Spain Economic Outlook

June 2025

Situation and outlook for the Spanish economy

Summary

GDP growth could be around 2.5% in 2025 and 1.7% in 2026, which would imply maintaining growth close to the medium-term trend, but in a context of deceleration.

Recent data indicate that the slowdown may be reflecting a lower dynamism in domestic demand, particularly consumption, both public and private. Exports from the services sector continue to be one of the strongest drivers of growth, although with a declining contribution. Investment in machinery and equipment shows recent strength that is supported by the fiscal stimulus.

The power outage suffered on April 28 would have had a significant impact on spending, but temporary and without significant effects on the second quarter as a whole.

The recovery of the Spanish economy will continue thanks to several factors. Among them, the fall in oil and gas prices; the more expansive tone of economic policy in Europe (both fiscal and monetary); or a greater growth capacity of the service sector, driven by immigration and increases in productivity per hour worked. In addition, wages are expected to rise more than prices over the next two years, housing investment will increase its contribution to demand growth in an environment of rising prices and the measures announced both to meet higher defense spending targets and help those affected by the flash floods will also support economic activity.

The expansion is expected to continue to progressively lose momentum. The increase in tariffs agreed between the U.S. and the EU will have negative repercussions on trade and activity. In addition, the increase in financial volatility and economic policy uncertainty is already conditioning the decisions of companies and households. Some of the measures announced by the government will help to offset part of these effects. There are perceived bottlenecks that could slow down the economy , such as the lack of sensitivity shown by private investment to the recovery; the high level of household savings; or the shortage of affordable housing. These restrictions could worsen if labor costs increase while productivity per person continues to stagnate, if the structural sluggishness in the employment-to-population ratio persists, and if fiscal space is exhausted amid increasing economic policy uncertainty.

GDP slows down, in a context of lower consumption growth, with a still important contribution from services

Activity growth slows but remains solid. The National Institute of Statistics (INE) revised downwards the GDP data for the third and fourth quarters of 2024. This movement explains two-thirds of the change in the growth forecasts for 2025 compared to those published last April (2.8% for 2025).[1] In addition, the estimate of a weaker-than-expected economy was extended to the first quarter of 2025, given that the advance published by the INE was lower than that forecasted by BBVA Research three months ago (0.6% quarter-on-quarter, compared to 0.7%). The data available at the time of writing suggest that GDP growth in the second quarter of the year would remain at levels similar to those of the last two quarters (0.6%).

Consumption, both by households and by the public, moderates its growth. In the second quarter, private consumption is expected to show higher growth than that observed during the first quarter (0.7% quarter-on-quarter vs. 0.4%), which, however, would result in a weaker performance in the first half of 2025 than in the second half of 2024 (1.0% on average per quarter). As a result, the savings rate will remain at relatively high levels compared to the historical average, although similar to those observed at the end of the previous year. Meanwhile, public consumption appears to have slowed down due to the restraint observed in spending by the autonomous communities. Behind this trend may be the lack of budgets in some of them, the non-updating of the resources linked to the financing system and the adherence to the new fiscal rules.

Investment in machinery and equipment has shown strength, which is supported by fiscal stimulus. Gross fixed capital formation in transportation equipment increased significantly during the last quarter of 2024 (15.2% quarter-on-quarter) and is expected to continue with moderate growth in the first two quarters of 2025. This good performance may be due to the resources allocated to those affected by the flash floods in Valencia and the impact of projects financed by the Recovery and Resilience Mechanism (RRM). The latter would also explain the strong momentum of non-residential construction investment, which is expected to continue advancing significantly in the first half of the year (3.2% and 2.7% in 1Q25 and 2Q25, respectively). Meanwhile, housing investment saw only modest growth of 0.4% quarter-on-quarter in the first quarter of 2025, despite existing imbalances between supply and demand in this market. However, the performance of several indicators, such as new construction permits, employment in the sector and cement consumption, may be pointing to further advances in the coming quarters (1.7% quarter-on-quarter in 2Q25).**Exports of services remain the main driver of growth, while exports of goods have temporarily emerged from stagnation, impacted by changes in trade policy.** Spending indicators suggest that spending by foreign tourists continues to increase at a good pace. This applies to credit card transactions made in

