European Commercial Real Estate Data Alliance (E-CREDA)

2026 E-CREDA ANNUAL CONFERENCE

Keynote: Navigating 2026 Sources of growth, risks to consider and tactical tilts

Davide Oneglia | TS Lombard

GlobalData. TS Lombard

Navigating 2026 sources of growth, risks and tactical tilts

Davide Oneglia

E-CREDA Conference, London, 14th April 2026

AGENDA

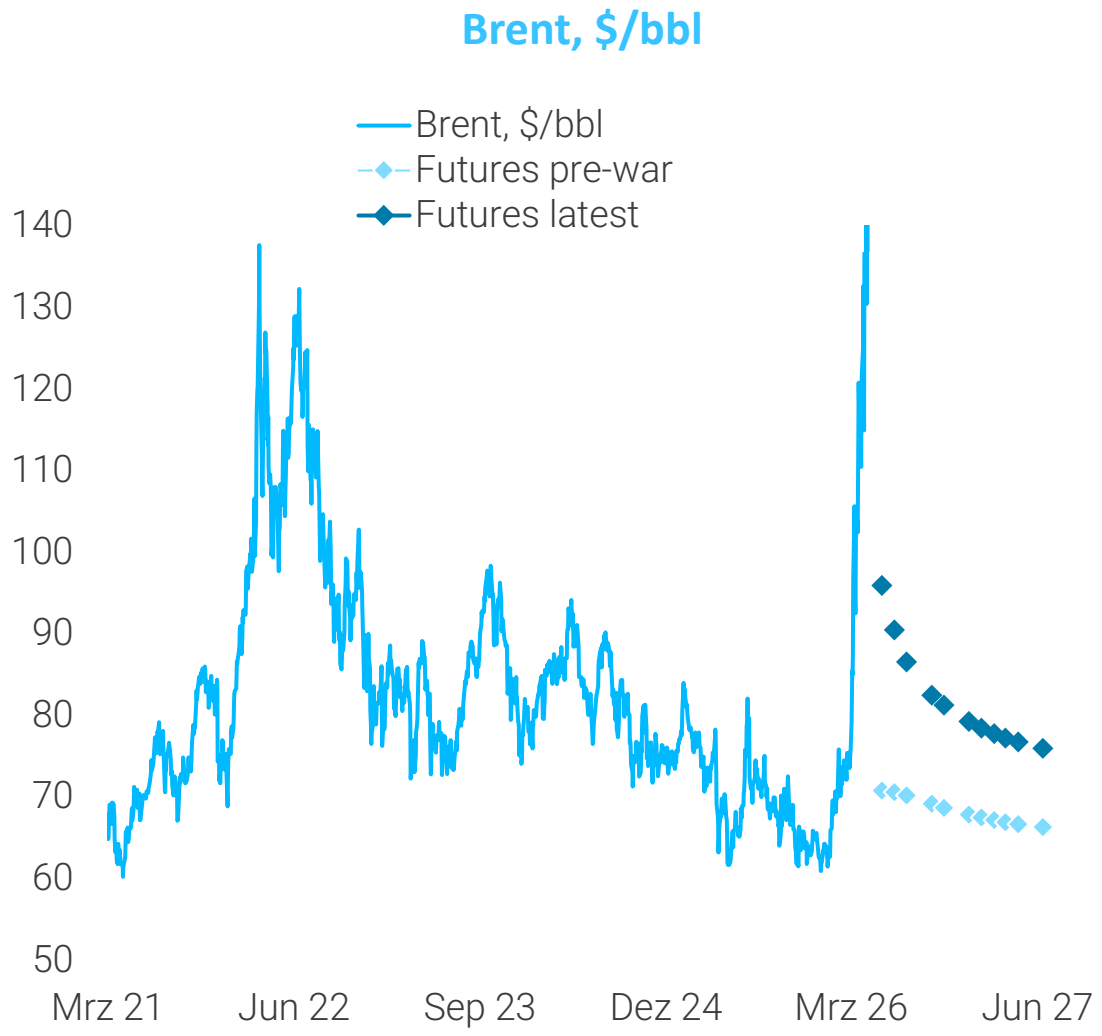
CYCLICAL OUTLOOK: DELAYED RECOVERY OR RECESSION?

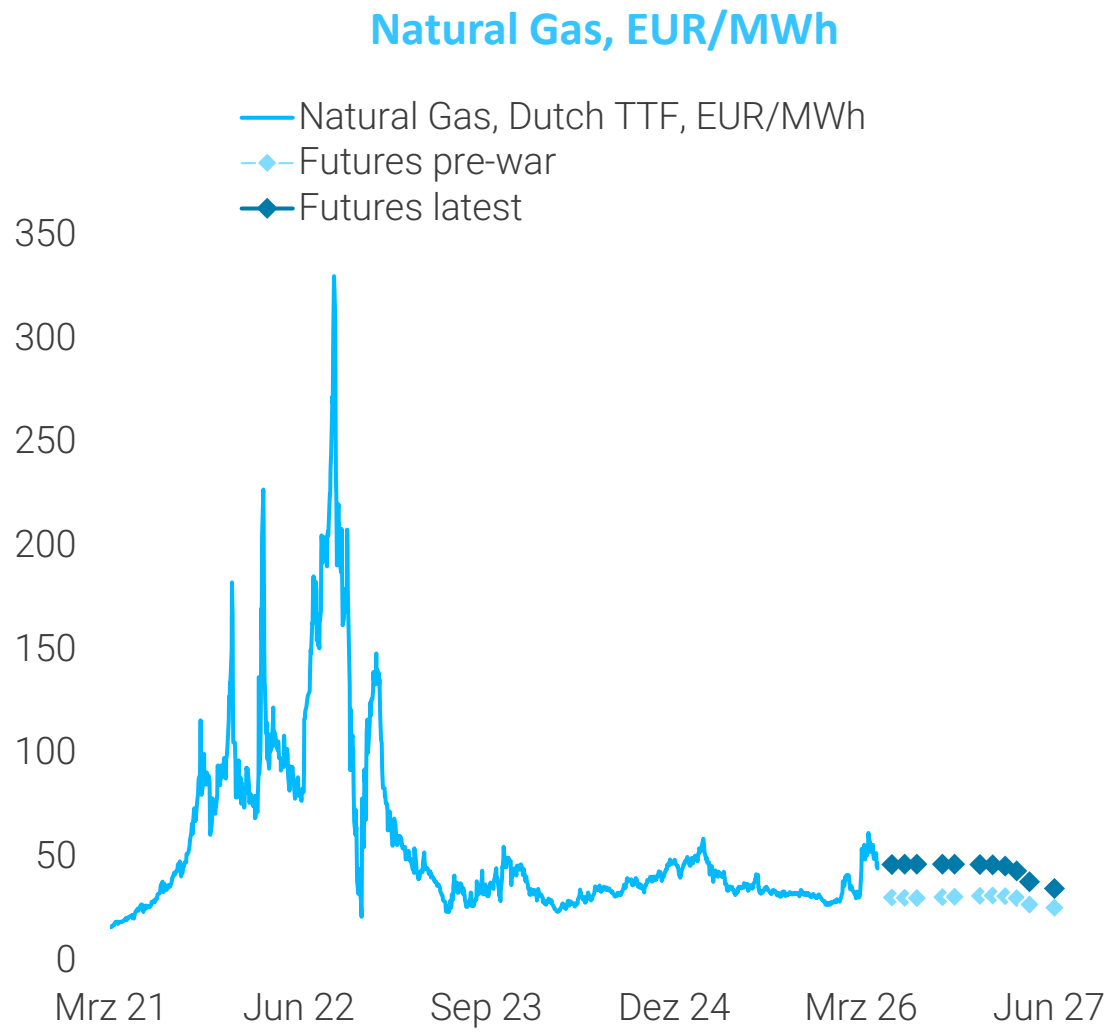
- Hormuz shock
- Central bank reaction function
- 2026 ≠ 2021-22
- A reasonable downside scenario: 1990

STRUCTURAL OUTLOOK: A “HIGHER-PRESSURE” ECONOMY?

- The post-pandemic structural break (Trump shocks as “accelerators”)
- Fiscal activism and industrial policy
- Supply shocks and volatility – Yields/Inflation Back To The Future
- Tighter job markets and demographics
- A “high-pressure” productivity revival… +AI

HORMUZ SHOCK – SPOT VS FUTURES

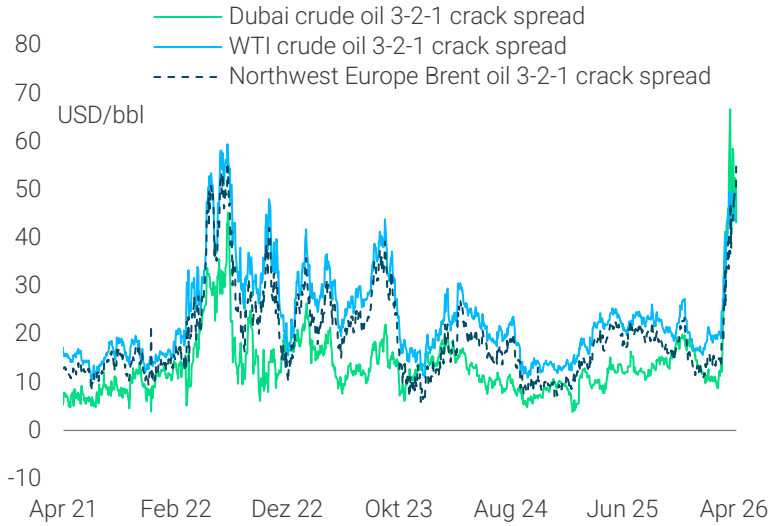




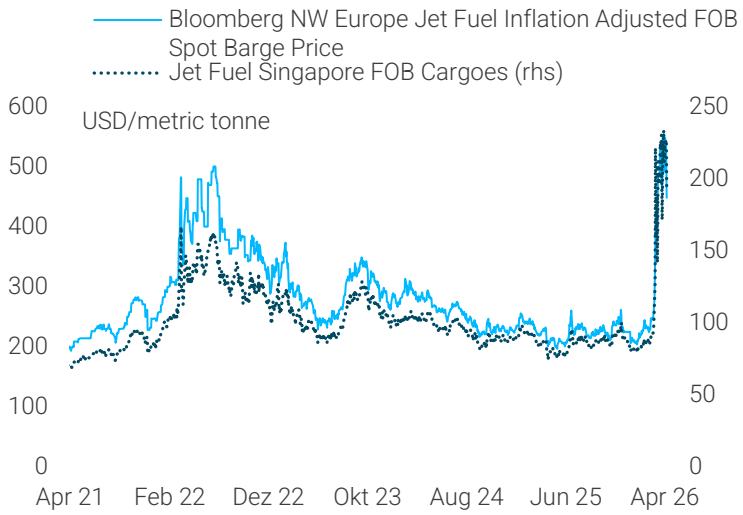
Sources: Datastream, GlobalData TS Lombard.

