

BROKERSLINK GLOBAL CONFERENCE

Navigating Global Uncertainty: Europe's path to resilience

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BANCO DE **ESPAÑA**
Eurosistema



Block I

Global growth has
proven resilient

Block II

Markets are upbeat
on growth
prospects but
important risks
remain beneath the
surface

Block III

Europe's strengths to leverage
in this complex global
environment

Block I

Global growth
has proven resilient
in 2025 against a
bumpy background

2025 HAS BEEN A BUMPY YEAR FOR THE WORLD ECONOMY

US administration
announces new defense
policy in Europe

14 FEBRUARY

US administration
announces steep tariffs
on US trade partners

2 APRIL

Israel air strikes
to Iran

13 JUNE

Series of massive aerial
attacks on Ukraine

SEPTEMBER 2025

18 MARCH

Renewed conflicts in
Gaza with the end of
the ceasefire

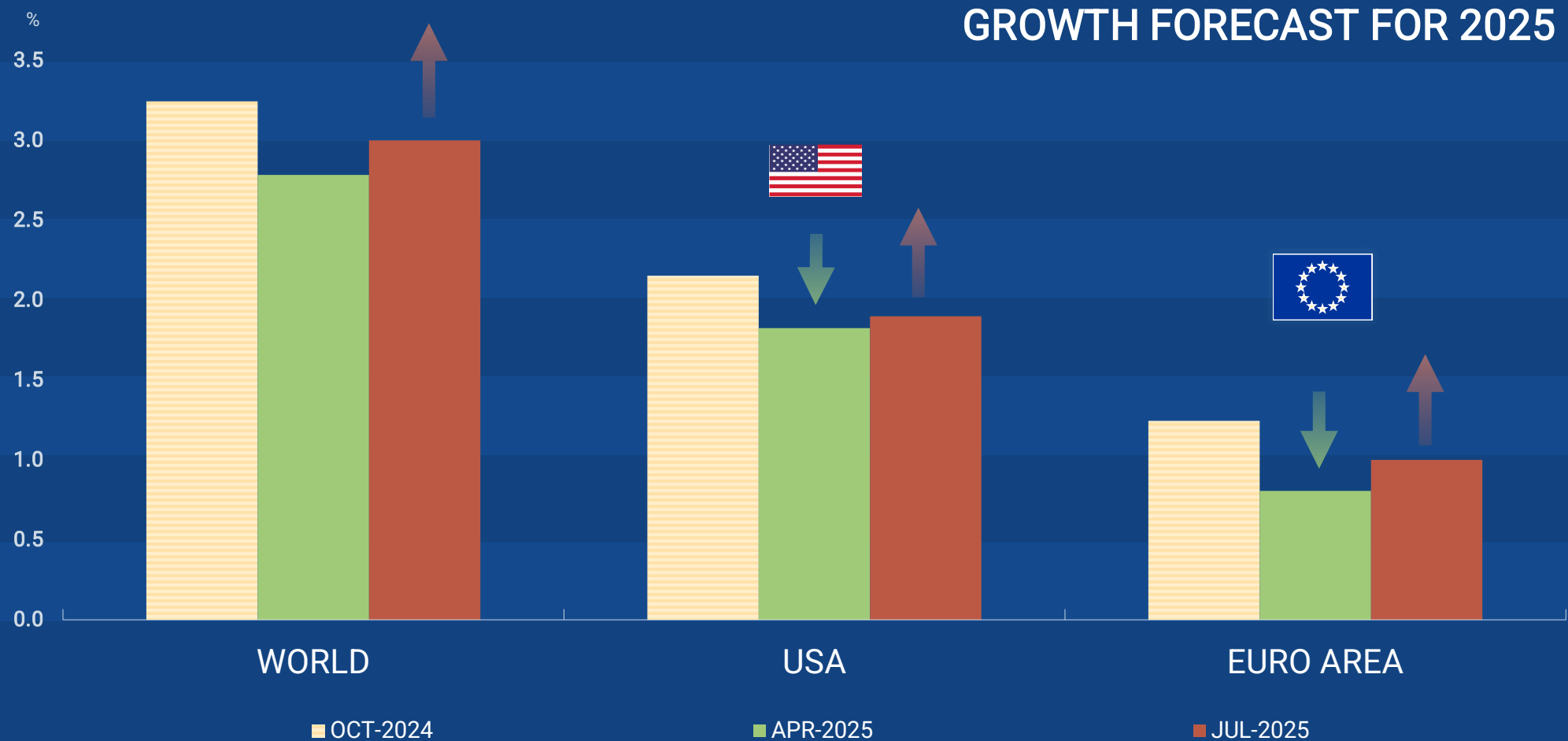
9 APRIL

US Treasury
market turmoil

1 AUGUST

Fed Governor resigned amid
pressures for the Fed to change
its monetary policy stance

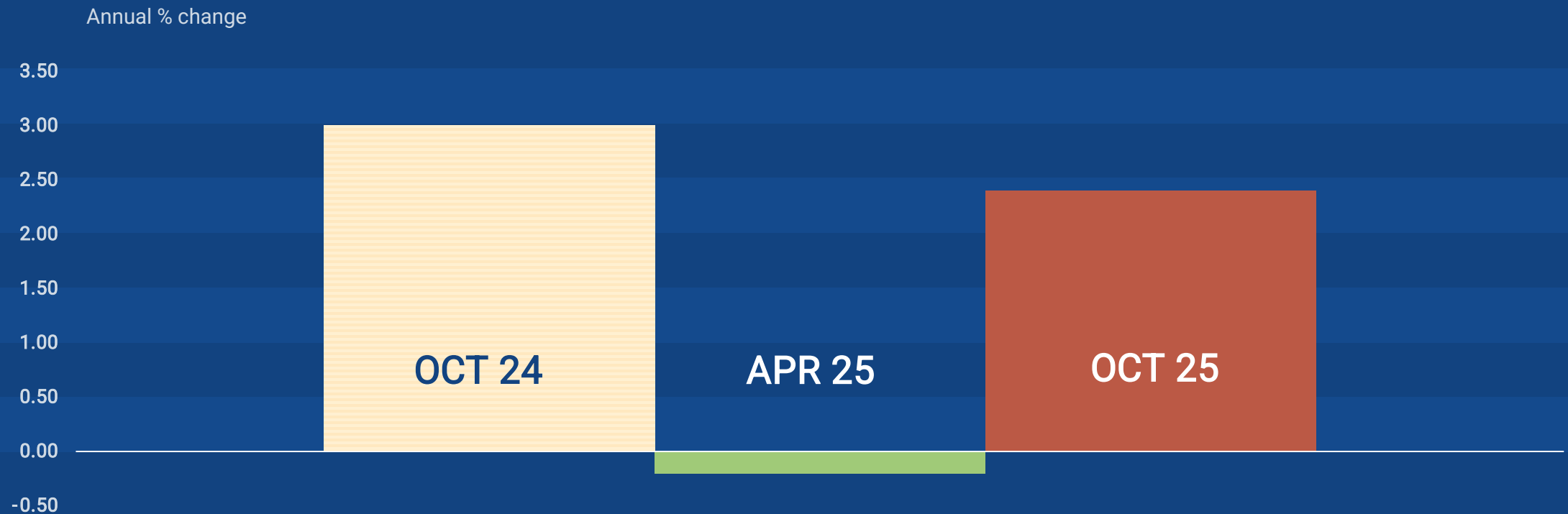
BUT GROWTH HAS PROVEN TO BE QUITE RESILIENT...



Source: IMF World Economic Outlook.