1: See BBVA Research (2025): "Spain Economic Outlook. March 2025". BBVA.

person at BBVA's point-of-sale terminals, which increased by 9.1% from January to May of this year. Although this growth reflects a slowdown compared to the increases recorded in the previous two years (around 20%), it retains a surprising strength, which seems to be maintained in the second quarter. Similarly, sales of other services abroad increased significantly in the first quarter (4.6% quarter-on-quarter). Meanwhile, exports of goods increased in March, possibly due to companies anticipating potential tariff hikes. This could lead to an increase in 2Q25 (1.0% QoQ) after a year of virtual stagnation. Imports have replicated this behavior and both components of demand are expected to continue to show volatility over the coming quarters.

The power outage on April 28 had a significant impact on spending, but temporary and without major effects on second-quarter growth. The blackout caused a sharp drop in BBVA customer card spending in the affected areas (−41 pp compared to the average observed on non-holiday Mondays in April 2024), while those not affected registered a smaller decline (−7 pp). This pattern is replicated in cash withdrawals and in payment with Bizum. Spending by sector revealed significant declines in fashion, health, and electronics, as well as less intense declines in supermarkets and food. At the regional level, the reduction in spending was more pronounced in some coastal provinces and bordering Madrid. The recovery in the following days was remarkable, suggesting that the final impact on demand will be limited.[2]

Going forward, different factors will continue to support growth.

If the decline in oil and gas prices consolidates, BBVA Research estimates indicate a 0.5 percentage point contribution to GDP growth in 2025 and 2026 combined.[3] This aligns with a downward revision of 10.3% in the oil price, which is expected to reach $66.8 per barrel in 2025 (a 16.7% decrease from 2024). Moreover, given that the deterioration in the outlook for the world economy is, for the moment, quite moderate, much of the fall seems to respond to a greater supply of crude oil, which in the past has been consistent with a positive and significant impact on the Spanish economy. Likewise, the price of gas has also decreased over the last few months, placing it 26% below the observed price at the beginning of this year. This has contributed to a -9.8% revision of the 2025 forecast over the last three months. Furthermore, although the consequences of the blackout on investment in the energy sector are uncertain, good weather conditions and increased renewable energy sources have kept the price of electricity from rising as much as in other countries.[4] This has led to better performance by Spanish industry in general.

European economic policy is completing the transition to an expansionary tone, which will support the growth of domestic demand on the continent. In this regard, several

2: See BBVA Research (2025), "The blackout in real time: Collapse and resilience of consumption after 28A", BBVA.
3: Estimation of the impact using an SVAR model identified with constraints of signs and zeros, which distinguishes between energy supply and demand shocks according to their origin: oil, gas or domestic electricity market. The model incorporates GDP growth, core inflation and residual inflation (energy and food components), as well as international oil and gas prices, and the domestic price of electricity.
4: See BBVA Research (2025), "Harnessing the benefits of renewable energy in the Spanish economy," BBVA.

milestones stand out. The first is the agreement reached to increase defense spending, which particularly affects countries such as Spain. In addition, the European Commission (EC) has proposed a safeguard clause that will allow countries that avail themselves to it to increase spending to 3.5% of GDP over the next four years, without being sanctioned for excessive budgetary imbalances.[5] The stimulus's impact on the economy will depend crucially on its composition and the domestic productive sector's capacity to meet the resulting material and equipment needs. **According to BBVA Research, this boost will allow the eurozone's GDP to increase by a further 0.4 to 0.5 pp.** Finally, the German government has announced an infrastructure investment plan that, if fully implemented, could lead to an increase in spending equivalent to 1 pp of German GDP, annually, over the next decade. Again, the driving effects on the rest of the countries will depend on their exposure to the German economy and their productive specialization.

