Editor's note

"What stands in the way becomes the way." The idea, drawn from Meditations by the Stoic philosopher and Roman emperor Marcus Aurelius, is that the ways in which we respond to obstacles — whether in life or in the economy — can themselves open up new paths. Today's global economy is the outcome of the major shocks that have "stood in the way" in recent years: from the COVID-19 pandemic and Russia's invasion of Ukraine to renewed tensions in the Middle East, the latest tariff war and the disruptive emergence of artificial intelligence (AI) in our lives.

These events have reshaped the global economy, accelerating the transition from an era of deepening globalisation to a more fragmented system increasingly shaped by economic security and strategic autonomy. They have led countries to recognise the fragility of global value chains, reconsider their international alliances and agreements, and reassess their trade, industrial and technological policies.

Geoeconomics has taken centre stage in economic analysis as never before. The shift in the global economic paradigm can be summarised as follows: a transition from a world organised around efficiency as the overriding objective (globalisation) to one in which efficiency is increasingly subordinated to resilience and security in the broadest sense — economic, military, technological and beyond.

Over the coming decades the global economy will be shaped by the interaction of four megatrends: the new geopolitical order (including geoeconomic fragmentation); demographic change (population ageing, migration, etc.); the energy transition; and the diffusion of new technologies, led by AI. What will emerge from the interplay of all these forces, each evolving at a different pace and with varying intensity? Technology can change in a matter of months; politics moves over years; demographics unfold across generations; and electricity grids can take a decade or more to build.

Currently, two of these megatrends dominate the near-term outlook: geopolitics and AI. Geopolitics accounts for much of the uncertainty facing the global economy. Over the past year the value of global trade affected by new restrictive measures more than tripled, reaching nearly 2.5 trillion euros, the highest level in more than 15 years.

Meanwhile, AI is increasingly seen as a key engine of economic growth, particularly in certain sectors and countries. Although this megatrend is not without potential risks, estimates of its future impact on productivity range widely from gains of just 0.7% over a decade to more than 10%. Whatever the precise figure, the impact is likely to be substantial. The combined effects of geopolitics and AI are reshaping the global

economy, favouring net energy exporters and countries with strong participation in the AI value chain.

The other two megatrends, by contrast, are "quieter": they are unfolding more gradually, but no less inexorably. Demographic change, for example, will have far-reaching consequences for the world ahead. By the mid-2030s, the number of people in the world aged 80 or over is projected to reach around 265 million, outnumbering infants for the first time.

All these forces will reinforce one another: ageing will accelerate the demand for automation, AI will increase energy and infrastructure needs, and geopolitical fragmentation will influence where both technology and energy investment take place.

Another consequence of the interaction of these four megatrends, as we explain in this report, is that the global economy is likely to be increasingly shaped by supply-side forces (instead of the usual demand-side). This will require a rethink of many of the traditional models and theoretical frameworks, and places a premium on analytical approaches that capture sectoral constraints, production networks, strategic dependencies and the interaction between economic and security policies.

Looking back over recent years, a paradox emerges: the global economy has proved more resistant than expected. Yet each shock has left it with weaker trend growth and less room to respond to the next. Trend growth is now around half a percentage point lower than during the first two decades of this century. The world also has fewer buffers: less room for fiscal expansion due to elevated — and in many cases record — debt levels, while persistent inflation risks constrain the scope for monetary easing. The recent global rise in long-term bond yields partially reflects these constraints. In fact, one year ago, in this very report, we warned that a combination of forces, including fiscal pressures, rising investment needs, AI and demographic trends, would eventually lead to an upward repricing of the equilibrium interest rate (the so-called "neutral" or "natural" interest rate).

The global economy faces an uncomfortable underlying trade-off — one that must be acknowledged if it is to be addressed: resilience is not free. It is being "purchased" at the cost of lower growth and somewhat greater inflationary pressure. In a sense, the world seems to have learned how to overcome crises, but it has yet to work out how to turn that resilience into a foundation for a new cycle of stronger growth. Hence the title of the 2027 edition of "The Year Ahead", Santander Research's flagship annual economic publication: "From Resilience to Growth". We are convinced that this is the defining challenge for the coming years.

Meeting the global challenges ahead — population ageing, the energy transition, adaptation to new technologies, among others — will require a reset of the global growth model. One of the greatest risks facing the world today is that lower growth becomes entrenched. Without stronger growth, putting debt on sustainable trajectories, restoring fiscal balance and achieving lasting reductions in poverty and

income inequality will all become far more difficult. Weak growth also erodes institutional trust and the international willingness to cooperate.

Resilience and growth are arguably the two central concepts in today's global economy. They are deeply interconnected, but balancing them entails the trade-offs described above. Accelerating growth will require: making full and efficient use of the new technologies already available, starting with AI (some recent studies suggest that AI could help the global economy recover, over the medium term, the roughly half percentage point of growth it has lost); undertaking a large-scale reskilling of the workforce; and strengthening cooperation on two fronts — renewing international dialogue and deepening collaboration between the public and private sectors.

Above all, however, faster growth requires more investment. And investment, if it is to be sustained over time, requires financing. Financing is precisely the common denominator shared by the four megatrends that will shape the world ahead. It will be needed, inter alia, to support pension systems under mounting pressure; to meet growing investment needs associated with the energy transition, defence and other strategic priorities; and to develop and deploy new technologies, such as those related to AI.

All of this will require a historic reallocation of capital. This does not simply mean more funding, but financing with longer horizons, greater capacity to bear risk, effective risk-sharing mechanisms, and deeper and more integrated markets.

Around 60% of the slowdown in global economic growth relative to the first two decades of this century is due to Europe's lower contribution. This is nearly three times the region's share of global gross domestic product (GDP), which stands at around 20%. Reviving global growth will therefore demand a stronger growth performance in Europe. This, in turn, will require a regulatory framework that, while safeguarding financial stability, supports the financing of growth by enabling savings to flow more efficiently towards productive investment, innovation and job creation.

How much financing will the world need? Under the assumptions set out in this report, we estimate the gap between what is already being financed and what will be needed in the next five years to be around 30 trillion euros. To put that figure into perspective, it is more than half of global pension fund assets or more than twice the total deposits held by households and firms in the Eurozone.

Today's world is full of risks and uncertainty. Yet it is also full of transformations and opportunity. The task is not to eliminate risk, which is impossible, but to build more resilient and inclusive economies capable of seizing the opportunities ahead and translating them into faster growth.

Risks and opportunities are precisely the two themes that best capture the spirit of this report. Here we present our outlook for the global economy, with a particular focus on the regions in which Santander has a strong presence — the United States, Europe and our core markets in Latin America — and topics of global relevance.

In today's landscape, the main challenge for any research area is to separate the signals from the noise. "The Year Ahead 2027" seeks to identify the most relevant signals and share conclusions that contribute to the public debate around the forces shaping our collective future.

In times of profound structural change, we must stand ready to reassess our views as new evidence emerges. In this context, intellectual humility and an open mind are the most valuable analytical tools at our disposal. Rather than offering definitive answers, this report aspires to frame the right questions, grounded in reliable data and sound evidence.

Welcome to "The Year Ahead 2027". We hope you find it both useful and thought-provoking.



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