SOME DAMAGE IN THE PIPELINE ALREADY, AND…

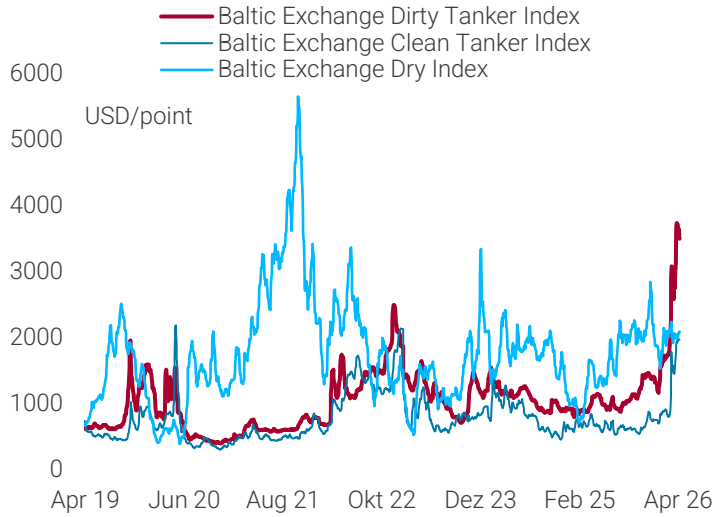
Crack spreads



Jet fuel



Shipping rates



Fertilizers - Sulphur



Sources: Bloomberg, GlobalData TS Lombard.

…CAN MARKETS LOOK THROUGH PHYSICAL SUPPLY DISRUPTION?

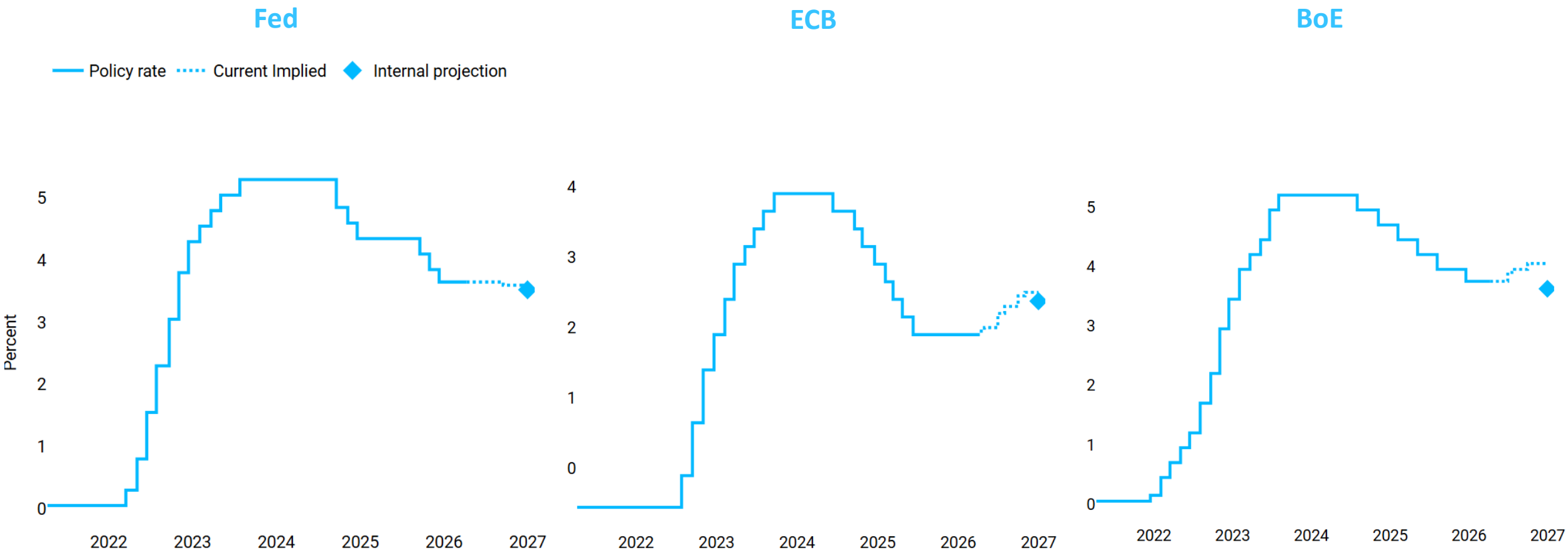
TWO THEORIES:

1. This is just extreme backwardation, risk premia are “correctly” priced into futures

2. Markets cannot price shortages until they materialise: futures are “wrong” (or better: commodities are “spot assets”)

CENTRAL BANK REACTION FUNCTION

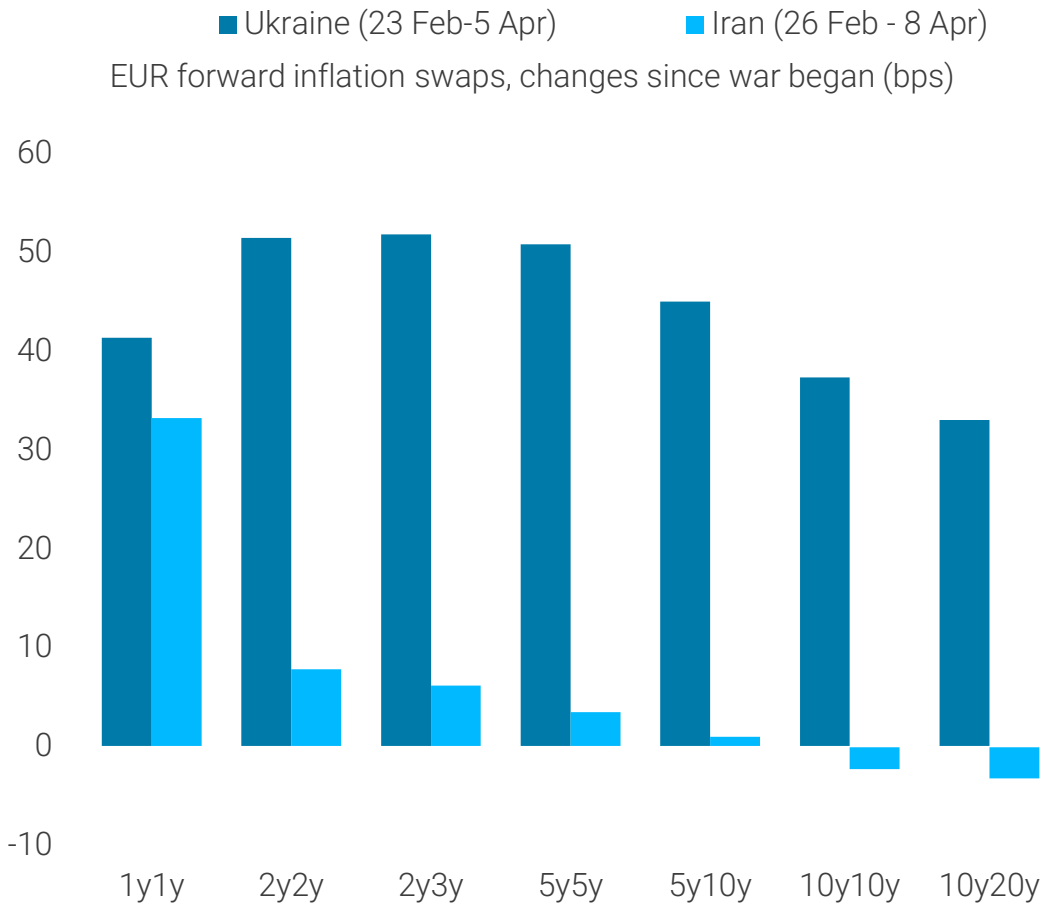
- Central banks are in wait-and-see mode too
- But the shock complicates cuts (Fed/BoE); pushes for hikes (ECB)



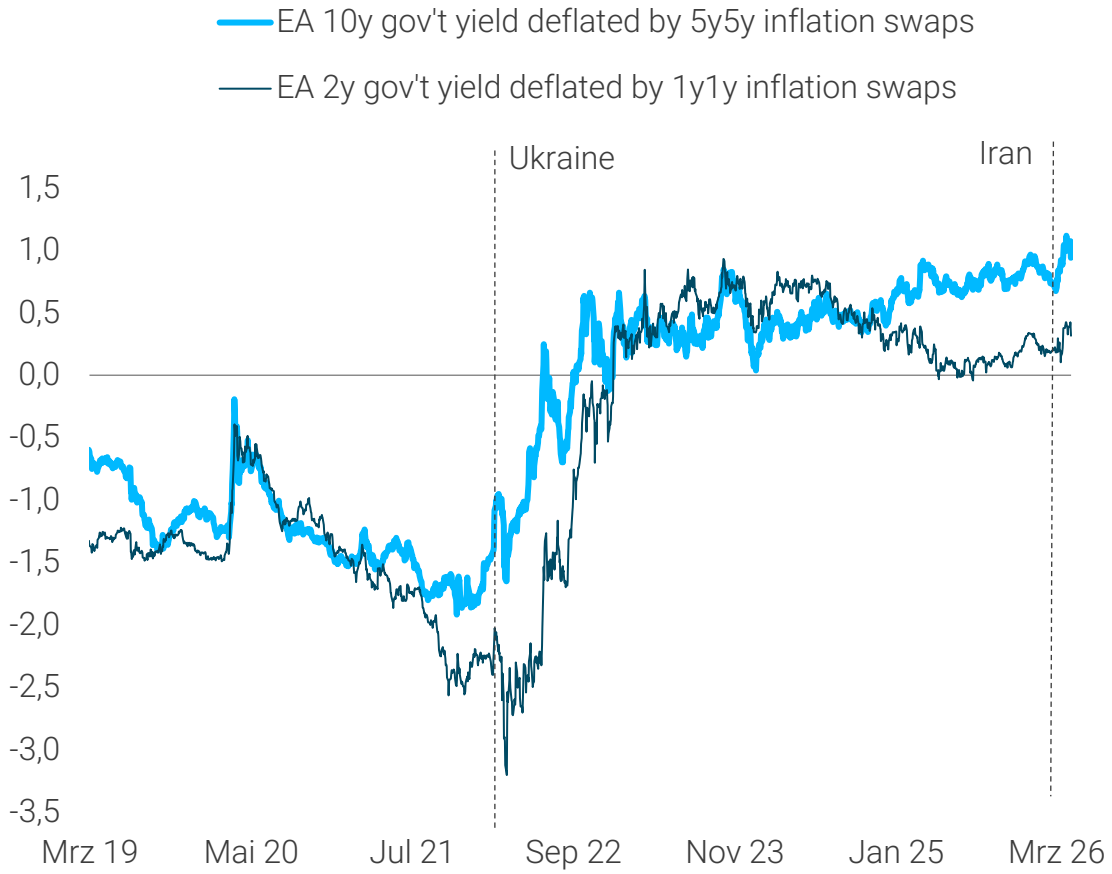
Sources: Datastream, GlobalData TS Lombard.