In line with the scenario presented by BBVA Research three months ago, the European Central Bank (ECB) cut the deposit interest rate to 2%, and it is possible that it will open a prolonged pause contingent on the impact of tariff and fiscal measures.[6] Following the last central bank board meeting, the central bank took a moderate stance on growth and indicated that inflationary pressures are already consistent with the target. However, it stressed that the level of uncertainty is so high that the door cannot be closed to new movements. It emphasized that its decisions will continue to depend on available data. The ECB attached particular importance to the outcome of the EU-US trade negotiations and presented alternative scenarios that may imply different trajectories for inflation and interest rates. On the other hand, changes in European fiscal policy and their impact on domestic demand and prices will be closely monitored and may limit how much more accommodative monetary policy can be. In summary, if the economic scenario described in this publication were to come true, the reduction in interest rates would have come to an end in this cycle.

Services exports are expected to continue to grow above GDP. In particular, they could increase by 5.6% in 2025 and 2.4% in 2026, which would put them around 46% above the levels of the fourth quarter of 2019 by the end of the period. Over this period, their weight in GDP would rise from 10.5% to 13.7%. This capacity for growth will continue to the extent that there is room to intensify the process of deseasonalization that has been taking place in tourism. In addition, migratory flows are maintained, which would allow labor force growth to continue in 2025 and 2026 (1.5% and 1.4%, respectively). The budget for building permits for tourism and leisure buildings remains relatively high (2.3 times the average value between 2014 and 2019, adjusted for inflation). Finally, the prospects of growth in the EMU similar to that observed in recent years (0.9% in 2024 and 2025 and 1.0% in 2026, respectively) and more dependent on domestic demand, together with changes in European household preferences, which prioritize spending on services, should support the sector's progress.

The decrease in inflation and interest rates, together with the increase in wages and employment, will sustain the growth of household consumption (2.8% and 1.9% in 2025

5: See European Commission (2025), "Coordinated activation of the national safeguard clause".
6: See BBVA Research (2025), "The ECB is nearing the end of the rate cut cycle", BBVA.

and 2026). Several factors have coincided for the increase in prices to converge to levels around 2% recently. In addition to the reduction in the cost of energy, food prices have been contained . The end of the drought has allowed the prices of some goods that make up a significant portion of the CPI to drop. Core and trend indicators suggest that pressures from the services sector are contained and that in the most likely scenario, inflation will remain around 2% (2.1% in 2025 and 2.0% in 2026). For its part, remuneration per employee, in real terms, could continue its recovery (0.7% and 1.0% in 2025 and 2026), in a context where the different available indicators of wage evolution point to increases above expected inflation. According to the EPA, the strength of the labor market continues, with employment expected to increase by 2.3% in 2025 and 1.8% in 2026. The recovery in wage income will have a greater impact on spending than the improvement in gross disposable income from transfers in previous years, especially due to the increase in pensions.

The growth in housing demand and some of the measures announced to accelerate the increase in supply will allow residential investment to increase its contribution to the growth of activity. This component of domestic demand could expand by 4.1% in 2025 and 6.8% in 2026. Improvements in wage income, reduced interest rates and high liquidity in the banking sector will offset rising housing prices and make home purchases more affordable than in 2024. For its part, the Government has announced a Strategic Project for Economic Recovery and Transformation (PERTE) for the sector, with an ambitious goal of reaching 15,000 industrialized housing units per year (currently, only 4,000 are produced). In addition, the increase in prices is acting as a catalyst for investment and there is an acceleration in new building permits. The labor shortages that have limited the increase in supply in recent years have stopped worsening and, thanks to immigration, there seems to be a turning point in the ageing observed in different trades. Given the above, the number of housing completions in 2025 and 2026 is expected to reach 145,000 and 166,000 units, respectively[7].

Fiscal policy in Spain will be expansionary, contrary to what was anticipated a few months ago. This is partly due to the transfers made to individuals, companies, and government and other government agencies affected by last November's flash floods. By the end of April, more than 3,526 million euros in aid had been granted and contracts had been awarded to repair flood damage. Of this amount, 2,894 million euros were in the form of subsidies and 632 million euros were in the form of contracts. The Insurance Compensation Consortium (ICC) resolved 80% of the claims received, 63% of which corresponded to vehicle indemnities and 29% to housing. This means that the ICC has already paid almost 2.8 billion euros to those affected. Therefore, the total amount of resources that have entered the economy has been 6,324 million euros (0.4% of Spain's GDP). In addition, the government announced a 10.47-billion-euro plan (0.6 percentage points of GDP) to increase defense spending to 2% of GDP by the end of 2025. According to published figures, a significant portion of this funding will be allocated to purchasing equipment, digitizing processes and research and development. This investment-focused allocation increases the likelihood that the impact on economic activity will be greater. However, the risk remains that, in the short term, there will not be enough domestic capacity to meet the needs for specialized goods and

