining under control over the next two years, within the central bank's target range. In the lower-risk market yield curves, based on interbank market rates (without credit risk adjustments) at the end of December, relative stability can be observed across all maturities. The curve shows a negative slope for maturities of up to two years, with levels below the current monetary policy benchmark rate (see Chart 2.1.9-a).

This interest rate environment remains favorable for Life savings insurance products (such as VGBL and PGBL) and annuities. These types of insurance products can continue to offer yields significantly



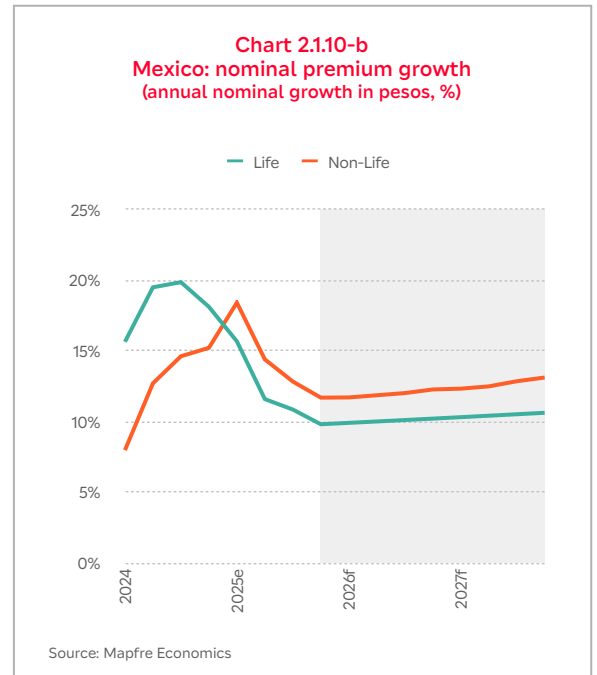
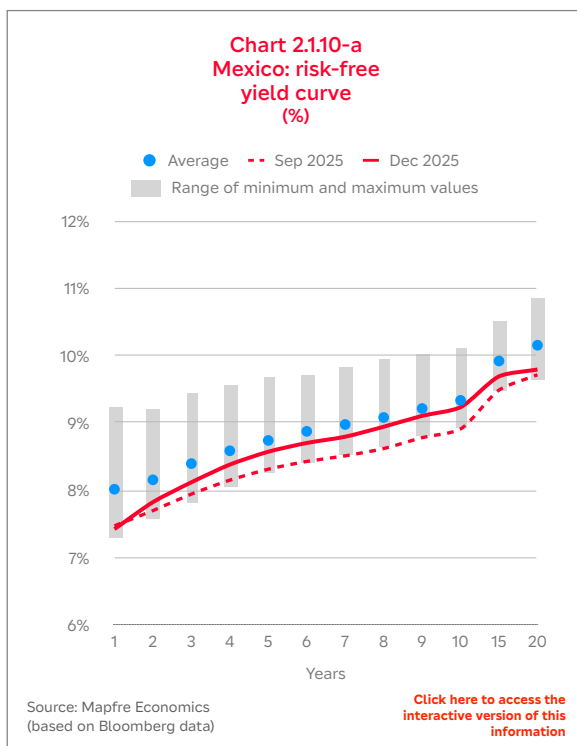
higher than the latest inflation figures, taking advantage of high short-term interest rates. However, the expected economic slowdown has led to a slight downward revision of forecasts, with Life insurance premiums estimated to grow by 5.0% in 2026 and by a somewhat higher 5.4% in 2027 (see Chart 2.1.9-b).



### 2.1.10 Mexico

In Mexico's case, forecasts anticipate a relative recovery in economic growth in 2026, reaching 1.4% (0.7% in 2025), which would continue to improve in 2027, with projected GDP growth of 2.0%. This recovery will be supported by private consumption and the gradual recovery of investment (which has been affected by heightened geopolitical uncertainty), in an environment of controlled inflation and less stringent financing conditions. This economic outlook paints a picture of healthy growth for the insurance industry, with Non-Life insurance premiums estimated to grow by 12.3% in 2026 and 13.1% in 2027, substantially above the expected inflation rate, which has moderated. This may also have a positive impact on the profitability of the insurance sector, with the help of financial income from the investment portfolios of insurance companies.

In terms of interest rates, inflation is within the Bank of Mexico's target range (between 2% and 4%), which has allowed the institution to continue easing its still-restrictive monetary policy. At its December 2025



meeting, the central bank reduced interest rates to 7.0%, marking the eighth consecutive rate cut of the year. The risk-free yield curve (see Chart 2.1.10-a) shows a certain degree of stability, slightly below the 2025 average for the various maturities, and a positive slope across all segments, offering returns above inflation forecasts. This translates into positive real interest rates and substantial term premiums across all maturities, with nominal rates significantly higher than the projected inflation rates of 3.7% in 2026 and 3.6% in 2027.

Therefore, interest rates and economic growth remain favorable for the savings-linked Life insurance and annuity business, as insurers can offer guaranteed interest rates above inflation across all maturities, particularly in longer-duration products. In this context, growth expectations for Life insurance premiums in the Mexican market have improved, reaching 10.2% in 2026 and 10.6% in 2027 (see Chart 2.1.10-b).

## 2.1.11 Argentina

Macroeconomic forecasts for Argentina in 2026 point to economic growth of 3.2% (4.3% in 2025) and 2.9% in 2027. Although less pronounced, the inflation rate continues on a downward path, reaching 31.5% YoY in December, compared to an average annual inflation rate of 44.5% in 2025 (219.9% in 2024). This reflects the impact of fiscal and monetary measures that outline a scenario of economic slowdown but continued growth, overcoming the recession experienced in previous years.

This economic context may favor insurance activity in this market, with estimated growth for Non-Life insurance premiums of 36.2% in 2026, slowing to 26.7% in nominal terms in 2027. Taking into account average inflation estimates of 29.0% in 2026 and 21.0% in 2027, this would imply positive real growth for the Argentine insurance industry in those years (see Chart 2.1.11). In terms of interest rates, the Central Bank of the Argentine Republic maintained the benchmark rate at 29% in 2025. This puts it above the latest inflation figures, which, combined with economic growth forecasts, improves the outlook for savings and investment-linked Life insurance,

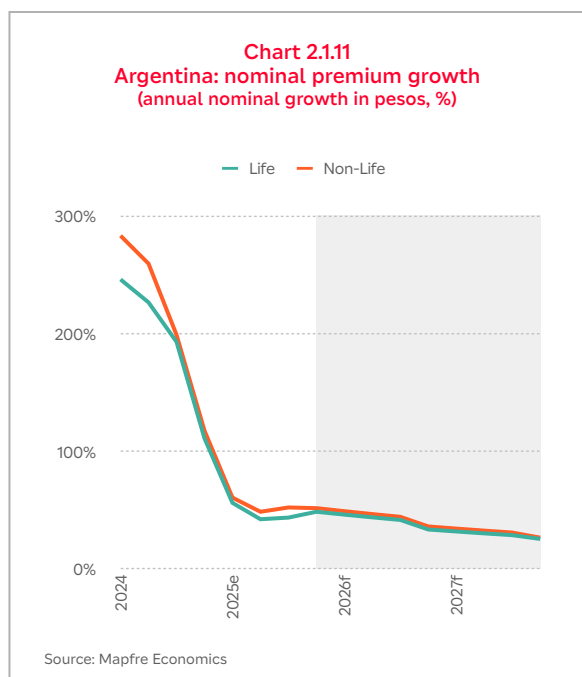
with nominal growth for Life insurance premiums estimated at 33.6% in 2026 and 25.7% in 2027.

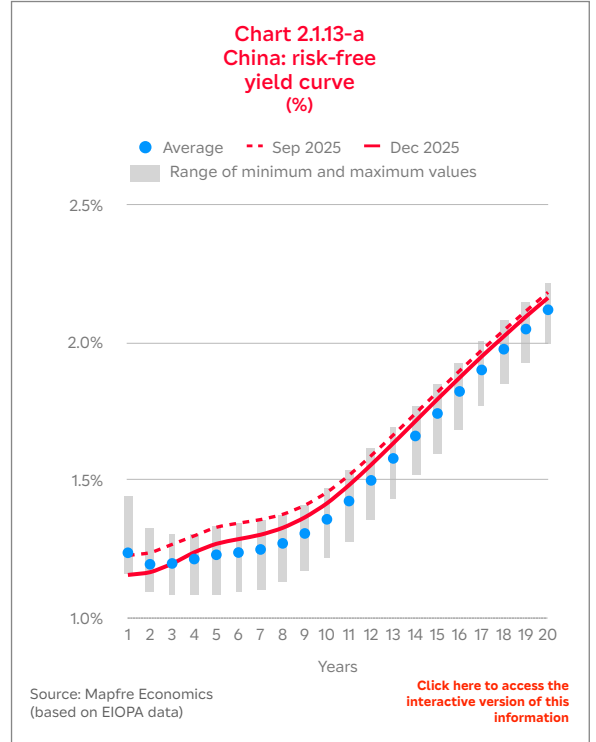
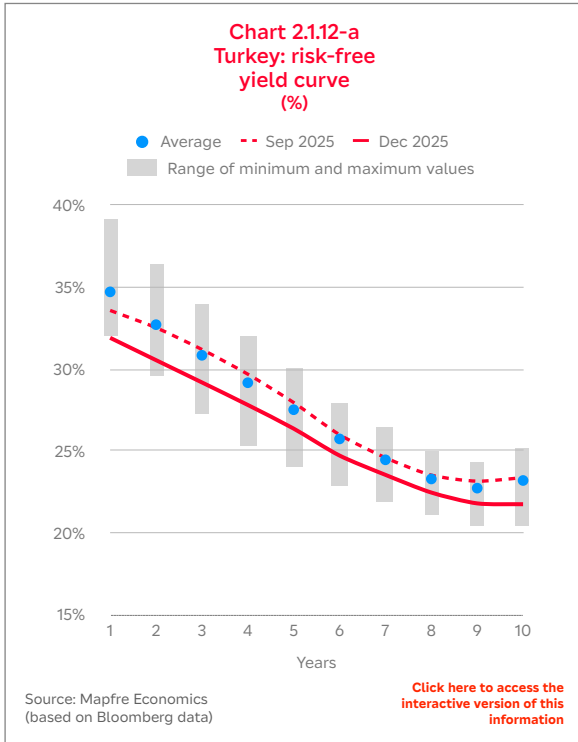
## 2.1.12 Turkey