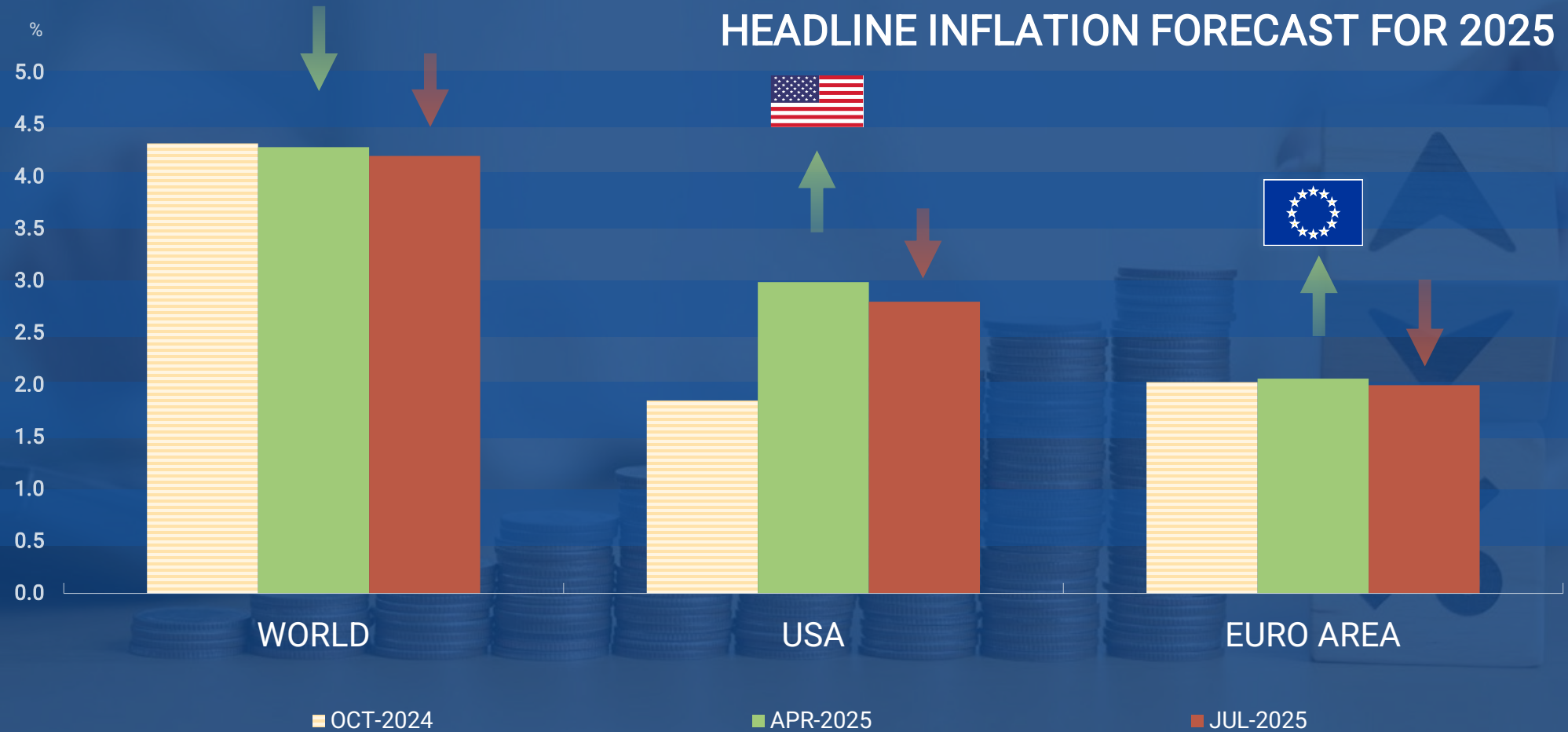
...AND MOST RECENT FORECASTS POINT TO A LOWER SLOWDOWN IN WORLD TRADE IN 2025 THAN INITIALLY FEARED

WTO FORECASTS - WORLD MERCHANDISE TRADE GROWTH FOR 2025



Source: WTO. World trade volume: average of exports and imports.

AND INFLATION HAS REMAINED CONTAINED



Source: IMF, World economic outlook.

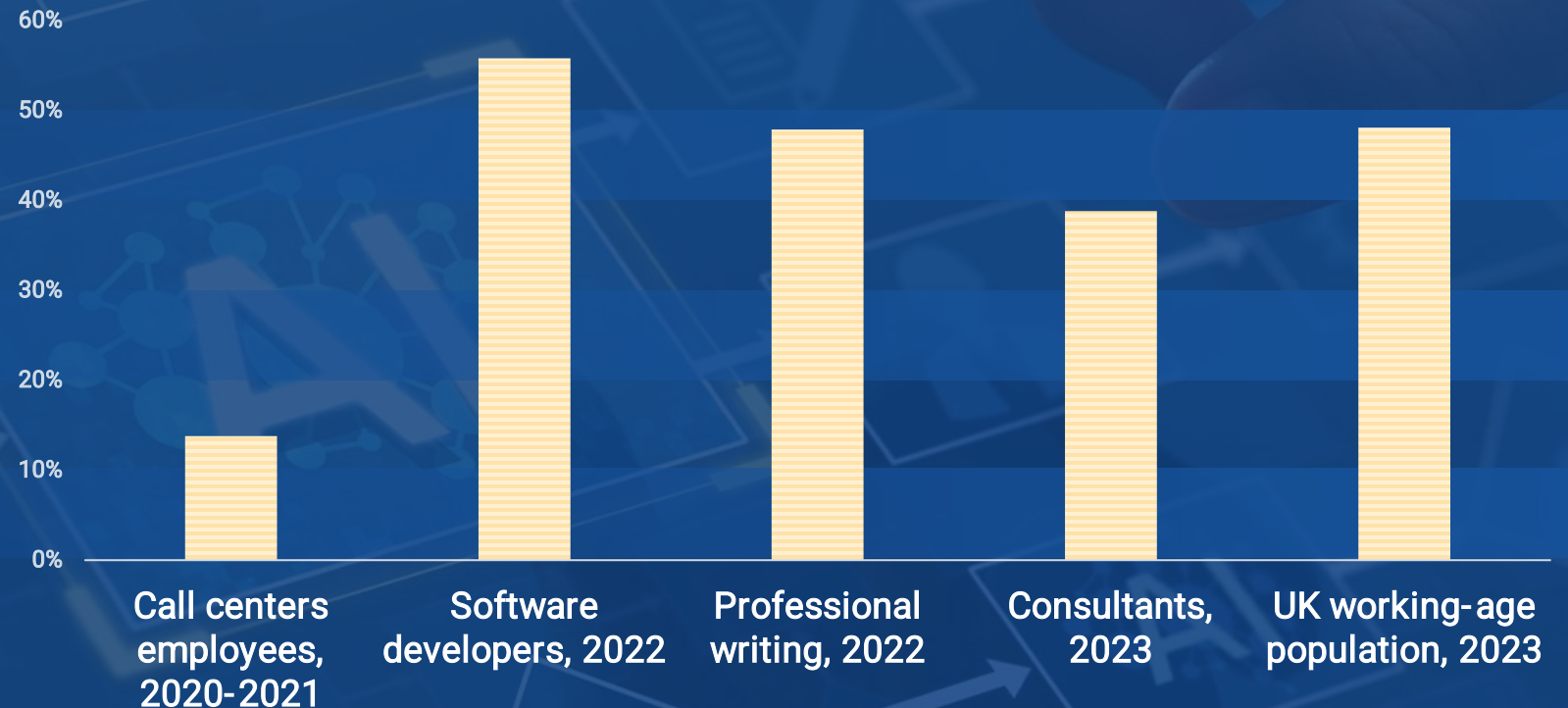
THIS RESILIENCE IS SUPPORTED BY THE PRODUCTIVITY GAINS PRODUCED BY AI REVOLUTION