BUT MACRO BACKDROP ≠ 2021-22 – ECB EDITION

Very different reaction in inflation expectations



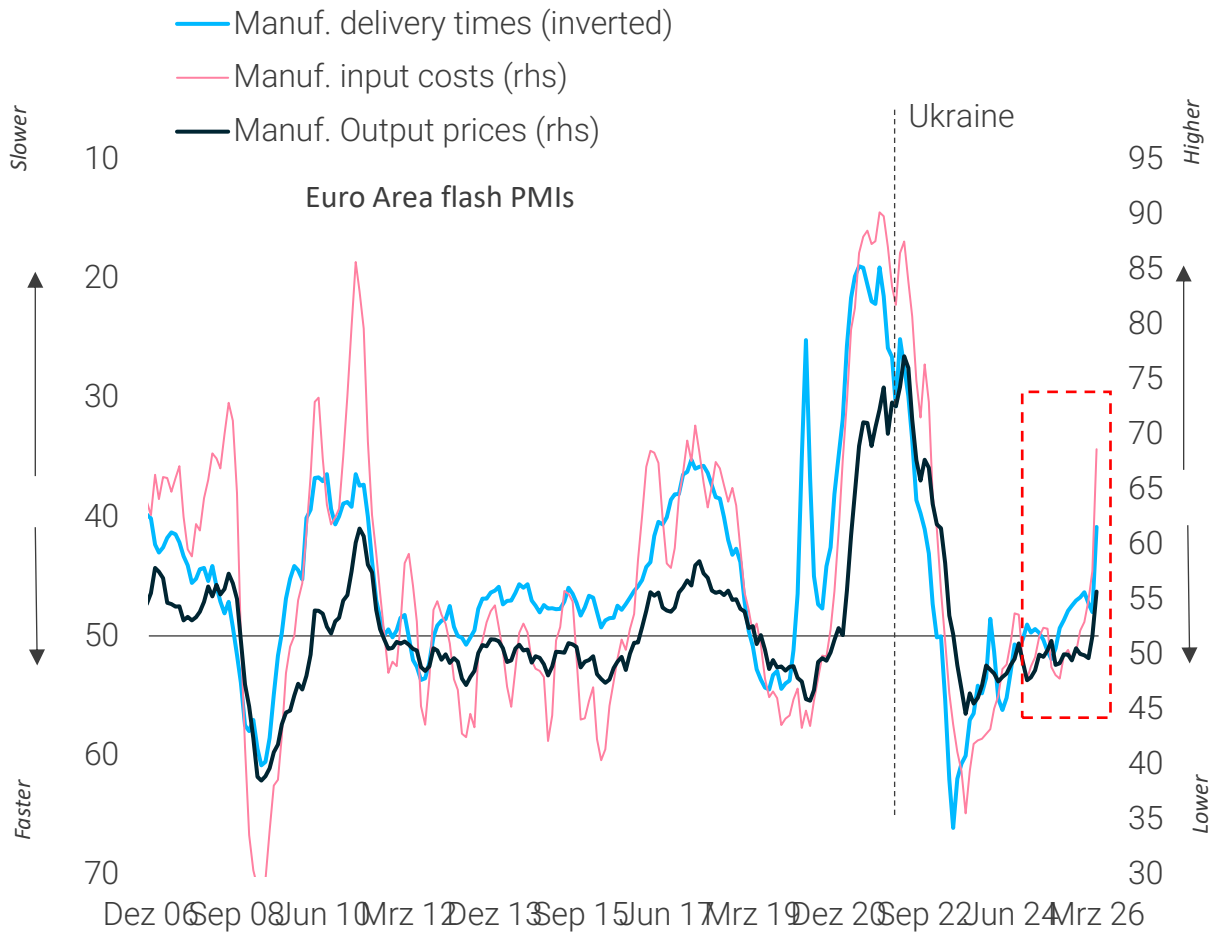
Very different starting point for policy



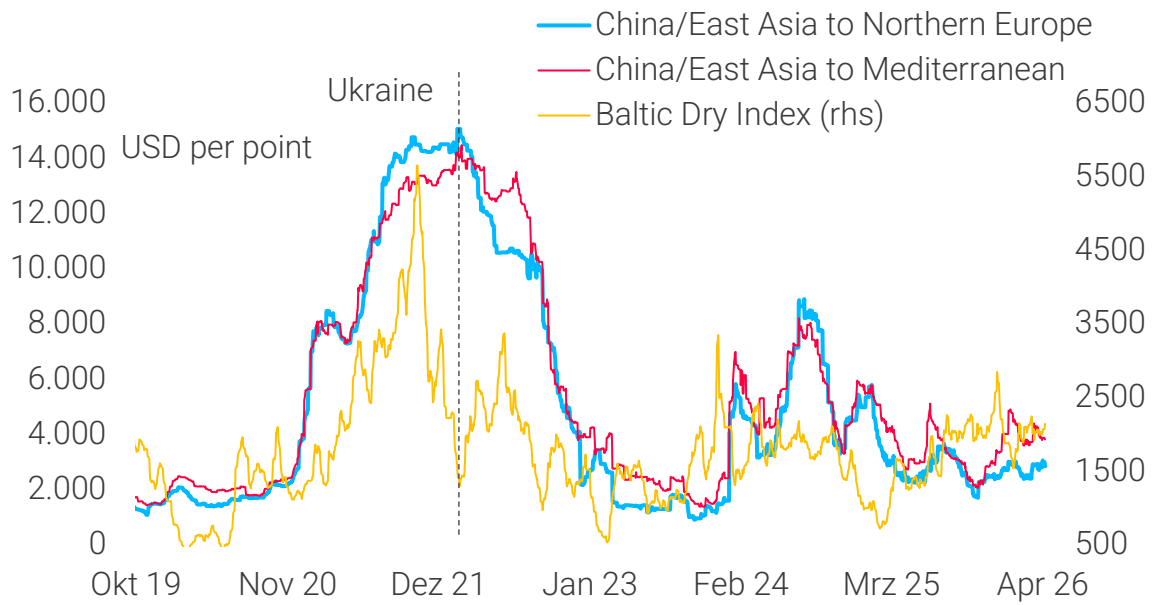
Sources: Datastream, GlobalData TS Lombard.

2026 ≠ 2021-22: PIPELINE INFLATION IN FULL BLOWN *BEFORE* UKRAINE WAR

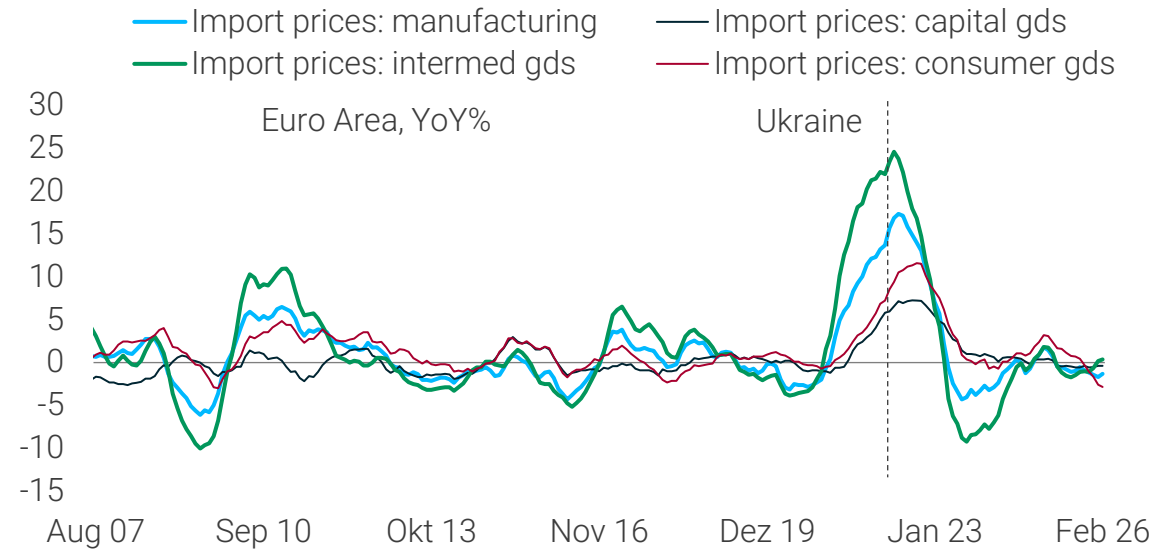
Manufacturing input/output costs



Cargo shipping rates



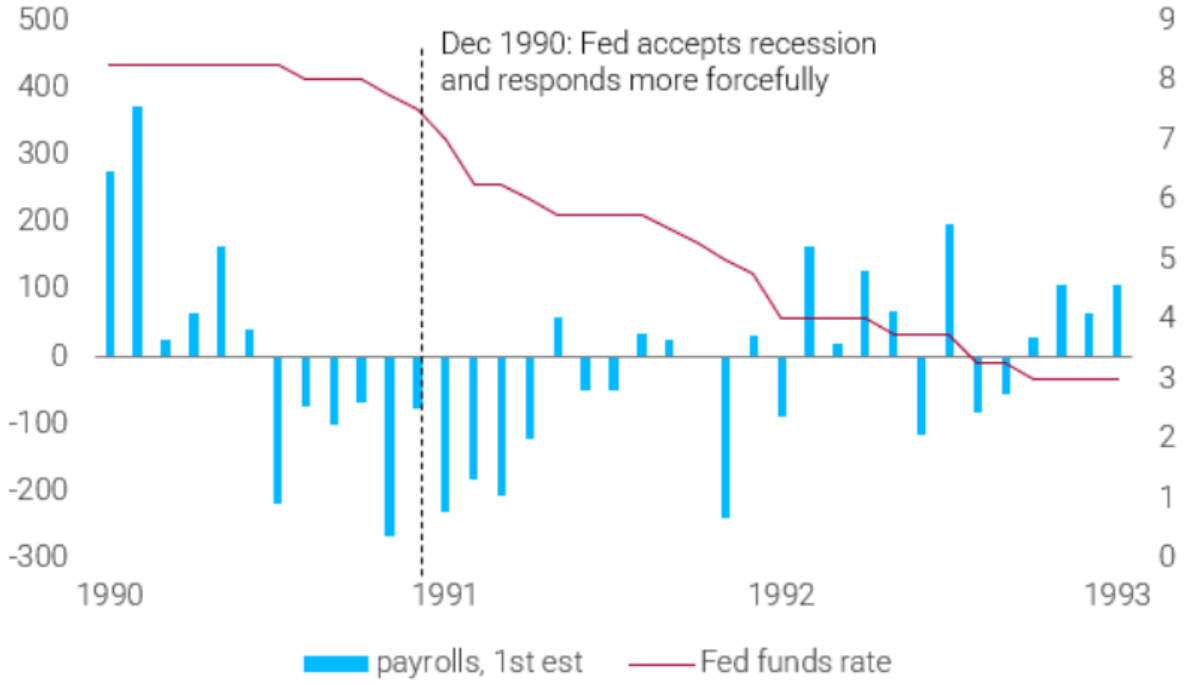
EA import prices

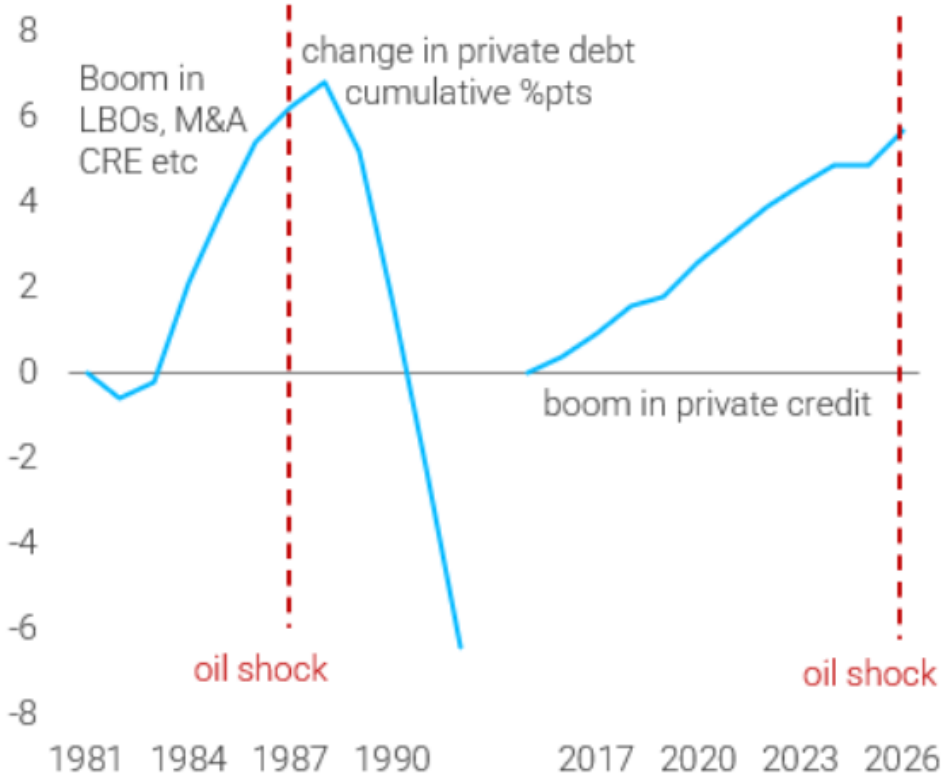


Sources: S&P Global PMIs, Eurostat, Freightos, Datastream, GlobalData TS Lombard.