In Turkey, forecasts point to GDP growth of 3.1% in 2026, representing a slight economic slowdown following growth of 3.7% in 2025, and an acceleration in 2027 that would bring economic growth to 3.5%. High inflation rates have returned to a gradual downward path, standing at 30.89% YoY in December 2025 (bringing average inflation for 2025 to 35.2%). The economic growth environment and the slow but steady easing of inflation will continue to favor insurance activity, pointing to estimated growth in Non-Life insurance premiums of 26.7% in 2026 and 23.3% in 2027. This translates into positive real growth, considering the average inflation forecasts of 24.8% and 20.5%, respectively, for these two years. In addition, more controlled inflation may help maintain the profitability of the country's insurance industry, supported by the financial returns on investment portfolios.

Regarding interest rates, since July 2025, the Turkish central bank has begun to relax its highly restrictive monetary policy, implementing four interest rate cuts to 38.0% (from 46.0%) and an additional cut in 2026, bringing rates to 37.0% at its January meeting, still above the latest inflation data observed. In the sovereign yield curves, a slight decline in market risk-free interest rates can still be observed in December, remaining below the annual average levels, while the curve maintains a markedly negative slope (see Chart 2.1.12-a).

This complex environment of real interest rates will continue to pose a challenge for the development of Life Savings insurance, insofar as it discourages longer-term products, making it more suitable for products that offer guaranteed interest rates at shorter maturities with periodic revisions at each maturity. In this context, estimates point to 27.5% growth in nominal Life insurance premiums in 2026 and 23.2% growth in 2027 (see Chart 2.1.12-b).



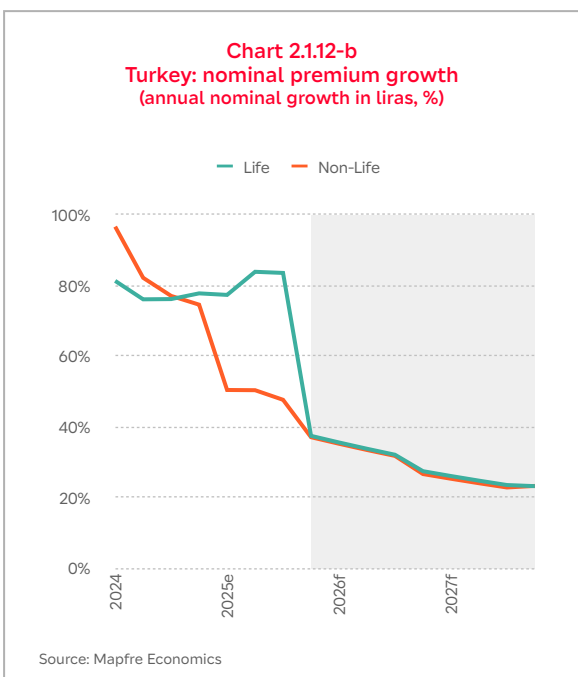


**2.1.13 China**

Growth forecasts for the Chinese economy stand at 4.5% in 2026 (5.0% in 2025) and 4.4% in 2027, representing a relative economic slowdown. In any case, this dynamic is above that of developed economies, supported by private consumption and fiscal and monetary stimulus measures implemented by the

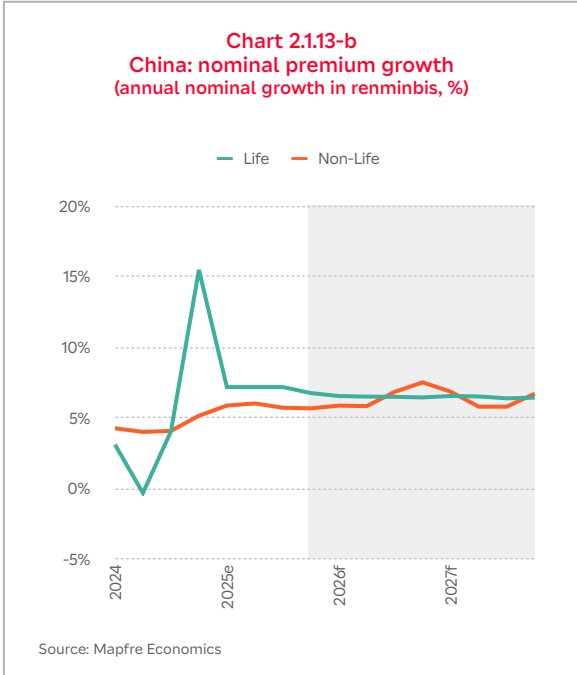
Chinese authorities to boost the economy. In this environment, Non-Life insurance premiums are estimated to grow by 7.5% in 2026 and 6.7% in 2027.

Meanwhile, inflation in China rebounded slightly in the last quarter, reaching 0.8% YoY in December, with six months of year-on-year figures in deflationary territory during the year, leaving the average for 2025 at 0.1%. In this context, at its January meeting, the central bank decided to maintain an accommodative monetary policy, keeping its two benchmark monetary policy interest rates at 3.0% for the one-year rate and 3.5% for the five-year rate (the usual benchmark for mortgage lending), while considering the possibility of implementing additional cuts for specific sectors that it decides to stimulate. EIOPA's risk-free yield curves (see Chart 2.1.13-a) show that market risk-free interest rates in December remained virtually unchanged across the entire curve, with only a slight decline.



This context of economic growth and interest rates is still conducive to the development of Life savings and annuity insurance, with long-term interest rates

**Chart 2.113-b**  
**China: nominal premium growth**  
 (annual nominal growth in renminbis, %)



substantially above short-term rates at the longer end of the curve, offering a positive term premium and returns above inflation. As a result, growth in Life insurance premiums in this market could reach around 6.4% in 2026 and 2027 (see Chart 2.113-b).

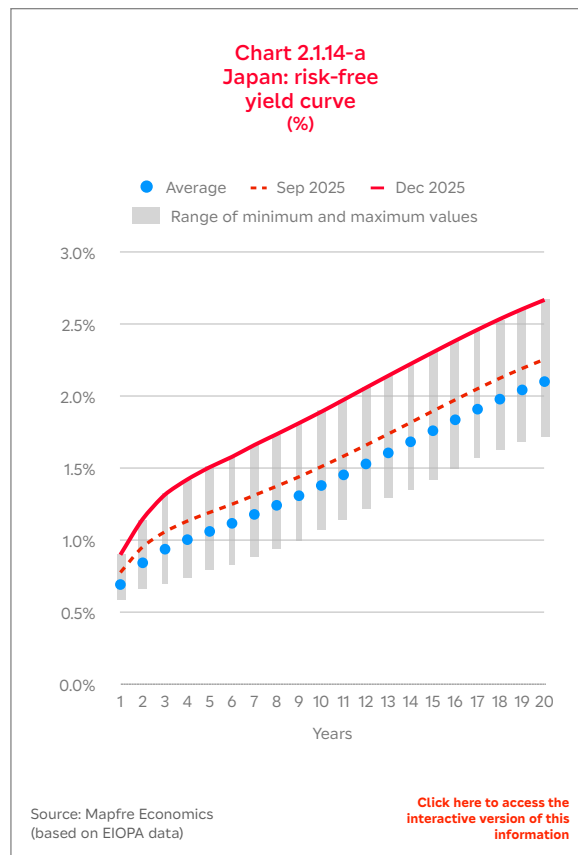
### 2.1.14 Japan

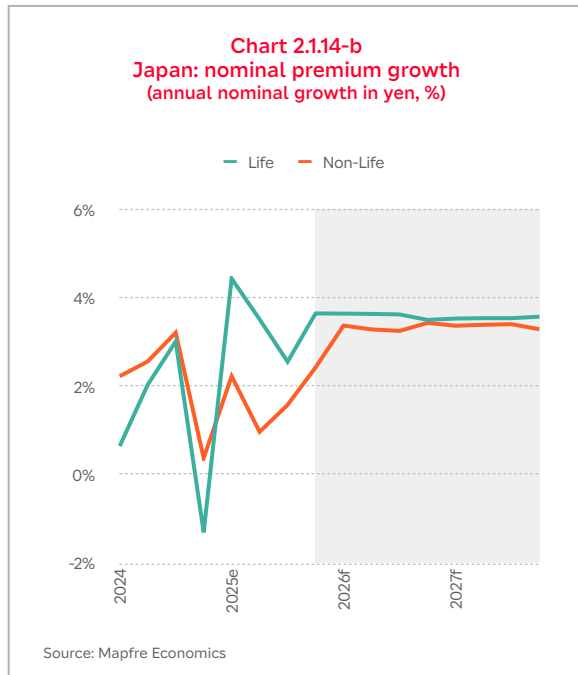
In Japan, macroeconomic forecasts point to weak economic growth of 0.7% in 2026, representing a slowdown after 2025, which saw growth of 1.2%, above expectations. This economic weakness is expected to continue into 2027, with estimated growth of 0.7%. Year-on-year inflation in December stood at 2.1%, bringing the average inflation rate for 2025 to 3.2%, following the peak of 4.0% recorded in January. This slowdown in economic growth is expected to affect the Non-Life insurance segment in the country, with premium growth estimated at 3.4% in 2026 and 3.3% in 2027. This represents weak growth in real terms, with inflation under control (although there is some uncertainty due to the high volatility of the exchange rate of the Japanese yen). This context could have a positive impact on profitability, with additional support from the financial returns on insurers' investment portfolios.