7: See BBVA Research (2025), "Real Estate Observatory. May 2025", BBVA.

services required, and therefore, imports will increase. Moreover, due to the tight labor market and rising domestic demand, some of the growth in spending is more likely to be reflected in rising prices. BBVA Research estimates suggest that this increase in defense spending could contribute 0.4 pp to the growth accumulated during the current biennium.

The trend toward growth moderation could consolidate

The expected slowdown will be largely determined by the change in U.S. trade policy. Its direct and indirect effects on Spanish exports, as well as the increased uncertainty that has resulted. The U.S. government's April 2 announcement to increase import surcharges across the board, up to 20% for goods from Europe, followed by the suspension of these increases to make way for bilateral negotiations, has introduced a high level of uncertainty with consequences for financial variables and activity. One example is the significant appreciation of the euro against the dollar. This change alone could subtract around 2.0 pp from the annual growth of Spanish exports in 2025 and 2026.[8] For its part, the increase in global policy uncertainty observed since September last year would subtract around 0.6 pp from GDP growth, on average, during these two years.[9] Additionally, it reinforces the idea that exporting to the U. S. will be much more expensive from now on, which will lead to reduced trade with this country. In particular, as a result of the above, Spanish goods exports are expected to contract by 1.0% in 2025 and show a slow recovery in 2026 (1.5%).

The measures announced by the Spanish government to alleviate the effects of the tariff increase replicate a roadmap that proved successful during the pandemic.[10] The objective is to prevent excessive job loss at affected companies and enable them to restructure or transform by providing access to financing guarantees. To this end, the activation of the RED mechanism, which temporarily suspends employment contracts or reduces working hours in companies affected by increased tariffs, and the reallocation of European funds to support it, are valued positively. The size of the measures seems sufficient as it is close to 1 pp of GDP (14 billion euros), which represents around 80% of the value of Spanish exports to the U.S. In any case, more than a third of the European funds announced (5,000 million euros) represent only a redirection from other uses to support the affected companies. Since there are no new resources in this part of the plan, the final impact on activity will depend on what has been left undone and the productivity of the new uses. The effectiveness of the other major measure—the availability of 7 billion euros of publicly guaranteed credit—will depend on financial uncertainty and how the tariff increases impacts export activity. In principle, the impact would be minimal if the deterioration in expectations for affected companies is limited, the NPL ratio remains close to current lows, the ECB continues its shift toward more expansionary monetary

8: Estimation of the impact using an SVAR model identified with sign constraints, which incorporates key variables of the foreign sector and economic activity. The model includes the euro-dollar exchange rate, the real effective exchange rate of the Spanish economy, exports and imports of goods and services, GDP and the deflators corresponding to these last three variables.
9: For details on the model used to calculate the impact, see BBVA Research (2016), "Uncertainty about economic policy in Spain: Measurement and impact", BBVA.
10: For more details, see the "Commercial Response and Relaunch Plan", available here.

policies, and banks maintain their current high level of capitalization and excess liquidity. In this context, there should be no problems with access to financing that can be solved with a public guarantee.

Limits to the growth of the tourism sector may lead to a moderation in its contribution to GDP growth. Currently, there is already a slowdown in the increase in travelers and in the number of overnight stays. It is not yet clear whether this responds to demand factors, associated with the poor performance of income in the countries of origin of tourists, or if it is due to the increase in domestic prices. The loss of competitiveness, along with some of the congestion problems that the quantity-based model has brought, as well as the negative externalities that the local population perceives, may also be having an impact. Additionally, several autonomous regions have announced plans to implement tourist taxes and/or limit or even prohibit apartments dedicated to tourist rentals. Although the increase in exports of tourism services is still expected to be higher than that of GDP, both in 2025 and 2026 (7.8 and 2.9%), its contribution to growth will go from 0.7 pp on average during 2023 and 2024 to 0.3 pp in 2025 and 2026.

