

Spain Economic Outlook

October 2025

Situation and outlook for the Spanish economy

GDP growth in Spain is expected to reach 3.0% in 2025 and 2.3% in 2026, 0.5 and 0.6 percentage points (pp), respectively, above the forecasts in the previous edition of this publication.¹ This improvement reflects the resilience of economic activity, particularly in goods exports, in a context that had been expected to be unfavorable. In addition, the global environment is improving moderately. At the same time, the revision of the Quarterly National Accounts² series shows a greater role for investment in the recovery. In general, the outlook continues to point to an increasingly negative contribution from external demand as the pull of services exports weakens, but with strong domestic demand. Bottlenecks to growth remain concentrated in relatively low investment growth, lack of progress in labor productivity amid an increase in labor costs, the need for transparent planning in the consolidation of public accounts and the lack of consensus in resolving many of these issues.

The revision of the historical GDP series, together with the latest indicators available, point to a more resilient economy than expected. Higher growth estimates extend to the period between the third quarter of 2023 and the second quarter of 2025, with quarterly growth rate in the latter period rising from 0.7% to 0.8%. Meanwhile, GDP growth in the third quarter of the year is expected to reach 0.7%. The absence of a sharper slowdown is explained by the relatively stronger performance of exports—particularly of goods—and the solid growth of domestic demand. Although sales of goods to the United States have been affected by higher tariffs and a better-than-expected appreciation of the euro against the dollar, exports to the rest of the world continue to increase. In addition, the signing of the agreement between the European Union and the U.S. reduces uncertainty for affected firms and households.

The global growth outlook points to a moderate slowdown: from 3.3% in 2024 to 3.0% in 2025 and 3.1% in 2026. While fiscal policy, looser monetary conditions, and the drive for technological change remain supportive, activity will be constrained by protectionism, migration restrictions, uncertainty and geopolitical tensions. Recent data suggest that the negative impact of these headwinds will be more gradual than expected three months ago. In the United States, the growth forecast of 1.7% in 2025 is maintained and revised downward slightly from 1.8% in 2026. Eurozone GDP will grow by 1.3% this year, more than expected in July given the advance in the first half, and by 1.0% next year if the stimulus from defense spending offsets the effect of the tariff increase.

Added to this scenario, which is slightly less unfavorable for external demand, is the INE's upward revision to investment performance, which leaves a more favorable composition of domestic demand contributions to growth. Of particular importance have been the changes made in the acquisition of intangible assets and in non-residential

1: See [BBVA Research \(2025\)](#): "Spain Economic Outlook. June 2025".

2: See [BBVA Research \(2025\)](#): "Spain | GDP improves expectations with growth of 0.8% QoQ in 2Q25".

construction. Comparing 2025 levels with those of 2022, the additional cumulative increase resulting from the revision in both series would be 16.2% and 8.1%, respectively. This may be an indication that the funds linked to the Recovery and Resilience Facility (RRF) are having a greater impact than previously estimated. To the extent that this translates into an increase in productive capacity or helps bring forward improvements in productivity, the recovery may continue to show strong growth rates.

In Spain, the scenario of activity expansion will continue to be supported by the positive—albeit declining—contribution of services exports, and the solid recovery of domestic demand. Despite the slowdown observed in non-resident consumption, its growth (5.4% and 2.8% in 2025 and 2026, respectively) is expected to remain around—or slightly above—that of GDP. This momentum will continue to be underpinned by the change in European household preferences (which prioritize spending on services), the de-seasonalization of tourism, increased investment in the sector and the growth of the labor force driven by immigration and a rising participation rate. These factors will also support the expansion of exports of non-tourism services (12.2% and 4.4%). The cost of some key inputs for the industry, such as oil (\$67 per barrel in 2025 and \$64 in 2026) or electricity (in the wholesale market), remains at levels significantly below those observed in 2024 or what companies pay in other European countries, despite recent increases. These trends help inflation to converge to levels consistent with the ECB's target, and leading indicators suggest that this situation will continue over the coming quarters (2.5% and 2.3% in 2025 and 2026 respectively). The lower growth in prices, together with the increase in wages, will drive the progressive recovery of household purchasing power and, consequently, of private consumption (3.3 and 2.5%).

Public policies—both monetary and fiscal—will contribute to the growth of investment and private consumption. Interest rates have fallen sharply from their peak a couple of years ago. Although they are not expected to fall further, given that the 12-month Euribor is expected to stand at 2.2% in December 2025 and 2.3 % in December 2026, its current level remains favorable for stimulating credit demand from both households and businesses. This reduction in the cost of financing will allow investment (5.7% and 6.1% in 2025 and 2026 respectively) to consolidate the acceleration observed in recent quarters. Of particular importance will be the acceleration in residential construction (4.7% and 6.8%), which will increase its contribution to the growth of domestic demand. In general, credit-intensive sectors will benefit from this improved environment. Meanwhile, fiscal policy will continue to support growth due to the disbursement of aid to those affected by last year's DANA (flash floods), increased defense spending, and the possible acceleration in the deployment of funds linked to the Recovery and Resilience Facility.