As for interest rates, persistent inflation throughout 2025 prompted the Bank of Japan to raise its policy interest rate to 0.75% at its December 2025 meeting, maintaining it at that level at its January 2026 meeting. EIOPA's risk-free yield curves at the end of December 2025 (see Chart 2.114-a) show a sharp rise across all maturities of the market risk-free interest rate curve.

This interest rate environment improves the outlook for the Life savings insurance segment, as the yield curve shows a marked positive slope, with long-term rates above the latest inflation readings. This provides favorable conditions for savings products offering guarantees over longer maturities. In this economic and interest rate environment, forecasts have been revised upward, with Life insurance premiums in this market expected to grow by 3.5% and 3.6% in 2026 and 2027, respectively (see Chart 2.114-b).

**Chart 2.114-a**  
**Japan: risk-free**  
**yield curve**  
 (%)





### 2.1.15 Reinsurance market

Insured losses from natural disasters in 2025 have been estimated at between 107 billion dollars and 108 billion dollars, exceeding 100 billion dollars for the sixth consecutive year, but with lower losses than in 2024.<sup>5</sup> The number of extreme events influenced by climate change, such as floods, severe thunderstorms, and wildfires, should be emphasized. These events are having an increasing impact on global economic losses, which are estimated to exceed 230 billion dollars in 2025, although this amount has been lower than the average for the last decade. Around 17,200 people lost their lives due to natural disasters worldwide that year.

The year 2025 began with a series of wildfires in Los Angeles, which caused significant economic and personal damage, recording the highest insured losses for this risk, at 40 billion dollars. This event, together with the severe thunderstorms that affected the central and southern United States, has made this country the most affected by insured losses from natural disasters worldwide in 2025. On October 28, 2025, Hurricane Melissa (a catastrophic Category 5 storm) caused widespread

damage and flooding in the Dominican Republic, Haiti, Jamaica, Cuba, and the Turks and Caicos Islands, where fatalities were reported, with its trajectory also affecting the Bahamas and Bermuda. This hurricane was the costliest of 2025, with estimated insured losses of between 2.5 and 3 billion dollars. For the first time in 10 years, none of the hurricanes in the North Atlantic tropical cyclone season made landfall on the U.S. coast, so insured losses from this type of disaster are expected to be lower.

In Europe, economic losses and insured damage from natural disasters in 2025 were below the 10-year average. The costliest events were a severe cold wave in Turkey and hailstorms in France, Austria, and Germany. In Spain, 2025 was the worst year for wildfires since records began, with nearly 400,000 hectares burned during the most severe wave of fires the country has ever seen. The Asia-Pacific region experienced the second costliest natural disaster in terms of total losses, a magnitude 7.7 earthquake in Myanmar, of which only a small portion was insured. In Australia, the most costly event was Tropical Cyclone Alfred, which caused losses totaling 1.43 billion Australian dollars, according to the Insurance Council of Australia. Although Alfred was a cyclonic event, the losses were mainly due to heavy and prolonged rainfall rather than strong winds.

Expert assessments<sup>6</sup> indicate that the capacity of reinsurance available in the market, driven largely by attractive returns, has led to further price softening in the January 1, 2026 reinsurance renewals, particularly in catastrophe contracts for property (or fire) lines. However, retention levels and more than adequate technical conditions in contracts remain broadly unchanged. As a result of this price softening, reinsurers are expected to show weaker combined ratios and returns on equity in 2026, while still maintaining solid profitability.

## 2.2. Regulatory and supervisory trends

### 2.2.1 Solvency II Reform

During the second half of 2025, significant progress was made in the European Union towards reforming the Solvency II regulatory framework, whose entry into force is scheduled for January 29, 2027, in accordance with the mandates set out in Directive (EU) 2025/2 of November 27, 2024, of the European Parliament and of the Council, which amends the Solvency II Directive and introduces new rules on the recovery and resolution of insurance companies (IRRD). Overall, these developments affect Level 2 legislation, including the Solvency II Delegated Regulation, Regulatory Technical Standards (RTS), and Implementing Technical Standards (ITS), which define in greater detail some of the measures relating to proportionality, quality of supervision, reporting, long-term guarantee measures, macroprudential instruments, sustainability risks, and group and cross-border supervision provided for in the Directive. The deadline for transposing the Directive into the legal frameworks of the different Member States is January 29, 2027.

#### Proposal to amend Delegated Regulation (EU) 2015/35 under Solvency II

On October 29, 2025, the European Commission formally adopted and submitted to the European Parliament and the Council for scrutiny the text of the Commission Delegated Regulation amending Delegated Regulation (EU) 2015/35 under Solvency II, with regard to technical provisions, long-term guarantee measures, own funds, equity risk, spread risk on securitization positions, other capital requirements under the standard formula, reporting and disclosure, proportionality, and group solvency.

The October 2025 text contains several calibrations which, after lengthy debate, would bring it more into line with the objectives of the initiative known as the Savings and Investments Union:

- Risk margin: reduction of the cost of capital from 6.00% to 4.75%, and introduction of a time-dependent mitigation factor for long-term liabilities.
- Long-term equity: simplification of the criteria for applying the 22% risk charge (instead of the standard 39% or 49%) to facilitate investment by insurers in European companies.
- Proportionality: creation of a specific system for small and non-complex undertakings, granting them automatic exemptions from certain reporting and governance requirements.
- Sustainability: mandatory long-term climate change scenario analysis by insurers as part of their Own Risk and Solvency Assessment (ORSA).
- Volatility adjustment: refinement of the calculation to better reward the “active” management of assets and liabilities, and reduce the “cliff-edge” effect during periods of heightened tension in financial markets.

#### Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS)

The European Insurance and Occupational Pensions Authority (EIOPA) published three consultation packages during the second half of 2025. The first was published on July 14, 2025;<sup>7</sup> the second on July 22, 2025<sup>8</sup> (covering rules for resolution colleges and the reporting requirements under the IRRD); and the third on October 9, 2025,<sup>9</sup> including a series of consultations on some key elements related to the review of the Solvency II framework, including the following proposals:

- *Revised Implementing Technical Standard (ITS) on the treatment of the matching adjustment.*<sup>10</sup> EIOPA considers certain specific changes to be necessary with regard to the procedures for the approval of the matching adjustment (MA). These include adjustments to reflect that full diversification with MA portfolios that are

not ring-fenced may be taken into account in the solvency assessment, and that companies may combine liquidity plans for their MA portfolios with their liquidity risk management plan.

- *Regulatory Technical Standard (RTS) on the simplified calculation of the risk margin.* These RTS proposals reflect the measures to be implemented in relation to the general risk margin calculation in the Level 2 provisions governing its simplified calculation.
- *Revised Implementing Technical Standard (ITS) on disclosure templates for supervisory authorities.* This proposes specific adjustments, such as the requirement for supervisory authorities to provide additional disclosure regarding the application of the new proportionality framework.
- *Regulatory Technical Standard (RTS).* Specifies the factors used to identify insurance companies that are under dominant or significant influence, as well as those managed on a unified basis. These factors are relevant for supervisory authorities to effectively identify and supervise insurance groups.
- *Regulatory Technical Standard (RTS) on the significance of companies' cross-border activities.* This RTS establishes the conditions and criteria that host-country supervisors must take into account when determining the significance of cross-border activities for their market, bearing in mind that the Solvency II review introduces new rules to improve cooperation and information exchange between home and host supervisors in the case of significant cross-border activities.
- *Implementing Technical Standard (ITS).* Provides an update to the list of regional governments and local authorities whose exposure must be treated as exposures to central governments when insurers calculate capital requirements for exposures to the entities included on the list

(meaning that a 0% risk factor applies for spread risk and concentration risk under the standard formula).

- *Regulatory Technical Standard (RTS) on the functioning of resolution colleges.* Establishes the criteria for their creation and operation, including provisions on how colleges should collaborate in the development of resolution plans. It also includes an RTS setting out the procedures and minimum set of standard forms and templates that insurers must use when submitting the information required for the preparation of resolution plans to the resolution authorities, taking into account existing procedures for periodic reporting under Solvency II, as well as the experience of national supervisors with resolution-related reporting.

In addition to the above, EIOPA accompanied these proposed Regulatory and Implementing Technical Standards with consultations on amendments to certain implementing guidelines, as well as a new package of consultations on changes to supervisory reporting and disclosure requirements under Solvency II, with the aim of easing the reporting burden on insurance companies.