A REASONABLE DOWNSIDE SCENARIO: 1990

- Higher oil prices caused the Fed to fall behind the curve, as it waited for clear signs of recession
- Decisive cuts came only after oil prices started to fall and activity had deteriorated more sharply
- Oil spike interacted with existing job market and credit vulnerabilities: classic cyclical downturn
- Silver lining: stocks rallied as soon as oil prices plunged (Operation Desert Storm)





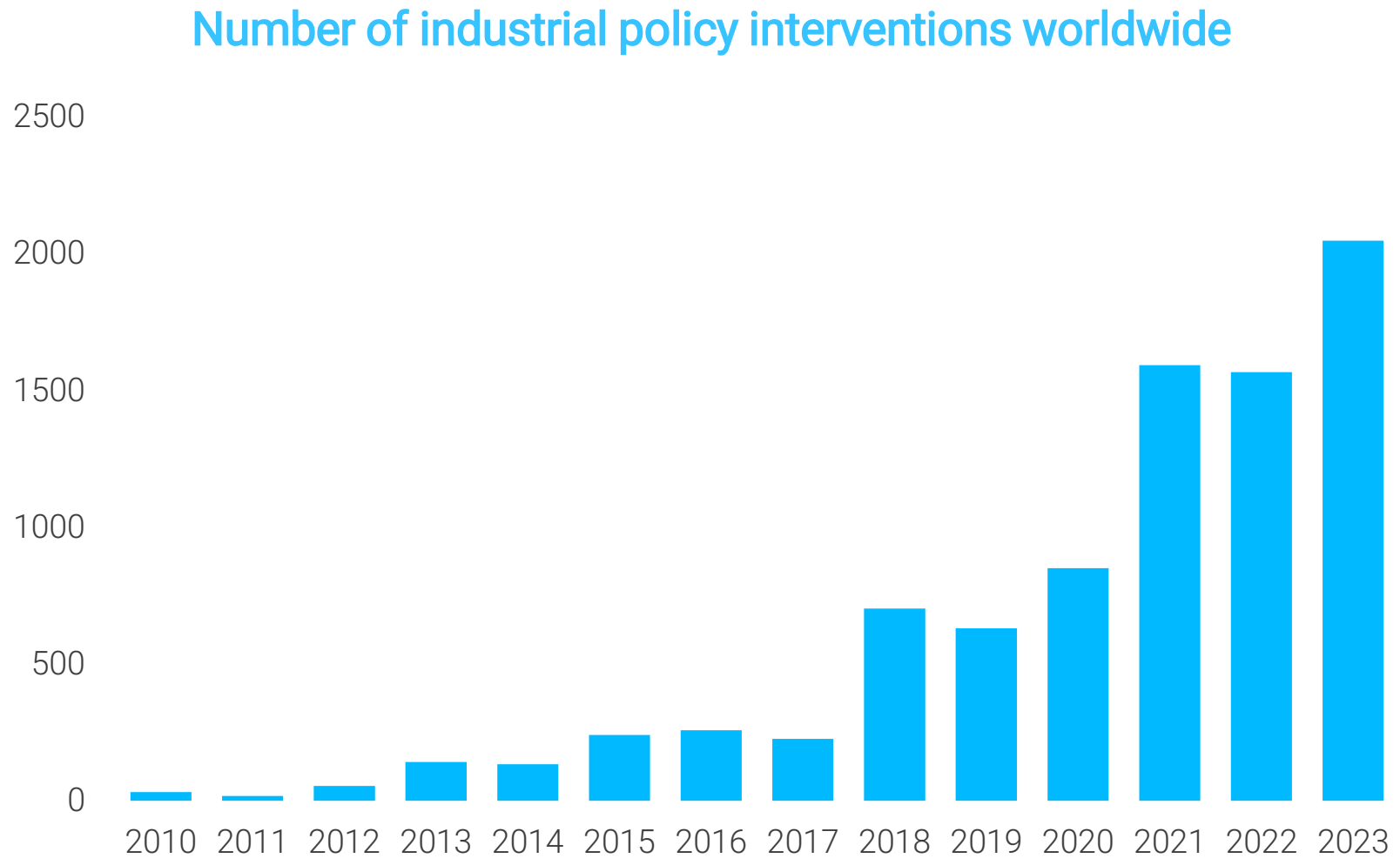
Sources: GlobalData TS Lombard.

MACRO PENDULUM SWANG TOWARDS A “HIGHER-PRESSURE” ECONOMY

Structural Macro Shift		
	2010s (post-GFC)	2020s (post-Covid)
Policy	Fiscal austerity	Fiscal prominence/industrial policy
	Ultra-low interest rates	Monetary normalization
	Free-trade/ Globalization	Protectionism/ Deglobalization
Macro	Demand-shock prevalence	Supply-shock prevalence
	Low macro volatility	High macro volatility
	2% inflation is a "ceiling"	2% inflation is a "floor"
	Loose labour markets	Tight labour markets (demographics)
	Low wage growth	Moderate wage growth
	Low productivity growth	Higher productivity growth

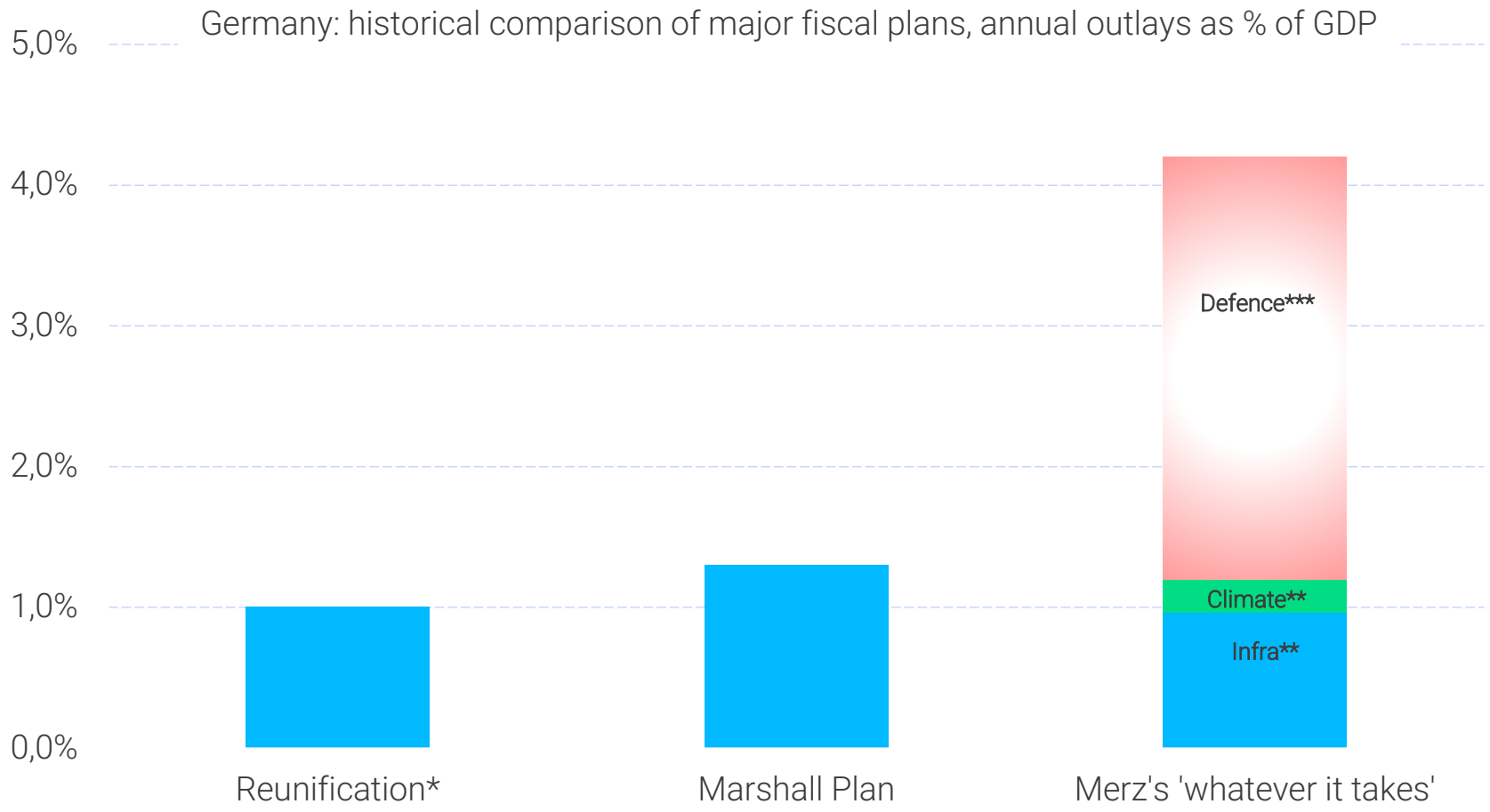
- Europe’s growth model: Foreign demand dominance → Domestic demand rebuilding
- Globally higher real rates/yields and wider term premium (esp. US)
- Erosion of bonds’ hedging properties for risk assets
- Bigger weight of real assets, commodities in global portfolios

INDUSTRIAL POLICY RENAISSANCE



Sources: The New Economics of Industrial Policy (Juhasz et al. 2023), World Bank, IMF, GlobalData TS Lombard.