INCREASES IN PRODUCTIVITY RELATED TO THE USE OF GEN-AI

Pervasiveness: it reaches all sectors quickly

Improvement: exponential growth in its capabilities

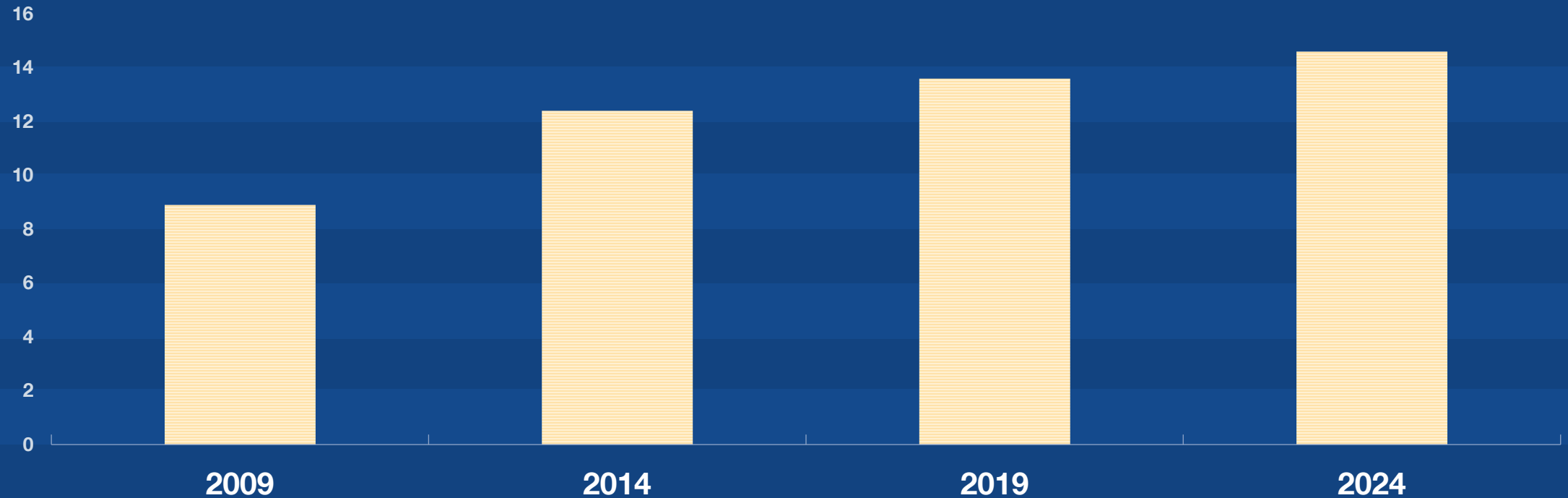
Innovation spawning: it helps in developing new ideas



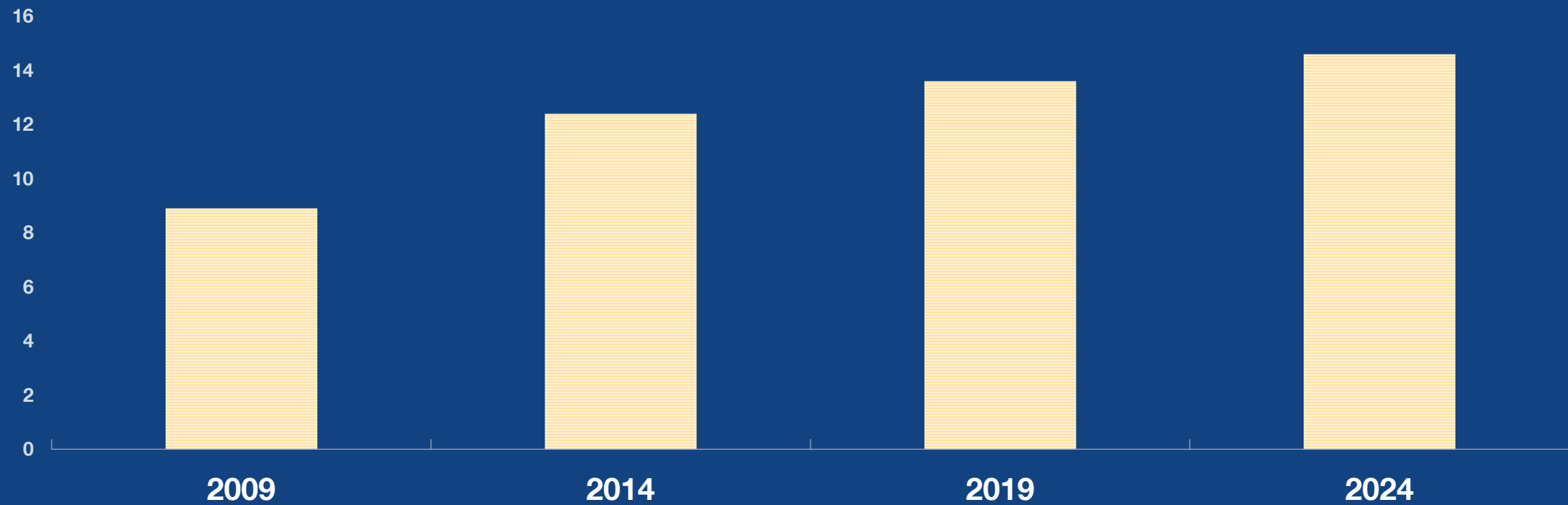
Source: OECD, 2025. Brynjolfsson et al. (2023). Peng et al. (2023). Noy and zhang (2023) dell'acqua et al. (2023) haslberger et al. (2023)

AND ALSO BY THE SOUNDNESS OF THE GLOBAL BANKING SECTOR

CAPITAL RATIO (TIER 1) OF GLOBAL SYSTEMICALLY IMPORTANT BANKS (G-SIBs)



SOURCE: Basel Committee.



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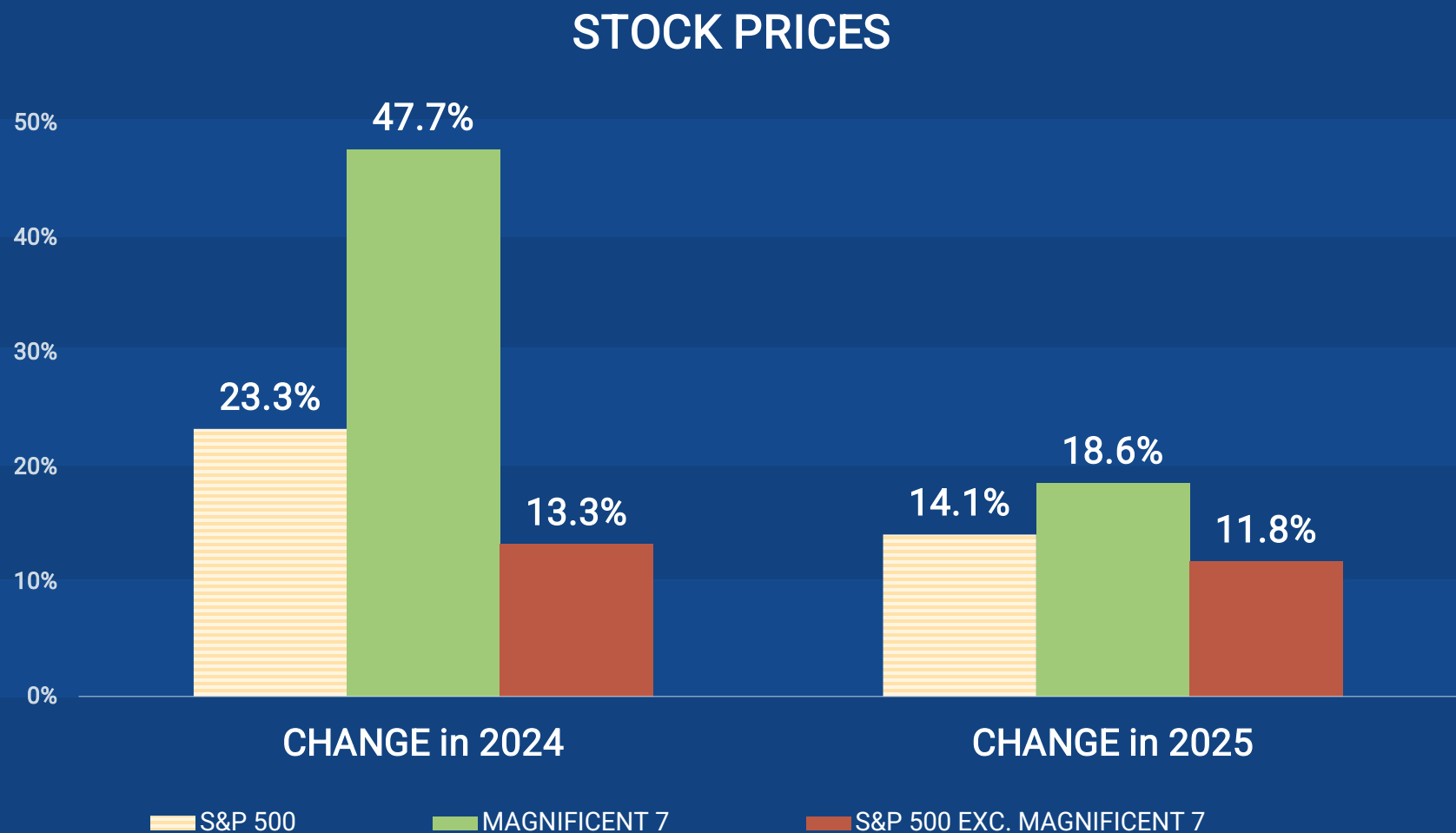
- 
- The banking sector is well capitalised and profitable, providing a strong buffer against external shocks.
 - This was supported by the regulatory overhaul following the great financial crisis.