### 2.2.2 IAIS Global Insurance Market Report

On December 10, 2025, the International Association of Insurance Supervisors (IAIS) published its *2025 Global Insurance Market Report (GIMAR)*.<sup>11</sup> The IAIS drafts this report as part of its global exercise to assess key risks and trends and the accumulation of potential systemic risks across the insurance industry, known as the Global Monitoring Exercise (GME).

#### Main macroprudential and strategic risks identified

##### Risks arising from geo-economic fragmentation

The main vulnerabilities associated with geoeconomic fragmentation relate to

increased volatility in financial markets, inflationary pressures, and supply-chain disruptions. These factors may affect asset valuations, generate asset-liability mismatches, and increase liquidity risks, especially in environments characterized by divergent monetary policies and significant fluctuations in exchange rates. Furthermore, economic fragmentation may amplify credit risk and lead to higher claims inflation, particularly in Non-Life insurance lines, as a result of higher replacement costs for goods and services.

In terms of supervisory responses, monitoring of exposures to fragmentation-related risks has been intensified, including the implementation of stress tests aimed at evaluating solvency and liquidity impacts under high volatility and prolonged recession scenarios. Supervisors are also promoting more stringent risk-management practices, such as portfolio diversification, stronger hedging strategies against foreign-exchange risk, and improvements in asset-liability management (ALM) frameworks.

Additionally, there is an *emphasis on international cooperation to mitigate the effects of regulatory fragmentation*, which increases the operational complexity of insurance groups with a global presence. Against this backdrop, the harmonization of standards and exchange of information are encouraged between jurisdictions to reduce systemic vulnerabilities. Finally, supervisors are strengthening oversight of emerging risks linked to fragmentation, such as increased exposure to cyberthreats and concentration in some markets, which could affect the insurance industry's resilience in an increasingly fragmented economic environment.

### **Allocation of capital to alternative assets**

The report underscores that the growing allocation of capital to alternative assets, in particular private credit investments, has become a significant trend for the insurance industry. These investments offer diversification opportunities and the potential to earn illiquidity premiums, while also improving

asset-liability matching for long-term Life insurance products. However, they also introduce significant risks that require prudent management. These include credit risk, especially with smaller or highly leveraged borrowers, liquidity risk arising from the illiquid nature of these instruments, and complex valuation processes, as they often lack observable prices on secondary markets and rely on internal models that may delay loss recognition in stressed scenarios.

The report notes that, although the sector's aggregate exposure to private credit remains limited (below 5% of assets in many jurisdictions), it is expected to grow in the coming years, potentially amplifying systemic vulnerabilities in periods of financial stress. In response, supervisors are strengthening governance and transparency frameworks, promoting more rigorous due-diligence practices, targeted stress testing, and concentration limits to prevent excessive exposures in certain jurisdictions or sectors. It also emphasizes the need for insurance companies to integrate these investments into their liquidity management frameworks, ensuring that the portfolio characteristics are consistent with contractual obligations and that contingency plans are in place for adverse scenarios.

Finally, the document highlights the importance of international cooperation to harmonize supervisory criteria and prevent regulatory arbitrage, especially in complex transactions such as fund structures and securitizations linked to private credit.

### **Adoption of AI in insurance**

The report highlights the accelerated adoption of artificial intelligence (AI) in the insurance industry, including the emerging use of generative models (GenAI).<sup>12</sup> These technologies offer significant benefits, such as process optimization, cost reduction, and improved customer experience through personalized interactions and more efficient claims management. However, their implementation also poses risks that could

affect both financial stability and consumer protection. Key risks include the potential for algorithmic biases leading to discriminatory decisions, a lack of explainability in complex models, cybersecurity vulnerabilities, and risks arising from reliance on third-party technology providers.

The report underscores that, although the use of AI in insurance is in its early stages in many jurisdictions, exponential growth is expected in the coming years, requiring robust governance frameworks and proportionate oversight. In response, supervisors are promoting the integration of AI into risk management systems, strengthening model traceability, increasing process transparency, and encouraging the adoption of tools that enable automated decisions to be explained. Regular audits and the use of metrics to assess fairness in outcomes are also recommended, ensuring consumer protection against adverse decisions. In addition, supervisors report a lack of structured data on AI use cases.

Lastly, the document warns of risks specific to GenAI, such as the generation of false content, the manipulation of models through sophisticated attacks, and the leakage of sensitive data. To mitigate these threats, it emphasizes the need for stress testing, advanced cybersecurity controls, and international cooperation to harmonize regulatory standards. These measures seek to balance the benefits of technological innovation with the preservation of consumer trust and the stability of the financial system.

### **Climate-related risks to the insurance industry**

The GIMAR 2025 report highlights that, despite advances in risk management, the industry's exposure to climate-sensitive assets and liabilities remains significant. It is estimated that between 22% and 46% of insurance companies' assets are linked to sectors vulnerable to physical and transition risks, such as energy, transportation, housing,

and utilities. This proportion varies by region, reflecting differences in data availability and portfolio composition, but it confirms that climate risk is systemic and persistent.

The increased frequency of natural catastrophe (NatCat) events not only generates direct losses in Non-Life insurance lines but also affects the solvency of insurance companies. The GIMAR analysis indicates that an extreme event with a 1-in-200-year probability of occurrence could reduce capital ratios by 34 percentage points (pp) on average, posing a significant challenge to solvency and liquidity management. Moreover, without reinsurance, the impact would be -64 pp (up to -113 pp in cases of greater reliance). With reinsurance, the net NatCat Value at Risk (VaR) is 53%. In addition, reliance on reinsurance as a risk-mitigation mechanism remains high, introducing additional risks in the event that reinsurance markets face capacity constraints following severe events.

Meanwhile, transition risks associated with the decarbonization of the economy and regulatory changes may impact asset valuations in carbon-intensive sectors. Insurance companies with concentrated exposures to fossil fuels, traditional transportation, or high-emission industries face risks of accelerated depreciation, which could result in unrealized losses and impact profitability. The lack of harmonized methodologies and reliable data to assess these impacts remains an obstacle to the effective integration of climate risk into internal models and regulatory frameworks.

In response, *supervisors are incorporating climate risk into their supervisory practices* by requiring scenario analysis, stress testing, and transition plans toward low-carbon economies. There has been an increase in the adoption of specific metrics to assess exposure to physical and transition risks, as well as the integration of these factors into capital requirements, especially in jurisdictions applying risk-based frameworks. However, challenges persist related to data availability and

quality, the lack of global standards, and the need for more robust methodologies to quantify long-term impacts.

Beyond these considerations, the report emphasizes that climate risk management cannot be limited to a purely prudential perspective. A comprehensive approach is required, combining financial resilience with the insurance industry's contribution to reducing the protection gap against natural disasters. This involves fostering innovative products, strengthening public-private cooperation, and promoting international regulatory harmonization. Only through these actions will it be possible to mitigate the adverse effects of climate change and ensure the sustainability of the insurance industry in an increasingly uncertain environment.

Finally, the report notes that, although the reinsurance market has demonstrated resilience to volatility and climate-related risks, challenges persist with regard to concentration in certain jurisdictions and the need to strengthen capacity amid increasingly severe NatCat events.

### **2025 individual insurance company monitoring aggregate results**

In addition to sector-wide monitoring (SWM), which uses aggregate insurance market data collected by the IAIS through its members, the GIMAR report contains an individual insurer monitoring (IIM) assessment. This applies to insurance groups that meet the criteria of the so-called "Insurer Pool" and comprises 57 of the largest international groups from 18 jurisdictions, in order to monitor systemic risks and relevant trends at the individual level within the framework of the Global Monitoring Exercise.

The aggregated IIM analysis contained in the 2025 report shows that *the systemic risk score for the insurance industry is still significantly lower than that of the banking industry*, confirming that insurance companies have a smaller systemic footprint. At the end of 2024,

the Insurer Pool's overall score fell by around 1.2% compared to the previous year, reflecting a slight improvement in the industry's stability. This decrease is mainly explained by reductions in indicators like minimum guarantees on variable products and liability liquidity, although increases are observed in other factors, such as intra-financial exposures and the use of derivatives. Overall, large groups within the Insurer Pool show a slight reduction in systemic exposure compared with 2023, due to reduced financial connections and less pressure to liquidate assets, despite increases in size and activity and a certain rise in exposures within the financial system.

In terms of composition, Level 3 assets still represent the most significant component of systemic risk, accounting for around 22.6% of the total, followed by derivatives (13.0%) and liability liquidity (11.5%). While these exposures remain stable in most jurisdictions, regional differences persist that warrant close monitoring, especially in markets where insurers are increasing their exposure to complex or less liquid instruments.

Finally, it should be noted that the IAIS has completed the triennial review of the IIM methodology, which will apply to the 2026–2028 cycle, in order to strengthen the framework's sensitivity to emerging risks. In this context, supervisors are stepping up stress testing and granular portfolio analysis to identify vulnerabilities associated with illiquid assets and over-the-counter derivatives, as well as to assess the potential impact of adverse scenarios on solvency and liquidity.

### **2.2.3 EIOPA Financial Stability Report 2025**

On December 15, 2025, the European Insurance and Occupational Pensions Authority (EIOPA) published its most recent financial stability report. The report highlights the main risks for the insurance industry and pension funds, which are summarized below:

- *Macroeconomic and geopolitical risks.* These remain the main concern in 2025.