Despite everything, significant risks remain in the current scenario. U.S. economic policies remain a source of instability, along with uncertainty surrounding the sustainability of growth in some key sectors and obstacles to investment, labor force and productivity growth. The impact of increased tariffs on trade with the U.S. has been negative, as expected, and it cannot be ruled out that this will continue in the future, despite

the agreement signed. This is due to the volatility that economic policy has shown in the U.S. and to the fact that some of the factors that allowed the effects to be mitigated during the first quarters may be exhausted. Additionally, the appreciation of the euro against the dollar may reduce export competitiveness. Despite the upward revision, projected GDP growth in the eurozone remains relatively low and limits the expansion of exports of goods. Also, foreign tourism growth is beginning to show signs of fatigue, partly due to constrained European demand. Gains in competitiveness as a result of investment in renewable energy may slow down in an environment of high regulatory uncertainty and rising costs. At the same time, the automotive sector is facing pressure from changes in household preferences, a lack of infrastructure to facilitate the transition to electric vehicles and increased external competition. The lack of affordable housing is a bottleneck to improving the well-being of the younger population and attracting human capital. Labor shortages in some sectors and regions, together with sluggish labor productivity, are weighing on the capacity for future growth potential. Finally, the reduction in the public deficit over the next few years will be contingent on the implementation of structural measures as the impact of the cycle on this imbalance wanes. Political fragmentation and lack of consensus continue to negatively affect activity.

Tables

TABLE 1.1 GROSS DOMESTIC PRODUCT (ANNUAL AVERAGE, %)

	2021	2022	2023	2024	2025	2026
United States	3.7	2.5	2.9	2.8	1.7	1.8
Eurozone	6.3	3.7	0.5	0.8	1.3	1.0
China	8.6	3.1	5.4	5.0	4.8	4.5
World	6.9	3.7	3.5	3.3	3.0	3.1

Forecast closing date: October 14. 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	2.8	3.0
Eurozone	2.6	8.4	5.4	2.4	2.1	1.8
China	0.9	2.0	0.2	0.2	0.1	1.0
World	5.1	9.2	7.5	7.0	4.5	4.0

Forecast closing date: October 14. 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	1.44	2.95	3.96	4.21	4.35	4.19
Germany	-0.31	1.18	2.45	2.34	2.63	2.76

Forecast closing date: October 14. 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	0.88	0.84
EUR-USD	1.18	1.05	1.08	1.08	1.13	1.20

Forecast closing date: October 14. 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	4.00	3.00
Eurozone	-0.50	2.00	4.00	3.00	2.00	2.00
China	3.80	3.65	3.45	3.10	2.75	2.50

Forecast closing date: October 14. 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	3.7	0.5	0.8	1.3	1.0
Private consumption	4.6	5.3	0.5	1.2	1.3	1.4
Public consumption	4.3	1.3	1.5	2.3	1.4	1.1
Gross fixed capital formation	3.7	2.1	2.0	-2.1	2.0	0.8
Inventories (*)	0.8	0.3	-0.8	-0.2	0.4	0.1
Domestic demand (*)	5.0	3.8	0.2	0.4	1.8	1.2
Exports (goods and services)	11.4	7.8	-1.0	0.4	1.3	0.3
Imports (goods and services)	8.9	8.7	-1.7	-0.4	2.6	1.0
External demand (*)	1.4	0.0	0.3	0.4	-0.5	-0.3
Prices and Costs						
CPI	2.6	8.4	5.4	2.4	2.1	1.8
CPI Core	1.5	3.9	4.9	2.9	2.4	2.1
Labour Market						
Employment	1.5	2.3	1.4	1.0	0.6	0.2
Unemployment rate (% of labour force)	7.8	6.8	6.6	6.4	6.3	6.4
Public sector						
Surplus (+) / Deficit (-) (% GDP)*	-5.1	-3.5	-3.5	-3.1	-3.1	-3.3
Public debt (% GDP)*	93.9	89.5	87.3	87.4	88.1	89.0
External Sector						
Current Account Balance (% GDP)	2.7	-0.2	1.6	2.6	2.1	2.0

Annual rate change in %, unless expressly indicated.

Forecast closing date: October 14, 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	6.4	2.5	3.5	3.0	2.3
Private Consumption	4.9	1.8	3.1	3.3	2.5
Public Consumption	0.8	4.5	2.9	1.4	1.6
Gross Fixed Capital Formation	4.2	5.9	3.6	5.7	6.1
Equipment and machinery	2.1	2.6	1.9	7.9	3.7
Construction	4.0	5.5	4.0	4.9	6.8
Housing	9.0	0.8	2.1	4.7	6.8
Domestic Demand (contribution to growth)	4.1	1.6	3.3	3.3	3.0
Exports	14.2	2.2	3.2	4.7	3.3
Imports	7.7	0.0	2.9	6.3	5.8
External Demand (contribution to growth)	2.3	0.9	0.2	-0.3	-0.7
GDP at current prices	11.4	8.9	6.4	5.2	4.2
(Billions of Euros)	1375.9	1497.8	1594.3	1676.9	1746.6
Labour market					
Employment. Labour Force Survey	3.6	3.1	2.2	2.6	2.2
Unemployment rate (% Labour force)	13.0	12.2	11.3	10.5	9.9
Employment. full time equivalent	4.4	3.6	2.8	2.9	1.9
Productivity	1.9	-1.1	0.6	0.0	0.4
Prices and Costs					
CPI (average)	8.4	3.5	2.8	2.5	2.3
CPI (end of period)	5.7	3.1	2.8	2.6	2.4
GDP deflator	5.0	6.4	3.0	2.2	1.9
Compensation per employee	3.7	4.6	4.0	3.2	2.9
Unit Labour Cost (ULC)	1.7	5.8	3.3	3.2	2.5
External sector (*)					
Current Account Balance (% GDP)	0.5	2.9	3.4	2.8	1.6
Public sector					
Debt (% GDP)	109.3	105.2	101.7	100.7	99.5
Deficit (% GDP) (*)	-4.5	-3.4	-3.2	-2.6	-2.2
Households					
Real disposable income	5.3	10.1	7.5	5.8	4.7
Savings rate (% nominal disposable income)	9.0	11.7	12.7	12.7	12.7

Annual rate change in %, unless expressly indicated.

Forecast closing date: October 14, 2025.

(*) Excluding financial aid for Spanish banks.

Source: BBVA Research.

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