Block II

Markets are upbeat on growth prospects but important risks remain beneath the surface

Equity market indices remain near record highs, led by US technology firms

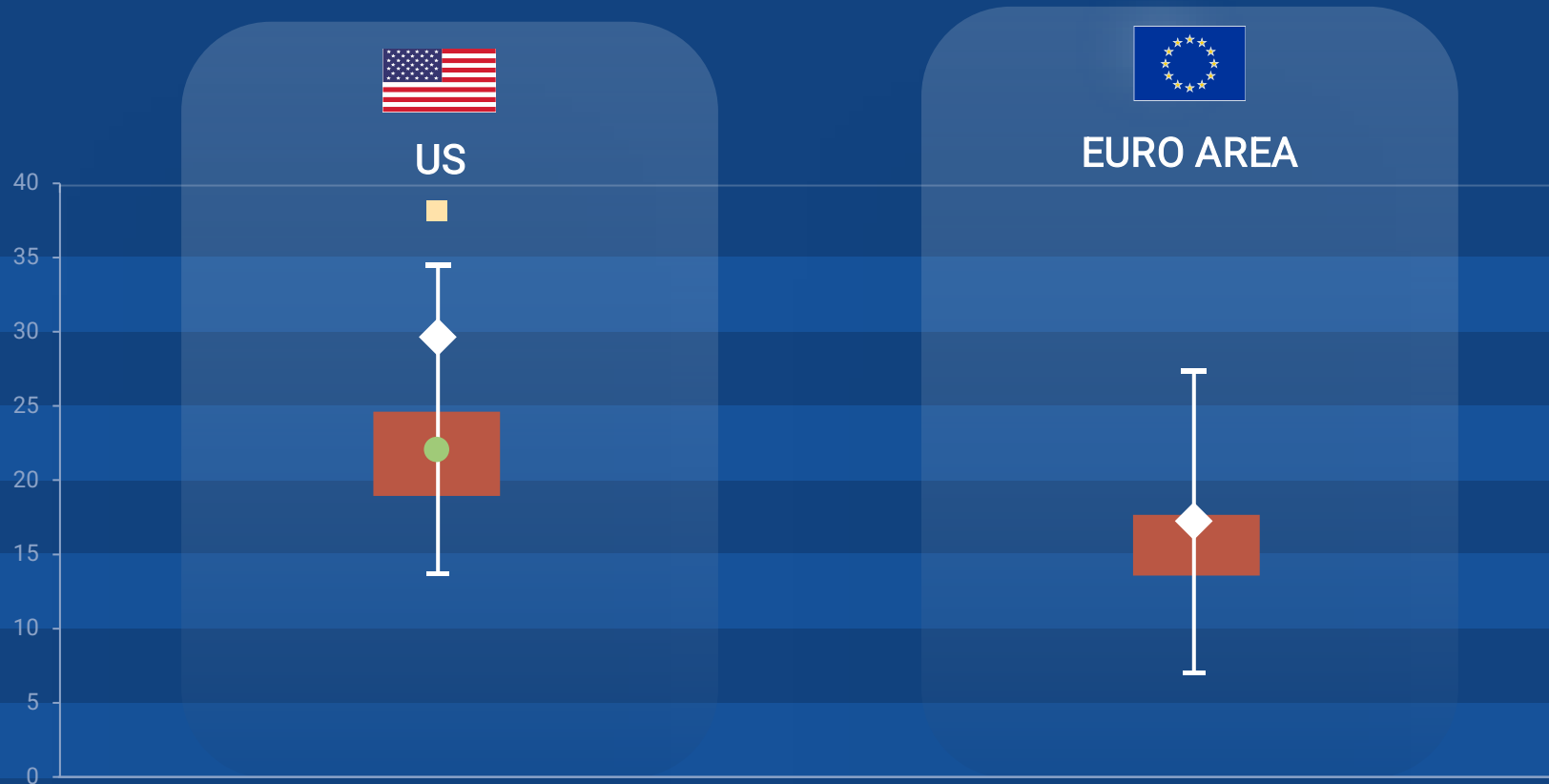
EQUITY MARKET INDICES REMAIN NEAR RECORD HIGHS, LED BY US TECHNOLOGY FIRMS



Source: LSEG Datastream. Latest data observed: 02/10/2025
Magnificent 7: Apple, Microsoft, Nvidia, Amazon, Google, Tesla and Meta.

ELEVATED EQUITY VALUATIONS, SPECIALLY FOR US TECHNOLOGY COMPANIES AND...

PRICE EARNING RATIOS (a)



– MIN/MAX RANGE

■ Magnificent-7 (Last data) (b)

■ 75th - 25th PERCENTILE

● S&P 500 exc. Magnificent-7 (Last data)

◆ LAST DATA

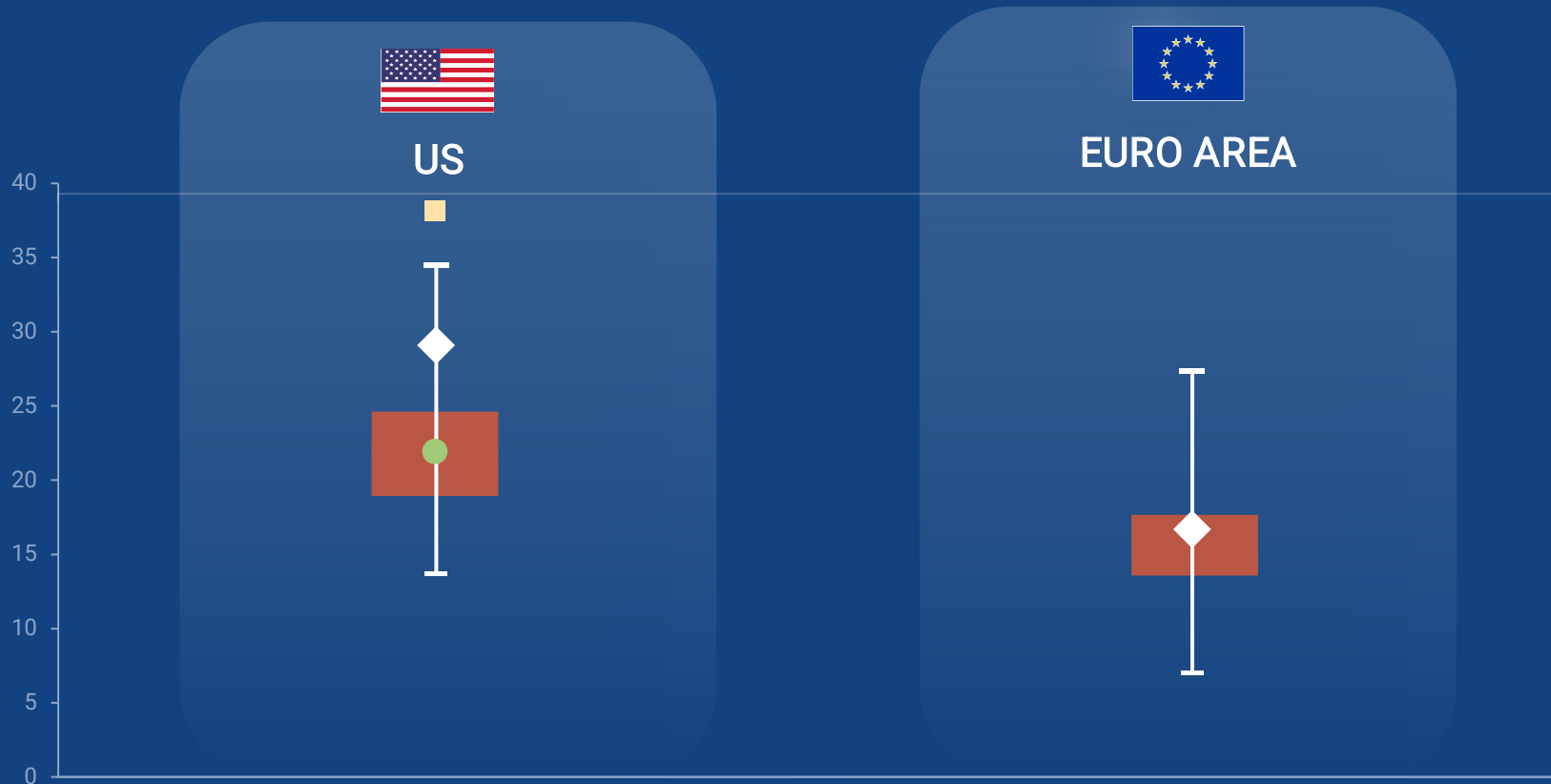
Source: LSEG Datastream. Latest data observed: 06/10/2025.