Instability is being fueled by geopolitical tensions, uncertainty in global trade, and high public debt. Although the trade agreement between the European Union and the United States reduced some of the uncertainty, the imposition of 15% tariffs on European goods has weighed on growth. The report highlights the risk of economic stagnation (stagflation) and increased sovereign risk due to higher bond yields, which puts pressure on government finances.

- *Digitization and cyber risks.* This risk has climbed the rankings, becoming the second most material risk, surpassing even market risks. Technological interconnection has transformed cyber risk into a systemic macrofinancial threat. The global cost of cybercrime is estimated to reach 24 billion dollars by 2027. The threat of ransomware and the potential for massive losses due to failures at common service providers are emphasized.
- *Market and interest rate risks.* They remain a key concern due to high equity valuations and interest rate volatility. Equity risk is the main driver for pension funds, while interest rate risk remains critical for insurers due to their exposure to fixed income. Warning of possible price corrections in light of the weakening macroeconomic outlook.
- *Investments in private lending.* This is a priority area for monitoring in 2025. Exposure reached 514 billion euros in insurance companies. Although it offers attractive illiquidity premiums, EIOPA warns about uncertainty in valuation, hidden leverage, and high concentration in the real estate sector, compounded by existing data gaps.
- *Liquidity and foreign exchange risks.* Pockets of liquidity risk persist despite overall capital strength. The report highlights the depreciation of the U.S. dollar (which fell by 11% in the first half of the year). This volatility affects technical

profitability and investments; reinsurers are the companies most exposed to these exchange rate fluctuations.

- *Impact of Artificial Intelligence (AI).* The report includes a specific analysis of AI. It notes that its future integration could amplify systemic vulnerabilities due to correlated behavior (use of common models), dependence on a small number of technology providers, and the risk of “demutualization” due to overly detailed risk segmentation.
- *ESG and sustainability risks.* The extreme weather events of 2025 (droughts, wildfires in the Mediterranean, and storms in Central Europe) set new claims records. EIOPA classifies climate change as a risk requiring continuous monitoring given the increasing frequency and severity of such events.

#### 2.2.4 2025 IORP liquidity stress test

The 2025 liquidity stress test of Institutions for Occupational Retirement Provision (IORPs), conducted by the European Insurance and Occupational Pensions Authority (EIOPA), assesses the sector's ability to withstand episodes of liquidity stress resulting from severe but plausible disruptions in financial markets. The analysis draws on recent episodes of stress, particularly the United Kingdom gilts crisis in 2022, as well as other events of financial instability observed internationally, such as the regional bank crisis in the United States and its contagion effects. In that episode, abrupt fluctuations in interest rates and asset prices triggered significant margin calls<sup>13</sup> on British pension funds, which were highly exposed to liability-driven investing (LDI) strategies involving intensive use of derivatives, repo transactions, and synthetic leverage. These dynamics highlighted the potential vulnerability of certain balance-sheet structures to rapid market shocks and the critical importance of managing very short-term liquidity risk.

On this basis, the EIOPA Board of Supervisors (BoS) agreed to conduct a targeted exercise to assess the liquidity risk of IORPs in the European Economic Area (EEA), under two stress scenarios harmonized for all relevant asset classes, as well as exchange rate shocks: a yield curve up (YCU) scenario and a yield curve down (YCD) scenario, both defined as parallel shifts of  $\pm 100$  basis points in the swap yield curve.

The exercise takes place in a context characterized by high geopolitical and macroeconomic uncertainty, marked, among other factors, by trade and tariff tensions between the European Union and the United States, persistent geopolitical risks, and recent episodes of defaults in the United States, which have reignited the debate about the disconnect between financial valuations and economic fundamentals. In this environment, liquidity risks are trending upward, driven both by current market conditions and by developments in IORP derivative positions. Although aggregate liquidity indicators point to a comfortable situation at the end of 2024, the emergence of macro-financial or geopolitical shocks could lead to sudden tensions, particularly through simultaneous margin calls, widening spreads, and deteriorating market liquidity.

As in previous exercises, the 2025 stress test is not intended to assess regulatory compliance, but rather serves as an analytical tool designed to identify vulnerabilities, strengthen supervisory dialogue, and improve understanding of the sector's liquidity risk profile.

### **Main characteristics of the business**

IORPs are, by nature, long-term investors and generally display a solid liquidity profile. Contributions typically precede payments to beneficiaries, generating relatively stable cash flows for much of the life cycle of pension plans. Likewise, the predictability of pension liabilities allows them to absorb short-term volatility with greater ease than other financial institutions.

However, the exercise confirms that the liquidity risk profile of IORPs is evolving. As plans mature, negative net cash flows increase, and exposure to sources of liquidity risk intensifies, including: (i) unpredictable cash flows associated with flexible redemption options; (ii) a structural increase in allocations to illiquid assets (such as private equity, infrastructure, and real estate) in a prolonged context of low returns; and (iii) the use of derivatives, which introduces potentially volatile liquidity needs through margin calls, both direct and indirect, via investments in collective investment undertakings.

The IORP 2025 stress test is a Europe-wide exercise covering all types of IORPs in 18 EEA countries, focusing on sectors of material importance (assets exceeding 600 million euros as of the end of 2023). EIOPA requested that national competent authorities achieve minimum coverage of 60% of total market assets across all types of pension plans. Furthermore, the stress test focuses exclusively on the asset side of the balance sheet and is based on a hybrid stock-flow analysis to assess the liquidity position of IORPs. In adverse scenarios, liquidity is affected both by declines in the market value of assets and by changes in the associated cash flows.

Liquid assets are estimated by participants in the baseline scenario and in the post-stress scenario by applying liquidity haircuts, which reflect the expected penalties in the event of forced sales under stress conditions.<sup>14</sup> These haircuts capture both the probability of liquidation within a given time horizon and the potential price decline prior to sale, affecting only asset prices and not their volume.

The time horizon of the analysis is set at three months (90 days), with shocks concentrated at the beginning of the period. This design places margin calls on derivatives and repo agreements among the main sources of liquidity risk, along with operational cash flows from contributions, benefits, and

transfers. Post-stress liquidity positions are calculated under two assumptions: (i) stressed balance sheet without management actions, and (ii) stressed balance sheet incorporating realistic management actions (MA).

### Aggregated results

The analysis is based on two main metrics: the liquidity position and the sustainability indicator. The first metric estimates the ability of IORPs to cover net cash flows for the first quarter of 2025 with cash available at the end of 2024. The sustainability indicator,<sup>15</sup> meanwhile, broadens this approach by incorporating the set of liquid assets available after the application of shocks and haircuts.

In the YCU scenario, the aggregated liquidity position deteriorates significantly, declining from +74.0 billion euros in the baseline scenario to -60.0 billion euros in the stressed scenario, before management actions are applied. This deterioration is directly linked to margin calls arising from interest-rate hedges and the depreciation of the euro, and affects 68 IORPs and, in particular, a subset of IORPs consisting mainly of large defined benefit (DB) plans with intensive use of derivatives. However, the sustainability indicator remains positive even under stress, standing at around 1.1 billion euros, although 21% lower than in the

baseline scenario. This indicates that the problem identified is one of very short-term liquidity (cash) and not a structural shortage of liquid assets.

After management actions are applied, the aggregated liquidity position returns to positive territory, reaching approximately +15.0 billion euros, and the number of IORPs with negative liquidity positions falls from 68 to 29. With management actions, this sustainability indicator improves to approximately 1.2 billion euros. No IORP records a negative sustainability indicator, indicating that available liquid assets are sufficient to cover liquidity needs, even when the cash position is negative (see Table 2.2.4-a).

In the YCD scenario, the aggregated liquidity position declines but remains positive (+56.0 billion euros), as positive margin calls on interest rate derivatives partially offset losses associated with exchange-rate movements and asset sales subject to haircuts. Under this scenario, 62 IORPs experience liquidity stress in terms of cash in the stressed scenario, a figure that falls to 29 after management actions are applied. With these actions, the liquidity position improves to approximately +70.0 billion euros, while the sustainability indicator shows only a moderate reduction (around -6%).