The relative lack of resposiveness of investment to the recovery in demand and employment continues. Although there are cyclical factors that can explain part of the sluggishness, the prolongation of the problem seems to point to structural factors. One of the most obvious differences is that companies in Spain are less profitable than those in Europe. As of 2023, the country's balance sheets showed low ROE levels[11] compared to other countries in the region and in a significant number of sectors. This partly reflects the productivity differential that hinders the Spanish economy's convergence with richer Eurozone countries. This is explained by factors such as the company's relatively small size, differences in human capital endowments among workers and entrepreneurs, the underdevelopment of capital markets, and inadequate regulation.

Household savings remain at high levels and restrict the expansion of consumption. BBVA Research estimates that if household consumption were to return to its pre-2019 trend, this variable of domestic demand could increase by one more percentage point between 2025 and 2026. However, the prolonged period of savings rates significantly above the historical average suggests a change in household behavior. As mentioned in previous editions of this publication,[12] factors such as the heterogeneous increase in household income, the high public deficit or immigration could be skewing this variable upwards. Another determinant that may be gaining importance is the increase observed in savings by age, with younger people having to accumulate more and more resources to be able to access housing, and that of the elderly, with lower marginal propensities to consume.

Housing prices will continue to rise (7.3% in 2025 and 5.3% in 2026) given the persistence of the imbalance between demand and supply. Between 2021 and 2024, the construction of new housing has been equivalent to 45% of the number of homes created. The housing deficit

11: Return on equity (ROE).
12: See slide 43 in BBVA Research (2025) for the results of the update of the model on determinants of the savings rate explained in BBVA Research (2021), "The savings of Spanish households in times of pandemic", BBVA.

reached 550,000 units during those years. The lack of sensitivity of supply to price increases, together with the increase in costs as a result of higher input prices and labor shortages, will continue to put upward pressure on prices. In any case, the situation is more dramatic in the rental market where the percentage of salary income necessary to be able to access housing exceeds 50% in some autonomous communities. Although in the case of purchases these numbers are reduced by up to 30%, especially in an environment of low interest rates, access to mortgage credit is conditioned by the ability to save for a down payment: According to Eurostat, 25% of households with the highest income are those that have significantly increased their intention to buy a home, compared to the historical average. Half of the households with the lowest income have kept their intention to buy practically below their historical average. The persistence of this situation will lead to restrictions in the growth of domestic demand and increases the risk of an environment of dissatisfaction and social tension.

Uncertainty remains about a possible increase in labor costs associated with the reduction in working hours. According to BBVA Research estimates, without compensatory measures to alleviate this situation, the cut in working time would subtract around six tenths of a percentage point from average annual GDP growth and eight tenths of a percentage point from employment growth during the next biennium.[13] In this regard, it would be advisable to introduce the necessary flexibility so that companies can progressively adapt to change, without this entailing a disruption that leads to violent adjustments. This may be due to the fact that Spain still has a high unemployment rate despite the reduction in temporary employment. In some autonomous communities, the percentage of employed individuals who lose their jobs is three to four times higher than the average for the EU27. Changes in the national and international environment that trigger internal adjustments within companies may continue to have a greater impact on employment.

Forward-looking growth may be hindered by the trends observed in the change in productivity per full-time equivalent worker and the labor force participation rate. Achieving relatively high and sustained increases in the former is one of the pending tasks for the Spanish economy. Recently, after the recovery observed in the years following the pandemic, this indicator has shown a couple of years with advances below or around its historical average. In 2023, it decreased by 0.5%, while in 2024 it grew by 0.7%, compared to the trend of the last thirty years to increase to 0.6% per year. The outlook ahead is that this weak performance will continue in 2025 (-0.2%) and 2026 (0.3%). While is true that hourly productivity has performed better, it is necessary to investigate the causes of this divergence and determine whether it will persist over time. In this regard, it is essential to examine the decline in hours worked, as well as the impact of sectoral composition, immigration, aging (and its effect on sick leave), and the increase in the minimum wage on other public policies.