(a) Distribution calculation period: Daily data since 2012. PER data for US come from S&P 500 and for Euro area from a stock index calculated by datastream using data from 1366 companies.

(b) Magnificent 7: Apple, Microsoft, Nvidia, Amazon, Google, Tesla and Meta.

ELEVATED EQUITY VALUATIONS, SPECIALLY FOR US TECHNOLOGY COMPANIES AND...

PRICE EARNING RATIOS (a)



- Elevated price-to-earnings ratios suggest optimism may be running ahead of corporate fundamentals, heightening the risk of sharp corrections if expectations are not met.

Concentration in a small group of US technology firms such as Mag-7 may add further vulnerability

— MIN/MAX RANGE

■ Magnificent-7 (Last data) (b)

■ 75th - 25th PERCENTILE

● S&P 500 exc. Magnificent-7 (Last data)

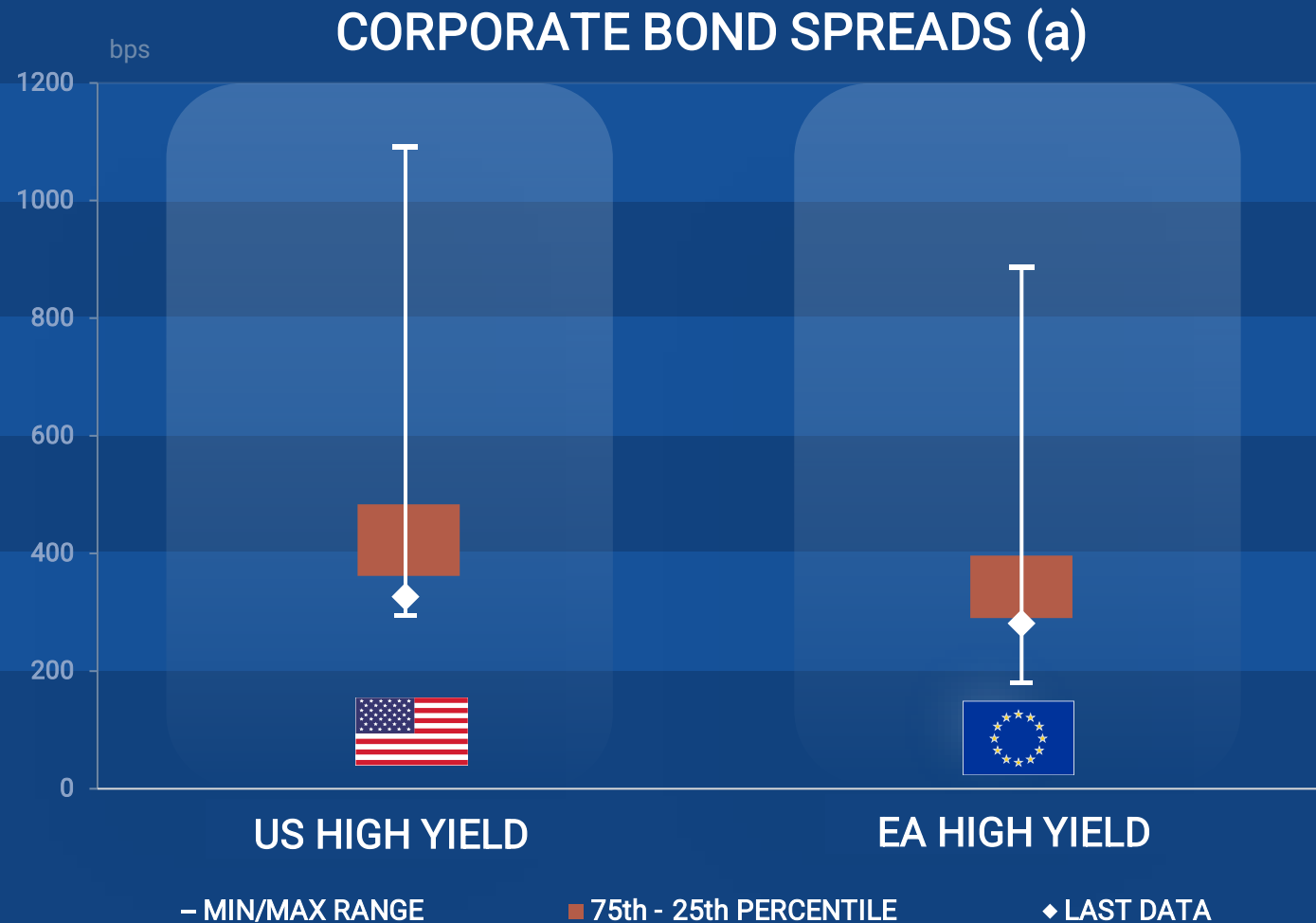
◆ LAST DATA

Source: LSEG Datastream. Latest data observed: 06/10/2025.

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LOW CORPORATE SPREADS SUGGEST INVESTORS ARE DOWNPLAYING FINANCIAL VULNERABILITIES



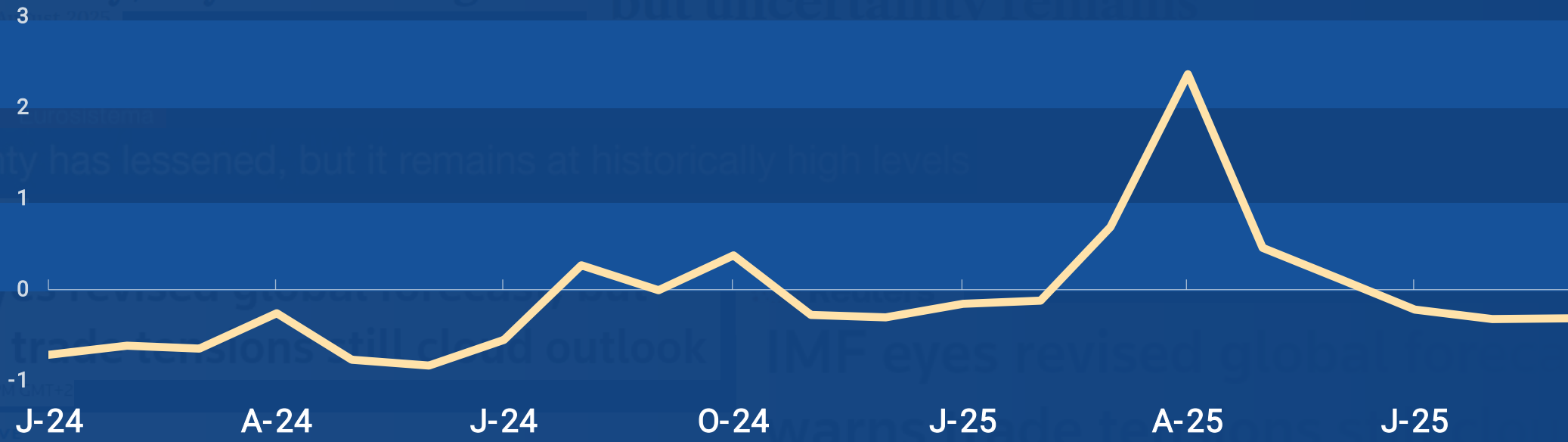
Sources: LSEG Datastream and Bloomberg Data License.

Latest data observed: 06/10/2025.

(a) Distribution calculation period: Daily data since 2012. Corporate spreads calculated over the swap curve with data from Bloomberg.