**Table 2.2.4-a**  
Liquidity position and sustainability of IORPs in  
an environment of rising/falling interest rates

	YCU scenario					YCD scenario				
	Baseline- Value (EUR bn)	Stressed- Value (EUR bn)	Stressed with MAS- Value (EUR bn)	Stressed- Δ (Baseline)	Stressed with MAS-Δ (Baseline)	Baseline- Value (EUR bn)	Stressed- Value (EUR bn)	Stressed with MAS- Value (EUR bn)	Stressed- Δ (Baseline)	Stressed with MAS-Δ (Baseline)
Liquidity position (Net cash flows + Cash)	74	-60	15	-181%	-80%	74	56	70	-25%	-5%
Sustainability (Net cash flows + Cash)	1,444	1,138	1,202	-21%	-17%	1,444	1,381	1,353	-4%	-6%
Number of IORPs with negative liquidity	-	68	29	-	-	-	62	29	-	-

Source: Mapfre Economics (based EIOPA, IORP Stress Test Report data)

**Table 2.2.4-b**  
**Breakdown of liquidity position and sustainability of IORPs by**  
**DB and DC in an environment of rising/falling interest rates**

	YCU scenario					YCD scenario				
	Baseline- Value (EUR bn)	Stressed- Value (EUR bn)	Stressed with MAS- Value (EUR bn)	Stressed- Δ (Baseline)	Stressed with MAS-Δ (Baseline)	Baseline- Value (EUR bn)	Stressed- Value (EUR bn)	Stressed with MAS- Value (EUR bn)	Stressed- Δ (Baseline)	Stressed with MAS-Δ (Baseline)
DB - Liquidity position	59	-57	10	-197%	82%	59	60	65	2%	11%
DC - Liquidity position	15	-3	5	-121%	67%	15	-4	5	-126%	-69%
<b>Total</b>	<b>74</b>	<b>-60</b>	<b>15</b>	<b>-181%</b>	<b>80%</b>	<b>74</b>	<b>56</b>	<b>70</b>	<b>-25%</b>	<b>-5%</b>

Source: Mapfre Economics (based EIOPA, IORP Stress Test Report data)

Meanwhile, analysis by plan type highlights a significant structural imbalance between *defined benefit* (DB) and *defined contribution* (DC) plans. In both scenarios (YCU and YCD), DB plans generally show greater sensitivity to liquidity stress, reflecting more intensive use of derivatives, but also greater resilience through more sophisticated management actions (repos, collateral, portfolio rebalancing). DC plans, on the other hand, start with smaller liquidity buffers and rely more heavily on asset sales, making them potentially more vulnerable in systemic stress scenarios. The sector proves resilient under both scenarios, but critically depends on management actions to absorb severe shocks (see Table 2.2.4-b). In the YCU scenario, of the 156 funds analyzed, 54 took some action, representing approximately 70% of total assets and being, for the most part, the largest IORPs. In the YCD scenario, 49 respondents implemented some measure; in both scenarios, the most common actions were asset sales and reduced trading activity.

The heterogeneity of the impacts on sustainability between types of plans is illustrated in Table 2.2.4-c, which shows a more pronounced deterioration in the liquidity position of DB plans, consistent with their greater exposure to derivatives and margin calls, compared with a relatively more contained, although proportionally significant, impact on DC plans. For the interest rate hike scenario (YCU), sustainability ratios by plan type remain fairly stable,

with a slight decrease in DB plans (from 95% to 92%, -3 pp) and an increase in DCs (from 90% to 97%, +7 pp). This development is explained by the greater decline in the denominator (initial liquid assets) relative to the numerator in DC plans, while margin inflows influence DB plans. In addition, the application of management actions somewhat improves the outcome for DC plans compared with the no-action scenario.

For the interest-rate hike scenario (YCD) under stress, both ratios (DB and DC) improve slightly, and after applying measures, they decline somewhat, although they remain close to or above 100% at the aggregate level, confirming resilience to short-term liquidity pressures. However, DC plans remain in a comparatively weaker position than DB plans, given their lower exposure to interest-rate hedges, which, in this scenario, generate derivative inflows. Overall, the two figures highlight that the system's shock-absorption capacity is sustained in both scenarios, with some favorable nuances for DB plans in YCD and visible support from the measures, particularly for DC plans in YCU.

### Cash flow analysis

Cash flows analyzed between December 2024 and March 2025 are broken down into investment-related flows (including financial income and expenses, bond maturities, asset purchases and sales, and margin calls) and non-investment-related flows, such as

**Table 2.2.4-c**  
**Breakdown of sustainability of IORPs by DB and DC**  
**in an environment of rising/falling interest rates**

	YCU scenario					YCD scenario										
	1. Liquid assets without haircut 12/31/24 (EUR bn)	2. Net CFs + Liquid assets with haircut 03/31/25- Baseline (EUR bn)	3. Liquid assets without haircut 12/31/24- Stressed (EUR bn)	4. Net CFs + Liquid assets with haircut 03/31/25- Stressed (EUR bn)	5. Net CFs + Liquid assets with haircut 03/31/25- with MA (EUR bn)	Sustainability ratio - Baseline (2/1)	Sustainability ratio - Stressed (4/3)	Sustainability ratio - with MA (5/3)	1. Activos líquidos sin haircut 31/12/24 (EUR bn)	2. Net CFs + Liquid assets with haircut 03/31/25- Baseline (EUR bn)	3. Liquid assets without haircut 12/31/24- Stressed (EUR bn)	4. Net CFs + Liquid assets with haircut 03/31/25- Stressed (EUR bn)	5. Net CFs + Liquid assets with haircut 03/31/25- with MA (EUR bn)	Sustainability ratio - Baseline (2/1)	Sustainability ratio - Stressed (4/3)	Sustainability ratio - with MA (5/3)
<b>DB</b>	1,248	1,181	986	909	973	95%	92%	99%	1,248	1,181	1,085	1,126	1,111	95%	104%	102%
<b>DC</b>	291	263	236	229	229	90%	97%	97%	291	263	249	256	242	90%	103%	97%
<b>Total</b>	1,540	1,444	1,222	1,138	1,202	94%	93%	98%	1,540	1,444	1,334	1,381	1,353	94%	104%	101%

Source: Mapfre Economics (based EIOPA, IORP Stress Test Report data)

contributions, benefits, transfers, and other operating flows. Financial income and expenses have a limited impact on the liquidity position, while fixed-income asset maturities generate relatively stable cash inflows. The main factor putting pressure on liquidity comes from margin calls associated with the use of derivatives and the effect of haircuts applied to asset sales under stress conditions.

### **Stress test conclusions**

The EIOPA 2025 liquidity stress test on IORPs confirms that the sector, in aggregate terms, shows an adequate capacity to withstand the shocks considered, even under severe but plausible scenarios. Despite the tensions generated by adverse scenarios, IORPs collectively have sufficient sources of liquidity to cope with cash outflows resulting from the shocks applied.

The results show that the sensitivity of the IORP sector increases significantly when adverse interest rate movements are combined with the depreciation of the euro, especially in the presence of hedging positions using derivatives. Although useful from a solvency perspective, hedging positions using derivatives generate significant margin calls in adverse scenarios, many of which must be settled in cash and within a very short time frame.

The yield curve up (YCU) is more demanding than the yield curve down scenario (YCD), as it generates greater immediate liquidity needs and causes a higher number of IORPs with negative cash positions in the absence of management actions. However, the implementation of realistic management actions makes it possible to restore positive liquidity positions and significantly mitigate the impact of shocks.

Although the sustainability indicator confirms the availability of sufficient liquid assets to cover liquidity needs after stress, the results show that some participants do not hold sufficient cash to immediately cover margin re-

quirements, forcing them to take management actions such as selling liquid assets and conducting repo transactions. This highlights the importance of liquidity risk management at the individual level and of the operational capacity to execute management actions in very short time horizons. However, by focusing exclusively on assets, this stress test does not incorporate the impact of differences in liabilities or profits, which also influence the resilience of IORPs.

In aggregate terms, the stress test shows that IORPs do not act as amplifiers of market shocks, as they remain net buyers of most asset classes, even in adverse scenarios. This behavior reinforces the stabilizing role of the sector from a financial stability perspective.

# Appendix A: macroeconomic forecasts

**Table A-1**  
Baseline and stressed scenarios: Gross Domestic Product (GDP)  
(annual growth, %)

	Baseline Scenario (BS)					
	2022	2023	2024	2025(e)	2026(f)	2027(f)
United States	2.5	2.9	2.8	2.1	2.2	1.9
Eurozone	3.7	0.6	0.8	1.5	1.2	1.4
Germany	1.9	-0.7	-0.5	0.3	1.0	1.5
France	2.8	1.6	1.1	0.9	0.9	1.2
Italy	5.0	1.1	0.5	0.7	0.7	0.8
Spain	6.4	2.5	3.5	2.8	2.2	1.9
Portugal	7.0	3.1	2.1	1.9	2.0	1.8
United Kingdom	5.1	0.3	1.1	1.4	1.2	1.4
Japan	1.3	0.7	-0.2	1.2	0.7	0.7
Emerging markets <sup>1</sup>	4.3	4.7	4.3	4.0	3.9	3.8
Latin America <sup>1</sup>	4.3	2.4	2.4	2.2	2.1	2.4
Mexico	3.7	3.1	1.1	0.7	1.4	2.0
Brazil	3.1	3.3	3.0	2.2	1.6	1.8
Argentina	6.0	-1.9	-1.3	4.3	3.2	2.9
Colombia	7.3	0.7	1.6	2.7	2.8	2.8
Chile	2.2	0.6	2.4	2.3	2.3	2.3
Peru	2.8	-0.3	3.5	3.2	2.9	3.0
Emerging markets, Europe <sup>2</sup>	0.5	3.6	3.5	2.0	2.3	2.4
Turkey	5.4	5.0	3.3	3.7	3.1	3.5
Asia Pacific	4.7	6.1	5.3	5.0	4.6	4.5
China	3.1	5.4	5.0	5.0	4.5	4.4
Indonesia	5.3	5.0	5.0	5.0	5.1	5.1
Global	3.8	3.5	3.3	3.2	3.1	3.0