Much of the recent increase in the labor force participation rate appears to be cyclical. From 1992 to 2008, the percentage of working-age individuals participating in the labor market increased from just over 50% to nearly 60%. The global financial crisis and an aging population caused this indicator to fall during the years before the pandemic. However, this trend has

13: See BBVA Research (2023), "Proposal for the reduction of the working day: incidence and potential impact", available here.

recently reversed, with the labor market participation rate stabilizing and even increasing slightly in recent years. According to BBVA Research, this mainly reflects temporary factors, related to the good performance of the economy and its ability to attract workers from inactivity. The underlying trend continues to be downward, caused by the ageing of the population, which puts additional pressure on growth capacity and public finances.

The announced increases in public spending pose a new risk to the long- and medium-term sustainability of the accounts. Measures to increase public investment in defense and housing have not included announcements that would guarantee their financing in the coming years. In principle, the improvement in the economic cycle, together with the reduction in interest rates and the consensus with which decisions have been taken at the European level, provide the space to be able to carry out this expenditure without major consequences. However, this only increases and delays the necessary adjustment that has to take place over the next few years. To ensure an orderly process and minimize negative effects on economic activity, in addition to the provision of services, it would be advisable to make public a detailed plan of the measures that will be necessary to reduce the budget deficit. To this end, a cross-cutting consensus would be desirable, including far-reaching reforms, particularly to ensure the sustainability of the pension system; to address the pressures that ageing will place on the health system; and to improve the institutions and regulation around the regional financing system.

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Tables

TABLE 1.1 GROSS DOMESTIC PRODUCT (ANNUAL AVERAGE, %)

	2021	2022	2023	2024	2025	2026
United States	6.1	2.5	2.9	2.8	1.7	2.0
Eurozone	6.3	3.6	0.5	0.8	0.9	1.0
China	8.6	3.1	5.4	5.0	4.8	4.5
World	6.9	3.6	3.5	3.3	3.0	3.1

Forecast closing date: June 4, 2025.
Source: BBVA Research & IMF.I.

TABLE 1.2 INFLATION (ANNUAL AVERAGE, %)

	2021	2022	2023	2024	2025	2026
United States	4.7	8.0	4.1	3.0	3.1	2.9
Eurozone	2.6	8.4	5.4	2.4	2.0	1.7
China	0.9	2.0	0.2	0.2	0.6	1.0
World	5.1	9.2	7.5	7.0	4.7	4.1

Forecast closing date: June 4, 2025.
Source: BBVA Research & IMF.

TABLE 1.3 INTEREST RATE ON TEN-YEAR PUBLIC DEBT (ANNUAL AVERAGE, %)

	2021	2022	2023	2024	2025	2026
United States	1.4	3.0	4.0	4.2	4.5	4.6
Germany	-0.3	1.2	2.5	2.3	2.6	2.7

Forecast closing date: June 4, 2025.
Source: BBVA Research & IMF

TABLE 1.4 EXCHANGE RATES (ANNUAL AVERAGE)

	2021	2022	2023	2024	2025	2026
USD-EUR	0.84	0.95	0.92	0.92	0.89	0.85
EUR-USD	1.18	1.05	1.08	1.08	1.12	1.17

Forecast closing date: June 4, 2025.
Source: BBVA Research & IMF.

TABLE 1.5 OFFICIAL INTEREST RATES (END OF PERIOD, %)

	2021	2022	2023	2024	2025	2026
United States	0.25	4.50	5.50	4.50	4.25	3.25
Eurozone	-0.50	2.00	4.00	3.00	2.00	2.00
China	3.80	3.65	3.45	3.10	2.50	2.50

Forecast closing date: June 4, 2025.
Source: BBVA Research & IMF.