THIS LOW RISK AVERSION IS COMPOUNDED BY SUBDUED MARKET VOLATILITY

VIX INDEX



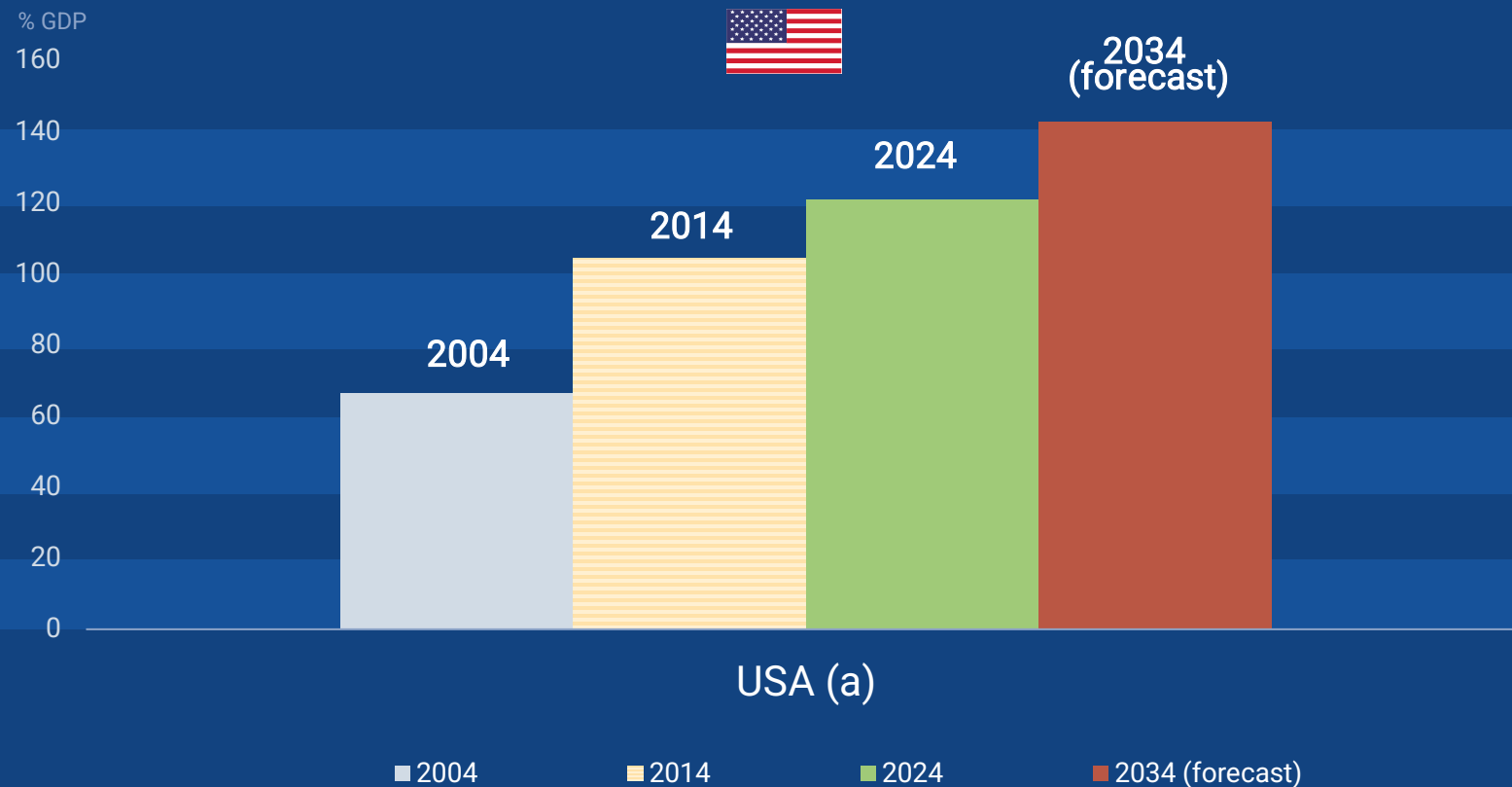
Source: Chicago Board Options Exchange.
Latest observation: September 2025

THIS CONTRASTS WITH FINANCIAL SURVEILLANCE INSTITUTIONS'
WARNINGS OF THE RISK OF ELEVATED UNCERTAINTY



HIGH DEBT LEVELS AND LIMITED CONSOLIDATION PLANS RAISE FISCAL VULNERABILITIES IN SYSTEMIC ECONOMIES

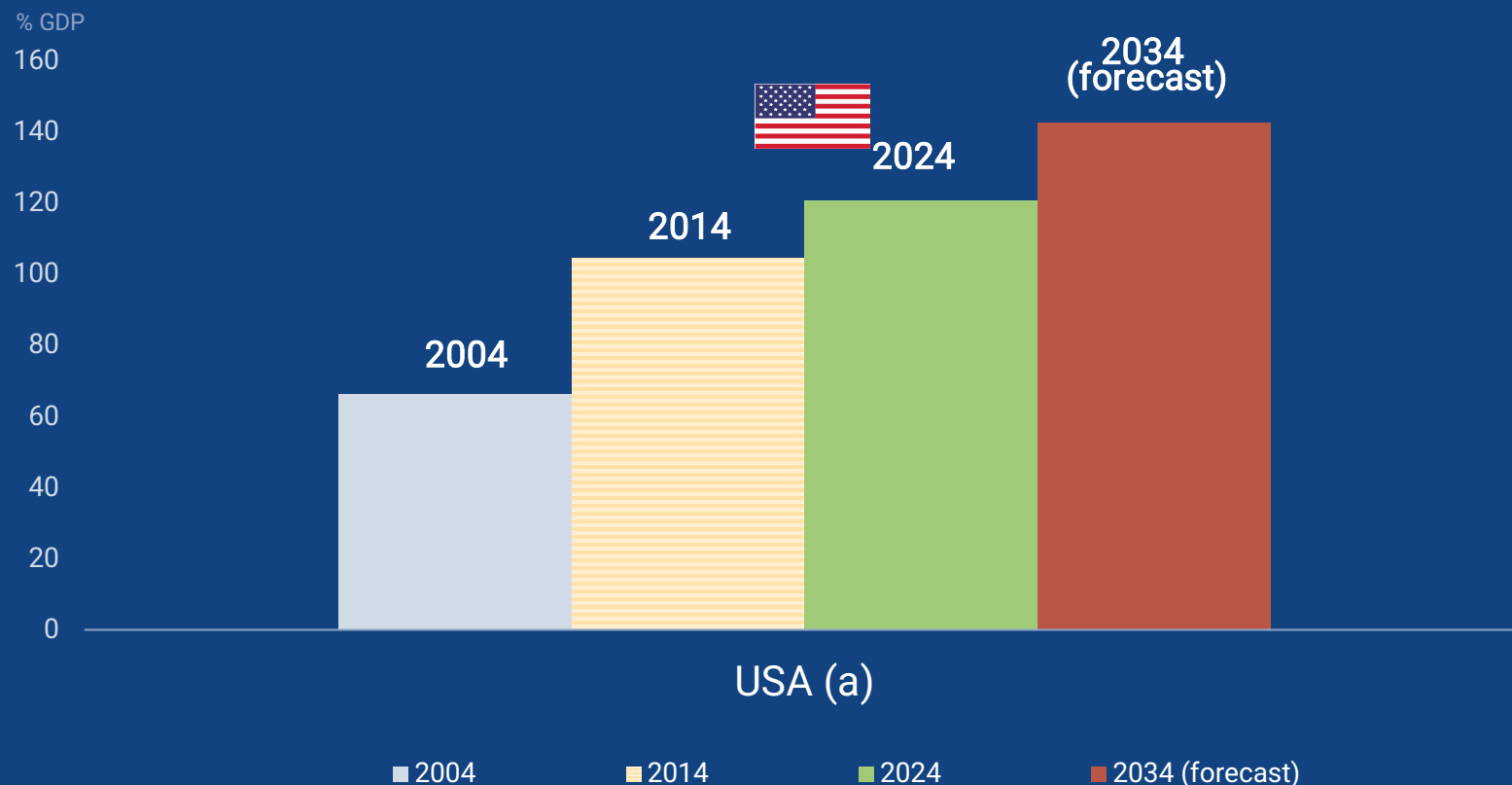
GROSS GENERAL GOVERNMENT DEBT



(a) 2034 US General Gross Government Debt corresponds to CBO projection including its estimation of OBBBA impact on Federal Debt held by the public.
Sources: Debt Sustainability Monitor 2024, IMF Fiscal Monitor (April 2024) and Congressional Budget Office.