	Stressed Scenario (SS)					
	2022	2023	2024	2025(e)	2026(f)	2027(f)
United States	2.5	2.9	2.8	2.1	2.0	1.7
Eurozone	3.7	0.6	0.8	1.5	1.0	1.2
Germany	1.9	-0.7	-0.5	0.3	0.7	1.3
France	2.8	1.6	1.1	0.9	0.6	0.9
Italy	5.0	1.1	0.5	0.7	0.4	0.5
Spain	6.4	2.5	3.5	2.8	2.0	1.8
Portugal	7.0	3.1	2.1	1.9	1.9	1.6
United Kingdom	5.1	0.3	1.1	1.4	1.0	1.1
Japan	1.3	0.7	-0.2	1.2	0.5	0.5
Emerging markets <sup>1</sup>	4.3	4.7	4.3	4.0	3.7	3.7
Latin America <sup>1</sup>	4.3	2.4	2.4	2.2	2.0	2.3
Mexico	3.7	3.1	1.1	0.7	1.2	1.8
Brazil	3.1	3.3	3.0	2.2	1.4	1.6
Argentina	6.0	-1.9	-1.3	4.3	3.0	2.7
Colombia	7.3	0.7	1.6	2.7	2.5	2.5
Chile	2.2	0.6	2.4	2.3	2.1	2.1
Peru	2.8	-0.3	3.5	3.2	2.7	2.8
Emerging markets, Europe <sup>2</sup>	0.5	3.6	3.5	2.0	2.0	2.1
Turkey	5.4	5.0	3.3	3.7	2.9	3.2
Asia Pacific	4.7	6.1	5.3	5.0	4.3	4.2
China	3.1	5.4	5.0	5.0	4.2	4.1
Indonesia	5.3	5.0	5.0	5.0	5.0	4.8
Global	3.8	3.5	3.3	3.2	2.9	2.8

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

1/ Regional aggregate forecasts without Argentina

2/ Eastern Europe

Forecast end date: January 30, 2026.

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**Table A-2**  
**Baseline and stressed scenarios: inflation**  
 (% YoY, average)

	Baseline Scenario (BS)					
	2022	2023	2024	2025(e)	2026(f)	2027(f)
United States	8.0	4.1	3.0	2.7	2.5	2.3
Eurozone	8.4	5.4	2.4	2.1	1.8	2.0
Germany	6.9	5.9	2.3	2.2	1.9	2.0
France	5.2	4.9	2.0	0.9	1.4	1.6
Italy	8.2	5.6	1.0	1.5	1.5	1.8
Spain	8.4	3.5	2.8	2.7	2.1	2.0
Portugal	7.8	4.3	2.4	2.3	2.0	2.0
United Kingdom	9.1	7.3	2.5	3.3	2.5	2.3
Japan	2.5	3.3	2.7	3.2	1.8	1.8
Emerging markets <sup>1</sup>	9.7	8.2	7.9	4.1	3.9	3.7
Latin America <sup>1</sup>	14.2	14.8	16.6	8.6	8.3	8.1
Mexico	7.9	5.5	4.7	3.8	3.7	3.6
Brazil	9.3	4.6	4.4	5.0	4.2	3.8
Argentina	72.4	133.5	219.9	44.5	29.0	21.0
Colombia	10.2	11.7	6.6	5.1	4.3	3.9
Chile	11.6	7.3	3.9	4.2	3.0	2.9
Peru	7.9	6.3	2.4	1.5	2.1	2.4
Emerging markets, Europe <sup>2</sup>	25.4	17.3	16.9	13.5	9.3	7.4
Turkey	72.3	53.9	58.5	35.2	24.8	20.5
Asia Pacific	3.9	2.4	1.9	0.2	0.9	1.1
China	2.0	0.2	0.2	0.1	0.8	1.1
Indonesia	4.1	3.7	2.3	1.9	2.8	2.7
Global	8.7	6.7	5.8	3.3	3.1	3.0

	Stressed Scenario (SS)					
	2022	2023	2024	2025(e)	2026(f)	2027(f)
United States	8.0	4.1	3.0	2.7	2.7	2.5
Eurozone	8.4	5.4	2.4	2.1	2.0	2.1
Germany	6.9	5.9	2.3	2.2	2.1	2.2
France	5.2	4.9	2.0	0.9	1.5	1.7
Italy	8.2	5.6	1.0	1.5	1.6	1.9
Spain	8.4	3.5	2.8	2.7	2.3	2.2
Portugal	7.8	4.3	2.4	2.3	2.1	2.1
United Kingdom	9.1	7.3	2.5	3.3	2.6	2.5
Japan	2.5	3.3	2.7	3.2	2.0	2.0
Emerging markets <sup>1</sup>	9.7	8.2	7.9	4.1	4.0	3.9
Latin America <sup>1</sup>	14.2	14.8	16.6	8.6	8.5	8.4
Mexico	7.9	5.5	4.7	3.8	3.8	3.7
Brazil	9.3	4.6	4.4	5.0	4.4	4.0
Argentina	72.4	133.5	219.9	44.5	26.0	20.0
Colombia	10.2	11.7	6.6	5.1	4.5	4.1
Chile	11.6	7.3	3.9	4.2	3.2	3.1
Peru	7.9	6.3	2.4	1.5	2.3	2.6
Emerging markets, Europe <sup>2</sup>	25.4	17.3	16.9	13.5	9.5	7.7
Turkey	72.3	53.9	58.5	35.2	28.0	26.0
Asia Pacific	3.9	2.4	1.9	0.2	1.0	1.2
China	2.0	0.2	0.2	0.1	0.9	1.2
Indonesia	4.1	3.7	2.3	1.9	3.0	3.0
Global	8.7	6.7	5.8	3.3	3.3	3.2

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

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1/ Regional aggregate forecasts without Argentina

2/ Eastern Europe

Forecast end date: January 30, 2026.

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

	Baseline Scenario (BS)					
	2022	2023	2024	2025	2026(f)	2027(f)
United States	3.88	3.88	4.58	4.18	4.21	4.20
Eurozone	3.39	2.79	3.00	3.32	3.25	3.30

	Stressed Scenario (SS)					
	2022	2023	2024	2025	2026(f)	2027(f)
United States	3.88	3.88	4.58	4.18	4.26	4.26
Eurozone	3.39	2.79	3.00	3.32	3.20	3.22

Source: Mapfre Economics (using data from national statistical centers and IMF)  
 Forecast end date: January 30, 2026.

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

	Baseline Scenario (BS)					
	2022	2023	2024	2025	2026(f)	2027(f)
USD-EUR	0.94	0.90	0.96	0.85	0.86	0.86
EUR-USD	1.07	1.11	1.04	1.18	1.16	1.16
GBP-USD	1.20	1.27	1.25	1.35	1.29	1.29
USD-JPY	132.65	141.91	156.65	156.43	148.24	142.27
USD-CNY	6.90	7.10	7.30	6.99	6.91	6.90

	Stressed Scenario (SS)					
	2022	2023	2024	2025	2026(f)	2027(f)
USD-EUR	0.94	0.90	0.96	0.85	0.85	0.84
EUR-USD	1.07	1.11	1.04	1.18	1.18	1.19
GBP-USD	1.20	1.27	1.25	1.35	1.32	1.33
USD-JPY	132.65	141.91	156.65	156.43	149.51	142.39
USD-CNY	6.90	7.10	7.30	6.99	6.90	6.89

Source: Mapfre Economics (using data from national statistical centers and IMF)  
 Forecast end date: January 30, 2026.

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

	Baseline Scenario (BS)					
	2022	2023	2024	2025	2026(f)	2027(f)
United States	4.50	5.50	4.50	3.75	3.00	3.00
Eurozone	2.50	4.50	3.25	2.00	2.00	2.00
China	2.00	1.75	1.50	1.40	1.30	1.30

	Stressed Scenario (SS)					
	2022	2023	2024	2025	2026(f)	2027(f)
United States	4.50	5.50	4.50	3.75	3.25	3.25
Eurozone	2.50	4.50	3.25	2.00	1.75	1.75
China	2.00	1.75	1.50	1.40	1.40	1.40

Source: Mapfre Economics (using data from national statistical centers and IMF)  
 Forecast end date: January 30, 2026.

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## Appendix B: premium growth forecasts

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

	Life					
	2022	2023	2024	2025(e)	2026(f)	2027(f)
United States	9.9	5.6	9.4	5.8	5.7	5.6
<b>Eurozone</b>						
Germany	-6.9	-5.2	2.9	4.7	4.9	5.7
France	-3.5	6.0	12.4	4.5	4.6	5.4
Italy	-14.5	-2.5	17.3	3.9	4.7	5.2
Spain	4.2	36.0	-13.7	23.2	13.5	7.4
Portugal	-22.3	-14.6	35.3	16.0	13.4	10.2
United Kingdom	-6.3	10.2	2.4	6.9	6.9	6.8
<b>Latin America</b>						
Mexico	1.0	15.8	18.1	9.8	10.2	10.6
Brazil	12.2	9.2	16.2	-8.3	5.0	5.4
Argentina	77.4	194.2	111.0	48.7	33.6	25.7
Colombia	67.0	-5.0	14.9	12.3	10.6	8.5
Chile	39.3	23.9	7.7	16.0	11.5	9.9
Peru	4.2	7.2	15.7	14.9	11.8	12.1
<b>Emerging markets, Europe</b>						
Turkey	75.4	80.5	77.8	37.5	27.5	23.2
<b>Asia Pacific emerging markets</b>						
China	4.0	12.8	15.4	6.7	6.4	6.4
Indonesia	-9.4	-7.4	3.4	5.7	5.6	5.3
Japan	12.7	9.1	-1.3	3.7	3.5	3.6
Global <sup>1</sup>	-3.3	6.2	9.2	6.2	6.1	6.2