“WHATEVER IT TAKES” - FROM DRAGHI TO MERZ

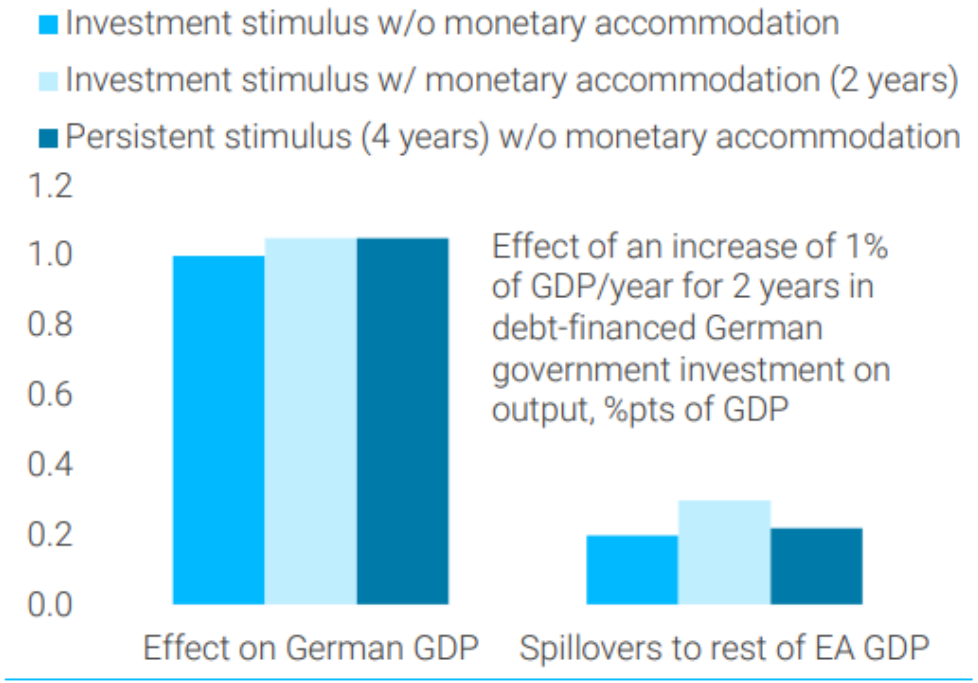


* Direct development aid for the reconstruction of East Germany ("Aufbau Ost")
** €500bn in 12 years earmarked to "new projects", €100bn of which will go to an existing climate fund.
*** Virtually uncapped. A 5% NATO target would imply €225bn/year in annual defence spending, or an extra ~3% of GDP.

Sources: BDI, GlobalData TS Lombard estimates.

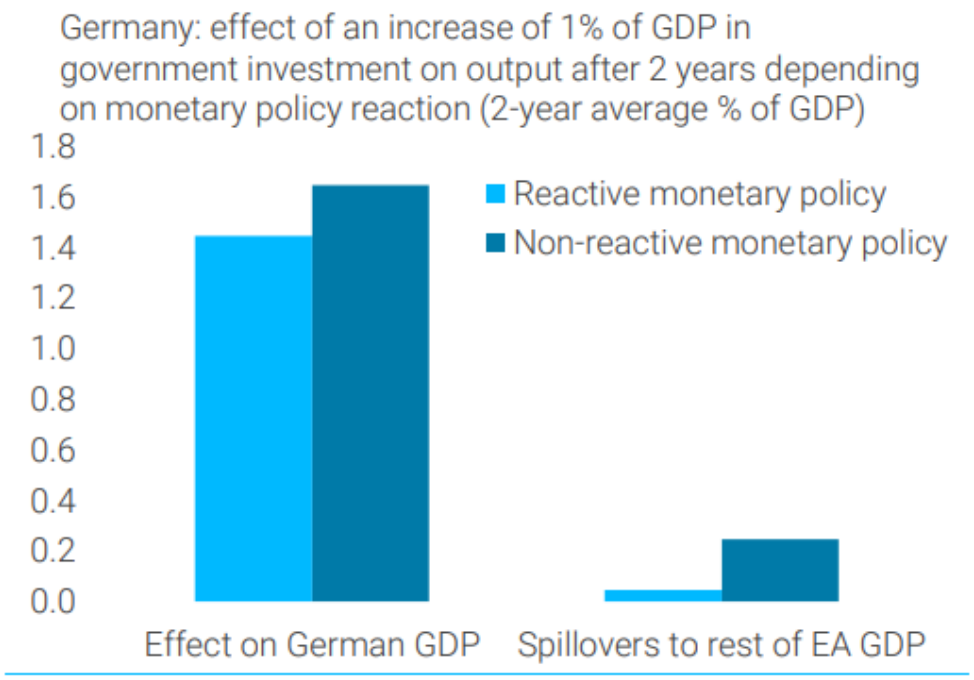
GERMAN PUBLIC INVESTMENT MULTIPLIERS ARE LIKELY TO BE > 1

Sizeable infrastructure multipliers and spillovers



Sources: IMF (2014), GlobalData TS Lombard.

A multiplier of 1.0 is a lower-bound estimate



Sources: ECB (2019), GlobalData TS Lombard.

Germany ticks all boxes for larger fiscal output multipliers:

- There is significant slack in the economy (esp. in manufacturing)
- The ECB is accommodating the fiscal stimulus and will continue to do so for some time
- Stimulus is financed by debt issuance rather than revenue measures
- Starting fiscal position is as solid as it can be
- Investment rather than consumption measures or tax cuts form the backbone of the spending plan

DEFENCE SPENDING CAN HAVE > 1 OUTPUT MULTIPLIERS TOO, IF R&D-FOCUSSED

Buy Guns or Buy Roses?: EU Defence Spending Fiscal Multipliers*

David Sarasa-Flores
BBVA Research

June 11, 2025

Abstract

This paper delivers the first comprehensive estimate of the dynamic fiscal multiplier of defence spending for the EU-27 by exploiting exogenous accrual-based government defence outlays and a combination of linear and non-linear Local Projection methods. The linear estimates imply that a 1 percent-of-trend-GDP increase in defence outlays raises aggregate output by about 1.4 percent within one year, peaking at 1.6 percent in year two, and converging to zero in the medium-term, an effect mainly driven by capital-intensive procurement. Quantile Local Projections reveal pronounced multiplier convexity–multipliers exceed 1.75 percent in deep downturns but fall below 0.75 percent in expansions–while Smooth-Transition functions show that ample fiscal headroom and low import dependence each boost multipliers above unity, yet when both conditions reverse, the multiplier collapses to zero or negative values. These results underscore the importance of capital-intensive procurement, counter-cyclical timing, fiscal credibility, and domestic supply-chain resilience, and call for coordinated EU-wide fiscal rules and procurement standards to safeguard economic stability, fiscal policy effectiveness and collective security.

Keywords: Fiscal Policy; Fiscal Multiplier; Defence Spending; European Union; Local Projections; Quantile Local Projections; Non-Linearities

JEL Classification: C13, E32, E62, F47, H56, H61

The Long-Run Effects of Government Spending*

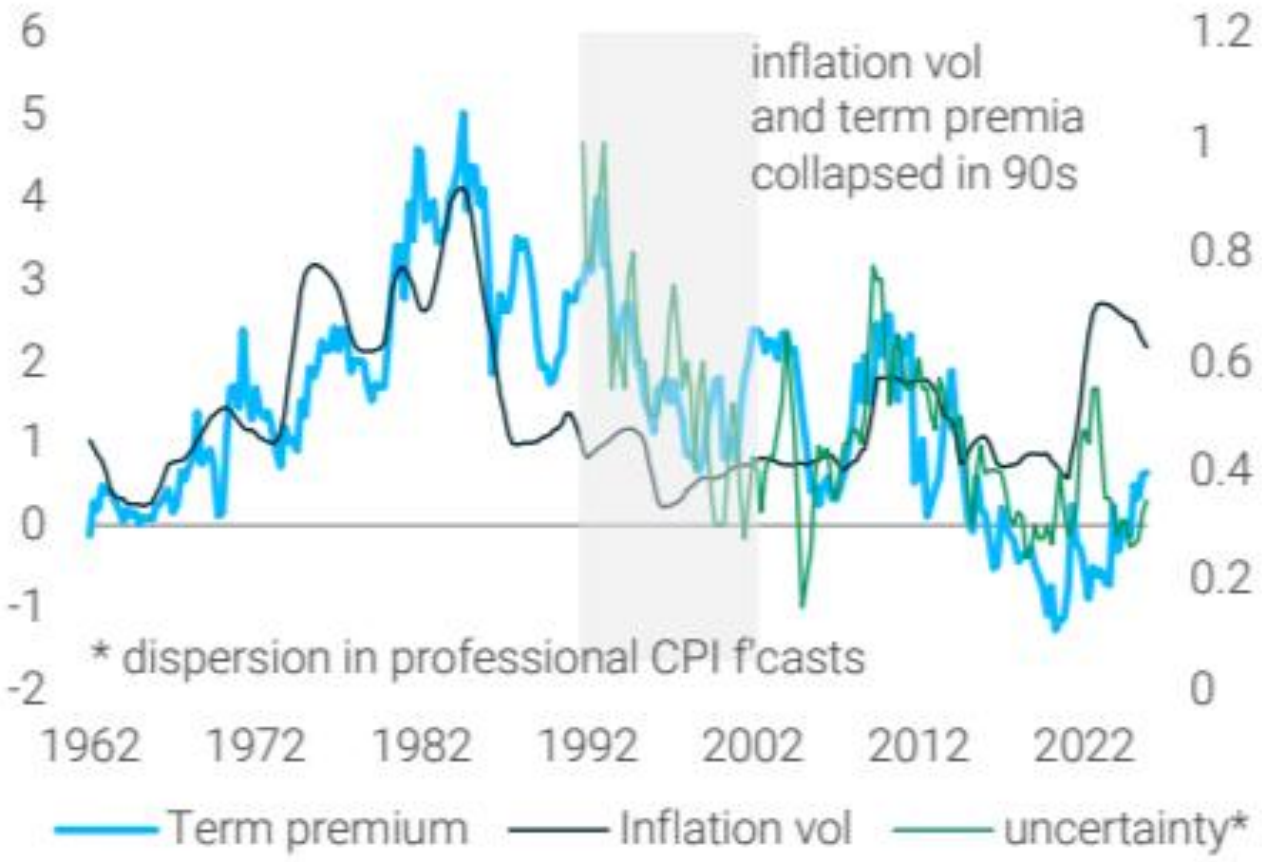
Juan Antolin-Diaz — *London Business School*
Paolo Surico — *London Business School and CEPR*