HIGH DEBT LEVELS AND LIMITED CONSOLIDATION PLANS RAISE FISCAL VULNERABILITIES IN SYSTEMIC ECONOMIES

GROSS GENERAL GOVERNMENT DEBT



- Public debt and budget deficits remain elevated across many advanced economies, including globally systemic ones.
- In some cases, such as the United States, no credible medium-term fiscal consolidation plans are in place.
- Markets are not pricing in a high probability of a near-term fiscal crisis, but vulnerabilities are building up over the medium term, already reflected in higher long-term interest rates

Block III

Europe's strengths to
leverage in this global
complex environment

Institutional quality is a key driver
of long-term growth

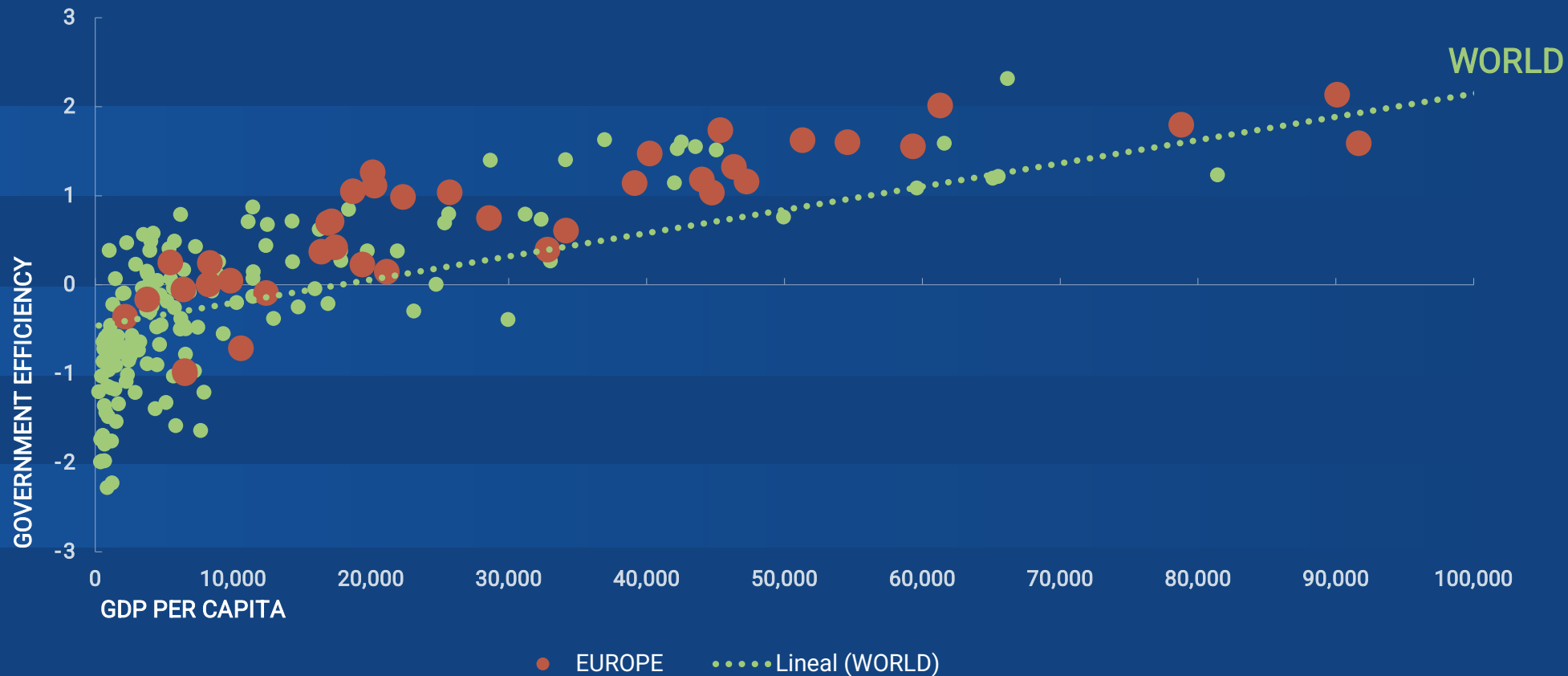
EUROPE'S STRENGTHS TO LEVERAGE IN THIS GLOBAL COMPLEX ENVIRONMENT

STRENGTHS TO LEVERAGE

Strong public governance and powerful rule of law provisions

1. STRONG PUBLIC GOVERNANCE AND POWERFUL RULE OF LAW PROVISIONS

GOVERNMENT EFFICIENCY VS GDP PER CAPITA



Source: World Bank, data refer to 2023

EUROPE'S STRENGTHS TO LEVERAGE IN THIS GLOBAL COMPLEX ENVIRONMENT

STRENGTHS TO LEVERAGE

1.