TABLE 1.6. EMU: MACROECONOMIC FORECASTS (YoY) (ANNUAL AVERAGE. %)

	2021	2022	2023	2024	2025	2026
GDP at constant prices	6.3	3.6	0.5	0.8	0.9	1.0
Private consumption	4.7	5.0	0.6	1.0	1.4	1.4
Public consumption	4.3	1.1	1.4	2.7	1.3	1.0
Gross fixed capital formation	3.7	2.1	1.9	-1.9	1.6	1.5
Inventories (*)	0.6	0.4	-0.8	-0.3	0.1	0.0
Domestic demand (*)	4.9	3.7	0.2	0.4	1.4	1.3
Exports (goods and services)	11.4	7.5	-0.6	1.0	0.1	0.6
Imports (goods and services)	9.0	8.6	-1.3	0.3	1.4	1.2
External demand (*)	1.4	-0.1	0.3	0.4	-0.5	-0.2
Prices and Costs						
CPI	2.6	8.4	5.4	2.4	2.0	1.7
CPI Core	1.5	3.9	4.9	2.8	2.4	2.1
Labour Market						
Employment	1.6	2.4	1.4	1.0	0.6	0.3
Unemployment rate (% of labour force)	7.8	6.7	6.6	6.4	6.3	6.3
Public sector						
Surplus (+) / Deficit (-) (% GDP)*	-5.1	-3.5	-3.5	-3.1	-3.2	-3.2
Public debt (% GDP)*	93.9	89.5	87.3	87.4	88.4	89.1
External Sector						
Current Account Balance (% GDP)	2.5	-0.1	1.6	2.8	2.1	2.2

Annual rate change in %, unless expressly indicated.
Forecast closing date: June 4, 2025.
(*) Excluding financial aid for Spanish banks.
Source: BBVA Research.

TABLE 1.7. SPAIN: MACROECONOMIC FORECASTS
(ANNUAL RATES OF CHANGE IN %, UNLESS OTHERWISE INDICATED)

(Annual average, %)	2022	2023	2024	2025	2026
Activity					
Real GDP	**6.2**	**2.7**	**3.2**	**2.5**	**1.7**
Private Consumption	4.8	1.8	2.9	2.8	1.9
Public Consumption	0.6	5.2	4.1	2.5	2.0
Gross Fixed Capital Formation	3.3	2.1	3.0	5.5	5.0
Equipment and machinery	2.9	1.1	2.8	6.3	2.6
Construction	2.2	3.0	3.5	5.3	5.8
Housing	8.4	2.1	1.7	4.1	6.8
Domestic Demand (contribution to growth)	**3.9**	**1.7**	**2.8**	**3.0**	**2.4**
Exports	14.3	2.8	3.1	1.3	1.9
Imports	7.7	0.3	2.4	3.0	4.4
External Demand (contribution to growth)	**2.3**	**1.0**	**0.3**	**-0.5**	**-0.8**
GDP at current prices	11.2	9.1	6.2	4.7	3.4
(Billions of Euros)	1373.6	1498.3	1591.6	1667.2	1724.4
Labour market					
Employment, Labour Force Survey	3.6	3.1	2.2	2.3	1.8
Unemployment rate (% Labour force)	13.0	12.2	11.3	10.6	10.2
Employment, full time equivalent	4.1	3.2	2.4	2.7	1.4
Productivity	2.1	-0.5	0.7	-0.2	0.3
Prices and Costs					
CPI (average)	8.4	3.5	2.8	2.1	2.0
CPI (end of period)	5.7	3.1	2.8	1.8	2.1
GDP deflator	5.0	6.4	3.1	2.3	1.8
Compensation per employee	3.9	5.6	4.7	2.9	2.8
Unit Labour Cost (ULC)	1.8	6.1	4.0	3.2	2.5
External sector (*)					
Current Account Balance (% GDP)	0.4	2.8	3.3	2.5	2.1
Public sector					
Debt (% GDP)	109.5	105.1	101.9	101.3	101.1
Deficit (% GDP) (*)	-4.5	-3.5	-3.2	-2.7	-2.5
Households					
Real disposable income	5.3	10.7	8.7	5.8	4.0
Savings rate (% nominal disposable income)	9.0	12.0	13.6	13.7	14.0

Annual rate change in %, unless expressly indicated.
Forecast closing date: June 4, 2025.
(*) Excluding financial aid for Spanish banks.
Source: BBVA Research.

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