March 2024

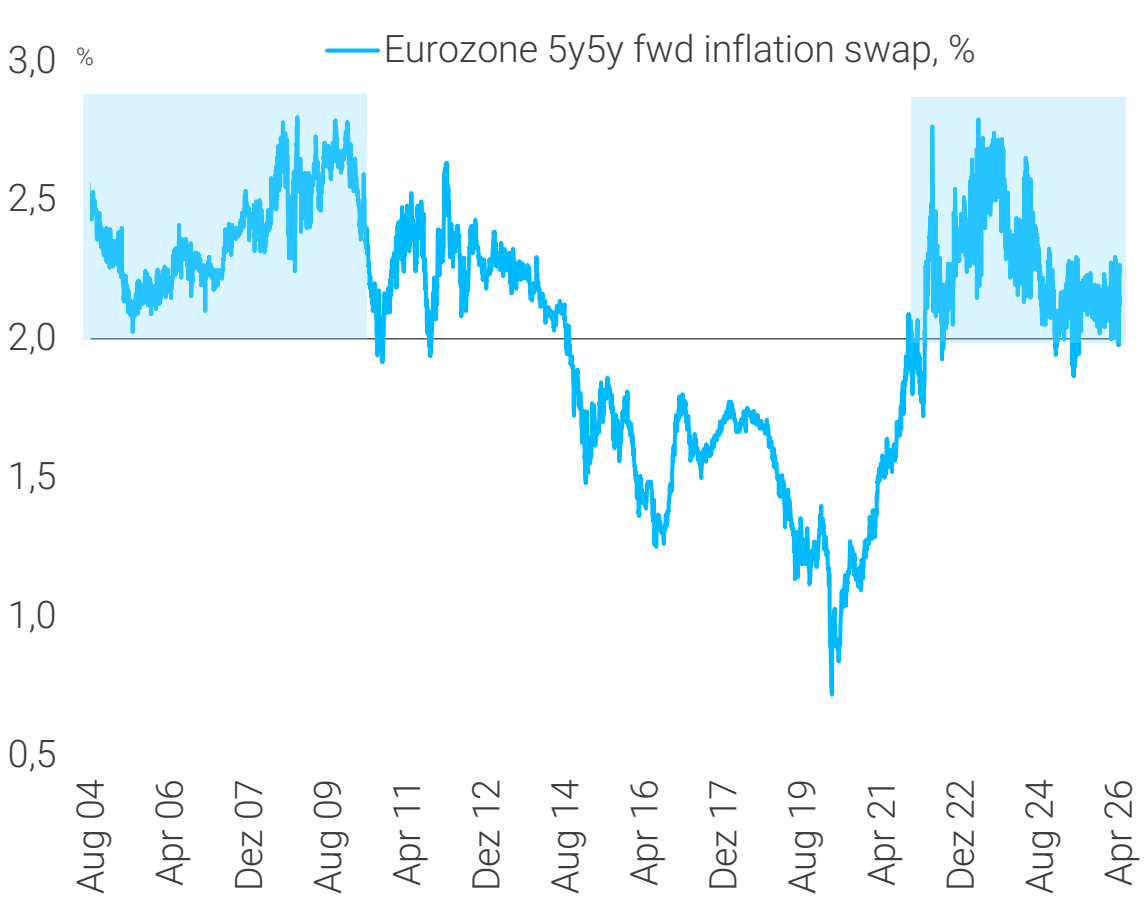
Using the series of military spending news constructed by Ramey and Zubairy (2018) (which builds on Ramey and Shapiro, 1998; Ramey, 2011b), we find that the effects of an unanticipated increase in defense spending are large, and extend well beyond the frequencies typically studied in business-cycle analyses. The output multiplier (i.e. the dollar increase in GDP that results from a dollar increase in government spending) is around one in the short-run, but raises significantly above one at long horizons. Total Factor Productivity (TFP), innovation, consumption and investment fall in the first years after the shock, but then recover and increase persistently over the medium-term.[1]

SUPPLY SHOCKS & VOLATILITY: YIELDS AND INFLATION BACK TO THE FUTURE

Higher shock frequency to drive wider term premium

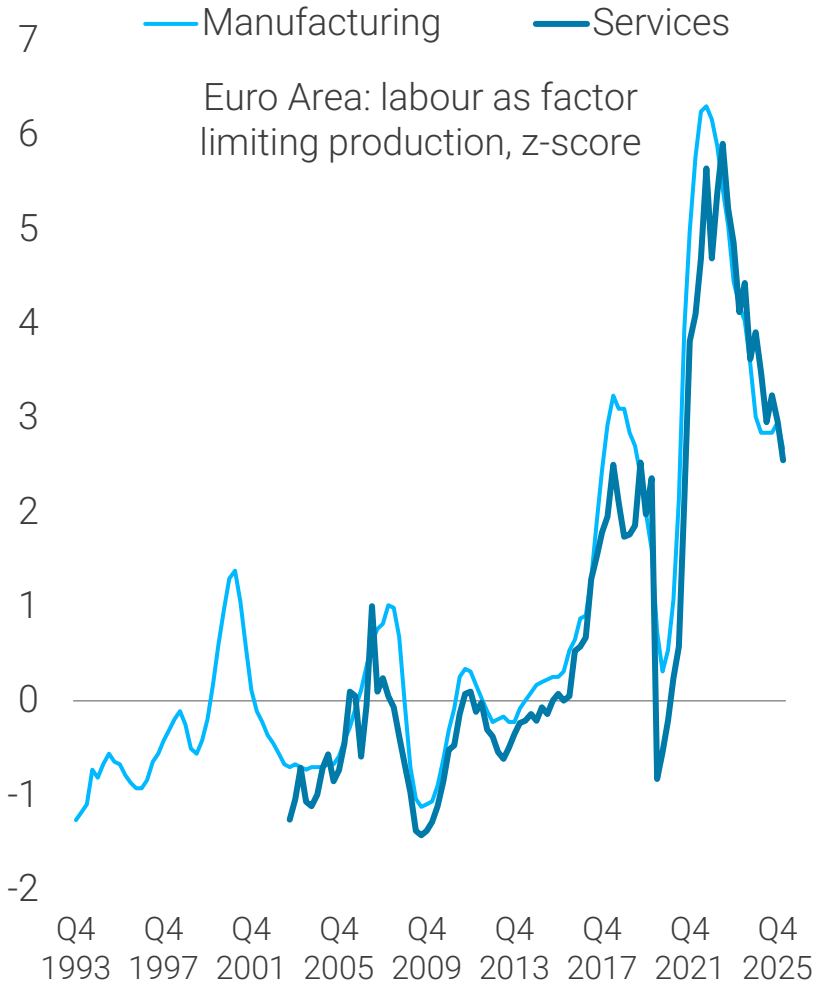


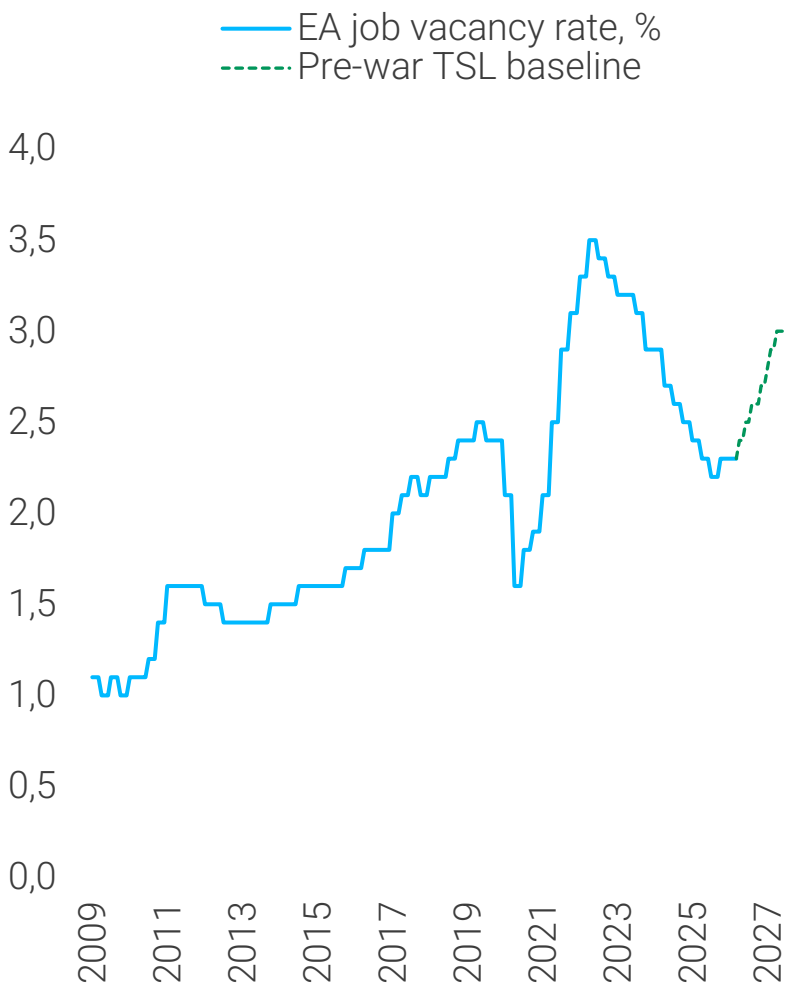
The 2010s were the historical macro anomaly

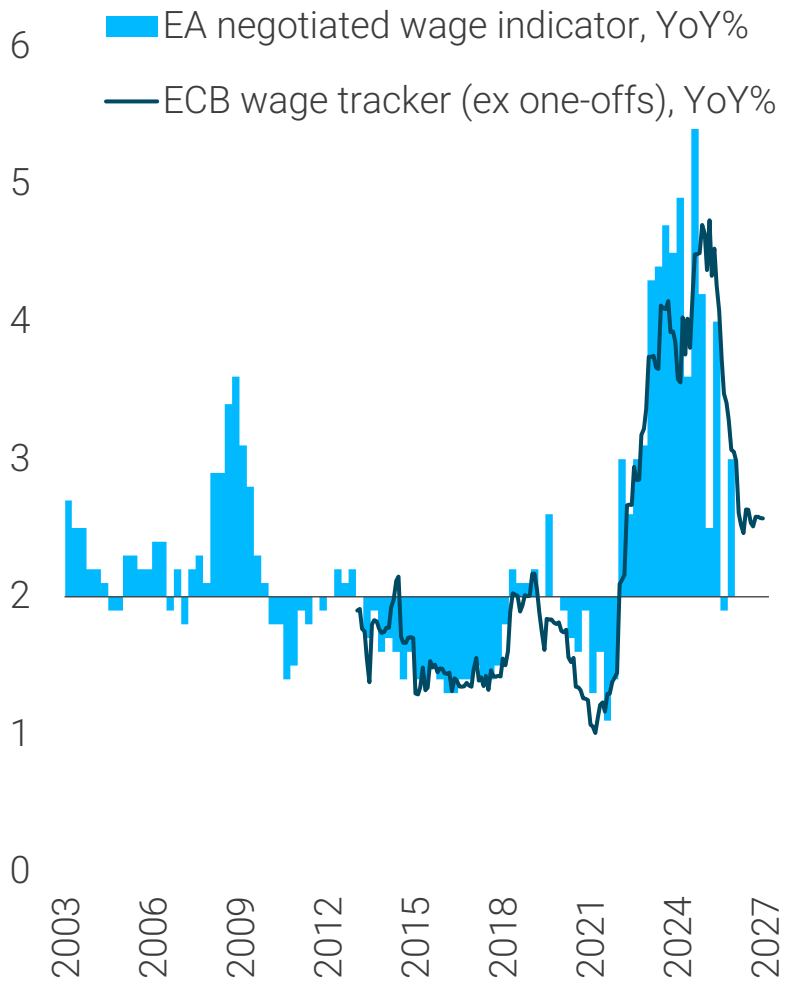


Sources: Bloomberg, NY and Philly Fed, Datastream, GlobalData TS Lombard.