Strong public governance and powerful rule of law provisions



CHALLENGES TO ADDRESS

Simplifying the complex regulatory framework and reducing red tape

EUROPE'S STRENGTHS TO LEVERAGE IN THIS GLOBAL COMPLEX ENVIRONMENT

STRENGTHS TO LEVERAGE

1. Strong public governance and powerful rule of law provisions
2. Very sizable domestic savings

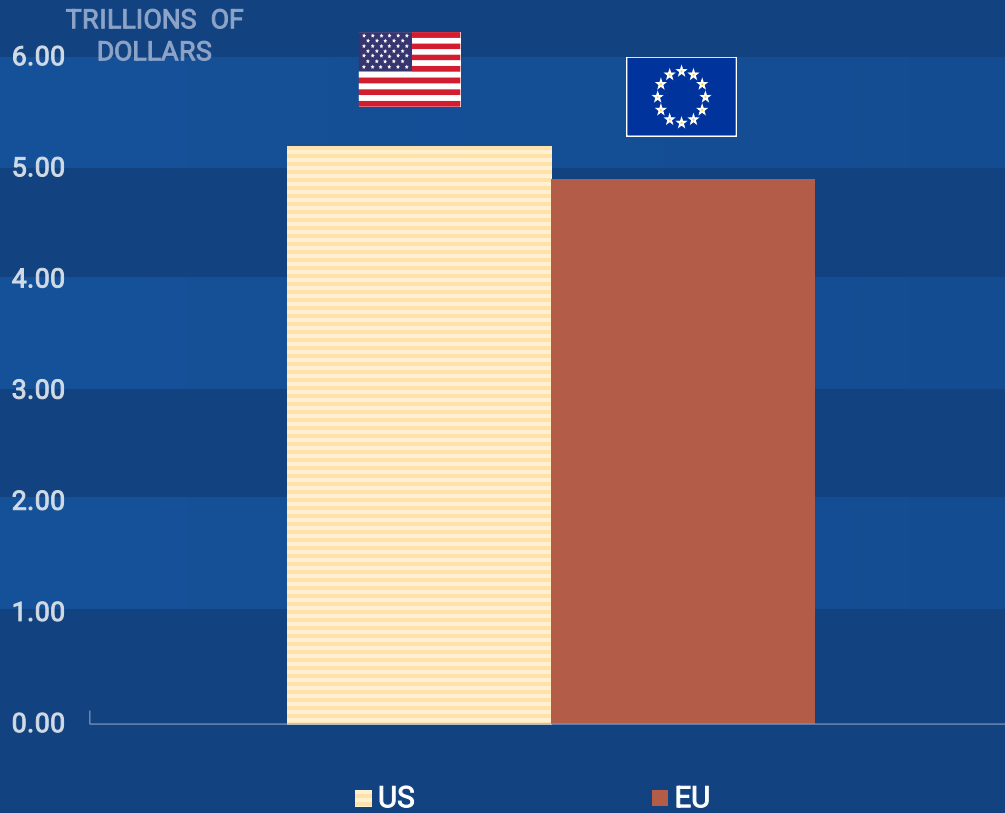


CHALLENGES TO ADDRESS

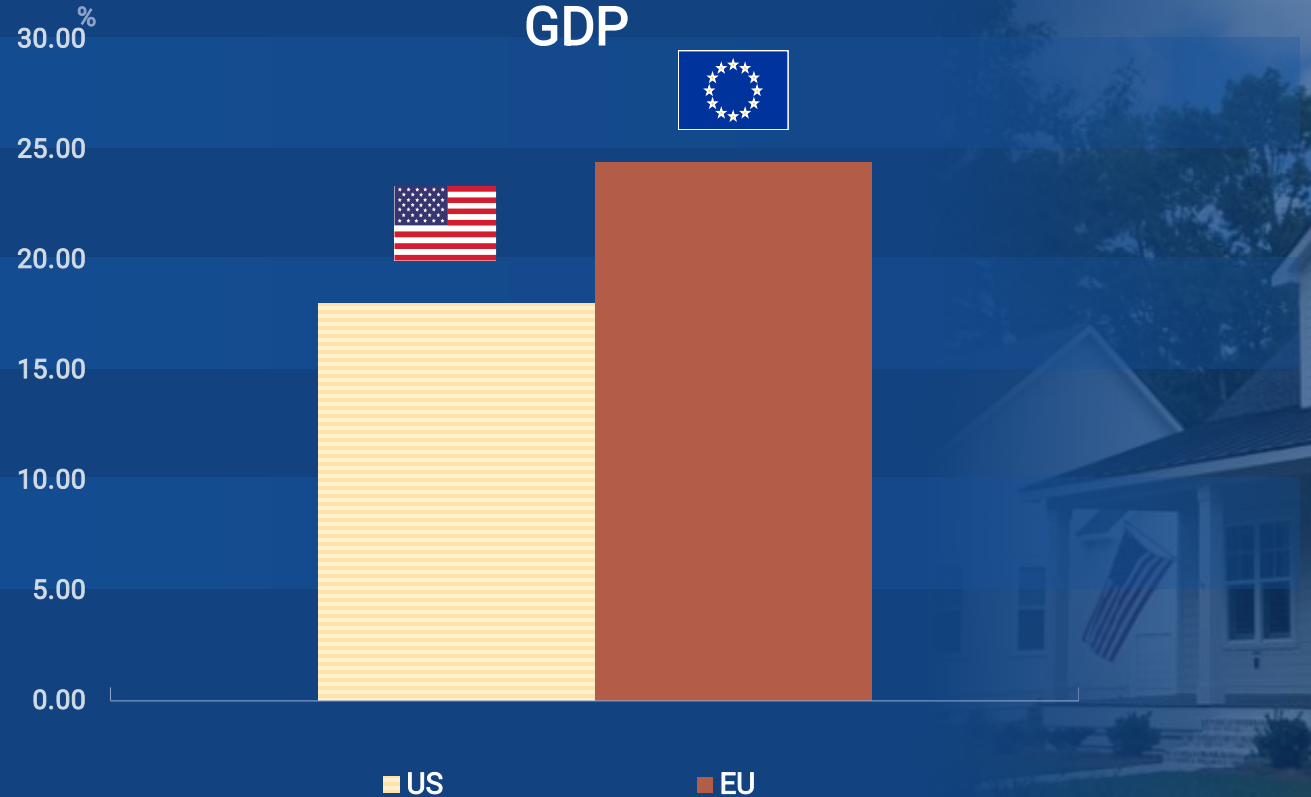
Simplifying the complex regulatory framework and reducing red tape

2. VERY SIZEABLE DOMESTIC SAVINGS

GROSS NATIONAL SAVINGS



GROSS NATIONAL SAVINGS / GDP



Source: World Bank. Data refers to 2024

EUROPE'S STRENGTHS TO LEVERAGE IN THIS GLOBAL COMPLEX ENVIRONMENT

STRENGTHS TO LEVERAGE

1. Strong public governance and powerful rule of law provisions
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CHALLENGES TO ADDRESS

Simplifying the complex regulatory framework and reducing red tape

Developing a liquid and deep European Capital Market

EUROPE'S STRENGTHS TO LEVERAGE IN THIS GLOBAL COMPLEX ENVIRONMENT

STRENGTHS TO LEVERAGE

1. Strong public governance and powerful rule of law provisions
2. Very sizeable domestic savings
3. Strong human capital with a highly skilled and well-educated workforce



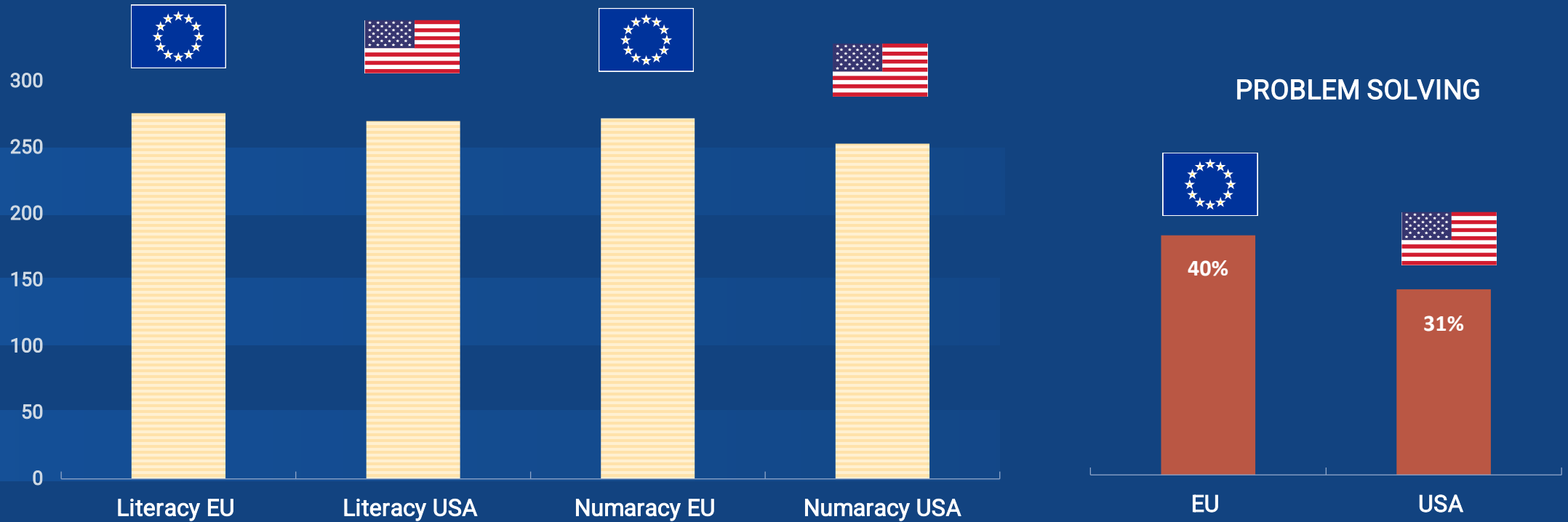
CHALLENGES TO ADDRESS

Simplifying the complex regulatory framework and reducing red tape

Developing a liquid and deep European Capital Market

3. STRONG HUMAN CAPITAL WITH A HIGHLY SKILLED AND WELL-EDUCATED WORKFORCE

COMPARISON OF ADULT SKILLS: EU AVERAGE VS. US
(PIAAC DATA)



Sources: OECD

EUROPE'S STRENGTHS TO LEVERAGE IN THIS GLOBAL COMPLEX ENVIRONMENT

STRENGTHS TO LEVERAGE

1. Strong public governance and powerful rule of law provisions
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CHALLENGES TO ADDRESS

Simplifying the complex regulatory framework and reducing red tape

Developing a liquid and deep European Capital Market

Rewarding talent and risk-taking

EUROPE'S STRENGTHS TO LEVERAGE IN THIS GLOBAL COMPLEX ENVIRONMENT

STRENGTHS TO LEVERAGE

1. Strong public governance and powerful rule of law provisions
2. Very sizeable domestic savings
3. Strong human capital with a highly skilled and well-educated workforce
4. Macroeconomic stability with a strong and stable currency



CHALLENGES TO ADDRESS

Simplifying the complex regulatory framework and reducing red tape

Developing a liquid and deep European Capital Market

Rewarding talent and risk-taking

Enhancing the international role of the euro

Thank you very much for your attention

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