	Non-Life					
	2022	2023	2024	2025(e)	2026(f)	2027(f)
United States	9.1	8.7	7.8	5.3	5.6	5.1
<b>Eurozone</b>						
Germany	2.9	5.1	6.1	3.7	4.2	4.5
France	4.0	7.0	7.7	3.2	3.6	3.8
Italy	6.1	8.0	8.4	3.3	3.3	3.4
Spain	5.3	6.8	7.8	7.8	7.4	6.8
Portugal	6.9	10.7	10.5	8.8	7.1	6.1
United Kingdom	14.1	11.7	7.7	6.0	6.5	5.5
<b>Latin America</b>						
Mexico	7.7	18.5	15.2	11.7	12.3	13.1
Brazil	24.3	9.6	7.8	7.3	7.1	6.9
Argentina	89.4	215.8	117.5	51.8	36.2	26.7
Colombia	19.4	14.5	8.7	8.2	9.2	9.2
Chile	23.3	9.7	5.5	4.4	4.2	4.1
Peru	7.6	5.9	6.9	1.4	2.2	2.7
<b>Emerging markets, Europe</b>						
Turkey	137.0	111.5	74.6	37.1	26.7	23.3
<b>Asia Pacific emerging markets</b>						
China	5.2	5.2	5.1	5.7	7.5	6.7
Indonesia	15.4	16.4	6.2	6.0	6.6	6.9
Japan	0.1	2.0	3.2	2.4	3.4	3.3
Global <sup>1</sup>	4.4	8.5	8.2	6.0	5.4	5.3

Source: Mapfre Economics (own estimates based on data from Swiss Re)

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<sup>1/</sup> Annual nominal growth forecasts in USD.  
Forecast end date: January 30, 2026.



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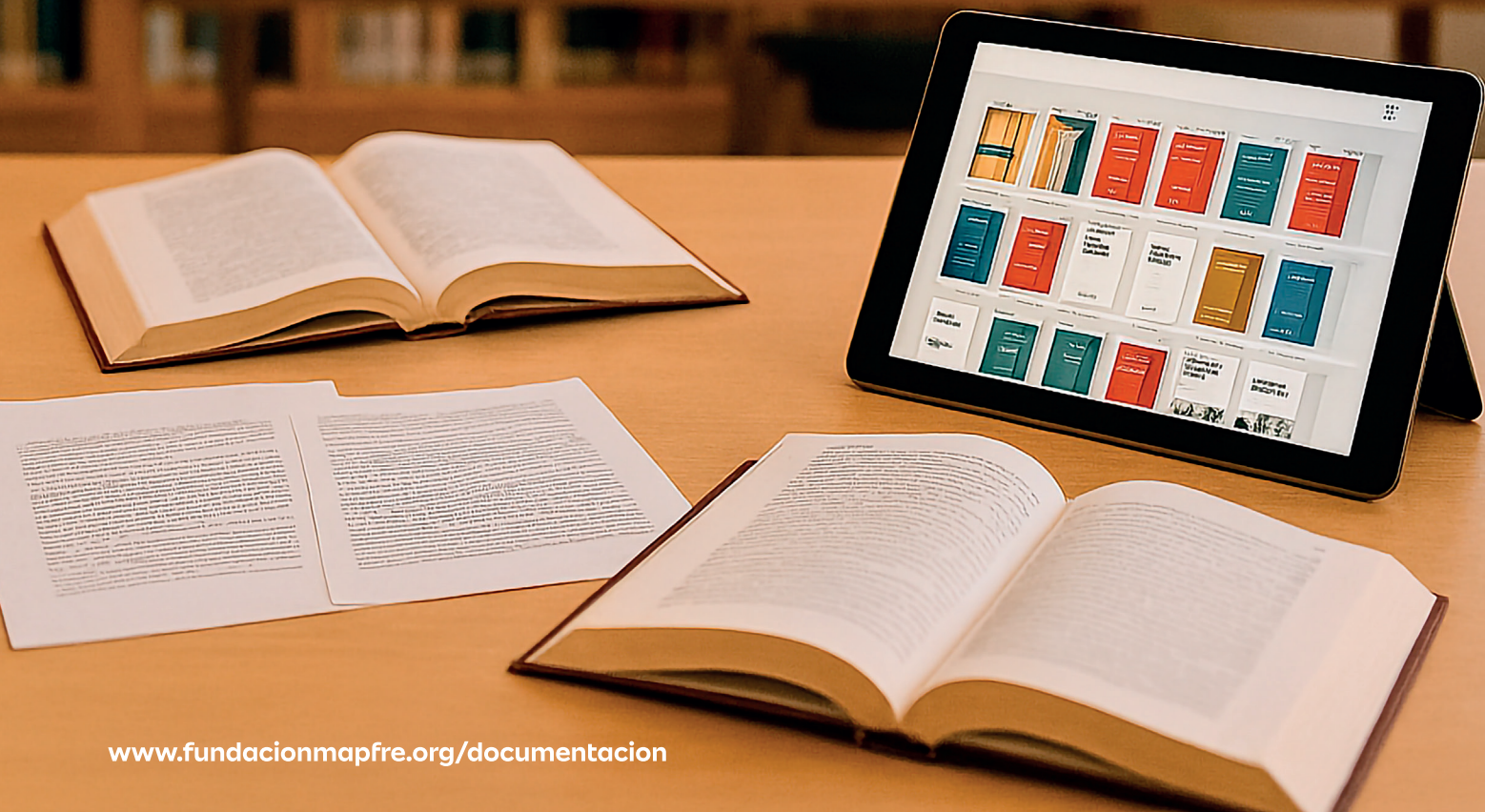
- 1/ See: MAPFRE Economics (2025), *2025 Economic and Industry Outlook: Perspectives for the Second Half*, Madrid, Fundación MAPFRE.
- 2/ The “K-shaped” pattern describes a divergent or uneven consumption pattern within an economy, where different income groups experience markedly different growth trajectories. The top arm of the “K” represents higher-income households and large companies, which are experiencing solid growth, expanding wealth, and a vibrant economic environment. Meanwhile, the lower arm represents lower-income households and small businesses, which continue to face difficulties, stagnation, or economic decline.
- 3/ Estimates produced by Mapfre Economics based on historical data obtained from national supervisory authorities, as well as data compiled by Swiss Re.
- 4/ The risk-free yield curves presented in this chapter of the report (as well as the interbank market curves in the case of Brazil) do not include credit risk adjustment.
- 5/ See: Swiss Re Institute (2025). *2025 marks sixth year insured natural catastrophe losses exceed USD 100 billion*. Press release, and Munich Re (2025). *Climate change presses on: Devastating wildfires and intense thunderstorms exacerbate losses for insurers*. Media information.
- 6/ Fitch Ratings, Howden, Guy Carpenter, Gallagher Re, Mapfre Re.
- 7/ See: [https://www.eiopa.europa.eu/eiopa-submits-first-bundle-technical-standards-european-commission-after-review-solvency-ii-2025-07-14\\_en](https://www.eiopa.europa.eu/eiopa-submits-first-bundle-technical-standards-european-commission-after-review-solvency-ii-2025-07-14_en)
- 8/ See: [https://www.eiopa.europa.eu/eiopa-opens-consultation-rules-resolution-colleges-and-reporting-requirements-under-irrd-2025-07-22\\_en](https://www.eiopa.europa.eu/eiopa-opens-consultation-rules-resolution-colleges-and-reporting-requirements-under-irrd-2025-07-22_en)
- 9/ See: [https://www.eiopa.europa.eu/eiopa-launches-new-set-consultations-related-solvency-ii-review-2025-10-09\\_en](https://www.eiopa.europa.eu/eiopa-launches-new-set-consultations-related-solvency-ii-review-2025-10-09_en)
- 10/ See: [https://www.eiopa.europa.eu/consultations/consultation-revised-its-matching-adjustment-approval-solvency-ii-review\\_en](https://www.eiopa.europa.eu/consultations/consultation-revised-its-matching-adjustment-approval-solvency-ii-review_en)
- 11/ See: <https://www.iais.org/uploads/2025/12/Global-Insurance-Market-Report-2025.pdf>
- 12/ See: <https://www.iais.org/uploads/2025/07/Application-Paper-on-the-supervision-of-artificial-intelligence.pdf>
- 13/ A *margin call* is a request to provide additional collateral to cover potential losses in a financial contract; it reduces counterparty credit risk and systemic risk in the derivatives market.
- 14/ *Haircuts* are applied both to assets held in the portfolio, to estimate the potential liquidity obtainable in the event of a sale, and to sales under stress scenarios, to reflect the possible lower liquidity generated. However, EIOPA recognizes that this second use introduces an artificial imbalance between purchases and sales that in practice widens the bid-ask spread of less liquid assets and may overestimate the liquidity needs of IORPs.
- 15/ See EIOPA (2025), *IORP Stress Test Report*. The sustainability indicator, expressed as a ratio of initial liquid assets, measures the ability of IORPs to absorb net cash outflows under different scenarios: values above 100% indicate improved liquidity, between 0% and 100% indicate a reduction, and negative values indicate insufficiency.



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An aerial photograph of a large container ship docked at a port. The ship is heavily loaded with multi-colored shipping containers (red, yellow, blue, and white). A large gantry crane is positioned over the ship's deck. The port area includes a paved pier with yellow safety lines and various pieces of equipment. In the background, a city skyline is visible across the water. The entire image is overlaid with a semi-transparent red filter.

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