“HOTTER” LABOUR MARKETS

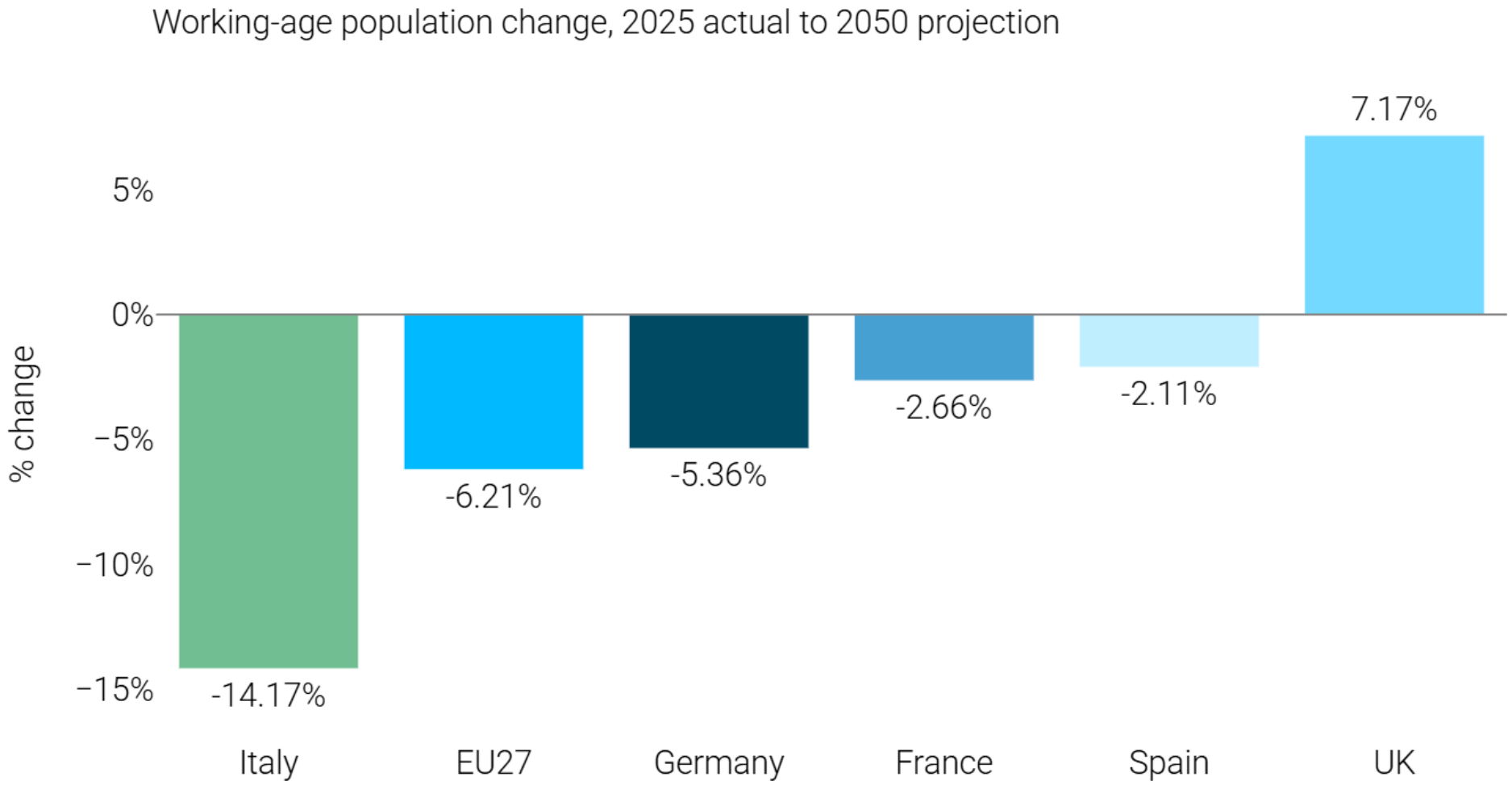






Sources: ECB, Datastream, GlobalData TS Lombard.

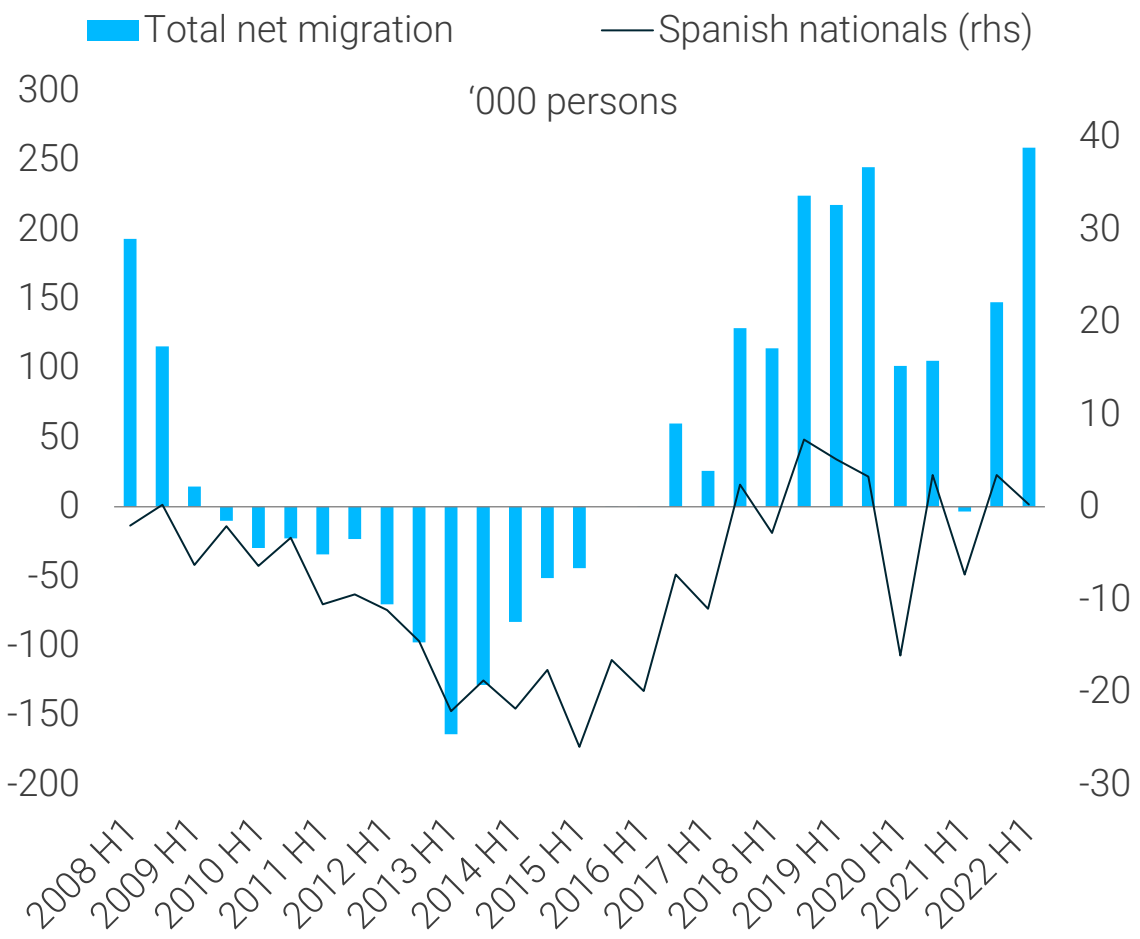
ADVERSE DEMOGRAPHICS



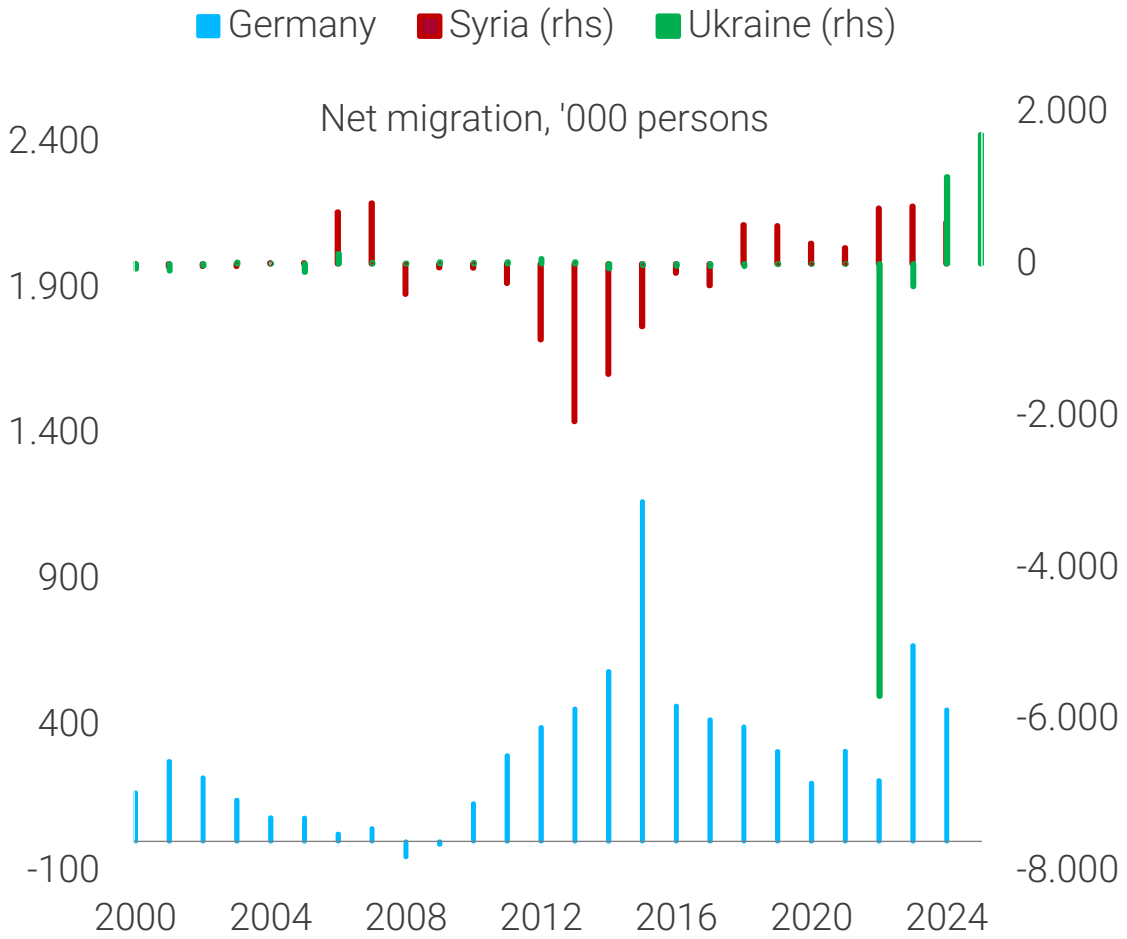
Sources: Eurostat, ONS, GlobalData TS Lombard.

IMMIGRATION/RE-MIGRATION MATTERS

Spain



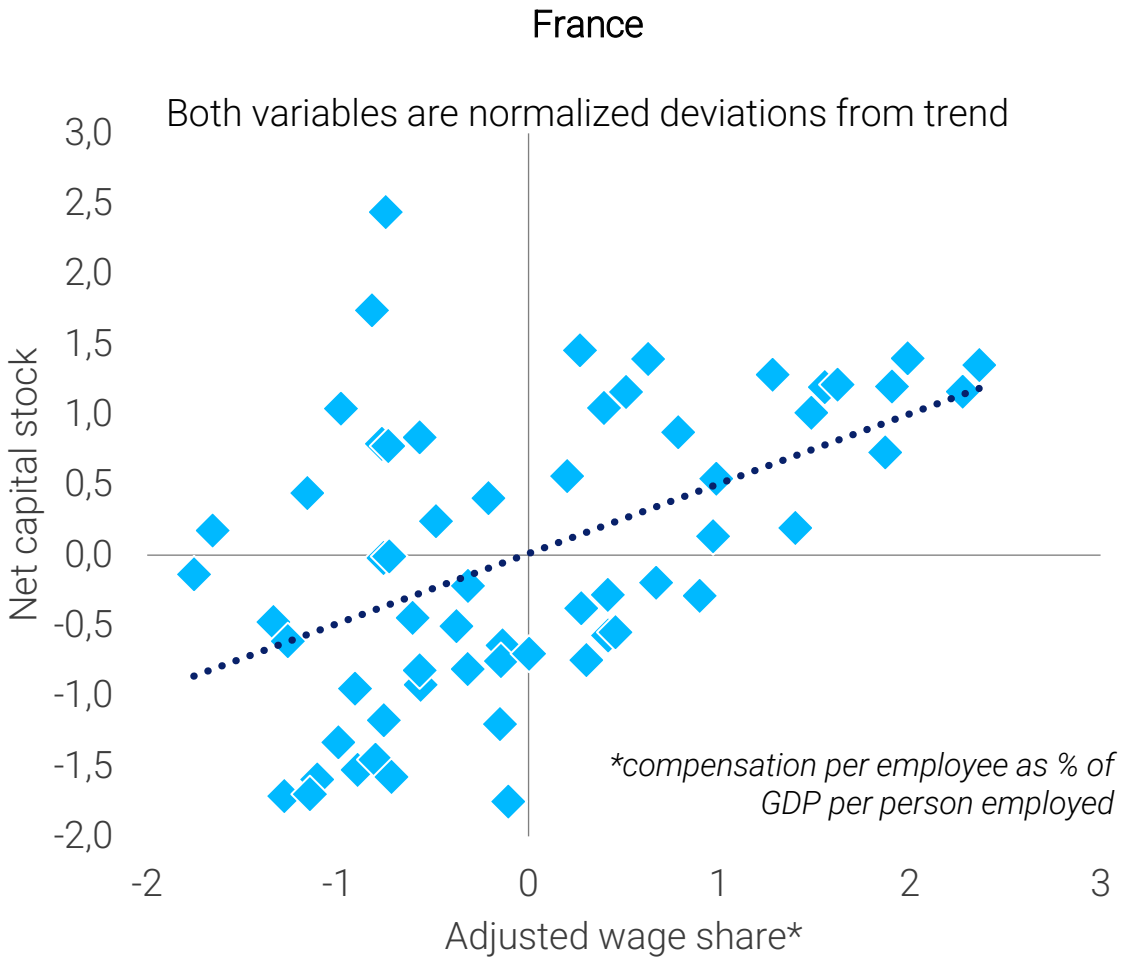
Germany



Sources: INE, Destatis, World Bank, GlobalData TS Lombard.

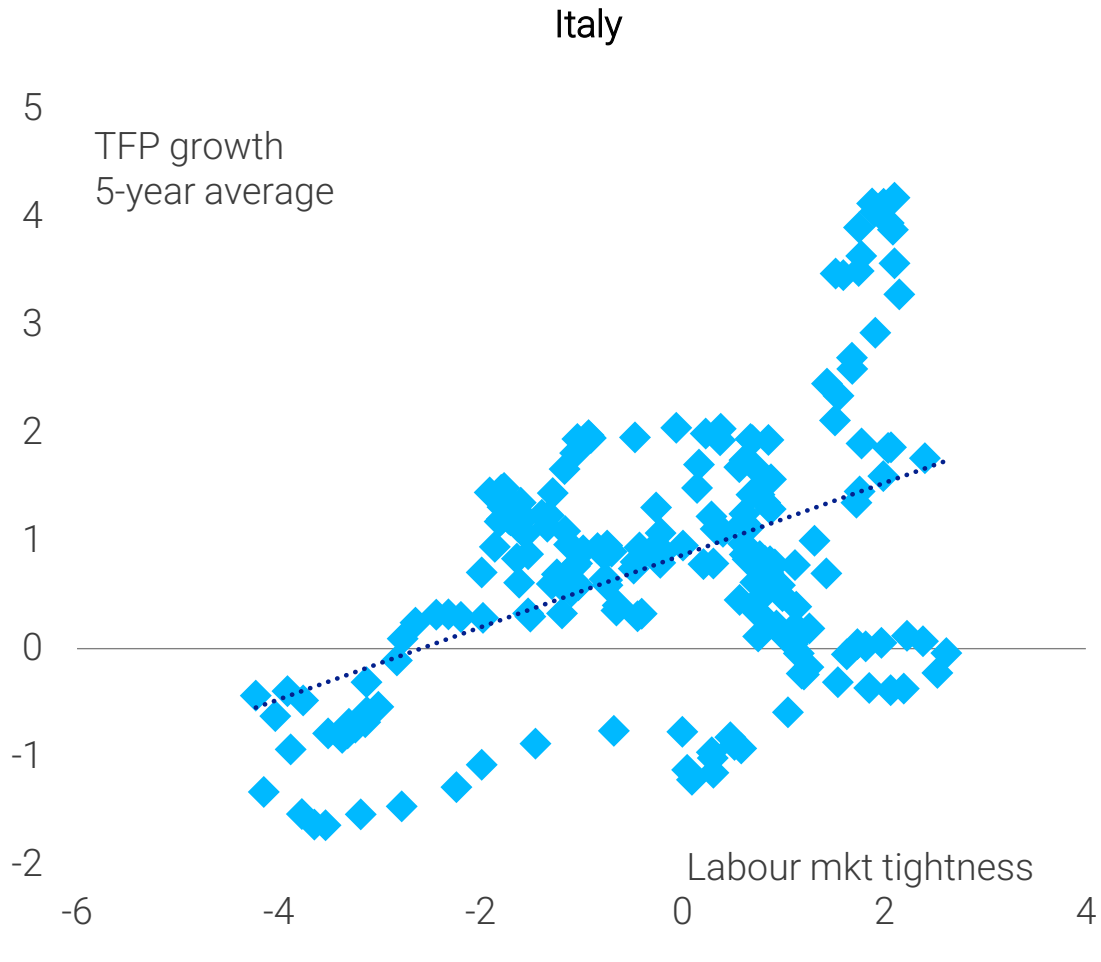
PRODUCTIVITY GAINS FROM A “HIGH PRESSURE” ECONOMY… EVEN IN ITALY!

Higher wage share correlates with higher capex



Sources: EU Comm. (AMECO), GlobalData TS Lombard calculations

Tighter job market correlates with higher TFP growth

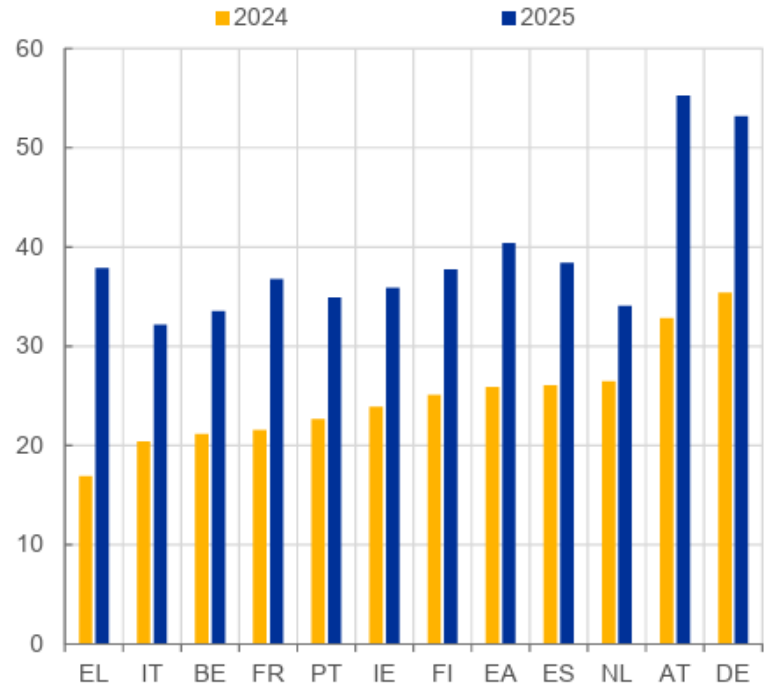


Sources: OECD, Global Data TS Lombard estimate of TFP based on production function.

AI ADOPTION

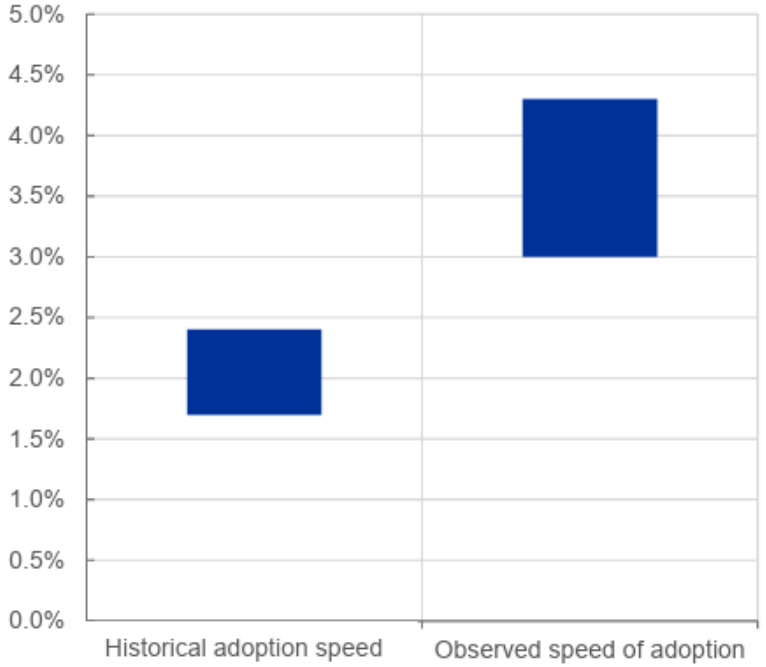
Diffusion and adoption of AI offers opportunities to significantly raise TFP

AI adoption rates of workers
(% of all workers)



Source: Consumer expectations survey (CES).
Notes: The chart shows the percentage of workers replying with "Yes" to the following question: "Do you personally use artificial intelligence (including a large language model, such as ChatGPT or Gemini) in your work?". Artificial intelligence refers to devices that can perform tasks that would usually require human intelligence. These can be software (including large language models), computers, robots or other hardware devices, possibly augmented with sensors or cameras, etc.

Range of estimated TFP impact of AI under different scenarios
(% increase over 10 years)



Source: ECB calculations on CES data.
Notes: The blue bars indicate the range of estimates across scenarios reflecting different assumptions about the share of the economy exposed to AI, which may remain constant over time (at either a low or high level) or increase as AI capabilities improve.

www.ecb.europa.eu©

Sources: ECB (Schnabel - March 2026).

EUROPE IS IN TRANSITION: WHAT CAN GO WRONG? – MY TOP-5

1) Non-stop supply shocks – or a big recession – leave no room for domestic demand rebuilding
2) Unchecked “China shock 2.0” and failure to diversify from legacy industries overwhelms growth
3) Poorly targeted public investment leads to small multipliers and no private CapEx “crowding in”
4) Slowdown in AI adoption
5) Stalling integration